

Piaggio Group

First nine months of 2013 Financial Results

CORPORATE PARTICIPANTS

ROBERTO COLANINNO – CHAIRMAN AND CHIEF EXECUTIVE OFFICER

GABRIELE GALLI –GENERAL FINANCE MANAGER

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MANAGEMENT DISCUSSION

Raffaele Lupotto – Head of Investor Relations

Thank you for joining us to analyze Piaggio’s First Nine Months of 2013 Net Results. Here with me are Mr. Roberto Colaninno, Piaggio’s Chairman and Chief Executive Officer; and Mr. Gabriele Galli, Piaggio Group’s of General Finance Manager. You can download the presentation from our website and after the preliminary remarks, we’ll be available to answer the questions you may have.

So, now I’d like to turn the call to Mr. Colaninno.

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Roberto Colaninno – Chairman and Chief Executive Officer

Good afternoon to everybody. Just some remarks on the results of the nine months of the Piaggio Group. I’d like to divide these remarks in three sets.

The first one is that despite the market situation, we are a Group that showed the capability to control cost and to follow the reduction of the market - not only in fixed costs, not only in variable costs- but also a Group that has been able to maintain or to increase the market share.

Naturally, we have to face something that seems to be a big change of the market, in particular in Italy and to a lesser extent in Europe and in Asian countries. The group has reacted to this situation in term of cost control, but also launching new products and opening new markets. As per new markets we have completed the industrial investments phase; so we don’t have any program to open new factories because we have now enough capacity to meet market demand.

Second. we are focusing on some new models that will be presented next year, that will be able to compete with the best products of the competition as Honda, Yamaha and also some European companies such as Ducati and KTM. As you know, we have decided enter MOTO GP in 2016, and this will be one of the milestones of our next three-year plan.

Another milestone of the next three-year plan will be Vespa and I think that there is no need to explain the success of Vespa, and the future success of the Vespa, especially on Southeast of Asia with the new Vespa Primavera.

Another milestone will be Piaggio, where we want to increase the technological content in the scooter branch. So, Piaggio in the future will be a typical scooter division where we like to invest on new product and technological innovation focusing more on consumptions and pollution reduction. We have in mind – we have not only mind, but we are already in the process of launching new products in Southeast Asia, in India and in Europe in the middle of next year.

Another milestone are big bikes. As I said we have decided to go in the Moto GP, because we want to increase our penetration of the market of the big bikes, but also with the strategy to develop bikes with low engine displacement and we are launching a new line of these type of products that today is already developed as idea, as style and as price/cost.

On top of that, we have working now on three wheeler and four wheeler for India market. For three wheelers we want to introduce some development in term of accessories and in term of engine power. For four wheelers, we are in the process to redesign a new Porter, that will be produced mainly in India and then will be also used for the European market.

We are paying particular attention to North America and South America. We have in mind to restructure the organization of the company in America with people specifically dedicated to North America market and other people dedicated to South America.

One of the big point that we want to look at and develop for the future is our commercial organization. We believe that, after the experience we had with the presentation Vespa Primavera and of the Vespa 946 in Fifth Avenue in New York for the American market, we learned how much is big the customer idea about 946. This is more close to the luxury product than to a normal scooter. So we have to organize all our sales organization specifically for this market segment, offering accessories in-line with this type of customer. We want also to develop our sales on the internet and I think that the first results of this new experience are quite good.

So generally speaking, I think that we look at the next three years to have better products, a new sales organization, to look at different market as Africa and South America as exports for three wheeler and then we wanted to dedicate our R&D to innovation for Piaggio products.

We want to revise our position in China and we want to strengthen our position in countries as Indonesia and India, where we believe we need to invest more in communication to be closer to the customers. And I believe that this type of things can be done we a new internal organization, with new people with a specific responsibility for specific areas as for India, for Southeast Asia and for the American market – the United States. We have new products in mind, we have a timeline to reorganize the plant in Noale, we have new products for scooter and for four-wheeler and three-wheeler.

Putting all this together, I believe that next year we will be able to compete more than this year against our traditional competitors and we will be able to more than this year the market of two wheeler in India, in Indonesia and in the United States.

