

# **IMMSI Società per Azioni**

Share capital 178,464,000.00 euro fully paid up

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

Mantova register of companies – Tax-payer's code and VAT number 07918540019

## ***Half-yearly Financial Report of Immsi Group at 30 June 2014***

*This Report is a translation provided only for the convenience of foreign readers.*

*The Italian version will prevail.*



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This report was approved by the Board of Directors of Immsi S.p.A. on 28 August 2014 and is available on [www.immsi.it](http://www.immsi.it)  
web site – under the “*Investors – Financial reports*” section”

## **COMPANY BOARDS**

The Board of Directors and the Board of Statutory Auditors of Immsi S.p.A. were appointed by a shareholder resolution on 11 May 2012 and their term in office expires on the date of the Shareholders' Meeting called to approve the financial statements for the year ending at 31 December 2014.

### **BOARD OF DIRECTORS**

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Roberto Colaninno	<b>Chairman</b>
Carlo d'Urso	<b>Deputy Chairman</b>
Michele Colaninno	<b>Managing Director</b>
Matteo Colaninno	<b>Director</b>
Rita Ciccone	<b>Director</b>
Giorgio Cirila	<b>Director</b>
Giovanni Sala	<b>Director</b>
Enrico Maria Fagioli Marzocchi	<b>Director</b>
Ruggero Magnoni	<b>Director</b>

### **BOARD OF STATUTORY AUDITORS**

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Alessandro Lai	<b>Chairman</b>
Daniele Girelli	<b>Standing Auditor</b>
Leonardo Losi	<b>Standing Auditor</b>
Gianmarco Losi	<b>Substitute Auditor</b>
Elena Fornara	<b>Substitute Auditor</b>

### **INDEPENDENT AUDITORS**

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PricewaterhouseCoopers S.p.A.	<b>2012 - 2020</b>
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### **GENERAL MANAGER**

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Michele Colaninno

In accordance with the principles of Corporate Governance recommended by the Self-Regulatory Code of Conduct for Listed Companies, as well as in accordance with Italian Legislative Decree D.Lgs. 231/01, the Board of Directors has established the following organs:

**REMUNERATION COMMITTEE**

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Giovanni Sala  
Giorgio Ciria  
Carlo d'Urso

**Chairman**

**CONTROL AND RISK COMMITTEE**

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Giovanni Sala  
Rita Ciccone  
Giorgio Ciria

**Chairman**

**SUPERVISORY BOARD**

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Marco Reboa  
Alessandro Lai  
Maurizio Strozzi

**Chairman**

**LEAD INDEPENDENT DIRECTOR**

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Giovanni Sala

**DIRECTOR APPOINTED**

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Michele Colaninno

**PERSON IN CHARGE OF THE INTERNAL AUDIT**

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Maurizio Strozzi

**PERSON IN CHARGE OF PREPARING THE COMPANY  
ACCOUNTS AND DOCUMENTS**

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Andrea Paroli

**INVESTOR RELATOR**

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Andrea Paroli

## ***Interim management report of the Immsi Group***

The Half-yearly Financial Report for the six months ended at 30 June 2014 has been prepared in accordance with Ital.Legisl.Decree 58/1998, as amended, and the Issuer Regulations issued by Consob.

This Report also conforms with the requirements of the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) adopted by the European Union and has been prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting principles applied are consistent with those used for preparation of the Consolidated Financial Statements at 31 December 2013 by Immsi Group (to which reference is made for any further investigation), as well as the amendments and interpretations contemplated by IASB applicable as of 1 January 2014 (please, for the details refer to the Explanatory notes of this document).

Lastly, the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), previously the Standing Interpretations Committee (“SIC”), were also taken into account.

### ***Information on operations***

In the first six months of 2014, the Immsi Group recorded net revenues and operating results in contraction compared to the same period of the previous financial year, even though keeping the operating profitability, partly as a result of the continuing highly uncertain reference macroeconomic situation, that particularly concerned the domestic market because of sensing a prolonged downturn in consumption in the motor vehicle sector.

The above results also present different trends as regards the various sectors that make up the Group as a consequence of the different business dynamics that characterized the period in question.

For a more detailed description of what is written below, it should be noted at the outset that:

- the “property and holding sector” consolidates the balance sheet and income results of Immsi S.p.A., Immsi Audit S.c.a r.l., ISM Investimenti S.p.A., Is Molas S.p.A., Apuliae S.p.A., Pietra S.r.l. and RCN Finanziaria S.p.A.;
- the “industrial sector” includes the companies owned by the Piaggio group; while
- the “naval sector” includes Intermarine S.p.A. and other minor subsidiary or associate companies.

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

## Immsi Group at 30 June 2014

In thousands of euros	<i>Property and holding sector</i>	<i>in %</i>	<i>Industrial sector</i>	<i>in %</i>	<i>Naval sector</i>	<i>in %</i>	<i>Immsi Group</i>	<i>in %</i>
Net revenues	2,267		628,977		24,583		655,827	
Operating earnings before depreciation and amortisation (EBITDA)	-2,139	n/m	94,045	15.0%	-4,423	-18.0%	87,483	13.3%
Operating earnings (EBIT)	-2,406	n/m	51,081	8.1%	-5,050	-20.5%	43,625	6.7%
Earnings before taxation	-49,447	n/m	27,477	4.4%	-7,928	-32.2%	-29,898	-4.6%
Earnings for the period including non-controlling interest	-46,988	n/m	16,487	2.6%	-5,730	-23.3%	-36,231	-5.5%
Group earnings for the period (consolidable)	-44,650	n/m	8,284	1.3%	-3,620	-14.7%	-39,986	-6.1%
<i>Adjusted earnings for the period including non-controlling interest *)</i>	<i>-46,988</i>	<i>n/m</i>	<i>18,255</i>	<i>2.9%</i>	<i>-5,730</i>	<i>-23.3%</i>	<i>-34,463</i>	<i>-5.3%</i>
<i>Adjusted Group earnings for the period (consolidable) *)</i>	<i>-44,650</i>	<i>n/m</i>	<i>9,174</i>	<i>1.5%</i>	<i>-3,620</i>	<i>-14.7%</i>	<i>-39,096</i>	<i>-6.0%</i>
Net financial position	-279,249		-472,326		-117,205		-868,780	
Personnel (number)	92		7,734		298		8,124	

\*) For details of the method of calculation of the adjustment please refer in particular to paragraph Financial liabilities of this Report.

Hereunder we give the same table referring to the first half of the preceding year. A comparison between the two periods is made in the specific comment related to the single business sectors presented further on:

## Immsi Group at 30 June 2013

In thousands of euros	<i>Property and holding sector</i>	<i>in %</i>	<i>Industrial sector</i>	<i>in %</i>	<i>Naval sector</i>	<i>in %</i>	<i>Immsi Group</i>	<i>in %</i>
Net revenues	2,265		671,549		21,881		695,695	
Operating earnings before depreciation and amortisation (EBITDA)	-2,091	n/m	100,594	15.0%	-7,727	-	90,776	13.0%
Operating earnings (EBIT)	-2,366	n/m	57,565	8.6%	-8,944	-	46,255	6.6%
Earnings before taxation	-6,931	n/m	41,600	6.2%	-11,980	-	22,689	3.3%
Earnings for the period including non-controlling interest	-6,696	n/m	24,960	3.7%	-7,866	-	10,398	1.5%
Group earnings for the period (consolidable)	-4,378	n/m	13,667	2.0%	-4,970	-	4,319	0.6%
Net financial position	-236,905		-458,181		-145,382		-840,468	
Personnel (number)	89		8,150		304		8,543	

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

## Alternative non-GAAP performance measures

This Report contains some measures that, albeit not laid down in the IFRS (“Non-GAAP Measures”), derived from IFRS financial measures.

These measures – which are presented in order to measure the trend of the Group's operations to a better extent – should not be considered as an alternative to IFRS measures and are homogeneous with those included in the Annual report and financial statements at 31 December 2013 and in the periodical quarterly reports of the Immsi Group.

It should, furthermore, be borne in mind that the methods for calculating the measures applied therein might not be homogeneous with those adopted by others, as they are not specifically governed by the reference accounting standards, with the result that said measures might not prove sufficiently comparable.

In particular the following alternative performance measures have been used:

- **EBITDA:** defined as operating earnings (EBIT) gross of amortisation and depreciation. In this regard, it should be noted that - as of 31 December 2013 - the definition of EBITDA has been revised, considering it equal to operating profit or loss (EBIT) before depreciation, amortization and impairment costs of tangible and intangible assets, as reported in the Income statement.
- **Net financial 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 noncurrent) financial receivables. The other financial assets and liabilities arising from the valuation at fair value of the derivative financial instruments designated as hedges and the fair value adjustment of the related hedged items do not, however, enter into determining net financial debt. Among the schedules contained in this Report, a table detailing the items of the Financial position used to determine this indicator is also included. In this respect, pursuant to the CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, it is noted that the indicator thus formulated represents what has been monitored by the Management of the Group and that it differs from what suggested by the Consob Communication no. 6064293 of 28 July 2006 as it also includes the non-current portion of financial receivables.

Furthermore, in order to ensure adequate comparability of the results of the first half of 2014 with those of previous years, net Earnings and net Earnings per share have been recalculated for the first half of 2014, excluding the effect of non-recurring events (which are given ample illustration in the rest of this report and are entirely ascribable to the Piaggio group): these additional measures of profitability are defined as adjusted net Earnings and adjusted Earnings per share.



## The property and holding sector

In thousands of euros	30.06.2014	in %	30.06.2013	in %	Change	in %
Net revenues	2,267		2,265		2	0.1%
Operating earnings before depreciation and amortisation (EBITDA)	-2,139	n/m	-2,091	n/m	-48	-2.3%
Operating earnings (EBIT)	-2,406	n/m	-2,366	n/m	-40	-1.7%
Earnings before taxation	-49,447	n/m	-6,931	n/m	-42,516	n/m
Earnings for the period including non-controlling interest	-46,988	n/m	-6,696	n/m	-40,292	n/m
Group earnings for the period (consolidable)	-44,650	n/m	-4,378	n/m	-40,272	n/m
Net financial position	-279,249		-236,905		-42,344	-17.9%
Personnel (number)	92		89		3	3.4%

Overall, during the first six months of 2014, the **property and holding sector** produced consolidable negative net earning equal to approx. 44.7 million euros (-4.4 million in the corresponding period of the previous year) and a negative Net financial position equal to approx. 279.2 million euros, compared to 256.6 million euros and 236.9 million euros at 31 December 2013 and at 30 June 2013, respectively. In this regard it should be noted that - in view of the fact that the equity and business report prepared by the companies belonging to the segment in question has been prepared for the purposes of drafting this Immsi Group Half-yearly consolidated financial report at 30 June 2014 - these companies have not carried out specific analyses of the recoverability of the carrying value of the investments in subsidiaries, by virtue of being fully consolidated within the Consolidated financial statements of the Parent Company and therefore completely eliminated - along with any adjustments to the relative carrying values, which may result from the aforementioned recoverability analyses - upon consolidation. Below is a description of the developments of the management of the major companies belonging to the segment in question during the first half of 2014.

The **Parent company Immsi S.p.A.** records a negative net result equal to approx. 44.1 million euros, compared to approx. 18.1 million euros positive at 30 June 2013. Among the negative items of income of the first half of 2014, in respect of which it is noted that, as a result of verification through impairment test of the recoverability of the book value of the stake held in Alitalia – CAI, a loss in value deemed to be permanent equal to 40,850 thousand euros, entailed a write-down entry in the Income statement. For details of the impairment analyses referred to above, please refer to what subsequently described in the Explanatory notes to the financial statements. With reference to the positive financial components of income, during the first half of 2014 the subsidiary Piaggio & C. S.p.A did not distribute any dividends, while during the same period in the month of May 2013 Immsi S.p.A. had collected around 18.1 million euros related to dividends.

With reference to the non-financial components of income, it should be noted that the net revenues accomplished during the first half of 2014 deriving from the real-estate operations and services amount to 2.5 million euros, basically unchanged compared to the preceding year.

The Shareholders' equity of the Parent company Immsi S.p.A. at 30 June 2014 is approximately 386.1 million euros, while the Net financial debt is 73.6 million euros, an approximately 16.5 million euros increase compared to the figure at 31 December 2013: such increase is mainly due to the failure in dividends distribution in the month of May 2013 by the above subsidiary Piaggio & C. S.p.A. and to the conversion of the convertible bond in Alitalia – CAI for an overall amount of 11.7 million euros.

As regards the subsidiary **Is Molas S.p.A.**, reference is made to the Report of the Directors and Financial Statements of the Immsi Group at 31 December 2013: as for the tourist and hospitality business it should be pointed out how during the first half of 2014 a slight increase in attendance compared to the same period of the previous year, partially offset by a slight decrease in the revenues related to the golfing activity. In consideration of those trends, net revenues equal to around 1 million euros were recorded during the first quarter of 2014, basically in line with the figure recorded in the same period of the previous year. In terms of marginality, during the first half of 2014 the company recorded a negative operating result equal to approx. 1.9 million euros (unchanged compared to the value recorded during the first half of 2013) and a net consolidable loss equal to 1.1 million euros (-1.3 million euros in the first year of 2013).

The company's Net financial position shows net indebtedness equal to 42.1 million euros, in line with the position recorded at end 2013, mainly related to the negative contribution of the cash generated internally of the company, partially offset by the payment of 2.4 million euros by the shareholder ISM Investimenti S.p.A. in relation to the subscription and payment of the capital increase made during the first half of 2014.

With reference to the Pietra Ligure (**Pietra S.r.l.**), during the first half of 2014 the process for the approval of the Final Project (Burlando Procedure) for the urban transformation of the former Rodriguez shipyard (now Intermarine) into a marina, with related public, accommodation, residential and productive facilities in the Municipality of Pietra Ligure: further the Decree no.176 of 31 January 2014 of the Liguria Region that co-ordinated the non-submission to the VIA (Environmental Impact Assessment), the final updated project, submitted pursuant to art. 6 D.P.R. (Presidential Decree) no. 509/1997, was filed and published in the Praetorian Register (*i.e.*, town register) of the Municipality of Pietra Ligure on 10 March 2014. On 24 March 2014 the Municipality Council of Pietra Ligure, in view of the imminent dead-line of the mandate of the Major and the Municipality Council and in view of next administrative municipality elections on 25 May 2014, committed to approve the final project after the elections. After the approval by the Municipality of Pietra Ligure of the project with deliberation on last 15 July, we are awaiting for the Bodies of the Services Conference decision to finalize the Urban Planning Convention and the Maritime State Property Concession

With reference to the financial data of the company, at 30 June 2014, Pietra S.r.l. shows an essential break-even at an economic level and a Net financial debt amounting to 2.2 million euros, unchanged compared to 31 December 2013.

With reference to the subsidiary **Apuliae S.p.A.** there is no further updating compared to the Report of the Directors and Financial Statements of Immsi Group at 31 December 2013, which reference is made to herein. At 30 June 2014, the company shows an essential break-even at an economic level and a Net financial debt basically unchanged compared to the figure at 31 December 2013 and negative for 0.1 million euros.

The other major companies falling within the property and holding sector also include RCN Finanziaria S.p.A. and ISM Investimenti S.p.A.. With reference to the main income and balance sheet figures of the company in question, please note that:

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds a 63.18% stake, and sole shareholder of Intermarine S.p.A., shows a net loss for consolidation purposes for the Immsi Group equal to approximately 2 million euros (-1 during the first half of 2013) and a Net financial debt at 30 June 2014 amounting to 116.8 million euros, an increase of approx. 3.1 million euros compared to 31 December 2013 (equal to 113.7 million euros): such increase is predominantly relative to the recapitalization of overall 3 million euros of the subsidiary Intermarine S.p.A. through the conversion of financial receivables owed by the subsidiary into equity reserves of the same;

- **ISM Investimenti S.p.A.**, in which Immsi S.p.A. holds a 72.64% stake, in terms of voting rights, and which controls Is Molas S.p.A. with a stake of 89.48% at end June, shows a net loss for consolidation purposes for the Immsi Group equal to approximately 1.3 million euros (0.3 million euros decrease compared to the figure recorded during the first half of 2013) and a Net financial debt at 30 June 2014 amounting to 68.5 million euros, an increase of approx. 3 million euros compared to 31 December 2013 mainly further to the subscription and payment of the first tranche of share capital increase of the subsidiary Is Molas S.p.A..

## The industrial sector: Piaggio group

In thousands of euros	30.06.2014	in %	30.06.2013	in %	Change	in %
Net revenues	628,977		671,549		-42,572	-6.3%
Operating earnings before depreciation and amortisation (EBITDA)	94,045	15.0%	100,594	15.0%	-6,549	-6.5%
Operating earnings (EBIT)	51,081	8.1%	57,565	8.6%	-6,484	-11.3%
Earnings before taxation	27,477	4.4%	41,600	6.2%	-14,123	-33.9%
Earnings for the period including non-controlling interest	16,487	2.6%	24,960	3.7%	-8,473	-33.9%
Group earnings for the period (consolidable)	8,284	1.3%	13,667	2.0%	-5,383	-39.4%
Adjusted earnings for the period including non-controlling interest *)	18,255	2.9%	24,960	3.7%	-6,705	-26.9%
Adjusted Group earnings for the period (consolidable) *)	9,174	1.5%	13,667	2.0%	-4,493	-32.9%
Net financial position	-472,326		-458,181		-14,145	-3.1%
Personnel (number)	7,734		8,150		-416	-5.1%

\*) For details of the method of calculation of the adjustment please refer in particular to paragraph Financial liabilities of this Report.

Regarding the **industrial sector**, in the first half of 2014, the Piaggio Group sold 278,500 vehicles worldwide, with a reduction in volumes totalling around 6.7% compared to the same period of the previous year, when 298,500 vehicles were sold. EMEA and the Americas basically held up (-0.6%), while sales in India and Asia Pacific fell (-10.0% and -15.4% respectively). As regards the type of products sold, the downturn mainly referred to two-wheeler vehicles (-10.3%), whereas commercial vehicles reported a slight growth trend (+0.9%).

In terms of consolidated turnover, the Group ended the first half of 2014 with net revenues down by 6.3% compared to the same period in 2013, and equal to 629 million euros.

Revenues were down for EMEA and the Americas (-1.5%), and for India (-12.2%) and Asia Pacific (-17.4%).

As regards product type, sales of commercial vehicles fell by 6.5% and of two-wheelers by 6.3%. As a result, the impact of two-wheeler vehicles on overall turnover remained stable at 73%.

This performance resulted in a consolidated EBITDA which was lower than the previous period, and equal to 94 million euros (100.6 million euros in the first half of 2013). In relation to turnover,

EBITDA was equal to 15.0%, as in the first half of 2013. In terms of Operating Income (EBIT), performance was negative compared to the first half of 2013, with a consolidated EBIT equal to 51.1 million euros, down 6.5 million euros; in relation to turnover, EBIT fell from 8.6% in the previous period to 8.1%.

The result of financing activities worsened compared to the first half of the previous year, with net financial borrowing costs amounting to 23.6 million euros. This negative performance is due to non-recurrent costs relating to the early repayment of a debenture loan maturing in 2016<sup>1</sup>, estimated as 2.9 million euros, a lower capitalisation of interest, of 1.1 million euros and an increase in average debt.

Adjusted net profit, calculated excluding the effect arising from the above-mentioned non-recurrent costs and their related tax impact, amounted to 18.3 million euros (2.9% of turnover), down on the figure for the same period of the previous year of 25 million euros (3.7% of turnover).

The Net financial debt of the Piaggio group at 30 June 2014 was equal to 472.3 million euros, compared to 475.6 million euros as of 31 December 2013. The increase of approximately 3.3 million euros of the net financial position is mainly due to the positive trend of the operating cash flow that contributed to cash generated internally.

## **The market scenario**

### Two-Wheeler Business

Sales on the world two-wheeler market in the first half of 2014 increased to a figure just above 23.4 million vehicles, registering a 1.7% increase compared to the same period in 2013.

India contributed the most to this growth, reporting a 13.4% increase and closing the period with 7.8 million units sold, ranking first worldwide.

Instead the crisis on the Chinese market continued, with 5.1 million vehicles sold and a decrease in sales of 11%.

The Asian area known as Asean 5 reported a slight downturn of 0.5% (just over 7 million units sold). The most important country in this area, Indonesia, continued its growth trend, to reach nearly 4.3 million units sold. Indonesia has considerably increased its impact in this area, and now accounts for 61% of sales in South East Asia; Vietnam was still the second market in the area, with volumes just below 1.3 million units (down by 9.2%); Thailand reported a marked drop in sales in the first six months of 2014 (approximately - 23%) ending the period with 865 thousand items sold. Among other Asian area countries, Taiwan continued to grow in the first six months of 2014, with total volumes accounting for 334 thousand items and an increase of 10.7% compared to the same period of the previous year.

The North American market recorded an increase of 3.2% in the first half of 2014, with around 300 thousand vehicles sold.

In Latin America, Brazil, the reference country in the area, reported a decrease, with just under 770 thousand units sold (-6% compared to the first half of 2013).

After years of decline, Europe, which is the Piaggio Group's reference area, reported a growth trend in the first half of 2014, increasing sales on the two-wheeler market by 4% compared to 2013; the scooter segment remained steady compared to the previous year, while the motorcycle segment grew by 9.4%. In the scooter segment, 50cc models decreased (-8%) while over 50cc models reported a positive growth trend (+6%). In the motorcycle segment, over 50cc models

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<sup>1</sup> For more details refer to paragraph Financing liabilities of the Explanatory notes.

reported a 10% increase, while figures for 50cc models were stable.

### *The scooter market*

#### Europe

In the first half of 2014, the European scooter market accounted for 349,000 registered vehicles, in line with the same period of 2013.

Registered vehicles comprise 202,000 over 50cc vehicles, and 147,000 50cc vehicles. The first segment grew by 6% in 2013, while the second segment fell by 8%.

Italy is still the most important market among leading nations, with 72,000 units registered, and followed by France with 69,000 units and Spain with 41,000 units. Germany has dropped to fourth place with 38,000 units, while the United Kingdom registered 15,000. In the first six months of 2014, the Italian market recorded a slight downturn compared to the previous year (-2%), when registrations totalled 73,000. The 50cc segment fell by 18% with 13,000 units registered, while the over 50cc segment sold 59,000 units, equal to a 3% increase compared to 2013.

The French market with 69,000 vehicles decreased by 3% compared to the 71,000 vehicles sold in the first half of the previous year: this decline was attributable to the 50cc scooter segment (-9%), partly offset by the increase in the over 50cc scooter segment (+6%).

The German market also registered a decrease (-7%) with approximately 38,000 vehicles sold in the first half of 2014 compared to 41,000 in 2013. This negative trend is attributable to the 50cc scooter segment, which fell by 17%, while the over 50cc segment reported a growth of 6%.

Spain (with approximately 41,000 vehicles registered), reported a 13% increase compared to the first half of 2013: in particular, the 50cc scooter segment fell slightly (-4%), while growth in the over 50cc segment, which has a far greater weight, was considerable (+16%).

Sales in the United Kingdom also went up in the first six months of 2014 (+3%) to exceed 15,000 units.

Likewise in Spain, performance is attributable to the over 50cc scooter segment (+7%), which offset the negative trend of the 50cc scooter segment (-6%).

#### North America

As in the previous year, the scooter market reported a negative trend in the first half of 2014 (-2%); with less than 20,000 units sold: this negative performance mainly refers to the over 50cc segment, where sales fell by 5%; the 50cc scooter segment instead grew (+1%).

In the United States (accounting for 89% of the reference area), the scooter market was stable, with 18,000 vehicles sold; after the growth trend of 2013, the Canadian market reported a 14% decrease in the first half of 2014, with 2,100 vehicles sold.

#### India

The automatic scooter market increased by 30.8% in the first half of 2014, closing with over 2 million units sold.

The over 90cc range is the main product segment, with more than 1.9 million units sold in the first half of 2014 (+35% compared to the first half of 2013) and accounting for 95.7% of the total automatic scooter market.

The 50cc scooter segment is not operative in India.

#### Asia

The main scooter market in the Asean 5 area is Indonesia, with nearly 3.7 million items sold, reported an 8.5% increase compared to the first half of 2013. In Indonesia the only segment to fall was the Cub segment, which decreased by 3.2% with 889 thousand units sold, while the automatic scooter segment increased by more than 13.3% (selling over 2.8 million units).

Vietnam is the second most important market, recording a decrease of 8.9%, and selling nearly 1.29 million items, comprising 757 thousand Cub and 529 thousand automatic scooters.

## *The motorcycle market*

### Europe

Sales on the European motorcycle market increased by 9% in the first half of 2014, from 274,000 units in 2013 to 300,000 in 2014. Trends were positive in all sub-segments: in particular the over 750cc maxiengine sub-segment, which is the most important, increased by 14%, with 157,000 vehicles registered.

Growth in the mid-engine sub-segment (126-750cc) was less significant (5%), with a total of 92,000 units; a similar trend was reported for the 51-125cc sub-segment (+5% and 36,000 units) while the 50cc segment is stable, at 2013 half year figures.

Germany placed as the first market in Europe, with 74,000 units, followed by France (62,000), while the United Kingdom (39,000 units) came in ahead of Italy (38,000 vehicles) which ranked fourth, followed by Spain (18,000 units) in fifth place.

All countries reported positive trends in the period: Germany grew by 9%, while France and Italy reported a 7% growth trend; growth in the United Kingdom was even higher (+15%), while Spain recorded the highest increase (+26%).

In Italy, volumes went up from 35,000 units in the first half of 2013 to 38,000 in 2014; growth refers to over 750cc motorcycles, with figures up from 19,000 units in the first half of 2013 to 22,000 (+15%). 126-750cc motorcycles reported a stable figure of 13,000 units, while a downturn was recorded in the 51-125cc (-17% and 1,800 units) and 50cc segments (-11% and 1,300 units).

### North America

The North American motorcycle market (USA and Canada) recorded a positive trend in the first half of 2014 (+4%), selling 280,000 units against 270,000 for the same period of the previous year. In the United States (accounting for 88% of the area), the motorcycle segment recorded a 3% increase, selling 246,000 units against 238,000 units in the first half of 2013. The Canadian market picked up slightly, closing the half year up 5%, with sales of 34,000 units.

### Asia

The most important motorcycle market in Asia is India, which increased by 9.1% in the first six months of 2014 compared to the same period of the previous year, closing with over 5.4 million items.

The 110cc engine segment is the most important on the motorcycle market, accounting for 63.5% and increasing by 6.9% with sales of more than 3.4 million units.

The motorcycle market in the Asean 5 area is far less important than the scooter sector. Sales of motorcycles in Vietnam were not significant; in other countries, the highest sales were reported in Indonesia, with over 583 thousand units sold and a 12.1% increase over the previous year.

## Commercial Vehicles<sup>2</sup>

### Europe

From January to May 2014, the European market for light commercial vehicles (vehicles with a maximum mass of up to 3.5 tons) where the Piaggio Group operates, accounted for 620,951 units sold, increasing by 10.4% compared to the same period in 2013 (estimate of ACEA data January-May 2014).

