

Piaggio Group

Full Year 2020 Financial Results

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Hello thank you Francesca. Hello everybody. Thank you very much for taking your time to follow this conference call on full-year 2020 results. Joining me today are Mr. Roberto Colaninno Piaggio Group, Chairman and Chief Executive Officer; Mr. Michele Colaninno, Piaggio Chief of Strategy and Product, Mrs. Alessandra Simonotto, Piaggio Group Chief Financial Officer and myself.

All relevant materials are available on the Investors section of Piaggio Group website and then the presentation I said before, we will be available to answer the questions you may have.

As usual before starting the presentation, I need to remind you that during today's conference call, we may use forward-looking statements based on Piaggio's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to be materially different.

Also, I remind you that the press has been invited to participate in this conference call in a listen-only mode.

Now, I would like to turn the conference over to Mr. Roberto Colaninno.

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Roberto Colaninno-Chairman and Chief Executive Officer

Hello, good day everybody. Well after the presentation of the results of '20, I think they are very good results, especially for the cash flow point of view, where we were able to reduce debt by more than 120 million and I know that to have a good cash flow in a period like 2020 is extremely important, because 2020 was a year, as everybody knows, very tough for all the market around the world. And after this horrible year we believe this year to have in the first quarter good results vs those of 2020. Sales in Europe, in EMEA are good, in South East Asia are very, very good and also in China are extremely good. In India, we are going very well on two-wheelers, we have a problem again on three-wheelers we expected that this three wheeler situation will change in the rest of the year. In term of what we expect for the year '21, we believe that, number one we have presented 11 new products, bikes and scooter. We, have up to now presented already 6 new products:

four bikes, two scooters, new Porter and we will present in July to the market the electric scooter for which we expect big results. We consider the vehicle has a very high performance for an electric scooter, and we believe that we will have good results. The new Porter sales, for which we started the production, are in line with our budget and I'd like to say that the first deliveries to the customer received very, very good welcome, exactly in line of our expectation. The ramp up of production, continued in March, April and May, and all those sales that we have already in our book are in line with the budget. As in line with the budget are also sales and then orders of the bikes, especially the Aprilia 660, the new bikes RSV4 and Tuono, that represent for us the key products for the bike market. As per our investments on the electrical side, we have already started with a new electrical department in Pontedera. We have already a team specialized in electrical engines. Also, we are investing in a plan in Indonesia, where we have registered a good result and we expect that the sales this year this year will be growing double-digits. The Indonesian project will be deployed in '21 and '22 and will be completed by '23.

We are on the way to celebrate the 100 year of Moto Guzzi and for that type of celebration we started new activities to support the brand and its market.

Going back to the electrical side, after having completed the project of the thermic Porter we will start with the electrical Porter and we will presumably be ready to present it to the market by the end of next year. This would be for us an extremely challenging target, because as you know, the market appreciated this vehicle very much, as it is perfect for urban mobility, transportation of goods in the big metropolitan area. So I would say that in term of product strategy we believe that we have the best line-up we have ever had: scooters, bikes and the small vehicle for metropolitan mobility.

For international market point of view, we have a very strong organization and the development of the new concept of distribution that allowed us to go up with the number of dealers in all areas, especially in Southeast of Asia, especially in India and the new market that is China, where we have already a new organization and the new organization we take care about the sales on the market in China - with product that we will imported from Vietnam and those that will be produced in China by the joint venture with the Chinese people. So we expected for this year a good year. Naturally, all depends on the virus, because that is really the only problem that we have, that's everybody has.

In term of personnel situation we are growing, especially in Vietnam, where we have in project to achieve a capacity of more than 200,000 vehicle, because given our vision for Vietnam, Thailand and the other countries part of the Asian market we need higher production capacity. Today our capacity is about 150,000 and we are working now to achieve a capability of 200,000, 250,000, plus what we expected from Indonesian as I told you before. So good news is coming from that area of the world and from China. We expect to achieve a good result, very good results in the bikes and to maintain our market share on the scooter side especially with the new Vespa and especially with our new products, launched this year. So I want to say that we are very positive as I told you before for '21 either for number of products, for technology, for quality standards, and for the results that we get from the market already on the first quarter. On the cash point of view, we projected to maintain the level of debt even if the CapEx will be, this will be higher in the 2021 than 2020. The management cash system that we have, allow us control and to get the performance as we have already had in 2020, when we made cash of over EUR120 million and then; this will be confirm already on the first quarter. So I believe that we have to manage as usual: cost control, cash flow control, development of point of sales in China market, development of point of sales in India, especially on two-wheeler, to be back a three-wheeler sales as the year before the Pandemia and to work on the electrical new projects. We believe that we will achieve the results that we expected to achieve for this year.

