

# Piaggio Group

## H1 2012 Financial Results

### CORPORATE PARTICIPANTS

Roberto Colaninno – Chairman and CEO

Gabriele Galli -CFO

Raffaele Lupotto –Head of Investor Relations

---

### MANAGEMENT DISCUSSION

#### **Raffaele Lupotto – Head of Investor Relations**

Welcome and thank you all for joining the First Half 2012 Conference Call. As usual with me there are Mr. Roberto Colaninno, Piaggio Group Chairman and CEO and Mr. Gabriele Galli, Piaggio Group CFO.

They will use the material that you can download from our website under the link, Investor, Presentations. After the presentation, we will available for question you may have.

Before moving ahead, let me just remind you that our comments today may include forward-looking statements that are subject to risks that could cause actual results to be materially different.

And now I am pleased to handover to Mr. Gabriele Galli.

1

.....

Hello, good morning to everybody. So let's start from slide number 3. As you can see, I mean we moved in a very difficult macroeconomic environment, but our performance was good. Going to the macroeconomic environment, the North America went up, the Europe further contracted, especially in Italy and France. Italy today is at the minimum compared to the last years. Asia Pacific, had mixed trends. Vietnam and Indonesia were stable. Rest of Asia is expanded at double digits.

Indian two-wheeler was very good with scooters surging up more than 30% in the overall market, going up double digit. Indian three-wheeler market shifted positive after very tough Q1 and today is growing a little bit again, while the four-wheeler is still going up very fast. In this scenario, we leverage on our increasing exposure to emerging market and our premium positioning.

On Western country, we had an effective management. We gained much share in scooter. We maintained our price discipline. We had an increase of turnover in Moto Guzzi, double digit, 20%, confirming that the re-launch is being very successful. And especially we increased our gross margin in percentage terms of revenue from 30.5% to 30.9%, which is very good because as you can imagine, I mean scale economies were tough due to the volume decrease but we have been able to play a lot of action for productivity.

In Asia Pacific, we had – I mean we experienced the continuation of our momentum. So we increased our revenue double digit more than 35% as well as volume. And we also had pricing going up but also helped by exchange rate.

In India, we had a performance declining as we expected in the three-wheeler, but we had a great start in two-wheeler. So the commercial vehicle went down, especially in some particular regional market, Andhra Pradesh and Tamil Nadu, where we have a very, very good market share, and this impacted our overall market share. And in terms of export, we experienced some difficulty in Sri Lanka due to an increase of import duties.

But also in this difficult situation in terms of market, we maintain a very rigorous pricing discipline and we have been able to keep up our gross margin. In terms of Vespa, we launched a product end of April and the volumes are increasing month after month. In July, they're going to be more than 3,500.

On top of this performance, we leveraged, moving to slide 4, on restructuring. We had a very good reduction of the cost base, which allowed us to increase all the key ratios as well as to increase the net income. So despite the net sales going down by 7.9%, with the cost efficiencies allowed us to increase our gross margin, as we said before, from 30.5% to 30.9%. We had some higher financial expenses due to an increased cost of funding and a slightly higher net financial position, but thanks to this saving in tax rate, we have been able to increase the absolute net income. As we will see later, we have been able to increase not only the percent gross margin but also the percent EBITDA and percent EBIT.

In terms of CapEx, the development is going on. The CapEx increased by 62% compared to last year and this led to a debt increase of around €50 million which you saw before.

What I would like to do for the next month, India, and we are going to leverage on strong acceleration of Vespa sales. We are going to leverage on the new launch of Apé City petrol in the month of September October, enabling us to enter a very important segment, which accounts for 50% of the market. We will be introducing the new four-wheeler with a 1000cc BNA engine and we will be expanding our dealer network.