In detail, France remained steady (+0.4%) while Germany reported an increase of 7.7%. Higher increases were registered in the United Kingdom (+13.3%), Italy (+16.1%) and above all Spain (+44.7%).

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<sup>2</sup> ACES data for Europe, and SIAM data for India.

## India

Sales on the Indian three-wheeler market, where Piaggio Vehicles Private Limited, a subsidiary of Piaggio & C. S.p.A. operates, went down from 244,800 units in the first half of 2013 to 236,300 in the same period of 2014, registering a 3.5% decrease.

Within this market, the passenger transport vehicles sector fell by 5.3%, with 187,300 units, while the cargo sector went up by 3.9%, from 47,100 units in the first six months of 2013 to 48,900 units in the same period of 2014. The traditional three-wheeler market is flanked by the four-wheeler light commercial vehicles (LCV) market (cargo vehicles for goods transport) where Piaggio Vehicles Private Limited operates with the Porter 600 and 1000. The LCV cargo market, with vehicles with a maximum mass below 2 tons and where the Porter 600 and Porter 1000 compete, accounted for 69,303 units sold in the first half of 2014, falling by 36% compared to the same period of 2013.

## The naval sector: Intermarine

In thousands of euros	30.06.2014	in %	30.06.2013	in %	Change	in %
Net revenues	24,583		21,881		2,702	12.3%
Operating earnings before depreciation and amortisation (EBITDA)	-4,423	-18.0%	-7,727	-35.3%	3,304	42.8%
Operating earnings (EBIT)	-5,050	-20.5%	-8,944	-40.9%	3,894	43.5%
Earnings before taxation	-7,928	-32.2%	-11,980	-54.8%	4,052	33.8%
Earnings for the period including non-controlling interest	-5,730	-23.3%	-7,866	-35.9%	2,136	27.2%
Group earnings for the period (consolidable)	-3,620	-14.7%	-4,970	-22.7%	1,350	27.2%
Net financial position	-117,205		-145,382		28,177	19.4%
Personnel (number)	298		304		-6	-2.0%

With reference to the economic data of the **naval sector**, during the first half-year of 2014, an increase in net sales revenues (consisting of turnover and variations by order on the works in progress) was registered compared to the corresponding period of the previous year equal to 12.3%, reaching 24.6 million euros, compared to 21.9 million euros in the first half year of 2013. The progress in production, including the activities of research and development, and the completion of the constructions and deliveries are related to:

- the Defence division with 22.9 million euros (19.7 million during the first half year of 2013), mainly for progress in the modernisation of the Italian Navy's Gaeta class minesweepers and progress of the contract of the Selex minesweepers integrated platform;
- the Fast Ferries and Yacht divisions, with overall 1.7 million euros (2.2 million during the first half year of 2013), mainly for repair work, for activities related to the transfer to Oman of one of the two 52 meter catamarans for the Sultanate and for the progress of the works of the remaining unit.

The production has been characterized by altogether still insufficient marginality to absorb the direct costs of production and those of the fixed structures, particularly due to i) additional costs to

built 3 minesweepers units and the achievement of the *Final Approvals* for the first two units delivered to the Finnish Navy ii) the delay in the progress of the GDF contracts (*i.e.*, Tax Revenue Corps) iii) higher transport costs of the last unit for the Sultanate of Oman and the effects of the *Amendment* undersigned for the delivery. Furthermore, it should be noticed that for the Fast Ferries and Yacht business there is a continued lack of new significant sales contracts for both new and second-hand boats. The company, in the light of the results recorded, and pending a market recovery and developments on the sales front, which are crucial for absorbing indirect costs and overheads to an adequate degree, exploited to the full every opportunity to contain structural costs in the first half of 2014 as to minimise losses incurred.

Given the foregoing, a negative operating loss (EBIT) of 5.1 million euros (-8.9 million euros over the same period in 2013) was recorded in the first half of 2014, whereas the before taxes operating loss amounted to 7.9 million euros (-12 million euros in the first half of 2013). The negative net consolidable result for the Immsi Group amounted at 30 June 2014 to 3.6 million euros compared with the loss of 5 million euros during the first half of 2013.

At 30 June 2014, the overall order book of the company amounts to approximately 168 million euros. In particular, the share relating to the Defence business amounts to about 165.7 million euros, mainly related i) to the Selex integrated minesweeper platform (for around 79.6 million euros) ii) to the refitting programme of eight Gaeta minesweepers (for approx. 56.8 million euros); and iii) to the programmes of construction and supply of logistics packages for the Guardia di Finanza (*i.e.*, Tax Revenue Corps) (for approx. 27.5 million euros). The remaining order book of the company is ascribable to the Fast Ferries business.

From a financial standpoint, the Net financial debt, equal to 117.2 million euros at 30 June 2014 has decreased by approximately 1.3 million euros compared to the balance at 31 December 2013, equal to 118.5 million euros. Such a decrease is also due to the cash flow of the period used to pay debts of supply and to the recapitalization of overall 3 million euros of Intermarine S.p.A. made by the direct controlling company RCN Finanziaria S.p.A. through the conversion of financial receivables owed by the subsidiary into Shareholders' equity reserves of the same which resulted, therefore, in a reduction by the same amount of the net financial debt of Intermarine S.p.A..



## Financial situation and financial performance

As already anticipated, in the first six months of 2014, the Immsi Group recorded net revenues and operating results in contraction compared to the same period of the previous financial year, even though keeping the operating profitability, as a result of the continuing highly uncertain reference macroeconomic situation, that particularly concerned the domestic market because of sensing a prolonged downturn in consumption in the motor vehicle sector.

The area of consolidation has not significantly changed compared to the consolidated financial statements at 31 December 2013 and the consolidated accounting situation at 30 June 2013. In particular:

- the establishment on 4 April 2014 of a new company, Piaggio Concept Store Mantova S.r.l., managing the first “*flagship store*” of the group in the town of Mantova,
- the increase in the stake held by ISM Investimenti S.p.A. in Is Molas S.p.A., went from 88.86% at 31 December 2013 to 89.48% at 30 June 2014, following the subscription of the tranches of share capital increase of the latter and the related unsubscribed shares by the non-controlling shareholder IN.CO.FIN. S.p.A.

did not alter the comparability of the balance sheet and income results between the two periods of reference, as the changes are of a limited extent.

Lastly, it is pointed out that the Piaggio group consolidated portion of shareholders' equity, that at 30 June 2014 amounted to 50.35%, was equal to 50.75% at 31 December 2013 and to 54.85% at 30 June 2013: such a decrease is shown in the result of the effect mainly due to the sale of overall 14.5 millions of Piaggio shares by S.p.A. during the last four-month period of 2013.

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

## Financial performance of the Group

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

In thousands of euros	30.06.2014		30.06.2013		Change	
<b>Net revenues</b>	<b>655,827</b>	<b>100%</b>	<b>695,695</b>	<b>100%</b>	<b>-39,868</b>	<b>-5.7%</b>
Costs for materials	368,887	56.2%	396,519	57.0%	-27,632	-7.0%
Costs for services and the use of third party assets	123,639	18.9%	119,647	17.2%	3,992	3.3%
Personnel costs	119,783	18.3%	125,628	18.1%	-5,845	-4.7%
Other operating income	56,813	8.7%	52,049	7.5%	4,764	9.2%
Other operating costs	12,848	2.0%	15,174	2.2%	-2,326	-15.3%
<b>OPERATING EARNINGS BEFORE DEPRECIATION AND AMORTISATION</b>	<b>87,483</b>	<b>13.3%</b>	<b>90,776</b>	<b>13.0%</b>	<b>-3,293</b>	<b>-3.6%</b>
Depreciations and write-downs of tangible assets	21,782	3.3%	21,364	3.1%	418	2.0%
Impairment of goodwill	0	-	0	-	0	-
Amortisations and write-downs of finite life intangible assets	22,076	3.4%	23,157	3.3%	-1,081	-4.7%
<b>OPERATING EARNINGS (EBIT)</b>	<b>43,625</b>	<b>6.7%</b>	<b>46,255</b>	<b>6.6%</b>	<b>-2,630</b>	<b>-5.7%</b>
Earnings on equity investments	0	-	1,000	0.1%	-1,000	-
Financial income	3,938	0.6%	8,554	1.2%	-4,616	-54.0%
Financial charges	77,461	11.8%	33,120	4.8%	44,341	133.9%
<b>EARNINGS BEFORE TAXATION</b>	<b>-29,898</b>	<b>-4.6%</b>	<b>22,689</b>	<b>3.3%</b>	<b>-52,587</b>	<b>n/m</b>
Taxation	6,333	1.0%	12,291	1.8%	-5,958	-48.5%
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>	<b>-36,231</b>	<b>-5.5%</b>	<b>10,398</b>	<b>1.5%</b>	<b>-46,629</b>	<b>n/m</b>
Profit (loss) from assets for disposal or sale	0	-	0	-	0	-
<b>EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST</b>	<b>-36,231</b>	<b>-5.5%</b>	<b>10,398</b>	<b>1.5%</b>	<b>-46,629</b>	<b>n/m</b>
Non-controlling interest earnings for the period	3,755	0.6%	6,079	0.9%	-2,324	-38.2%
<b>GROUP EARNINGS FOR THE PERIOD</b>	<b>-39,986</b>	<b>-6.1%</b>	<b>4,319</b>	<b>0.6%</b>	<b>-44,305</b>	<b>n/m</b>
<b>ADJUSTED EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST</b>	<b>-34,463</b>	<b>-5.3%</b>	<b>10,398</b>	<b>1.5%</b>	<b>-44,861</b>	<b>n/m</b>
Adjusted non-controlling interest earnings for the period	4,633	0.7%	6,079	0.9%	-1,446	-23.8%
<b>ADJUSTED GROUP EARNINGS FOR THE PERIOD</b>	<b>-39,096</b>	<b>-6.0%</b>	<b>4,319</b>	<b>0.6%</b>	<b>-43,415</b>	<b>n/m</b>

The consolidated net revenues of the Immsi Group have decreased by approximately 39.9 million euros (-5.7%) to around 655.8 million euros, mainly with the contribution of the industrial sector for about 629 million euros of the naval sector for around 24.6 million euros. The net revenues related to the property and holding sector, amounting to approximately 2.3 million euros of the corresponding period of the previous year remain unchanged.

The industrial sector has net revenues with a decrease of approximately 6.3% compared to the corresponding period of the preceding year (that is -42.6 million euros compared to around 671.5 million at 30 June 2013), whereas with regard to the naval sector, the net revenues amount at 30 June 2014 to 24.6 million euros, an increase of 12.3%, compared to 21.9 million euros made in the first half of 2013, mainly due to the bigger production progress registered by the Defence division.

Operating costs and other consolidated Group net costs in the first half of 2014 total 568,3 million euros (equal to 86.7% of net revenues), of which 534.9 million euros relating to the Piaggio group (85% of the net revenues of the group).

Costs for materials total 368.9 million euros, 56.2% of net revenues. The part relating to the industrial sector amounts to 360.8 million euros, 57.4% of the net revenues of the sector.

Personnel costs total 119.8 million euros, or 18.3% of net revenues. The largest part, 110.4 million euros (17.6% of net revenues of the sector), refers to the Piaggio group. The average remunerated workforce amounts to 8,072 units compared to 8,715 units in the first half of 2013.

Operating earnings before depreciation and amortisation (EBITDA) during the first half of 2014, total about 87.5 million euros, equal to 13.3% of net revenues compared to 90.8 million in the first half of 2013 (13% of the net revenues of the period), with a decrease of 3.3 million euros (-3.6%).

Depreciation and amortisation for the period stand at 43.9 million euros (of which 43 million euros related to the industrial sector), with an incidence of 6.7% on turnover and an approximately 0.6 million euros decrease compared to the first half of 2013. Depreciation of tangible assets accounts for 21.8 million euros (+0.4 million euros compared to the data recorded during the first half-year of 2013), whereas amortised intangibles excluding goodwill total 22.1 million euros (23.2 in the first half of 2013).

Operating earnings (EBIT) is at 43.6 million euros (-2.6 million euros, or -5.7% compared to the same period of 2013), or 6.7% of net revenues (substantially in line with the corresponding period of 2013).

Moreover, it is pointed out that operating earnings do not include impairments of goodwill either in the first six months of 2014 or in the same period of preceding year, in that i) on the basis of the results expected in the multi-year development plans prepared by the Group companies and used for testing for impairment carried out on 31 December 2013, and also ii) based on the analysis made by the management of the Group during the drawing up of this half-yearly financial report and on 30 June 2014, no write-downs were deemed to be necessary in that such goodwill was considered to be recoverable with future cash flows.

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

The net financial balance – including Earnings on equity investments – totals 73.5 million euros negative, equal to 11.2% of net revenues of the Group, as a result of net negative balance of 23.6 million euros relating to the industrial sector, of 2.9 million euros from the naval sector, and 47 million euros relating to property and holding sector.

Profit before taxation at 30 June 2014 stands at 29.9 million euros negative, or 4.6% of net revenues - compared to 22.7 million euros positive (3.3% of net revenues) at 30 June 2013 – of which 27.5 million euros from the industrial sector, the naval sector shows a loss of 7.9 million euros, and the property and holding sector a loss of 49.4 million euros. Such a decrease is referable to the above reduction in Operating earnings (EBIT) of the Group besides a higher incidence of the financial charges due to the impairment operated by the Parent company with respect to the stake in Alitalia – CAI, for 40,850 thousand euros, and for refinancing the Piaggio convertible bond which entailed the recording of non-recurrent costs for around 2.9 million euros.

The taxes for the period amount to around 6.3 million euros compared to 12.3 million euros at 30 June 2013. It should be specified that the impairment of the stake in Alitalia – CAI as above described cannot be offset for the purposes of the income tax (IRES), therefore the comparison between the first half year 2013 and 2014 is not significant. The tax rate of each period, net of this negative component would amount to 57.8% (30 June 2014) and 54.2% (30 June 2013) respectively.

Net earnings for the period, after taxation and net of non-controlling interest, totals 40 million euros negative (-6.1% of net revenues), down around 44.3 million euros compared to 4.3 million euros recorded at 30 June 2013 (0.6% of net revenues).

In this regard, it should be noted that the adjusted Net profit - calculated net of the aforementioned non-recurrent charges related to the Piaggio - was positive by 39.1 million euros.

### **Reclassified financial situation of the Group**

In thousands of euros	30.06.2014	in %	31.12.2013	in %	30.06.2013	in %
<b>Current assets:</b>						
Cash and cash equivalent	112,480	5.0%	74,285	3.5%	106,410	4.6%
Financial assets	1,974	0.1%	13,617	0.6%	12,770	0.6%
Operating assets	667,461	29.8%	584,857	27.3%	714,523	31.0%
<b>Total current assets</b>	<b>781,915</b>	<b>34.9%</b>	<b>672,759</b>	<b>31.4%</b>	<b>833,703</b>	<b>36.2%</b>
<b>Non-current assets:</b>						
Financial assets	0	0.0%	0	0.0%	0	0.0%
Intangible assets	837,407	37.4%	832,574	38.8%	835,170	36.2%
Tangible assets	333,657	14.9%	340,309	15.9%	354,882	15.4%
Other assets	285,039	12.7%	300,031	14.0%	282,206	12.2%
<b>Total non-current assets</b>	<b>1,456,103</b>	<b>65.1%</b>	<b>1,472,914</b>	<b>68.6%</b>	<b>1,472,258</b>	<b>63.8%</b>
<b>TOTAL ASSETS</b>	<b>2,238,018</b>	<b>100.0%</b>	<b>2,145,673</b>	<b>100.0%</b>	<b>2,305,961</b>	<b>100.0%</b>
<b>Current liabilities:</b>						
Financial liabilities	416,626	18.6%	359,691	16.8%	473,160	20.5%
Operating liabilities	667,076	29.8%	588,504	27.4%	689,797	29.9%
<b>Total current liabilities</b>	<b>1,083,702</b>	<b>48.4%</b>	<b>948,195</b>	<b>44.2%</b>	<b>1,162,957</b>	<b>50.4%</b>
<b>Non-current liabilities:</b>						
Financial liabilities	566,608	25.3%	578,994	27.0%	486,488	21.1%
Other non-current liabilities	110,115	4.9%	109,317	5.1%	115,556	5.0%
<b>Total non-current liabilities</b>	<b>676,723</b>	<b>30.2%</b>	<b>688,311</b>	<b>32.1%</b>	<b>602,044</b>	<b>26.1%</b>
<b>TOTAL LIABILITIES</b>	<b>1,760,425</b>	<b>78.7%</b>	<b>1,636,506</b>	<b>76.3%</b>	<b>1,765,001</b>	<b>76.5%</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>518,443</b>	<b>21.3%</b>	<b>509,167</b>	<b>23.7%</b>	<b>540,960</b>	<b>23.5%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>100.0%</b>		<b>100.0%</b>		<b>100.0%</b>

Current assets at 30 June 2014 amounted to 781.9 million euros, an increase over 31 December 2013 of 109.2 million euros and a decrease over 30 June 2013 of 51.8 million euros. The increase compared to year end 2013 is mainly due to the growth in the net trade receivables and other receivables (+38.9 million euros) and to the growth of the inventory stock (+39.8 million euros) mainly regarding the Piaggio group (respectively +55.2 million euros, +38.8 million euros and +37.5 million euros) because of the seasonality of the business.

Non-current assets at 30 June 2014 stand at 1,456.1 million euros against 1,472.9 million at 31 December 2013, with a 16.8 million euros decrease.

Specifically, among the non-current assets, intangible assets total 837.4 million euros, a 4.8 million euros increase compared to 31 December 2013, tangible assets stand at 333.7 million euros (down by around 6.7 million euros compared to the end of 2013) and other assets total 285 million euros (against 300 million at the end of 2013). With particular reference to the Piaggio group, it should be highlighted that the adjustment of the equity items at the exchange rate at period end generated a reduction in the book value of tangible assets of approximately 2.5 million euros and of intangible assets of about 1.1 million euros compared to 31 December 2013.

Current liabilities at 30 June 2014 total 1,083.7 million euros, 135.5 million euros increase compared to 31 December 2013, mainly related to the increase in the current financial liabilities from 359.7 million euros to 416.6 million euros and trade payables (+63 million euros, of which

+73.8 million in the Piaggio group), mainly in relation to the seasonality of the purchases. Non-current liabilities at 30 June 2014 stand at 676.7 million euros, down by approximately 11.6 million euros compared to the 688.3 million euros of 31 December 2013, while the consolidated Group and non-controlling interest shareholders' equity at 30 June 2014 is 477.6 million euros, of which 178.1 million euros attributable to non-controlling interest.

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

In thousands of euros	30.06.2014	in %	31.12.2013	in %	30.06.2013	in %
Current operating assets	667,461	45.8%	584,857	39.8%	714,523	47.7%
Current operating liabilities	-667,076	-45.8%	-588,504	-40.1%	-689,797	-46.1%
<b>Net operating working capital</b>	<b>385</b>	<b>0.0%</b>	<b>-3,647</b>	<b>-0.2%</b>	<b>24,726</b>	<b>1.7%</b>
Intangible assets	837,407	57.5%	832,574	56.7%	835,170	55.8%
Tangible assets	333,657	22.9%	340,309	23.2%	354,882	23.7%
Other assets	285,039	19.6%	300,031	20.4%	282,206	18.9%
<b>Invested capital</b>	<b>1,456,488</b>	<b>100.0%</b>	<b>1,469,267</b>	<b>100.0%</b>	<b>1,496,984</b>	<b>100.0%</b>
Non-current non-financial liabilities	110,115	7.6%	109,317	7.4%	115,556	7.7%
Non-controlling interest capital and reserves	178,102	12.2%	171,247	11.7%	177,072	11.8%
Consolidated shareholders' equity of the Group	299,491	20.6%	337,920	23.0%	363,888	24.3%
<b>Total non-financial sources</b>	<b>587,708</b>	<b>40.4%</b>	<b>618,484</b>	<b>42.1%</b>	<b>656,516</b>	<b>43.9%</b>
<b>Net financial debt</b>	<b>868,780</b>	<b>59.6%</b>	<b>850,783</b>	<b>57.9%</b>	<b>840,468</b>	<b>56.1%</b>

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

In thousands of euros	30.06.2014	30.06.2013
Cash generated internally	60,489	46,553
Change in net working capital	-33,461	-61,918
<b>Net cash flow generated from operations</b>	<b>27,028</b>	<b>-15,365</b>
Payment of dividends by Parent company	0	0
Payment of dividends to non-controlling interest by Group companies	0	-14,940
Increase in share capital of subsidiaries underwritten by non-controlling interest	5,139	0
Purchase of treasury shares by the companies of the Group	0	-962
Purchase of intangible assets	-25,852	-25,063
Purchase of tangible assets	-13,473	-18,829
Net decrease from property disposals	314	89
Acquisition of non-controlling equity investments, net of disposal	-11,650	2
Other net movements	497	3,942
<b>Change in net financial position</b>	<b>-17,997</b>	<b>-71,126</b>
<b>Initial net financial position</b>	<b>-850,783</b>	<b>-769,342</b>
<b>Closing net financial position</b>	<b>-868,780</b>	<b>-840,468</b>

The **net financial debt** passes from 850.8 million euros at 31 December 2013 to 868.8 million euros at 30 June 2014 mainly due to the flow of cash generated internally (+60.5 million euros) able to only partially offset the cash absorption deriving from the trend of the working capital (-33.5 million euros), the net investments of the period (-39 million euros), and the investment from the conversion of the debenture loan by Immsi in Alitalia – CAI for an overall amount of 11.7 million euros.

Group gross investments in the year totalled 39.3 million euros, divided as follows:

- 25.8 million euros in intangible assets, almost fully referring to the Piaggio group; and
- 13.5 million euros in tangible assets, of which 12.5 million euros referring to the Piaggio group, 0.7 million euros to the subsidiary Intermarine S.p.A. and the rest to the property and holding sector.

The net financial debt at 30 June 2014 is analysed below and compared with the similar figure at 31 December 2013 and at 30 June 2013.

In accordance with Consob Communication no. 6064293 dated 28 July 2006 and in conformity with the CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, it should be noted that the net financial debt – excluding the Credits for medium and long term financing – does not differ from the figure recorded by the Group regarding the above periods as there are no medium/long-term financial Receivables.

In thousands of euros	30.06.2014	31.12.2013	30.06.2013
<b>Short-term liquidity</b>			
Cash and cash equivalent	-112,480	-74,285	-106,410
Financial assets	-1,974	-13,617	-12,770
<b>Total short-term financial assets</b>	<b>-114,454</b>	<b>-87,902</b>	<b>-119,180</b>
<b>Short-term financial payables</b>			
Bonds	0	0	0
Amounts due to bank	344,422	294,815	409,095
Amounts due under finance leases	5,359	5,809	957
Amounts due to other lenders	66,845	59,067	63,108
<b>Total short-term financial payables</b>	<b>416,626</b>	<b>359,691</b>	<b>473,160</b>
<b>Total short-term financial debt</b>	<b>302,172</b>	<b>271,789</b>	<b>353,980</b>
<b>Medium/long-term financial assets</b>			
Receivables for loans	0	0	0
Other financial assets	0	0	0
<b>Total medium/long-term financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Medium/long-term financial payables</b>			
Bonds	287,584	195,318	194,413
Amounts due to bank	276,724	380,483	283,186
Amounts due under finance leases	226	0	5,325
Amounts due to other lenders	2,074	3,193	3,564
<b>Total medium/long-term financial payables</b>	<b>566,608</b>	<b>578,994</b>	<b>486,488</b>
<b>Total medium/long-term financial debt</b>	<b>566,608</b>	<b>578,994</b>	<b>486,488</b>
<b>Net financial debt *</b>	<b>868,780</b>	<b>850,783</b>	<b>840,468</b>

\*) The indicator does not include financial assets and liabilities arising from the fair value valuation of derivative financial instruments designated as hedges and the adjustment to fair value of the related hedged items and related expenses, entirely referable to the Piaggio group (see note G2 – “Financial liabilities” in the Explanatory Notes)

With reference to the composition of the debt it is possible to note, compared to 31 December 2013, an increase in the short-term financial debt, passing from a balance of 271.8 million euros to a balance equal to 302.2 million euros (or +30.4 million euros), mainly due to an increase of Amounts due to banks and other lenders for 57.4 million euros, to the reduction for 11.6 million euros of the current financial assets, only partially offset by the increase of Cash and cash equivalent (passing from 74.3 million euros at 31 December 2013 to 112.5 million euros at 30 June 2014, or +38.2 million euros)

The financial debt over the medium and long term (equal to 566.6 million euros at 30 June 2014) is decreasing for 12.4 million euros compared to the balance at 31 December 2013 (equal to 579 million euros), mainly further to a decrease in the Amounts due to bank, passing from 380.5 million euros at 31 December 2013 to 276.7 million euros at 30 June 2014 (or -103.8 million euros), partially offset by the higher debt incurred further to the refinancing of the Piaggio convertible bond (+92.3 million euros).

## Research & development

The Immsi Group carries out research and development activities through the Piaggio group and the subsidiary Intermarine S.p.A.. Below is a summary of the main current activities in the two respective sectors (industrial and naval) while for further information refer to what is stated in the paragraph "*Research and development*" contained within the Report and financial statements of the Immsi Group at 31 December 2013.

With reference to the **industrial sector**, the main objective of the Piaggio group is to meet the most progressive needs for mobility, while reducing the environmental impact and consumption of its vehicles, guaranteeing their performance and levels of excellence. The constant focus is placed on research into vehicles that are at the forefront in terms of:

- environmental credibility: products that can reduce pollutant gas and CO<sub>2</sub> emissions in town and out-of-town use; this is achieved by further developing traditional engine technologies (increasingly sophisticated internal combustion engines), as well as making more use of renewable, sustainable energy sources;
- reliability and safety: vehicles that enable a growing number of users to get about town easily, helping to reduce traffic congestion and guaranteeing high standards of active, passive and preventive safety;
- recyclability: i.e. products that minimise environmental impact at the end of their useful life cycle;
- cost-effectiveness: vehicles with lower running and maintenance costs.

Piaggio's research and development is strongly focussed on two main themes: developing engines that are even more environmentally friendly and with an even better performance, and vehicles with an improved functionality and safety. Also during the first half of 2014, the Piaggio group continued its policy of retaining technological leadership in the sector, allocating total resources of 33.5 million euros to R&D, of which 23.8 million euros capitalised under intangible assets as development costs.

As regards the **naval sector**, it should be remembered that in the last few years Intermarine S.p.A. has started some important research projects: the first project envisages the planning and construction of two prototypes of a new submerged-foil hydrofoil, whereas the second project, named "Enviroaliswath", envisages the planning and construction of a naval vessel that is innovative as regards environmental impact in terms of wake wash reduction. During this period, minimal costs were borne regarding the construction of the above prototypes. At 30 June 2014, the company has capitalised 7.7 million euros under intangible assets, net of amortisation and deferred income, whereas 24.4 million euros are registered under inventories for the value of the prototypes under construction.

Lastly, it should be highlighted during the period the development of activities related to the Seaport, Teseo, Sea Butterfly and USV Permare projects for which credits for grants and research costs were accounted for around 0.2 million euros.