Raffaele Lupotto – Executive Vice President, Head Of Investor Relations

Okay, thank you. And I think that Alessandra can read and to comment on the slide that you have seen and downloaded from our website. Okay. Thank you.

Alessandra Simonotto – Chief Financial Officer

Thank you, Raffaele and good afternoon, everybody. I want to start the 2020 presentation with two slides, that are not about 2020, about the about 2021. So, just like Mr. Colaninno, as already said to all of you, our expectation for 2020, 2021 is all new model, a 11 new models for bike and scooter one new model for the light vehicles. This is our future: the new Aprilia 660, the new Beverly, the new Vespa 946 Christian Dior, the new Moto Guzzi V7, but also at page 4 all the other products, that we are expecting for the new year. And this is what we have created and worked in 2020 even if *Pandemia* has stopped our activity in March, and a little bit in April of last year.

So, having had a look about the next future go back to 2020 and go to page 5, I start with the key financial metrics of this year, to understand better what advance in this month, we have focused the analysis on second part of the 2020. As you can see, we performed in the second half significant improvement of all key operating metrics and the highest cash generation from March to December. In the second half in fact, net sales increased by 1.3% from 704 million, on the second half of 2019, the EUR714 million in the second half of 2020. EBITDA increased by 10.1% from 94 euro million of the second half to 2019, to EUR103 million of second half 2020. Benefitting also the growth of the EBITDA margin the net profit grew up of around EUR10 million from EUR12million second half 2019 to 20 million in a second half 2020. In terms of net debt, just like Mr. Colaninno said all of you before, we perform and the significant improvement respect to the 529 million Euro of June and 549 million March recovering a more or less, or EUR125 million and closing the year at EUR424 million lower than the net debt of December 2019 of around 6 million. In this picture in, you can see and as this period from March to December we recorded an all-time high free cash flow generation achieved by the careful management of the working capital, operating cash flow plus working capital and CapEx.

Going to page six and seven I would like to underline, on the one side, the outstanding results from motorbikes like the new RS 660 with more than 1,000 units sold in just a few weeks after launch and the continual sales growing on the Guzzi V7 with volumes up to 26% in the second half of the year.

On the other side on page seven, you can see, after a ten year journey how Asia Pacific reached the best result in term of revenue, with around of EUR250 million achieving a good country diversification in the area and with a premium price position in year after year.

Moving on page eight, for the first time, I would like to point out the results of our sustainability approach. As you can see Piaggio has been rated by MSCI Morgan Stanley's capital international research for the fifth year been rating AA, the best ranking among the 39 players of the automobiles index and obtained by CDP ex carbon disclosure project and upgrade to A minus for the climate change index.

Going to page nine, we have summarized our industry's key demand trends. About EMEA and Americas previous demands rebounding after the first wave of lockdown sustained by a combination of the new focus on individual urban mobility replacement cycle and macro improvement. Recovery drew strength mainly

from Germany, the Netherlands and US, whilst Italy and Spain lagged behind ending slightly down vs 2019. Piaggio gained market share both in Europe and in US scooter market. About Asia Pacific diverging demand trends, the processes across the year. All Asean 5 countries ended down vs. prior year; Malaysia was the only country to revert the trend to positive in Q4. In stark contrast the trend in all the other key reference countries, notably in China, scooters ended high single-digit whilst Taiwan's posted sequentially stronger trend ending up by, more or less 30%. About India Demand plummeted hit by prolonged lockdown measures, although encouraging signs emerged in Q4. Piaggio gained market share both in the LCV and scooter market.

