Hello. Good afternoon, everybody. Thank you for joining us to analyze Piaggio Group's First Half 2014 Financial Results. And apologies for the short delay. Today's conference call will be held by Mr. Roberto Colaninno, Piaggio Group Chairman and Chief Executive Officer and Mr. Gabriele Galli, Piaggio Group General Finance Manager.

During today's conference call, we will use the presentation you can download from our website. Before going ahead, I remind you that during today's conference call, we can use the forward-looking statements that are subject to risks that can cause actual results to be materially different.

And now, I am glad to hand over the conference call to Mr. Gabriele Galli.

Gabriele Galli - General Finance Manager

Hello. Good afternoon to everybody. So as usual we will go through the short presentation we have.

So, starting by slide 3, you can see the market demand has been unsupportive for main Piaggio reference markets.

In fact the trend that started during the first quarter for Europe, which was up by 13% decreased a little bit today. Today, the total market is plus 4% versus previous year with bikes up by 9% and scooters flat. The market trend in Asia Pacific is overall negative, especially in Vietnam, Thailand and Malaysia. In Indonesia, the market is good. In India, the two-wheeler market is growing double digit. While that's very good news, in India, the market started again to increase. Today, after six months, the market is slightly negative, but the second quarter was really positive.

Moving to the business highlights, the Western Countries have been characterized by a resilient performance while the market was very volatile. The Piaggio leadership was, of course, confirmed. We had a couple of new products, Vespa and MP3, and both of them posted a double-digit revenue growth.
We went on expanding our business in Latin America with the mid-sized bikes and that's, as well, a good news, because we are entering new geographies. And in terms of biking, we have been able to maintain price up. In terms of market, Italy was still lagging, while France, Holland and Spain grew double digit.

In Asia Pacific, the market showed a negative performance. Vietnam is still negative. There is also, during the first quarter, a very strong competition. Ex-Vietnam sales were good especially in Indonesia, Thailand and Taiwan, but weren't able to reverse the negative trend in Vietnam.

We also started selling in China and that's good because China will be a very interesting market especially in the premium segment. And as well as in Europe, also in Asia Pacific, the prices holding up very well if we exclude the forex, despite the increased competitive intensity. The total result was, ex Vietnam Asia Pacific result positive, but still unable to counterbalance the negative performance in Vietnam and the negative forex effect.

Moving to the following slide, India showed a very good performance. As we've stated before, the market is still negative if you look at the six months, but steadily improving across the quarter. Especially in May, the market reversed positive plus 12 percent, in June, it was a plus 23% after a negative minus 16% in the Q1. In terms of market share, we've been able to gain a position for the fifth consecutive quarter leveraging on four-wheeler and on Ape City Pax. The export is absolutely positive. The volume was up by 84% versus previous year. And also, in terms of pricing, if you exclude the negative forex, the prices were up. In terms of two-wheeler trade, the Vespa number is stuck at 2000 units per month which is very much aligned compared to what happened during this first six months of the year.

Looking at the financial consolidated, the net sales was down by 6%, minus 2% at constant forex. So, the second quarter showed a very important reduction compared to what happened during the first quarter. We confirmed our premium pricing strategy and our premium branded positioning which coupled with efficiencies allowed us to maintain EBITDA margin at the same level compared to 2013. In particular, the gross margin ratio was at 30.9% as in 2013, despite lower production volume, showing that, by the one hand, we've been able to maintain a strict pricing policy and, by the other hand, we have been able to extract efficiency from the cost of the product.

In terms of OpEx, we went on containment compared to 2013 and today, we have a saving of around €6 million compared to the previous year. And that even after stepping up in marketing expenses to try to boost our brand presence across the different regions.

The financial expenses have been higher. We had a one-off item related to the bond redemption which accounted in 2013 for €2.9 million. And the comparison with the previous year shows a lower capitalization of interest expenses following the IAS 23 compared to the previous year.

In terms of total CapEx, we had an amount of €38 million versus €43 million during the previous year, very much in line with the 2014-2017 industrial plan investment profile. We have been generating cash during the quarter during the half. As you know, our business is very seasonal. Last year, we have been absorbing €66 million during the first six months. This half we have been generating around €3 million. So the difference in terms cash absorption generation versus last year is positive by €70 million.

