



PIAGGIO GROUP

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## First Quarter 2014 Financial Results

Conference Call  
May 8<sup>th</sup> 2014

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# Highlights (1/2)

## First quarter 2014 results

### Market demand

#### **Entering 2014 with the European long-awaited demand recovery clearly visible, while weakness affects Piaggio's Emerging Markets**

- Europe 2 Wheels growing ~13%, after 24 consecutive quarters of decline, reflecting a strong rebound of Bikes, up by ~21%, and a steady growth of Scooters ending up with ~ 6%, thanks to strong February and March results
- Asia Pacific with mixed but overall negative demand, notably in Vietnam and Thailand
- Indian 2 Wheels solid momentum continues driven by Scooters surging by 33%
- Indian 3 and 4 Wheels declining double digit, awaiting for political election outcomes expected by mid May

### Business Highlights

#### **Western Countries: reaping the initial benefits of the improved market leveraging Piaggio leadership**

- European Scooter market share slightly higher than prior year (25.4% vs. 25.3%), confirming Piaggio undisputed leadership, driven by double digit revenue growth of MP3 and Vespa
- Vespa sales fostered by the recent successful launch of Primavera topping 10k units in the quarter in the area
- Significant dealer network destocking, also after a positive market trend
- Americas robust sales momentum continues, also benefitting from new mid-sized bikes business in Latam
- Vehicles' average price sustained by positive mix and effective price policy

*As a result, European revenue growing even after the dealer network de-stocking; France and Holland best performers ending up double digits; Italy still behind but showing an encouraging improving trend across the quarter; Americas in line with prior year even after a lower contribution of engine business and negative forex*

#### **Asia Pacific: slow down in a difficult market scenario**

- Vietnam suffers from market weakness and stronger competition
- Asia Pacific ex Vietnam posts a robust sales growth, markedly in Indonesia, Taiwan and Thailand, outstripping market trend
- Remarkable positive price effect across the region, despite increased competitive intensity and negative forex

*As a result, revenue down double digits with Asia Pacific ex Vietnam growth still unable to counterbalance Vietnam performance and FX negative effect*

# Highlights (2/2)

## First quarter 2014 results

### Business Highlights

#### **India: strong relative performance in a difficult market condition**

- Three Wheeler market still negative but strongly improving across the quarter
- Market share gain for the fourth consecutive quarter (+ 3.6 p.p.) with a particularly good performance on 4 wheels and Ape City Pax
- Export surging by 50% vs. PY; the opportunity for long lasting growth clearly emerges
- Average prices holding up well excluding negative forex, reflecting rigorous pricing discipline
- Vespa sales flat at 2,000 unit per month in the quarter

*As a result, Commercial Vehicles revenue broadly in line with PY at constant FX despite market weakness thanks to market share gain*

### Financial Highlights

#### **Net Sales down by ~9% (~4% at constant FX); premium pricing and brand positioning coupled with cost efficiencies drive the growth of EBITDA and EBIT ensuring a Net Result in line with PY; EBITDA and EBIT margin at Q1 record levels**

- Gross Margin ratio up to 30.1% vs. 29.0% in 2013, further proving effective pricing policy and product cost efficiency
- Significant OpEx reduction (~ 7 €m vs. 2013) confirming once again steadily efficiency improvements
- Higher financial expenses driven by higher debt level and lower interest expenses capitalization (IAS 23)

**CapEx containment at 16 €m** (vs. 22€m prior year) consistent with 2014-2017 industrial plan investment profile

**Seasonal Cash Flow absorption lower by 31 €m vs. Q1 2013**, mainly driven by receivables and inventories improvement, with **Net Debt ending up at 541€m**

## Highlights (3/3)

### Recent and short term developments

**Several actions already started in order to sustain medium-long term solid and profitable growth, consistently with 2014-2017 Strategic Plan**

#### Products

Several launches in pipeline that are further strengthening the most up-to-date and complete product offering of any European player

