



# Piaggio Group

## Full Year 2012 Financial Results

Conference Call  
February 27<sup>th</sup>, 2013

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# Preface

## 2011 P&L restatement following amendment of IAS 19 and changes in Balance Sheet presentation



- In June 2012 the IASB endorsed its standard on accounting for employee benefits (“*TFR*”). As a result, actuarial gains and losses are recognised in the balance sheet immediately in the period in which they occur, with a charge or credit to other comprehensive income (OCI)
- Accordingly 2011 account has been restated as follow:
- In order to provide the reader of this Presentation with a meaningful comparison of the information included in the consolidated financial statements as of December 31 2012, the Group implemented certain changes reflected in the Financial Statement. Certain prior year comparative information in the financial statements and notes has been reclassified to conform to the current year presentation.

### P&L – impact IAS 19

€m	2011	2011 Restated	Impact
<b>Net Sales</b>	<b>1,516.5</b>	<b>1,516.5</b>	-
<b>EBITDA</b>	<b>200.6</b>	<b>199.8</b>	<b>-0.8</b>
Depreciation	(95.0)	(95.0)	-
<b>EBIT</b>	<b>105.5</b>	<b>104.8</b>	<b>-0.8</b>
Financial Expenses	(26.2)	(26.2)	-
<b>Income before tax</b>	<b>79.3</b>	<b>78.6</b>	<b>-0.8</b>
Tax	(32.3)	(32.3)	-
<b>Net Income</b>	<b>47.0</b>	<b>46.3</b>	<b>-0.8</b>

### Balance Sheet – pro forma

€m	2010	2010 Pro forma	Impact	2011	2011 Pro forma	Impact
Receivable	78.0	78.0	-	61.7	61.7	-
Inventories	240.1	240.1	-	237.0	237.0	-
Payable	(340.3)	(340.3)	-	(371.7)	(371.7)	-
Other assets/liabilities	31.1	(1.3)	-32.3	33.0	0.3	-32.8
<b>Working Capital</b>	<b>8.8</b>	<b>(23.5)</b>	<b>-32.3</b>	<b>(39.9)</b>	<b>(72.7)</b>	<b>-32.8</b>
Total Assets	909.9	909.9	-	926.9	926.9	-
Provisions	(125.9)	(93.6)	<b>32.3</b>	(104.9)	(72.1)	<b>32.8</b>
<b>N.F.P.</b>	<b>792.8</b>	<b>792.8</b>	-	<b>782.1</b>	<b>782.1</b>	-



### **Following 2012 poor economic scenario, Global 2 Wheel Market declined, especially across Piaggio's key reference markets, apart from India**

- Western Markets shrinking for the fifth consecutive year with demand weakness spreading across Europe; Italy at all time low
- Asia Pacific unexpected downward trend accelerated in the latter part of the year
- Indian 2 Wheel market confirms solid momentum driven by scooters surging by ~ 20%
- Indian Commercial Vehicles on a growing path, also in 3 Wheelers in the last part of the year

### **In this deteriorated scenario, Piaggio leverages on its increasing exposure to Emerging Markets and on its premium positioning...**

#### **Western Countries: effective management in a market environment that is more severe than expected**

- Another year of market share gain in European scooters, while maintaining pricing discipline
- Strong volume and revenue growth in North America, outperforming market recovery
- Ongoing double-digit volume and revenue increase of Moto Guzzi, confirming the successful re-launch of the brand
- % Gross Margin resilience despite sales decrease proving operating cost flexibility

#### **Asia Pacific: growth despite temporary market contraction**

- Revenue double digit growth sustained by market share gain in Vietnam and ongoing geographical expansion
- Average prices holding up and % Gross Margin maintained at ~ 39% record level, despite enlargement of product range

#### **India: lower than expected performance , but sales recovering quarter after quarter**

- Commercial Vehicles performance - still negative, but improving – affected by prolonged drop of some Piaggio's key regional markets, unfavorable product mix and import duties hikes in Sri Lanka
- Rigorous pricing discipline maintained in Commercial Vehicles despite an increasingly competitive market
- Vespa run rate normalized as the rollout of the new commercial strategy begins to yield results



