Piaggio Group
FY 2012 Financial Results

CORPORATE PARTICIPANTS

ROBERTO COLANINNO – CHAIRMAN AND CHIEF EXECUTIVE OFFICER

GABRIELE GALLI –GENERAL FINANCE MANAGER

RAFFAELE LUPOTTO –HEAD OF INVESTOR RELATIONS

MANAGEMENT DISCUSSION

Raffaele Lupotto – Head of Investor Relations

Welcome to Piaggio Group Full Year 2012 Financial Results. Here with me, as usual, there are Mr. Roberto Colaninno, Chairman and Chief Executive Officer of Piaggio; and Mr. Gabriele Galli, General Financial Manager of Piaggio. We will use the material that you can download from our website under the link Investors. And now I think we can start, I am glad to hand over the call to Mr.Galli.

....

Gabriele Galli – Chief Financial Officer

Hello. Good afternoon to everybody. So let's go very quickly through the presentation in order to give you some space for question. So slide three basically depicts a usual statement to be made on application of IAS 19. This is starting from June. And then a balance sheet pro forma of year 2010 and 2011, after the inclusion of the deferred tax liabilities inside other assets and liabilities instead of inside provisions.

Going to slide four, and imagine all the global macro scenario performed very poorly this year and within these macro scenario also our business and market went down especially very much in markets such as Italy and Spain where our business is very relevant. Western market went down for the fifth consecutive year. In the year 2007, the total market in Europe was around 2.3 million units. This year was around 1.1 million units. Italy more or less has the same trend going down from 500,000 units to 250,000. And unexpectedly also Asia Pacific market went down this year especially Indonesia, a little bit Vietnam and so, I mean, the trend, which we believe is just down of course, which extended also to Asia Pacific. Indian two-wheel market went up especially scooter, so the growth in scooter went up by around 20% this year. And Indian commercial vehicle after an initial decrease in three-wheelers, started to go up again during the last quarters of the year.
In this scenario, Piaggio performance was good, I would say, thanks to our exposure to emerging market and thanks to our premium positioning.

In Western countries, we have been able to gain market share for the fourth consecutive year. In North America, we have been able to increase strongly volumes and revenues. In Europe we have been able to increase volumes and turnover of Moto Guzzi in a market going down very strongly, confirming the successful re-launch of the brand. And percentage gross margin was still at the same level, which is very good also considering the still economy that Piaggio is subject to.

In Asia-Pacific, despite the temporary market contracting, we have been able to increase our turnover double-digit and we have been able to keep up our percentage margin to 39% despite the product and the geography enlargement.

In India we have the performance lower than our expectations, but in the fourth quarter they started to go up. Commercial vehicle performance is still negative of course, but is improving. And remember, it has been effected by the performance of some regional markets and our business has been impacted by the increase of custom duties in Sri Lanka.

In India we have maintained rigorous price discipline confirming the gross margin also in a very competitive market and Vespa is running now at more of 4000 units per month and we expect this will be increasingly the next month, thanks to the dealer network enlargement.

Going to slide five, also helped by strong focus on cost optimization, we can say that we have been able to maintain our profitability. In fact, sales have been affected by all the dynamics we showed before by around 7.3%. And with these sales, all the significant efficiency we put in place have been able to keep up with the good EBITDA and net income ratio.

In particular, we boosted our strategy of price premium positioning, which help us to keep the gross margin up the same ratio of 2011. We have been able to reduce OpEx by around €30 million despite the geographic enlargement to India and Asia Pacific ; especially to India with the introduction of Vespa. We had some higher financial expenses partially mitigated by application of IFRS 23, which allowed us to capitalize on financial expenses on long-term investment not still in the amortization period.
And we had tax rate down to 38% compared to 41% last year, thanks to the higher contribution to the EBT contribution of Vietnam. The CapEx are very high confirming our willingness to invest for the future and to invest for the globalization. And compared to last year, which were around €125 million, the total CapEx are 148, which is 50 million higher than our run rate – normal run rate of 100 million.