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Raffaele Lupotto – Head of Investor Relations

Thank you, I turn now the call to Mr. Galli that will give you an in depth analysis of the first nine months results.

Gabriele Galli - General Finance Manager

Good afternoon to everybody. Let's start with slide number 3. So basically as you can imagine the trading condition has been very difficult. All the major market where we operate have been weak and particularly western market we are shrinking if you look for example at Europe, now Europe is 55% below 2007. Asia-Pacific was faltering, in particular Vietnam and Thailand. Indian two wheeler market has been growing. The scooters have been playing very well with an increase of double digit but in this market, we are very young and so we face some issues with Vespa. Indian three wheeler market was positive at the beginning of the year but shifted negative during the Q3, while sub 1 ton 4 wheels been shrinking by 20%.

In this particular situation, Piaggio has been able to leverage on the premium products, has been able to price with discipline and has been able to go on with efficiency gain initiatives and all of that allowed Piaggio to maintain a little bit of good profitability compared to the situation where we have been active.

Western countries has been impacted absolutely by the longest and deepest ever market contraction, but in this situation, we kept our market share in line with a positive previous year, confirming that we are undisputed leader in Europe. We have been able to price very well our vehicles growing continuously in high-end segments and in particular 2013 has been recorded year for Vespa and for Moto Guzzi which outstripping the market trend.

North America was good despite the market for scooter went down during the second and third quarter. And in this situation our preference was gross margin increased despite the contraction double digit of the volume and this is proving of our operating flexibility.

In Asia Pacific we've been slowing down a little bit, especially because of the highly competitive market with all the major player reacting to our success in Vietnam and in other countries. Vietnam in particular has been effected by this stronger competition and some volume decrease also for dealer stock reduction in anticipation of the launch of the new Vespa Primavera which we represented last week at a fair here in Milan . Indonesia started growing again after a very bad first quarter, and during the second and the third quarter the performance was good. And good was the performance also for Thailand, Taiwan and Italy. And in all these situations, all the prices kept constant or increased a little bit, and the percentage gross margin as well stood stable or increased at record levels.

In India, the volume partially increased, also thanks to Vespa. Although they have been effected by forex negative effect. In particular, we gained market share in the commercial vehicle, three and four wheelers, sustained by the launch of new product such as Apé City Pax. We accelerated exports growth throughout the year and this did show that we may play a good role in the export for the future and there is a clear opportunity for development. In terms of pricing, it was good forex effect, we have been able to increase the net pricing to dealers. Vespa, as we commented also last time, probably is not a good start and we are still to work hardly in order to increase its volumes and prices.

If you look at our key numbers moving to slide four, the turnover was down by 14.1% and out of this decrease 3% is due to ForEx, while 2% is due to comparison with last year where we had the one off effect of the sales to Poste Italiane. So the real decrease without considering this clear effect is around 9.1%.

And looking at the different region, European sales were down especially because of Mediterranean countries such as Italy, Spain, and France. The Northern Europe countries are still negative, but showed some sort of improvement during the last two quarters, especially Germany and Benelux.

North America is increasing despite very tough market in the scooter as we said at the beginning. Asia-Pacific showed a decrease of Vietnam sales due to competitiveness and due to dealer network de-stocking and a good growth of Indonesia especially in Q2 and Q3, Thailand and Taiwan. The commercial vehicle in India performed in line with last year, if we exclude the forex effect, while it could have been better in the sales of Vespa.

These level of sales with a good improvement on product mix, with significant cost efficiencies had being able to sustain the major ratio in terms of EBITDA especially, and also have been sustain the EBIT and Net Profit ratio. If we move down in the P&L, that we see positive Gross Margin, increasing from 30.3% last year to 30.4% this year, despite the double-digit decrease in volumes. We have been able to strongly decrease the OpEx minus €22 million compared to last year, even after €9 million of restructuring to close the year in Spain. A little bit higher financial expenses driven by some higher debt level, that's more than offsets a good reduction the cost of fund.