Let's move to Page 10 to have an in-depth analysis of volume trends by business. 2-wheelers on the rise across the board in Q4, almost offsetting the Indian LCV heavy drop; YTD results still dragged down by Indian plunging demand. Volume improving trends amplify that revenues levels on the back of positive pricing notwithstanding forex headwinds. Asia reaching an all times revenue high. About EMEA and Americas, we can say that the strong Q4 in Germany and Netherlands and America stood out ending up double-digit at the end of the year. About the Asia Pacific outstanding performance confirmed in Q4, China, Thailand, and South Korea drove the growth whilst Indonesia's upward shift in Q4 bodes well for 2021. As about two-Wheeler India a rebound in Q4, driven by improving market demand coupled with market share gain, provided initial signs of sustained recovery. About in CV EMEA and America Resilient performance in domestic market overshadowed by the drop in exports. And about CV India, just like Mr. Colaninno said, volume drop driven by Pax segment affected by enduring lockdown effects in urban areas, while the Cargo trend shifted to positive in Q4, suggesting that the segment is on the verge of a recovery cycle.

Going to Page 11, you can find an in-depth analysis of net sales trends by business. Volume improving trend amplified the revenue level on the back of positive pricing notwithstanding forex headwinds. Asia took the spotlight to reaching an all-time revenue high, as already said before. About two-wheeler Emea and Americas Q3 strong momentum confirmed in Q4, despite dilutive mix and negative ForEx effect, driving revenues close to PY level. About two-wheeler Aisa Pacific, highest Q4 performance to date, mostly driven by Indonesia, Thailand and China - pushed full year revenue to an all-time high. About two-wheeler India Q4 and full year dynamic benefitted from significant price hikes, despite the challenging economic backdrop. On LCV EMEA and Americas negative volume trend, partially offset by a strong segment mix expect. And about CV India, drop mitigated by a steep price increase largely due to the introduction of BS VI vehicles.

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Let's move to page 12. So, have a look at the breakdown of the performance by product. As you can notice scooters fully recorded ending up the year with revenues on the rise behind the sequential performance improvement in all geographies. Prices overall up mid single-digit provided further proof of the strength of our brands. In this contest Vespa was the outright bright spot, with revenues on the rise on the back of volume growth coupled with a widespread positive price effect. Medley confirmed strong momentum reaching an all-time volume & revenue high. Looking in motorbikes despite deliberate channel inventory reduction, catch-up accelerated in H2, Aprilia surged 60% in Q4, fueled by the successful launch of the new RS 660. Regard the commercial vehicles results are deeply affected by Indian performance.

Going to page 13, we can have a look, EBITDA evolution as usual. Whilst Western Countries fully recovered from the first wave of lockdown measures and Asia Pacific ended with the best performance on record EBITDA was impacted by the prolonged Indian weakness and negative Forex effects. Heightened efficiencies on Operating Expenses continued in Q4 and you can see without affecting key project, thus more than offsetting gross margin dilutive effect and partially mitigating top line declines.

On page 14 you can see the complete P&L of the year with the net result is still penalized as a consequence of the lower operating results in the first half of the year, while benefiting our financial expenses positive effect end tax rate than to 37.6%.

And the last, going to page 15 here we can find that's analysis of cash flow, net debt and liquidity. As I mentioned before free cash flow generation strengthened across the year, with a remarkable improvement of 152€m in the last nine months, pushing Net Debt to EUR423.6 million from EUR548 million of March 2020, less EUR125 million, 6 million below the year-end 2019. Free cash flow results achieved by outstanding improvement in working capital mostly inventory and receivables while capital expenditure remain in line with prior year to ensure our long-term product development, just like we see in the first stages. Liquidity profile strengthened across the year with Gross Cash reaching EUR491 million providing comfortable headroom to cover next year maturities. Thank you

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Okay. Thank you very much. So now we are ready to answer the questions you may have. Thank you

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QUESTION AND ANSWER SECTION

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Monica Bosio – Banca Intesa San Paolo

Good afternoon, everyone, and thanks for taking my questions. The first one is on Europe, could you please confirm that company inventories and the stock dealer inventories level are at the lowest level now. With the European two-wheeler market which is back to the pre COVID level. Can you please help us to figure out the potential growth in 2021. Do you believe that there is room to improve volumes for Piaggio at least mid single-digit and same area the price mix was really very good. Can we will project for 2021, a growth rate high single digits or even double digit. And as with APAC, would you please quantify the CapEx expected for the Indonesian plant and the very last question is on the electric market in Europe. Can you please give us any color on the size of the electric market the scooter in Europe. Thank you very much

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Raffaele Lupotto – Executive Vice President, Head Of Investor Relations