- Vespa: after the successful introduction of **Vespa Primavera** at the end of 2013, **Vespa Sprint** has been launched in March 2014. New **Vespa GTS**, equipped with ASR traction control and ABS, cutting-edge electronic systems for active safety, launched in April 2014, adding another milestone in the strategic evolution of the brand
- **MP3**: renewing the product line-up with a full new version, equipped with ABS
- **Scarabeo**: rejuvenating the product offering with a comprehensive restyling of the 50cc and 100cc versions

#### Markets

- Latin America and Africa: first encouraging steps in the small-sized bike segment, through made in China products; the first steps to increase our presence in the area took place
- China: entered the market with a direct presence at the end of April thus extending our global outreach; now ready to seize opportunities in the premium 2 wheeler segment

#### Financials

The Group has recently successfully accessed capital markets through the placement of a bond of 250€m with a maturity of 7 years thus:

- Strengthening the debt profile lengthening its average life from 2.4 to 4.3 years
- Reducing the cost of Debt (from 7.0% of the previous notes to 4.625% of the new ones)
- Increasing the amount of indebtedness raised on the capital markets (from 33% up to ~50%)

Net Sales down but financial ratios on the rise thanks to pricing management and strong efficiency improvements

Net Debt seasonal increase but lower cash-flow absorption vs. Q1 2013

**P&L (€m)**

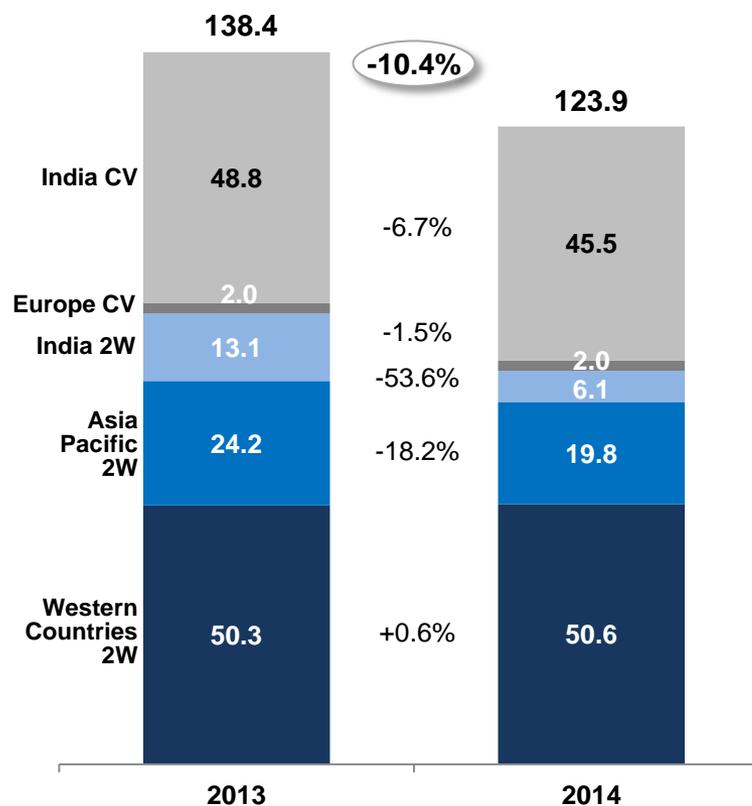
	Q1 2013	Q1 2014	Change 2014 vs. 2013		
			Absolute	%	% excl. FX
<b>Net Sales</b>	<b>303.4</b>	<b>276.8</b>	<b>(26.7)</b>	<b>-8.8%</b>	<b>-4.1%</b>
<b>Gross Margin</b>	<b>88.0</b>	<b>83.2</b>	<b>(4.8)</b>	<b>-5.5%</b>	<b>-0.9%</b>
<i>% on Net Sales</i>	29.0%	30.1%	1.1%		
<b>EBITDA</b>	<b>30.1</b>	<b>32.5</b>	<b>2.4</b>	<b>+7.9%</b>	<b>+15.3%</b>
<i>% on Net Sales</i>	9.9%	11.7%	1.8%		
Depreciation	(20.3)	(20.7)	(0.5)	+2.2%	
<b>EBIT</b>	<b>9.8</b>	<b>11.7</b>	<b>1.9</b>	<b>+19.6%</b>	<b>+34.3%</b>
<i>% on Net Sales</i>	3.2%	4.2%	1.0%		
Financial Expenses	(8.0)	(9.9)	(1.9)	+23.5%	
<b>Income before tax</b>	<b>1.8</b>	<b>1.8</b>	<b>0.0</b>	<b>+1.8%</b>	
Tax	(0.7)	(0.7)	0.0	+1.8%	
<b>Net Income</b>	<b>1.1</b>	<b>1.1</b>	<b>0.0</b>	<b>+1.8%</b>	
<i>% on Net Sales</i>	0.3%	0.4%	0.1%		