Asia Pacific, we are going to launch also there the 3 valves engine, which enable us to reduce very much the consumption and increase competitiveness. And western countries, we have a very large stream of products: Fly, new 3-valve engine. In September, we will be launching Moto Guzzi California 1,400cc. And also in the second part of the year, we will be leveraging also on the sales to Poste Italiane. In the first half, we only leverage by 2,000 units.

Moving to slide 6 very, very quickly, you see the key numbers of sales, down by 7.9%, 7.7% excluding ForEx. Percent gross margin up by 0.4%, down of course in absolute terms due to revenue decrease by €17 million. EBITDA, thanks to a good reduction of cash OpEx, up in absolute sorry– up in a percent term by 0.4%, down by €6.6 million in absolute term. The reduction ended up being lower, excluding the impact of foreign exchange, instead of 5.5%, 3.3%. Reduction in depreciation from €45 million to €42 million leading to an EBIT decrease of around €4 million but with an increase in percentage term by 0.3%. This decrease as well as EBITDA would have been lower without the ForEx effect. And finally, I mean net result positive by 0.4%, from 4% to 4.4% and €0.1 million, €33.7 million versus €33.8 million this year.

The net financial position, as we said before, moving from €332 million to €384 million because of higher CapEx.

Moving to slide 8, we can see the volume trend, minus 9%, made of minus 16.9% in commercial vehicle, India; 17.1% commercial vehicle Europe; 15.5%, two-wheeler Western country; plus 36.6% in Asia Pacific, with total volume going down from 346,000 to 315,000. Comparing these trend with trend in revenues, we can see some effect of pricing and ForEx. So moving to slide 9, we can see that – I mean the commercial vehicle India has a reduction of sales of around 18.4%, out of which more than 6 percentage point are ForEx due to devaluation of rupee, and the reduction without the ForEx – would have been the 12.8%.

Commercial vehicle Europe, instead of 17% volume would have been 24% and this is due to the mix, the market for Porter is tougher than the market for Apé. European two-wheeler, instead of decreasing in countries with volume, 15.5%, decreased only by 9.2% and this is thanks to a very positive mix, a higher displacement bikes, higher displacement scooters and, of course, a very strict control on pricing and discounts. And then I mean two-wheeler Asia Pacific going up by 38.3%, demonstrating the mix is not getting worse, as well as we had a good contribution from ForEx. Vietnamese dong went up together with dollar versus euro, allowing 5 to 6 percentage point in growth.

Moving to slide 10, you can appreciate the EBITDA evolution from €121 million to €114 million; €16.9 million reduction in terms of cash gross margin due to revenue decline, but as we saw before, an improvement in percentage, 0.4 percentage point and a strong reduction in cash OpEx, going down by €10 million despite the introduction of new Vespa in India, despite enlargement of Indonesian operation and so on and so forth.

Moving to slide 11, you can see the net income evolution going up. The components are the reduction of EBITDA by €6.6 million; the decrease in depreciation by €2.6 million; the increase of financial expenses due to the slightly higher total debt and a slight increase of cost of funding by €2.2 million, and considerable saving in taxes, partly due to the lower earnings before tax and partly due to the tax rate we expect by the end of the year being up 40% instead of 46% last year.

Moving to following slide, we can see the balance sheet. So very strict control on credit, going down from €177 million to €139 million, some reduction in turnover but also some reduction in days outstanding.

In terms of inventory, we experienced an increase from June last year, €257 million to €287 million this year. A part of that is due to the sales to Poste Italiane. Of course, we had to prepare the 18,000 vehicles which will be sold in the second part of the year. And so at the end of June, we had around €15 million of inventory for Poste, which will be of course, sold during months of July, August and September. Another part is due to the internalization of an operation we made through the acquisition of a very important player of some particular technologies in the area of Tuscany.

Commercial payable went up from €436 million last year to €477 million, partly because we increased the CapEx and so we increased the gross amount of expenditure, and partly because we went on negotiating larger payment terms, both in Europa and in Asia Pacific.

