Immsi

Società per Azioni

Share capital € 178,464,000 fully paid up
Registered office: P.zza Vilfredo Pareto, 3 – 46100 Mantova
Mantova Register of Companies – Tax code and VAT number 07918540019

Interim Report on Operations

31 March 2017

This Interim Financial Report as of 31 March 2017 has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.

Contents

This document was approved by the Board of Directors of Immsi S.p.A. on 12 May 2017 and is available for the public to consult at the Registered Office of the Company, on the website of the Borsa Italiana S.p.A. www.borsaitaliana.it, in the centralised storage system www.emarketstorage.com and on the Issuer's website www.immsi.it (section: "Investors/Financial reports/2017") according to legislation.

COMPANY BOARDS

The Board of Directors and the Board of Statutory Auditors of Immsi S.p.A. were appointed by shareholders' resolution of 13 May 2015 and will remain in office until the date the Shareholders' Meeting is convened to approve the financial statements for the year ending 31 December 2017.

BOARD OF DIRECTORS

Roberto Colaninno	***Chairman***
Daniele Discepolo	***Deputy Chairman***
Michele Colaninno	***Chief Executive Officer***
Matteo Colaninno	***Director***
Ruggero Magnoni	***Director***
Livio Corghi	***Director***
Rita Ciccone	***Director***
Giovanni Sala	***Director***
Patrizia De Pasquale	***Director***

BOARD OF STATUTORY AUDITORS

Alessandro Lai	***Chairman***
Daniele Girelli	***Statutory Auditor***
Silvia Rodi	***Statutory Auditor***
Gianmarco Losi	***Alternate Auditor***
Elena Fornara	***Alternate Auditor***

INDEPENDENT AUDITORS

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

GENERAL DIRECTOR

Michele Colaninno

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

REMUNERATION COMMITTEE

Daniele Discepolo	***Chairman***
Giovanni Sala	
Rita Ciccone	

NOMINATIONS COMMITTEE

Giovanni Sala	***Chairman***
Daniele Discepolo	
Rita Ciccone	

CONTROL AND RISK COMMITTEE

Daniele Discepolo	***Chairman***
Giovanni Sala	
Rita Ciccone	

RELATED-PARTIES COMMITTEE

Giovanni Sala	***Chairman***
Rita Ciccone	
Patrizia De Pasquale	

COMPLIANCE COMMITTEE

Marco Reboa	***Chairman***
Alessandro Lai	
Maurizio Strozzi	

LEAD INDEPENDENT DIRECTOR

Daniele Discepolo

DEPUTY CHAIRMAN

Michele Colaninno

RESPONSABILE INTERNAL AUDIT

Maurizio Strozzi

FINANCIAL REPORTING OFFICER

Andrea Paroli

INVESTOR RELATIONS

Andrea Paroli

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

Financial highlights of the Immsi Group

In the first three months of 2017, the Immsi Group showed a significant improvement compared to the same period of the previous year, both in economic and financial terms.
Results for the period have different trends with reference to the sectors comprising the Group, based on the different business trends of the period in question.
For a clearer interpretation, the following is reported on a preliminary basis:

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

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

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

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

Immsi Group as at 31 March 2017

In thousands of Euros	***Property and holding sector***	***as a %***	***Industrial sector***	***as a %***	***Marine sector***	***as a %***	***Immsi Group***	***as a %***
Net revenues	722		309,124		21,829		331,675	
Operating income before depreciation and amortisation (EBITDA)	-537	n/m	41,196	13.3%	4,798	22.0%	45,457	13.7%
Operating income (EBIT)	-658	n/m	10,947	3.5%	4,220	19.3%	14,509	4.4%
Profit before tax	-1,187	n/m	2,468	0.8%	3,425	15.7%	4,706	1.4%
Earnings for the period including non-controlling interests	-1,097	n/m	1,481	0.5%	2,103	9.6%	2,487	0.7%
Group earnings for the period (which may be consolidated)	390	n/m	748	0.2%	1,525	7.0%	2,663	0.8%
Net debt	-350,611		-532,391		-67,941		-950,943	
Personnel (number)	73		6,470		280		6,823	

Hereunder we give the same table referring to the same period 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 as at 31 March 2016

In thousands of Euros	*Property and holding sector*	*as a %*	*Industrial sector*	*as a %*	*Marine sector*	*as a %*	*Immsi Group*	*as a %*
Net revenues	916		307,061		9,212		317,189	
Operating income before depreciation and amortisation (EBITDA)	-1,447	n/m	37,386	12.2%	-946	-10.3%	34,993	11.0%
Operating income (EBIT)	-1,567	n/m	10,874	3.5%	-1,222	-13.3%	8,085	2.5%
Profit before tax	-5,219	n/m	2,093	0.7%	-2,572	-27.9%	-5,698	-1.8%
Earnings for the period including non-controlling interests	-4,025	n/m	1,256	0.4%	-2,107	-22.9%	-4,876	-1.5%
Group earnings for the period (which may be consolidated)	-2,652	n/m	632	0.2%	-1,331	-14.4%	-3,351	-1.1%
Net debt	-336,005		-554,351		-86,833		-977,189	
Personnel (number)	84		7,074		283		7,441	

The data in the previous tables refer to results that may be consolidated, i.e. net in particular of revenues and intergroup costs and any dividends of subsidiaries.

Alternative non-GAAP performance measures

This Report contains some measures that, although not indicated by IFRS ("Non-GAAP Measures"), derive from IFRS financial measures.

These measures – which are presented to allow a better assessment of the Group's operating performance – should not be considered as an alternative to IFRS measures. They are identical to those contained in the Annual Report and Financial Statements at 31 December 2016 and in the periodical quarterly reports of the Immsi Group.

Moreover, the procedures for determining these measures are not specifically regulated by reference accounting standards, so they might not be uniform with the measures adopted by other entities and therefore might not be sufficiently comparable.

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

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

- **Net financial debt**: represented by (current and non-current) financial liabilities, minus cash on hand and other cash and cash equivalents, as well as other current 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. The Notes include a table showing the breakdown of 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”, the indicator, as formulated, represents the items and activities monitored by the Group's management.

Form and content

Italian Legislative Decree 25 of 2016, which implemented the new Directive *Transparency II (2013/50/EU)*, eliminated the obligation of publication of the interim report on operations. The decree attributed to Consob the possibility to regulate any additional disclosure requirements, compared to the annual financial statements and half-year report, only after an impact assessment that takes account of the guidelines of other EU countries, in most of which the obligation has been abolished for all issuers. The decision to continue to publish information on the first quarter and the first nine months of the Immsi Group was taken in continuity with the past, also in the light of changes in the regulatory framework. In this regard, it should be noted that Consob, with Resolution no. 19770 of 26 October 2016, approved the amendments to the Issuer Regulations on Interim Management Records (additional periodic financial information) through the introduction of the new Article 82-*ter*. The new provisions shall apply from 2 January 2017.

