

PARTICIPANTS

Corporate Participants

Roberto Colaninno – Chairman & Chief Executive Officer

Gabriele Galli – Director-Administration Finance & Control

Raffaele Lupotto- Head of Investor Relations

Other Participants

Monica Bosio – Analyst, Banca IMI SpA (Broker)

Alessandro Falcioni – Analyst, UniCredit Bank AG Milan Branch

Gabriele Gambarova – Analyst, Banca Akros SpA

Alberto Villa – Analyst, Intermonte Sim SpA

MANAGEMENT DISCUSSION SECTION

Raffaele Lupotto, Head of Investor Relations

Okay. Welcome, and thank you all for joining us for the Piaggio Group's Nine Months Result Conference Call. Here with me are Mr. Colaninno, Piaggio Group's Chairman and CEO; and Mr. Galli, Piaggio Group's Chief Financial Officer, to comment on the results.

Before we begin, I have a couple of quick items to cover as usual. As a reminder, during the call, we will follow a slide presentation that you can find on our website, under the link Investor Relations Presentation. After the presentation, there will be the opportunity to ask some questions.

And now, I'm pleased to hand over the conference to Mr. Colaninno.

Roberto Colaninno, Chairman & Chief Executive Officer

Hello. Good evening to everybody. Just to introduce Mr. Galli that he replaced Mr. Pallottini that, as you know, resigned from Piaggio some months ago. Mr. Galli takes place on Mr. Pallottini's responsibility. He has worked with Piaggio for a long time. He is coming financial advisor and organization advisor before to join the Piaggio. He is working particularly with me in the last four years to develop strategy and as the controller of the group. I'd like to link to him the presentation that before, as you remember, was taken by Mr. Pallottini. And I'm ready to respond after this presentation of your questions. Mr. Galli?

Gabriele Galli, Director-Administration Finance & Control

Hello. So, let's start with the presentation. So, first of all, a couple of slides showing the synthesis of what we need in the past nine months. I'm saying that the nine months' performance of Piaggio really shows that the strategy we undertook is consistent with what is happening on the global market.

In fact, I mean, emerging markets are continuing to grow at a double-digit rate, and we invested there. So, I mean, it was good. Asia-Pacific is growing, and in particular, Vietnam is growing. Just looking at this year, the market for scooter in Vietnam increased by 33% versus previous year during the first nine months. So, India is growing, both in three- and four-wheeler, actually it's at 14%. And the two-wheeler market in India is growing as well by 20%. Conversely, I mean, the Western markets are stable or decreasing, especially Italy and Spain. So, this I mean, that it's confirmed that what we are doing is correct, both in terms of strategy and in terms of investment allocation. Within this economic and market scenario, Piaggio's position is strong, I would say.

In the Western countries, we had a very resilient performance. We are increasing market share both in scooters and bikes. Market share in scooters reached 27.5%, 1% more than in 2010. Bikes is at 6.6%, so five percentage – some four-point-type higher than in 2010. And this really confirms our leadership position in a very tough market.

So, in absolute term, we have been growing the net sales of bikes plus 20% in 2011 in Europe. So, the market is down and then we are up by 20%.

Our revenues are also growing in U.S. As you know, U.S. was not very good year 2010, but this year, we've been growing by 60%. And all of that has been doing maintaining a key discipline of pricing and credit policy. Of course, it could have been very easy if we performed better without keeping very strict cost strength on the credit and processing, but as you will see by looking at our balance sheet, we maintained that.

We had a good performance in India. We had net sales increased by 6.4%. We have been a strong performer in the three-wheeler cargo while we grew like the markets, and let's say, a good performance in the three-wheel passenger where the market share stood stable in the market, not growing very much. The next year, we will be launching the new Apé City in August 2012. And it will give us a good product in the segment accounting for around 200,000 pieces in goal. So, also

this will ensure a good performance in the three-wheeler for the next year.