**NFP (€m)**

	Q1 2013	Q1 2014	Change 2014 vs. 2013
			Absolute
<b>Net Financial Position</b>	<b>(487.7)</b>	<b>(541.0)</b>	
<b>Cash Flow of the quarter</b>	<b>(95.9)</b>	<b>(65.3)</b>	<b>+30.6</b>

Volume decline mainly reflecting negative performance in 2W India and market weakness in Emerging Countries; slight growth in Western Countries even after dealer network stock reduction

Volume evolution by Business (kunits)

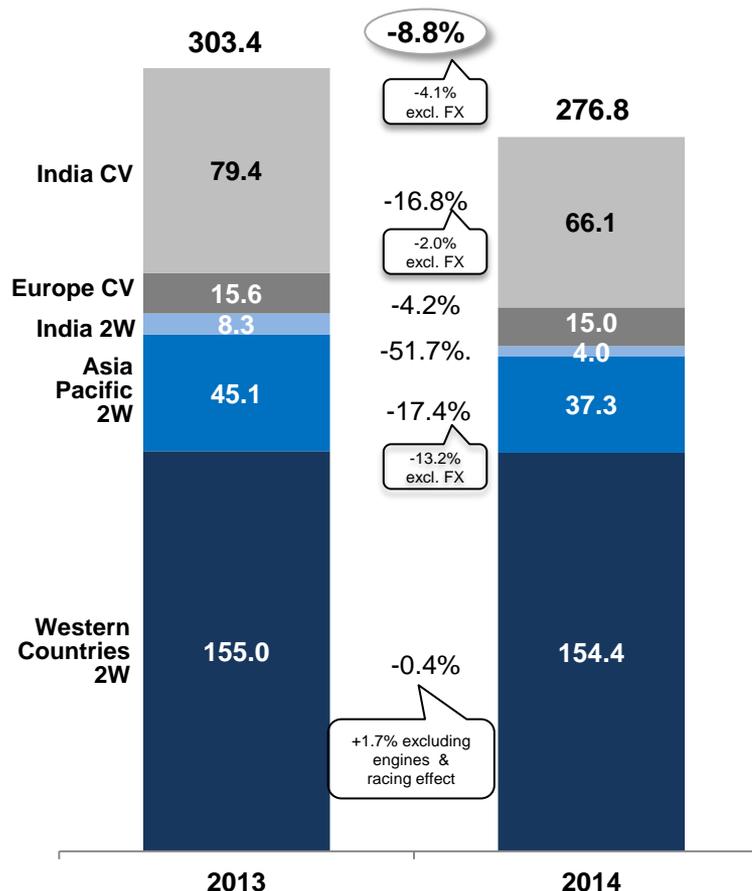


2W: 2 Wheels

CV : Commercial Vehicles

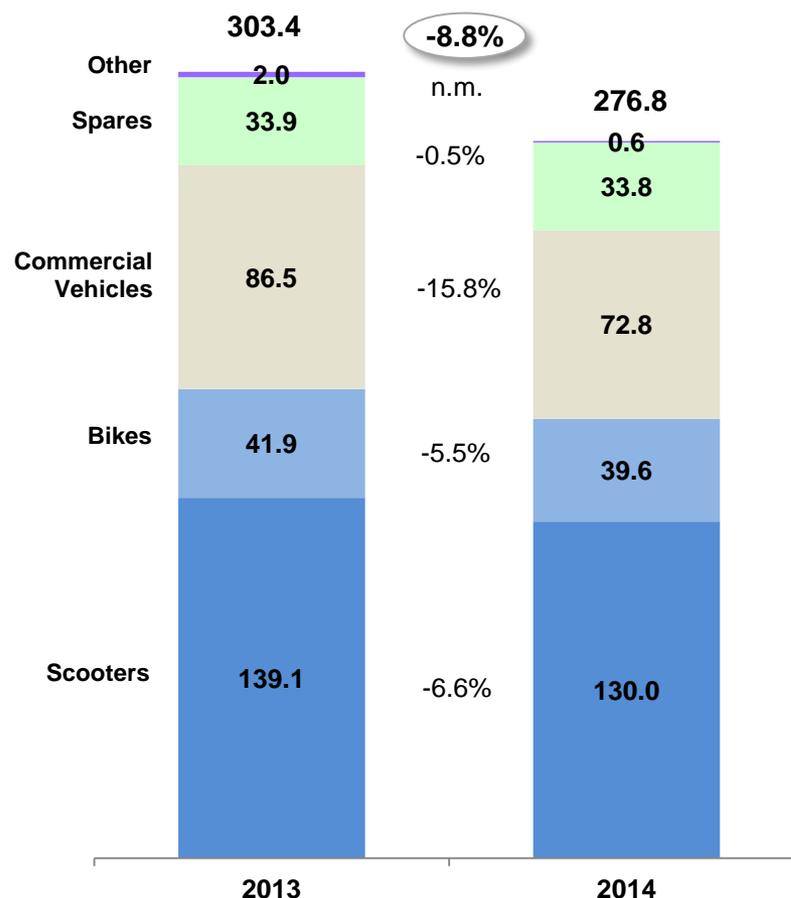