### ... as well as on cost optimization to hold up profitability

#### Despite a total decrease by 7.3% in Net Sales...

- European sales dragged down by persistent market fall (-50% vs. 2007, last 10 years peak), with Italy at all-time low (-55% vs. 2007). Within Western Countries, completely different trend in North America showing a strong growth of 63%
- Good performance in Asia Pacific despite market slowdown with sales up by 13% thanks to growth in Vietnam, Thailand and Australia
- Sale decline in Commercial Vehicles India (-14%) driven by cargo segment partially offset by an encouraging improvement in Passenger throughout the year. First positive contribution stemming from Vespa sales (~17 €m since May 2012)

#### ... significant cost efficiencies sustain EBITDA, EBIT and Net Income ratios

- Premium price positioning and product cost efficiencies lead to a Gross Margin substantially aligned with previous year (29.7% vs. 30.0%) despite volume decrease
- Significant OpEx reduction (~ 29 €m vs. 2011) despite addition of Vespa in India and enlargement of geographical presence
- Higher financial expenses following strong CapEx plan partially mitigated by capitalization of interests on key investments during their realization phase (IAS 23)
- Tax rate down to 38% following increased Vietnam contribution to EBT

**CapEx peaking at 148€m** (+17% vs. 2011, +54% vs. 2010) to sustain growth opportunities in emerging markets and strengthen Group's industrial footprint lead to temporary Net Debt increase

Preserved Group's **robust debt profile** with the average life of debt of more than 3 years and **ample liquidity backup**

Resilience of key financial ratios, despite lower net sales, thanks to strong focus on productivity. Strong CapEx to foster international expansion drive NFP increase



### P&L

€m

	2011	2012	Change 2012 vs. 2011		
			Absolute	%	% excl. FX
<b>Net Sales</b>	<b>1,516.5</b>	<b>1,406.2</b>	<b>(110.3)</b>	<b>-7.3%</b>	<b>-7.3%</b>
<b>Gross Margin</b>	<b>454.3</b>	<b>417.9</b>	<b>(36.4)</b>	<b>-8.0%</b>	<b>-8.2%</b>
<i>% on Net Sales</i>	30.0%	29.7%	-0.3%		
<b>EBITDA</b>	<b>199.8</b>	<b>176.2</b>	<b>(23.6)</b>	<b>-11.8%</b>	<b>-11.5%</b>
<i>% on Net Sales</i>	13.2%	12.5%	-0.6%		
Depreciation	(95.0)	(79.6)	15.4	-16.2%	
<b>EBIT</b>	<b>104.8</b>	<b>96.6</b>	<b>(8.2)</b>	<b>-7.8%</b>	<b>-7.4%</b>
<i>% on Net Sales</i>	6.9%	6.9%	0.0%		
Financial Expenses	(26.2)	(28.7)	(2.5)	9.5%	
<b>Income before tax</b>	<b>78.6</b>	<b>67.9</b>	<b>(10.7)</b>	<b>-13.6%</b>	
Tax	(32.3)	(25.8)	6.5	-20.2%	
<b>Net Income</b>	<b>46.3</b>	<b>42.1</b>	<b>(4.2)</b>	<b>-9.0%</b>	
<i>% on Net Sales</i>	3.1%	3.0%	-0.1%		