## Risk factors

With reference to the risk factors that characterize the business of the Immsi Group, no significant variations have occurred during the first half of 2014 in relation to the contents of the Report of the Directors and the Financial Statements of the Immsi Group at 31 December 2013 to which reference is made for any further investigation. As concerns the main risks and uncertainties related to the second half of the year under examination, please refer to the paragraph related to the Events occurring after 30 June 2014 and operating outlook.

## Human resources

At 30 June 2014, Immsi Group employed 8,124 staff, of which 92 in the property and holding sector, 7,734 in the industrial sector (Piaggio group) and 298 in naval (Intermarine S.p.A.). The following tables divide resources by category and geographical area:

### Human resources by category

numbers	30.06.2014			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior managers	7	97	8	112
Middle managers and employees	39	2,704	138	2,881
Manual workers	46	4,933	152	5,131
<b>TOTAL</b>	<b>92</b>	<b>7,734</b>	<b>298</b>	<b>8,124</b>
numbers	31.12.2013			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior managers	7	95	8	110
Middle managers and employees	41	2,704	141	2,886
Manual workers	26	4,889	153	5,068
<b>TOTAL</b>	<b>74</b>	<b>7,688</b>	<b>302</b>	<b>8,064</b>
numbers	Changes			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior managers	0	2	0	2
Middle managers and employees	-2	0	-3	-5
Manual workers	20	44	-1	63
<b>TOTAL</b>	<b>18</b>	<b>46</b>	<b>-4</b>	<b>60</b>

### Human resources by geographical area

numbers	30.06.2014			
	Property and holding sector	Industrial sector	Naval sector	Group total
Italy	92	3,785	298	4,175
Rest of Europe	0	225	0	225
Rest of the World	0	3,724	0	3,724
<b>TOTALE</b>	<b>92</b>	<b>7,734</b>	<b>298</b>	<b>8,124</b>
numbers	31.12.2013			
	Property and holding sector	Industrial sector	Naval sector	Group total
Italy	74	3,805	302	4,181
Rest of Europe	0	245	0	245
Rest of the World	0	3,638	0	3,638
<b>TOTAL</b>	<b>74</b>	<b>7,688</b>	<b>302</b>	<b>8,064</b>
numbers	Changes			
	Property and holding sector	Industrial sector	Naval sector	Group total
Senior managers	18	-20	-4	-6
Middle managers and employees	0	-20	0	-20
Manual workers	0	86	0	86
<b>TOTAL</b>	<b>18</b>	<b>46</b>	<b>-4</b>	<b>60</b>

The increase in the number of employees at 30 June 2014 is basically related to the strengthening of the Far East industrial plants, as a result of the personnel employed permanently both in Piaggio Vietnam Co. Ltd and in Piaggio Vehicles private Ltd., which has more than offset the reductions recorded in the other geographical areas of operation of the group. This figure includes also workers employed with term contracts, mainly belonging to Piaggio group to meet the seasonal cycle of the production activity.



## Stock options

At 30 June 2014, Immsi S.p.A. has no existing stock option plan.

In the subsidiary company Piaggio & C. S.p.A., with reference to the incentive plan 2007-2009, deliberated by the general meeting of the company on 7 May 2007 and subsequently amended, reserved for senior executives or of Italian and/or foreign companies controlled by it in accordance with art. 2359 of the Italian Civil Code, as well as for the directors with proxies in the aforesaid subsidiary companies ("Plan 2007-2009"), it should be noted that during the first half of the year 2,880,000 option rights were exercised, whereas 390,000 option rights were lapsed.

At the date of 30 June 2014 there were therefore assigned totally 100,000 rights of option for a corresponding number of shares.

Detailed information on the 2007-2009 Plan is available in the informative documents published by Piaggio & C. S.p.A. in accordance with art. 84-bis of the Consob Issuers Regulations, which can also be viewed on the company's institutional website [www.piaggiogroup.com](http://www.piaggiogroup.com) - Governance section.

Rights	No. of options	Average exercise price (euro)	Market price (euro)
Rights existing at 31.12.2013	3,370,000	1.72	
° of which exercisable at 31.12.2013	3,370,000		
New rights granted in the first half of 2014			
Rights exercised in the first half of 2014	(2,880,000)	1.78	2.78
Rights expired in the first half of 2014	(390,000)	1.2218	
Rights existing at 30.06.2014	100,000	1.826	
° of which exercisable at 30.06.2014	0		

As required by the international accounting standards, the cost for fees, corresponding to the present value of options which the company determined applying the Black-Scholes valuation model using average historical fluctuations of Company shares and the average interest rate on loans with the same duration as the contract validity, is recognised under employee costs on a straight-line basis for the period between the allocation and maturity date, with the counter entry directly recognised as shareholders' equity.

The existing options are broken down by allocation plan:

	Number of rights existing at 30 June 2014	Exercisable period	Exercise price (€)
Allocation 18 December 2009	100,000	60 days as of the second day further the approval of the 2014 half-year figures of the Company	1.826

## Other information

### Treasury stock

At 30 June 2014, Immsi S.p.A. held no treasury stock.

Furthermore, it should be remembered that the Ordinary Shareholders' Meeting of Immsi S.p.A. of 13 May 2014 approved a plan for the purchase and disposal of treasury shares of the Company, revoking the shareholder resolution of 30 April 2013 during the Ordinary Shareholders' Meeting, for the portion not executed. The Board of Directors of Immsi S.p.A. held on 13 May 2014 – following the above authorisation by the shareholders' general meeting – deliberated a programme to purchase treasury stocks within the scope of the "market practices" as permitted by Consob in accordance with art. 180, paragraph 1, lett. c) of the TUF with deliberation no. 16839 dated 19 March 2009 and in the EC regulation no. 2273/2003 of 22 December 2003. In particular, the aim of the purchase programme will be the constitution of a "securities portfolio" to be used for executing any future investment operations to be made through exchange, trade, conferment, transfer or other act of disposing of own shares, including the obligation to guarantee the Company's financial operations. The purchase may cover a maximum of 10,000,000 Immsi ordinary shares, without expressed nominal value, and, therefore, within the limits of the law (20% of the share capital pursuant to art. 2357, paragraph 3, of the Italian Civil Code) and must take place within the limits of the distributable dividends and the available reserves shown in the last approved financial statements (including interim) at the time of the transaction. Purchases of treasury shares shall be made in compliance with the operating conditions established by Consob pursuant to art. 180, paragraph 1, subparagraph c) of the TUF with resolution no. 16839 of 19 March 2009 and by EC Regulation no. 2273/2003 of 22 December 2003, where applicable, as well as in compliance with art. 144-bis, paragraph 1, subparagraph b) of Consob Regulation 11971/1999 (as amended) and any applicable provisions, in such a way as to allow the equal treatment of shareholders pursuant to art. 132 of the TUF. The buyback programme can be carried out even in different instalments and will expire during the year of 2015, whereas the authorisation to the disposal was granted with no time limit.

With reference to the subsidiary Piaggio & C. S.p.A., it should be remembered that during the first half year 200,000 treasury stocks were sold to the beneficiaries of the stock option plans. Therefore, at 30 June 2014 the company owned 639,669 treasury stock, or 0.18% of the capital stock.

### Disputes in progress

With reference to the outstanding litigation and disputes at the Group level, please refer to what is described in detail in the Directors' Report on Operations of the Immsi Group at 31 December 2013 - "Disputes in progress" section, except for what described below.

Regarding the **property sector** and particularly Apuliae S.p.A. and Is Molas S.p.A., please refer to the paragraphs related to the property and holding sector contained in the Directors' Report on Operations of the Immsi Group at 31 December 2013.

With particular reference to the company Is Molas S.p.A. and to the contractor's suspension of the site for the construction of the first 15 villas of segment FCn10' and the first phase of the primary infrastructure works, we summarize below what happened during the first half of 2014.

The Municipality of Pula, with reg. 5414 of 14 March 2014, confirmed the validity and effectiveness of building permits no. 18 and 19 issued in 2011.

Such acts have been the subject of an appeal before the Regional Administrative Court of Sardinia, sponsored by the companies Italiana Costruzioni S.p.A. and Pula Lavori S.C.a.r.l, for the

annulment, following a suspension, of the negative decision. In May, the Regional Administrative Court rejected the request for a suspension. We await the setting of the terms for the discussion of the case and the related trial.

After several postponements, the proceedings related to the return of the construction site areas ended with the signing of a Memorandum of Settlement in which the Contractor undertook to complete the site clearance, which actually took place at the end of June, after delays and non-fulfilments.

Regarding the preliminary technical inspection aimed at checking the performed works and the quantification of their value, its conclusion is scheduled for mid-October.

With regard to the "Sarroch Granulati S.r.l." lawsuit, we report that at the hearing on 8 July 2014 the company representative informed the Court of Appeal of Brescia of the intervened bankruptcy of the same, with the consequent interruption of the lawsuit.

With regard to the **industrial sector** (Piaggio group), it is reported that :

- the technical/accounting court-appointed expert requested by Da Lio, will be completed by the end of 2014;
- as for Elma s.r.l., the hearing for closing arguments has been set for 21.12.2015;
- as for Gammamoto S.r.l., the Court of Venice issued a ruling in favour of Piaggio, filed on 17 February 2014;
- as for Leasys–Savarent S.p.A., during this hearing on 10 July 2014, the Judge did not issue a decision, giving the parties deadlines for filing final briefs and replies;
- as for Autobahn Techniques Ltd, on 4 October 2013 the Judge declared that the action taken by Autobahn could not proceed. The case has closed, as the terms for re-opening proceedings have expired.

Autobahn could take new action against Piaggio, establishing new and independent proceedings relative to the same matter.

The Company has also received a draft assessment order from the Indian tax authorities after an assessment concerning the income generated by Piaggio & C. S.p.A. in India during the Indian 2009-2010 tax period. On 16 April 2014 the Company lodged an appeal with the Dispute Resolution Panel, a body dealing with pre-litigation that tax payers may use in order to obtain an opinion which is binding on the tax authorities and which the tax authorities have to consider when preparing final documents with the outcome of the assessment, that will take place in the first few months of 2015.

With regard to the **naval sector** (Intermarine S.p.A.), we report below what has occurred over the course of the half-year period.

With reference to the arbitration ended in 2013 with Sea Services S.r.l. in relation to the termination of a contract for the purchase of a 38 metre yacht, at the end of March 2014 the company received notice of the appeal of the other party, which had been unsuccessful in the pronouncement of the award of 2013. On July 9, the first hearing was held in the Court of Appeal of Milan, in which the company submitted the petition as plaintiff. The hearing for the specification of the pleadings has been scheduled for 23 March 2016.

With reference to the writ of summons before the Court of Naples of the company Scoppa Charter S.r.l. (formerly Immobiliarservice Rad S.p.A.), buyer of the vessel Conam 75 WB Alvadis II, delivered in 2010 for the amount of 2 million euros, with which the owner claimed the alleged nonconformity of the asset, demanding compensation for damages of about 5 million euros, it should be noted that, after the period of investigation referred to in the hearing on 16 June 2014, the judge adjourned the case to 5 November 2015 for the specification of the pleadings.

With regard to the tax disputes, please note that in the month of April 2014 the application for tax settlement related to the year 2010 ex Rodriguez Cantieri Navali was discussed, through which a proposal for adjustment of tax losses of 47 thousand euros was essentially set to zero.

In relation to the tax disputes of the subsidiary Rodriquez do Brasil, some unfavourable rulings were received in the 2014 semester, at various levels of judgement: the subsidiary, in consultation with Intermarine, will present the appropriate appeals. We are also considering the possibility of joining a Programme of Accession on most of the disputes, on the basis of a decree recently issued by the Brazilian Tax Authorities, which would allow a significant reduction in penalties and interest.

## **Events occurring after 30 June 2014 and operating outlook**

With regard to the subsidiary Intermarine S.p.A. (**naval sector**), please note that on 12 July 2014 the last catamaran no. 351 was delivered to the Sultanate of Oman, with the consequent discharge of sureties for 16.7 million USD and the release of the Deposit Account of 2.7 million USD.

With regard to the Piaggio group (**industrial sector**), on 16 July 2014 Piaggio & C. S.p.A. signed a five-year, 220 million euros, credit facility with a pool of banks. The amount may be increased up to 250 million euros, with the initial amount of 220 million euros undersigned by the Bank of America Merrill Lynch, Banca Nazionale del Lavoro, HSBC, Intesa Sanpaolo, Mediobanca and Unicredit in a capacity as mandated lead arranger and bookrunner.

The main aim of this operation is to refinance the 200 million euros revolving loan maturing in December 2015 and provide financial support necessary for the international growth mapped in the 2014-2017 strategic plan.

The credit facility consists of a revolving portion amounting to 175 million euros and a term loan amortising portion, amounting to 75 million euros.

The financial conditions of this credit facility are better than the refinanced revolving loan: besides a reduction in the cost of borrowing, the new credit facility will make it possible to improve the Piaggio Group's financial debt quality profile, increasing its financial flexibility and above all average residual life which is 5 years assuming the latest figures approved.

With regard to the **Parent company**, and in particular to the equity investment in Alitalia – CAI, it should be noted that on 8 August 2014 a preliminary agreement was signed between the current corporate structure and the air carrier Etihad Airways ("Etihad").

The agreement is pending for further authorisation by the European Antitrust Committee, and it foresees that the air carrier Etihad Airways enters with a share of 49% in a new company into which the operational activities of the current Alitalia – CAI would converge, alongside the existing shareholders of the same company.

With reference to the companies belonging to the **property and holdings** sector no significant events occurred after 30 June 2014.

With regard to the outlook for 2014, with reference to the subsidiary **Is Molas S.p.A.** we will work in order to reassign as soon as possible the contracts for the execution of the urbanization and completion works of the first batch of 15 villas, reducing as much as possible the completion times, without prejudice to the compliance with all regulatory and legislative requirements to which the real estate business is subject, in parallel with the continuation of the promotion of the project's residential component.

As for the **Pietra Ligure** project, please note that for the purposes of the process completion, the coming months foresee their approval by the Regional Council and the Deliberating Conference under art. 6 of the Burlando Decree. Afterwards, the two documents relating to the State property concession and the Urban Planning Convention will have to be signed, thus commencing the terms to fulfil the preliminary agreement of sale having as its object the real estate portfolio.

Regarding the **industrial sector**, as outlined in the new 2014-2017 Industrial Plan, approved on 19 March 2014, and as regards business and industrial operations:

- the Group's leadership position on the European two-wheeler market has been confirmed, leveraging the expected recovery by further consolidating the product range and targeting growth in sales and margins in the motorcycle segment, with the Moto Guzzi and Aprilia ranges; current positions on the European commercial vehicles market will be maintained;
- the growth in the Asia Pacific area will be targeted, exploring new opportunities in medium and large sized motorcycle segments, and replicating the premium strategy for Vietnam, throughout the region. During 2014, direct sales activities of the Group started up in China, with the aim of penetrating the premium two-wheeler market;
- the sales on the Indian scooter market will be consolidated, and will focus on an increase in Vespa products and the introduction of new models in the premium scooter and motorcycle segments;
- the increase in sales of commercial vehicles in India will be targeted, also through the consolidation of new segments of the Indian three-wheeler market with the Apè City Pax and the introduction of new models in the four-wheeler segment - and a further development in exports to African and Latin American markets will be targeted in emerging countries.

In technological terms, the Piaggio Group is continuing to develop technologies and platforms that underline the functional aspects and emotional appeal of vehicles with ongoing developments to engines, extended use of vehicle/user digital platforms and the trialling of new product and service configurations.

More in general, the Group is committed - as in the past and for operations in 2014 - to increasing productivity with a strong focus on efficient costs and investments, while complying with its business ethics.

With regard to the outlook of the **naval sector**, it should be noted that in 2014 delivery is planned for 2 units to the Guardia di Finanza (i.e. Tax Revenue Corps), while the last 3 boats were postponed to the first half of 2015; for the contract with the Navy to refit 8 minesweepers, delivery of the second unit is scheduled for 2014 and the third for 2015.

As for the Finnish Navy, the activities for the issuance of the Final Approval of the two units delivered are under way. These Final Approvals will depend on the resolution of technical issues, presumably achievable by the end of 2014, while the programme continues for the third unit to be delivered at the end of the first half of 2015.

In the light of the results recorded, and pending a market recovery and developments on the sales front, which are crucial for absorbing indirect costs and overheads to an adequate degree, Intermarine S.p.A. exploited to the full every opportunity to contain structural costs.

We can expect a growth in the net financial exposure and a financial requirement correlated, in particular, with the completion of the orders to be finished; this requirement should be covered either with a further new contract or with refinancing of part of the working capital to support business operations.

In light of the progress on the production that will be performed in 2014 on existing contracts, a production value growth is expected for 2014, with improved operating results compared to 2013, including for the significant contribution of the new contract acquired in 2013.



***Immsi Group***

***Condensed half-year  
financial statements***

***at***

***30 June 2014***

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

Amounts in thousands of euros

ASSETS		30 June 2014	31 December 2013
<b>NON-CURRENT ASSETS</b>			
<i>Intangible assets</i>	F1	837,407	832,574
<i>Tangible assets</i>	F2	333,657	340,309
<i>Property investments</i>	F3	85,939	81,126
<i>Equity investments</i>	F4	8,167	8,168
<i>Other financial assets</i>	F5	39,055	68,168
<i>Amounts due from the tax authorities</i>	F6	7,717	4,383
<i>Deferred tax assets</i>	F7	104,874	98,534
<i>Trade receivables and other receivables</i>	F8	15,192	15,858
- of which with Related Parties		197	231
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,432,008</b>	<b>1,449,120</b>
<b>ASSETS INTENDED FOR DISPOSAL</b>	F9	<b>24,095</b>	<b>23,794</b>
<b>CURRENT ASSETS</b>			
<i>Trade receivables and other receivables</i>	F8	301,273	262,373
- of which with Related Parties		7,193	4,174
<i>Amounts due from the tax authorities</i>	F6	29,381	27,543
<i>Inventories</i>	F10	319,756	279,939
<i>Other financial assets</i>	F5	19,025	28,619
<i>Cash and cash equivalent</i>	F11	112,480	74,285
<b>TOTAL CURRENT ASSETS</b>		<b>781,915</b>	<b>672,759</b>
<b>TOTAL ASSETS</b>		<b>2,238,018</b>	<b>2,145,673</b>
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<i>Consolidated shareholders' equity of the Group</i>		299,491	337,920
<i>Non-controlling interest capital and reserves</i>		178,102	171,247
<b>TOTAL SHAREHOLDERS' EQUITY</b>	G1	<b>477,593</b>	<b>509,167</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Financial liabilities</i>	G2	575,751	587,761
- of which with Related Parties		2,900	2,900
<i>Trade payables and other payables</i>	G3	5,780	6,074
<i>Reserves for severance indemnity and similar obligations</i>	G4	57,392	54,324
<i>Other long-term reserves</i>	G5	11,130	11,690
<i>Deferred tax liabilities</i>	G6	26,670	28,462
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>676,723</b>	<b>688,311</b>
<b>LIABILITIES LINKED WITH ASSETS INTENDED FOR DISPOSAL</b>		<b>0</b>	<b>0</b>
<b>CURRENT LIABILITIES</b>			
<i>Financial liabilities</i>	G2	416,626	359,691
- of which with Related Parties		55	109
<i>Trade payables</i>	G3	555,539	492,507
- of which with Related Parties		14,847	11,069
<i>Current taxation</i>	G7	22,122	14,054
<i>Other payables</i>	G3	69,683	56,746
- of which with Related Parties		1,809	84
<i>Current portion of other long-term reserves</i>	G5	19,732	25,197
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,083,702</b>	<b>948,195</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>2,238,018</b>	<b>2,145,673</b>



## CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2014

Amounts in thousands of euros

		30.06.2014	30.06.2013
<i>Net revenues</i>	H1	655,827	695,695
- of which with Related Parties		118	32
<i>Costs for materials</i>	H2	368,887	396,519
- of which with Related Parties		12,405	13,991
<i>Costs for services and the use of third party assets</i>	H3	123,639	119,647
- of which with Related Parties		429	445
<i>Personnel costs</i>	H4	119,783	125,628
<i>Depreciation of tangible assets</i>	H5	21,494	21,364
<i>Impairment of goodwill</i>		0	0
<i>Amortisation of finite life intangible assets</i>	H6	22,076	23,157
<i>Other operating income</i>	H7	56,813	52,049
- of which with Related Parties		2,225	304
<i>Other operating costs</i>	H8	13,136	15,174
<b>OPERATING EARNINGS</b>		<b>43,625</b>	<b>46,255</b>
<i>Earnings on equity investments</i>	H9	0	1,000
<i>Financial income</i>	H10	3,938	8,554
<i>Financial charges *)</i>	H11	77,461	33,120
- of which with Related Parties		216	102
<b>EARNINGS BEFORE TAXATION</b>		<b>(29,898)</b>	<b>22,689</b>
<i>Taxation</i>	H12	6,333	12,291
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>		<b>(36,231)</b>	<b>10,398</b>
<i>Profit (loss) from assets for disposal or sale</i>	H13	0	0
<b>EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST</b>		<b>(36,231)</b>	<b>10,398</b>
<i>Non-controlling interest earnings for the period</i>		3,755	6,079
<b>GROUP EARNINGS FOR THE PERIOD</b>	H14	<b>(39,986)</b>	<b>4,319</b>

\*) the item includes non-recurring charges equal to 2,947 thousand euros, for information refer to the Explanatory notes.

## EARNINGS PER SHARE

In euros

		30.06.2014	30.06.2013
From continuing and discontinued operations:			
<i>Basic</i>		(0.117)	0.013
<i>Diluted</i>		(0.117)	0.013
From continuing operations:			
<i>Basic</i>		(0.117)	0.013
<i>Diluted</i>		(0.117)	0.013
Average number of shares:		340,530,000	340,530,000

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 30 JUNE 2014

Amounts in thousands of euros

	30.06.2014	30.06.2013
<b>EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST</b>	(36,231)	10,398
<b>Items that cannot be reclassified in the Income statement</b>		
Actuarial Gains (Losses) on defined benefit plans	(2,503)	484
<b>Total</b>	(2,503)	484
<b>Items that can be reclassified in the Income statement</b>		
Gains/(Losses) on cash flow hedges	(1,039)	2,252
Gains/(Losses) on exchange differences on translating foreign operations	1,040	(3,944)
Gains/(Losses) on evaluation at fair value of assets available for sale and property investments	2,021	(301)
<b>Total</b>	2,022	(1,993)
<b>Other items of Consolidated statement of comprehensive income</b>	(481)	(1,509)
<b>TOTAL OF COMPREHENSIVE INCOME (LOSSES) FOR THE PERIOD</b>	(36,712)	8,889
Comprehensive non-controlling interest earnings for the period	2,602	5,323
<b>COMPREHENSIVE GROUP EARNINGS FOR THE PERIOD</b>	(39,314)	3,566

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

## STATEMENT OF CONSOLIDATED CASH FLOWS AT 30 JUNE 2014

Amounts in thousands of euros

		30.06.2014	30.06.2013
<b>Operating assets</b>			
Earning before taxation	H14	(29,898)	22,689
Depreciation of tangible assets (including property investments)	H5	21,494	21,364
Amortisation of intangible assets	H6	22,076	23,157
Provisions for risks and for severance indemnity and similar obligations	H4 - H8	10,876	12,398
Write-downs / (Revaluations at fair value)	H7 - H8	36,581	1,456
Losses / (Gains) on disposal of tangible assets (including property investments)	H7 - H8	(829)	17
Interests receivables	H10	(557)	(1,651)
Dividend income	H10	0	(146)
Interests payables	H11	30,172	23,938
Depreciation of grants	H7	(1,126)	(3,786)
Portion of earnings before taxation of the period due to associated companies (and other companies valued using the equity method)	H9	0	(1,000)
<i>Change in working capital:</i>			
(Increase) / Decrease in trade receivables	F8	(57,585)	(76,031)
(Increase) / Decrease in inventories	F10	(39,817)	(35,652)
Increase / (Decrease) in trade payables	G3	63,032	5,492
(Increase) / Decrease in contract work in progress	F8	21,559	32,002
Increase / (Decrease) in provisions for risks	G5	(12,679)	(11,626)
Increase / (Decrease) reserves for severance indemnity and similar obligations	G4	(1,196)	(5,060)
Other changes		(10,348)	32,587
<b>Cash generated from operations</b>		<b>51,755</b>	<b>40,148</b>
Interest paid		(22,642)	(19,004)
Taxation paid		(6,869)	(33,382)
<b>Cash flow from operations</b>		<b>22,244</b>	<b>(12,238)</b>
<b>Investments</b>			
Acquisition of subsidiaries, net of cash and cash equivalents	F1	0	(962)
Investments in tangible assets	F2	(13,168)	(18,515)
Sale price, or repayment value, of tangible assets (including property investments)	F2	1,143	72
Investments in intangible assets	F1	(25,852)	(25,063)
Sale price, or repayment value, of intangible assets		44	11
Sale price of non-consolidated equity investments		0	2
Loans provided		(115)	(12,235)
Repayment of loans		10,907	1,328
Purchase of financial assets	F5	(11,650)	0
Sale price of financial assets		851	1,260
Interests received		382	520
Sale price from assets intended for disposal or sale		4	6
Other flows from assets intended for disposal or sale		(305)	(314)
<b>Cash flow from investments</b>		<b>(37,759)</b>	<b>(53,890)</b>
<b>Financing</b>			
Increase in share capital by shareholders of the Group	G1	0	35
Increase in share capital by third parties		5,139	0
Loans received	G2	158,941	150,132
Outflow for repayment of loans	G2	(99,642)	(59,397)
Financing received for leases		267	0
Outflow for repayment of loans		(491)	(463)
Outflow for dividends paid to Non-controlling Interest		0	(14,940)
<b>Cash flow from financing</b>		<b>64,214</b>	<b>75,367</b>
<b>Increase / (Decrease) in cash and cash equivalents</b>			
		<b>48,699</b>	<b>9,239</b>
<b>Opening balance</b>			
		<b>40,623</b>	<b>74,678</b>
<b>Exchange differences</b>			
		<b>758</b>	<b>0</b>
<b>Closing balance</b>			
		<b>90,080</b>	<b>83,917</b>

The variations in the working capital include lower higher payables and other payables toward Related Parties for 5,503 thousand euros and higher trade receivables and other receivables from Related Parties for 2,985 thousand euros. For greater detail on the relations between Related Parties taking place during the first half of 2014 please refer to the tables at the end of this half-yearly financial Report.

This schedule illustrates the changes in cash and cash equivalents totalling 112.5 million euros at 30 June 2014, gross of short-term bank overdrafts equal to 22.4 million euros.

## CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 30 JUNE 2014

Amounts in thousands of euros

	<i>Share capital</i>	<i>Reserves and retained earnings</i>	<i>Earnings for the period</i>	<i>Group shareholders' equity</i>	<i>Non-controlling interest capital and reserves</i>	<i>Group and non-controlling interest shareholders' equity</i>
<b>Balances at 31 December 2012</b>	<b>177,076</b>	<b>216,528</b>	<b>(33,609)</b>	<b>359,995</b>	<b>187,943</b>	<b>547,938</b>
Allocation of Group earnings to Legal Reserve				0		0
Allocation of Group earnings to Dividends				0	(14,940)	(14,940)
Allocation of Group earnings to Retained Earnings		(33,609)	33,609	0		0
Purchase of treasury stock by Piaggio & C. S.p.A.		(528)		(528)	(434)	(962)
Sale of treasury stock by Piaggio & C. S.p.A.				0		0
Figurative cost of stock options				0		0
Other changes		855		855	(820)	35
Total of comprehensive income (losses) for the period		(753)	4,319	3,566	5,323	8,889
<b>Balances at 30 June 2013</b>	<b>177,076</b>	<b>182,493</b>	<b>(4,319)</b>	<b>363,888</b>	<b>177,072</b>	<b>540,960</b>

	<i>Share capital</i>	<i>Reserves and retained earnings</i>	<i>Earnings for the period</i>	<i>Group shareholders' equity</i>	<i>Non-controlling interest capital and reserves</i>	<i>Group and non-controlling interest shareholders' equity</i>
<b>Balances at 31 December 2013</b>	<b>178,464</b>	<b>193,007</b>	<b>(33,551)</b>	<b>337,920</b>	<b>171,247</b>	<b>509,167</b>
Allocation of Group earnings to Legal Reserve		742	(742)	0		0
Allocation of Group earnings to Dividends				0		0
Allocation of Group earnings to Retained Earnings		(34,293)	34,293	0		0
Purchase of treasury stock by Piaggio & C. S.p.A.				0		0
Sale of treasury stock by Piaggio & C. S.p.A.				0		0
Figurative cost of stock options				0		0
Other changes		885		885	4,253	5,138
Total of comprehensive income (losses) for the period		672	(39,986)	(39,314)	2,602	(36,712)
<b>Balances at 30 June 2014</b>	<b>178,464</b>	<b>161,013</b>	<b>(39,986)</b>	<b>299,491</b>	<b>178,102</b>	<b>477,593</b>

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2014

Note no.	Description
<b>A</b>	<b>General aspects</b>
<b>B</b>	<b>Consolidation area</b>
<b>C</b>	<b>Consolidation principles</b>
<b>D</b>	<b>Accounting principles, amendments and interpretations adopted from 1 January 2014</b>
<b>E</b>	<b>Segment reporting</b>
<b>F</b>	<b>Information on the main asset items</b>
F1	Intangible assets
F2	Tangible assets
F3	Property investments
F4	Equity investments
F5	Other financial assets
F6	Amounts due from the tax authorities
F7	Deferred tax assets
F8	Trade receivables and other receivables
F9	Assets intended for disposal
F10	Inventories
F11	Cash and cash equivalent
<b>G</b>	<b>Information on the main liabilities items</b>
G1	Shareholders' equity
G2	Financial liabilities
G3	Trade payables and other payables
G4	Reserves for severance indemnity and similar obligations
G5	Other long-term reserves
G6	Deferred tax liabilities
G7	Current taxation
<b>H</b>	<b>Information on the main Income Statement items</b>
H1	Net revenues
H2	Costs for materials
H3	Costs for services and the use of third party assets
H4	Personnel costs
H5	Depreciation of tangible assets
H6	Amortisation of finite life intangible assets
H7	Other operating income
H8	Other operating costs
H9	Earnings on equity investments
H10	Financial income
H11	Financial charges
H12	Taxation
H13	Gain/loss on the disposal of assets
H14	Group earnings for the period
<b>I</b>	<b>Commitments, risks and guarantees</b>
<b>L</b>	<b>Related Party dealings</b>
<b>M</b>	<b>Financial position</b>
<b>N</b>	<b>Dividends paid</b>
<b>O</b>	<b>Earnings per share</b>
<b>P</b>	<b>Information on financial instruments</b>

## **- A - GENERAL ASPECTS**

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Immsi S.p.A. (the “Company”) is a limited company established under Italian law and has registered offices in Mantova - P.zza Vilfredo Pareto, 3 Centro Direzionale Boma. The main activities of the company and its subsidiaries (the “Immsi Group”), the information on the relevant events occurred after 30 June 2014 and on the predictable evolution of operations are described in the half-yearly Directors’ Report on Operations. At 30 June 2014, Immsi S.p.A. was directly and indirectly controlled, in accordance with art. 93 of the TUF, by Omniaholding S.p.A., a company wholly owned by the Colaninno family, through the subsidiary Omniainvest S.p.A..

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

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

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

These condensed half-year financial statements are subject to limited audit by PricewaterhouseCoopers S.p.A. pursuant to the mandate granted by the Shareholders’ Meeting in 11 May 2012 for the period 2012-2020.

### **COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS**

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

This condensed half-year financial report has been prepared in accordance with IAS 34 - *Interim Financial Reporting* applying the same accounting principles and policies used in the preparation of the Consolidated financial statements at 31 December 2013, other than those discussed in the following paragraph “Accounting principles, amendments and interpretations adopted from 1 January 2014”.

The information contained in the half-yearly report should be read in conjunction with the consolidated Financial Statements at 31 December 2013, prepared in accordance with IFRS.

The preparation of the interim financial statements requires the company Management to make estimates and assumptions that affect, among other things, the reported amounts of revenues, expenses, assets and liabilities recorded and disclosure of contingent assets and liabilities at the date of the end of the period. If in the future such estimates and assumptions, carried out by the

management, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances may occur to change.

For a fuller description of the most significant valuation processes for the Group, please refer to the paragraph Accounting principles and valuation criteria - Use of estimates included in the Consolidated Financial Statements of the Immsi Group at 31 December 2013.

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

## **FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

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

With reference to Consob Resolution no. 15519 of 27 July 2006 it is pointed out that, as regards the financial schedules, specific Income statement and Statement of Financial Position Schedules have been inserted with the evidence of significant related party dealings and non-recurring transactions. In this regard, while in the first half of 2013 there were no significant non-recurring transactions, the first half of 2014 shows the recording under finance costs of non-recurring costs related to the refinancing of the Piaggio debenture loan for a total of 2,947 thousand euros, whose details are included in the following Explanatory notes. The transaction incurs the requirements for significant non-recurring transactions, as defined by Consob Communication no. DEM/6064293 dated 28 July 2006.

It is pointed out that no significant atypical and/or unusual operations have been carried out during the first half of 2014 and the corresponding period of the previous year, as defined by Consob Communication DEM/6037577 of 28 April 2006 and DEM/6064293 of 28 July 2006.

### Consolidated income statement

The Consolidated income statement is presented with the items classified by nature. The overall Operating Income is shown, which includes all income and cost items, irrespective of their repetition or fact of falling outside normal operations, except for the items of financial operations included under Operating Income and Earnings before tax. In addition, the income and cost items arising from assets 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 Group net income and non-controlling interests.

### Consolidated Statement of Comprehensive Income

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

### Consolidated statement of financial position

The Consolidated balance sheet 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 cash flow statement

The Consolidated cash flow statement 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 Consolidated Statement of Cash Flows include the Consolidated Statement of Financial Position balances for this item at the reference 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.

### Net consolidated financial position

The statement of the Consolidated net financial position contained in this half-yearly financial Report details this aggregate: in this respect, in conformity with the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses", it should be noted that the indicator, thus formulated, represents what was monitored by the Group's management and that it differs from what is suggested by Consob Communication no. 6064293 of 28 July 2006, as it also highlights the non-current portion of financial receivables.

### Consolidated statement of changes in shareholders' equity

The statement of the Changes to the consolidated shareholders' equity is presented as required by the reviewed version of IAS 1. It includes the total income statement, separately stating the amounts ascribed to the shareholders of the parent company and to the relevant stake of third parties, the amounts of the operations with shareholders acting in this quality and any effects of the retroactive application or of the retroactive determination in accordance with IAS 8. For each item reconciliation is presented between the balance at the start and at the end of the period.

### Other information

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

	End of period exchange rate 30 June 2014	Average exchange rate 1 <sup>st</sup> half of 2014	End of period exchange rate 31 December 2013	Average exchange rate 1 <sup>st</sup> half of 2013
US Dollar	1.3658	1.37047	1.3791	1.31346
Pounds sterling	0.8015	0.82133	0.8337	0.85116
Indian rupee	82.202	83.29125	85.366	72.30697
Singapore dollars	1.7047	1.72795	1.7414	1.63315
Chinese renminbi	8.4722	8.45128	8.3491	8.12938
Croatian kuna	7.576	7.62467	7.6265	7.56973
Japanese yen	138.44	140.41206	144.72	125.46589
Vietnamese dong	28,879.5	28,746.65381	28,801.07	27,734.4937
Canadian dollar	1.4589	1.50306	1.4671	1.33454
Indonesian rupiah	16,225.7	16,015.90159	16,866.39	12,788.8853
Brazilian real	3.0002	3.14951	3.2576	2.6688



## **- B - CONSOLIDATION AREA**

At 30 June 2014, the Immsi Group structure is the one attached at the end of these Explanatory Notes. The area of consolidation has not significantly changed compared to the consolidated financial statements at 31 December 2013 and the consolidated accounting situation at 30 June 2013. In particular:

- the establishment on 14 April 2014 of a new company, Piaggio Concept Store Mantova S.r.l., managing the first “*flagship store*” of the group in the town of Mantova,
- the increase in the stake held by ISM Investimenti S.p.A. in Is Molas S.p.A., went from 88.86% at 31 December 2013 to 89.48% at 30 June 2014, following the subscription of the tranches of share capital increase of the latter and the related unsubscribed shares by the non-controlling shareholder IN.CO.FIN. S.p.A.,

did not alter the comparability of the balance sheet and income results between the two periods of reference, as the changes are of a limited extent.

Lastly, it is pointed out that the Piaggio group consolidated portion of shareholders' equity, that at 30 June 2014 amounted to 50.35%, was equal to 50.75% at 31 December 2013 and to 54.85% at 30 June 2013: such a decrease is shown in the result of the effect mainly due to the sale of overall 14.5 millions of Piaggio shares by Immsi S.p.A. during the last four-month period of 2013.

## **- C - CONSOLIDATION PRINCIPLES**

Please refer to the explanatory and additional Notes on the consolidated financial statements at 31 December 2013 for details on the principles of consolidation implemented by the Company for drawing up the condensed half-year financial statements of the Immsi Group.

## **- D - ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS ADOPTED FROM 1 JANUARY 2014**

The accounting standards implemented in drawing up these condensed half-year financial statements of the Immsi Group are the same ones followed in drawing up the consolidated financial statements at 31 December 2013 to which you may refer for further details. The standards, amendments and interpretations applied by the Group since 1 January 2014 are listed below.

On 12 May 2011 the IASB issued standard IFRS 10 - *Consolidated Financial Statements* which will replace SIC 12 *Consolidation - Special purpose entities* and parts of IAS 27 - *Consolidated and Separate Financial Statements* renamed *Separate financial statements* and regulates the accounting treatment of equity investments in separate financial statements. The new standard deviates from existing standards by identifying the concept of control, according to a new definition of it as the determinant factor for the purposes of consolidation of a company in the consolidated financial statements of the parent company. It also provides a guide for determining the existence of control where it is difficult to establish (actual control, potential votes, special purpose entity, etc.). The standard is applicable in a retrospective manner as of 1 January 2014. The Group has reviewed the audit reports of its subsidiaries at 1 January 2014 without detecting any effect from the adoption of the new principle.

On 12 May 2011 the IASB issued the standard IFRS 11 – *Joint arrangements* which replace IAS 31 – *Interests in Joint Ventures* and SIC 13 – *Jointly controlled entities - Non-monetary contributions by venture*. The new standard provides methods for identifying joint arrangements based on the rights and obligations under such arrangements rather than their actual legal form and establishes the

equity method as the only accounting treatment for jointly controlled entities in consolidated financial statements. The standard is applicable in a retrospective manner as of 1 January 2014. After the issue of the standard IAS 28 – Investments in associates it was amended to include jointly controlled entities within its field of application, as of the date the standard became effective. The Group has reviewed the audit reports of its subsidiaries at 1 January 2014 without detecting any effect from the adoption of the new principle.

On 12 May 2011 the IASB issued standard IFRS 12 – *Disclosure on interests in other entities* which is a new and complete standard on disclosures to provide on all types of investments including in subsidiaries, joint arrangements, associates, special purpose entities and unconsolidated structured entities. The standard is applicable in a retrospective manner as of 1 January 2014. The Group did not detect any significant effect from the adoption of the new principle.

On 29 May 2013, the IASB issued an amendment to IAS 36 - *Disclosure on the recoverable value of non-financial assets*, in order to clarify the disclosure to be provided on the recoverable value of assets that have suffered impairment, if such amount is based on the fair value net of costs of sale. The standard is applicable in a retrospective manner as of 1 January 2014. The Group did not detect any significant effect from the adoption of the new principle.

On 16 December 2011, the IASB issued some amendments to *IAS 32 - Financial Instruments: Presentation in the balance sheet* to clarify the application of certain criteria for offsetting financial assets and financial liabilities present in IAS 32. The standard is applicable in a retrospective manner as of 1 January 2014. The Group did not detect any significant effect from the adoption of the new principle.

On 27 June 2013, the IASB issued some minor amendments concerning IAS 39 - *Financial Instruments: Recognition and Measurement*, entitled "Novation of derivatives and hedge accounting continuity". The amendments allow continuing the hedge accounting in case a derivative financial instrument, designated as a hedging instrument, is novated following the application of the law or regulations in order to replace the original counterpart to ensure the successful completion of the obligation assumed and if certain conditions are met. The same amendment is also included in IFRS 9 - *Financial Instruments*. The standard is applicable in a retrospective manner as of 1 January 2014. The Group did not detect any significant effect from the adoption of the new principle.

Furthermore, at the date of issue 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. The Group will adopt these new standards, amendments and interpretations based on the planned date of application, and will evaluate the potential impacts, as these will be approved by the EU.

## **- E - SEGMENT REPORTING**

The application of the IFRS 8 - *Operating Segments* is mandatory as of 1 January 2009. This principle requires operating segments to be identified on the basis of an internal reporting system which top company management utilises to allocate resources and to assess performance.

The information for operating sectors presented below reflects the internal reporting utilised by management for making strategic decisions. In this respect, as regards business areas, where possible information is provided relating to the property and holding sector, industrial and naval sectors.

### **Information by business areas**

#### **Income statement**

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
In thousands of euros				
Net revenues towards third parties	2,267	628,977	24,583	655,827
Intercompany net revenues				0
<b>NET REVENUES</b>	<b>2,267</b>	<b>628,977</b>	<b>24,583</b>	<b>655,827</b>
<b>OPERATING EARNINGS</b>	<b>-2,406</b>	<b>51,081</b>	<b>-5,050</b>	<b>43,625</b>
Gain / loss on equity investments	0	0	0	0
Financial income				3,938
Financial charges				77,461
<b>EARNINGS BEFORE TAXATION</b>				<b>-29,898</b>
Taxation				6,333
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>				<b>-36,231</b>
Gain (loss) from assets intended for disposal or sale				0
<b>EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST</b>				<b>-36,231</b>
Non-controlling interest earnings for the period				3,755
<b>GROUP EARNINGS FOR THE PERIOD</b>				<b>-39,986</b>

#### **Balance sheet**

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
In thousands of euros				
Segment assets	354,652	1,577,853	305,295	2,237,800
Equity investments in associated companies	0	204	14	218
<b>TOTAL ASSETS</b>	<b>354,652</b>	<b>1,578,057</b>	<b>305,309</b>	<b>2,238,018</b>
<b>TOTAL LIABILITIES</b>	<b>291,193</b>	<b>1,166,396</b>	<b>302,836</b>	<b>1,760,425</b>

#### **Other information**

	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
In thousands of euros				
<b>Investments in tangible and intangible assets</b>	<b>252</b>	<b>38,230</b>	<b>538</b>	<b>39,020</b>
<b>Depreciation, amortisation and write-downs</b>	<b>282</b>	<b>38,391</b>	<b>628</b>	<b>39,301</b>
<b>Cash flow from operations</b>	<b>-7,753</b>	<b>30,854</b>	<b>-857</b>	<b>22,244</b>
<b>Cash flow from investments</b>	<b>-949</b>	<b>-35,875</b>	<b>-935</b>	<b>-37,759</b>
<b>Cash flow from financing</b>	<b>7,282</b>	<b>53,058</b>	<b>3,874</b>	<b>64,214</b>

## **Information by geographical areas**

The following table presents the Group income statement and balance sheet figures for the first half of 2014 in relation to the geographical areas “of origin”, that is, with reference to the country of the company which received the revenues or which owns the assets.

It is pointed out that the distribution of revenues by the geographical area of “destination”, that is, with reference to the customer’s nationality, is analysed under the item “Net revenues of the Income statement”.

### **Income statement**

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Net revenues towards third parties	382,547	15,402	145,567	36,258	76,053	655,827
						0
<b>NET REVENUES</b>	<b>382,547</b>	<b>15,402</b>	<b>145,567</b>	<b>36,258</b>	<b>76,053</b>	<b>655,827</b>

### **Balance sheet**

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Segment assets	1,904,400	34,185	159,281	27,721	112,213	2,237,800
Equity investments in associated companies	153	3			62	218
<b>TOTAL ASSETS</b>	<b>1,904,553</b>	<b>34,188</b>	<b>159,281</b>	<b>27,721</b>	<b>112,275</b>	<b>2,238,018</b>

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
<b>Total receivables *</b>	<b>162,009</b>	<b>63,322</b>	<b>16,784</b>	<b>4,160</b>	<b>18,714</b>	<b>264,989</b>
<b>Total payables **</b>	<b>471,707</b>	<b>44,393</b>	<b>83,541</b>	<b>2,692</b>	<b>28,669</b>	<b>631,002</b>

\* Contract work in progress and Amounts due from the Tax authorities are not included.

\*\* Financial liabilities and Payables for Current taxation are not included.

### **Other information**

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Investments in tangible and intangible assets	35,052	97	2,307	59	1,505	39,020
Depreciation, amortisation and write-downs	32,533	-4,187	7,119	48	3,788	39,301

For comparability, the corresponding tables referring to 30 June 2013 are shown below:

## **Information by business areas**

### **Income statement**

In thousands of euros	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
<b>NET REVENUES</b>	2,265	671,549	21,881	695,695
<b>OPERATING EARNINGS (EBIT)</b>	-2,366	57,565	-8,944	46,255
Gain / loss on equity investments	0	1,000	0	1,000
Financial income				8,554
Financial charges				33,120
<b>EARNINGS BEFORE TAXATION</b>				22,689
Taxation				12,291
<b>EARNINGS AFTER TAXATION FROM CONTINUING ASSETS</b>				10,398
Gain (loss) from assets intended for disposal or sale				0
<b>EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTEREST</b>				10,398
Non-controlling interest earnings for the period				6,079
<b>GROUP EARNINGS FOR THE PERIOD</b>				4,319

### **Balance sheet**

In thousands of euros	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Segment assets	368,255	1,583,743	353,748	2,305,746
Equity investments in associated companies	0	201	14	215
<b>TOTAL ASSETS</b>	368,255	1,583,944	353,762	2,305,961
<b>TOTAL LIABILITIES</b>	263,508	1,154,780	346,713	1,765,001

### **Other information**

In thousands of euros	<i>Property and holding sector</i>	<i>Industrial sector</i>	<i>Naval sector</i>	<i>Immsi Group</i>
Investments in tangible and intangible assets	22	43,359	197	43,578
Depreciation, amortisation and write-downs	303	44,381	1,293	45,977
Cash flow from operations	-7,746	7,279	-11,771	-12,238
Cash flow from investments	-10,368	-41,499	-2,023	-53,890
Cash flow from financing	16,685	46,592	12,090	75,367

## Information by business areas

### Income statement

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
<b>NET REVENUES</b>	<b>378,749</b>	<b>18,108</b>	<b>165,856</b>	<b>40,833</b>	<b>92,149</b>	<b>695,695</b>

### Balance sheet

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
Segment assets	1,969,771	31,245	163,216	27,675	113,839	2,305,746
Equity investments in associated companies	150	3	0	0	62	215
<b>TOTAL ASSETS</b>	<b>1,969,921</b>	<b>31,248</b>	<b>163,216</b>	<b>27,675</b>	<b>113,901</b>	<b>2,305,961</b>

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
<b>Total receivables *</b>	<b>167,138</b>	<b>50,407</b>	<b>13,561</b>	<b>3,804</b>	<b>20,909</b>	<b>255,819</b>
<b>Total payables **</b>	<b>427,595</b>	<b>110,210</b>	<b>78,578</b>	<b>4,477</b>	<b>35,228</b>	<b>656,088</b>

\* Contract work in progress and Amounts due from the Tax authorities are not included.

\*\* Financial liabilities and Payables for Current taxation are not included.

### Other information

In thousands of euros	<i>Italy</i>	<i>Rest of Europe</i>	<i>India</i>	<i>United States</i>	<i>Rest of the World</i>	<i>Immsi Group</i>
<b>Investments in tangible and intangible assets</b>	<b>34,059</b>	<b>160</b>	<b>4,407</b>	<b>20</b>	<b>4,932</b>	<b>43,578</b>
<b>Depreciation, amortisation and write-downs</b>	<b>35,108</b>	<b>521</b>	<b>6,836</b>	<b>58</b>	<b>3,454</b>	<b>45,977</b>

## - F - INFORMATION ON THE MAIN ASSET ITEMS

Amounts are stated in thousands of euros unless otherwise indicated.

### - F1 - INTANGIBLE ASSETS 837,407

Net intangible assets at 30 June 2014 total 837,407 thousand euros, a 4,833 thousand euros increase compared to 31 December 2013, as detailed below:

In thousands of euros	Development costs	Concessions, patents, industrial and similar rights	Trademarks and licences	Goodwill	Other intangible assets	TOTAL
<b>Gross amounts at 31 December 2012</b>	<b>187,235</b>	<b>231,979</b>	<b>148,422</b>	<b>617,415</b>	<b>8,802</b>	<b>1,193,853</b>
Increases	22,825	2,057	0	0	181	25,063
Change in consolidation area	0	0	0	0	0	0
Other movements	(25,837)	(2,230)	778	0	1,014	(26,275)
<b>Gross amounts at 30 June 2013</b>	<b>184,223</b>	<b>231,806</b>	<b>149,200</b>	<b>617,415</b>	<b>9,997</b>	<b>1,192,641</b>
<b>Accumulated amortisation at 31 December 2012</b>	<b>77,001</b>	<b>186,378</b>	<b>80,880</b>	<b>3,433</b>	<b>7,015</b>	<b>354,707</b>
Depreciation	12,355	7,827	2,414	0	561	23,157
Change in consolidation area	0	0	0	0	0	0
Other changes	(20,240)	(1,280)	778	0	349	(20,393)
<b>Accumulated amortisation at 30 June 2013</b>	<b>69,116</b>	<b>192,925</b>	<b>84,072</b>	<b>3,433</b>	<b>7,925</b>	<b>357,471</b>
<b>Net amounts at 30 June 2013</b>	<b>115,107</b>	<b>38,881</b>	<b>65,128</b>	<b>613,982</b>	<b>2,072</b>	<b>835,170</b>
<b>Gross amounts at 31 December 2013</b>	<b>186,551</b>	<b>247,023</b>	<b>149,200</b>	<b>617,15</b>	<b>9,935</b>	<b>1,210,124</b>
Increases	23,867	1,639	0	0	346	25,852
Change in consolidation area	0	0	0	0	0	0
Other movements	1,045	1,677	0	0	(1,430)	1,292
<b>Gross amounts at 30 June 2014</b>	<b>211,463</b>	<b>250,339</b>	<b>149,200</b>	<b>617,415</b>	<b>8,851</b>	<b>1,237,268</b>
<b>Accumulated amortisation at 31 December 2013</b>	<b>79,657</b>	<b>199,681</b>	<b>86,486</b>	<b>3,433</b>	<b>8,293</b>	<b>377,550</b>
Depreciation	12,640	6,536	2,414	0	486	22,076
Change in consolidation area	0	0	0	0	0	0
Other changes	379	1,076	0	0	(1,220)	235
<b>Accumulated amortisation at 30 June 2014</b>	<b>92,676</b>	<b>207,293</b>	<b>88,900</b>	<b>3,433</b>	<b>7,559</b>	<b>399,861</b>
<b>Net amounts at 30 June 2014</b>	<b>118,787</b>	<b>43,046</b>	<b>60,300</b>	<b>613,982</b>	<b>1,292</b>	<b>837,407</b>

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

### Development costs

Development costs mainly include costs for products and engines in projects for which there is an expectation for the period of the useful life of the asset to see net sales at such a level as to allow the recovery of the costs incurred. This item includes also assets under construction for 31,361 thousand euros 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 regard to the **Piaggio** group, during the first half of 2014, development costs of approximately 9.7 million euros were charged directly to the Income statement. In this respect, please note that the financial charges on the loans acquired to finance the development of products that require a substantial period of time to be completed are capitalised as part of the cost of the assets themselves, in accordance with the relevant accounting standard IAS 23 – *Financial charges*. Development costs included under this item are amortised on a straight line basis over 5 years (founding products) or 3 years, in consideration of their remaining useful life.

With reference to the naval sector (**Intermarine S.p.A.**) please refer to the Interim Management Report of Immsi Group at 30 June 2014 – paragraph “Activity of Research & Development”.

### Concessions, patents, industrial and similar rights

The net balance of this item, equal to 43,046 thousand euros at 30 June 2014, is mainly related to the Piaggio group (42,960 thousand euros) and is composed of software, patents and know-how, particularly referable to the vehicles Vespa, GP 800, MP3, RSV4, MP3 hybrid and 1200cc engine. The costs of rights of industrial patents and rights of use of intellectual works are amortized in three years.

### Trademarks and licences

The trademarks and licences with a finite life item, totalling 60,300 thousand euros, are as follows:

<i>In thousands of euros</i>	<b>At 30 June 2014</b>	<b>At 31 December 2013</b>	<b>Change</b>
Guzzi brand	20,312	21,125	(813)
Aprilia brand	39,913	41,509	(1,596)
Minor brands	75	80	(5)
<b>Total Brands</b>	<b>60,300</b>	<b>62,714</b>	<b>(2,414)</b>

### Goodwill

The goodwill registered by the Group has unchanged compared to 31 December 2013 and its composition is detailed in the following table:

<i>In thousands of euros</i>	<b>Net balance at 30.06.2014</b>
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
<b>TOTAL</b>	<b>613,982</b>
- of which allocated to Piaggio group cash-generating unit	579,492
- of which allocated to Intermarine cash-generating unit	34,428

Goodwill derives from the greater value paid compared to the corresponding portion of the investee companies' shareholders' equity at the time of the purchase, reduced by the related cumulative amortisation until 31 December 2003. During first-time adoption of the IFRS, in fact, the Group chose not to apply *IFRS 3 – Business combinations* retroactively to company acquisitions prior to 1 January 2004: consequently, the goodwill generated on acquisitions prior to the IFRS transition date was maintained at the previous value, calculated in accordance with Italian accounting standards, subject to verification and the recording of any impairment. As of 1 January 2004 goodwill is no longer amortised: the recoverable value of the cash-generating unit, to which the single goodwill have been attributed, is verified by determining the current value 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 the future financial flows over a multi-year forecasting period that are estimated to be generated by the continuous use of the assets referred to the single cash generating units (method of “Discounted Cash Flow” in its “Unlevered” version); and
- by the terminal value attributable to them (estimated according to the perpetuity growth method), so as to reflect the residual value that each cash-generating unit is expected to generate beyond the planning horizon and representative of the current value of the future cash flows subsequent to the period of explicit projection of the financial data forecast.