Some is – also in the four-wheeler, as you know, in the four-wheeler, we suffered a little bit compared to the competition. We had a good performance in the small segment, Sub 0.5 Ton and, of course, we may know something more to compete in a better way in the Sub 1 Ton. And some action have been undertaken during the past month in order to reduce the cost of the products, being more competitive, so that in 2012, we would be able also to compete in this segment. In terms of Vespa in India, old industrial and development investments are undergoing. And so, we are perfectly on track to launch [indiscernible] (6:16) in April 2012.

Going to Asia Pacific, we had a very good acceleration in market development especially in Vietnam and also a very good performance also in terms of market share increase. Just to give you an idea of market, first quarter in Vietnam increased by 33%. And our market share went up by 4% from 14% to 18%. We are also well on track with the expansion of new markets that we entered in Indonesia. And in a couple of months, we sold 6,000 vehicles. So, that's good. We started by Vietnam in order to expand.

And we had a good margin as well as in Asia-Pacific region despite the enlargement of the product range and despite the enlargement of the geographical presence. As you know, we started by Vespa which is our top and now we are enlarging the product range and enlarging in the countries. But the margins are still very satisfactory.

All of that led us to an increase in net sales. Net sales increased by 2%. We had also some negative ForEx accounting for something around €30 million. So, without including the ForEx effect, our revenues would have grown by 4.5%. Of course, the growth that is underpinned by the emerging markets, we will look at the details later on. And the contribution of emerging markets increased by another 3%. At the moment, emerging market revenues are accounted for more than 35% over

During the first nine months also we have been able to achieve significant cost efficiencies. These cost efficiencies have been able to offset the onetime restructuring costs we had in order to lower the cost of structure in European markets. We have been able to also offset a negative ForEx and also higher depreciation charges.

Just to give you an idea, we will go to this later. The EBITDA and net income are very much aligned to the prior year, while this year we have €16 million of restructuring cost versus only €5 million in 2010. While this year, we have a negative ForEx effect at EBITDA level accounting for €9 million, mostly due to rupees and Vietnamese dong. And while this year we have a higher depreciation charges related to all the investments we made in order to foster the growth in the emerging countries.

So, good P&L, I would say, able to recover the debt of €11 million restructuring, €9 million in ForEx, and €3 million in depreciation. So, something like €23 million of [indiscernible] (9:37).

We've also had a very tight control on the balance sheet, especially on the working capital. We have been able to reduce the working capital by €50 million compared to September last year. And this very good balance sheet gave us the opportunity both to reduce the net financial position by €19 million compared to beginning of the year and €13 million compared to September of the last year, while increasing very much investment. As we will see later, investments have been increased by €62 million to – €55 million to €87 million, so flat at €32 million. Out of which 80% has been dedicated to improve the operation and enlarge the capacity in Asia, especially India and Vietnam.

Moving from this [indiscernible] (10:36) slides through the numbers. I will go very, very quickly. So, slide number four, net sales increasing by €24 million, plus 2%, excluding the ForEx, plus 4.5%. EBITDA, €170 million versus €172 million, so minus €1.9 million, but including delta restructuring of €11 million and delta ForEx of €9 million. So, something, I mean, really, really important.

The depreciation increasing by €3.6 million due to investment in Asia-Pacific leading the delta at EBIT level up €5.5 million negative. Financial expenses improving by €2.8 million, also thanks to the consolidation of the Chinese results of the joint venture, leading to an income before tax of €85.9 million versus €88.7 million.

Net income very much aligned to 2010, €46.3 million versus €46.7 million. So, €0.4 million delta and all of this €20 million was [indiscernible] (12:02) restructuring and ForEx, of course, are working also in the level of P&L. Going to net financial position, improvement as we say, down €20 million compared to end of the year 2010 and €15 million of 2010 in September. Also, after a strong increase of CapEx, other we will see later.

Moving to slide six, we can see – I mean, the volume evolution. Volume evolution has been around 3.7%, an outstanding evolution in Asia Pacific, increasing by 66% of the volume. Also a good increase in India, increasing by 6.4%. Then, I mean, increase in Europe for two years, minus 6.5%, but it is a good performance because the market has gone down by 9.5%. Also, I mean, we have been able to reduce the decrease by acquiring market share and substantially stable the volume of

commercial vehicle.