In terms of debt profile, we did a couple of operations. So we issued a new bond amounting €250 million with a maturity of seven years, which substituted the former bond expiring at December 2015. And we also refinanced with 18 months of anticipation the revolving credit facility extending it at €220 million with a five-year timeline. So today, the debt average life is around five years and a part of the enlargement of the life of the debt, we've been able through the two operation to significantly lower the borrowing cost.
Moving to slide number 5, you can evaluate the P&L. So, the net sales were down by €42.6 million, minus 6.3%. If we do not include the forex effect, which is around €27 million, the net sales would have been down by 2.4 percentage point. Inside the forex effect, the Indian rupee plays the most important role, with a direct impact of around €20 million. As you remember, Indian rupee devaluated during the last six months of 2013, so going on the comparison of month versus month should be much more generous because the Indian rupee in July has a very similar level to the forex the Indian rupee had in last year.

Moving to the gross margin, as we've commented before, the gross margin was around 30.9%, very much in line with the previous year. We had a further saving in terms of cash OpEx of around €6 million leading to an EBITDA of €94 million which compares with €100.6 million in 2013.

In terms of EBITDA margin, this year we had a 15% which is absolutely aligned to the 15% we had the first half last year. Depreciation is the same as in 2013, €43 million, leading to an EBIT of €51.1 million versus €57.6 million last year.

Then, we have financial expenses, which, as we've said before, composed by recurring financial expenses amounting €20.7 million versus €16 million last year. The difference, which is €4.7 million, is due to the higher capitalization of financial charges we had last year, which is €3 million and €1.7 million, I mentioned, expenses increase due to higher debt during the first three, four months of the year and a higher cost of debt before the two operation we made in May, the bond, and in July, the RCF refinancing.

Going on, I would like to remember you that the recurring financial expansion should be lower. In fact, in terms of bond, we have a lower cost of debt of around 2.3 percentage points. Last year, it was 7 and this year, it is 4.7 and also in terms of revolving credit facility, we have an average saving of around 1 percentage point. Then we have the non-recurring financial expenses due to the buyback of the €42 million of bond, which we made at the beginning of July, and this amounts for €2.9 million. After this, financial expenses recurring and non-recurring, the income before tax is €27.5 million versus €41.6 million, so with the lower contribution of €14 million. Then we have the normal tax is at 40%. The percent is very much in line with the one we showed last year in June. So, the financial charge this year is €11 million versus €16.6 million last year leading to a net income of €16.5 million versus €25 million. Adjusting the net income with the non-recurring financial expenses, we had a net income adjusted after the tax charge of €18.3 million versus €25.0 million last year.

Moving to the net financial position as we said at the beginning the net financial position is €3 million better than last year. And what is good is the cash flow movement during the half which shows a contribution positive by €3.3 million while last year it was minus €66.3 million. This leads to an improvement of cash flow at around €70 million out of which 50% is due to the non-payment of dividend and the other 50% is due to normal financial performance.

Moving to slide 6, you can look at the volume trend. The total volume were 278,500 units in 2013, 20,000 lower than last year. European business was pretty, flat minus 0.5 thousands. Asia Pacific showed a decrease of around 7,000 units with a minus 15.4%. India two-wheeler was negative. As you remember last year, during the first three months we were selling around 3,000 units. This year we are very much aligned so for first quarter with 2,000 units so, this year, the total number that's absorbed in India is 12.7 versus 25.4 last year.

The Western Countries CV was pretty flat, minus 3.3% while the India CV showed a very good performance and this is even better if we compared Q2 versus Q2 last year because of the performance during the first quarter was negative as you can remember.
Moving to slide 7, we can have a look at the net sales trend. The total net sales trend is, as I said before, minus 6.3%, excluding the forex, it shows a minus 2.4%. European business was very flat. If we exclude some engine business, which last year, was done with customer in U.S. and just look at the vehicle business, it is very much aligned including this negative contribution of engine business, which shows a minus 1.9%.

The Asia Pacific business is down by 17.4% which is a minus 12.2% excluding forex, notably, Vietnamese dong and in U.S. dollar. The India Vespa is down around 50%. The Western Countries Commercial Vehicle is a little bit increasing compared to last year, plus 2.6%, and the Indian business is negative because of forex by minus 8.4%, but excluding forex, which accounts for around €20 million, the turnover would have been positive by 5.1%. And so, again, this is good for the Q3 and Q4 because the market is improving and the forex should be very much aligned to last year.

Moving to slide number 8, you can have a look at the net sales composition by business. So scooters, very much flat, minus 3.6%, and those have been even more aligned with last year excluding the contribution of the Indian Vespa. The bikes are down by 14%. The commercial vehicles in Europe are down by 7%. And the spares business is very much aligned to last year, minus 2.1%.