Monica, Raffaele speaking. Okay, you asked several questions. I try to answer you. First of all, concerning the dealer stock in Europe as said by Alessandra before reading the presentation, yes, I can confirm that the dealer stock has been the lowest ever. Okay. So we reduced the stock of more than 10,000 units last year, and this is the result, as I said in prior calls of a deliberate strategy that we undertook already in 2019: to lower the dealer stock to be ready to phase out EURO 4 vehicles and to be ready to sell a good number of EURO5 vehicles in 2021. Clearly, there is a big mismatch, there has been a press release on sell-out: we gained market share and the market grew, we gained market share and clearly our sell-out grew significantly and we were reducing in the meantime the stock, so there is a big delta the between the two data. Okay. Then the very last question was concerning the electric two-wheeler market. According to our estimates the electric two-wheeler market, has been in the region of 76,000 vehicles last year and as you know, the vast

majority of these two-wheeler according to our estimates are still concentrated in the B2B business, so in the scooter renting business. Then you are something concerning the..

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Monica Bosio – Banca Intesa San Paolo

... The growth rate expected for Piaggio in Europe. Do you expect that the company expect to grow at least mid-single digit in Europe for 2021? And would you see feasible a high single-digit growth rate in APAC in 2021 after the strong performance of 2020?

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Raffaele Lupotto – Executive Vice President, Head Of Investor Relations

Yes. As said by the CEO before, we expect good, strong results in Asia Pacific.

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Roberto Colaninno-Chairman and Chief Executive Officer

Regarding the Indonesia, let me spend five minutes to explain to you what is the strategy that we want to use to manage investment in Indonesia. Indonesia is a big market of two-wheeler, now Indonesia has restrictive policy for import, and they push to the production inside the country. We start next year with a new plant, let's say, about 50,000 square meters where we will build, assembly products. We expect the big results for next year, but you know, Indonesia, is a far away country, we had Covid problems. So, we want to be very conservative to start completely with this investment. So, in 2021, to build the minimum is possible to be able to maximize the import of products. Let's say, a mix of production inside of the country and the import license that we will receive from the government, if we put them together, we will get three times more than today. But we look, we want to look at 2022 to see how is evolving the business and to complete eventually the project in 2023. You don't have to forget that the strategy of this country: we want to keep in balance import with export generally speaking. So our negotiation now with the governance to keeping both the import and the quantity that we will assembly locally. So let's say that we want to achieve to have the same quantity in import and the same quantity to assemble locally. So depending on how this kind of things go we will manage to increase the investments or the keep investments at the same level as we want to build today. Is the same policy that we have used, when we have done the investments in Vietnam, where the investment has been really fantastic in term of return of investment. This year and the sales of the first quarter and that projection sales for all the year on the Southeast of Asia, sorry, for Piaggio are much more than satisfying.

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Monica Bosio – Banca Intesa San Paolo

Okay, thank you very much, very clear. Thank you.

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Renato Gargiulo – Bestinver Securities

Yes, good afternoon. Well, my first question is just a clarification about still your –plans of expansion in Asia production capacity. Regarding the timing of your expansion in Vietnam, if I were understood to 200,000-

250,000 volumes. How much time I can we assume, two, three years' time for this target. Then the second question is on price mix in Europe. Also given rich product pipeline you have been talking before, can you give us any an expectation about price mix to 2021. And the third question is if you can give any comment about the recently announced a letter of intent for the batteries consortium about the business rationale, et cetera. Thank you.

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Roberto Colaninno-Chairman and Chief Executive Officer

Regarding Vietnam, we want to increase production in Vietnam, especially in the engine side and to achieve in 2021 a potential production of 200,000 pieces. Let's take in consideration that today is about 120,000 and 130,000 pieces. Then if the sales go the way that we expect we want to increase more the capacity of the Vietnamese plants on 2022 by other 50,000 engine and probably we have to increase welding and painting department. This was based on the sales of last year, these sales, this year are expected to be very, very good. And also because of the country around Vietnam and in Vietnam, the virus is not so let's say out of control as now in Europe. Vietnam was very, very effective to control the virus and today they have in their area and very good situation, a very good position about this. So, all the general condition: market, the development of the country, the GDP of the country and how they managed the virus is positive. So, we are optimistic on that area and then we work to be ready to satisfy the market.