Europe, in the bikes business, we see that – I mean, the good performance of the bikes because bikes I mean have been able to increase a little bit in number, but then we will see increase very much in terms of value in the next slide. So, in a decreasing market, a good performance, especially for Moto Guzzi.

And then looking at it in terms of weight by geographic area, we see that the emerging markets are accounting for almost 46% of the volume with an increase of six percentage points compared to past year.

Moving to slide seven, we can see the composition of revenues as we take this for €1.2 billion, 2% growth, 4.5% without the ForEx effect. The growth is especially account as for volume by two-wheeler in Asia, increasing by 31%, 47% excluding the ForEx. And – so I mean this is an outstanding performance we say, and 6.8% coming from India which is 12% excluding ForEx. Also, I mean in Europe, we can appreciate an increase of the average ticket of the average price of a vehicle because instead of decreasing by 6.5% in terms of volume, which increased only by 2.3%.

In terms of the business, you can appreciate the share of the 20% increase of bikes in the second part of the slide regarding some €110 million to €131 million. And in terms of the composition of revenues, you can appreciate that the revenue goes up from emerging market from a 32% to 35%. Going to slide nine, so EBITDA. As we said before, it's something very important to stress this one-off cost which really allowed us to reduce the structure in Europe which will give us a new energy, I would say, in 2012 are the restructuring expense. The restructuring expenses have been €16 million, so €11 million more than last year for a big number of results. And despite the increase in the restructuring expenses, we have been able to reduce the cash OpEx by €11 million. So, like-for-like, it would have been €11 million plus the debt of restructuring, so €22 million OpEx reduction. Also, we suffered a little bit the reduction in gross margin. The reduction in gross margin was affected by negative [ph] incentive pay (16:38) because, of course, I mean, we suffered very much in Italy, so instead of selling a scooter in Italy with 35% gross margin, maybe we sold them up in India.

So, in terms of percentage and the absolute value in gross margin, it can be a little bit worse, although, if you go down to the EBITDA and then maybe the Indian attributes, an EBITDA better than Italian scooters. So, mix, minus €10 million; ForEx minus €12 million in the gross margin. Debt volume, plus €4 million and improved the pricing and costing plus €5 million given overall minus €13 million on the change in cash flow's margin. So adding up to this change in cash gross margin to this change in cash OpEx, we had an EBITDA very much aligned to previous year, again, notwithstanding the €16 million of the restructuring cost.

Moving to slide nine, we can appreciate the net result, so we have a negative delta EBITDA by €1.9 million and increase in depreciation by €3.6 million. The reduction in overall financial expenses, including the contribution of the Chinese joint venture, saw an improvement by €2.8 million. And reduction in taxes, also, by a reduction of tax rate, providing us with a flat net result compared to last year, also, of course, the net result is included the very high restructuring cost.

Moving to the balance sheet, just some key items. We have been able to construct very much the working capital compared to September last year, so the total amount of €60 million. And we are talking about €45 million – I'm sorry, €30 million, compared to 1st of January, 2011. All this amount of cash freed up by working capital has been employed to increase investment in emerging markets. And also, this means for the cash flow generation with the net financial position reduced by €12 million compared to the beginning of the year and €13 million compared to September 2010. Moving to slide 11. We see the cash flow, so €103 million operating cash flow. Change in working freeing up €31 million cash. CapEx, €87.1 million. Dividends in main bank is €27 million, leading to €330 million net financial position. Most important changes compared to last year in operating cash flow, so you see €103 million instead of a €108 million. On top of this, €16 million of restructuring cost, we also add €6 million of severance cost of GSR for the Italian loss [indiscernible] (19:54) which is I think like €6 million on top of the €6 million, so €22 million the total cash.

Then you can appreciate the change in working capital instead of absorbing the [indiscernible] (20:12) we've freed €31 million. You can appreciate EBITDA on the CapEx as well increased by €32 million so these are the main differences. Just to give you in advance about CapEx, CapEx are really much invested in emerging countries.