In terms of net Capex in 2012, we completed as Mr. Colaninno said, the program for the expansion of industrial footprint in Asia, so we've been able to reduce from €107 million last year to €61 million. The debt increase more than what we saw during the first six months. The main reason was the working capital absorption; as you know we have negative working capital. And so every time the revenues goes down, we suffer some cash flow absorption in the working capital, but this should be, the worst quarter; starting from the next quarter we should be able to recover. And also we are comparing our last quarter with a very good Q3 2012 when we benefitted from some special items.

In terms of debt profile, we still have an average life of the debt of 2.3 years and we have the availability in credit line facilities.

Going on, we have to focus on cash generation and we have to focus on revenues. So just to complete what Mr. Colaninno was saying revenues will be our key milestone in terms of leveraging on what we have to attack different markets, attack additional segments in order to improve total Gross Margin; and cash generation would be what we will be looking for.

Also we will to push on marketing. Just giving idea during the last four years we had been cutting European OpEx by €80 million. In percentage terms, it was 35% to Cash Opex reduction. So probably we also sacrificed some value added activity. So by pushing on marketing, we feel we may be able to extract more money from the market, more than what we've been able to do during the past years and also we want to push very much on the dealer network in order to found the new partners to leverage on sales activity to grow the turnover. Of course, the product cost reduction should go on because of the competitiveness becomes more and more important and so we have to go on that.

Moving to slide five. I will first go fast and then you may ask questions. The total sales were down by 14.1% as we said, excluding the forex and Poste Italiane contract would have been 9% and this is an absolute value of €167 million. Gross margin was good let's say because I mean the percentage was increasing by 0.1 percentage point, which is absolutely outstanding for an industrial company. The savings in terms of cash OpEx was very high. We are approaching about €24 million and was able to deliver an EBITDA in line with last year in percentage points, so 14.0% as in 2012. Of course, with an overall reduction of €22 million because of lower sales.

Depreciation increased a little bit plus €2.1 million and we gave a result in terms of EBITDA of around €71 million, which compares with 95.8 last year. Financial expenses almost constant at €25 million instead of €24 million giving an income before tax of €46 million compared to €71 million last year. Tax rate increased a little bit from third quarter last year this year we are targeting 40% while last year we were targeting 38%. And this gave a net income of around €28 million versus €44.4 million in 2012 with an incidence on sales of

2.9% versus 4% in 2012. In terms of net debt, there was an increase of around €89.3 million to €454 million compared to €365 million in September last year. As we mentioned before, €365 million last year was a good performance and took advantage of some items; for example a VAT recover in India which we hope to have during the fourth quarter.

Moving to slide number six. You can look at the volume decline reflecting the market weakness. In terms of volume, the total number was down by 9.5%. If we exclude the Poste Italiane contract it is minus 6.8% from €4745000 to €430,000. Europe was down by 22%, but excluding Poste Italiane it was 18.2%. So, this contraction was very much aligned with market, in fact we maintained our market share in the scooter, and we lost a few 0.2%, 0.3% of market share in the motorbike. So, despite the market contraction and increased competitiveness, Piaggio has been able to maintain its position in the market.

In Asia Pacific total volume went down by 10.8% and the bulk of that is linked to the dealer network de-stocking to launch Vespa Primavera in an effective way.

Vespa India increased by 13,000 to 32,000. So, there was a good addition, but as we said before, we are not satisfied and in the future we will find counter measure in order to improve this performance.

Commercial vehicle in Europe decreased by 1.5 k units while commercial vehicle in India stood pretty constant, minus 1.7% and inside this number, we have been able to increase export by 6.6%. This year, we have a new City Pax vehicles and this will be a good opportunity to increase sales this year.

Moving to slide number seven, we can have a look at sales trend. The total sales has been down by 14.1% excluding Forex would have been 11.1% and in act we lost around €34 million of forex especially due to Indian rupee minus €26 million; Vietnam dong and U.S. dollar minus €2.5 million respectively.

Excluding Poste Italiane total revenues would be down by 9.8%.