### NFP/CapEx

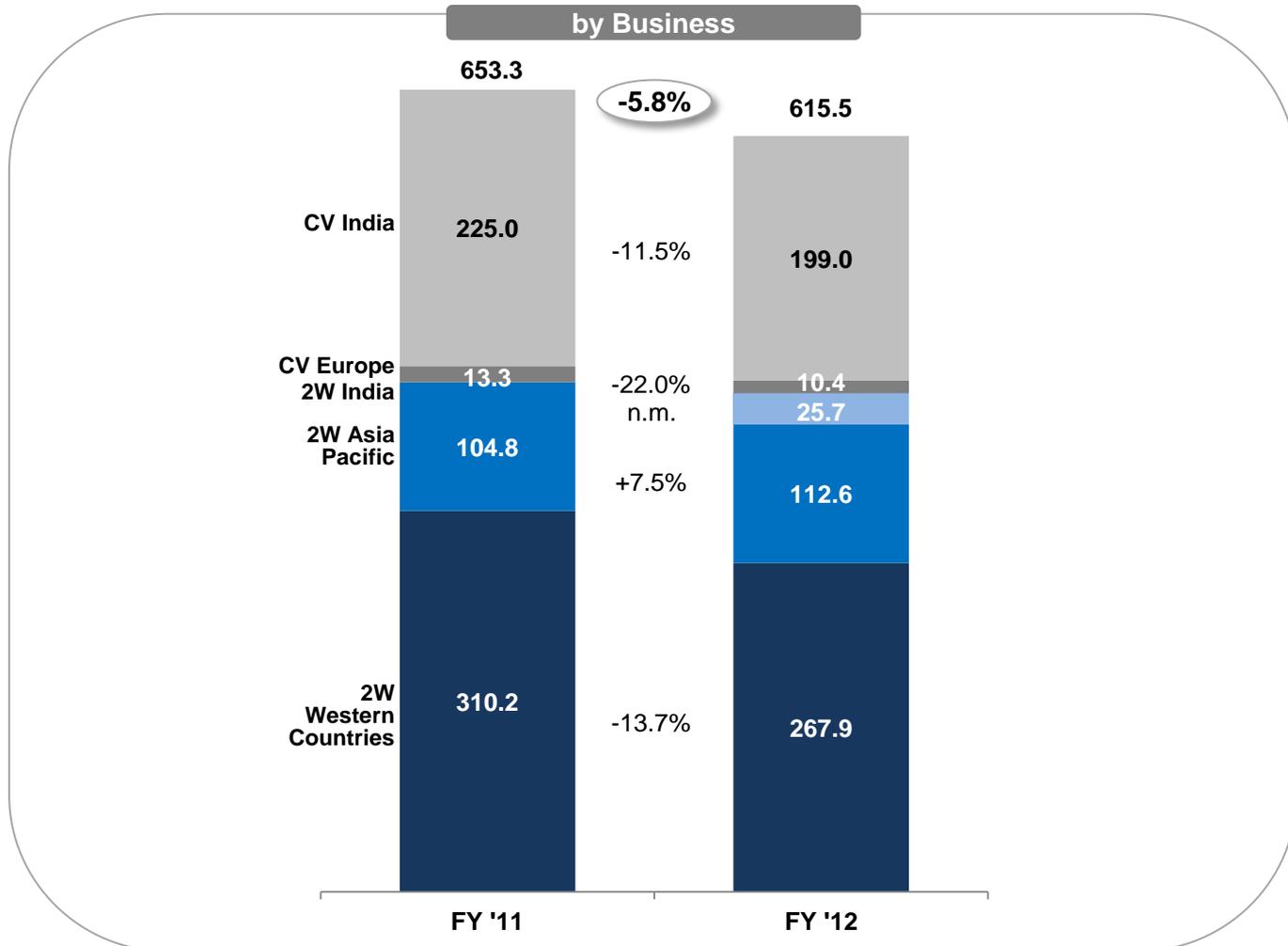
€m

	2011	2012	Change 2012 vs. 2011	
			Absolute	%
<b>Net Financial Position</b>	<b>(335.9)</b>	<b>(391.8)</b>	<b>(55.9)</b>	<b>+16.6%</b>
<b>CapEx</b>	<b>(126.1)</b>	<b>(147.8)</b>	<b>(21.7)</b>	<b>+17.2%</b>

# Western Countries and CV India drive volume decline, partially mitigated by good performance of 2 Wheel Asia Pacific and addition of Vespa India