In terms of working capital, as you can see, we have an absorption total of €24 million versus €13 million last year. An important component was also other credit and other liabilities, which increased from minus 10 to plus 26. A part of that is due to the VAT recovery in India, which is becoming more difficult. Last year, it took place in the first part of the year, March. This year, it's going to take place either in September or in October. Then we have some other lower debit versus personnel and so far, there is more staff in debit/credit tax part.

So going to the fixed asset, you can see the big discontinuity in H1 2011, we had some of tangible plus intangible of €900 million; this year, we have €954 million. So it means that we went up with our investment in Asia Pacific, in India and some investment also in Europe. Then financial investment are pretty stable as well as provision, a little bit increased compared to beginning of the year, leading to a net invested capital of around €830 million versus €780 million at the beginning of the year and €775 million last year in the same period.

So the equity stood pretty stable. As you know, we distributed this year €30 million of dividends and we had a buyback of around – buyback of shares of around 2.5 million, so the equity is stable compare both beginning of 2012 and 30 of June of 2011. And so the increase of net invested capital went on the net financial position, increasing from €332 million last year June to €384 million this year June.

Moving to the following and last slide, you can see the flow. Basically, this year, we had an operating cash flow increasing from €68 million last year to €79 million. Last year, there was also the utilization of some provision, not more necessarily on the balance sheet, this year, not utilization of provision, and so this allowed this €10 million of improvement at same – similar level of net result. In terms of working capital, the component we explained before, where others and other credit, other payable, other receivable, absorbing €15 million, while last year, we released €21 million. So a similar pattern would be possible and we are looking to reach it in the second part of the year.

CapEx, very much increasing, including in this €78 million, you have also the acquisition of the company we mentioned before, which accounted for around €13 million in total and €10 million in terms of CapEx. So the total CapEx went up from €48 million last year to €78 million, out of which €10 million are represented by this acquisition of company. Then finally, we have a change in equity and other higher than last year, first of all because of higher dividend, from €25.7 million to €29.9 million; secondly, higher buyback of shares from 0 last year to 2.4 million this year and then I mean there are, of course, all the other valuation of equity part especially adjusted for ForEx.

4

So the presentation is over. Any question is very, very welcome.

---

## QUESTION AND ANSWER SECTION

.....

### **Mrs. Monica Bosio - Banca IMI.**

Good evening – good morning, everyone. I would have three questions. The first one is regarding Asia Pacific for two wheels. In the first half, the growth was 36.6% in terms of volumes. Could you please just give us a breakdown between Vietnam and Indonesia? And could you please tell us if you expect the same growth trend also in the second part of the year because my perception is that this growth trend might slightly decline in the second half of the year.

And the second question, very quickly, is regarding restructuring costs. Could you please tell us the total restructuring cost accounted in first half results? And the third question is a little bit more tricky. Let's say that given the crisis in Europe, we cannot assume – we cannot rely on the old business plan at least at a top line level. I was wondering if you have elaborate a worst-case scenario, or I can try – I would try to explain. If market condition would remain unchanged, do you believe that the company will be able to increase its

EBITDA results year-on-year in absolute terms? Or if you have elaborate any other scenario, it would be welcome if you can share with us. And it's finished, okay.

---

**Gabriele Galli -CFO**

Okay. So Asia Pacific. Asia Pacific, we – last year, we were at 37,200 units, made of 29,000 Vietnam; 0.4 thousand, Indonesia; 7,700, rest of Asia. The growth led the volume to 50,800. The 50,800 are around 33,000 in Vietnam, meaning that we had a growth of around 14%; 3,300 in Indonesia, meaning that we have an infinite growth because we are very much close to zero last year. And a very good growth as well in the rest of the region, Australia, Thailand, Japan, going up from the 7,700 last year to 11,500 this year, meaning a 49% growth.