Analyzing different regions, the two-wheeler Western Countries counting was down by 18.1% and it includes again the contract we the Poste in 2012. But the two-wheeler Asia-Pacific went down by 9.5% which could have been minus 5.6 % excluding forex. The two-wheeler in India increased from €10 million to €20 million. The commercial vehicle Europe went down by 17% while the commercial vehicle in India went down by 11%, which would have been 0.9% excluding forex. So, excluding forex we can say that India had a good performance especially if compared with the market which decreased very much in the four-wheeler and slightly decreased in three wheelers.

If we look at the average price for the region, every single price went up excluding forex, and the dilution of turnover compared to volume is 100% linked to a mix effect, especially the introduction of Vespa in India. There were also some of good regions where our revenue increased. And so for example revenue in Indonesia went up by 11.6%, revenues on Thailand went up by 45%, and in Taiwan as well it went up in double digits. In Europe, the best performance was in Benelux, where the revenue went up by 11% thanks to Vespa and in U.S. where revenues of vehicles went up by 9%.

Moving to slide number 8 we can look at turnover by product. So, the scooter went down by 16.8% and amongst scooters we had a very good performance of Vespa, which went up by 8.8% with an increase of not only Indonesia and India, but also an increase of around 1 percentage point in Europe. So, despite the market went down by 18%, the Vespa sale went up by 1% in Europe.

In motorbikes we have been very resilient because we only lost 2.9% and the market decreasing by 5.5 percentage in Europe. And within motorbikes, Moto Guzzi went up 19%, showing that our choice to push on this brand was good. Commercial vehicle went down by 12.4%, but the big part of the decrease is forex effects we commented before looking at to India and spare parts went down by 10.1%.

Moving to slide number nine we can look at the EBITDA evolution. So, 2012, it was €156 million, 14%, we had a decrease in cash gross margin by €46.2 million. But if we look at these numbers in terms of ratio on sales, last year the cash was largely was 32.5%, this year it is 33%. So, we have an improvement in this number. We've been able to cut cash OpEx by around €24 million and this €24 million includes €9 restructuring versus last year €6 million. So, cash OpeEx post restructuring had improved by €27 million, which is a big number allowing us to reach this €80 million OpEx reduction compared to 2008, during the first nine months of the year. Meaning 35%, is showing our ability to follow the market with fixed costs. And as a result, the EBITDA ratio stood at 14% for a total of €133.7 million.

Moving to slide 10. Let's look at the net result evolution. Last year it was €44.4 million, there was a reduction in EBITDA which we already commented about] €22.3 million. We have an increase in depreciation by €2.1 million and there is no change in financial of €0.9 million. This € 0.9 million financial expenses is linked to €2.6 million with an increase of debt value and the saving of €1.7 million due to the reduction of cost of funding. Then we have a positive item of reduction in taxes due to reduction of the earning this quarter and it gave us €8.7 million including the tax rate increase from 38% in 2012 to 40% in 2013. The total net results was 2.9% or €27.8 million.

Moving to slide 11, we have the operating cash flow plan there. We started with €392 million of Net Financial Position as we mentioned. We had an operating cash flow of €87.2 million was compared to last year of operating cash flow of €106 million, then we had an absorption of €65 million, while last year it generated € 12.1 million and again this is strongly due to our particular situation of company working with a negative working capital, so it was caused as it was in the next slide by reduction of inventory reduction of net receivable, not sufficient to compensate the reduction in payable. Then we have some sort of saving in the CapEx, €60.9 million of CapEx this year, while it was €107 million last year. And we have change in equity absorbing by €23.7 million, while last year it absorbed €41.1 million and the big part of that is due to conversion of assets due to devaluation of forex. Because in terms of real cash paid to shareholders last year we paid €30 million of dividends and this year €33 million and last year we had €6 million buyback, this year €1million. So we ended up with a NFP of €454 million and as we said before, next quarter should be a quarter of inversion of trend.