And we consider these in 2012 as the last year of very high CapEx, because that was the year when we completed all the major investment in the industrial footprint. The debt profile has been preserved, we have an average life of debt of more three years and we have an ample liquidity backup.

Moving to slide six, you can look at the P&L. Turnover was €1.406 million down by €110 million compared to 2011. The gross margin stood at very much aligned in terms of percentage, despite the volume decrease and the net addition of India Vespa, which is dealing with a group, of course, in lower average margin.

The total marginality is around 29% down by only 0.3 percentage point to 2011. And of course, the overall gross margin went down by around €36.4 million conditioned by the drop in sales.
At the EBITDA level, the contraction of cash OpEx by around €13 million compared to last year have been able to reduce the delay in terms of EBITDA, up to €13.6million . And good contribution of depreciation, lower by €15 million compared to 2011, reduced this dis-advantage at an EBIT level by around €8.2 million. Then as commented before, the total financial expenses has been a little bit higher by €2.5 million to €28.7 million, and larger this advantage compared to the year to €10.7 million, so an income before tax of around €68 million compared to 78.6 last year.
And then the benefit we had the tax rate reduce to 38% compared to 40.7%, has been able to reduce this

dis-advantage compared to last year to €4.2 million, which is a total net result of €42 million, which is 3% of total net sales very much in line to the results we had last year of 3.1% over the total sales. In terms of financial position, the strong increase of CapEx to €147 million caused an enlargement of the net financial position moving from €335 to €391.8 million.

Moving to slide seven, you can have a look at total volume. So total volume went down by 5.8% to 615,000. The Commercial Vehicle India went down by 11.5%, driven by a decline of 10% over three-wheeler, which is going to be a very competitive market, especially affected in some key regions for the growth which are Tamil Nadu, going down by 82%, Andhra Pradesh, going down 18%. But also showing some slight improvement in the fourth quarter where the volume went up by 4%.
On top of that, as we commented before we had a loss of around 8,000 units in export to Sri Lanka due to increase of import duties.
In the Western country, the two-wheeler volume went down by around 14% very much in line with the reduction of the market.
In two-wheeler Asia Pacific volumes are up by 8%, Vietnam increased by €3,000 from 73 to 76 Indonesia very stable compared to last year at 13,000 units, while the rest of Asia Pacific increased by around 30% from 19,000 to €24,000.

Moving to slide eight, the impact of net sales was 7.3% decline as we saw before from 1516 losses to 1406 with a decrease of around 13% in commercial vehicle India also affected by a negative forex minus; 24% in commercial vehicle Europe and minus 8.7% in two wheeler Western Countries.
Notably, while the reduction in volume has been around 13.7% , turnover reduction was five percentage point lower showing that we didn't sacrifice our price policy and showing that we've been able to improve the product mix throughout Europe. Asia Pacific also showing this trend compared to 7.5% increase in volume, the total turnover went up by five percentage point more, so to 12.6%.

Moving to slide nine, we can see the composition by business. So Scooters performed very well minus 1.6% compared to the overall minus 7.3% over the total reduction of the group level.
Vespa sales this year are up to more than 165,000 units, so an important growth. Motorbikes went down by 11.8% that benefited by a double-digit growth in Moto Guzzi showing that what we did in the past was good. In this year we fully expect to leverage on the introduction of the California which is proving to be very successful during the first months of sale.

Moving to slide 10, if we look at the EBITDA evolution, the EBITDA evolution has been affected by a decrease of cash gross margin by €35 million linked to the reduction of turnover by €110 million and a reduction in Cash OpEx of around €11.5 million. Proving that despite the enlargement, the geographic base, despite the enlargement of product line such as Vespa India in region already in place as Europe and U.S, we've been able to reduce operating expenses.