Net Sales down by 8.8%, 4.1% excluding FX  
 Decline in Emerging Countries driven by volume reduction and FX devaluation  
 Average price in Western Countries holds up, slight revenue decrease due to lower contribution of engine business

Net Sales evolution by Business (€m)



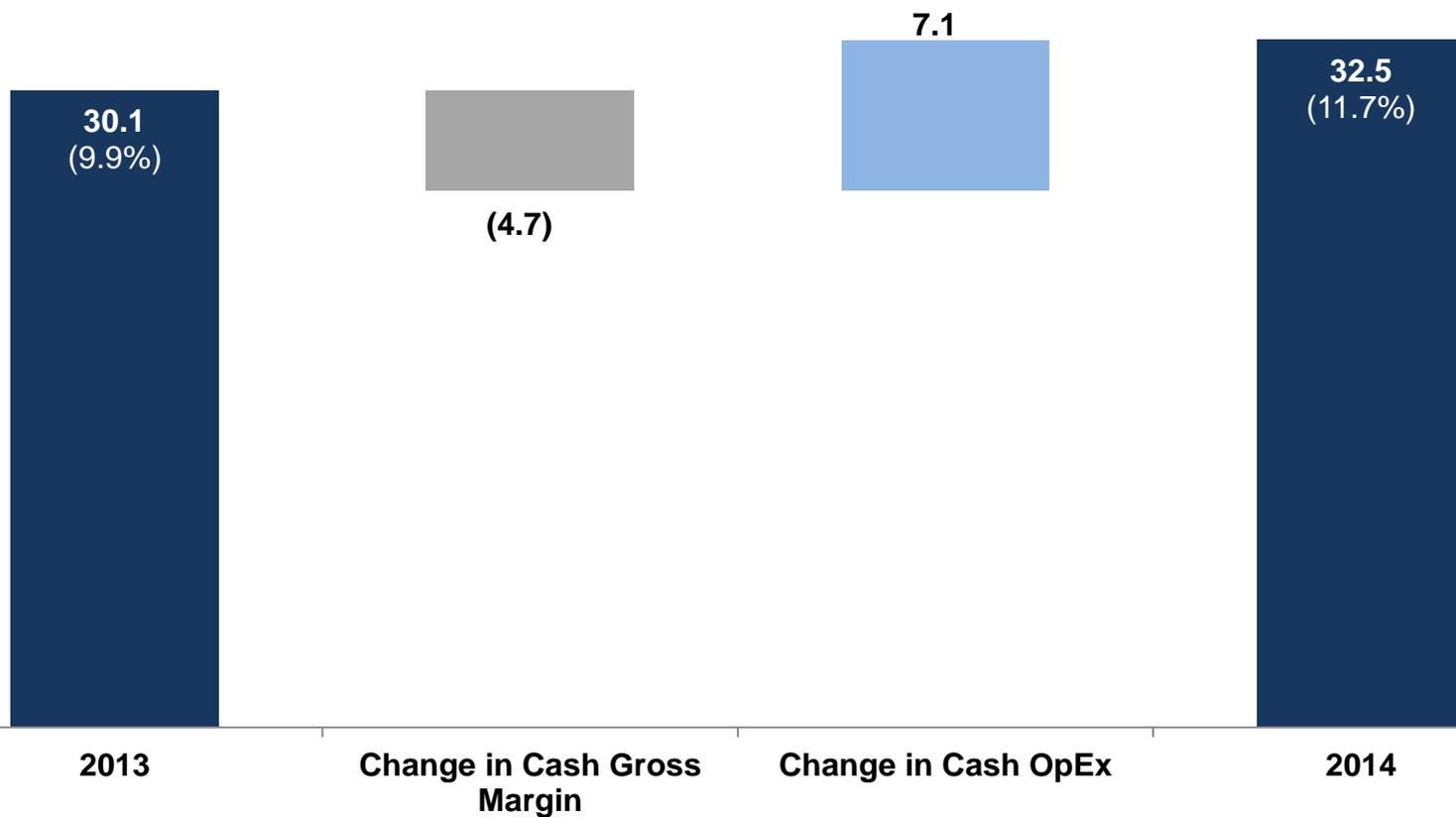
Negative volume effect in Scooters mitigated by shift of the mix to high-end segments (Vespa and MP3 growing double digits in Western Countries). Positive volume of Bikes diluted in terms of revenue by increased sales of low displacements vehicles