Moving to slide 12, you can have the detail of different items. So, nothing new compared with the previous slide, we see that we worked at improving the trade receivable reduced by by €7.8 million, reducing inventory by around €19 million, but we had to increase the lower volume purchasing of the lower volume of purchasing and the lower volume of investment, the payable position by €65 million while the other assets and liabilities increased by €31 million mainly due to deferral tax asset we had at the end of last year and deferred tax assets we have after the nine months of 2013. Some worse position on the VAT credit last year we covered around €10 million from VAT in India, which we hope to recover by December 2013 this year and these are the main items in the difference of other assets and liabilities. This cause a total working capital absorption of around €65 million, partially recovered around €5 million in the tangible and intangible fixed asset position with total impact on the net invested capital increasing by around €65 million. As I said before, the net debt increased by €90 million – €89 million while the equity was down by €23 million out of which €16 million are due to the conversion reserve because of the translation of asset in euro, asset in forex in euro. We have time now to answer your questions.

Raffaele Lupotto – Head of Investor Relations

Okay. Now we are ready to answer your questions. For discussion sake I kindly ask you to limit the number of question to a maximum of three per person, thank you.

QUESTION AND ANSWER SECTION

Mrs. Monica Bosio - Banca IMI.

Good afternoon everyone. I would ask three questions.

The first one is regarding the OpEx reduction. So far you have managed to reduce significantly the OpEx. I am just wondering if you can replicate this performance over the next year. My feeling is that it would not be possible given your, the strengthening of the commercial effort both in India and in North America.

The second question, is regarding your position in China. Could you please, better qualify your statement according to which you are going to revise better positioning in China. That it means that you are going to exit from the joint ventures.

And the third and last question is on the restructuring of the organization in North America. If I've understood well, you are going to focus both on North America and in South America. I'm just wondering if you are planning in the medium term to enter into South America or alternatively if you would like to enhance your position in the motorbike segment in North America. Thank you

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Gabriele Galli - General Finance Manager

Okay. So, basically, as we stated, the reduction in OpEx we had in Europe, I mean it goes on, starting from 2008. In 2008, when the market started to reduce year-after-year, we've started these reduction. And after five years, we're been able to reduce by 35%, the cash OpEx we had at the beginning of the period. So, it's a good performance of course and year-after-year it becomes more and more difficult. Of course, I mean with important structural changes, we may be able to farther reducing OpEx also in the next years. But, I mean making structural changes in Europe and especially in Italy as you can imagine is not so easy. So, I would say that for 2013 the performance has been good because in terms of OpEx we reduced by €24 million and if we adopt the delta restructuring compared to 2012, you should have seen €27 million which is around 18%, 19% that is going on, it becomes more and more difficult. Of course we hope and we must work more in the future not only on the cost reduction, but also on the revenues improvement.

Going to China, in China we had historically a joint venture, so we have been using China more for buying back vehicles then for selling locally vehicles. Last year we incorporated a NewCo 100% owned by Piaggio, the NewCo started acting as R&D and a purchasing company and so it worked this way for the first 12 months. Now, we want to use the company also to sell in China imported goods. And so these were kind of let's say more autonomy we may have in the future in terms of pricing policy, the marketing policy and so on and so forth may be able to push the sales and also being the company 100% owned, this sales will be 100% under our P&L, not has today because the joint venture is not consolidated. The situation in China is

a little bit, it's strange in the sense that the market for scooter, the market for two wheeler in general is going down because more and more important cities started to prohibit the usage of two wheeler within the city. But by the other hand, there is more contraction of average vehicle and a much less contraction or at least the demand is strongly increasing for high-end vehicles. So, since our vehicle will clearly be high-end and we are thinking about Vespa, we are thinking about Vespa 946, we are thinking about big bikes such as Moto Guzzi and Aprilia , there may be some willingness, and we already started this kind of 100% fully owned distribution. There may be willingness in the market to buy upscale vehicle that we can sell.

North America as we said before, as Mr. Colaninno said: today North America performance is good in the sense that sales started to ramp up again, and all the issues of 2010 seems to be solved. In the sense that in 2010, the sales went down, the OpEx is very high, and so our operation were losing money. Today, we've been able to streamline the cost of the structure and then we've been able to increase the turnover. So, let's say that we're profitable. 100% I would say 90% of the sales in this profitable regions [come from one country, which is U.S. and we sold not more than 2,000 vehicles in Latin America. Latin America is a very important market. Is 3 times higher than Europe just to give you an idea. So a lot of opportunities maybe can come from Latin America region. And this is basically, the reason why Mr. Colaninno talked about a focus on Latin America beside the factors in North America. So, just to make it synthesis, our growth there may come from an increase of the geographical scope by having a direct focus on the Latin America and Mexico, while talking about the U.S., our growth maybe linked to range increase or I'd say, a better usage of our motorbikes brands, which in U.S. are the biggest part of the market. So, the scooter market is very limited, while 90% of the market is made of motorbikes where we can leverage or fully leverage on the Moto Guzzi and Aprilia.