Moving to slide 11, we can appreciate the evolution of net income going down from 46 to 42, but staying at the same percentage level of sales. The change in EBITDA is €23.6 million already commented before.
We've the change in deprecation of around €15 million. This change in deprecation is due to two phenomenon. The first phenomenon is the switch from R&D expenses in the deprecation period of around three year to CapEx for industrial footprint with deprecation period much longer from 5 to 10 years.

The second fact is the enlargement of line of some brands such as Moto Guzzi. In 2011 we add deprecation charges for the year accounting for 9 million. The deprecation time was due to finish in 2019, so in 8 years . Since we're investing very much on the product range, we decided to enlarge the period of deprecation to

2026, so 15 years more. And this gave us a net benefit in terms of deprecation of around €4.5 million. This benefit of course will be recurring also in the following years.

In terms of financial expenses, we had an increase of around €2.5 million. These €2.5 million also benefited of an application of IFRS 23 by around €6.9 million this year around 1 million was already in place also last year. So total financial expenses, excluding IFRS 23, are down by around 8.5€m. So we applied, of course, this principle because the set of investment we're doing this year are completely different compared to last year. We have a lot of investment still undergoing, which will be started deprecation period this year or started at the end of last year, such as the build up of the Vespa in the production plant. The building of for three valves engine in Vietnam, the building for spare warehouse in Pontedera . So I mean, the application was obviously I mean, mandatory. On top of that the increase of total financial charges is due to an increase of net debt, which we saw before because of large investment base by around €50 million, and also by the switch of financing from single currency euro in 2011 to multiple currency, euro plus Vietnamese and plus Indian rupees in 2012.
I remind you that in terms of financial charges, this gives an increase of overall accountancy euro while since, I mean, the principal repayment would be for sure in the future devaluated for a long-term shareholder this doesn't represent a growth in the future cash flow, because basically you paid into account this year for our financial expense and by a cash point of view, in three-year or four-year, we will give back devaluated money to banks. Of course, the second effect is not accounted applying IFRS in the P&L, but I mean, it will go directly into the balance sheet at equity level.

Moving to – I'm sorry – tax rate, tax rate we already commented, Vietnam, this year gave an higher contribution in percentage term to the overall EBIT, and so being in Vietnam – particular situation of tax rate around 10% the mix switch gave us this positive impact of around 2.7 percentage point, from 40.7 to 38.

Moving to slide 12, you can look at the balance sheet, trade receivable, very low around €59 million, decrease by €2.4 million, compared to last year. Inventory are very much reduce compared to last year by around €16 million. Payable and other assets, liabilities, please look at them together in the sense that higher prepaid expenses, higher advance payment and lower cost accrual made increase of other assets liability by around €14 million and opposite movement was in the commercial payable.

So, looking at with the same metric at 2011, the commercial payables would have been 374, 375 and the other assets and liability would have been €13 million. So, with this explanation the commercial payables are very much in line with last year, of course we had some lower purchasing in direct material but some higher purchasing in investment. And so if you adopt one to the other I means the DPO, so the day payable stood very much in line to last year. The other assets and liability with this explanation increased by 13€m around million out of the €6 million are deferred tax asset and the remaining part is the cancellation of bonuses to the personnel which last year was in place, but this year is not in place and so we have a lower debt in the other liability.

In overall term, the working capital is still financing very much our business and this year we are at €81.1 million an increase compared to 2011 by €8.4 million.

In terms of tangible plus and tangible we have a strong increase which is represented by the CapEx and we have a total asset of €982 million compared to €924 last year, with an increase of around €67 million. We have then an increase in financial investment due partly to the evaluation of Chinese participation the joint venture at equity while provision are pretty in line with last year.

So the net investment capital is up by €50 million and reflecting the strong increase in CapEx. In terms of net debt, we already commented from 336 to 392 €m; in terms of equity, aligned to last year, minus €6.3 million after a payment of €30 million of dividends and around €9.5 million of buyback.

In terms of ratio of equity, on net financial position on equity of course after the increase of net financial position the ratio went up from 0.75 to 0.89.