Moving to slide number 9, you can see the EBITDA movement. Last year, EBITDA was €100.6 million, 15% versus revenues. We had a decrease due to the cash gross margin volume effect by €14.2 million, and an increase of €1.4 million due to the cash gross margin percentual effect because the cash margin was a little bit better compared to last year. Then we had a reduction in OpEx accounting for around €6.3 million leading to an overall EBITDA at €94 million, 15% on sales as in 2013.

Moving to slide number 10, you can see the net results trend. Last year it was €25 million. We have a negative EBITDA contribution by allowing the €6.5 million. Depreciation is very much aligned. Then we have a changing financial expenses recurring, which we commented before, I like to remind that out of this €4.7 million, €3 million last year were due to a higher capitalization of financial charges. And then we have the positive contribution of taxes due to the reduction of taxable income, leading to a net result adjusted of €18.3 million. Then we have the non-recurring financial expenses with the relative tax charge leading to the actual net result for 2014 at €16.5 million.

Moving to slide 11, we have the net financial position trend. We started at €475 million this year, which is around €83 million, €84 million worse compared to the beginning of 2013. We have an operating cash flow at €57.1 million, which is around €9 million lower compared to last year. Then we have the positive change in terms of working capital. Last year, the working capital is due to the seasonality of the business absorbed about €60 million. This year, it absorbed just €11 million, which is around €50 million better compared to last year. Then, we have the CapEx at €38.2 million, in line with our strategic plan amounting around €100 million for the year, which is better compared to last year by around €5 million. And then, we had the change in equity and other, which, last year, absorbed €28.6 million, this year absorbed just €4.5 million. In this amount, last year, we had some €32 million dividends. This year, the dividends was zero and the difference is due to a higher variation of conversion reserve this year compared to last year. The total net financial position at the end of H1 was €472 million versus €458.2 million, showing the value behind the improvement versus the beginning of the year on the other hand the lower absorption of cash compared to last year. Actually, generation of 3 versus absorption of €66 million last year.

Moving to the last slide, you can have a look at the balance sheet, the trade receivables were in line with last year, €126.4 million versus €124.9 million during last year June, of course, and showed an absorption of
€53 million versus €75 million last year. The inventory at €11 million better compared to June last year, €246 million versus €257 with an absorption of around €39 million versus €36 million last year. The commercial payable are almost in line with last year, €418 million versus €423 million with a generation of €73.4 million versus €34.3 million last year. And the other assets and liabilities are €26 million versus €21 million last year with a generation of €6.4 versus a generation of €6.8 million last year. The total working capital, as we commented for is negative by 19.3 versus 20.7 of last year with an absorption of €11 million versus €60 million last year.

In terms of total fixed asset and tangible and intangibles, we are very much aligned compared to last year. This year, we have €967.8 million €974.1 million with an absorption this year of €3 million versus generation last year of €8 million.

In terms of financial investment, we are at €9.6 million versus €7.8 million. And in terms of provision, we are at €74 million, very much aligned with the €73.9 million last year. The total invested capital is at €884 million versus €887 million last year with an absorption of €16 million versus €55 million last year.

The net debt since we commented before is vastly improving versus beginning of the year with a generation of €3 million. And new equity is at €411.7 million versus €429 last year. In terms of ratio, we have today 1.15 versus 1.07 June last year. So thanks to you and now we are ready for some questions.

Raffaele Lupotto – Head of Investor Relations

Ok we are ready for the questions

QUESTION AND ANSWER SECTION

Ms Monica Bosio – Banca IMI

Good afternoon, everyone. I would have a few questions. The first is the usual question on the consensus. The current consensus according to your website now points to €163 million in term of EBITDA. I’m wondering how do you feel confident that with current consensus because I know that the second part of the year will be easier? But my feeling is that maybe would you feel more confident with a consensus range between €155 million and €160 million for year end? And the second question is about further cash OpEx effect in the second part of the year. How much further cash OpEx effect do you expect in the second half or if you prefer in the full year 2014?

Then just two questions on the market. What do you expect for Europe and the Indian market by the end of the year?