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Alberto Villa – Intermonte SIM

Good afternoon. I have couple of questions.

The first one is related to the speech at the beginning of the presentation where you were mentioning some structural market changes probably on the demand side. I was just trying to understand what you were referring, if you expect the Western European market to remain below the level seen in the past or what you think might be the demand going forward for two wheelers in the next future for Italy and Europe in general.

The second one is referring to another part of the speech when you push on marketing. I would like to better understand what you mean, if it is related to increasing the advertising. And how we have to see it in terms of expenditure compared to the past.

And third, if you can give us an idea of what was the reception for the 946 product. Thank you.

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Gabriele Galli - General Finance Manager

Okay. So, in Western Countries sincerely I wish the situation would be good in the future . If you look at the market in 2007 it was around €2.3 million, this year it would be €1 million. So I mean the reduction has been very equivalent and the reduction is not the reduction in the usage of the product. It's a reduction in the purchasing of the product. So really, this is linked to the crisis. People are still using the product which becomes older and older. And so there is no reason why this market won't start to grow again.

Now, I would not tell you whether this year would be better. A lot of analysts say that next year it will improve especially starting from Northern Europe, and looking at today's number maybe some signs of recovery may be seen. I was mentioning before about Benelux, Germany in Q3 wasn't so bad. UK it also started to show some signs of recovery, but I mean this are signs, for the moment, after nine months, markets went down very strongly and so this was be a market that was down by 18% , motorbike market down 5.5%. The overall market was down by 13%, and these are the only real numbers we have.

Alberto Villa – Intermonte SIM

So not structural changes

Gabriele Galli - General Finance Manager

At the moment we see some good signs in Northern European market. But if you want the proof that something is changed no, there is no change. Once something good which can be added and which is certain is when you look at our sales you look at the "sell-in" and so, while the market was decreasing by X percent, the sales were decreasing by X plus something percent, because the dealer network in order to keep constant coverage rate had to de stock a little bit and being buying something less compared to what they were selling. So, I can tell you that if the market stops to go down tomorrow, that "sell-in" would be a little bit better compared to the "sell-in" we have registered this year and this is sure. The dealer stock network is something which acts as an amplicator of demand. So when the market goes up you have "sell-in" that is higher, when the market goes down you have "sell-in" that is lower compared to the "sell-out". But in any case we cannot say that next year it will be better.

What is relevant is that since today we are showing this result with a total net sales down by 270,000 units in Europe, just in Europe, Europe, sorry – Europe plus North America. This corresponds to around more than half a billion turnover. So 2013 will be far from 2007 level and in the room for improving is still very big

Alberto Villa – Intermonte SIM

Sure. No. I was mentioning structural changes in terms of not seeing the market being able to recover....

Gabriele Galli - General Finance Manager

No. I believe in Europe the usage is very similar to the past, to past five years. We are not talking about the 90s where it means of course something was different. In the year 90s, when I was young everybody around 14 years old was using the scooter, now this kind of usage is not more existing because people is working with computer, iPad, this kind of stuff. This kind of structural changes already has been absorbed during first three years of 2000, so can't consider this trend, which is already absorbed by the industry. And

talking about structural changes compared to 2007, I would say no. Because to enter some cities as Milan costs more, the parking place is costing more, the gasoline price is up.

Moving to question two, pushing marketing because probably while cutting OpEx, cutting OpEx we cut also some marketing. And so, if we had to reconsider a little bit today probably, I'm not saying a lot of money, but some money more in marketing would be better. And also we hired a responsible for marketing worldwide during last week and so let's see.