Last slide, number 15, you can look at the evolution of cash flow. So this year we started by 36 we ended with 392 in terms of the operating cash flow the performance was good better than last year. The operating cash flow was €125 million while last year it was €119.9 million it was a plus 5 million, but the change in working capital was very good because we generated €8.4 million of course it's not as much as last year when we generated €49.2 million but still a positive generation from working capital.

The CapEx already commented €150 million compared to 126 last year and then the change in equity and other, minus 42 versus 29 last year. We had some more dividend distributed around 4.2 million. The cost of buyback is around €9 million. Last year we had some plus from the conversion . Basically the position is 392 compared to 335 at the end of the last year.

Okay, the presentation is basically over so I believe to go on with your questions.

QUESTION AND ANSWER SECTION

....

Mrs. Monica Bosio - Banca IMI.

Good morning, everyone. I would have a few question. The first one is the first one is if you can update your volumes guidance by country for 2013 because now the scenario is completely different from the last Investor Day so I was wondering if it's possible to have an update in terms of volume target by country?

The second question is relative to the EBITDA guidance for 2013 the consensus has moved downward during this month and now we're pointing on average at an EBITDA in the region of €200 million, I would like to know if you look at this level as reasonable even on the back of the accounting of the €5 million of restructuring charges expected for the Spanish plant and if you see some downside risk and if yes where exactly?

The third question is on the D&A. Should we expect that the D&A will come back to the historical level at roughly €90 million, €95 million per year in 2013? This is my feeling

The fourth question is -- I mean, yeah as for the light commercial vehicle, what could be a normalized run rate per months in India on the back vehicle rate of the introduction of new products. And when we would see a normalized run rate in India. I'm expecting starting from February or March, if you please can confirm this.

And the last – the very last question is on Vietnam. The market was significantly down over the last quarter of the year. Piaggio over performed the market but the situation in Vietnam is not so brilliant as in the past.

I would like to know your flavor and maybe if you expect stable volumes in Vietnam year on yearr excluding the rest of the other Asian pacific countries. Thank you very much.

……

Gabriele Galli -CFO

Okay. So starting from the first one in terms of guidance of volume, I would wait the first quarter to provide you with a guidance of total volumes– in terms of EBITDA the 200€m of consensus is reliable, our expectation a little bit higher, so some million better, but I mean 200€m could be a good estimate.

Of course this 200 million include restructuring program which is indicated in our press release. As you know, we're going to close our Martoreilles facility. All the plan for restructuring and the procedure have been initiated with stakeholders in Barcelona and we will end up with the closure we hope by end of March.

In terms of total cost this will be €5 million for the n National Motor plant on top of that we had the branch that can be a couple of million more

In terms of D&A as I told you, the big reduction this year is due to the enlargement of the life from the remaining part of the first 15 year ending up in 2019 to new 15 years starting this year and ending up in 2026.

This saving account around €4.2 million and this will be retiring therefore also in the next year. On top of that, the reduction compared to last year, is the strong change in mix of our CapEx because usually are very focused on R&D, R&D is depreciated in three or five years while the fixed asset of the good shape is around are depreciated in 10 years or 7 years depending on the kind of our assets. So this reflects the big change of mix that we had in our investment.

Of course in the future as you saw we invested €147 million this year, so you cannot expect such a level of depreciation as in 2012 and in 2013 the depreciation will be increasing, down the €100 million limit but we believe around €92 million, €95 million.

Going on with Vespa India. At the moment we are selling 4,000 to 4,500 of turnover and this is pretty stable. As you know last year, we had some sort of ups and downs in the first months, but now the standard was 4,000, January and February around 4,500. So this initial phase is I would say pretty stable.

Now the target we have for the remaining part of the year is for an increase, so if you make any initial 4,000 to 4,500 per month I mean the minimum base is 50, we hope to end up higher. Again for the first questions for the guidance you have to wait for the first quarter results.