The mix in Europe. Well, as I told you before, we are growing on bike share, because we have market share on the scooter that is very high and instead, we have the possibility to gain market share on the bike side. Naturally, the price of this products is much higher than the scooter price. So, if we consider, then that the quantity of sales on EMEA market is much more on the bike side then in the scooter side, in terms of growing naturally because we will keep the same market share the scooter and we increased the market share in this bike side, our mix, our price mix will growing by in line with the sales.

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Gabriele Gambarova – Banca Akros

Yes, good afternoon and thanks for taking my questions. The first one is a comment, general comment on Asia, Far East Asia, I mean the market was still a subdued, but your sales grew by 30% plus in Q4, so I was wondering what was the trigger for this success, I don't know dealer network, new products or anything that can help us to better understand to be incredible performance? The second question is on CapEx. If you can quantify CapEx for this year 2021 and possibly the following years and if you have an idea of what could be, let's say a normalized level of CapEx in the future in the medium term. And the last question is on the tax rate, I saw that 2020 ending up with a nice 37.6% of tax rate, if I'm not wrong. So I was wondering, what do you envisage for 2021 and even in the medium term, if you can give us an idea what would be, and normalized tax rate? Thank you.

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Roberto Colaninno-Chairman and Chief Executive Officer

Number one, I agree with you the results of Far East Asia are very good and is a very good business strategy that we have developed in order to support the brand; the last support was the Dior name and Vespa Dior was very successful on the market, especially in that market of Far East and give us the results of this strategy

and Vespa especially is very, very welcome for that market. Number two is the level of service that we have done through the increase of point of sales in other areas. Naturally their systems and the quality of the products but also the way we are following the customer, in a way that was a surprise also for the competition. It is something normal in Europe, it is not so normal in the Far East, excluding Japan, naturally, gives us the customer loyalty, very high. Ans also the system of *Passaparola (word of mouth)*, let me use an Italian expression of the market is very positive for us. Take example in China, in China, we have set up a new organization especially to look and follow the market, we increased the point of sales in China in the last year in very substantial number and this give us the possibility to grow up in sales in a big number. All this is Vespa but also we are beginning, to sell also Moto Guzzi and some Aprilia. All these products are imported and naturally, their price is very high and this can limit in some way sales, but the results we are obtaining are very positive and we expect that they also this year China may give us unexpected results in term of sales, but again the name, the quality and the service and the Vespa is really has a huge, huge consideration from the markets and especially regarding what the quality and the design of the products

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Alessandra Simonotto – Chief Financial Officer

About the tax rate as you know we are working year on year on the new taxation in any countries where we are, you know very well the India. I know that the Indian tax rate is lower than 2 years ago, because there is the low exchange in 2019. So all these things put together, we are looking to maintain a lower tax rate than 2019 that we have reached in 2020. This is something that we are working on 2021. About CapEx, if I remember well your question, you have already read the declaration of Mr. Colaninno during the February month to the Italian press. We are looking for 150 investment more or less in the YoY for the next three years. So this is the only thing that I can say to all of you.

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Gabriele Gambarova – Banca Akros

Ok, thank you very much. If I can make a follow-up again on Vietnam. I guess that the increase in the production capacity in Vietnam is a functional also to the CKD initiative in Indonesia. I guess.

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Roberto Colaninno-Chairman and Chief Executive Officer

Yeah. But this is only on the end of 2022.

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Gabriele Gambarova – Banca Akros

Okay. Okay, thank you very much

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Emanuele Gallazzi – Equita Sim

Yes, good afternoon everybody. Two questions from my side. The first one is on the cost side. I was wondering if you are experiencing some costs pressure on raw materials, or logistic, in the first part of the year and what

could be the impact on margins. And the second one is the, on the net financial position, considering the very positive contribution from the net working capital and the net working capital in the last couple of year. Can you give us an idea about what do you expect in terms of net working capital evolution in 2021? Thank you.

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Roberto Colaninno-Chairman and Chief Executive Officer

Okay, you are right, we the raw material market is on pressure and also is the cost of the transfer of material, especially from Far East to our country, it is today in the area high speculation for the cost of transportation by rail and so on. Number one, we don't use plane for transportation of the products. We now we are looking for the transportation of train from China to Europe, that is very positive and in term of price is very competitive and also in term of speed is very competitive too. I want to say that we have in place, a lot of transportation replaced from boat to train and then the train that started the from China and arriving in Europe is working well today and the delivery time by train, I wanted to say that is beginning to be better than the time of the boat of transportation. So total potential cost, we don't see any increase or during the year '21.