And the key numbers are something like around €20 million instead of almost zero when we have to launch the new Vespa in India, something like €5 million instead of €2 million to improve the product range in Vietnam, €3 million more to expand the capacity in India for three-, four-wheelers, a couple of million for developing the business also in Asia, and €8 million to finish the diesel engines.

So total CapEx devoted to Asia and India, overall €42 out of €87 million which will be able to

develop our, I mean, our presence in this market. So the presentation is done, any questions to Mr. Colaninno or me or...

Raffaele Lupotto-, Head of investor relations

We are ready for the Q&A session now.

QUESTION AND ANSWER SECTION

Operator: The Q&A session is now open. [Operator Instructions] First question comes from Mrs. Monica Bosio from Banca IMI. Mrs. Bosio, you can proceed with your question.

<Q – Monica Bosio – Banca IMI SpA (Broker)>: Okay. Thank you very much. Good evening to everyone. I would have three questions. I apologize but I lost a small part of the conference. The first question is in relation to Indonesia. Could you please indicate the level of volumes in Indonesia by year-end? In July, you reported 6,000 units. I was wondering what could be the level by yearend. And the second question is on the Indian market. I would like some flavor on September 1st of month for the Indian market splitted with a differentiation between three wheels and four wheels? And I'm asking this because I'm trying to understand what could be the breakdown in volumes in 2012 for you, for the company between the three wheels and four wheels.

And the third question is on the two-wheel Indian market. During the last business plan, you gave us some indication on the unit volumes for the two-wheel in India as for Vespa. I remember something like 50,000 units. Are you confirming this guidance? Thank you very much.

<A – Gabriele Galli – Piaggio & C SpA>: Okay. So in Indonesia, as you stated, we started the operation in July so after the top of the margin we saw on the – something around 6,000 units. For the end of the year, we will be around 10,000 or above. And I mean, before saying what will happen in 2012, we have to spend some funds. The requests coming from the regulators are very, very huge. The market is huge, 7.2 million and increasing.

Everybody, pleased who like Vespa on top of all the other Piaggio vehicles, so good opportunities, I say for this year, I mean. It's – what we can say, I think around 10,000 for this year. Of course, I mean 10,000 out of 7 million sales what the opportunity can be.

India, the performance in this three- versus four wheeler is – so, the four wheeler market there is increasing very much. It's increased by 28% during the first nine months of the year. Distribution market is performing a little bit slower. It's increased by 6.5% in the first nine months. So the market is still growing. We think that three wheeler market – we have the type of segment increasing and the passenger segment stable, so of course, I mean, we are growing as the market in both of these segments. And one of the opportunities in the future will be to enter the small segment in the [indiscernible] (25:32) in the other segment.

<Q – Monica Bosio – Banca IMI SpA (Broker)>: Okay.

<A – Roberto Colaninno – Piaggio & C SpA>: So the [indiscernible] (25:35) part. This is a very important segment accounting for around 200,000 pieces, on which today we do not have a good problem and we will have it starting from August next year. In the four-wheeler, of course, as you know, our position is not as strong as in the three-wheeler. We have a market share around 4%. But also in this segment, the performance should be segmented. A very good performance in the small segment, so Sub 0.5 Ton and note that 100% satisfactory presence in the Sub 1 Ton segment. On that, we are working in order to launch the new product, this is our DNA, reducing cost, watching on the quality, it would be ready in the next, I mean, months. And also on support on some – on some items to support say there's a chance that some consumer credit none in terms of fund in the consumer credit company, of course, because this is not our business but in terms to find right partners.

Going to the two-wheeler, India, the Vespa will be launched in April. The market is booming. Last year, increased by 60% and this year it is increasing by 20%. Vespa will be very well-positioned and on top of the market with a proper price. And in our idea of being the target, it can be for the next results around 50,000 or more. Of course, it will depend very much in the level of margin with one of these bikes. So I'm talking about the good margin in this volume. Then if we lower the price, of course, the margin is huge so you can either push hard and push and push volumes.