This Interim Report on Operations as at 31 March 2017, which is not audited, was prepared pursuant to Italian Legislative Decree 58/1998 as amended, and to Consob Regulation on Issuers and includes reclassified consolidated financial statements and notes prepared adopting the IFRS issued by the *International Accounting Standards Board* (“IASB”) and endorsed by the European Union. The interpretations of the *International Financial Reporting Interpretations Committee* (“IFRIC”) were also taken into account.
The disclosure on subsequent events and the outlook is provided later in the specific paragraph of this Report.

In preparing the Interim Report on Operations as at 31 March 2017, the Immsi Group adopted the same accounting standards as those used to prepare the Consolidated Financial Statements as at 31 December 2016 (to which reference is made for any further details), excluding early adoption as from 1 January 2017 of IFRS 9 “*Financial Instruments*”. In particular, the new provisions of IFRS 9: (i) amend the model that classifies and measures financial assets; (ii) introduce a new method for writing down financial assets that takes account of expected credit losses; and (iii) amend hedge accounting provisions. The provisions of IFRS 9 will be applicable for years commencing on or after 1 January 2018, but early adoption is granted on 1 January 2017.
The main impacts on the financial statements of the Immsi Group arising from the early application of IFRS 9 concern the valuation of non-held equity financial instruments for trading. The new international principle allows the entity to irrevocably choose to present the changes in the fair value of the above-mentioned investments in other comprehensive income. The amounts presented in other comprehensive income will not be subsequently transferred to operating profit, although the entity may transfer accumulated profit or accumulated loss to equity.

Below are also the new accounting standards, amendments and interpretations applicable from 1 January 2018 or for which the relevant EU bodies have not yet completed the approval process necessary for the adoption of the following accounting principles and amendments:

- In May 2014, the IASB and FASB jointly published IFRS 15 “Revenue from Contracts with Customers”. The purpose of this standard is to improve reporting on revenues and their comparability between different financial statements. The new standard is applicable in a retrospective manner for years commencing from or after 1 January 2018. Early adoption is possible. The Group has undertaken an in-depth analysis of the different types of contracts. The Management believes that it can make a more reliable assessment of the accounting impacts within the next 12 months.

- In the month of January 2016, the IASB published IFRS 16 "Leases". This new standard will replace the current IAS 17. The main change concerns the accounting by lessees that, according to IAS 17, were required to make a distinction between a financial lease (in the budget) and operating leases (off budget). With IFRS 16, operating leases will be treated for accounting purposes as financial leases. The IASB has provided for the optional exemption for certain leasing contracts and low value and short-term leases. This principal will apply from 1 January 2019. Early application will be possible if IFRS 15 "Revenue from contracts with customers" is jointly adopted.
- In January 2016, the IASB issued an amendment to IAS 12 "Income Taxes". These amendments clarify how to enter active deferred taxes related to debt instruments calculated at *fair value*. These amendments will apply from 1 January 2017.
- In January 2016, the IASB issued an amendment to IAS 7 "Statement of Cash Flows". These amendments to IAS 7 introduce additional information that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments will apply from 1 January 2017.
- In June 2016, the IASB issued an amendment to IFRS 2 “Share-based Payment”. These amendments clarify how some share-based payments are recognised. These amendments will apply from 1 January 2018.
- In December 2016, the IASB issued an amendment to IAS 40 "Investment Property". These amendments clarify change in use, which is a necessary condition for transfer from/to Investment Property. These amendments will apply from 1 January 2018.
- In September 2016, IASB issued an amendment to IFRS 4 “Insurance Contracts” as regards application of IFRS 9 “Financial Instruments”.

  These amendments will enable companies that issue insurance contracts to recognise the volatility that may arise when IFRS 9 is adopted before the new standard on insurance contracts is issued in the statement of comprehensive income rather than in the income statement. It will also allow companies whose main activity is related to insurance contracts to temporarily defer the adoption of IFRS 9 until 2021. Entities that defer the adoption of IFRS 9 will continue to adopt IAS 39. These amendments will apply from 1 January 2018.
- In December 2016, the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle. The amendments concern: IFRS 12 “Disclosure of interests in other entities” (applicable from 1 January 2017); IFRS 1 “First-time Adoption of International Financial Reporting Standards” (applicable from 1 January 2018); IAS 28 - “Investments in Associates and Joint Ventures” (applicable from 1 January 2018). The amendments clarify, correct or remove redundant text in the associated IFRS standards and they are not expected to have a significant impact on the financial statements or the disclosure.
- In December 2016, the IASB issued IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration The amendment addresses the exchange rate to be used in transactions and in advances paid or received in foreign currency. The amendment will apply from 1 January 2018.

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

As provided for by Consob communication no. DEM/5073567 of 4 November 2005, the Company has indicated fewer details than required by IAS 34 – Interim Financial Reporting.
The information in this Report should be read together with the Consolidated Financial Statements as at 31 December 2016, prepared according to IFRS.

The preparation of the Interim Report required the Management to make estimates and assumptions that particularly affect the reported amounts of revenues, expenses, assets and liabilities recorded in the financial statements and disclosure of contingent assets and liabilities at the closing date of the period. If in the future such estimates and assumptions deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances should change. In addition, some evaluative processes, particularly the more complex ones such as the determination of impairment losses on intangible assets, 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 of *impairment* that require immediate evaluation of possible losses of value.
This document can include forward-looking statements, regarding future events and operational, economic and financial results of the Immsi Group. Said statements have a certain degree of risk and uncertainty by nature, since they depend on the occurrence of future events and developments. The actual results may differ even significantly compared to the forecast ones, in relation to several factors.

This Interim Report on Operation is expressed in Euros since that is the currency in which most of the Group's transactions take place. Unless stated otherwise, the figures in the financial statements and explanatory notes that follow are expressed in thousands of Euros.

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

Currency	**Spot exchange rate 31 March 2017**	**Average exchange rate first three months of 2017**	**Spot exchange rate 31 December 2016**	**Average exchange rate first three months of 2016**
US Dollar	1.0691	1.06480	1.0541	1.102
Pounds Sterling	0.85553	0.86009	0.85618	0.77037
Indian Rupee	69.3965	71.28420	71.5935	74.42696
Singapore Dollars	1.4940	1.50804	1.5234	1.54665
Chinese Renminbi	7.3642	7.33527	7.3202	7.21015
Croatian Kuna	7.4465	7.46682	7.5597	7.61702
Japanese Yen	119.55	121.01385	123.4	126.997258
Vietnamese Dong	24,119.91	24,007.37631	23,894.71	24,442.43419
Canadian Dollars	1.4265	1.41012	1.4188	1.51490
Indonesian Rupiah	14,244.68	14,214.14569	14,167.1	14,902.15387
Brazilian Real	3.3800	3.34676	3.4305	4.30405

The reclassified Income Statement and Statement of Comprehensive Income relative to the first quarter of 2017 are given below, compared with the same period of 2016, as well as the reclassified Statement of Financial Position as at 31 March 2017, compared with the situation as at 31 December 2016 and 31 March 2016 and the Statement of Cash Flows as at 31 March 2017 compared with the same period of 2016. The Statement of changes in shareholders' equity as at 31 March 2017, compared with figures for the same period of the previous year is also presented.