Vespa 946 had some mixed reaction. So, first of all, we cleared that Vespa946 is a Vespa priced €9,000 while Vespa Primavera equivalent is pricing €4,000. So, we cannot expect volume in line with the Vespa Primavera. But the volume in any case are interesting. We have already sold and we are in the process to sell, because we have the orders, almost 4,000 vehicles. There is a lot of demand, for example, in China. In China, where people have a lot of money, there is a considerable number of people that have a lot of money. For example, they want – we are not still able to import because of the emissions, but for example we had 100 requests, which is a not a big number, but just to give you an idea, today we don't sell anything in China, but we have 100 requests for this particular vehicle because these people are not worried about paying €9,000 plus 40% of the income tax; it's not an issue for them. So, it is something really exclusive, which apart from the revenues and margin in can generate can have a very good impact on the remaining part of the product range, because it's something, which can push also the sales of the global Vespa such as it happens in the fashion business well, I mean probably you have a trouser costing €10,000 you sell 2, but then you sell 2,000 of the trouser costing 2,000 euros

Nicolo Storer – Mediobanca

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Yes. Good afternoon to everybody. I was wondering if you could elaborate a bit about what's wrong with Indian Vespa, now that you have a large dealer network, your prices goes down and vehicles also financing agreement. And my second question is related to very positive figure on gross margin. I was wondering if this increase in Vespa sales with respect to no brand products is a result of a précised strategy, which is what I'm going to invest on less and lower end products. And how should we expect this trend to develop going forward? Are you going to introduce lower end products in Indonesia, Taiwan, Thailand and this clearly could have a negative impact on your gross profit going forward. Thank you.

Gabriele Galli - General Finance Manager

Okay. So in India we follow the strategy which is similar, but very different I would say compared to other countries. Similar in the sense that our price positing is higher compared to the competition. Let's say 30% higher compared to Honda. Very different in the sense that is higher than Honda, but it is still very very low. So by being very low probably it is not able to attract people really having money and being able to spend money for Vespa, and so your margin not outstanding and so you do not want to invest a lot in advertising. So in some sort of vicious circle. Because we started to low many we didn't invest so much in order to clear the brand. So sales are no up and so we stayed low with the price, something has to be changed. As Mr. Colaninno said of this time and last time we found the person. The person in charge of this product will be arriving. And so let's see if this person can find the strategy.

The point at the moment is that in my understanding Vespa in India is no fish no meat. Is something higher than Honda, but as not a clear positioning. Of course, I mean it will be more difficult compared to Vietnam. Why because in Vietnam, we had a good story of Vespa sold in Vietnam where we launched the new facility, while in India there was a good story of Vespa, but Vespa in India in the '90 was positioned as vehicle for "normal" people. So we have to work on increasing the brand awareness, increasing the willingness of rich people to buy, and probably increase the pricing and understanding to sustain, but it's still far, far the market there the market is changing, but it will not be so, I mean in the near term. In terms of gross margin, if we look at the story, I don't know. Probably, there is some sort of self-adjustment, because if you look at our gross margin story over the past eight years, nine years is every time around 30%, so going from 29% to 30.3%; so every time, we enter a new country, where the margin may be reduced, there has been some sort of self-adjustment trying to find opportunities, different opportunities in this market or in other part of the market. And we every time we ended up with this magic number. So I don't believe, also if Indonesia will become more and more important or another country, really it's very important that our target gross margin will be much lower, absolutely no. On top of that, looking at Asian story, we started very high with Vespa in Vietnam, then we added some other product lines in Vietnam or some other regions, but still the margin is very much above the average group. So at least at the moment we're not worried by percent margin going down

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Mr. Gabriele Gambarova – Banca Akros

Yes, good afternoon to everybody. And my first question is on Vietnam, Indonesia, Asian area. Could you provide any breakdown of volumes for the nine months please, because I didn't get it? And then if you could give me some of your thoughts about the perspectives of these markets in the Asian area in particular, Vietnam and Indonesia? My second question is on the – is on India even here, is it possible to have a flavor on what you see on these huge market that are going on, for instance in 2014? If you have any idea of how it may perform? And then, the last one, the third one is on the Moto GP. You announced that you are going – you're going to reenter the Moto GP Grand Prix? I was wondering if you can give me a few numbers in terms of investments? Will it be an initiative self-funding through advertising, I don't know or it is going to be something that is going to require a certain investment? Thank you.