## Volume evolution (Kunits)

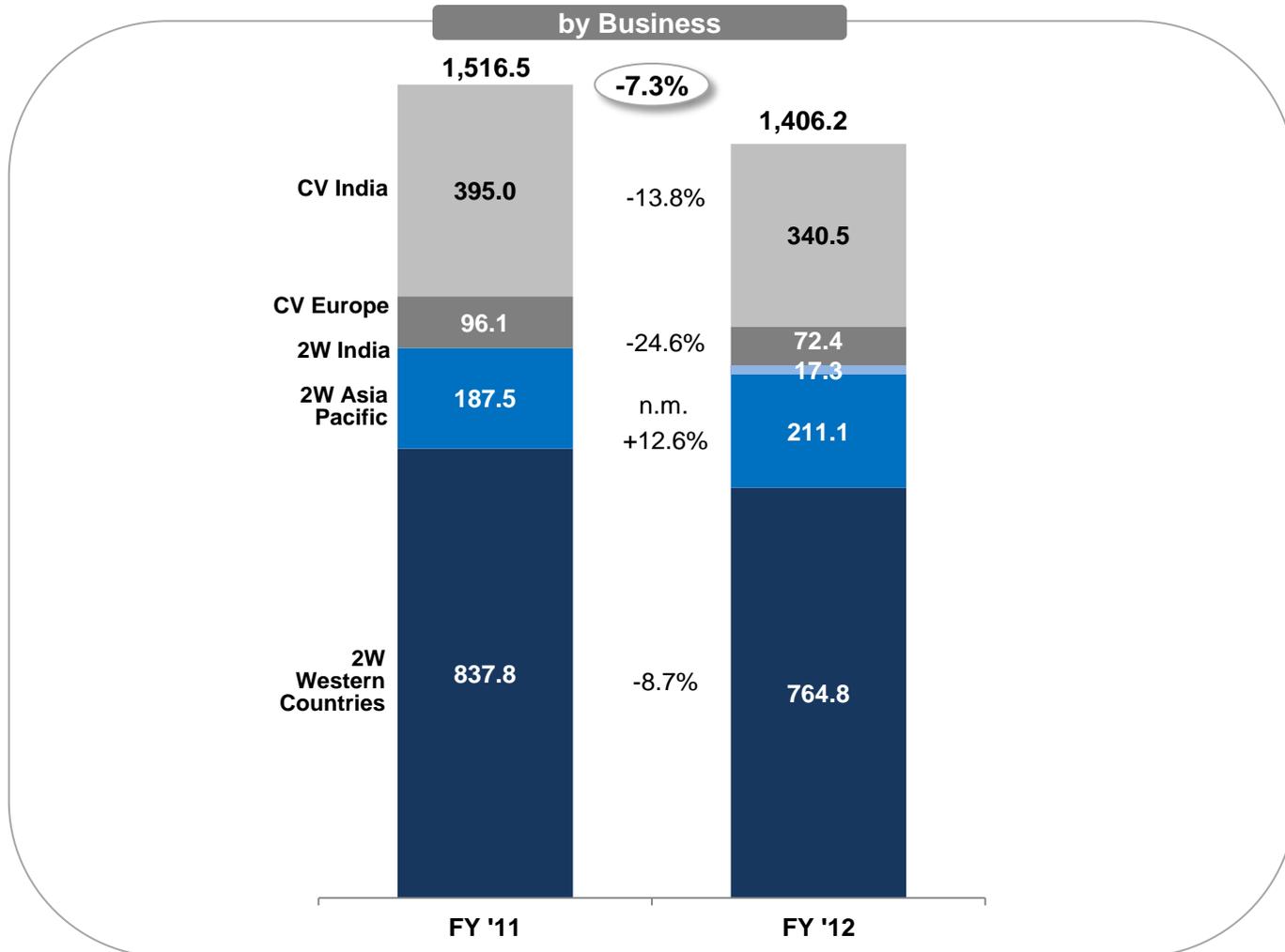


2W: 2 Wheels CV : Commercial Vehicles

Net Sales decline by 7.3%: overall average price affected by addition of Vespa India; 2W Western Countries and Asia Pacific successful in increasing average unit price despite market downturn



Net Sales evolution (€m)