Last year, if you want some indication for the rest of the year, I mean last year third quarter was very, very high; fourth quarter was very, very high for the launch of Indonesia and also for the entering of Thailand. I mean this year the third and fourth quarter will be very good. But the kind of growth we will be looking at will not be as high as the current 33% because I mean we are going to compare good performance versus very good performance we had last year. So I want to say that the third and the fourth quarter will be up but not as much as the 33% you have seen.

---

**Mrs. Monica Bosio - Banca IMI.**

Okay.

---

5

**Gabriele Galli -CFO**

In the second part of the year, especially in the fourth quarter, we will be launching the new Vespa in Vietnam with a new engine. And so probably, the third quarter would be a little bit lower than the fourth quarter because during the third quarter, we have to reduce the Vespa stock, we have the network to zero. And then we have to start the phase of the new Vespa. So the fourth quarter, for sure, would be better than the third one.

In terms of restructuring, second question, last year, we had a total cost of €8 million in the first six months while this year, we have €4.6 million in the same period. So we have a reduction of around €3.4 million.

And in terms of EBITDA, the question is absolutely, I mean, difficult to say. Just to give you some ideas, we have a very interesting graph of two-wheeler performance in Italy. And Italy is, today, is very, very, very low so. It's the lowest number in the past 40 years. Just to give you an idea, sales in Italy peaked in year 1980s with 1 million vehicle only in Italy, then re-peaked in 1998 with 950,000. Then in 2007, which is a booming year for Piaggio, was around 550,000. In 2009, was 500,000. This year, it was down to 250,000. So we are comparing our numbers – the numbers of the market with the half of four years ago and a quarter of year 1980s or 2000s.

Of course, I mean, the situation, sooner or later, will start to rise again, but we cannot say when because I mean we don't have the magic marble to see the future. What we can say is that – I mean first half was

very tough in terms of market. And we have been able to maintain the key ratio very high. So we have been to maintain a very good percentage at every level, gross margin, EBITDA margin, EBIT margin, net result.

We have been able to improve the net result compared to last year. And especially, we have been investing, I mean, for the future. So we are not saying we obtained these result but we have to count everything, no. These results include expenses to launch the new Vespa in India, expenses to finish the CapEx for new products and for new plants in India and Vietnam. So I mean, we can say that is true productivity coupled with new OpEx and CapEx to foster the business.

So we are not very much worried for the future because I mean after year 2012, there will be 2013 and 2014 and – but we cannot tell you, okay, last year, you made €200 million EBITDA. This year it's going to be €205 million, €206 million, €207 million. At the moment, we are €4 million behind. But – so sorry, €6 million behind, but we have a lot of positive items for the third and fourth quarter. The positive items are, as we stated before – I mean the new Vespa in India, the new Apé City Pax in India; the new four-wheeler in India with the BMA engine. Some new products in Europe such as California and some other products as the engine 350 and 500 will be giving, I mean, the full power in the second half of the year; some new product in Vietnam and the new engine in Vietnam and also the big part of the Poste Italiane sale. In the first half, we had only 2,600 units, while the total sales is 18,000 units, so in year something like 15,000 unit sales already done and just to be delivered and accounted for. So I mean we are positive.

.....  
**Mrs. Monica Bosio - Banca IMI.**

Okay. Thank you very much

6

.....  
**Mr. Giorgio Iannella- Cheuvreux**

Yes, good afternoon. I'm referring to your EBITDA performance, I was wondering if you are open to update your, I think today your average for today €235 million target for this year. And I'm looking for – at the current consensus, taking into account that your performance in H1 was minus 5% year-on-year on EBITDA, the current consensus would imply a 12% increase year-on-year in H2. So I was wondering if you feel confident about such a performance and then at least about the current consensus on EBITDA, which is at the €206 million.

And the second question regards your advertising and promotion expenses. Last year in H1, you posted €18.5 million. I was wondering which is the number in H1 in this year. Thanks.