No non-current, atypical or unusual transactions, as defined by Consob Communication no. DEM/6037577 of 28 April 2006 and no. DEM/6064293 of 28 July 2006, were recognised for the first quarter of 2017 and 2016.
The Manager in charge of preparing the Company accounts and documents Andrea Paroli, hereby declares, in accordance with paragraph 2 of article 154-*bis* of the Consolidated Finance Act, that accounting disclosure in this document corresponds to accounting records.

Scope of consolidation

For the purposes of consolidation, the financial statements as at 31 March 2017 of companies included in the scope of consolidation, appropriately modified and reclassified, where necessary, to bring them in line with international accounting standards and uniform classification criteria used by the Group, were used. The scope of consolidation includes the companies in which the Parent Company, directly or indirectly, owns more than half of the voting rights exercisable in Shareholders' Meetings, or has the power to control or direct voting rights by means of contractual or bylaw clauses, or can appoint the majority of the members of the Boards of Directors. Excluded from the line-by-line consolidation are non-operating controlled companies or those with low operating levels as their influence on the final result of the Group is insignificant.
The scope of consolidation compared to the consolidated financial statements as at 31 December 2016 compared to 31 March 2016 had the following changes:

- on 30 June 2016 the company Rodriquez Engineering S.r.l., a subsidiary of Intermarine S.p.A., was liquidated;
- on 5 August 2016 RCN Finanziaria S.p.A. purchased ordinary treasury shares held by the minority shareholder GE Capital Equity Holdings LLC equal to 12.86%;
- in Is Molas S.p.A. a capital increase was subscribed and paid up by the shareholder ISM Investimenti S.p.A. which increased its holding from 89.48% to 92.59%.

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

Lastly, following the purchase of treasury shares by Piaggio & C. S.p.A., the share of consolidated shareholders' equity of the Piaggio group, which since 31 December 2016 amounts to 50.49%, amounted to 50.33% as at 31 March 2016.

Reclassified consolidated financial statements and relative notes

Reclassified income statement of the Immsi Group

In thousands of Euros	*31/03/2017*		*31/03/2016*		*Change*	
Net revenues	**331,675**	**100%**	**317,189**	**100%**	**14,486**	**4.6%**
Costs for materials	182,238	54.9%	179,406	56.6%	2,832	1.6%
Costs for services, leases and rentals	60,365	18.2%	62,903	19.8%	-2,538	-4.0%
Employee costs	59,347	17.9%	58,139	18.3%	1,208	2.1%
Other operating income	22,851	6.9%	23,163	7.3%	-312	-1.3%
Other operating costs	7,119	2.1%	4,911	1.5%	2,208	45.0%
OPERATING EARNINGS BEFORE AMORTISATION AND DEPRECIATION (EBITDA)	**45,457**	**13.7%**	**34,993**	**11.0%**	**10,464**	**29.9%**
Depreciation and write-downs of plant, property and equipment	11,960	3.6%	11,678	3.7%	282	2.4%
Amortisation of goodwill	0	-	0	-	0	-
Amortisation and impairment of intangible assets with a definite useful life	18,988	5.7%	15,230	4.8%	3,758	24.7%
OPERATING INCOME	**14,509**	**4.4%**	**8,085**	**2.5%**	**6,424**	**79.5%**
Income/(loss) from investments	352	0.1%	0	-	352	-
Financial income	5,178	1.6%	4,253	1.3%	925	21.7%
Borrowing costs	15,333	4.6%	18,036	5.7%	-2,703	-15.0%
PROFIT BEFORE TAX	**4,706**	**1.4%**	**-5,698**	**-1.8%**	**10,404**	**182.6%**
Taxes	2,219	0.7%	-822	-0.3%	3,041	370.0%
EARNINGS AFTER TAXES FROM CONTINUING OPERATIONS	**2,487**	**0.7%**	**-4,876**	**-1.5%**	**7,363**	**151.0%**
Gain (loss) from assets held for disposal or sale	0	-	0	-	0	-
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	**2,487**	**0.7%**	**-4,876**	**-1.5%**	**7,363**	**151.0%**
Earnings for the period attributable to non-controlling interests	-176	-0.1%	-1,525	-0.5%	1,349	88.5%
EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	**2,663**	**0.8%**	**-3,351**	**-1.1%**	**6,014**	**179.5%**

Statement of comprehensive income of the Immsi Group

In thousands of Euros	31/03/2017	31/03/2016
EARNINGS FOR THE PERIOD INCLUDING NON-CONTROLLING INTERESTS	2,487	(4,876)
Items that will not be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans	1,027	(2,165)
Total	1,027	(2,165)
Items that may be reclassified to profit or loss		
Gains/(losses) on cash flow hedges	466	(314)
Profit (loss) deriving from the translation of financial statements of foreign companies denominated in foreign currency	2,004	(2,897)
Gains/(Losses) on evaluation at *fair value* of assets available for sale and property investments	(3,595)	(5,480)
Total	(1,125)	(8,691)
Other Consolidated Comprehensive Income (Expense)	(98)	(10,856)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD	2,389	(15,732)
Comprehensive earnings for the period attributable to non-controlling interests	1,547	(4,176)
COMPREHENSIVE EARNINGS FOR THE PERIOD ATTRIBUTABLE TO THE GROUP	842	(11,556)

The figures in the above table are net of the corresponding tax effect.

Net revenues

Consolidated net revenues as at 31 March 2017 amounted to € 331.7 million, of which 93.2%, equal to € 309.1 million, is attributable to the industrial sector (Piaggio group), 6.6%, equal to € 21.8 million, to the marine sector (Intermarine S.p.A.), and the remaining part, of approximately € 0.7 million, to the property and holding sector (Immsi S.p.A. and Is Molas S.p.A. net of intergroup eliminations).

With reference to the industrial sector, the Piaggio group recorded net revenues in the first three months of 2017 equal to € 309.1 million, up by 0.7% compared to the same period of 2016, mainly due to the increase in revenues in EMEA and the Americas which more than offset the downturn recorded in India and Asia Pacific.

With reference to the marine sector (Intermarine S.p.A.), consolidated revenues amounted to € 21.8 million as at 31 March 2017, down by 137% compared to the figure of € 9.2 million as at 31 March 2016, mainly as a result of the excellent production performance attributable to the defence division and a different distribution of production advances over the same period of 2016, showing an increased concentration of production advances in the second half of the year.

As regards the property and holding sector, net revenues as at 31 March 2017 amounted to approximately € 0.7 million, a slight decline from the figure of about € 0.9 million made in the first three months of 2016.

Operating income before depreciation, amortisation and impairment costs of plant, property and equipment and intangible assets (EBITDA)

Operating income before depreciation, amortisation and impairment costs of plant, property and equipment and intangible assets (EBITDA) amounted to € 45.5 million as at 31 March 2017, equal to 13.7% of net revenues. Compared to EBITDA for the first three months of 2016, this figure meant an increase of approximately € 10.5 million (+30%), following greater contributions from all Group sectors. As at 31 March 2016, EBITDA of the Immsi Group amounted to € 35 million, accounting for 11% of net revenues.