Asia situation, this year the market is down in some particular region such as Indonesia because of the increase of down payment in case of financing, also in Vietnam it's very much the change in economy, in China, but this is of course a momentary change. So for the future we see stability or some slight increase, if there is opportunity for us to improve our market share, thanks to the introduction of new products, and country enlargement to some country performing very well at the moment which is Thailand for example in the let's say developing country or Australia going to gain more developed countries.
Indonesia performance this year was very bad I would say 13,000 units as already commented during last conference call, so in line with previous year. In terms of sell out which is what you should counter if you

want to understand the performance is improving. So at the moment we are selling something around 1200,1300, 1400 per month which is total year sell out around 15,000 to 16,000. So looking at the sell out there is a continuous improvement, may be not so much – maybe not as much as you could expect, but in any case much, much better compared to the previous year sell-in was very important, but sell-out was much lower since we had to fulfill all the dealer network.

....

Mrs. Monica Bosio - Banca IMI.

Okay. Thank you. Just a follow-up. I know that you are disclosing the guidance per volumes by country in the first quarter. But I was wondering what could be a normalized monthly run rate for the light commercial vehicles in India on the back of the introduction of the Apè Pax City? Hello?

....

Gabriele Galli -CFO

Yes, yes. I'm here. So for the Apè Pax City, we see – I mean, the market is very, very interesting. I mean, some of our competitor, Bajaj, for example, if you include the number of Apè Pax City sold in India and sold outside of India, they sell around 40,000 units per month. As big as three-wheeler market in India. In our estimate, we see volume of Apè Pax ending up the year with around 3,000 per month. There is space for improvement, but I think they are absolutely market leaders, so we have to enter this market. So not so easy.

....

Mrs. Monica Bosio - Banca IMI.

Yeah, for sure. Thank you very much

....

Alberto Villa – Intermonte SIM

Hi. Good afternoon. I have a couple of questions. I'm trying to just figure out what were the one-off effects this year. So if I understood, €4.2 million of benefits coming on the depreciation side from the change you had and the change in mix also adding something more and then the IFRS 29 on the financial charges.

There were any major restructuring charges this year that we should have to take into account? And have you got any benefit on the fourth quarter tax rate in Italy from the deduction of IRAP recovery from previous year?

Just figure out what were the, let's say, one-off effects this year compared to 2011.

....

Gabriele Galli -CFO

Okay. So the D&A mix, of course, will be still in place also last year – next year, because next year we will have depreciation of the spare parts warehouse launched in Pontedera at the beginning of this year. We would have a depreciation for the three-wheel – three-valve engine plant in Vietnam. So I mean, the mix will not change very much.

In terms of advantage on enlargement of useful life of Aprilia and Moto Guzzi brand, this will be also in place next year. In terms of total amount of CapEx, of course, I mean, this is also true.

You can expect, without the entry of additional CapEx in depreciation period, the depreciation charge total very much in line with this year. That is €8 million will be increased by the net addition of depreciation of higher CapEx this year and last year. So, without the effect, the € 95 million is, I think, a good estimate for 2013.

Going to IFRS 23, the net benefit was in the year €6.9 million, equally spread across Europe, across India and across Vietnam. Of course, I mean, this is mandatory to be applied, because I mean, the principle says that if you have some big investments financed with a scope bank credit line and this CapEx are still not in depreciation period, you should account among the investments, also for the financial expenses. So by the one hand, we had an higher financial position because of the new CapEx. By the other hand, we had higher financial expenses, some of them have been suspended this year because these investment were still in place.

Within these higher financial charges, so if you let's say, some way take out of the €28 million this benefit of €7 million, we have a significant increase, part of this increase as already commented, and part of this increase was offset by the application of IAS, €6.9 million, is due to the change of Frex in the debt. So basically, we suspended something around €2.4 million in India and €2.4 million in Vietnam. And out of this €2.4 million plus €2.4 million, a significant part was due to the currency of – in which we put the financing. So Vietnam is down and India would be, apart from the increase of the financial position.