<Q – Monica Bosio – Banca IMI SpA (Broker)>: Okay, thank you very much. Just a further quick question, are you expecting further restructuring charges for the fourth quarter?

<A – Gabriele Galli – Piaggio & C SpA>: Most of the products for 2011 has been completed, I would say. Can be that some other small costs but anything comparable with the €60 million we had in the first nine months.

<Q – Monica Bosio – Banca IMI SpA (Broker)>: Okay, thank you very much.

<A – Gabriele Galli – Piaggio & C SpA>: Thank you.

Operator: Next question comes from Mr. Alessandro Falcioni of UniCredit. Mr. Falcioni, you can

proceed with your question.

<Q – Alessandro Falcioni – UniCredit Bank AG Milan Branch>: Yes, good afternoon, everyone. My first – I have three questions, really. The first one is in the press release, you mentioned that you've achieved the 100,000 Vietnamese produced Vespas already. So, where is your capacity right now, your capacity – production capacity and therefore your utilization, if I may ask? And you are – so, how is the ramp up to 300,000 unit production capacity going? When do you expect to reach the 300,000?

My second question concerns the three-wheeler market in India. What is the slowdown that has gradually happened during the course of the year due to, in your opinion, given that you are a local there? Is this a one-off effect or is it due to the interest rate hike that's taking place? And I believe we are at the end of the interest rate hiking process. So, how do you see this market evolving as we get into the last quarter and in the early part of next year?

And finally, my third question is given that you're expecting 50,000 units to be sold in India next year, that's of course a rough estimate, would you come anywhere close to that for sales into Indonesia for the Vespa as well? Thank you.

<A – Roberto Colaninno – Piaggio & C SpA>: Sorry, Alex, just a second. The second question – and because there were some shakings online, which is the market that you're referring? The second question...

<Q – Alessandro Falcioni – UniCredit Bank AG Milan Branch>: Sorry, the second question was the three-wheeler market in India. So what is the gradual slowdown that has occurred during the year due to – I mean, we know there is high inflation, that there is interest rate hiking process that should be close to the end of the process. How do you see the market into the early part of next year?

<A – Gabriele Galli – Piaggio & C SpA>: Yes, so the production capacity in Vietnam currently is around 350,000 units per year. And we have a requirement to double the production capacity so that we'd be able to fill up the volume by – forecasted by the end of the plan. So the operation already started both for the vehicle and for the engine because remember, I mean by the end of next year, we will be able to produce internally the engine – for exiting all the scooter in Vietnam. In terms of Indonesia, I mean again, the idea – I mean, the number can be very different. So the hypothesis we have today in mind for this year is around 15,000, and for the next year, actually sales say, 30,000. Of course, I mean, you can imagine even, even more because we made the 16,000 in six months. But at the moment, we don't want to say very high numbers.

For India, the three-wheeler, of course, I mean, started in market much earlier than the four-wheeler, so the kind of growth that you can imagine of the four-wheeler is much higher. At the moment, the market is increasing by 6.5% and so we believe that – I mean, also for the next year, there will be a growth, also because it is very much in rural markets.

Probably there will be some new way of coming from four-wheeler. If they can maybe not costing so much, something like in three-wheeler but only keep it with four with some more technology, the point will be that this market will substitute a little bit the three-wheeler. We have the progress in this area and also we have the scale because the kind of product that we are imagining is very similar to the three-wheeler one.

And so we are of course looking at the growth rate of three-wheeler but not so wide. On top of that, again, I would like to say that on the three-wheeler market, the very important segment which is the small one, Asia Pacific, which is today dominated by [indiscernible] (33:35) because we didn't have the product. And we will have a – in August next year, and so we would be able to compete on that, not only for local sales but also for export in Africa and in other sub-Indian countries.

<Q – Alessandro Falcioni – UniCredit Bank AG Milan Branch>: Okay, so if I'm understanding correctly, you're attributing the slowdown in growth rate of the three-wheeler in India to some cannibalization from the four-wheeler in which you are not as strong, is that correct?