.....  
**Gabriele Galli -CFO**

So I mean the EBITDA performance, it was certainly the same question as Monica Bosio. So of course, I mean the €235 million is far in the sense that, I mean, the €235 million has a very different hypothesis. Today, we are behind €5 million, €6 million compared to last year. Last year, the performance in the third or fourth quarter was good, but this year, we feel that we are some, I mean, ups compared to last year. So if you ask me about €205 million EBITDA, I don't see them out of reach absolutely, because it means that

we have to do the same as last year plus €10 million. And we have, I mean, the opportunity and the actions to reach that.

Regarding advertising and promotion, we do more or less, year-after-year very similar kind of expenses. So I don't have in my head at the moment the like-for-like figure compared to last year. Then I mean Lupotto can give you the number in the next days, but it should be very much aligned, because in terms of activities, we did something more and something less. For example, more, we did a fair and a convention in U.S. which didn't place – didn't take place last year. We launched the X10. So I mean, this year, we launched the new Vespa. So in total amount, of course, if you adopt also the delta parameters so the new Vespa, of course, the total spend was going to be higher than last year.

---

**Mr. Giorgio Iannella- Cheuvreux**

So just a follow-up, if I may. Then you basically feel confident about €12 million higher EBITDA in H2. So I'm wondering if you are counting more on the revenues or I mean the further cost cutting in the second part of the year. Thanks

---

**Gabriele Galli -CFO**

So as we said before, we have room to increase revenues. So Poste Italiane is 15,000 vehicles to be delivered in the second part of the year, which is around € 22 million. And then we have all the products we mentioned before. Again, Vespa in India, Apé Pax in India; Moto Guzzi California, in Europe; X10 in Europe and U.S. New 3-valve engine in Vietnam together with the new Vespa. So turnover is the first part. Of course, I mean the attention to OpEx is the second part as well as the attention to cost of the products. So productivity is as well a very important lever to the performance in the second part of the year.

And I believe that in terms of productivity, if you compare our P&L this year with our past P&L going back up to 2005, we have been able to show a very important reduction in OpEx despite a very important increase in terms of geographical spread. So I don't see in Italy any other company as efficient as we are.

---

**Mr. Giorgio Iannella- Cheuvreux**

Ok Thank you

---

**Mr. Gabriele Gambarova – Banca Akros**

Yes, good afternoon to everybody. I was wondering if you can give us an update on your volume assumptions for the Indian market in 2012, possibly breaking it down between three-wheelers and four-wheelers. This is my first question. And then I didn't get what you bought for €13 million, I mean, I understood it was a company, but could you give me some more color on this and on the reasons behind

this acquisition. And is doing this acquisition increase your CapEx guidance for 2012, or would it remain in the range of €130 million? And that's all for the moment.

---

**Gabriele Galli -CFO**

Okay. So let's start from the second one. I mean, what we did was to acquire a former supplier in the area of Tuscany, which has been bankrupt last year. So acquiring this supplier has been very important because we have been able to internalize some sort of know-how and competencies. And by the other hand, it was necessary because, of course, as you can imagine, I think we rely on our supplier, and if the production stops, we face some difficulties for a while, one month, two months, or three months. So we didn't want to face this kind of risk but we wanted to take the opportunity so that we decided to buy it. And the total cost of the acquisition was around €13 million last year.

So it's a one-shot acquisition, so probably, it is going to decrease some sort of other investment in the future in some other area because while buying this supplier, we had also the opportunity to have some machinery. So we didn't pay anything for the building of course because the company was bankrupt, but we traded for physical assets. So probably, we can save something in other area. The total CapEx guidance this year is around €125 million, €130 million.

But going to the market, the market in India, I mean predicting them to be a bit difficult from my point of observation in our internal sources. We see the four-wheeler market increasing. Then I mean if we distinguish by segment, there is a big increase of the 1.0 tonne expected. But I mean this kind of increase is going to occur also in the 0.5 tonne and in the 2 tonnes for sure.