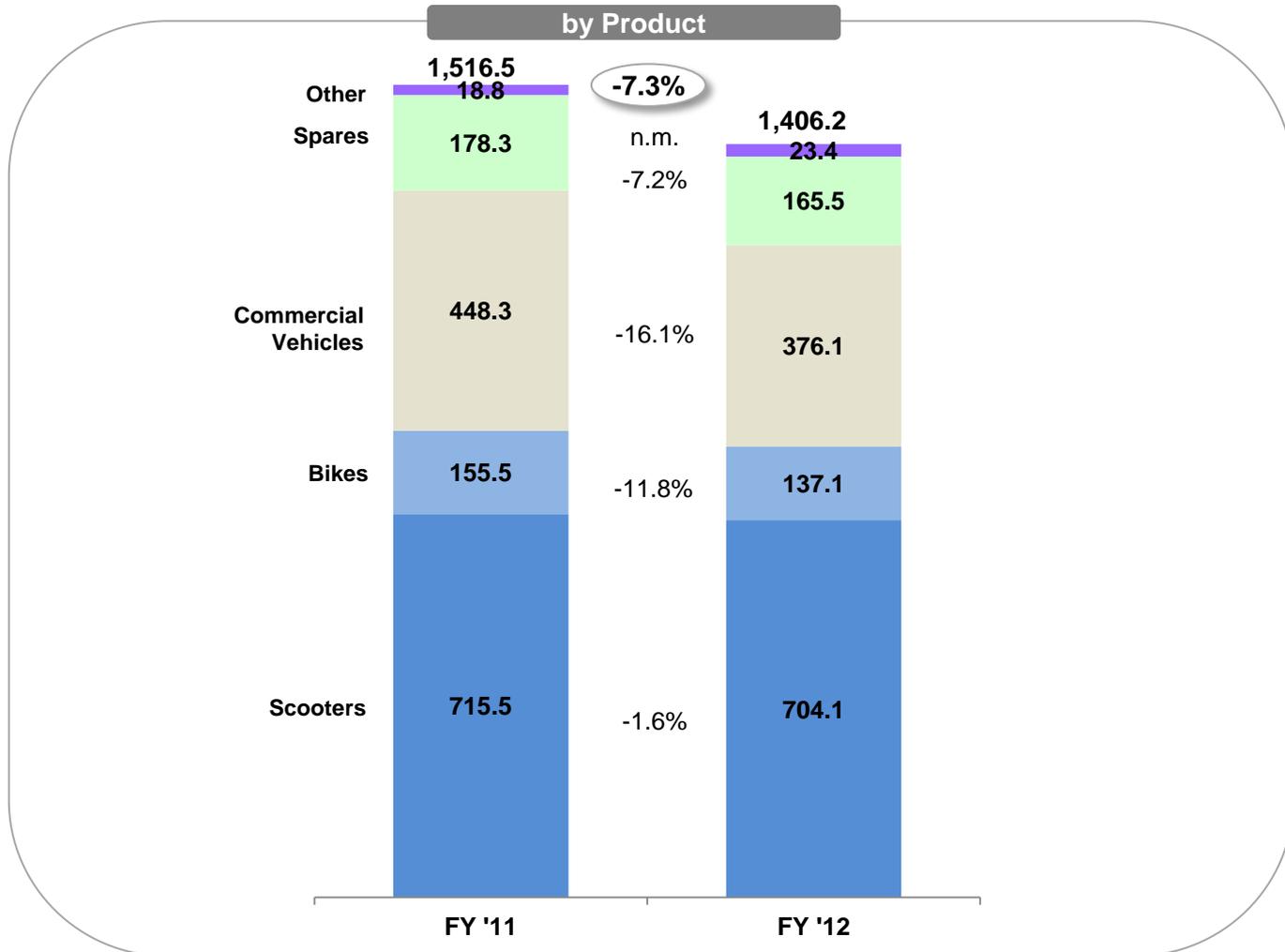


2W: 2 Wheels CV : Commercial Vehicles

Resilient performance of Scooters supported by market expansion and product mix shifting to high displacement segments; Vespa sales at more than 165k units; Bikes benefitting from double digit growth of Moto Guzzi