Net Sales evolution by Product (€m)



# Product profitability and reduction of fixed costs drive EBITDA growth; EBITDA margin at Q1 all-time highs ...

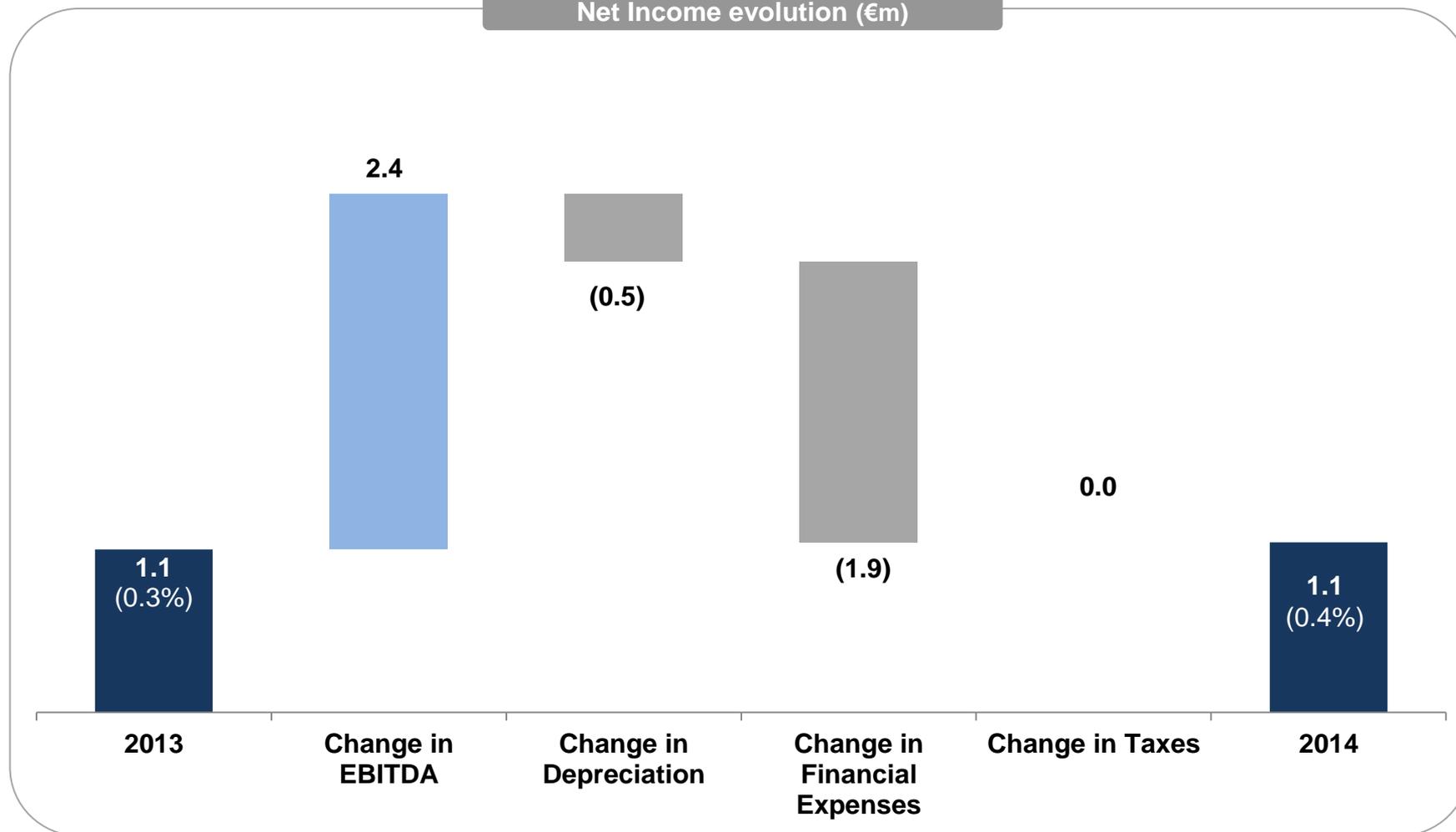
EBITDA evolution (€m)