8

Going to the three-wheeler, I believe that, I mean, the reduction in the market that we saw in the first quarter was particularly high because last year, 2011, it was absolutely a peak year. So it peaked – never in history, we never saw the similar level of sales for the market. So the more we go on during 2011 and the more, I mean, these single quarter high performance of 2011 is going to be spread over a longer period. And so the rate of decrease of the market is going to decrease. But I don't think that the market at the end of the year would be up compared to 2011, but also this kind of reduction is going to decrease.

Our key point on which we are hoping very much is the launch of the new Apé Pax City in October, because this represents a great opportunity. As you know, I mean, the market for Pax in cities accounted for 50% of the total three-wheeler market. And so by launching this product, we hope we can be able to gain a substantial share of the market. So total market is worth 200,000 units, of course, it's not going to be an easy task because I mean, Bajaj is, today, I mean, 100% of the market share. So Bajaj for sure will have some sort of reaction. But since, I mean, our product will have a completely new engine, very low consumption, we hope to be – we'll be able to gain fair market share. So for this year, maybe some few thousand units, 5,000, 6,000, 7,000, but in any case, that's a great opportunity for the future. And on top of that, this kind of product is very sellable not only in India but also abroad. And actually the Bajaj – Bajaj is selling another 150,000 or something like that in Africa and other region outside of India. So we're pretty confident about this product.



---

**Mr. Gabriele Gambarova – Banca Akros**

Okay. Mr. Galli, is – just a quick follow-up on this Apé Pax City, because in the last few conference calls, you told us that you were going to introduce it on the market in July/August, if I'm not wrong. And that now we are speaking about October, there was an issue in the development?

---

**Gabriele Galli -CFO**

No. No, no, no, no, absolutely. So, basically, we had to launch some few pieces in July, something like end of this year because normally, our launch are very, 100 then after one month, 200, and so on and so forth. For petrol, July, some units; then August for LPG; and then September for CNG. Actually, we are in the homologation phase basically finished for both petrol and CNG. So we don't face any delay in the production, but we prefer to have some accumulation of units before starting the phase. In any case, after the three-months, would have been some few hundred units, and Mr. Chopra, our Chairman, preferred to wait to have a bigger amount.

The other point we have introduced in this launch is the new body. So we were talking about launching the new engine now and then the new body with the new engine in December. Since we have been able to speed up the development of the new body, which will be ready on end of September. We also prefer to launch both new engine and new body together. So let's say, in terms of units, I agree with you, some few hundred units less in the third quarter. But in terms of launch, we have to agree with our Chairman in India who preferred to launch new engine and new product together, end of September, beginning of October. In any case, it's a strategic opportunity we have to say this year, okay, can be some few thousand units. It's not for the year but it's for the future.

---

**Mr. Alberto Villa- Intermonte**

Yes, good afternoon. Couple of questions on – again, on products, just a reminder of how the rollout of the production and selling of the Vespa in India is going, seems to be very successful. So just to understand if the targets for this year of around 40,000 units could be achievable and how we can look at the development of Vespa into 2013 in India. And again on the same product, I remember in the last call, we discussed about the potential of introducing the same product into the Indonesian market. I wonder if you can update us a little bit on what do you think and expect as a possible option for this product, also for the Indonesian market. Thank you.

---

**Gabriele Galli -CFO**

So basically the new Vespa is performing well, very well, although in the sense that this market sale is going up to 3,500 units, and we plan to have a gradual ramp-up through the end of the year. So the 40,000 units are absolutely feasible this year. For the next year, I mean, at the moment, I have absolutely to confirm what were our expectation in the plan, so around the 100,000, because I mean, it's too early to say if it would be much higher or a bit lower. So I would confirm the number.