<A – Roberto Colaninno – Piaggio & C SpA>: [indiscernible] (34:14) Yes, technically yes. We are talking about two different kinds of markets, so the four-wheeler of course is able to have a much higher payload. What we were saying is that there can be some smooth four-wheelers for the Sub 0.5 Ton, which can substitute the three-wheelers. So the sum of the two will be increasing of course, and it is increasing at the moment. There can be some substitution from one to the other, but the substitution although, I mean important, we believe will not leave in the future immediate at the decreased of a total market for three-wheelers, can lead to a reduction of the growth rate.

<Q – Alessandro Falcioni – UniCredit Bank AG Milan Branch>: Okay, thank you very much. Operator: Next question comes from Mr. Gabriele Gambarova from Banca Akros. Mr. Gambarova, you can proceed with your question.

<Q – Gabriele Gambarova – Banca Akros SpA>: Yes, good afternoon to everybody. You mentioned, Mr. Galli mentioned around €16 million of restructuring costs in 2011. Is it possible to quantify the benefits which could come from such restructuring costs next year?

Then I have another question always on the restructuring provision. Is it possible to quantify these costs for 2011? And then on the CapEx, I saw there was a strong acceleration. Generally you are guiding for €100 million of CapEx, per year. Do you confirm this amount of CapEx or should we assume something more than this? The last question, it's really the last, is on tax rate. Do you see by year-end any chance to possibly lower this 46% of tax rate you have thanks to the higher contribution from Vietnam? That's it. Thanks.

<A – Gabriele Galli – Piaggio & C SpA>: Okay. So coming from the €16 million restructuring costs, this is related to a huge number of people, something like almost 400 people, so 375 people total real number. The benefit we had this year related to the €16 million is already in place partially of course something around €6 million. And of course we can expect that for the next year, a full year benefit, similar in range to what we invested this year, a little bit lower to our [indiscernible] (37:42) it can provide us with a benefit of around €13 million, €14 million, okay? So, this is mostly related to employees, subtract managers and also some workers. So, we really believe that the next year we can start training with another cost base.

CapEx, of course, there was an acceleration. And this year, we will end up for sure above the €100 million, can be around €115 million, €120 million. Of course at the moment, we are not very worried about reducing the pace of the investment because we see the emerging market growing very much and so within time in order to save or to postpone some [indiscernible] (38:44).

In terms of tax rate, 46% is our estimate. Of course, it means we have the weight of Asia increasing. This is something which can reduce the tax rate. If there are – it increased in India, remember you have a tax rate around 44%, which would include dividend tax. And then there is Europe on which it depends very much on what the new regulation – the new regulation can be applied in terms of usability of previous losses, okay? I believe that there can be room to improve a little bit this year from 46% to something around 45%. But let's see. I mean at the moment our best estimate is one that could – in the P&L [indiscernible] (39:47) IFRS trade.

<A – Roberto Colaninno – Piaggio & C SpA>: If you want – Colaninno speaking. I want to underline the results that we have achieved this year in term of debt reduction connected with the restructuring cost, connected also with the sales despite the big investments that we have done this year. I want to say that all this is – the investment is particularly concentrated on India and in Vietnam and in Southeast of Asia, in term of sales organization in Indonesia and Thailand and Taiwan. This sales organization that is quite successful already [indiscernible] (40:45) result particularly next year.

On internal restructuring cost, that is related to reduction of people particularly we have reduced more than 11 manager without – to replace anyone of this and there already is the reduction of the people in Spain, we have reduction our production and our capacity there and on the plant of Barcelona and transfer there in Atlanta of [indiscernible] (41:25). I want to say they're always connected together with the [indiscernible] (41:27). I want to underline the capacity of the company to reduce the working capital. That really is a big number. The working capital is huge, so we see more than...

<A – Gabriele Galli – Piaggio & C SpA>: €50 million compared to the [indiscernible] (41:44)

<A – Roberto Colaninno – Piaggio & C SpA>: €50 million compared to the working capital of last year. So the cash flow generated last working capital reduction, the cost of restructure, and the debt reduction gave a good performance of the company and the investment that we have done this year, we expected the result of this altogether on next year in term of sales, in term of cost, in term of capacity of the company to go and process for the develop and the investment without increased debt.