It should be borne in mind, lastly, that goodwill recoverability is checked at least once a year (at 31 December), even failing indicators of a possible loss of value.

While the balance sheet of the Immsi Group at 31 December 2013 was being drawn up, with reference to the **Piaggio group** cash-generating unit, the impairment test was arranged in-house by the Immsi S.p.A. company management, whereas for the Intermarine cash-generating unit, the Parent Company called in an external consultant to draw up an impairment report to support the Parent Company’s Board of Directors for the purposes of the application of the procedure set out in accounting standard IAS 36.

As concerns the Piaggio group, it has been considered reasonable to consider the Piaggio group cash-generating unit coincident with the Piaggio group as a whole (Piaggio & C. S.p.A. and its subsidiaries). Therefore all the considerations related to the estimate of the utilization 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. It should be noted that the book value of the goodwill allocated to such cash-generating unit is equal to around 579.5 million euros.

As concerns the **Intermarine** cash-generating unit, note that Intermarine S.p.A. coincides today with the so-called "naval sector" identified by the Immsi Group within its segment reporting in accordance with the accounting principle *IFRS 8 - Operating Segments*: the book value of the goodwill allocated to such cash-generating unit is equal to around 34.4 million euros.

Therefore, please refer to the explanatory and additional Notes on the consolidated financial statements contained in the Report at 31 December 2013 of the Immsi Group for greater detail on the principal assumptions used in the determination of the utilization value of the cash-generating unit Piaggio group and Intermarine. It should hereby be remembered that with reference to both cash-generating units the analyses carried out at 31 December 2013 have not shown any losses in value for the tested goodwill: therefore no impairment has been reflected in the data of the separate or consolidated financial statements of the Immsi Group at 31 December 2013.

As concerns the Piaggio group cash-generating unit, the management of the group has verified, as is the case for all cash-generating units internal to the Piaggio group, that the EBIT forecasted in the approved budget and by the plan used for the impairment tests at 31 December 2013 has essentially been achieved and that the rates applied at the time are still valid. Therefore there are no indications of impairment of the goodwill and it was therefore unnecessary to conduct any impairment tests on the carrying value of the goodwill recognised by the Immsi Group and allocated to the cash-generating unit Piaggio group.

With reference to Intermarine cash-generating unit, the results of the first half of 2014 have shown negative deviations with respect to what was originally forecast by company management, due mainly to delays in the progress of the Gaeta contract and in sustaining additional costs that led to reviews of the initial order estimates. The company management has therefore formulated a synthetic economic forecast for the 2014 financial, leaving instead unchanged the economic forecast of the following two plan periods (2015 and 2016) compared to that used for the impairment test at 31 December 2013. In this regard, we stress how 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: such data, in particular, are based largely on the acquisition of future orders relatively to which today there are negotiations in various stages of progress with various international navies. In this regard, we point out how – in order to prudentially mitigate the degree of uncertainty associated with the forecast of these future orders – company management associated a different degree of acquisition probability to each one of them, of which the economic-financial order data of each one was weighed: updates, revisions or negative developments relative to the aforesaid assumptions and to the projections that should occur after the date of reference of this evaluation work could influence, even significantly, the results of the impairment test. In this regard, we point out that during the preceding years the final results of Intermarine showed significant variances with respect to what was forecast in the forward looking financial data used, even after several exceptional and non foreseeable events, such as the floods in the Intermarine site in Sarzana: given the intrinsically uncertain nature of the forward looking data considered, it cannot be excluded that these variances may continue to take place even in the future.

Also on the basis of this data, the Parent Company Immsi S.p.A. proceeded with the appropriate analyses in order to assess the recoverability of the goodwill recorded at 30 June 2014 and allocated to Intermarine cash-generating unit. These analyses have not led to highlight any impairment of the balance sheet item tested: therefore no devaluation has been reflected in the data of the consolidated balance sheet of Immsi Group at 30 June 2014.

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

### Other intangible assets

The item “Other intangible assets with a finite life”, totalling 1,292 thousand euros, mainly includes charges held by Piaggio Vietnam.

## **- F2 - TANGIBLE ASSETS**

**333,657**

Net tangible assets at 30 June 2014 total 333,657 thousand euros, compared to 340,309 thousand euros at 31 December 2013, and comprise assets mainly recorded by Piaggio group for 296,410 thousand euros, Intermarine S.p.A. for 19,586 thousand euros and Is Molas S.p.A. for 17,361 thousand euros. The following table details this item:

In thousands of euros	Land	Property	Plant and machinery	Industrial and commercial equipment	Assets to be given free of charge	Other assets	TOTAL
<b>Gross amounts at 31 December 2012</b>	<b>48,197</b>	<b>182,655</b>	<b>442,482</b>	<b>505,674</b>	<b>10,388</b>	<b>52,491</b>	<b>1,241,887</b>
Increases	0	970	9,253	7,543	0	745	18,511
Decreases	0	0	(1,469)	(929)	0	(532)	(2,930)
Change in consolidation area	0	0	0	0	0	0	0
Other movements	0	(1,348)	(2,546)	(603)	0	259	(4,238)
<b>Gross amounts at 30 June 2013</b>	<b>48,197</b>	<b>182,277</b>	<b>447,720</b>	<b>511,685</b>	<b>10,388</b>	<b>52,963</b>	<b>1,253,230</b>
<b>Accumulated amortisation at 31 December 2012</b>	<b>0</b>	<b>56,569</b>	<b>309,888</b>	<b>462,034</b>	<b>9,356</b>	<b>43,978</b>	<b>881,825</b>
Depreciation	0	2,658	9,552	7,621	469	1,064	21,364
Applications	0	0	(1,469)	(916)	0	(131)	(2,516)
Change in consolidation area	0	0	0	0	0	0	0
Other changes	0	(229)	(1,634)	(450)	0	(12)	(2,325)
<b>Accumulated amortisation at 30 June 2013</b>	<b>0</b>	<b>58,998</b>	<b>316,337</b>	<b>468,289</b>	<b>9,825</b>	<b>44,899</b>	<b>898,348</b>
<b>Net amounts at 30 June 2013</b>	<b>48,197</b>	<b>123,279</b>	<b>131,383</b>	<b>43,396</b>	<b>563</b>	<b>8.064</b>	<b>354.882</b>

<b>Gross amounts at 31 December 2013</b>	<b>44,651</b>	<b>177,280</b>	<b>444,549</b>	<b>515,625</b>	<b>10,403</b>	<b>52,631</b>	<b>1,245,139</b>
Increases	0	664	5,539	5,265	22	1,660	13,150
Decreases	0	0	(113)	(2,063)	0	(2,037)	(4,213)
Change in consolidation area	0	0	0	0	0	0	0
Other movements	0	632	2,944	(355)	0	341	3,562
<b>Gross amounts at 30 June 2014</b>	<b>44,651</b>	<b>178,576</b>	<b>452,919</b>	<b>518,472</b>	<b>10,425</b>	<b>52,595</b>	<b>1,257,638</b>
<b>Accumulated amortisation at 31 December 2013</b>	<b>0</b>	<b>59,393</b>	<b>318,328</b>	<b>472,171</b>	<b>9,415</b>	<b>45,523</b>	<b>904,830</b>
Depreciation	0	2,679	9,990	7,739	28	1,058	21,494
Applications	0	0	(37)	(1,918)	0	101	(1,854)
Change in consolidation area	0	0	0	0	0	0	0
Other changes	0	119	1,083	107	0	(1,798)	(489)
<b>Accumulated amortisation at 30 June 2014</b>	<b>0</b>	<b>62,191</b>	<b>329,364</b>	<b>478,099</b>	<b>9,443</b>	<b>44,884</b>	<b>923,981</b>
<b>Net amounts at 30 June 2014</b>	<b>44,651</b>	<b>116,385</b>	<b>123,555</b>	<b>40,373</b>	<b>982</b>	<b>7,711</b>	<b>333,657</b>

N.B.: The item "Other movements" includes the translation differences relating to financial statements in foreign currencies, reclassifications and write-downs.

The tangible assets refer to the industrial complex of Intermarine S.p.A. mainly in Sarzana (SP) and to the hospitality (tourism/hotel) structure managed by Is Molas S.p.A. in the Municipality of Pula (Cagliari), and to production facilities of the Piaggio group located in Pontedera (Pisa), Noale (Venice), Mandello del Lario (Lecco), Baramati (India) e Vinh Phuc (Vietnam). The increases mainly relate to the construction of moulds for new vehicles launched during the period and to the logistic and industrial reorganisation of external local units. Borrowing costs relative to loans for the construction of assets that are long-term prior to being ready for use are capitalised as a part of the cost of the actual assets.

Among the tangible assets at 30 June 2014 there are 982 thousand euros related to entirely freely transferable assets owned by Intermarine S.p.A. represented by light constructions, property and related costs of restructuring, built on State land in the Municipality of Messina. The amortisation of the buildings built on State land is performed according to the residual duration of the concession: downstream of the renewal of the concession for that area, the company reparameterized the calculation of the depreciation on the basis of the new available information. These assets, held because of a concession agreement, at its expiry, must be freely and in a perfect state of operation transferred to the granting body.

Finally, it should be remembered that the assets described below – lands excluded – are amortized at rates considered fit to represent their useful life and in any case according to a plan of fixed rate amortization, for details of which reference is made to the Report and financial statements of the Immsi Group at 31 December 2013 – paragraph "Accounting standards and measurement criteria".

At 30 June 2014 the net value of the assets held under lease agreements amounted to 13,173 thousand euros relating to the real estate lease agreement in place in the Piaggio group for the plant of Mandello del Lario. The commitments for lease payments near due are detailed in the Financial Liabilities paragraph.

The Group has also registered 21,242 thousand euros for fixed assets in progress mainly related to property for 4,839 thousand euros, 7,785 thousand euros for plant and machinery and 8,045 thousand euros for industrial equipment.

The Group also uses tangible fixed assets fully depreciated for 40,464 thousand euros, of which 24,276 thousand euros relating to plants and machinery, 6,850 thousand euros relating to industrial and commercial equipment, 4,408 thousand euros to revertible assets and 4,930 thousand euros relating to other assets.

## Guarantees

At 30 June 2014, the Group has land and property encumbered by mortgages or pledges in favour of financial institutions to guarantee bank loans, for which reference is made to the Report and Financial Statements of the IMMSI Group at 31 December 2013, paragraph "Accounting standards and measurement criteria".

<b>- F3 -</b>	<b>PROPERTY INVESTMENTS</b>	<b>85,939</b>
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At 30 June 2014 property investments were registered in the Immsi Group for 85,939 thousand euros, referable to the property of Immsi S.p.A. located in Rome – Via Abruzzi for 73,798 thousand euros and properties, equipment and machineries of the Spanish site of Martorelles of Piaggio group for 12,141 thousand euros.

With reference to the property of the **Parent company Immsi S.p.A.**, as known, since 2008 the Company has classified it (located in Rome – Via Abruzzi) as property investment, as defined by IAS 40: the book value was reassessed to the market value at the date of change of destination (in the amount of 72.1 million euros), since it was no longer instrumental to the typical activity, yet rather as an asset usable to finance the other ongoing investment activities. The greater value was entered in a specific reserve of the equity, net of the related tax effect. The investment moreover is no longer subject to a process of amortization starting from the year 2009 as required by the international accounting standards.

The valuation of the real estate investment at issue is based on a survey performed by an external consultant that estimated the fair value at the end of 2013 in line with the value of registration in the financial statements at 31 December 2013. During the first half of 2014, in the opinion of the Company's management, no events or circumstances occurred to indicate that the activity in question may have suffered a significant loss in value. The increase of 18 thousand euros compared to the value recorded at 31 December 2013 is related to reorganization and restructuring work performed during the first half of this year.

Rental income referred to the building and recognised by Immsi S.p.A. during the first half of 2014 among Net proceeds revenues amounts to approximately 1.5 million euros. The costs connected to it refer substantially to ordinary maintenance and operating administration of the building. Most of these costs are then debited to the tenants as per condominium regulations.

There is also a 92 million euros mortgage on this building under examination in guarantee of the financing obtained by Immsi S.p.A. in 2010 by a pool of banks (Efibanca-Banco Popolare, Cassa di Risparmio Lucca Pisa Livorno and Banca Popolare di Lodi, now merged into Banco Popolare) for an original amount of 46 million euros in place at 30 June 2014 for residual 25.6 million euros, the extinction of which is foreseen in June 2019.

Investment property recorded by **Piaggio group** refers to the Spanish site of Martorelles, where production was stopped in March 2013 and relocated to Italian sites.

The net book value as of 30 June 2014 was determined by a specific appraisal conducted by an independent expert who measured the "Fair Value less cost of disposal" based on a market approach (as provided for in IFRS 13). This appraisal identified the total value of investment as 12,141 thousand euros. The group uses the "fair value model" as provided for in IAS 40, thus the measurement updated at 30 June 2014 resulted in Gains from fair value adjustment, equal to 4,795 thousand euros being recognised under other operating income in the income statement for the period.

In this regard, the greater value of the investment compared to 31 December 2013 is due to the regulatory change (with the approval of the local authorities of Martorelles on 18 February 2014), whereby the area where the land and building are located may be used for commercial purposes (in addition to industrial purposes). The group arranged to this regard a project to reconvert the area,

finalized to realize a mall. This change, along with comparable transactions and the project, was considered for the purposes of measuring the fair value of the site as of 30 June 2014, with the valuation referring however to the current status of the property.

Paragraph P – Information on Financial Instruments contains information required by IFRS 7 on fair value measurement, as well as the sensitivity levels of variables used for the valuation.

<b>- F4 - EQUITY INVESTMENT</b>	<b>8,167</b>
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The balance of 8,167 thousand euros of the item “Equity investments” is in line with the figure at 31 December 2013.

Also note that the book value of the investments held by Immsi S.p.A. in fully consolidated subsidiaries - equal to 322.4 million euros at 30 June 2014 - is fully eliminated on consolidation.

The value of investments in joint ventures refers to the valuation of the portion of shareholders’ equity in the Zongshen Piaggio Foshan joint venture held by the Group, adjusted to take account of the measurement criteria adopted by the Group, as well as the recoverable value determined during impairment testing carried out by Piaggio & C. S.p.A.. The following table summarises the main financial highlights of the joint venture:

Accounting situation at 30 June 2014  
In thousands of euros

	45% owned by the Piaggio group
Operating capital	5,982
Total non-current assets	3,863
<b>NET INVESTED CAPITAL</b>	<b>9,845</b>
Reserves	40
Financial position	1,885
Shareholders’ equity	7,920
<b>TOTAL SOURCES OF FUNDS</b>	<b>9,845</b>

<b>- F5 - OTHER FINANCIAL ASSETS</b>	<b>58,080</b>
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**- Non-current portion**

The other non-current financial assets, equal to 39,055 thousand euros derive from:

- financial assets available for sale, represented by the shareholding of 28,500 thousand euros (equal to 10.19% of the capital) in Alitalia - CAI, held by Immsi S.p.A.;
- the fair value of the hedging derivative instruments entered into by the Piaggio group and in particular for 5,505 thousand euros from the fair value of the cross currency swap relative to a private debenture loan and for 4,887 thousand euros from the fair value of the cross currency swap relative to a medium-term loan of the Indian subsidiary, for an overall amount of 10,392 thousand euros (10,468 thousand euros at 31 December 2013);
- the book value of the investments held in other smaller companies by the Piaggio group for an overall amount of approx. 163 thousand euros.

With regard to the equity investment in Alitalia - CAI, compared to the book value at 31 December 2013 amounting to 57,700 thousand euros, there was an increase of 11,650 thousand euros due to the conversion, which took place in January 2014, of the debenture loan subscribed in February 2013 and of the related interests, and a decrease of 40,850 thousand euros due to the write-down of the recoverable value of the same, estimated at 30 June 2014 as equal to 28,500 thousand euros.

The 2013 balance sheet of Alitalia - CAI showed significant financial losses and significant criticalities regarding the continuity of the company, which we believe can be overcome if the preliminary agreement (signing) that took place on 8 August 2014 between the current corporate structure and the air carrier Etihad is authorized by the European Antitrust Committee (anticipated by the end of the current year), thus leading to the definitive closing.

This agreement provides that, in consequence of the occurrence of a number of conditions, among which: 1) a significant reduction in the workforce of Alitalia - CAI; 2) the recapitalization of the company by existing shareholders; 3) the restructuring of the bank debt (conditions preliminarily met at signing), there be the entrance of the air carrier Etihad with a share of 49% in a new company into which the operational activities of the current Alitalia - CAI would converge, alongside the existing shareholders of the same company.

At the financial level, the commitment of Etihad, between the acquisition of the shares in the new operating company and the acquisition of other Alitalia – CAI assets, will amount to 560 million euros, which are in addition to the cash recapitalization from existing shareholders, planned for up to 300 million euros.

Taking into account mainly of the accounting evidences obtained from the 2013 balance sheet of Alitalia – CAI in terms of pro rata shareholders' equity, as well as the changes accountable to it occurred during the year 2014, IMMSI carried out an assessment of the possible recovery value of the stake in Alitalia, which highlighted the need for a write-down amounting to 40,850 thousand euros, recorded in the Group Income Statement of the Immsi Group at 30 June 2014.

This assessment will have to be confirmed when further, more complete information will be available, in particular relating to the final conclusion of the complex corporate transaction described above and in the light of the performance of the investee over the course of the current year.

#### **- Current portion**

Other current financial assets total 19,025 thousand euros at 30 June 2014, showing a 9,594 thousand euros decrease compared to 31 December 2013, essentially due to the conversion, which took place at the beginning of the year, of the share of the subordinate convertible debenture loan Alitalia - CAI S.p.A. subscribed by Immsi S.p.A. in the month of February 2013.

This item mainly includes:

- for an amount of 17,051 thousand euros, the shareholding (equal to 2,788,464 shares) held by Immsi S.p.A. in Unicredit S.p.A., with fair value evaluation at the reference date of 30 June 2014 and up approx. 2,049 thousand euros compared to (gross of the relevant fiscal effect equal to around 28 thousand euros) 31 December 2013. The price of the Unicredit security has shown a recovery of its share prices over the last year, reaching at 30 June 2014 a value of 6.115 euros per share, higher than the carrying value (approximately 5.33 euros per share) and therefore not showing any loss of value. It should be noted that the procedure of Immsi S.p.A. relating to the determination of impairment of equity financial instruments classified as "Available For Sale" ("AFS") has defined alternatively the conditions of a prolonged and significant reduction in the fair value on the basis of i) a reduction in the market value exceeding two thirds of the original cost, and ii) a market value continuously lower than the original carrying amount, observed over a period of time of at least two years. It remains understood that, in exceptional circumstances, the Company Management may consider any such decline as not representative of a significant or prolonged loss of value of the security and exceptionally derogate from the specified thresholds, reserving the right - in justified circumstances - to change the aforementioned thresholds in order to reflect any significant changes in the economic and financial context;
- for an amount of 1,973 thousand euros, the deposit made by Intermarine S.p.A. to guarantee the signing of the credit agreement relating to the contract with the Sultanate of Oman,

bound and subjected to pledge in favour of the guarantor banks and whose release is due in July 2014.

<b>- F6 - AMOUNTS DUE FROM THE TAX AUTHORITIES</b>	<b>37,098</b>
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Current and non-current amounts due from tax authorities total 37,098 thousand euros, an increase compared to the end of 2013 of 5,172 thousand euros, mainly due to the increase in the VAT credit of the Indian and Vietnamese subsidiaries. Below is the breakdown by maturity:

**- Non-current portion**

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Amounts due from the tax authorities for VAT	4,812	1,110
Amounts due from the tax authorities for income tax	1,146	1,664
Other amounts due from the tax authorities	1,759	1,609
<b>TOTAL</b>	<b>7,717</b>	<b>4,383</b>

In this respect, it should be reminded that Immsi S.p.A. has outstanding fiscal consolidated contracts with the subsidiary companies Piaggio & C. S.p.A., Aprilia Racing S.r.l. Apuliae S.p.A., Intermarine S.p.A., RCN Finanziaria S.p.A., ISM Investimenti S.p.A. and Pietra S.r.l..

By virtue of these contracts, the Parent company – as the consolidating company - has registered in its own financial statements receivables from the tax authorities for non-current taxes, related to withholdings suffered and IRES advance payments made, transferred from the companies included in the national fiscal consolidation, for 1,558 thousand euros, whose use is supposed to be following the current year in the light of the expected industrial plans prepared by the Group companies.

**- Current portion**

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Amounts due from the tax authorities for VAT	26,075	23,596
Amounts due from the tax authorities for income tax	1,495	1,340
Other amounts due from the tax authorities	1,811	2,607
<b>TOTAL</b>	<b>29,381</b>	<b>27,543</b>

<b>- F7 - DEFERRED TAX ASSETS</b>	<b>104,874</b>
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At 30 June 2014, net deferred tax assets that will fall due within 12 months total 3,295 thousand euros whereas those falling due beyond 12 months amount to 101,579 thousand euros.

The Piaggio group has recognised 37,776 thousand euros of deferred tax assets compared to 33,660 thousand euros recorded at 31 December 2013. The deferred tax assets recognized by the subsidiary Intermarine S.p.A. at 30 June 2014 total 46,627 thousand euros (compared to 46,351 thousand euros at 31 December 2013), while those recognized by the subsidiary Is Molas S.p.A. total 11,979 thousand euros (compared to 11,274 thousand euros at 31 December 2013). The remaining share of 8,492 thousand euros is recorded by the other companies belonging to the property and holding sector, net of eliminations and consolidation adjustments.

As regards the measurements to define the deferred tax assets, the companies of the Immsi Group took account of the tax regulations in the various countries where the companies of the Group operate, their impact in terms of timing differences and any tax benefits deriving from the use of prior tax losses, as well as the expected taxable income in the medium term for each individual company. In view of the above considerations and also for the sake of prudence, the tax benefits deriving from

the losses carried forward and from temporary differences were not fully recognised.

**- F8 - TRADE RECEIVABLES AND OTHER RECEIVABLES 316,465**

**- Non-current portion**

Trade receivables and other receivables included under non-current assets total 15,192 thousand euros (net of the impairment provision equal to 1,203 thousand euros) against 15,858 thousand euros at 31 December 2013 and are detailed below:

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Trade receivables	387	0
Amounts due from associated companies	197	231
Other receivables	14,608	15,627
<b>TOTAL</b>	<b>15,192</b>	<b>15,858</b>

**- Current portion**

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

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Trade receivables	172,678	114,834
Amounts due from subsidiaries *)	2,546	2,546
Receivables from associated companies	501	410
Receivables from joint ventures	4,146	1,220
Other receivables	121,402	143,363
<b>TOTAL</b>	<b>301,273</b>	<b>262,373</b>

\*) not consolidated on a global integration basis

Trade receivables at 30 June 2014 total 172,678 thousand euros, an increase of approx. 57,844 compared to the value recorded at 31 December 2013 (equal to 114,834 thousand euros): as already remembered, the growth in this value is mainly tied to the phenomenon of the seasonality of the sales made by the Piaggio group, particularly concentrated in the spring and summer months. The item "Trade receivables" comprises amounts (receivables) due from normal sales transactions, stated net of a bad debt reserve of 29,673 thousand euros, an increase of 358 thousand euros compared to 31 December 2013.

The balance of receivables from subsidiaries, equal to 2,546 thousand euros, refers to trade receivables from the subsidiary Rodriquez Cantieri Navali do Brasil Ltda, not fully consolidated but recorded according to the equity method. On the other hand, the balance of receivables from associated companies refers to receivables from Consorzio CTMI for 466 thousand euros and from Fondazione Piaggio for 35 thousand euros while the receivables from joint ventures (equal to 4,146 thousand euros at 30 June 2014) refer to receivables from Zongshen Piaggio Foshan Motorcycle Co. Ltd., as detailed below in the statement of the intergroup transactions and with related parties.

It should also be remembered that the Piaggio group transfers on a regular basis a large part of its trading receivables mainly with the "pro-soluto" and "pro-solvendo" clause. The contractual structure that Piaggio formalized with major Italian and foreign factoring companies essentially reflects the need to optimize the monitoring and management of the credit as well as offering its customers an instrument for financing their own warehouse, for the disposals that took place without a substantial



transfer of risks and benefits. In contrast, for “pro-soluto” receivables, contracts were formalised aimed at the material transfer of risks and benefits. At 30 June 2014, the “pro-soluto” sold trade receivables not due yet altogether amount to 118,268 thousand euros, on which the Piaggio group received the consideration before the natural expiration for 105,114 thousand euros.

At 30 June 2014, the advances received – both from factoring firms and from banks – on “pro-solvendo” disposals of trade receivables total 31,698 thousand euros and are offset in the current liabilities.

“Other receivables” include advances to suppliers for 44,267 thousand euros basically registered by the subsidiary Intermarine S.p.A., accrued income and prepaid expenses for a total amount of 7,795 thousand euros, 553 thousand euros for advances to employees and security deposits for 260 thousand euros.

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

In thousands of euros	Balance at 31.12.2013	Increases	Decreases	Balance at 30.06.2014
<b>Contract work in progress gross of advances</b>	<b>190,830</b>	20,255	(19,892)	<b>191,193</b>
Contractual advances received from customers	117,795			139,717
<b>Contract work in progress net of advances</b>	<b>73,035</b>			<b>51,476</b>
Costs incurred	178,426			177,026
Margins recorded (net of losses)	12,404			14,167

**- F9 - ASSETS INTENDED FOR DISPOSAL 24,095**

The net book value of the assets intended for sale recorded by Intermarine S.p.A. amounts to 24,095 thousand euros and it refers almost exclusively to the property of Pietra Ligure acquired at the public auction of the State in the month of December 2007 for a total of 19.1 million euros and accounted in the buildings destined to be dismissed in relation to the contracts and obligations undersigned by the company. The increase by 301 thousand euros compared to the 31 December 2013 figure is attributable to the capitalisation of the building project development costs incurred during the first half of 2014. Please refer to what is described in the Interim management report on operations of the Immsi Group at 30 June 2014 for an update on the progress of the project pertaining to the real estate complex in Pietra Ligure.

**- F10 - INVENTORIES 319,756**

Inventories are measured at the lower of cost and market value and total 319,756 thousand euros at the end of June and comprise:

In thousands of euros	Balance at 30.06.2014			Balance at 31.12.2013		
	Cost	Write-down	Net	Cost	Write-down	Net
Goods	0	0	0	0	0	0
Consumables	56	0	56	27	0	27
Raw materials	124,544	(16,550)	107,994	101,114	(15,925)	85,189
Work in progress and semi-finished products	80,316	(1,102)	79,214	79,633	(1,102)	78,531
Finished products	154,849	(22,357)	132,492	137,694	(21,502)	116,192
<b>TOTAL</b>	<b>359,765</b>	<b>(40,009)</b>	<b>319,756</b>	<b>318,468</b>	<b>(38,529)</b>	<b>279,939</b>

The increase compared to the figure recorded at 31 December 2013 (+39,817 thousand euros) is

mainly ascribable to the Piaggio group and is derived from the production peak typical of the summer months, resulting from the aforementioned seasonal nature of the group's business, while the above write-downs were necessary for the presence of raw materials no longer usable in the production process and obsolete or slow-moving finished products and goods.