Going to your second question, we are absolutely studying the opportunity to use Indian Vespa in Indonesia and there is a particular – a dedicated team to this issue. It seems to be positive, the first results seem to be very positive, because I mean exporting from India, we'll have for sure some higher logistic costs and some higher custom duty costs. But in absolute term, it would be, in any case, a good cost and so a good price for us. Another opportunity can be importing the engine from Vietnam then assemble the Vespa and selling to Indonesia, so that it would allow us to have a more competitive product by the price point of view.

Going to Indonesia, the performance is probably a little bit behind what we were expecting last year. Probably we started too fast and then we started dreaming five-digit numbers very soon. What is happening is that the situation is gradually improving, especially in terms of sell-out. So probably the 15,000 units we made last year in four months, as you can imagine, added some units to the network stock, which had to be decreased during the first month of the year in order to allow the dealers to have a, I mean, safer stock and safer financial. But in terms of sell-out, the latest number are between 1,600 and 2,000 units per month, which allow probably something lower result in terms of selling compared to what we decide, but in any case, give the strength of a continuous growth. So Indonesia is still, I mean, a good opportunity and a good market for us. I mean the market is, in any case, not experiencing any decrease or contraction, but is bigger month-after-month and especially richer month- after-month. So leveraging on our Vespa maybe Vietnamese and maybe Indian we hope to have I mean great opportunities.

.....  
**Mr. Alberto Villa- Intermonte**

Thank you. Just a follow-up. The pricing of the Vespa will be similar to one of the – on the Indian market or quite different in the Indonesian?

10

.....  
**Gabriele Galli -CFO**

No, it's higher. It is higher. I mean Indian market also in terms of competitors, absolutely one of the toughest markets in the world. As you know, we are selling at INR 66,600, which means they are 30% higher cost compared to Honda Activa, meaning that the average price in India is around €700 while we sell at €950 or €1,000. In Indonesia, the price today of the imported is IDR 24 million, which means \$2,000. Probably if we are able to reduce the cost, we can imagine to lower a little bit, but in the range of IDR 16 million, IDR 18 million, meaning €1,500 so something in between India and Vietnam.

.....  
**Mr. Alberto Villa- Intermonte**

Okay. Just a last one, if I may. On Europe, apart from Italy, which is very weak and probably July won't be much better the previous months. How do you see the other major European markets developing in the second half of this year?

.....  
**Gabriele Galli -CFO**

So I mean we see much better performance in the Northern European countries. So UK, for example, is not a big market but after some years of contraction started to going up. Germany – Northern Europe saw Finland and all the Scandinavian regions performing very well. France, mixed reaction, because I mean France, some months it goes up, some months it goes down. Our advantage in France is that, historically, we had a limited market share in France, much limited compared to Italy, Spain or Germany. And so our opportunity in France is to gain market share through products such as I mean, MP3, but also the product such as the X10 or the new GT scooter. And in fact in France, we have been increasing our market share, and so by 1 percentage point over the first six months, which more than counterbalance the decrease in the market.

For Italy, the situation is tough, we know, we see every day. Spain, difficult but probably the crisis in Spain started before the two other areas where we saw .The decrease in the market is important, but not as important as in Italy. Again, in Italy this year will be one-fourth compared to 15 years ago.

---

**Michele Baldelli- Exane BNP Paribas**

Good morning to everybody. Quick questions, the first one, a simple one, is about the restructuring costs. I couldn't get the number of what is in H1, the total amount.

Second question relates to the average revenues per unit in United States. Could you give more details on the higher price per unit in North America? It seems that you sell also aftermarket higher aftermarket or other products, so if you can elaborate, and if this is something sustainable, what this is relating to.

The third question relates to what has been the market trend in Europe in H1, because looking to your volume numbers, you should have decreased the volumes by 20% so I was just wondering what has been the sell-out? Thank you.