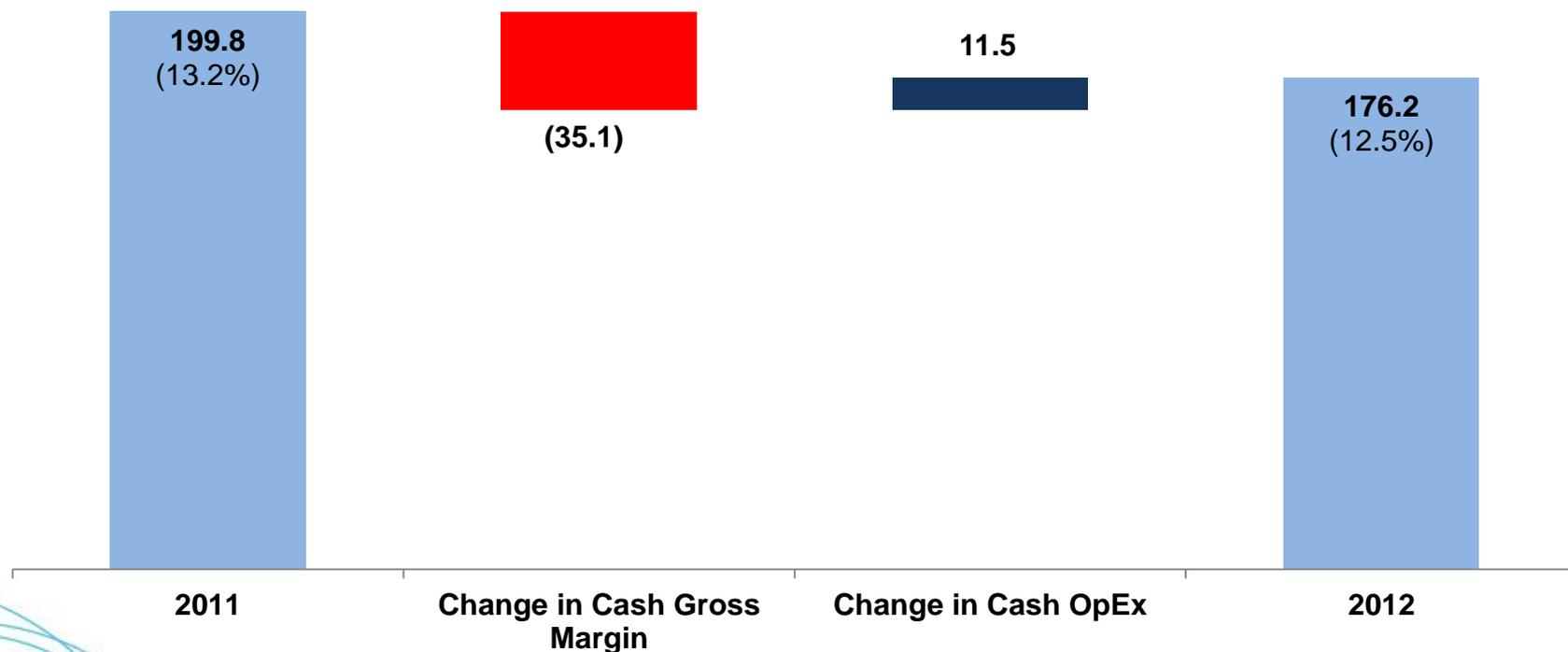
**Net Sales evolution (€m)**



Strong grip on fixed costs, despite extra OpEx arising from Vespa India addition and geographical expansion, mitigates decline of EBITDA margin



EBITDA evolution (€m)