At 30 June 2014, the Piaggio group recognises, net of write-downs, inventories for 246,641 thousand euros referred to components, accessories, 2-wheeled, 3-wheeled and 4-wheeled vehicles. Intermarine S.p.A. contributes 44,525 thousand euros, mainly raw materials and contract work in progress for prototypes, internal construction and repairs. Finally, Is Molas S.p.A. records 28,590 thousand euros of inventories at the year end relating to the hotel business, as well as work in progress and semi-finished products represented by land, volumes, costs for services and consultancy for the property development project relating to the allotment located in Is Molas - Cagliari.

<b>- F11 -</b>	<b>CASH AND CASH EQUIVALENT</b>	<b>112,480</b>
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Cash and cash equivalents at the year end total 112,480 thousand euros against 74,285 thousand euros at 31 December 2013, as detailed in the table below:

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Cheques	11	4
Cash and cash equivalents	133	103
Securities	4,872	9,159
Amounts due from banks within 90 days	107,464	65,019
<b>TOTAL</b>	<b>112,480</b>	<b>74,285</b>

This item covers cash, current bank accounts, deposits refundable on demand and other short-term high-liquidity financial investments readily convertible into cash and subject to an insignificant risk of variation in value. For details of the evolution of the item in question during the first half of 2014 refer to the Consolidated cash flow statement at 30 June 2014.

Cash and cash equivalents are primarily in the Piaggio group (approximately 104 million euros), the subsidiary Is Molas S.p.A. (approximately 3.1 million euros) and the subsidiary Intermarine S.p.A. (approximately 3.7 million euros) and are earmarked to finance the medium-term indebtedness and the instalments of the financings falling due as well as to support the investments programmed by the Group. The item "Securities" relates to contracts of deposit made by the Indian subsidiary of the Piaggio Group to effectively utilize its temporary liquidity.

## **- G – INFORMATION ON THE MAIN LIABILITIES ITEMS**

Amounts are stated in thousands of euros unless otherwise indicated.

<b>- G1 -</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>477,593</b>
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Shareholders' equity at 30 June 2014 stands at 477,593 thousand euros, of which 299,491 thousand euros being consolidated Group shareholders' equity and 178,102 thousand euros referring to non-controlling interest capital and reserves.

### **Share capital**

At 30 June 2014, the share capital of Immsi S.p.A., fully subscribed and paid up, comprises no. 340,530,000 ordinary shares with no nominal value, for a total of 178,464,000.00 euros. It is noted that at 31 June 2014, Immsi S.p.A. held no treasury stock.

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

### **Legal reserve**

The legal reserve comprises reserves allocated following the distribution of profits from the year 2000 to the year 2013, in accordance with the provisions of law and totals 6,989 thousand euros at the end of June 2014, an increase of 742 thousand euros compared to end December 2013.

### **Other reserves**

This item totals 196,785 thousand euros, 1,557 thousand euros increase compared to the value recorded at 31 December 2013.

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

Other reserves also include the reserve generated from the Group's transition to international accounting standards as of 1 January 2004, equal to 5,300 thousand euros at the end of June 2014 and unchanged compared to 31 December 2013, details of which are in the Report to the Financial Statements at 31 December 2005, also available on the [www.immsi.it](http://www.immsi.it) website – and the reserve for evaluation at fair value of property investments in Immsi S.p.A. for 40,709 thousand euros.

The stock option reserve amounts to 6,742 thousand euros (unchanged compared to the figure at 31 December 2013) while the reserve allocated to the evaluation of the financial instruments is negative for 453 thousand euros, a 1,443 thousand euros increase compared to 31 December 2013 mainly due to the increase in the fair value of the Unicredit shares held by the Parent Company: for further details thereof, refer to the Illustrative note *F5 – Other financial assets*.

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

In thousands of euros

	Extraordinary reserve	Share premium reserve / share capital increase	IAS transition reserves	Reserves as per Law 413/91	Legal reserves	Translation reserves	Stock Option reserve	Reserve for Staff Severance Fund (TFR) authorisation	Financial instrument measurement reserves	Other reserves	Total other reserves
<b>Balances at 31 December 2013</b>	7,103	95,216	5,300	4,602	1,153	(14,324)	6,742	(1,194)	(1,896)	92,526	195,228
Other changes										855	855
Overall earnings for the period						533		(1,305)	1,443		672
<b>Balances at 30 June 2014</b>	7,103	95,216	5,300	4,602	1,153	(13,791)	6,742	(2,499)	(453)	93,411	196,785

## Retained earnings

The earnings carried forward total 42,761 thousand euros and refer to cumulative Group losses.

## Non-controlling interest capital and reserves

At 30 June 2014 the balance of share capital and reserves attributable to third party shareholders totals 178,102 thousand euros, a 6,855 thousand euros increase compared to 31 December 2013. This change is mainly deriving from recognizing the share of the profit for the period due to minority shareholders.

## **- G2 - FINANCIAL LIABILITIES 992,377**

Financial liabilities total 992,377 thousand euros at 30 June 2014, a 44,925 thousand euros increase compared to the value recorded at 31 December 2013. The part recorded under non-current liabilities amounts to 575,751 thousand euros, against 587,761 at 31 December 2013, while the part included among current liabilities totals 416,626 thousand euros, a 56,935 thousand euros increase compared to the year end 2013.

Non-current financial liabilities also include the fair value evaluation of the derivative financial instruments designated as hedges of the exchange and interest rate risk and of the relative hedged items – underwritten by the Piaggio group – for a total of 9,143 thousand euros, 376 thousand euros increase compared to 31 December 2013. As already pointed out, the net financial debt does not include other financial assets and liabilities arising from the valuation at fair value of the derivative financial instruments designated as hedges, the fair value adjustment of the related hedged items and the related accruals.

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

### - Non-current portion

In thousands of euros	Balance at 30.06.2014	Balance at 31.12.2013
Bonds	287,584	195,318
Amounts due to bank	276,724	380,483
Amounts due under finance leases	226	0
Amounts due to other lenders	2,074	3,193
<b>TOTAL</b>	<b>566,608</b>	<b>578,994</b>

We point out that in the items “Amounts due to bank” and “Bonds” there are financings treated from an accounting point of view according to the criterion of amortised cost. According to this criterion the nominal amount of the liability is decreased by the amount of the relative issuing and/or stipulation costs in addition to any costs linked to refinancing previous liabilities. Amortisation of such costs is determined according to the method of the actual interest rate, meaning the rate that discounts the future flow of passive interest and reimbursements of capital to the net accounting value of the financial liability. Furthermore, some financial liabilities related to the Piaggio group are entered at fair value with registration in the Income statement of the relative effects.

### - Current portion

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Amounts due to bank	344,422	294,815
Amounts due under finance leases	5,359	5,809
Amounts due to subsidiaries *)	54	109
Amounts due to other lenders	66,791	58,958
<b>TOTAL</b>	<b>416,626</b>	<b>359,691</b>

\*) not consolidated on a global integration basis

The composition of the gross financial debt is the following:

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>	<i>Nominal value at 30.06.2014</i>	<i>Nominal value at 31.12.2013</i>
Bonds	287,584	195,318	301,799	201,799
Amounts due to bank	621,146	675,298	622,730	677,411
Amounts due under finance leases	5,585	5,809	5,585	5,809
Amounts due to subsidiaries *)	54	109	54	109
Amounts due to other lenders	68,865	62,151	68,865	62,151
<b>TOTAL</b>	<b>983,234</b>	<b>938,685</b>	<b>999,033</b>	<b>947,279</b>

\*) not consolidated on a global integration basis

The following prospectus shows the reimbursement plan for the gross financial debt at 30 June 2014 of the Immsi Group:

In thousands of euros	<i>Nominal value at 30.06.2014</i>	<i>Portions falling due within 12 months</i>	<i>Portions falling due within 30.06.2016</i>	<i>Portions falling due within 30.06.2017</i>	<i>Portions falling due within 30.06.2018</i>	<i>Portions falling due within 30.06.2019</i>	<i>Portions falling due beyond</i>
Bonds	301,799	0	0	0	9,669	9,669	282,461
Amounts due to bank	622,730	324,423	156,125	77,049	28,007	23,326	13,800
Amounts due under finance leases	5,585	5,359	15	31	33	35	112
Amounts due to subsidiaries *)	54	54	0	0	0	0	0
Amounts due to other lenders	68,865	66,791	812	312	314	317	319
<b>TOTAL</b>	<b>999,033</b>	<b>396,627</b>	<b>156,952</b>	<b>77,392</b>	<b>38,023</b>	<b>33,347</b>	<b>296,692</b>

\*) not consolidated on a global integration basis

The following table analyzes the gross financial debt by currency and interest rate:

In thousands of euros	<i>Balance at 31.12.2013</i>	<i>Balance at 30.06.2014</i>	<i>Nominal value at 30.06.2014</i>	<i>Interest rate at 30.06.2014</i>
Euro	888,960	909,327	925,126	4.01%
Vietnamese Dong	16,197	39,700	39,700	10.32%
Japanese Yen	3,040	3,453	3,453	2.85%
Indian Rupee	21,445	22,626	22,626	10.13%
Indonesian Rupiah	2,906	3,020	3,020	10.96%
US Dollar	6,137	5,108	5,108	1.95%
<b>TOTAL</b>	<b>938,685</b>	<b>983,234</b>	<b>999,033</b>	<b>4.40%</b>

Amounts due to banks mainly include the following loans:

*Immsi S.p.A.*

- a 25,325 million euros loan (residual nominal value 25,556 thousand euros) granted by the pool of banking firms originally composed of Banca Popolare di Lodi, Efibanca and Cassa di Risparmio di Lucca Pisa Livorno (now merged into Banco Popolare) at a rate equal to the variable Euribor increased by a spread maturing June 2019 and the reimbursement in 18 constant half-yearly instalments beginning 31 December 2010, of which 5.1 million euros maturing within 12 months. At the same time as starting the financing, the Company stipulated a contract to hedge the variable rate with a fixed rate equal to 2.41% (plus spread) on 75% of the nominal value of the loan. The loan, which is secured by a 92 million euros mortgage on the building in via Abruzzi, 25 – Rome and by a bonded securities deposit in which there must always be Piaggio shares for an amount equal to at least 10 million euros, envisages two covenants;
- revolving credit line granted by the bank Monte dei Paschi di Siena for a total nominal value of 30 million euros (fully used at 30 June 2014). The line, expiring at April 2017 and rate of reference equal to the variable Euribor increased by a spread, is guaranteed by the lien on approximately 20 million Piaggio & C. S.p.A. shares and envisages meeting a covenant;
- revolving credit line granted by Intesa Sanpaolo for 25 million euros, fully used at 30 June 2014, with reference rate equal to the Euribor increased by a spread and maturing in December 2015. This line envisages a covenant;
- credit line granted by Intesa Sanpaolo for a total nominal value of 15 million euros (fully used at 30 June 2014) and entered in the balance sheet for a value of 14,896 thousand euros based on the principle of amortised cost. The line, expiring in February 2016 and having a rate of reference equal to the variable Euribor increased by a spread, is guaranteed by the lien on 10 million Piaggio & C. S.p.A. shares and envisages meeting a covenant;
- revolving credit line granted by Unicredit for 25 million euros (used for 13.5 million euros at 30 June 2014), with reference rate equal to the Euribor increased by a spread and maturing in October 2015. This line is assisted by a deposit of overall 20 million Piaggio & C. S.p.A. shares, and envisages a covenant;
- loan granted by Banca Popolare dell'Emilia Romagna for nominal value 15 million euros and entered in the balance sheet at 30 June 2014 for 13,147 thousand euros, based on the principle of the amortized cost, falling due in March 2017 at the reference rate equal to the Euribor increased by a spread. This facility provides for an amortisation schedule in half-yearly instalments of an increasing amount, of which 3.5 million euros maturing within 12 months, and is guaranteed by the lien on 11.6 million Piaggio & C. S.p.A. shares. This loan also envisages two covenants;
- a revolving credit line granted by the bank Banca Nazionale del Lavoro for a total of 10 million euros (fully used at 30 June 2014). The line, expiring at April 2015 and rate of reference equal to the variable Euribor increased by a spread, is guaranteed by the lien on 7 million Piaggio & C. S.p.A. shares, and envisages meeting two covenants;

- a revolving credit line granted until May 2015 by Banco Popolare for a total of 20 million euros (fully used at 30 June 2014), guaranteed by a deposit of 12.7 million Piaggio shares and reference rate equal to the variable Euribor increased by a spread;
- Bullet – Multi Borrower financing granted by Intesa Sanpaolo for a total of 100 million euros, with maturity at June 2015, and variable reference rate equal to Euribor increased by a spread, of which 55 million euros granted to Immsi, 30 million euros disbursed to ISM Investimenti S.p.A. and 15 million euros disbursed to Intermarine S.p.A.: this financing is guaranteed by 1) the lien on 38.5 million Piaggio & C. S.p.A. shares and ii) further 6.5 million Piaggio & C. S.p.A. shares transferred in a cautionary deposit;
- contract of stock loan from Immsi S.p.A. to Banca Akros that, with the loan of 2,787,000 Unicredit shares, requires delivery of cash collateral for an amount of approx. 13,294 thousand euros represented by the market value of the stock at the date of subscription net of a spread that absorbs any downward swing of the stock. The contract, with expiration at revocation, requires a fee equal to 0.05% and negative interest equal to EONIA increased by a spread, calculated on the cash collateral disbursed from Banca Akros.

### *Gruppo Piaggio*

- 42,857 thousand euros medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2009-2012. The loan will fall due in February 2016 and has an initial amortisation quota of 14 six-monthly instalments to be repaid at a variable rate equal to the six-month Euribor plus a spread of 1.323%. Contract terms provide for covenants. An interest rate swap was taken out on the loan to hedge the interest rate risk;
- 60,000 thousand euros medium-term loan from the European Investment Bank to finance Research & Development investments planned for the period 2013-2015. The loan will fall due in December 2019 and has an amortisation quota of 11 six-monthly instalments at a fixed rate of 2.723%. Contract terms provide for covenants;
- 63,854 thousand euros (nominal value of 65,000 thousand euros) medium-term revolving syndicated loan granted in December 2011 and finalised in January 2012, as suspension conditions had been met. The loan, of a total value of 200,000 thousand euros, has an irrevocable duration of 4 years and because of this commitment undertaken by the lenders, inter-annual use may be extended up to final maturity. As a result, the amount due was recognised under non-current liabilities, apart from 20,000 thousand euros recognised under the current portion, following the scheduled repayment. Contract terms require covenants;
- 9,141 thousand euros medium-term loan (equal to 16,872 thousand USD) granted by International Finance Corporation (a World Bank member) to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 January 2018 and has an amortisation quota of six-monthly instalments from January 2014. Contract terms provide for a guarantee from Piaggio & C. S.p.A. and compliance with some covenants. Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk;
- a 11,960 medium-term loan (equal to 17,850 thousand USD) granted by International Finance Corporation to the subsidiary Piaggio Vehicles Private Limited with interest accruing at a variable rate. The loan will fall due on 15 July 2019 and has an amortisation quota of six-monthly instalments from July 2015. Contract terms provide for a guarantee from Piaggio & C. S.p.A. and compliance with some covenants. Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk;
- a 14,325 medium-term loan (equal to 19,680 thousand USD) granted by International Finance Corporation to the subsidiary Piaggio Vietnam with interest accruing at a variable rate. The loan will fall due on 15 July 2018 and has an amortisation quota of six-monthly instalments from July 2014. Contract terms provide for a guarantee from Piaggio & C. S.p.A.

and compliance with some covenants. Cross currency swaps were taken out on the loan to hedge the exchange risk and interest rate risk;

- 3,427 thousand euros loans from various banks pursuant to Italian Law no. 346/88 on subsidised applied research;
- a 2,514 loan from Banca Intesa granted pursuant to Italian Law no. 297/99 on subsidised applied research;
- a 750 thousand euros eight-year subsidised loan from ICCREA in December 2008 granted under Italian Law 100/90.

It should be pointed out that all the above financial liabilities are unsecured.

#### *Intermarine S.p.A.*

- loans disbursed by Banca Intesa for a total of 26.8 million euros to be repaid in correlation with the residual proceeds from the contract with the Finnish Navy, guaranteed by a pledge on shares of Piaggio & C S.p.A. held by Immsi S.p.A. and letters of guarantee;
- loan for a nominal 15 million euros relative to an "Amortizing Loan" line issued by Banca Intesa in November 2012, with a maturity of five years, two years of pre-amortization and co-obligation of the parent Immsi S.p.A.: this line is assisted by a second mortgage on the warehouse of Sarzana and a second degree insurance assignment;
- revolving line of credit issued by Banca Intesa amounting to 18 million euros, to be used primarily for the settlement of liabilities towards the main strategic suppliers, fully drawn at 30 June 2014 and secured by a pledge on shares of Piaggio & C S.p.A. held by Immsi S.p.A.;
- residual financial exposure amounting to 1.5 million euros against Banca Popolare di Lodi for the medium/long term loan originally for 8 million euros, to be repaid in seven annual instalments, the first of which expired in 2009. Following the flood event of 2011, the maturity of the loan - secured by a first mortgage on the buildings located in Sarzana - has been extended to March 2015. The loan - which is associated with a rate hedging contract that transforms the floating rate into fixed rate - accrues interest at the Euribor rate plus spread;
- financial payables for advance operations by Banca Carige for approx. 3.2 million euros: this line is assisted by a letter of patronage issued by Immsi S.p.A.;
- financial debts for advances of the Gaeta contract by Banca IFIS for approximately 7.7 million euros (assisted by a letter of patronage issued by RCN Finanziaria S.p.A. and by Immsi S.p.A.), which is added to a line of credit with the same counterparty for advances on invoices used for around 10.2 million euros;
- use of overdraft facilities with various Banks for a total amount of approx. 1.9 million euros.

#### *Is Molas S.p.A.*

- variable rate loan granted by Monte dei Paschi di Siena to Is Molas S.p.A., with validity till revocation and usable for cash, for approximately 20 million euros equal to the actual debt for capital, interest and accessory burdens accrued and payable;
- 1st degree mortgage loan on the "Le Ginestre" real estate complex for a duration of 7 years, stipulated in November 2009 with Banca Popolare di Lodi for an initial amount equal to 5 million euros, currently for approx. 3.8 million euros: the terms of the mortgage require 2 years of pre-amortization at a three-month Euribor rate increased by a spread.

For a more detailed description of the financial instruments designated to hedge above liabilities and covenants if any, refer to Paragraph P – Information on Financial Instruments.

The item "Bonds" amounting to 287,584 thousand euros (nominal value of 301,799 thousand euros) refers to:

- for 51,516 thousand euros (par value of 51,799 thousand euros) to the private debenture loan ("US Private Placement") issued on 25 July 2011 for 75,000 thousand USD, entirely



underwritten by an American institutional investor, reimbursable in 5 annual instalments starting from July 2017 with a six-monthly coupon at the fixed annual nominal rate of 6.50%. At 30 June 2014, the valuation at fair value of the bonds is equal to 57,021 thousand euros (fair value determined based on the IFRS principles related to the fair value hedge evaluation). Moreover, a Cross Currency Swap was placed on this bond issue to cover the exchange risk and the interest rate risk (for a more detailed description refer to Paragraph P – Information on Financial Instruments);

- 236,068 thousand euros (nominal value 250,000 thousand euros) refers to the liability management operation completed by Piaggio & C. S.p.A. during second quarter of 2014. In particular, this operation was for the refinancing of a debenture loan issued by the Company on 1 December 2009 for a total of 150,000 thousand euros maturing on 1 December 2016. Favourable market conditions resulted in improved economic conditions, enabling optimised borrowing costs, a longer average life and greater use of capital.

In particular, the liability management operation concerned the following stages:

1. the launch on 7 April 2014 of an exchange offer for bonds relative to the existing debenture loan with new issue bonds. 72% of bondholders took up the offer, for a total value of 108,027 thousand euros;
2. the issue on 24 April 2014 of a High Yield debenture loan (with the same characteristics as the bond issued in 2009), for a total of 250,000 thousand euros, maturing on 30 April 2021 and six-monthly coupon with nominal annual rate fixed at 4.625% (as mentioned, the issue for 108,027 thousand euros was on an exchange basis, while the remaining portion concerned inflows of new liquidity for the group). Standard & Poor's and Moody's assigned a BB- rating with a negative outlook and a Ba3 rating with a stable outlook respectively;
3. given the positive outcome of the operation, in May 2014, the Piaggio group exercised the call option of the debenture loan issued in 2009 in order to repay 41,973 thousand euros in advance to bondholders that had not taken part in the exchange. The operation resulted in the premium for the repurchase of securities in circulation, amounting to 1,469 thousand euros gross of taxes, being recognised under non-recurrent borrowing costs in the income statement. The income statement was also affected by the adjustment of the amortised cost (equal to 1,478 thousand euros gross of taxes) due to the settlement of financial liabilities, as provided for by IAS 39 AG 62.

The company may pay back early the amount of the High Yield debenture loan issued on 24 April 2014, in full or in part, under the conditions indicated in the indenture. The value of prepayment options was not deducted from the original contract, as these are considered as being closely related to the host instrument, as provided for by IAS 39 AG30 g).

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

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

Payables for financial leasing refer to the lease granted by Unicredit Leasing S.p.A. to Piaggio & C. S.p.A. for a total amount of 5,325 thousand euros and a financial lease of 260 thousand euros granted by VFS Servizi Finanziari for the use of vehicles (non-current portion equal to 226 thousand euros).

Overall, amounts due to other lenders are equal to 68,865 thousand euros, of which 66,791 thousand euros falling due within one year. They are detailed below:

- subsidized loans granted to Piaggio group totalling 4,000 thousand euros granted by the Ministry of Economic Development and by the Ministry of University and Research pursuant to legislation to encourage exports and investment in R&D (non-current portion equal to 2,074 thousand euros);
- advances both from factoring operations and banks on pro-solvido transfer of trade receivables equal to 31,698 thousand euros related to the Piaggio group;
- two shareholder loans respectively of 6,000 and 8,088 thousand euros by Intesa Sanpaolo (shareholder of the company) to RCN Finanziaria S.p.A. convertible into shares of the beneficiary, both expiring in April 2015;
- shareholder financing for 19,079 thousand euros with duration equal to 10 years and expiring in December 2018, acknowledged by IMI Investimenti S.p.A. (company shareholder) to ISM Investimenti S.p.A..

<b>- G3 -</b>	<b>TRADE PAYABLES AND OTHER PAYABLES</b>	<b>631,002</b>
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Trade payables and other payables total 631,002 thousand euros (compared to 555,327 thousand euros at 31 December 2013), of which 625,222 thousand euros (compared to 549,253 thousand euros at 31 December 2013) falling due within the year: the increase in the item in question during the first half of 2014 is due primarily to the aforementioned seasonal nature of the Piaggio group's business.

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

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Trade payables	541,197	481,855
Amounts due to related companies	14,323	10,628
Amounts due to controlling companies	19	24
Other payables	69,683	56,746
<b>TOTAL</b>	<b>625,222</b>	<b>549,253</b>

It should be noted how Piaggio group, to facilitate credit conditions for its suppliers, has been using 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.

As of 30 June 2014, the value of trade payables covered by reverse factoring or supply chain financing agreements was equal to 141,325 thousand euros (123,108 thousand euros as of 31 December 2013).

Payables due to related companies at 30 June 2014 refer for 14,298 thousand euros to the purchase of vehicles made by the Piaggio group from the Chinese joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd. and 25 thousand euros from payables of Intermarine S.p.A. towards the CTMI Consortium.

The item "Other current payables" is detailed below:

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Amounts due to employees	28,607	18,011
Liabilities connected to hedging instruments	1,169	1,006
Advances from customers	895	834
Amounts due to partners and shareholders	2	2
Amounts due for guarantee deposits	37	34
Amounts due to company boards	653	482
Amounts due to social security institutions	7,001	9,992
Other amounts due to third parties	2,897	1,687
Other amounts due to associated companies	31	26
Accrued expenses	12,188	8,803
Deferred income	5,738	5,635
Other payables	8,681	10,176
<b>TOTAL</b>	<b>69,683</b>	<b>56,746</b>

It should be remembered that amounts due to employees mainly include holidays accrued and not used, and other amounts to be paid, while payables due to associated companies are made of other payables due to Fondazione Piaggio.

<b>- G4 -</b>	<b>RESERVES FOR SEVERANCE INDEMNITY AND SIMILAR OBLIGATIONS</b>	<b>57,392</b>
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The reserve for pension and similar obligations amounts to 57,392 thousand euros at 30 June 2014, around 3,068 thousand euros increase compared to the figure at 31 December 2013. The reserve is detailed below:

In thousands of euros	<i>Balance at 31.12.2013</i>	<i>Service cost</i>	<i>Actuarial cost</i>	<i>Interest cost</i>	<i>Applications and other movements</i>	<i>Balance at 30.06.2014</i>
Employees' severance indemnity reserves	53,242	4,224	6,103	63	(7,362)	56,270
Other reserves	1,082	40	0	0	0	1,122
<b>TOTAL</b>	<b>54,324</b>	<b>4,264</b>	<b>6,103</b>	<b>63</b>	<b>(7,362)</b>	<b>57,392</b>

The item "Other reserves" is mainly ascribable to the Piaggio group and includes within it i) reserves for personnel set aside by the foreign companies of the group; and ii) the supplementary indemnity reserves for customers, that represents the indemnities owing to the agents in case of the agency contract winding up due to events not ascribable to them. The uses refer to the liquidation of indemnities already set aside in preceding years while the allocations correspond to the indemnities matured in the period.

The item "Provision for severance indemnity reserves" is constituted by the severance indemnity fund for the employees of the Italian companies belonging to the Immsi Group and includes the 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:

- Annual discounted technical rate 2.64%
- Annual inflation rate 2.00%
- Annual TFR increase rate 3.00%

With regard to the discount rate, the evaluation of this parameter took as reference the index iBoxx Corporates A with a duration of 10+ at 30 June 2014: if the iBoxx Corporates AA index had been used keeping the duration unchanged, the value of the actuarial losses and of the provision at 30 June 2014 would have been higher by 1,781 thousand euros.

**- G5 - OTHER LONG-TERM RESERVES****30,862**

The balance of other long-term reserves, including the portion falling due within 12 months, totals 30,862 thousand euros at the end of June 2014, a 6,025 thousand decrease compared to 31 December 2013.