The component attributable to the industrial sector (Piaggio group) amounted to € 41.2 million, up by € 3.8 million compared to the figure as at 31 March 2016 (equal to € 37.4 million), and accounting for 13.3% of the net revenues of the sector, registering an increase compared to 12.2% for the same period in 2016. The component attributable to the marine sector (Intermarine S.p.A.) was equal to € 4.8 million, a significant improvement compared to a negative balance of € 0.9 million at 31 March 2016. Finally, the component attributable to the real estate and holding sector amounted to a loss of € 0.5 million, while in the first three months of 2016 there was a profit of € 1.4 million:

The main costs of the Immsi Group included personnel costs of € 59.3 million, a slight increase from the figure recorded for the same period in 2016, which was € 58.1 million (accounting for 17.9% of net revenues, down from 18.3% for the first three months of 2016). The average workforce in the first quarter of 2017 (6,906 units) was down compared to the same period of the previous year (7,324 units).

Operating income (EBIT)

Operating income (EBIT) in the first three months of 2017 amounted to € 14.5 million, equal to 4.4% of net revenues. The increase compared to the same period of the previous year amounted to approx. € 6.4 million (+79.5%). In the previous year, operating income (EBIT) in the first three months amounted to € 8.1 million, accounting for 2.5% of net revenues.

The component attributable to the industrial sector (Piaggio group) amounted to € 10.9 million, accounting for 3.5% of the net revenues of the sector, in line with the figure from 31 March 2016. The component attributable to the marine sector (Intermarine S.p.A.) was a positive amount of € 4.2 million, compared to the negative amount of € 1.2 million as at 31 March 2016. Finally, the component attributable to the real estate and holding sector was a negative value of € 0.7 million, an increase compared to the figure recorded in the first quarter of the previous year (a negative result of € 1.6 million).

Depreciation and amortisation for the period totalled € 30.9 million (up by € 4 million compared to the figure for the first three months of 2016), accounting for 9.3% of net revenues, a slight increase compared to the 8.5% from the same period in 2016, comprising depreciation of property, plant and equipment amounting to € 12 million (€ 11.7 million in the first quarter of 2016) and amortisation of intangible assets amounting to € 19 million (€ 15.2 million in the same period of 2016). In particular, depreciation and amortisation referable to the industrial sector (Piaggio group) amounted to approximately € 30.2 million (compared to € 26.5 million in the first three months of 2016), of which € 18.7 million related to intangible assets (€ 15.2 million in the same period of 2016), and € 11.5 million relative to plant, property and equipment (€ 11.3 million in the first three months of 2016).

It is noted that no impairment of goodwill was recognised in the first three months of 2017, or in the same period of the previous year, as based on the results forecast by long-term development plans of Group companies and used in impairment testing carried out as at 31 December 2016 and 31 December 2015, no impairment was necessary, as the goodwill was considered as recoverable from future financial flows. It should be noted, however, that in the first quarter of 2017 no events occurred indicating that such goodwill may have undergone a significant impairment.

Considering that the analyses conducted to estimate the recoverable value for the Immsi Group cash-generating unit were also determined based on estimates, the Group cannot guarantee that there will be no goodwill impairment losses in future periods. Given the current ongoing difficulty of certain reference and financial markets, the various factors - both internal and external to cash generating units identified - used in making the estimates could be revised in future: the Group will constantly monitor these factors and the possible existence of future impairment losses.

Profit before tax

Profit before tax as at 31 March 2017 amounted to a profit of € 4.7 million, an improvement compared to a consolidated loss of € 5.7 million in the first quarter of the previous year.

Borrowing costs, net of income and earnings from investments, amounted to € 9.8 million in the first three months of 2017, accounting for 3% of net revenues, with the contribution from the industrial sector amounting to € 8.5 million (€ 8.8 million in the first three months of 2016), from the marine sector amounting to € 0.8 million (€ 1.4 million in the first three months of 2016) and the remaining amount from the property and holding sector (€ 0.5 million in the first quarter of 2017 compared to € 3.7 million in the same period of the previous year).
Net financial borrowing costs recorded in the first three months of 2017 were slightly down compared to figures for the same period of the previous year, and were equal to € 13.8 million

(4.3% of net revenues). This reduction is mainly attributable to the execution of financial proceeds of approximately € 3.35 million by the Parent Company on the sale of the option rights attributed to the Unicredit capital increase in which Immsi SpA did not participate.

Earnings for the period attributable to the Group

Earnings for the period, net of taxes and the portion attributable to non-controlling interests, as at 31 March 2017 amounted to € 2.7 million (0.8% of net revenues for the period), an improvement compared to the negative figure of € 3.4 million registered in the same period of the previous year (-1.1% of net revenues for the period).

Taxes accruing in the period represented a cost of approx. € 2.2 million (during the first three months of 2016 a cost of € 0.8 million was recorded): income tax, also in view of requirements of IAS 34, was on average determined, based on the best estimate of the average weighted rate expected for the entire year.

Earning/(loss) per share

In Euros

From continuing and discontinued operations:	*31/03/2017*	*31/03/2016*
Basic	0.008	(0.010)
Diluted	0.008	(0.010)
Average number of shares:	340,530,000	340,530,000

Diluted earnings per share correspond to basic profit as there are no potential shares with a diluting effect.
At the end of the reporting period, no gains or losses from assets held for sale or disposal had been recognised.

Reclassified statement of financial position of the Immsi Group

In thousands of Euros	*31/03/2017*	*as a %*	*31/12/2016*	*as a %*	*31/03/2016*	*as a %*
Current assets:						
Cash and cash equivalents	137,769	6.3%	197,919	9.1%	118,550	5.4%
Financial assets	0	0.0%	0	0.0%	0	0.0%
Operating activities	552,109	25.4%	472,518	21.8%	592,142	26.9%
Total current assets	**689,878**	**31.7%**	**670,437**	**31.0%**	**710,692**	**32.3%**
Non-current assets:						
Financial assets	0	0.0%	0	0.0%	0	0.0%
Intangible assets	841,126	38.7%	847,059	39.1%	849,879	38.6%
Plant, property and equipment	332,598	15.3%	336,467	15.5%	339,631	15.4%
Other assets	310,912	14.3%	311,524	14.4%	302,471	13.7%
Total non-current assets	**1,484,636**	**68.3%**	**1,495,050**	**69.0%**	**1,491,981**	**67.7%**
TOTAL ASSETS	**2,174,514**	**100.0%**	**2,165,487**	**100.0%**	**2,202,673**	**100.0%**
Current liabilities:						
Financial liabilities	465,588	21.4%	575,022	26.5%	436,036	19.8%
Operating liabilities	580,138	26.7%	554,157	25.6%	582,387	26.4%
Total current liabilities	**1,045,726**	**48.1%**	**1,129,179**	**52.1%**	**1,018,423**	**46.2%**
Non-current liabilities:						
Financial liabilities	623,124	28.7%	529,749	24.5%	659,703	30.0%
Other non-current liabilities	110,716	5.1%	114,001	5.3%	115,855	5.3%
Total non-current liabilities	**733,840**	**33.7%**	**643,750**	**29.7%**	**775,558**	**35.2%**
TOTAL LIABILITIES	**1,779,566**	**81.8%**	**1,772,929**	**81.9%**	**1,793,981**	**81.4%**
TOTAL SHAREHOLDERS' EQUITY	**394,948**	**18.2%**	**392,558**	**18.1%**	**408,692**	**18.6%**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,174,514**	**100.0%**	**2,165,487**	**100.0%**	**2,202,673**	**100.0%**