And these, as already explained before, by an accounting point of view is cash out cost in the period, but since in this country you pay higher interest charge but the devaluation is much higher, when you will have to give back, to repay the principal, if the markets are efficient, you will pay back a lower principal amount. And so in cash term, the higher interest are very much neutralized. In accounting point of view, no, because I mean, the first operation goes into P&L, the second operation goes into the equity part.

....

Alberto Villa – Intermonte SIM

I was just trying to understand of this amount of €6.9 million what we can expect next year, I mean if…

....

Gabriele Galli –CFO

Much lower, much lower, can be €2 million more or less, our estimate. Because all of this key investment went into depreciation period and so the principal, we cannot apply.

Tax rate, the tax rate was 38% and so we benefited. Most of all, of the switch bank contribution to – higher contribution of Vietnam plant to the EBT. We had also a benefit of this change of, the possibility to recover the IRAP into IRES. We used of course the 2012 benefit which was around €1 million, while the former year benefit which is another €2 million, went into the opportunity to accrue for higher deferred tax asset, so the temporary tax asset which we didn't accrue for. Okay. So basically, €1 million yes, the other €2 million which are belonging to 2012, we have €2 million no.

....

Alberto Villa – Intermonte SIM

Okay. So it's EBTDA. The second question is on Vespa, you mentioned that you are now running between 4,000 and 4,500 units per month. We heard that you started a number of actions like advertising and pricing, reducing prices to push for growth. So I was wondering, I think you're not expecting this to be the run rate for the future and I'm imagining you were – you are pointing to much higher numbers. So is that taking longer because of the distribution or you think it's just a matter of time?

....

Gabriele Galli –CFO

So I mean, of course, we do not expect this run rate of 4,000. We are enlarging our distribution network and we are investing on that. And we are in the market since 10 month, while all our competitor are in the market since 20 years. And since also the scooter market is increasing, last year it was up 20%. So our expectation are much higher, of course, much higher. In terms of distribution, we believe with the current distribution, we can increase 20%, 30%, but then the real increase will arrive from the enlargement of the distribution network.

At the moment, where we are present, our performance in terms of market share is not bad because we are having a market share of around 5% to 8%. And so we can say that where Vespa is, I mean, it is performing. Of course, not as Activa scooter of Honda, because Activa scooter is targeting a much broader customer base, with a full price around 40% lower than Vespa. But in any case, we can say that the Vespa is performing. At the moment, we have around 60 point of sales, and we can enlarge them during this year to many other towns, I mean, and cities. So we believe that the potential can be higher, let's say, from 60,000 after we hope. Let's wait the first quarter, and let's see at the end of the first quarter.

....

Alberto Villa – Intermonte SIM

Sorry, say it, again – I couldn't get your last indication. 60,000?

....

Gabriele Galli –CFO

No, from 60 up. So let's say, at the run rate – at the current run rate, we are at 4,000 times 12, 48,000, 50,000. We are working to improve them a lot, let's wait end of March, after this I would say higher than 60,000.

....

Alberto Villa – Intermonte SIM

Okay thank you

....

Raffaele Lupotto – Head of Investor Relations

Sorry. For our conference's sake, if you can limit the number of questions to two, maximum three, please, it will be great. Thank You

....

Mr. Luca Orsini - One Investment

Yes, good afternoon. Just have, I mean, you can make your answer rapid. So but just, I would want to have a couple of clarification. So first of all, is my math correct, when I look at the gross margin in the fourth quarter and I come to €81 million, which provides a number close to 27% which is the lowest gross margin you had since quite some time. And then the second question I have is on the accounts, when – you are still increasing your working –you are still increasing your financing on the suppliers this year despite overall sales going down. How much more do you think you can get the working capital efficiently financed by your suppliers? And then, I have a third question which is just very granular which I would leave it for later, if you don't mind.

....