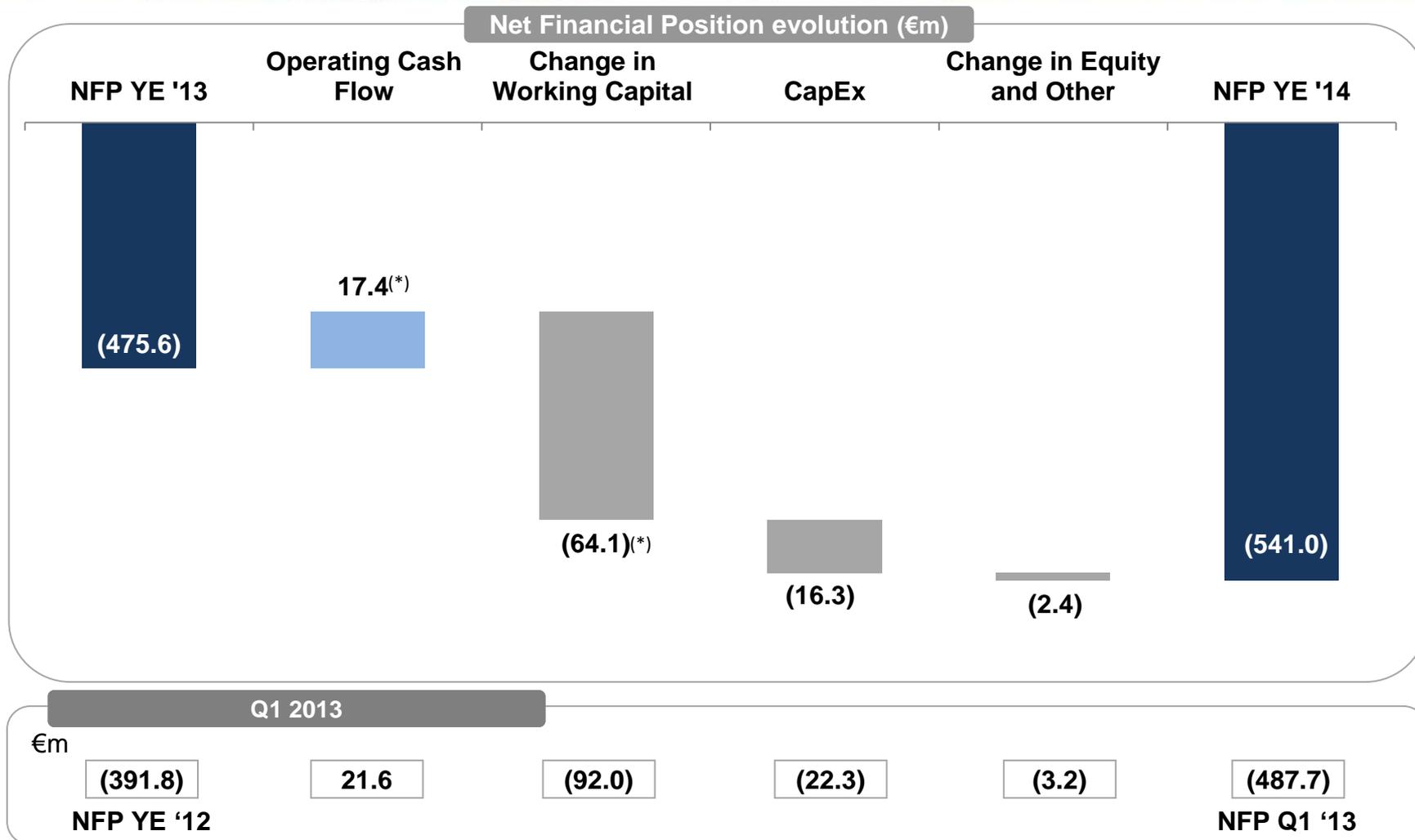
Benefitting from the ongoing drive towards cost reduction