Analysis of capital invested by the Immsi Group

In thousands of Euros	*31/03/2017*	*as a %*	*31/12/2016*	*as a %*	*31/03/2016*	*as a %*
Current operating assets	552,109	37.9%	472,518	33.4%	592,142	39.4%
Current operating liabilities	-580,138	-39.8%	-554,157	-39.2%	-582,387	-38.8%
Net operating working capital	**-28,029**	**-1.9%**	**-81,639**	**-5.8%**	**9,755**	**0.6%**
Intangible assets	841,126	57.7%	847,059	59.9%	849,879	56.6%
Plant, property and equipment	332,598	22.8%	336,467	23.8%	339,631	22.6%
Other assets	310,912	21.3%	311,524	22.0%	302,471	20.1%
Capital employed	**1,456,607**	**100.0%**	**1,413,411**	**100.0%**	**1,501,736**	**100.0%**
Non-current non-financial liabilities	110,716	7.6%	114,001	8.1%	115,855	7.7%
Capital and reserves of non-controlling interests	161,318	11.1%	159,771	11.3%	155,508	10.4%
Consolidated shareholders' equity attributable to the Group	233,630	16.0%	232,787	16.5%	253,184	16.9%
Total non-financial sources	**505,664**	**34.7%**	**506,559**	**35.8%**	**524,547**	**34.9%**
Net financial debt	**950,943**	**65.3%**	**906,852**	**64.2%**	**977,189**	**65.1%**

Capital employed

Capital employed amounted to € 1,456.6 million as at 31 March 2017, an increase of € 43.2 million compared to 31 December 2016, and € 45.1 million compared to 31 March 2016, when it stood at € 1,413.4 million and € 1,501.7 million respectively. In particular, compared to the value from the beginning of the year, the negative balance of net working capital decreased by € 53.6 million,

largely due to the increase in current operating assets, mainly due to the seasonality of the two-wheeler market which absorbs resources in the first part of the year and generates them in the second.
Property, plant and equipment and intangible assets on the other hand decreased by € 3.9 million and € 5.9 million respectively compared to 31 December 2016 and by € 7 million and € 8.8 million compared to 31 March 2016.

Net financial debt of the Immsi Group

The net financial debt of the Immsi Group, equal to € 950.9 million as at 31 March 2017, is analysed below and compared with the same data at 31 December 2016 and at 31 March 2016.

In this respect, it is recalled that - in conformity with the CESR recommendation of 10 February 2005 "Recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses" - the indicator, as formulated, represents the items and activities monitored by the Group's management.

In thousands of Euros	*31/03/2017*	*31/12/2016*	*31/03/2016*
Short-term financial assets			
Cash and cash equivalents	-137,769	-197,919	-118,550
Financial assets	0	0	0
Total short-term financial assets	**-137,769**	**-197,919**	**-118,550**
Short-term financial payables			
Convertible	9,624	9,617	0
Payables due to banks	398,870	512,778	380,830
Amounts due for finance leases	1,130	1,114	32
Amounts due to other lenders	55,964	51,513	55,174
Total short-term financial payables	**465,588**	**575,022**	**436,036**
Total short-term financial debt	**327,819**	**377,103**	**317,486**
Medium/long-term financial assets			
Receivables for loans	0	0	0
Other financial assets	0	0	0
Total medium/long-term financial assets	**0**	**0**	**0**
Medium/long-term financial payables			
Convertible	282,475	282,442	290,177
Payables due to banks	330,265	236,319	368,670
Amounts due for finance leases	10,026	10,311	171
Amounts due to other lenders	358	677	685
Total medium/long-term financial payables	**623,124**	**529,749**	**659,703**
Total medium-/long-term financial debt	**623,124**	**529,749**	**659,703**
Net financial debt *)	**950,943**	**906,852**	**977,189**

*) The measure includes financial assets and liabilities arising from fair value measurements of the financial derivatives used for hedging, the fair value adjustment of the relative hedged items equal to € 21,668 thousand (€ 25,837 thousand and € 22,818 thousand as at 31 December 2016 and 31 March 2016 respectively) and relative accruals and deferrals.

As at 31 March 2017 the Group reduced its net debt compared to 31 March 2016 by approx. € 26.2 million: this decrease is attributable to the increase in short-term availability while the increase in short-term borrowings was partially offset by a reduction in medium and long-term debt.
The decrease as at 31 March 2017 compared to the end of 2016 in the Group's net financial debt of approximately € 44.1 million is attributable in particular to an increase in non-current financial liabilities and the seasonality of the Piaggio group's 2-wheeler market.

Investments

Gross investments as at 31 March 2017 made by the Group totalled € 18.5 million (€ 26.5 million in the first quarter of 2016) referring nearly entirely to the Piaggio group, of which € 12.5 million related to intangible assets (€ 13.9 million in the first three months of 2016) and € 6 million related to plant, property and equipment compared to € 12.6 million in the same period of the previous year.

Cash flow statement of the Immsi Group

In thousands of Euros	*31/03/2017*	*31/03/2016*
Operating activities		
Profit before tax	4,706	(5,698)
Depreciation of plant, property and equipment (including investment property)	11,960	11,678
Amortisation of intangible assets	18,988	15,230
Provisions for risks and for severance indemnity and similar obligations	5,747	4,683
Write-downs / (Reversals)	235	241
Losses / (Gains) on the disposal of plant, property and equipment (including investment property)	(6)	(41)
Interest income	(141)	(243)
Income on dividends and on the sale of securities	(3,350)	(7)
Interest expense	12,757	12,951
Amortisation of grants	(1,227)	(576)
Change in working capital	(53,755)	(25,136)
Change in non-current provisions and other changes	(11,248)	(19,564)
Cash generated from operating activities	(15,334)	(6,482)
Interest paid	(8,450)	(7,576)
Taxes paid	(2,840)	(5,884)
Cash flow from operations	(26,624)	(19,942)
Investing activities		
Acquisition of subsidiaries, net of cash and cash equivalents	0	(3,671)
Investments in plant, property and equipment	(6,028)	(12,596)
Sale price, or repayment value, of plant, property and equipment (including investment property)	50	111
Investments in intangible assets	(12,497)	(13,933)
Sale price, or repayment value, of intangible assets	0	17
Collected interests	162	155
Grants received	360	0
Other changes	0	(1,107)
Cash flow from investing activities	(17,953)	(31,024)
Financing activities		
Loans received	49,812	93,421
Outflow for repayment of loans	(65,584)	(53,610)
Repayment of finance leases	(279)	(7)
Cash flow from financing activities	(16,051)	39,804
Increase / (Decrease) in cash and cash equivalents	(60,628)	(11,162)
Opening balance	173,223	104,415
Exchange differences	560	(1,865)
Closing balance	113,155	91,388

The table shows the changes in cash and cash equivalents as at 31 March 2017 which total € 137.8 million (€ 197.9 million as at 31 December 2016) including short-term bank overdrafts equal to € 24.6 million (€ 24.7 million as at 31 December 2016).