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Gabriele Galli - General Finance Manager

Okay. So, I mean, the total – starting from the first question. The total volume for the region was around 70,000 units out of which 41,000 was Vietnam, 9,000 Indonesia, 6.6 k Thailand, 3.1 k Taiwan and then maybe other. In terms of the market this as been a "change year" in Vietnam in the sense that there was some sort of contraction if you look at the number at overall level, but expansion if you look at the market of premium vehicle. So there was an expansion also because some other player started to follow that with the in the premium market. They saw Honda for example after we opened the market in Vietnam with a vehicle priced at 70 million dong, Honda followed us and introducing SH model and then SH MODE model with a lower price but in line with our Liberty. So, also new player, which had been fighting in the bottom part of the market, started seen the opportunity and the market reacted and enlarged itself. So, I would say that this is good , proving the fact that this kind of market where the volume stood very low in the past is increasing very fast, and also in good markets that there is room for a higher and higher part of premium products. And since we are much better at building up premium products, then giving value for money

products that would be something in which in the future we can leverage on. I don't really think that Vietnam is different compared to Thailand; Vietnam is different compared to Thailand for Vespa, because have longer history in Vietnam than in Thailand. But probably all of the other countries, even more important in terms of total volumes such as Indonesia, accounting two three times of Vietnam, Thailand, probably there will be room for making this premium product going up and so may be in these countries Honda will open up premium market of two wheeler vehicle and we will follow them. So this is for me a growth opportunity to be more competitive for us in the market becoming larger and larger in this countries.

India market, India market at the moment is booming, is growing a lot, I'm talking about two wheeler of course, is about 13/14 million vehicles and, that is not at the moment something like what happened in Vietnam with Vespa or Honda SH, but is still a market for basic mobility So, there is some entry of upscale player, Harley is entering, Ducati is entering. So, there is some market for people willing to spend a lot of money. Consider that to import a motorbike you have to pay 70% import duty. But people are spending some money there. So, maybe that also India is starting its evolution and will become an attractive market not only for numbers but also for value .

Moto GP – Moto GP is something you should look at as a commercial activity, marketing activity. Of course when nobody is able at the beginning to self sustain the costs with the sponsorship. But, at the beginning it will cost but in our idea not much more than the Superbike. Today in our P&L we have some sort of consolidated loss related to Superbike. So, it clearly represents for sure some limited increase in costs, at least at the beginning, but in term of image can create a better impact. So, we considered it as a promotional activity that may have positive impact on the full P&L, also because our motorbike may leverage on the presence there.

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Mr. Gabriele Gambarova – Banca Akros

Okay. If any – a short follow on India regarding the three or four-wheeler market, do you have any visibility, any kind of idea of how 2014 may behave in terms of market clearly?

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Gabriele Galli - General Finance Manager

In terms of market, India for three wheeler after 9 months we went down 1.7% so we can end the year with minus 1.7, 2% . We don't expect big changes. For four wheeler, today the market is bad in the lower part of the segment, but is good on the higher part, so if you look at higher than 2 tonnes, the market is good, if you look at lower than 1 ton, 1.5 tonnes the market contracted. For Piaggio, I mean, basically we do not have a big position in small four wheeler due to multiple reasons, so for us is not a big loss. In the three wheeler, we had a good position but even if the market stay stable, we have a great opportunity to push on exports because today in exports we are very bad. Historically we have been bad, we have been good exporter to Sri Lanka but then 12 months ago they inserted a very high custom duty, then the market has been depressed so we lost 80% of our export. Today, we have a new vehicle the ape City pax with gasoline engine,. Of course, it will be difficult and difficult. But we may push from that and we will end the problems

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Mr. Raffaele Lupotto – Head of Investor Relations

Okay. Thank you. I think that's this answer draws the call to an end. Thank you for taking part into our conference call. If you need more info you can call me later. Thank you very much.