---

**Gabriele Galli -CFO**

So let's start from the revenue in U.S. I mean, revenue in U.S. are going up because the market is recovering. We are selling more, of course. We are gaining some market share in the scooter, but also in the motorbikes, as you know, I mean, there is a big difference. We are the market leader in the scooter, higher than 50cc, while in the motorbikes, we still play a limited role. And what happening is that I mean, on top of the volume, we are increasing and improving also the mix.

So the bikes are higher and higher displacement and we hope that we have a good increase after the launch of the new California 1,400 cc. And another key point, another advantage is also the ForEx. Because I mean, last year, the dollar was around €1.40, this year, the average dollar is between €1.20 and €1.30. So I mean, these are the three amounts. We are very happy, because I mean, we had a very good reaction of the dealer market. So probably in the past years, we made some mistakes and also the relationship with the dealers, and the dealer network stock was very high and, as you can imagine, this would translate into big problems. This year and Last year, we have been able to decrease the stock to free up working capital in

terms of inventory and in terms of receivables. And they reacted very well, dedicating more energy into the market. So U.S. that would be also positive for the future.

The market trend in Europe, yes, I mean, made minus something like 15%. So we have minus 14% in the scooter, 14%-15% in the scooter, with Italy at minus 20%; Spain, minus 16%; France, minus 11%; Germany, minus 12.5%; and all the other, minus 16%. And the total, minus 12.3% in motorbikes with a very important decrease in Italy, minus 30%; Spain, minus 28%; France, minus 11%; other countries, minus 8%; and a good I mean, stable market in both Germany and UK. So these are basically the market trends.

If you compare it with our sell-in, of course, the sell-in in our case went down in total item by 15.5%, so was aligned to the market decrease. But the point is that during the period, we also decreased the stock of the dealer network by something like 15,000 units. So basically, it means that through a gain on market share, we have been able to reduce the dealer stocks, maintaining similar level of sell-in compared to the drop of the market. So that's the second question.

The first question was about the restructuring. In Q1, we had something around €5 million in 2011 and €3 million in 2012. So as we said before, I mean, we saved a couple of million in 2000 – sorry, first in Q1 and then in Q2, we saved another €1.5 million, with a total gap by the end of the half of around €3.5 million.

.....

**Michele Baldelli- Exane BNP Paribas**

Just a follow-up about the volumes, because looking to the calculation I have done, it seems that the only the, let's say, EMEA volumes went down by roughly 20% in H1 as the U.S. volumes went up by almost 43% and is it correct?

12

.....

**Gabriele Galli -CFO**

I'm sorry, I was talking about Western countries, it's correct, it's correct. EMEA went down by 17.5 percentage points. But again, in a market going down by around 15%, we decreased by 17%, but we reduced the dealer network stock by more than 10,000 units. So that's the reason why the selling decreased more than the last year. Of course, if you have an expanding market, you are increasing more than the market, because you also have to provide the dealer with an adequate level of stock to guarantee the cover, okay.

.....

**Michele Baldelli- Exane BNP Paribas**

Yeah, okay. And just the final thing about restructuring, what's the outlook that we should see on the restructuring measures as, let's say, the CEO has made some declarations in the press – local press in Tuscany. So what's the outlook in H2?

.....

**Gabriele Galli -CFO**

I was in the meeting with the CEO who was not there currently, where there had been many restructuring problems, was that since the situation was not easy after the July August, it would have been possible that we had started some “cassa integrazione” , which does not mean we will be restructuring.

Of course, I mean, also in the second part of the year, our attention toward productivity would be very, very high. And so some sort of a restructuring would be absolutely possible. We have to finish maybe not this year, but partly this year, partly next year, the plant closing in Martorelles, we have to also do something in Italy. So I mean restructuring in a moment like this is top of tough companies and we believe we are a tough company.

---

**Raffaele Lupotto – Head of Investor Relations**

So I think that this answer draws the call to an end. Thank you very much for attending the meeting. If you need further information, you can call me later, okay? Thank you. Bye.