Gabriele Galli -CFO

So first of all, I mean the gross margin as you perfectly know is very much a function of the seasonality of the business. So we have low gross margin in January, February, March, high gross margin in second and third quarter, lower gross margin in the fourth quarter. So we are talking about the fourth quarter and this is very match in line with last year, if you make the calculation.

Second of all, as I told you before, apples-with-apples, the financing from our supplier is up by €4 million because you have to take into account some increase of other receivable. So this €4 million €375 million versus €371 million is consequent to a reduction in purchasing, of course, by an increase in CapEx. So more or less it will be like what we did last year. And on top of that, we have in place a very powerful action in order to – we could use some reverse factoring in order to finance better our supplier and some supply chain financing action as well, in Europe and in Asia. This will allow us broadly to have a further enlargement of our payment time, while giving fresh financing to our dealers, with a cost of debt much lower than the cost that they would be able to achieve.

....

Mr. Luca Orsini - One Investment

Okay. And then just purely granularly on the other revenues you had, they were down €20 million, I can't find the page but I have memory, can you just comment on that and maybe guide us on what kind of number we can put out – we can put in our spreadsheets for next year?

....

Gabriele Galli -CFO

So I mean, in order to build up your modeling, I believe, better, you look at the kind of gross margin, OpEx, P&L. The big difference last year is that we sold, for example, one asset, like the warehouse in Lugnano, and also we had a positive effect on that. And then, we had this year some lower contribution from financial from the government. So these are the two big differences to last year.

Of course, we have some assets in the future we can sell because we will be ready after the closing of Martorelles to sell this plant and also we had after the introduction of the new warehouse, the opportunity to sell another couple of assets. Of course, it depends very much on the market and on the price. If we will have the opportunity, we will have an increase our other operating expenses, otherwise not. In our estimate, our EBITDA of €200 million, we do not have the sale of these assets.

....

Mr. Luca Orsini- One Investment

Okay. You have any guidance for your debt for 2013?

....

Gabriele Galli -CFO

The target is to go on what we say in the strategic plan. So by the end of the plan, go back to €340 million level. And this year, we will try to reduce the debt, some level between the current plan and the target at the end of 2013

....

Gabriele Gambarova –Banca Akros

Yes. Good morning to everybody. My first question is on the issues you had at your commercial vehicle plant in India in January. There was a strike, I was wondering, if the situation was settled, cleared or if there is still some problem. The second one was on the Apè Pax, the small Apè in India. I didn't get, when will you reach the run rate of, if I understood well, 3,000 units per month. And the last question very quick was still on India, you experienced some problems in Tamil Nadu, Andhra Pradesh for emission rules they introduced. I was wondering if you see some light at the end of the tunnel, meaning do you see the authorities changing their attitude in these areas or the situation is due to go on like this? Thanks.

....

Gabriele Galli -CFO

So basically, the sentiment in India – so, India situation is becoming a little bit more difficult than in the past. So we had this strike at our company last month. And as you know, we are one of the biggest company in the region, so we are the first one who have to renegotiate the contract with the stoppage. Now the situation is normal. So from our side, we are still to make the final closing with trade unions, but the situation is normal. The parallel across all India is these days, last month, last Thursday, there was a general strike, banking system, suppliers etc. So this shows that we've put in place our issue but some other issue can arise, like in the general strike. So we are done, but let's look at the general environment. In terms of Apè Pax, so we are starting in January and February and we would be ramping up, I believe, quickly. So let's say, some four, five months in order to reach the full capacity. And then in Tamil Nadu, one of the issue was that the permit related to the diesel engine. Now we also have gasoline engine, petrol engine, 200cc engine we develop internally. We saw we can also leverage on this engine in order to set out in the market.

....

Himanshu Sharma-JM Financial

Yes, hi. Thanks for the opportunity. I had two questions, one on three-wheeler, the commercial vehicle side in India, we have recently launched a new passenger vehicle, how has been the response to that? And second in scooter market, we've recently cut our prices, so how has been response both to our price cut and what is our three-year target, any color on that?

....