Total shareholders' equity and equity attributable to the Immsi Group

In thousands of Euros	***Consolidated shareholders’ equity attributable to the Group***	***Capital and reserves of non-controlling interests***	***Total Group and non-controlling interests consolidated shareholders’ equity***
Balances at 1 January 2016	***265,634***	***162,460***	***428,094***
Other changes	*(894)*	*(2,776)*	*(3,670)*
Net comprehensive earnings for the period	*(11,556)*	*(4,176)*	*(15,732)*
Balances at 31 March 2016	***253,184***	***155,508***	***408,692***

In thousands of Euros	***Consolidated eholders’ equity butable to the Group***	***Capital and reserves of non-controlling interests***	***Total Group and non-controlling interests consolidated shareholders’ equity***
Balances at 1 January 2017	***232,787***	***159,771***	***392,558***
Other changes	*1*	*0*	*1*
Net comprehensive earnings for the period	*842*	*1,547*	*2,389*
Balances at 31 March 2017	***233,630***	***161,318***	***394,948***

Human resources

As at 31 March 2017, the Immsi Group employed 6,823 staff, of which 73 were in the property and holding sector, 6,470 in the industrial sector (Piaggio group) and 280 in the marine sector (Intermarine S.p.A.).
The following tables divide resources by category and geographic segment:

Human resources by category

numbers	31/03/2017			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	5	96	7	108
Middle managers and white collars	37	2,313	151	2,501
Manual workers	31	4,061	122	4,214
TOTAL	**73**	**6,470**	**280**	**6,823**

numbers	31/12/2016			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	5	97	8	110
Middle managers and white collars	36	2,330	148	2,514
Manual workers	30	4,279	121	4,430
TOTAL	**71**	**6,706**	**277**	**7,054**

numbers	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Senior management	0	-1	-1	-2
Middle managers and white collars	1	-17	3	-13
Manual workers	1	-218	1	-216
TOTAL	**2**	**-236**	**3**	**-231**

Human resources by geographic segment

numbers	31/03/2017			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	73	3,509	280	3,862
Rest of Europe	0	175	0	175
Rest of the World	0	2,786	0	2,786
TOTAL	**73**	**6,470**	**280**	**6,823**

numbers	31/12/2016			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	71	3,518	277	3,866
Rest of Europe	0	174	0	174
Rest of the World	0	3,014	0	3,014
TOTAL	**71**	**6,706**	**277**	**7,054**

numbers	Changes			
	Property and holding sector	**Industrial sector**	**Marine sector**	**Group total**
Italy	2	-9	3	-4
Rest of Europe	0	1	0	1
Rest of the World	0	-228	0	-228
TOTAL	**2**	**-236**	**3**	**-231**

The decrease in staff compared to 31 December 2016 (-231) is mainly attributable to the industrial sector (-236) and to the employment of staff on a seasonal basis to meet the peak demand of summer months.

Directors’ comments on operations

In the first three months of 2017, the Immsi Group showed a significant improvement compared to the same period of the previous year, both in economic and financial terms.
Final results for the period have different trends with reference to the various sectors comprising the Group, based on business trends and the different impact of seasonality.

Property and holding sector

In thousands of Euros	*31/03/2017*	*as a %*	*31/03/2016*	*as a %*	*Change*	*as a %*
Net revenues	722		916		-194	-21.2%
Operating income before depreciation and amortisation (EBITDA)	-537	n/m	-1,447	n/m	910	62.9%
Operating income (EBIT)	-658	n/m	-1,567	n/m	909	58.0%
Profit before tax	-1,187	n/m	-5,219	n/m	4,032	77.3%
Earnings for the period including non-controlling interests	-1,097	n/m	-4,025	n/m	2,928	72.7%
Group earnings for the period (which may be consolidated)	390	n/m	-2,652	n/m	3,042	114.7%
Net debt	-350,611		-336,005		-14,606	-4.3%
Personnel (number)	73		84		-11	-13.1%

Overall, in the first nine months of 2017, the **property and holding sector** reported a profit for consolidation purposes of approx. € 0.4 million, an improvement over the same period in the previous year (which recorded a loss for consolidation purposes of € 2.7 million). This improvement is mainly attributable to the recognition of financial proceeds of approximately € 3.35 million by the Parent Company on the sale of the option rights attributed in the Unicredit capital increase in which Immsi SpA did not participate.
Net debt for the sector amounted to € 350.6 million (compared with € 348.6 million and € 336 million as at 31 December 2016 and 31 March 2016 respectively).

The operating outlook of main companies belonging to the sector in the first three months of 2017 is described below, with reference to the separate financial statements of each company (therefore including intergroup eliminations).

In the first quarter of 2017, the **Parent Company Immsi S.p.A.** posted a positive EBIT of about € 0.2 million (an improvement over the first three months of the previous year) and a net profit amounting to about € 3 million, which is also an increase compared to a negative net income of approximately € 0.5 million in the same period of 2016 mainly due to the balance of financial activities, given by the difference between financial income and charges, which in the first quarter of 2017 benefited from the recognition of € 3.35 million resulting from the sale of the option rights attributable to the Company in the Unicredit capital increase in which Immsi SpA did not participate.
In preparing this Interim Report on Operations as at 31 March 2017, the Parent Company did not carry out any specific impairment testing on the carrying amount of investments held in companies consolidated on a line-by-line basis, as these investments and any changes resulting from relative impairment tests would have been eliminated in full during consolidation. With reference to the

stake in Alitalia - CAI, in relation to the situation highlighted in the Directors' Report and the Financial Statements of the Immsi Group as at 31 December 2016, it should be noted that the new plan which needed to obtain the agreement of the various stakeholders in order for it to be approved and made operational did not receive the consent of Alitalia-SAI workers (asked through an internal referendum to express themselves in this regard), so that the Italian government has now placed the company in temporary receivership and provided temporary public funding to ensure the company's operational continuity.
Despite the fact that in the presence of information on unfavourable records, the Directors refer to the spot estimate of the recoverable amount of the investment in question for the next financial year, believing that it can acquire improved elements in the meantime that will allow it to make an objective assessment that at this point is not possible.
Shareholders' equity as at 31 March 2017 amounted to € 77 million, up by approximately € 2.6 million compared to 31 December 2016, mainly as a result of the sale of share option rights arising from the Unicredit capital increase mentioned above.
With reference to the bank debt of the Parent Company, it is pointed out that the problems that emerged as at 31 December 2016 relating to non-compliance with certain financial parameters has been remedied in the first quarter of 2017 by obtaining appropriate waivers and exemptions from lending institutions. The Company therefore restored the accounting of the loans in compliance with the contractual maturities of each of them. For further details, please refer to the Directors' Report and Financial Statements of the Immsi Group as at 31 December 2016.