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

In thousands of euros	Balance at 31.12.2013	Provisions	Applications	Other movements	Balance at 30.06.2014	Of which current portion
Product warranty reserve	14,851	5,785	(5,462)	28	15,202	11,037
Reserve for risks on equity investments	3,048	200	0	0	3,248	3,009
Contractual risks reserve	4,292	135	(279)	612	4,760	216
Other provisions for risks and charges	14,696	492	(1,728)	(5,808)	7,652	5,470
<b>TOTAL</b>	<b>36,887</b>	<b>6,612</b>	<b>(7,469)</b>	<b>(5,168)</b>	<b>30,862</b>	<b>19,732</b>

The product warranty reserve mainly relates to provisions made at 30 June 2014 by the Piaggio group for 13,087 thousand euros (12,478 thousand euros at 31 December 2013) and by the subsidiary Intermarine S.p.A. for 2,115 thousand euros (2,373 thousand euros at 31 December 2013) for technical support for products that are estimated 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., it should be noticed that the company allocates this reserve for maintenance under guarantee to be carried out in the future years on naval vessels under construction delivered during the year and/or in previous years, assessed on the basis of the estimate of costs incurred in the past for similar vessels.

The risk funds on participations was set up against the charges that could derive from some foreign companies currently having a negative shareholder's equity, whereas the provision for contractual risks refers largely to burdens that could derive from the negotiation of a supply contract in progress by the Piaggio group.

Other provisions for risks and charges also comprise the provision for legal risks and the provision related to tax risks recorded by Piaggio, established in 2013 against the allocation of the estimated charges as a result of the audit initiated by the Inland Revenue Office for the years 2009, 2010 and 2011, which ended with the issuance of a Preliminary Assessment Report (PVC) concerning mainly the issue of transfer pricing, has been reclassified as taxes payable as a result of the activation of a negotiated settlement process that ended with the signing of the accession acts during the month of March 2014.

**- G6 - DEFERRED TAX LIABILITIES****26,670**

The item "Deferred tax liabilities" refers to tax payables provisioned by the individual companies on the basis of applicable national laws. The balance is offset by 1,444 thousand euros of deferred tax assets, consistent by due date and by nature.

Deferred tax liabilities are mainly recorded by the Piaggio group for 6,568 thousand euros, by the Parent company Immsi S.p.A. – for 20,032 thousand euros, mainly for the evaluation at fair value of the real estate investment in Rome.

**- G7 - CURRENT TAXATION****22,122**

The item "Current taxation", which includes tax payables allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, increases by 8,068 thousand euros compared to the year end of 2013, and it results as follows:

In thousands of euros	<i>Balance at 30.06.2014</i>	<i>Balance at 31.12.2013</i>
Amounts due for income tax	10,431	2,961
VAT payables	4,071	2,283
Amounts due for withholding tax	3,950	7,516
Amounts due for local taxes	32	30
Other payables	3,638	1,264
<b>TOTAL</b>	<b>22,122</b>	<b>14,054</b>

The item under examination, which refers for 21,353 thousand euros to the Piaggio group, includes tax payables recorded in the financial statements of each consolidated company, allocated in relation to tax charges referring to individual companies on the basis of applicable national laws, whereas amounts due for withholding tax are mainly recorded against withholdings on salaries, on termination payments and self-employed income.

Amounts due for withholding tax refer mainly to withholdings on salaries, on termination payments and self-employed income.

Entered among the other tax liabilities there are also the 3 quarterly instalments still to be paid to the Treasury (from September 2014 to March 2015), related to the charges emerged following the audit initiated by the Inland Revenue Office for the years 2009, 2010 and 2011 in Piaggio & C. S.p.A..

## - H - INFORMATION ON THE MAIN STATEMENT ITEMS

Amounts are stated in thousands of euros unless otherwise indicated.

Before analysing the individual item, it is pointed out that the general information on costs and revenues is contained in the Interim Management Report, in accordance with art. 2428 of the Italian civil code.

### - H1 - NET REVENUES

**655,827**

The revenues from sales and services at 30 June 2014 of the Immsi Group total 655,827 thousand euros (39,868 thousand euros decrease compared to the same period of the previous year, or - 5.7%), of which 628,977 thousand euros attributable to the industrial sector (-42,572 or -6.3%), 24,583 thousand euros to the naval sector (+2,702 or +12.3%) and the balance to the property and holding sector (2,267 thousand euros, in line with the figures at 30 June 2013).

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

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

#### By business sector

In thousands of euros	First half of 2014		First half of 2013	
	Amount	%	Amount	%
	2,267	0.3%	2,265	0.3%
<b>Property and holding sector</b>				
	628,977	95.9%	671,549	96.5%
<b>Industrial sector (Piaggio group)</b>	459,050	70.0%	489,804	70.4%
of which Two-Wheeler business	169,927	25.9%	181,745	26.1%
of which Commercial Vehicle business	24,583	3.7%	21,881	3.1%
<b>Naval sector (Rodriquez group)</b>				
<b>TOTAL</b>	<b>655,827</b>	<b>100.0%</b>	<b>695,695</b>	<b>100.0%</b>

#### By geographical area

In thousands of euros	First half of 2014		First half of 2013	
	Amount	%	Amount	%
Italy	115,451	17.6%	126,461	18.2%
Other European countries	281,293	42.9%	251,703	36.2%
Rest of the World	259,083	39.5%	317,531	45.6%
<b>TOTAL</b>	<b>655,827</b>	<b>100.0%</b>	<b>695,695</b>	<b>100.0%</b>

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

**- H2 - COSTS FOR MATERIALS****368,887**

Costs for materials total 368,887 thousand euros, compared to 396,519 thousand euros of the same period in the previous year: this item does not include the recharged costs for an equal amount to customers and the costs relating to assets intended for sale, recorded separately in the specific item "Income statement".

The reduction in Costs of materials is mainly ascribable to the Piaggio group, whose costs of materials went from 386,266 in the first half of 2013 to 360,794 in the same period of 2014, showing a decrease of 25,472 thousand euros or -6.6%. The percentage incidence on the net revenues of this item has held steady reaching 57.4%

The item includes 12,405 thousand euros (13,991 thousand euros in the first half of 2013) referred to the scooter purchases from the Chinese joint venture Zongshen Piaggio Foshan, which are sold on European and Asian

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

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Change in inventories of finished products, work in progress and semi-finished products	(17,243)	(8,409)
Change in capitalised piecework	(676)	(408)
Purchase of raw materials and consumables	408,031	433,920
Change in raw materials and consumables	(21,225)	(28,584)
<b>TOTAL</b>	<b>368,887</b>	<b>396,519</b>

**- H3 - COSTS FOR SERVICES AND THE USE OF THIRD PARTY ASSETS****123,639**

Costs for services and use of third party assets total 123,639 thousand euros and are detailed in the table below:

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Transport costs	17,768	17,248
Product warranty costs	4,838	4,370
Advertising and promotion	13,993	12,577
Work performed by third parties	15,105	14,257
External maintenance and cleaning costs	4,232	4,320
Personnel costs	8,253	8,285
Technical, legal, tax, administrative consultancy, etc.	15,637	14,402
Sundry commercial expenses	3,460	5,214
Energy, telephone, postage costs, etc.	10,407	11,756
Services provided	295	269
Insurance	2,664	2,409
Cost of company boards	2,431	2,384
Sales commissions	691	514
Interim staff and staff of other companies	1,511	695
Other costs	14,608	11,925
<b>TOTAL COSTS FOR SERVICES</b>	<b>115,893</b>	<b>110,625</b>
Rental instalments of business property	3,237	4,552
Other instalments	4,509	4,470
<b>TOTAL COSTS FOR USE OF THIRD PARTY ASSETS</b>	<b>7,746</b>	<b>9,022</b>
<b>TOTAL COSTS FOR SERVICES AND USE OF THIRD PARTY ASSETS</b>	<b>123,639</b>	<b>119,647</b>

The costs for services and the use of third parties assets are increasing by 3,992 thousand euros compared to the same period of the preceding year.

**- H4 - PERSONNEL COSTS****119,783**

Personnel costs comprise the following:

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Salaries and wages	87,557	96,257
Social security costs	25,235	24,769
Employee leaving indemnity	4,224	4,272
Pension and similar obligations	40	123
Termination benefits	2,434	0
Other costs	293	207
<b>TOTAL</b>	<b>119,783</b>	<b>125,628</b>

In the first half of 2014 the cost of personnel decreased by 5,845 thousand euros (-4.7%) compared to the corresponding period of the preceding year. The savings achieved are mainly attributable to the Piaggio group and derives from the decrease in the average staffing level of the group and from the greater weight on it of the workforce in India. Furthermore, it is pointed out that within the sphere of the cost of personnel 2,434 thousand euros have been recorded for the charges related to mobility plans applied to the production sites of the Piaggio group in Pontedera, Noale and Martorelles.

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

	<i>First half of 2014</i>	<i>First half of 2013</i>
Senior managers	111	111
Middle managers and employees	2,876	2,938
Manual workers	5,085	5,666
<b>TOTAL</b>	<b>8,072</b>	<b>8,715</b>

It is also noted that the average number of the personnel is affected by the presence of seasonal workers in the summer months (fixed-term employment contracts): in fact the group, in order to cope with the peaks in demand typical of the summer months, recruits fixed-term employees.

**- H5 - DEPRECIATION OF TANGIBLE ASSETS****21,494**

A summary of the depreciations of tangible assets at 30 June 2014 is provided below:

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Depreciation of property	2,679	2,658
Depreciation of plant and machinery	9,990	9,552
Depreciation of industrial and commercial equipment	7,739	7,621
Depreciation of assets to be given free of charge	28	469
Depreciation of other assets	1,058	1,064
<b>DEPRECIATION OF TANGIBLE ASSETS</b>	<b>21,494</b>	<b>21,364</b>



**- H6 - AMORTISATION OF FINITE LIFE INTANGIBLE ASSETS****22,076**

Amortizations of intangible assets with a finite life recognised in the first half of 2014 total 22,076 thousand. The item under examination comprises the following:

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Amortisation of development costs	12,640	12,355
Amortisation of concessions, patents, industrial and similar rights	6,526	7,822
Amortisation of trademarks and licences	2,414	2,414
Amortisation of software	10	5
Amortisation of other intangible assets with a finite life	486	561
<b>AMORTISATION OF INTANGIBLE ASSETS</b>	<b>22,076</b>	<b>23,157</b>

Furthermore, it should be remembered that as of 1 January 2004, goodwill is no longer amortised but tested annually for impairment: reference is made to the Explanatory note on Intangible assets for details about the activities carried out. Here it should be noted that among the amortization of intangible assets, goodwill impairments are not recognized both in the first six months of 2014 and in the corresponding period of the previous year, as i) on the basis of the results projected in the long-term development plans prepared by the Group companies and used in the impairment tests carried out at 31 December 2013, and ii) on the basis of the analysis conducted by the Management of the Group upon the preparation of this Half-yearly Financial Report at 30 June 2014, no need arose for any write-downs as the goodwill was deemed to be recoverable through future cash flows.

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

**- H7 - OTHER OPERATING INCOME****56,813**

The operating income item comprises:

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Gains on disposal of tangible assets	871	15
Sponsorships	1,424	1,632
Grants	1,126	3,786
Recovery of sundry costs	17,286	18,735
Licence rights	2,283	911
Sale of materials and sundry equipment	932	729
Insurance settlements	1,601	1,789
Increases for capitalised internal construction	19,829	17,654
Proceed from property Investment revaluation reserve at fair value	4,795	0
Active instalments	245	151
Other operating income	6,421	6,647
<b>TOTAL</b>	<b>56,813</b>	<b>52,049</b>

The other operating income has increased compared to the corresponding period of the preceding year for 4,764 thousand euros (or 9.2%). This increase is mainly due to the fair value adjustment of

the investment property of Martorelles site, whose value has been increased following the change in use of the entire site, approved by the local authorities. In future the site may also be used for commercial purposes.

The increases relative to capital gains and licence rights and know how mainly refer to the sale to the joint venture ZPFM of know how and some moulds of Derbi motorbikes, that may be sold on the Chinese market. The sale price was determined also based on an appraisal of an independent expert.

The contributions, mainly related to the Piaggio group, mainly refer to government and EU funding for research projects, recognised in profit or loss, with reference to the amortisation and depreciation of capitalised costs for which the grants were received. The same item also includes export contributions received from the Indian subsidiary of the Piaggio group. The item "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 item "Costs for services and use of third party assets".

<b>~ H8 ~ OTHER OPERATING COSTS</b>	<b>13,136</b>
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The item "Other operating costs" totals 13,136 thousand euros at 30 June 2014 and comprises the following:

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Losses on disposal of tangible assets	42	32
Taxation (not on the income)	2,622	2,509
Loss in value of tangible assets	288	0
Provisions for future and other risks	6,612	8,003
Write-down of trade receivables (including provisions to bad debt reserve)	237	1,456
Other operating costs	3,335	3,174
<b>TOTAL</b>	<b>13,136</b>	<b>15,174</b>

<b>~ H9 ~ EARNINGS ON EQUITY INVESTMENTS</b>	<b>0</b>
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During the first half of 2014, no income or net losses from equity investments were recorded, while the item in question shows a positive balance at 30 June 2013 amounting to 1,000 thousand euros related to the equity valuation of the stake held by the Piaggio group in the joint venture Zongshen Piaggio Foshan Motorcycle Co. Ltd..

<b>~ H10 ~ FINANCIAL INCOME</b>	<b>3,938</b>
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Financial income recognised by the Group at 30 June 2014 is detailed below:

In thousands of euros	<i>First half of 2014</i>	<i>First half of 2013</i>
Interest receivable	557	1,651
Exchange gains	3,053	6,238
Other income	328	665
<b>TOTAL</b>	<b>3,938</b>	<b>8,554</b>

The increase by 4,616 thousand euros is mainly due to higher exchange gains recorded by the Piaggio group.

**- H11 - FINANCIAL CHARGES****77,461**

The financial charges at 30 June 2014 are detailed below:

In thousands of euros	First half of 2014	First half of 2013
Interest payable on bank loans	15,530	11,403
Interest payable on loans from third parties	2,869	3,005
Interest payable on bonds	9,885	6,071
Other interest payable	1,888	3,459
Fees payable	1,389	1,057
Charges for impairment of negotiable securities	40,850	0
Exchange losses	3,579	6,825
Fair value and interest rate hedging charges	176	41
Financial component of retirement funds and staff severance fund (TFR)	791	799
Other charges	504	460
<b>TOTAL</b>	<b>77,461</b>	<b>33,120</b>

Financial charges at 30 June 2014 increased by 44,341 thousand euros compared to the same period of the previous year, primarily as a result of recording the impairment by Immsi S.p.A. of the stake in Alitalia – CAI (40,850 thousand euros) further to the loss in value deemed to be permanent and shown by the *impairment test*, for non-recurrent costs equal to 2,947 thousand euros incurred by Piaggio and related to the issue of the new debenture loan (more details are given in item “Financial liabilities”), for the lower capitalisation of borrowing costs in accordance with IAS 23 for 1,714 thousand euros and the increase in interest due to the increase in average debt.

**- H12 - TAXATION****6,333**

The expected income tax charge at 30 June 2014 for the companies consolidated on a line-by-line basis amounts to 6,333 thousand euros. It should be specified that the impairment of the stake in Alitalia – CAI as above described cannot be offset for the purposes of the income tax (IRES), therefore the comparison between the first half year 2013 and 2014 is not significant. The tax rate of each period, net of this negative component would amount to 57.8% (30 June 2014) and 54.2% (30 June 2013) respectively.

**- H13 - GAIN/LOSS ON THE DISPOSAL OF ASSETS****0**

At the condensed half-yearly balance sheet date there are no gains or losses from assets intended for sale or disposal, as well as for the corresponding period of the previous year.

**- H14 - GROUP EARNINGS FOR THE PERIOD****(39,986)**

The Immsi Group earnings for the period was negative by 39,986 thousand euros, after attributing to the minority interests a profit of 3,755 thousand euros.

In this regard, it should be noted that the adjusted Net earnings - calculated net of the aforementioned non-recurrent charges related to the financial charges incurred by Piaggio and related to the issue of the new debenture loan (more details are given in item “Financial liabilities”), amounts to 39,096 negative.

## **- I - COMMITMENTS, RISKS AND GUARANTEES**

As regards the main commitments, risks and guarantees, where not specifically updated in these Explanatory notes, please refer to the contents of the Explanatory Notes on the consolidated financial statements at 31 December 2013 for a general overview of the Group.

## **- L - RELATED PARTY DEALINGS**

Reference should be made to the paragraph below as regards the main business relations of Group companies with related parties.

## **- M - FINANCIAL POSITION**

The Immsi Group net financial position at 30 June 2014 is shown below, compared to the corresponding figures at 31 December 2013 and at 30 June 2013. Further details of the main components are provided in the tables in the interim Report on operations and the related information below them:

In thousands of euros	30.06.2014	31.12.2013	30.06.2013
Cash and cash equivalent	-112,480	-74,285	-106,410
Other short-term financial assets	-1,974	-13,617	-12,770
Short-term financial payables	416,626	359,691	473,160
Medium/long-term financial payables	566,608	578,994	486,488
<b>Net financial debt *)</b>	<b>868,780</b>	<b>850,783</b>	<b>840,468</b>

\*) The indicator does not include financial assets and liabilities arising from the fair value valuation of derivative financial instruments designated as hedges and the adjustment to fair value of the related hedged items and related expenses, entirely referable to the Piaggio group (see note G2 – “Financial liabilities” in the Explanatory Notes).

As laid down by CONSOB communication no. 6064293 of 28 July 2006 and in conformity with the CESR recommendation of 10 February 2005 “Recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses”, the Net financial debt - calculated excluding the Credits for medium and long term loans – is unchanged during the periods under comparison as there are no Credits for medium and long term loans.

## **- N - DIVIDENDS PAID**

As proposed by the Board of Directors on 25 March 2014 and as approved by the Ordinary Shareholders’ Meeting on 13 May 2014, the Parent company did not distribute any dividends during the first half of 2014 (same as first half of 2013).

## **- O - EARNINGS PER SHARE**

### **Earnings per share**

Earnings per share is calculated by dividing the net income attributable to Parent company shareholders by the average weighted number of ordinary shares in circulation during the period, from which any own shares held are excluded. The average number of shares in circulation is calculated by using the principle of retrospectively applying the changes in the number of shares in circulation.

	<i>First half of 2014</i>	<i>First half of 2013</i>
Net profit attributable to ordinary shareholders (in thousands of euros)	39,986	4,319
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
<b>Basic earnings per share</b>	<b>(0.117)</b>	<b>0.013</b>

In order to ensure adequate comparability of the first half of 2014 results with those of previous first half-year of 2013, Net profits per share were recalculated for 2014, excluding the effect of non-recurring events (which have been given before ample illustration in this Report and are entirely ascribable to the Piaggio group).

This additional measure of profitability is defined as Adjusted net profit per share and is offered below:

	<i>First half of 2014</i>	<i>First half of 2013</i>
Adjusted net earnings attributable to ordinary shareholders (in thousands of euros)	(39,096)	4,319
Average weighted number of shares in circulation during the year	340,530,000	340,530,000
<b>Basic earnings per share</b>	<b>(0.115)</b>	<b>0.013</b>

### Diluted earning per share

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

The Company has no category of potential ordinary shares at 30 June 2014, therefore the diluted income per share coincides with the above basic earning per share.

## **- P - INFORMATION ON FINANCIAL INSTRUMENTS**

Below we summarise the information related to the financial instruments, the risks connected with them, as well as the “sensitivity analysis” in accordance with the requirements of IFRS 7. The following table shows the financial instruments of the Immsi Group registered in the financial statements at 30 June 2014 and at 31 December 2013:

In thousands of euros	<i>30 June 2014</i>	<i>31 December 2013</i>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
<i>Other financial assets</i>	<b>38,892</b>	<b>68,005</b>
Financial receivables	0	0
Financial assets	38,892	68,005
<b>CURRENT ASSETS</b>		
<i>Other financial assets</i>	<b>19,025</b>	<b>28,619</b>
Financial receivables	1,973	12,765
Financial assets	17,052	15,854
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		
<i>Financial liabilities</i>	<b>575,751</b>	<b>587,761</b>
Bonds	287,584	195,318
Amounts due to bank	276,724	380,483
Amounts due under finance	226	0
Amounts due to other lenders	2,074	3,193
Financial liabilities for hedging instruments	9,143	8,767
<b>CURRENT LIABILITIES</b>		
<i>Financial liabilities</i>	<b>416,626</b>	<b>359,691</b>
Amounts due to bank	344,422	294,815
Amounts due under finance	5,359	5,809
Amounts due to subsidiaries	54	109
Amounts due to other lenders	66,791	58,958

## Financial assets

The current and non-current financial assets are fully commented upon within the Explanatory note *F5 – Other financial assets*, which reference is made to.

## Current and non-current liabilities

The current and non-current liabilities are fully commented upon within the Explanatory note *G2 – Financial liabilities*, which reference is made to. In this section the debt is divided by type and detailed by expiration.

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

- 1) financial covenants, on the basis of which the company undertakes to comply with certain levels of contractually defined financial indices, among the most significant and recurrent, please note the covenant comprising the ratio of net financial debt/gross operating margin (EBITDA), the covenant comprising the ratio net Financing Position/Shareholders Equity and the EBITDA/Net financial charges index, measured on the company consolidated perimeters, according to definitions agreed on with lenders;
- 2) negative pledges according to which the company is limited in its capacity to establish collaterals or other constraints on company assets;
- 3) “pari passu” clauses, on the basis of which the loans will have the same repayment priority as other financial liabilities, and change of control clauses, which are effective if the majority shareholder loses control of the company;
- 4) limitations on the extraordinary operations the company may carry out.

The measurement of financial covenants and other contract commitments is monitored by the Group companies on an ongoing basis, and particularly at the verification dates foreseen by contract . According to results as of the 30 June 2014 all covenants had been fully met.

Failure to comply with the covenants and other contract commitments of the loan and debenture loan, if not remedied in agreed times, may give rise to an obligation for the early repayment of the outstanding amount of the loan.

## Lines of credit

At 30 June 2014 the Immsi Group had irrevocable credit lines up to expiry, which amount to 736.7 million euros (768.1 million euros at 31 December 2013), the detail of which is found in the Explanatory note *G2 – Financial liabilities*.

## Management of financial risks

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

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

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

### Management of capital 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.** operates with financing for the Group's subsidiaries and/or by issuing guarantees finalized at facilitating their supply: the above operations are regulated under normal market conditions.

With particular reference to the **Piaggio group**, to face such risk, cash flows and the company's credit line needs are monitored and/or managed centrally under the control of the Group's Cash management in order to guarantee an effective and efficient management of the financial resources as well as optimising the debt's maturity standpoint. Moreover, Piaggio & C. S.p.A. finances the temporary cash requirements of Group companies by providing direct or indirect short-term loans regulated in market conditions or through guarantees.

Between the parent company Piaggio & C. S.p.A. and its European subsidiaries there is also an active cash pooling zero balance system that enables the daily resetting of the asset and liability balances of the subsidiaries, with the result of having a more effective and efficient management of liquidity in the euro area.

For greater coverage of the risk of liquidity, at 30 June 2014 the Immsi Group had unused credit lines available for 342.1 million euros (302.4 million euros at 31 December 2013) of which 195.6 with expiration within 12 months and 146.5 million euros with following expiration.

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

### Management of the exchange rate risk

The Immsi Group – particularly through the subsidiaries of the Piaggio group and through the subsidiary Intermarine S.p.A. – operates in an international context where transactions are conducted in currencies different from Euro. This exposes the Group to risks arising from exchange rates fluctuations: currency exchange rate 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. The policy considers:

- the transactive exchange risk: the policy provides the integral hedging of this risk, which derives from 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. To cover this type of exchange risk, first of all recourse is taken to the natural offsetting of the exposure (netting between sales and purchases in the same foreign currency) and, if necessary, to signing derived contracts of temporary sales or purchase in foreign currency as well as denominated credit advances in foreign currency;
- the transfer risk: arises from the conversion into Euros of consolidated financial statements of subsidiaries drawn up in currencies different from Euros performed during the consolidation process: the policy adopted by the group does not impose the hedging of such a kind of exposure;
- The business 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 currency 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 30 June 2014, the Group has undertaken the following futures operations (recognised based on the regulation date), relative to payables and receivables already recognised to hedge the transactive exchange risk:

Company	Operation	Currency	Amount in local currency	Value in euro (forward exchange rate)	Average maturity
			<i>in thousands</i>	<i>in thousands</i>	
Piaggio & C.	Buy	CNY	103,700	20,269	05/07/2014
Piaggio & C.	Buy	CAD	1,500	1,016	31/07/2014
Piaggio & C.	Buy	JPY	370,000	2,645	04/07/2014
Piaggio & C.	Buy	GBP	750	936	29/09/2014
Piaggio & C.	Buy	USD	10,200	7,447	07/07/2014
Piaggio & C.	Sell	CAD	3,490	2,350	03/09/2014
Piaggio & C.	Sell	GBP	200	250	29/09/2014
Piaggio & C.	Sell	CNY	34,300	4,045	06/07/2014
Piaggio & C.	Sell	JPY	130,000	934	27/07/2014
Piaggio & C.	Sell	SEK	13,700	1,508	24/07/2014
Piaggio & C.	Sell	USD	5,815	4,253	26/07/2014
Piaggio & C.	Sell	SGD	170	98	31/07/2014
Piaggio Indonesia	Buy	EUR	5,750	5,750	08/08/2014
Piaggio Indonesia	Buy	USD	100	74	01/07/2014
Piaggio Vehicles Private Limited	Sell	USD	8,667	6,462	02/10/2014
Piaggio Vehicles Private Limited	Sell	EUR	1,000	1,000	30/09/2014
PGA	Sell	EUR	200	200	18/07/2014
PGA	Sell	CAD	150	100	28/07/2014
PGA	Buy	CAD	1,000	685	26/09/2014
Piaggio Vietnam	Buy	EUR	1,000	1,000	07/07/2014



As of 30 June 2014, the Group had the following transactions to hedge the business risk:

Company	Operation	Currency	Amount in local currency	Value in euro (forward exchange rate)	Average maturity
			<i>in thousands</i>	<i>in thousands</i>	
Piaggio & C.	Buy	CNY	67,550	8,084	21/09/2014
Piaggio & C.	Sell	GBP	7,000	8,366	19/09/2014

To hedge the business risk, cash flow hedging is adopted with the effective portion of profits and losses recognised in a specific shareholders' equity reserve. Fair value is determined based on market quotations provided by main traders. As of 30 June 2014 the total fair value of hedging instruments accounted for on a hedge accounting basis is equal to 543 thousand euros. During first half year of 2014 losses under other components of the Statement of comprehensive income were recognised amounting to 457 thousand euros and profits from other components of the Statement of comprehensive income were reclassified under profit/loss for the period amounting to 147 thousand euros.