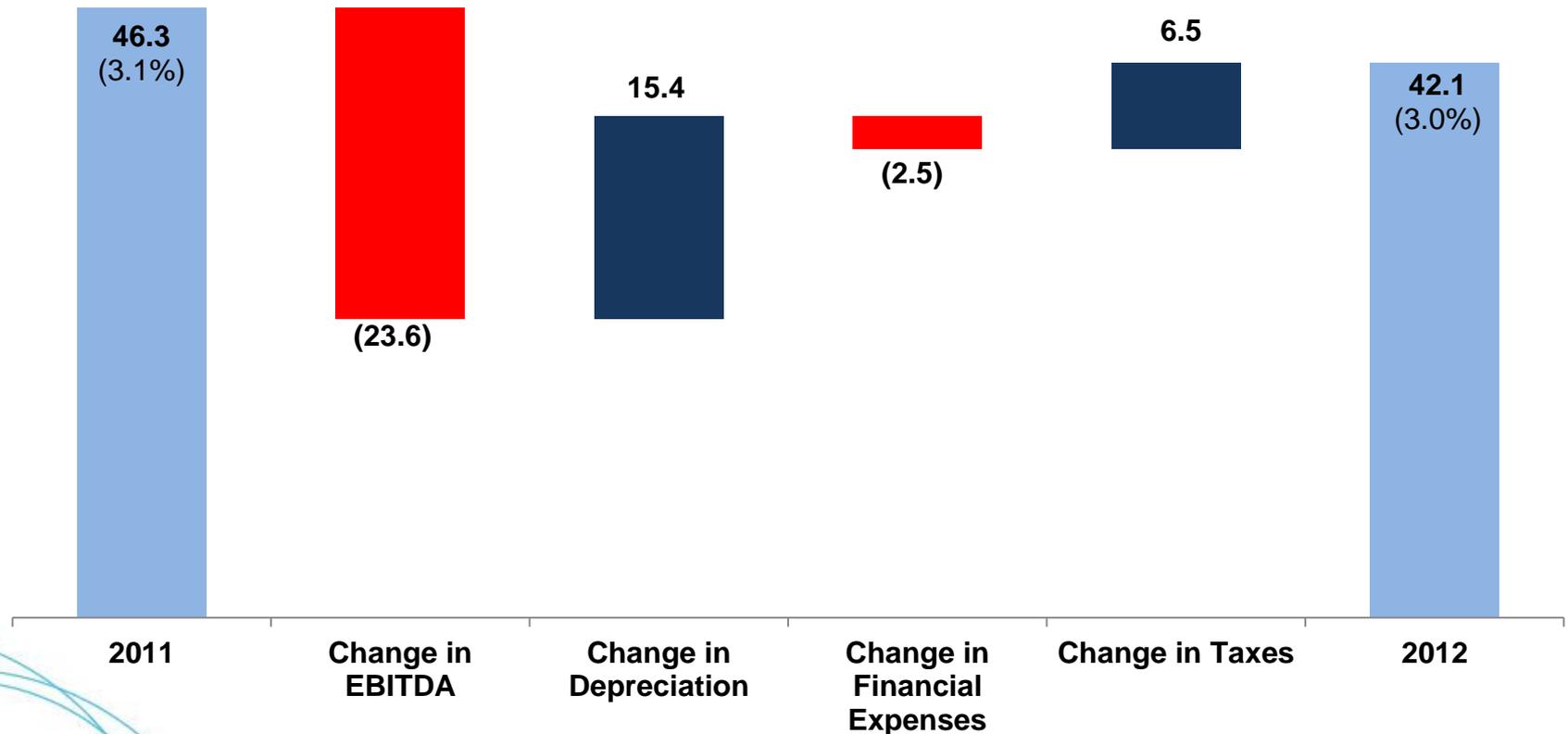


Streamlined structures and heightened productivity are leading to lower break even point