Finally, it is pointed out that the Immsi S.p.A. holding in Unicredit S.p.A. is recognised under other current assets. With respect to this stake, it is reported that, following the early adoption of IFRS 9 from 1 January 2017, for the details of which you are referred to the paragraph devoted to the criteria used in preparing this Report, the Company has adjusted the carrying amount of the share equity package to the value recognised at 31 March 2017, amounting to € 4,029 thousand, recording a negative equity reserve of € 10.8 million. If the Company had not adopted IFRS 9 in advance, it would have recorded a loss to the income statement of € 11.4 million and a positive adjustment to the statement of comprehensive income of € 7.8 million.

As regards the subsidiary **Is Molas S.p.A.**, it is reported that a share capital increase was signed and paid in 2016 by ISM Investimenti S.p.A., which increased its share from 89.48%, as at 31 March 2016, to 92.59% at 31 December 2016 and 31 March 2017.
With regard to the real estate project in Sardinia, it is noted that the work for the construction of the 15 villas of the Fcn10' sector and of the primary infrastructure works are ongoing. The construction of 4 show villas has been substantially completed and the sales activities aimed at identifying buyers are in progress internationally.
Revenues from tourism/hospitality/golf for the first three months of 2017 declined (-32.7%) compared to the same period in 2016 in view of the later opening of the hotel business than in 2016, while in terms of margins, the company recorded an operating loss of approx. € 0.7 million (compared to a loss of € 1.2 million in the same period in 2016), and a net loss for consolidation purposes of € 0.5 million, a decline compared to 31 March 2016 of approximately € 0.2 million.
Net debt of the Company amounted to € 47.3 million, with a cash flow absorption of € 4.4 million compared to 31 December 2016 (when it stood at € 42.9 million): this change consists of the net cash flow absorbed by operations in particular to fund the progress of works for construction of the first lot of 15 villas.

With reference to the Pietra Ligure project, activities aimed at identifying potential parties interested in development of the Project continued.
The net profit for consolidation purposes of **Pietra S.r.l.** in the first quarter of 2017 was substantially in line with the same period of the previous year, while net financial debt remained unchanged from 31 December 2016 and amounted to € 2.6 million. The consolidation result of **Pietra Ligure S.r.l.**, a subsidiary of Pietra S.r.l. and which incorporates the property complex of

Pietra Ligure with the related Urban Planning Permissions and Agreements, was substantially unchanged from the first quarter of 2016 and net financial debt was stable at € 0.5 million.

With reference to the subsidiary **Apuliae S.r.l.** no further information is available in addition to comments in the Directors' Report on Operations and Financial Statements of the Immsi Group as at 31 December 2016, to which reference is made. As at 31 March 2017, the company posted a substantial break-even position, with net financial debt in slight deterioration compared to 31 December 2016 and amounting to a negative value of € 0.4 million. It is noteworthy that during the Shareholders' Meeting held in February 2017, the Directors resolved to transform the Company into a Limited Liability Company pending the possible outcome of the disputes and the resumption of business.

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

- **RCN Finanziaria S.p.A.**, in which Immsi S.p.A. holds a 72.51% stake, and sole shareholder of Intermarine S.p.A., reported a net loss for consolidation purposes for the Immsi Group equal to approximately € 1 million (€ -0.7 million in the first quarter of 2016) and net financial debt as at 31 March 2017 amounting to € 121.5 million, unchanged compared to the figure as at 31 December 2016. It is noted that during 2016 the company acquired the shares from the shareholder GE Capital Equity that it held in RCN Finanziaria S.p.A. corresponding to a holding of around 12.86% and recognise them as treasury shares. As a result the holding of the other shareholders, Immsi and Intesa Sanpaolo, increase in proportion. Immsi then rose to 72.51% compared to 63.18% as at 31 March 2016;
- **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 an 92.59% stake as at 31 March 2017, posted a net loss for consolidation purposes for the Immsi Group equal to approximately € 1.1 million (€ -0.8 million in 2016) and net financial debt as at 31 March 2017 amounting to € 101.2 million, a slight increase compared to 31 December 2016 (for a total of around € 101 million).

Industrial sector

In thousands of Euros	*31/03/2017*	*as a %*	*31/03/2016*	*as a %*	*Change*	*as a %*
Net revenues	309,124		307,061		2,063	0.7%
Operating income before depreciation and amortisation (EBITDA)	41,196	13.3%	37,386	12.2%	3,810	10.2%
Operating income (EBIT)	10,947	3.5%	10,874	3.5%	73	0.7%
Profit before tax	2,468	0.8%	2,093	0.7%	375	17.9%
Earnings for the period including non-controlling interests	1,481	0.5%	1,256	0.4%	225	17.9%
Group earnings for the period (which may be consolidated)	748	0.2%	632	0.2%	116	18.4%
Net debt	-532,391		-554,351		21,960	4.0%
Personnel (number)	6,470		7,074		-604	-8.5%

In the first quarter of 2017, the Piaggio group sold 121,200 vehicles around the world, recording a slight decrease compared to the first three months of the year before when the vehicles sold amounted to 121,700. The number of vehicles sold in EMEA and the Americas grew (+5.5%), while those sold in India and Asia Pacific 2W decreased by -1.8% and -13.9% respectively. With regard to product type, the decrease in sales of LVCs (-17.4%) was offset only in part by growth in the sales of two-wheelers (+10.3%).

In terms of consolidated turnover, amounting to € 309.1 million, the group closed the first quarter of 2017 with net revenues increasing compared to the same period in 2016 (+0.7%). In terms of geographic segments, the increase in revenues in EMEA and the Americas (+3.9%) more than offset the downturn in India, due to the decrease in the sale of commercial vehicles (-3.3%; -7.4% with constant exchange rates) and the decrease in Asia Pacific (-6.1%; -8.1% with constant exchange rates).
With regard to product type, the increase in turnover for two-wheeler vehicles (+5.2%) offset the decrease in commercial vehicles (-8.8%). As a result, the percentage of two-wheeler vehicles of overall turnover rose from 67.8% in the first three months of 2016 to the current figure of 70.8%; conversely, the percentage of commercial vehicles of overall turnover fell from 32.2% in the first three months of 2016 to the current figure of 29.2%.

Consolidated operating income before depreciation and amortisation (EBITDA) for the first three months of 2017 improved compared to the same period in the previous year and was equal to € 41.2 million (€ 37.4 million in the first three months of 2016). In relation to turnover, EBITDA went up by 1.1% compared to the first quarter of 2016 and stood at 13.3%. In terms of Operating Income (EBIT), the performance of the year in progress has also improved with consolidated EBIT of € 10.9 million; in relation to turnover, EBIT amounted to 3.5% and was unchanged compared to the same period of the previous year.