<Q – Gabriele Gambarova – Banca Akros SpA>: Okay. Thank you very much.

Operator: Next question comes from Mr. Alberto Villa, Intermonte. Mr. Villa, your question, please.

<Q – Alberto Villa – Intermonte Sim SpA>: Yes, good afternoon. I have a couple of questions. First one is on Vietnam. Do you expect the market to continue to grow at this kind of pace and are you expecting to be able to expand your market share going forward as you have been able to do recently? And remaining on the Vietnam operations, I wanted to understand or you to confirm that the margins on the new products are similar to the margins you made on the Vespa in the past? And the second question is on the restructuring charges you expensed in the first nine months. Are they also reflected into the cash flow or some of these costs will be then having cash flow impacting in the forthcoming quarters? And the third question is on the outlook for the Italian market, if you can give us your feeling on what you're expecting to be the evolution in the forthcoming months? Thank you.

<A – Roberto Colaninno – Piaggio & C SpA>: Yes. I want to respond to you – just to some of your questions in the latest results. Of course, restructuring cost is already part of the cash flow because we are putting the balance sheet restructuring cost without payment. So, that is already paid and it is reflected over the cash flow.

What the remaining – the other question that you have said is regarding Vietnam, that – don't forget that we don't look just yet. We look all the Asian markets. We are entering Thailand, Taiwan, Indonesia and all the other markets there is – where they have particular facilitation on the exports between them without to pay any duty.

Looking at that market and looking at Vietnam market itself, I want to say that we have, as you know probably already, we have opened a new sales organization in Taiwan, very successful. In Indonesia, extremely successful; in Thailand, we have finalized a joint venture with a big importer of car business in Thailand.

We have also big success to the exports from Vietnam to Japan and Australia, also. So altogether, we expected that we have a big jump on next year on sales, particularly coming from Taiwan and Thailand and probably also from Australian market. I say probably because it's a market where they suffer much more than the other market in these last few years.

In terms of production capacity, as you know, we have invested in Vietnam not only to produce assembly the vehicle but also to produce engine. And this – all this, and gained the capacity altogether next year to produce a total of 300,000 vehicles. So, we expect that we have achieved last week a production for the first time of 100,000 Vespa during the year.

So, we expected that next year, big, big sales and a big response for that kind of market, because we have already [indiscernible] (46:25) installed and that is very important. We have the capacity to produce there. And we have the response of the market especially to the Vespa, not only to the Vespa, but also some other products [indiscernible] (46:39) on. And this response is quite very positive in all the market.

So, today we are able – that is very important to compete. Without a big [indiscernible] (46:52) and to take advantage for the size of that market, especially Thailand and Taiwan. That is quite important [indiscernible] (47:05) for us.

<A – Gabriele Galli – Piaggio & C SpA>: Okay. In terms of market expectation in [ph] Vietnam (47:10), what this means is that, I mean as you know we have play in the scooter market, which is not the old market. The old market is composed by around 3 million bikers was scooter market and was accounting 200,000 last year, only at [ph] 2.80 million (47:31) are Autocab or lower-end products on which also, we cannot compute.

The overall market is increasing. What it is booming is the scooter market, which is substituting the Autocab segment and the scooter market busier, increased by at least, as we said before, 33%, going from 220 to 290 vehicles. So, we expect that this movement of the market toward scooters instead of cheap, two-wheeler vehicle and also in the future.

Of course, this market seems that we started with only Vespa, we enlarge this year to Liberty. We will launch Liberty this month. Next year, we will have Fly and then we will have, let's say, a new high-wheel at the end of 2012. We expect market increase. Also – a market share increase also in Vietnam.

As we said before, I mean, Vespa is the top of margin you can expect because the luxury vehicle in a country where it is, I mean, very much considerate. So, we can expect moving from Vespa to other vehicle and moving from Vietnam to other countries. The margin dilution of course was a big step.

Other models than Vespa represents a much than 60% of all the sales in the area, but you can see they have a gross margin significantly higher than all the rest of the region. So of those dilution in margin there will be this dilution will not be so important. And I don't know – that is even lower than what we expected.