# Net Income ratio in line with previous year thanks to lower depreciation and tax rate reduction



## Net Income evolution (€m)



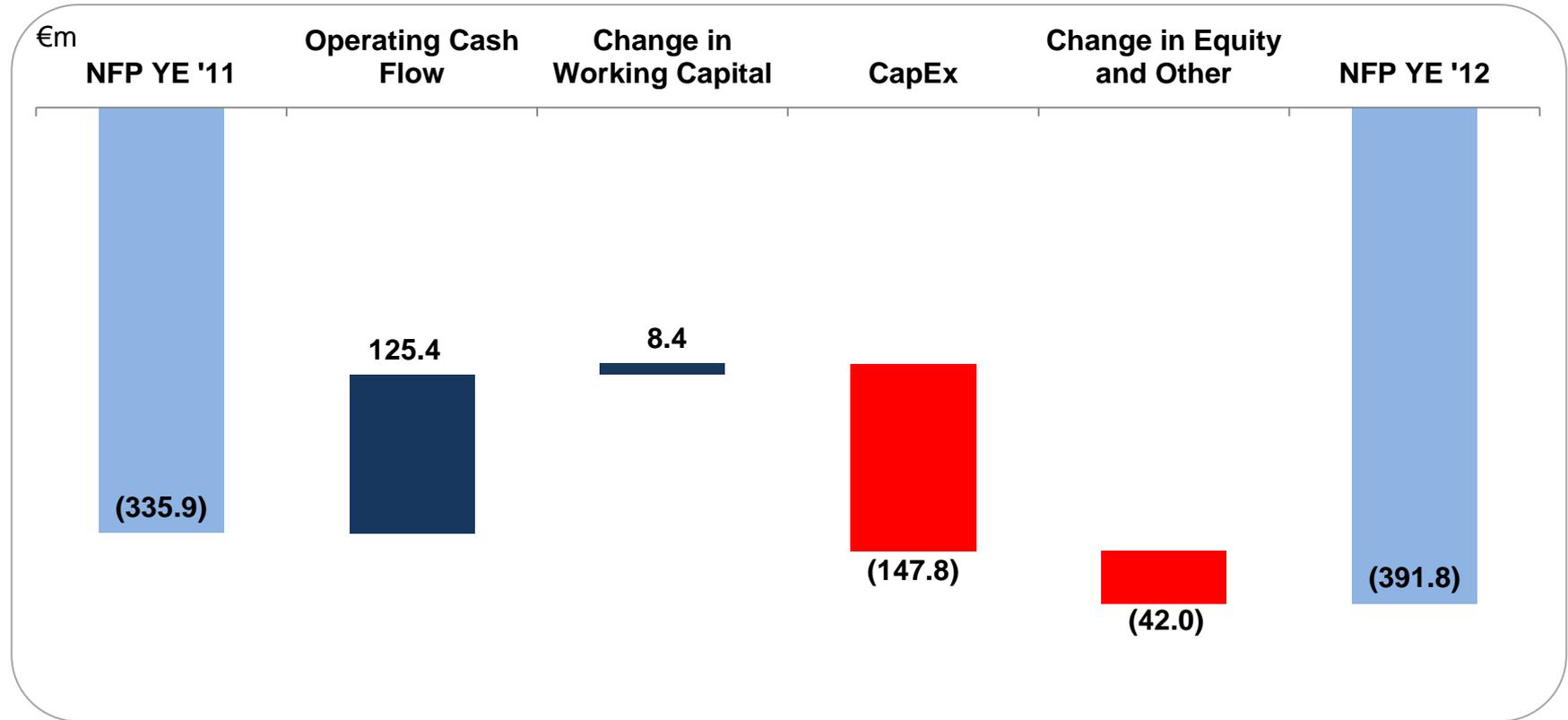
Despite healthy Operating Cash Flow generation and positive contribution of Working Capital, NFP increase mainly driven by record CapEx to foster international expansion (1/2)



**Balance Sheet evolution (€m)**

	2010	2011	2012	Chg. '11 vs '10	Chg. '12 vs '11
Trade Receivable	78.0	61.7	59.3	-16.2	-2.4
Inventories	240.1	237.0	221.1	-3.1	-15.9
Commercial Payable	(340.3)	(371.7)	(389.4)	-31.4	-17.7
Other assets/liabilities	(1.3)	0.3	27.9	1.6	27.6
<b>Working Capital</b>	<b>(23.5)</b>	<b>(72.7)</b>	<b>(81.1)</b>	<b>-49.2</b>	<b>-8.4</b>
Tangible Fixed Assets	256.8	274.9	321.0	18.1	46.1
Intangible Fixed Assets	652.6	649.4	661.0	-3.2	11.5
Financial Investments	0.5	2.6	6.7	2.1	4.0
Provisions	(93.6)	(72.2)	(75.9)	21.4	-3.7
<b>Net Invested Capital</b>	<b>792.8</b>	<b>782.1</b>	<b>831.7</b>	<b>-10.7</b>	<b>49.6</b>
<b>Net Debt</b>	<b>349.9</b>	<b>335.9</b>	<b>391.8</b>	<b>-14.0</b>	<b>55.9</b>
<b>Equity</b>	<b>442.9</b>	<b>446.2</b>	<b>439.9</b>	<b>3.3</b>	<b>-6.3</b>
<b>Total Sources</b>	<b>792.8</b>	<b>782.1</b>	<b>831.7</b>	<b>-10.7</b>	<b>49.6</b>
<b>Net debt/Equity</b>	<b>0.79</b>	<b>0.75</b>	<b>0.89</b>		

Despite healthy Operating Cash Flow generation and positive contribution of Working Capital, NFP increase mainly driven by record CapEx to foster international expansion (2/2)



Ready to take advantage from strengthened industrial footprint, while returning value to shareholders through dividends and share buy back

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