The result of financing activities improved compared to the corresponding period of the previous year by € 0.3 million, with net charges amounting to € 8.5 million (€ 8.8 million in the first three months of 2016). Lower capitalisation of borrowing costs offset the positive effects of net exchange rate gains and of the reduction in net interest-bearing liabilities. The improvement is therefore the result of the equity valuation of the investment in the joint venture operating on the Chinese market.

Net profit stood at € 1.5 million (0.5% of turnover), up on the figure for the same period of the previous year, which was equal to € 1.3 million (0.4% of turnover). Taxation on profit before taxes is estimated to be equal to 40% and is determined based on the average expected tax rate for the entire year.

The portion of net profit which may be consolidated for the Immsi Group in the first three months of 2017 amounted to € 0.7 million (an improvement compared to the figure for the same period of the previous year of € 0.6 million).

Net financial debt as at 31 March 2017 was equal to € 532.4 million, compared to € 554.4 million as at 31 March 2016 ad € 491 million as at 31 December 2016. The increase of approximately € 41.4 million compared to the beginning of the year is mainly due to the seasonal nature of two-wheelers which, as is well-known, use resources in the first part of the year and generate them in the second half.
In particular, the flows that generated financial resources are detailed below:

- the operating cash flow amounted to € +30.6 million (€ +30.2 million in the first quarter of 2016);
- working capital dynamics generated a cash flow of € 54.3 million (€ 56.8 million in the first three months of 2016);
- investment activities absorbed a total of € 21.2 million (€ 20.7 million in the first three months of 2016); and
- changes in shareholders' equity generated resources of € 3.5 million (compared with a € 9 million absorption in the first quarter of 2016).

Marine sector

In thousands of Euros	*31/03/2017*	*as a %*	*31/03/2016*	*as a %*	*Change*	*as a %*
Net revenues	21,829		9,212		12,617	137.0%
Operating income before depreciation and amortisation (EBITDA)	4,798	22.0%	-946	-10.3%	5,744	607.2%
Operating income (EBIT)	4,220	19.3%	-1,222	-13.3%	5,442	445.3%
Profit before tax	3,425	15.7%	-2,572	-27.9%	5,997	233.2%
Earnings for the period including non-controlling interests	2,103	9.6%	-2,107	-22.9%	4,210	199.8%
Group earnings for the period (which may be consolidated)	1,525	7.0%	-1,331	-14.4%	2,856	214.6%
Net debt	-67,941		-86,833		18,892	21.8%
Personnel (number)	280		283		-3	-1.1%

With reference to the income data of the **marine sector** (Intermarine S.p.A.), during the first quarter of 2017, net sales revenues (consisting of sales and changes in work in progress) amounted to € 21.8 million, compared to € 9.2 million in the same period of 2016. Production progress, including research and development, and the completion of constructions and deliveries, concerned in particular:

- the Defence division, with € 21.3 million (€ 8.4 million in the first three months of 2016), mainly due to progress in the order for construction of an integrated minesweeper platform as sub-contractor in a contract with a leading company operating in the field and in the processing relating to the construction of a naval platform in a contract with an Asian shipyard;
- the Fast Ferries and Yacht division, with a total of € 0.5 million (€ 0.8 million during the first quarter of 2016), mainly for repair activities. In the Fast Ferries and Yacht sector, no significant sales contracts for new and previously owned vessels were acquired.

In view of the above, an operating income (EBIT) of € 4.2 million was recorded for the first three months of 2017, improving by approximately € 5.4 million compared to the same period of the previous year (when this figure stood at a loss of € 1.2 million). As regards profit before tax, a positive value of € 3.4 million was recorded (compared to a negative value of € 2.6 million in the same period of 2016) while the net loss for consolidation purposes for the Immsi Group as at 31 March 2017 amounted to € 1.5 million, compared to a loss of € 1.3 million recorded in the same period of the previous year.

In the first months of 2017, the company also pursued all the possibilities to contain structural costs and business activities in all business operations of the company in search of favourable business opportunities.
The total value of the orders portfolio of the company amounted to € 293 million as at 31 March 2017, referring nearly entirely to the remaining part of existing contracts relating to the Defence sector, which still needs to be developed in terms of production value.

From an equity point of view, the net financial debt of € 67.9 million as at 31 March 2017 is substantially in line with the balance at 31 December 2016, equal to € 67.3 million and markedly improving (€ -18.9 million) compared to the balance of € 86.8 million as at 31 March 2016.

Events subsequent to 31 March 2017 and outlook for development of management

As regards the operating outlook of the Immsi Group, with reference to the subsidiary **Is Molas S.p.A.**, the company will proceed with the urban infrastructure works and works for completion of the first phase of 15 villas, along with the sales activities of the same.

As regards the **industrial sector**, in a macroeconomic context in which the recovery of the global economy will probably consolidate, but which is still affected by uncertainties over the growth rate in Europe and risks of a slowdown in some Far East Asian countries, the Group is committed, in commercial and industrial terms, to:

- confirm its leadership position on the European two-wheeler market, optimally levering expected recovery by:
  - further consolidating its product range;
  - current positions on the European commercial vehicles market will be maintained;
- consolidating its position in Asia Pacific, thanks also to the opening of new Motoplex centres, exploring new opportunities in mid-power motorcycle segments and increasing penetration in the premium segment of the Chinese market;
- boosting sales on the Indian scooter market, thanks to the Vespa range and success of the new Aprilia SR 150;
- increasing sales of commercial vehicles in India and in emerging countries, targeting a further development of exports to African and Latin American markets.

In terms of technology, the Piaggio group will continue to seek new solutions for the problems of current and future mobility, through the work of Piaggio Fast Forward (Boston) and the new frontiers of the design by the PADc (Piaggio Advanced Design Center) in Pasadena.

In Europe, the group's Research and Development Centres traditionally more focused on defining new products and on their production start-up will target the development of technologies and platforms that emphasise the functional and emotional aspects of vehicles, with constant updates to engines and in particular electric engines, a sector where Piaggio has been a pioneer since the mid-1970s.

More in general, the Group is committed - as in recent years and for operations in 2017 - to increasing productivity with a strong focus on efficient costs and investments, while complying with the group's own business ethics.

With reference to the **naval sector**, with reference to the supply contract to the Finnish Navy of three minesweeper units used primarily for national defence, it is noted that the activities for the final acceptance of the three units already delivered are underway.
In 2017, in the Defence sector, it will continue to supply the logistics package for the Italian Finance Police contracts, while for the refitting contract for 8 minesweepers with the Navy, the work has been planned for the fifth unit.
In 2017, the following activities will be significantly developed: (i) the contract with the Asian shipyard for the construction of the navigation platform; (ii) those for the construction of two special high speed units; (iii) those for an Italian buyer in the sector relating to the completion and delivery (scheduled for the end of the first half) of the first unit and those of the production of the second integrated platform unit.

The Management will also take every opportunity to contain direct, indirect and facility costs, and in light of the progress made in 2017 on existing contracts and developments for new contracts, in 2017 there are expectations of the growing value of production and positive operating results, and net improvement compared to 2016, and from the financial point of view a further contraction of the net financial exposure is expected.