In term of material. Our buying is spread all over Asia, all over India and also in Europe. The hard material is a standard hard material and naturally use it some particularly for the engine, but not so heavy for the total cost. We have hot market on an electronics components, but we have done a good agreement with our suppliers in China and I want to say that in our reorganization of China, we have develop a group of people totally focus to scouting new suppliers and they gave us a very unexpected positive surprise in term of price and in term of quality. So now, we buy much more outside Italy and we begin to reduce our buying from Europe and we increase our purchasing in India, in China and in some countries around the Vietnam. But we have done a good decision at the end of last year when we decided to develop new office in Canton and in Beijing with the target of scouting and find the new supplier of components, especially for our electronics point of view and the raw material.

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Alessandra Simonotto – Chief Financial Officer

About net financial position in our expectation in 2021 what we can say: we will work in the same way we have worked in the 2020 because we never will leave anything on the table about receivables and about inventories. Just like Mr Colaninno already said, giving you the example about the change we have made on transportation. But on the other side, we want to work also on the target around the leverage ratio. So we will work also to reduce the leverage ratio and working about EBTDA side and the net financial position side.

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Emanuele Gallazzi – Equita Sim

Okay, thank you very much.

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François Robillard – Intermonte

Hi everyone, thank you for taking my question. First one is, therefore is about the letter of intent for the swappable battery group you form with Honda...

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Sorry, François, we can't hear you very well. Can you repeat the question please.

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François Robillard – Intermonte

So, yeah first one, can you hear me better now.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Yeah a little bit better yes.

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François Robillard – Intermonte

Okay. So first one is on the letter of intent, you announced yesterday. Can you give us some more color on that and what are your expectations and the second question is about India, what kind of recovery. Do you expect there or especially on the commercial vehicle side. Thank you.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

The second question is India, the recovery?

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François Robillard – Intermonte

For commercial vehicles.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

You know, the situation we can improve on a base base effect since March and then, the situation should improve going forward. For sure you will have several months with a very easy comparison base and it is also expected by consensus.

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Roberto Colaninno-Chairman and Chief Executive Officer

The situation on commercial vehicle in India is this. We have, as you know, two big market of that. You have a good transportation vehicle and people transportation. Normally for the people transportation is very use

and the big cities as New Delhi, Bombay and so on. The goods transportation is used especially in the country sites in the rural space. Now given the virus situation, people try to avoid the three-wheeler transportation in the city as you can imagine, because this is very small, the people are close one to the other. The second one, also the school you still closed and the school naturally, is a big number of people, they're going to school and a big number of people use these type of vehicle. Instead in the rural side in the side the three-wheeler vehicle are used, in high quantity for good transportation. Now on this market, they sales growing up and the Piaggio have really and very, very good market share; it is the leader of the market of this type of products, and we are beginning to present, new products, able to transport much more, much more products, then the other one. Regarding mobility in the city now. It depends very much from the virus and the virus situation in the big cities in India is still not so good. But the schools in some area of India, especially in Bombay are beginning to be open now and we already see the results with the people beginning to buy again this type of vehicle. Now, on top of this, from engine point of view, Piaggio is ready to present the new engine 300cc very flexible and to use gasoline and not diesel. But with other combustions like gasoline or gas the demand is there still good. So now we look how is the evolution of the virus and what is there their decision of the governments or the local authority regarding the school. If the school is ready to open the situation will return very quick as before. So, it's not a question of the people change idea or change the minds in way they will commute, on the vehicle that they will use for their mobility. The vehicle is still three-wheeler and vehicle is still exactly the same. We have changed the engine is change the quality of the engine in term of electronics control. Now the last stage before the market be back as before, is the situation of the virus in the big cities

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Okay, next question please.

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Michele Baldelli – Exane BNP Paribas

Hi, good afternoon to everybody. I have three questions. The first one is about the level of factoring that you have a balance sheet and then the second one is about engine in Vietnam is there any shift of the engine production from the JV in China to Vietnam inside this plan or is it just the engine for the production made in Southeast Asia. And the further question is about China, if you can comment on the expected sales growth in 2021. Do you expect sale to grow like this year doubling the volumes? Thank you.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

The factoring. We had 93 million euros factoring on receivables as you call it. So \$7 million below prior year.