Gabriele Galli -CFO

Sorry, sorry. The first question is about the new passenger vehicle and the second question, because the communication is very much disturbed, is?

....

Himanshu Sharma-JM Financial

Yeah, so second question is on scooter market, what is our three-year view on Indian scooter market?

....

Gabriele Galli -CFO

The three-year view?

....

Himanshu Sharma-JM Financial

Yeah, yeah, more long-term. And one more thing, you have recently reduced our prices in India, of our Vespa branded scooters. So, how's been the response after the price cut?

....

Gabriele Galli -CFO

So, I mean, starting from the Pax. I mean, as you know the Pax is divided into two segments. So basically, the isrural and the is the city. And the difference is in terms of size and in terms of engine. So, is used to perform very well in the rural area and having based on the market share around zero in the city, simply because they have a good product in the medium segment, but we didn't have the City Pax vehicle, for which we made a shorter body and also a better petrol engine. So the new introduction of this vehicle should be done or it is done with the introduction of the motor vehicle and with the introduction of the new 200cc engine. So we will have a vehicle perfectly in line with our competition, which is the market

leader in the city, Bajaj. So, basically a vehicle is actually equal to the tuk tuk.
The second question was about the three-year view of Vespa. So difficult to say, difficult to say in the sense that we are very, very positive about the evolution of the market. And actually, this year was up by 20%. And so the market probably will become in a few year, one of the most important of the world, especially for scooter not only for two wheeler.
It's not very easy to compete because, I mean, Honda and all the other players have a very strong position in terms of cost base. So our target will be not to compete against them on price but to try to push on branding, on product quality, on product exclusivity. So some – I mean, the order of volume will be, we hope, hundreds of thousand. But I'm not able to tell you now 200,000 or 300,000, because I mean also the expectations we had at the beginning were very high, so I don't want to delude you by saying, okay, this year 100,000, next year 200,000. I'm not able to tell you that.

In terms of what we are doing on top of network,advertising and pricing. We will be differentiating a little bit the Vespa. So we will be launching a disc-brake version, so improved compared to the current one. And also, we will be expecting some other product feature. Probably, fuel injection in the future. So that we will be able to have leveraging on the same brand, because introducing in India another brand in the immediate time, it can be very expensive. Leveraging on the same brand, we can have more than one product, more than a single product with different price level, hoping to be able strike some higher margin from the top version

....

Himanshu Sharma-JM Financial

Okay, thanks.

....

Stefano Lustig-Equita

Yeah, good afternoon. My first question is on volume trend in Asia, after the minus 11% in Q3 and probably minus 6% in Q4, I was wondering if what is the indication on this market for you after the first two months of 2013.
And on India, on the light commercial vehicle, again, having sold or almost sold the issue – the plant, I was wondering what is the indication – a rough indication for the business trend in the first two months of the year. Thank you.

....

Gabriele Galli -CFO

Okay. So basically Q1 2013 will be for Asia two-wheeler, probably minus something. But is very much linked to the inter-region situation. So if you look at the performance across the different region and if you put the sell-out, instead of sell-in in Indonesia, it could be a plus. The reality is that we are looking at sell-in and we have Indonesia in which I mean, we are doing a very important destocking of the network. And so it will be a minus. This minus, will change of course the sign in second, third quarter at least these are our current expectation and plan. But for the first quarter, it's a minus.
Secondly, you asked for three-wheeler production in India. So first moth was around the 15,000. In February and March, we had to regain the volume we had lost in the first month. We plan to be back, to

recover all the volume in February, but there was the general strike last Friday and last Thursday. And so probably, it will take also March in order to recover the volumes. In our side, I mean we are pretty confident about what we negotiated. So as we told you before, it's not been signed, but now everything is going on in a very good way. So, apart from the general strike in our plant, we do not face any problem at the moment.

....

Raffaele Lupotto – Head of Investor Relations

Okay. Thank you. I think that this answer draws the call to an end. If you need to ask more question you can call me this afternoon. Thank you very much. Bye.