The net balance of cash flows during the first half of year 2014 is shown below in the main currencies:

	<b>Cash Flow first half of 2014</b>
<i>In million of euros</i>	
Pound sterling	11.2
Indian rupee	(10.7)
Croatian kuna	2.1
US dollar	9.2
Canadian dollar	4.7
Indonesian rupiah	6.7
Vietnamese dong	(3.6)
Chinese yuan*	(12.9)
Japanese yen	(1.8)
Total cash flow in foreign currency	<b>4.9</b>

\*flow partially settled in euro

Also the subsidiary **Intermarine** covers the risks deriving from swings in the rates of exchange through specific operations tied to the single orders that require billing in currencies other than the euro. In particular, the policy concerning the foreign exchange risk implemented by the group is actualized in the total elimination of every risk through the definition of a fixed forward exchange rate to hedge for swings in exchange rates. This hedging set the Euro/USD exchange rates at which the collections will be made and at which they will be valued, according to the progress, the revenues of the order with the Sultanate of Oman. As of 30 June 2014, there are forward sales contracts with maturity date at 1<sup>st</sup> August 2014 for an overall sum of 3.3 million USD at the average exchange rate of 1.3637. It should also be noted that the item "Other receivables" includes around 2 million euros deposited as security for the Sultanate of Oman credit contract (*Deposit Account*), tied and subject to lien in favour of the guarantor banks for the interest attributable to the guarantees used on the capital line.

In consideration of the above, hypothesizing an appreciation of 3% of the mean exchange rate of the euro on the portion of the economic exposure not covered on the main currencies observed in the first half of year 2014, the consolidated operating income of the Immsi Group would be reduced by around 144 thousand euros.

### 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 the Group's company besides to use the available cash. Changes in interest rates may affect the costs and the returns of investment and financing operations.

Therefore, the Group regularly measures and controls its exposure to interest rates changes and handles such risks also through the use of derivative instruments, mainly Interest Rate Swap and Cross Currency Swap, also according to what established by its own management policies.

As of 30 June 2014, variable rate debt, net of financial assets and considering the hedging derivatives, was equal to around 428,4 million euros. Consequently 1% increase or decrease in the Euribor above this net specific exposure would have generated higher or lower interest payables of around 4.3 million euros per year.

With reference to the **Piaggio group**, as of 30 June 2014, the following hedging derivative instruments were taken out:

#### *Hedging of financial flows (cash flow hedge):*

- an *Interest Rate Swap* to hedge the variable rate loan for a nominal amount of 117,857 thousand euros (as of 30 June 2014 standing at for 42,857 thousand euros) granted by the European Investment Bank. The structure has fixed step-up rates, in order to stabilise financial flows associated with the loan; 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. As of 30 June 2014, the fair value of the instrument was negative by 1,227 thousand euros. Sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, shows a potential impact on Shareholders' Equity – net of the relative tax effect – equal to 195 thousand euros and -199 thousand euros respectively.

#### *Fair value hedging derivatives (fair value hedging and fair value option):*

- a *Cross Currency Swap* to hedge the private debenture loan issued by Piaggio & C. S.p.A. for a nominal amount of 75,000 thousand USD. The purpose of the instrument is to hedge both the exchange risk and interest rate risk, turning the loan from US dollar 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 as profit and loss. As of 30 June 2014, the fair value of the instrument was equal to 5,505 thousand euros, whereas the net economic effect arising from the measurement of the instrument and underlying private debenture loan was equal to 5 thousand euros. Sensitivity analysis of the instrument, and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income statement – net of the relative tax effect – equal to 109 thousand euros and -91 thousand euros respectively, assuming constant exchange rates; whereas assuming a 1% appreciation and depreciation of the exchange rates, sensitivity analysis identified a potential impact on the Income statement – net of the relative tax effect – of -8 thousand euros and 44 thousand euros respectively euro;
- a *Cross Currency Swap* to hedge loans relative to the Indian subsidiary for 16,872 thousand USD granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and interest rate risk, turning the loan from US dollar to Indian Rupees, and half of said loan from a variable rate to a fixed rate. As of 30 June 2014, the fair value of the instruments was 3,460 thousand euros. The sensitivity analysis of the instrument, and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of 46 thousand euros and -46 thousand euros respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential

impact on the Income Statement – net of the relative tax effect – of -4 thousand euros and 4 thousand euros respectively;

- a *Cross Currency Swap* to hedge loans relative to the Indian subsidiary for 17,850 thousand USD granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk, turning the loan from US dollar to Indian Rupees, and to hedge the interest rate risk on the US dollar. As of 30 June 2014 the fair value of the instruments was equal to 1,428 thousand euros. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of -1 thousand euros and 1 thousand euros respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement – net of the relative tax effect – of -7 thousand euros and 8 thousand euros respectively;
- a *Cross Currency Swap* to hedge a loan relative to the Vietnamese subsidiary for 19,680 thousand USD granted by International Finance Corporation. The purpose of the instruments is to hedge the exchange risk and partially hedge the interest rate risk, turning the loan from US dollar at a variable rate into Vietnamese Dong at a fixed rate, except for a minor portion (24%) at a variable rate. As of 30 June 2014 the fair value of the instruments was negative by 35 thousand euros. Sensitivity analysis of the instrument and its underlying, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement – net of the relative tax effect – of 109 thousand euros and -111 thousand euros respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Vietnamese Dong, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement – net of the relative tax effect – of -5 thousand euros and 5 thousand euros respectively euro.

As of 30 June 2014, the Group had a Cross Currency Swap relative to the Indian subsidiary to hedge the intercompany loan of 5,000 thousand euros granted by the Parent company. The purpose of the instrument is to hedge the exchange risk and interest rate risk, turning the loan from Euros to Indian Rupees and from a variable to a fixed rate. Based on hedge accounting principles, this derivative is classified as non-hedging and therefore is measured at fair value with measurement effects recognised in profit or loss. As of 30 June 2014 the fair value of the instrument was equal to 129 thousand euros. Sensitivity analysis of the instrument, assuming a 1% increase and decrease in the shift of the variable rates curve, showed a potential impact on the Income Statement, net of the relative tax effect, of 54 thousand euros and -55 thousand euros respectively, assuming constant exchange rates. Assuming a 1% appreciation and depreciation of the exchange rate of the Indian Rupee, sensitivity analysis of the instrument and its underlying identified a potential impact on the Income Statement – net of the relative tax effect – of -31 thousand euros and 32 thousand euros respectively.

	<i>FAIR VALUE</i>
<i>In thousands of euros</i>	
<u><i>Piaggio &amp; C. S.p.A.</i></u>	
Interest Rate Swap	(1,227)
Cross Currency Swap	5,505
<u><i>Piaggio Vehicles Private Limited</i></u>	
Cross Currency Swap	3,460
Cross Currency Swap	1,428
<u><i>Piaggio Vietnam</i></u>	
Cross Currency Swap	(35)

Further to the launch of the *liability management* operation described in detail at paragraph Financial liabilities (kindly refer to this paragraph), on 7 April 2014 Piaggio group undersigned a hedging derivative instrument to reduce the risks connected to interest rates fluctuation during the period between the launch of the exchange offer and the pricing definition of the newly issued instrument (*pre-hedging*). The operation closed at 16 April 2014, was accounted according to the principle of *cash-flow hedge*.

The subsidiary **Intermarine** – in relation to the interest rate risk hedging – has set up operations of Interest Rate Swaps for converting the variable rate of the contracts to a fixed rate. Hedging instruments are made specifically for a loan taken out by Intermarine S.p.A. with a residual value of 8 million euros at 30 June 2014, while they are overall attributable to the financial debt of the company for 1.5 million euros.

Also note that the Parent company **Immsi S.p.A.** has an Interest Rate Swap to change from variable to fixed the 75% of the flows for interest related to the current loan for residual nominal 25.6 million euros granted by the pool of lenders originally composed by Banca Popolare di Lodi, Efibanca e Cassa di Risparmio di Lucca Pisa Livorno (now merged into Banco Popolare ): at 30 June 2014, the fair value of the instrument amounts to 1,036 thousand euros.

The overall fair value of the hedge instruments entered by the Immsi Group – excluding what already specified for the Piaggio group – in accordance with the hedge accounting principle was negative for 1,048 thousand euros at 30 June 2014. Profit for 201 thousand euros emerged over the current half year period in the schedule of the other components of the overall Income Statement.

#### Management of the credit risk

The Group considers its exposure to the risk of credit to be the following:

In thousands of euros	30 June 2014	31 December 2013
Cash and cash equivalent	112,480	74,285
Financial assets	1	852
Financial receivables	1,973	12,765
Trade receivables	173,065	114,834
<b>Total</b>	<b>287,519</b>	<b>202,736</b>

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**, that by business type can present concentrations of credits with a few customers, it is noted that the most significant customers under the quantitative profile are represented by public bodies: moreover, in general the production to order requires substantial advance payments by the customer with advancement of the works thereby reducing the credit risk.

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

## Hierarchical fair value valuation levels

IFRS 13 – Fair value measurement applies as from 1 January 2013. The Standard defines fair value on the basis of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In case of absence of an active market or of irregular operation of the same, the determination of the fair value must be carried out by means of valuation techniques.

The principle therefore defines a hierarchy of fair value:

- level 1: quoted prices taken from an active market in terms of assets and liabilities undervaluation;
- level 2: input directly (prices) or indirectly (price-derived) observable market inputs other than level 1 inputs;
- level 3: inputs not based on observable market data.

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

The IFRS 7 principle also requires the determination, for the sole purposes of the disclosure, of the fair value of the payables recorded according to the amortised cost method. The table below highlights these values:

<i>In thousands of euros</i>	Nominal Value	Book Value	Fair Value Estimate *
Piaggio group - High yield debenture loan	250,000	236,068	260,263
Piaggio group - Private debenture loan	51,799	51,516	60,191
Piaggio group - BEI [ <i>i.e.</i> , European Investment Bank] (R&D 2009-2012 fund)	42,857	42,857	42,341
Piaggio group - BEI (R&D 2013-2015 fund)	60,000	60,000	57,467
Piaggio group - Syndicated Revolving Credit line	65,000	63,854	64,697
Immsi S.p.A. – Mortgage loan with Banco Popolare	25,556	25,325	24,883
Immsi S.p.A. – Credit line maturing in March 2017	13,250	13,148	13,487
Immsi S.p.A. – Credit line maturing in April 2017	30,000	30,000	29,053
Immsi S.p.A. – Credit line maturing in February 2016	15,000	14,896	15,035

\*) For the Piaggio group, the value was reduced by the DVA relating to the issuer, *i.e.*, it includes the risk of insolvency of Piaggio.

For the other financial liabilities of the Immsi Group not expressly included in the table provided, 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 as of 30 June 2014, based on fair value hierarchical levels:

In thousands of euros	Level 1	Level 2	Level 3
Assets valued at fair value	17,051	0	28,500
Derivative hedging financial instruments		10,392	0
Property investments		0	85,939
Other assets		0	163
<b>Total assets</b>	<b>17,051</b>	<b>10,392</b>	<b>114,602</b>
Liabilities valued at fair value		(87,226)	0
Derivative hedging financial instruments		(10,157)	(35)
Other liabilities		(1,771)	0
<b>Total liabilities valued at fair value</b>	<b>0</b>	<b>(99,154)</b>	<b>(35)</b>
<b>Balance at 30 June 2014</b>	<b>17,051</b>	<b>(88,762)</b>	<b>114,567</b>

Hierarchical level 1 includes the carrying value of the investment held by Immsi S.p.A. in Unicredit S.p.A., an increase of 2,049 thousand euros compared to 31 December 2013 due to an increase in the stock price recorded during the first half-year period.

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. and the subsidiary Intermarine S.p.A..

Lastly, the hierarchical level 3 includes among the financial assets the carrying value of the equity investment held by Immsi S.p.A. in Alitalia – CAI.

The Real Estate Investments primarily include the fair value of the investment property attributable to Immsi S.p.A. (located in Via Abruzzi, Rome) and the former Spanish plant of Martorelles of the Piaggio group (the latter transferred during 2013 from non-current tangible assets to Investment property).

Finally, it should be noted that the valuation of the Cross Currency Swap in place on the Vietnamese subsidiary of the Piaggio group has been classified within hierarchical level 3: this classification reflects the characteristics of illiquidity of the local market that do not allow a valuation with the traditional criteria. If we had adopted the valuation techniques typical of liquid markets - a characteristic that is notably not found in the Vietnamese market - the derivatives would have expressed a negative fair value amounting to 1,910 thousand euros (instead of negative 35 thousand euros, included in the item "Derivative hedging financial instruments" - Level 3) and accrued expenses on derivative hedging financial instruments amounting to 960 thousand euros.

The following table highlights the changes that occurred within the various levels in the course of the first half-year of 2014:

In thousands of euros	Level 1	Level 2	Level 3
Balance at 31 December 2013	15,002	(89,099)	138,714
Gain and (loss) recognised in the income statement		(16)	(35,815)
Increases / (Decreases)	2,049	353	11,668
<b>Balance at 30 June 2014</b>	<b>17,051</b>	<b>(88,762)</b>	<b>114,567</b>

## LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS AND EQUITY INVESTMENTS AT 30 JUNE 2014

Pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006 a list of the IMMSI Group subsidiaries and associated companies: the list states the companies, divided according to consolidation procedure.

The following information is also shown for each company: its corporate name, its registered headquarters and nationality and its share capital in the original currency. The percentage stakes owned by IMMSI S.p.A. or other group companies are also stated. The percentage of Ordinary Shareholders' Meeting votes is also shown in a separate column where it differs from the equity percentage held in the share capital.

Company name	Currency	Share capital (subscribed and paid-up)	% of Share Capital owned	% voting rights (if different)
<b>LIST OF COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS ON A LINE-BY-LINE BASIS</b>				
<b>Immsi S.p.A.</b> Mantova (MN) – Italy Parent Company	Euro	178,464,000.00		
<b>Apuliae S.p.A.</b> Lecce (LE) – Italy Immsi S.p.A. equity investment: 85,69%	Euro	1,000,000.00	85.69%	
<b>ISM Investimenti S.p.A.</b> Mantova (MN) – Italy Immsi S.p.A. equity investment: 72,64%	Euro	6,654,902.00	72.64%	
<b>Pietra S.r.l.</b> Milano (MI) – Italy Immsi S.p.A. equity investment: 77,78%	Euro	40,000.00	77.78%	
<b>Is Molas S.p.A.</b> Pula (CA) – Italy ISM Investimenti S.P.A. equity investment: 89,48%	Euro	10,709.860.00	89.48%	
<b>Immsi Audit S.c.a r.l.</b> Mantova (MN) – Italy Immsi S.p.A. equity investment: 25,00% Is Molas S.p.A. equity investment: 25,00% Piaggio & C. S.p.A. equity investment: 25,00% Intermarine S.p.A. equity investment: 25,00%	Euro	40,000.00	100.00%	
<b>RCN Finanziaria S.p.A.</b> Mantova (MN) – Italy Immsi S.p.A. equity investment: 63,18%	Euro	32,135.988.00	63.18%	
<b>Piaggio &amp; C. S.p.A.</b> Pontedera (PI) – Italy Immsi S.p.A. equity investment: 50,26%	Euro	206,026,903.84	50.26%	50.35%
<b>Aprilia Racing S.r.l.</b> Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 100,00%	Euro	250,000.00	100.00%	
<b>Atlantic 12 – Fondo Comune di Investimento Immobiliare</b> Roma – Italy Piaggio & C. S.p.A. equity investment: 100,00%	Euro	11,453,890.00	100.00%	
<b>Derbi Racing S.L.</b> Barcellona – Spain Nacional Motor S.A. equity investment: 100,00%	Euro	3,006.00	100.00%	
<b>Foshan Piaggio Vehicles Technology Research &amp; Development Co. Ltd</b> Foshan City – China Piaggio Vespa B.V. equity investment: 100,00%	RMB	10,500,000.00	100.00%	
<b>Nacional Motor S.A.</b> Barcellona – Spain Piaggio & C. S.p.A. equity investment: 100,00%	Euro	1,588,422.00	100.00%	
<b>Piaggio Asia Pacific PTE Ltd.</b> Singapore Piaggio Vespa B.V. equity investment: 100,00%	SGD	100,000.00	100.00%	
<b>Piaggio Advanced Design Center Corp.</b> California – USA Piaggio & C. S.p.A. equity investment: 100,00%	USD	100,000.00	100.00%	

Company name	Currency	Share capital (subscribed and paid-up)	% of Share Capital owned	% voting rights (if different)
<b>Piaggio Deutschland Gmbh</b> Kerpen – Germany Piaggio Vespa B.V. equity investment: 100,00%	Euro	250,000.00	100.00%	
<b>Piaggio Espana S.L.U.</b> Alcobendas – Spain Piaggio & C. S.p.A. equity investment: 100,00%	Euro	426,642.00	100.00%	
<b>Piaggio France S.A.S.</b> Clichy Cedex – France Piaggio Vespa B.V. equity investment: 100,00%	Euro	250,000,00	100.00%	
<b>Piaggio Group Americas Inc.</b> New York - USA Piaggio Vespa B.V. equity investment: 100,00%	USD	2,000.00	100.00%	
<b>Piaggio Group Japan</b> Tokyo – Japan Piaggio Vespa B.V. equity investment: 100,00%	YEN	99,000,000.00	100.00%	
<b>Piaggio Hellas S.A.</b> Atene – Greece Piaggio Vespa B.V. equity investment: 100,00%	Euro	2,704,040.00	100.00%	
<b>Piaggio Hrvatska D.o.o.</b> Spalato – Croatia Piaggio Vespa B.V. equity investment: 75,00%	HRK	400,000.00	75.00%	
<b>Piaggio Limited</b> Bromley Kent – UK Piaggio Vespa B.V. equity investment: 99,9996% Piaggio & C. S.p.A. equity investment: 0,0004%	GBP	250,000.00	100.00%	
<b>Piaggio Vehicles Private Limited</b> Maharashtra – India Piaggio & C. S.p.A. equity investment: 99,9999971% Piaggio Vespa B.V. equity investment: 0,0000029%	INR	349,370,000.00	100.00%	
<b>Piaggio Vespa B.V.</b> Breda – Holland Piaggio & C. S.p.A. equity investment: 100%	Euro	91,000.00	100.00%	
<b>Piaggio Vietnam Co. Ltd.</b> Hanoi – Vietnam Piaggio & C. S.p.A. equity investment: 63,50% Piaggio Vespa B.V. equity investment: 36,50%	VND	64,751,000,000,00	100.00%	
<b>Piaggio Group Canada, Inc.</b> Toronto – Canada Piaggio Group Americas Inc. equity investment: 100,00%	CAD\$	10,000.00	100.00%	
<b>PT Piaggio Indonesia</b> Jakarta – Indonesia Piaggio Vespa B.V. equity investment: 99,00% Piaggio & C. S.p.A. equity investment: 1,00%	Rupiah	4,458,500,000.00	100.00%	
<b>Aprilia Brasil Industria de Motociclos S.A.***</b> Manaus – Brasil Aprilia World Service Holding do Brasil Ltda. equity investment: 51,00%	R\$	2,020,000.00	51.00%	
<b>Aprilia World Service Holding do Brasil Ltda.***</b> San Paolo – Brasil Piaggio Group Americas Inc. equity investment: 99,99995%	R\$	2,028,780.00	99.99995%	
<b>Piaggio China Co. LTD</b> Hong Kong - China Piaggio & C. S.p.A. equity investment: 99,99999%	USD	12,100,000.00	99.99999%	
<b>Piaggio Concept Store Mantova S.r.l.</b> Mantova – Italy Piaggio & C. S.p.A. equity investment: 100%	Euro	80,000.00	100.00%	
<b>Intermarine S.p.A.</b> Sarzana (SP) – Italy RCN Finanziaria S.p.A. equity investment: 100,00%	Euro	10,000,000.00	100.00%	



Company name	Currency	Share capital (subscribed and paid-up)	% of Share Capital owned	% voting rights (if different)
<b>EQUITY INVESTMENTS IN SUBSIDIARIES, ASSOCIATED AND JOINT CONTROL COMPANIES VALUED USING THE EQUITY METHOD</b>				
<b>Zongshen Piaggio Foshan Motorcycle Co. Ltd.</b> Foshan City – China Piaggio & C. S.p.A. equity investment: 32,50% Piaggio China Co. Ltd. equity investment: 12,50%	USD	29,800,000.00	45.00%	
<b>Rodriquez Cantieri Navali do Brasil Ltda.</b> Rio de Janeiro – Brasil Intermarine S.p.A. equity investment: 100,00% less one share held by Rodriquez Pietra Ligure S.r.l.	R\$	1,800,056.00	100.00%	
<b>Rodriquez Engineering S.r.l. ***</b> Messina (ME) – Italy Intermarine S.p.A. equity investment: 100,00%	Euro	119,756.00	100.00%	
<b>Rodriquez Pietra Ligure S.r.l.</b> Milano (MI) – Italy Intermarine S.p.A. equity investment: 100,00%	Euro	20,000.00	100.00%	
<b>EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES VALUED USING THE COST METHOD</b>				
<b>Depuradora d'Aigües de Martorelles S.C.C.L.</b> Barcelona – Spain Nacional Motor S.A. equity investment: 22,00%	Euro	60,101.21	22.00%	
<b>Pont - Tech, Pontedera &amp; Tecnologia S.c.r.l.</b> Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 20,44%	Euro	884,160.00	20.44%	
<b>S.A.T. Société d'Automobiles et Triporteurs S.A.</b> Tunisi – Tunisia Piaggio Vespa B.V. equity investment: 20,00%	TND	210,000.00	20.00%	
<b>Rodriquez Mexico ***</b> La Paz – Mexico Intermarine S.p.A. equity investment: 50,00%	Pesos	50,000.00	50.00%	
<b>Consorzio CTMI – Messina</b> Messina (ME) – Italy Intermarine S.p.A. equity investment: 25,00%	Euro	53,040.00	25.00%	
<b>Fondazione Piaggio Onlus</b> Pontedera (PI) – Italy Piaggio & C. S.p.A. equity investment: 66,67%	Euro	103,291.38	66.67%	

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

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This document was published on 29 August 2014 against authorisation of the Chairman of the Company, Roberto Colaninno.

## Group and Related Parties dealings

As regards the information to be provided on related party transactions in accordance with IAS 24 - *Related Parties Disclosures*, kept by the companies of the Groups, it should be pointed out that such transactions take place as part of normal operations at market conditions or as laid down under specific laws. No atypical or unusual transactions were carried out during the period to 30 June 2014.

It should be noted that, in compliance with the Regulations no. 17221 regarding Related Parties dealings issued by Consob on 12 March 2010 and subsequently amended by resolution no. 17389 of 23 June 2010, the Company adopted a new procedure aimed at regulating the approval practices for Related Party dealings.

The following table shows the impact of Related Party transactions on the income statement and on the balance sheet of the Immsi Group at 30 June 2014: it should be pointed out that the effects on the income statement and on the balance sheet deriving from consolidated intragroup operations have been removed during consolidation.

Main income and balance sheet headings	Amounts in €000	% incidence on balance sheet items	Description of the transactions
<b>Transactions with Related Parties:</b>			
Current trade payables	427	0.1%	Legal assistance provided by St. d'Urso Gatti Bianchi & Ass. to the Group
	71	0.0%	Tax advisory services provided by St. Girelli & Ass. to the Group
Costs for services and the use of third party assets	149	0.1%	Legal assistance provided by St. d'Urso Gatti Bianchi & Ass. to the Group
	61	0.0%	Tax advisory services provided by St. Girelli & Ass. to the Group
<b>Transactions with Parent companies:</b>			
Non-current financial liabilities	2,900	0.5%	Piaggio bonded loan (PO) undersigned by Omniaholding S.p.A.
Current trade payables	22	0.0%	Rental of offices provided by Omniaholding S.p.A. to the Group
Costs for services and the use of third party assets	206	0.2%	Rental of offices provided by Omniaholding S.p.A. to the Group
Financial charges	89	0.2%	Charges related to the Piaggio PO undersigned by Omniaholding S.p.A.
<b>Transactions with Subsidiaries, Associated companies, Joint Ventures:</b>			
Trade receivables and other non-current receivables	197	1.3%	Receivables from Fondazione Piaggio
Current trade receivables and other receivables	3,012	1.0%	Receivables mainly from Consorzio CTMI and Rodriquez do Brasil
	4,181	1.4%	Trade receivables from Fondazione Piaggio and Piaggio Foshan
Current financial liabilities	55	0.0%	Financial payables to Rodriquez Engineering S.r.l.
Current trade payables	14,298	2.6%	Trade payables by Piaggio & C. S.p.A. to Piaggio Foshan
	25	0.0%	Payables to CTMI
Other current payables	1,809	2.6%	Payables to Fondazione Piaggio
Net revenues	58	0.0%	Sales to Piaggio Foshan
	55	0.0%	Sales to Consorzio CTMI
Costs for materials	12,405	3.4%	Purchases by Piaggio & C. S.p.A. from Piaggio Foshan
Costs for services and the use of third party assets	10	0.0%	Costs for services rendered by Consorzio CTMI
Other operating income	2,225	3.9%	Income from Piaggio Foshan
Financial charges	126	0.3%	Charges to Piaggio Foshan

It should be noted that Intesa Sanpaolo S.p.A., minority shareholder of RCN Finanziaria S.p.A., ISM Investimenti S.p.A. and Pietra S.r.l., has convertible shareholder financing agreements in the companies in which the investment is made, and financing and warranties towards some companies of the Immsi Group.

The Immsi Group lastly has purchased plane tickets at normal market conditions through travel agencies that choose from the carriers with availability for the route and date. Under these terms there may be relations of a commercial nature with Alitalia – CAI (to date not considered a Related Party), in which the Parent Company holds a minority stake.

## **Certification of the condensed half-year financial statements pursuant to art. 154-bis of the Ital.Legisl.Decree No. 58/98**

The undersigned Roberto Colaninno, as Chairman of the Board of Directors, Michele Colaninno, as Managing Director and Andrea Paroli, Manager in charge of preparing the company accounts and documents of Immsi S.p.A., certify, also taking account of the provisions of art.154-*bis*, paragraphs 3 and 4 of the Ital.Legisl.Decree 58 of 24 February 1998:

- appropriateness in relation to the characteristics of the company and
- effective application

of the administrative and accounting procedures for forming the condensed financial statements during the first half of 2014.

To this regard no aspects of particular importance have emerged.

In addition, it is certified that the condensed half-year financial statements:

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

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

28 August 2014

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Chairman  
Roberto Colaninno

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

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Managing Director  
Michele Colaninno



## AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

To the Shareholders of  
IMMSI SpA

- 1 We have reviewed the condensed consolidated interim financial statements of IMMSI SpA and its subsidiaries ("IMMSI Group") as of 30 June 2014, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement and the explanatory notes. The Directors of IMMSI SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union. Our responsibility is to issue this report based on our review.
- 2 Our work was conducted in accordance with the criteria for a review recommended by the Italian Commission for Listed Companies and the Stock Exchange (Consob) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles utilised therein as well as the application of analytical review procedures on the data contained in the above mentioned consolidated financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express a professional audit opinion on the condensed consolidated interim financial statements.

For the opinion on the consolidated financial statements of the prior period and on the condensed consolidated interim financial statements of the prior period, which are presented for comparative purposes, reference is made to our report dated 4 April 2014 and 29 August 2013 respectively.

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### *PricewaterhouseCoopers SpA*

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- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of the IMMSI Group as of 30 June 2014 have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34, applicable to interim financial reporting, as adopted by the European Union.

Brescia, 29 August 2014

PricewaterhouseCoopers SpA

*Signed by*

Alessandro Mazzetti  
(Partner)

*This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international reader*