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Roberto Colaninno-Chairman and Chief Executive Officer

Okay. Engine if we decided to producing in Vietnam to replace in China, you mind?

Michele Baldelli – Exane BNP Paribas

Yes. If a partly explained also by a possible decision like this one.

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Roberto Colaninno-Chairman and Chief Executive Officer

No, no, no, no. What do we have seen is that the potential production of engines in the Vietnamese plant today is lower than the demand. So we have to increase that the production of engine departments, the welding department in Vietnam to satisfy the sales, the growing sales of the South east of Asia and to the delivery Vespa also for China market. We don't produce Vespa in a joint venture in China. The Vespa is produced only on the Vietnamese plant.

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Michele Baldelli – Exane BNP Paribas

Do you have any comment on China? Expectation on 2021?

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Roberto Colaninno-Chairman and Chief Executive Officer

China is a huge market. If you see the number and you see what we sell now, it is not in line with the market. What we expected from China; the Chinese market began looking at the very top-class products as Vespa for example. So when we see the market in China, we want to see Vespa in the premium segment of the products, so we don't want to compete with made in China. Naturally to follow our strategy we need a certain type of dealer and we have to meet with a certain type of customers especially young customers, but customers that want to spend money to buy quality products. So our main strategy in China is the same one that we have developed in Vietnam and we have developed in Europe. Vespa remain for all the world a premium product. And naturally we defend very strongly our patents on Piaggio and Vespa, because sometime we have a very strong attack from some producers in China that copy the Vespa design and we defend and we obtain in all the cases a good result, because our patent is very well done and we resist and keep Vespa as a premium top-class products.

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Michele Baldelli – Exane BNP Paribas

Thank you.

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Niccolo' Storer – Kepler Cheuvreux

Thank you. Good afternoon, everybody I have one question on your gross profit. I saw that it has declined year-on-year by around 2 percentage points, if I'm a wrong and I want you to comment a bit on this trend is this entirely related to India so should we expect a rebase on a lower level due to lower margins on three wheelers or is this figure affected also by other of these that you want to share with us. Thank you.

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Roberto Colaninno-Chairman and Chief Executive Officer

It only depends is only for the virus because as you see the 2020 sales drop down in quantity, so we was obliged to reduce what we call “*ore prodotte*”, let's say that it is the time that we need to produce one vehicle. We had a lower number of vehicles to produce, the number of hours declined, and naturally, unfortunately the fixed cost at that point were more heavy than variable cost. Now in the budget of this year, “*ore prodotte*” are going up and then we expect to go back again to the gross margin of prior years. On top of this. I want to say something very important: there aren't many company that work on productivity management system. If you started with the budget normally you started from the sales and then you are going down to the cost and *et cetera*. Instead when are you preparing your budget you should ask yourself how much productivity you should reach. When you begin build the budget based on this and it's not that easy to meet after that what you have you decided to increase in productivity because the productivity more than the margin is really what drives the company, the final results. Now productivity around Europe is not so high as a productivity around the United States for instance where and United States, the productivity target let's say, it's very, very common and all the companies use the productivity to drive the budget. So in terms of this I agree with you that to control the margin and the productivity is there is the key that gives to you the idea if you are able to meet the budget or not. Naturally to use the productivity management system and to find that all the people are accomplishing with this technology, this account system it is not so easy especially in India or Far East or in other countries, in Italy too. It's not so easy that you find a company that introduces and works with productivity management system, it is very difficult and to have mentality to work with this type of control system and to drive all the management on this way, it's not so easy. But we try to introduce this type of system from two years from now and we have a good result. So last year as well is that the productivity in the margin was justify because you know what happens and you know what we have to do what we have done to mitigate this. But naturally if there our work in the decline this type of rate will go up.

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Niccolo' Storer – Kepler Cheuvreux

Okay, thank you.

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Renato Gargiulo – Bestinver Securities

Yes, sorry, very quick one. Could you give any indication about the volume trend and price effect for the Vespa brand over the full year in 2020? Thank you.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

No, no. We don't disclose these numbers. Okay, sorry

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Renato Gargiulo – Bestinver Securities

Okay. Okay, no problem.

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

As you know that we can there are no more questions. So I think this answer concludes the today's conference call. Thank you for joining us today. And please call me anytime if you need some follow-up questions. I wish you a lovely evening bye-bye.