...leading to positive Net Result

Net Income evolution (€m)



# Seasonal Working Capital absorption drives NFP increase vs. December 2013; Q1 2014 Cash Flow better by 31€m vs. Q1 2013 (1/2)



(\*) Figures include 4.1€m net reclassification as of 31/03/2014 from Provision to Other Payables. Excluding this reclassification, the Operating Cash Flow amounts to 21.5 €m vs. 21.6 €m in 2013 and Change in Working Capital to -68.2€m vs. -92.0€m in 2013

# Seasonal Working Capital absorption drives NFP increase vs. December 2013; Q1 2014 Cash Flow better by 31€m vs. Q1 2013 (2/2)

## Balance sheet evolution (€m)

	2012	Q1 2013	Chg. '13 vs YE '12	2013	Q1 2014	Chg. '14 vs YE '13
Trade Receivable (*)	59.3	118.7	59.4	74.4	118.1	43.7
Inventories	221.1	257.4	36.3	207.8	230.7	22.9
Commercial Payable	(389.4)	(392.8)	-3.5	(344.8)	(359.2)	-14.3
Other assets/liabilities	27.9	27.7	-0.1	32.3	44.1	11.8
<b>Working Capital</b>	<b>(81.1)</b>	<b>10.9</b>	<b>92.0</b>	<b>(30.4)</b>	<b>33.7</b>	<b>64.1</b>
Tangible Fixed Assets	321.0	324.5	3.5	310.1	307.3	-2.8
Intangible Fixed Assets	661.0	665.5	4.5	654.5	655.7	1.2
Financial Investments	6.7	6.7	0.0	9.9	9.6	-0.2
Provisions	(75.9)	(76.1)	-0.3	(76.4)	(72.0)	4.4
<b>Net Invested Capital</b>	<b>831.7</b>	<b>931.6</b>	<b>99.9</b>	<b>867.7</b>	<b>934.4</b>	<b>66.6</b>
<b>Net Debt</b>	<b>391.8</b>	<b>487.7</b>	<b>95.9</b>	<b>475.6</b>	<b>541.0</b>	<b>65.3</b>
<b>Equity</b>	<b>439.9</b>	<b>443.8</b>	<b>4.0</b>	<b>392.1</b>	<b>393.4</b>	<b>1.3</b>
<b>Total Sources</b>	<b>831.7</b>	<b>931.6</b>	<b>99.9</b>	<b>867.7</b>	<b>934.4</b>	<b>66.6</b>
<b>Net Debt/Equity</b>	<b>0.89</b>	<b>1.09</b>		<b>1.21</b>	<b>1.38</b>	

(\*) Net of advances from customers.



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