The restructuring already answered by Mr. Colaninno, Vietnam operation. Italy, in Italy, I really don't know. I mean, this other market is going down quickly, 16.5% in September. 16.5% in the first nine months. October seems to be better. What we can say is that we are facing further reduction in market that started in 2008. We are happy that in 2008, our revenues coming from India were low and now are much higher, also for revenue coming from Asia Pacific.

So we believe at the moment, even if the market of Europe continues to go down, we will be affected of course, but not so much. And on the other hand, we hope that this reduction in 2011 ends up and then we'll start [indiscernible] (50:54) growing. Just to tell you, in all the other countries of Europe the situation is absolutely better. So for example, U.K. is minus 1%, [indiscernible] (51:09) minus 1.5%, France, minus 2%, so in Italy, is a very peculiar situation.

<Q – Alberto Villa – Intermonte Sim SpA>: Thank you.

Operator: Next question comes from Mr. Alessandro Falcioni from UniCredit. Mr. Falcioni, your question, please.

<Q – Alessandro Falcioni – UniCredit Bank AG Milan Branch>: Yeah, latching on to what you, Mr. Galli, what you were saying about Vietnam profitability, with the start of your new engine production in Vietnam next year, to what extent do you expect you'll be able to defend any margin erosion? So, are you still expecting to see margin erosion once the production starts and to what

extent could this erosion be? Thank you.

<A – Gabriele Galli – Piaggio & C SpA>: Sorry, as I understand, so, we decided to internalize the engine but because we wanted with both technology, consumptions, quality, but also because we believe that we are able to manufacture engine, especially equipment of course.

And we are able to manufacture them at lower cost than the price at which we are buying. So we expect that – I mean the cost of the process for the new engine in Vietnam will be better than the cost we are paying today. On top of that, today, our engines are produced in Vietnam by a third supplier, so we saved already the duty – this duty will be saved whatever the [indiscernible] (53:04) of course, also where we started manufacturing.

And on top of that, whenever we will be exporting the vehicle, we would be able to recover the duty, while other model that we are not recovering because the new – third supplier.

On top of that, we have also to say that the engine will be completed in Europe, will be an injection engine, will be a three-valve engine and this engine will have higher power and much lower consumption.

This will be an engine completely new that on top of that [ph] will achieve also European sales (53:45). The production for this engine will be done in Italy. So, we will be producing bulk of this one in Italy. And this has technological improvement that's one of the key assets on top of cost reduction when will be able to achieve. So, to answer you, we will be giving the customer a higher value and at low comparables or lower cost, so that's how margin, [indiscernible] (54:15).

<Q – Alessandro Falcioni – UniCredit Bank AG Milan Branch>: Okay, so – but my question was referring to the worsening in mix as you were saying you will be extending to more products and to more markets. So, you're not expecting – given the fact that you already produced – you're already buying from a Vietnamese manufacturer. So, you're not saving on the duty today. You're not expecting that the internalization of the engine manufacturing will actually be much help in terms of offsetting the product mix.

<A – Roberto Colaninno – Piaggio & C SpA>: Well, it would be one of the elements contributing to an increase of margin, of course. I cannot tell you that – I mean if we produce a vehicle with an internal engine, the margin will be like the Vespa 1 with a [indiscernible] (55:11) engine of course. We could have made Vespa and we say this is [indiscernible] (55:15) a little bit lower. When we talked about the Vespa, we have also to think that Vespa is today providing something in the range 45% to 50% gross margin. So, I mean also if this and other vehicles will not be like Vespa, we can expect that in any case, something good, I would say. Good.

<Q – Alessandro Falcioni – UniCredit Bank AG Milan Branch>: Okay, thank you.

Operator: There are no questions at the moment.

Raffaele Lupotto, Head of Investor relations

We can finish with our conference call. And as usual, if you need more info, you can call me later or tomorrow. Okay. Thank you very much for attending the meeting. Bye

Operator: The conference call is over. Thank you for calling.