And I would like if you can give us a flavor on your market share in India as per the passenger segment. The performance, yes, it has been very good in India, thanks to the export, but I noticed that in June, you lost market share in the passenger segment. If you can comment on this, it could be very useful for us. Thank you very much.
Gabriele Galli - General Finance Manager

Okay. So starting from the first one, the consensus is actually €163 million. Given the numbers we're showing today, the range of €155 million to €160 million is more reasonable for the next, I mean, for the total year 2014 absolutely. This means generation during the next months of around €60 million to €65 million, which is a good target. Of course, I mean, we are positive about the market in India. And then we will discuss, addressing your third question. We are truly confident about the market in Europe, so basically, the first three months were very aggressive. Today, slightly positive. So probably the market in Europe as well as the market in U.S. should be very much aligned to last year. And there should be also some sort of recover in Vietnam and Asia Pacific. This result of €155 million, €160 million will be corresponding to a total turnover ranging from €1,210 million to €1,250 million net turnover.

In terms of cash OpEx, we go on investing in the cut of useless OpEx. Of course, we are investing in marketing more compared to last year. And we may believe that what we save in normal OpEx may be invested a little bit more in marketing activities. So at the end, the cash OpEx may be aligned with what we had the last year.

Going to Europe and the Indian market, as we said before, for Europe, we see a market that's slightly increasing compared to last year. The motorbikes are performing better today. They are up 9 percentage point higher compared to 2013, and we see a very much aligned trend. The scooters today are flat with the 50cc decreasing and higher than 50cc increasing a little bit. And this should be good in terms of mix and in terms of price point. On top of that, we are confident because we can leverage both new Vespas and the new MP3s. In particular, we will be launching the new MP3 300 during the next weeks.

Our Indian market, as you remember, the first quarter was very negative because, I mean, the market started in January at minus 25%. There was minus 15% and minus 5% in February and March. April was flat. May was plus 15%. June was plus 23%, so I don't know if the market will go on up to plus 23% like in June, but in any case, a big change compared to what was happening before the election already occurred, and it is clearly visible. I mean, people postponed sales during the past nine months, and so the trends should result very positive. In terms of market share in India, you are right. We lost some market share. We moved from the three-wheeler from 34.1% to 32.8%, and this was due to Pax segment where, as you know, Bajaj had a lot permits in order to immatriculate, register new vehicle. But despite this push of Bajaj in Pax business in the city, if you look at the total market share, so three-wheeler plus four-wheeler, we have been able to increase our market share. And the total market share was up by around 2.3 percentage point from 24.1 last year to 26.4 this year. So, let's say that Indian performance over the next months should be sustained by a good performance in four-wheeler, a good performance in terms of total market share, and market finally jumping up. On top of that, we are maintaining our promises in terms of export. The export was up by 83% compared to last year. As you can remember, Bajaj is selling out of India around €300,000. Today, we are much more aware, so there is a lot of room for improvement for us.

Alberto Villa – Intermonte

Hi. Good afternoon. I have a question related to the capitalization of interest you did in the last year and you don't have this year. I wonder if you can give us an idea what would be the impact of this item in the second half of this year if we still have to expect sort of a negative impact stemming from this change in accounting. That's the question. Thank you.
Gabriele Galli - General Finance Manager

Okay. So, basically, there's nothing changed in accounting. You can capitalize interest when you have some project not already in the market. So, the principle is saying that until the project is not amortized, you can capitalize the interest and then you should start to expense them. And today, last year, we had a big project still to be launched. This year, we are up and running with most of them. If you include the first half and the second half capitalization, the first half, the difference is around €2 million. Then there is another component which accounts for around €1 million, which is the revaluation of China participation so the sum of the two in the first half is around €3 million and in the second half we had another capitalization for around €1.5 million of financial charges. So, the total impact of financial charges capitalization is around €1.5 million in the second, plus €2 million, so €3.5 million. And the total for China was €1 million in the first half and another €1 million in the second half. So, the total impact last year was around €5.5 million which this year let's see it depends a lot on the performance of China. So, I'm talking about the joint venture maybe the joint venture is performing – we can incur some other asset depreciation At that moment there was no room to include an asset depreciation. So, for the estimate at the end of the year I would include this around €5.5 million. On top of that, we had this €2.9 million non-recurring charges for 2013 coming out of the buyback of the bond.

Alberto Villa – Intermonte

Ok thank you. That's helpful. And the second question is on the Vietnam and the rest of Asia situation. Are you seeing any kind of improvement there? Are you expecting second half to be better, or competition is still very fearsome on those markets? And what are you expecting for the Chinese sales in terms of contribution going forward?

Roberto Colaninno – CHIEF EXECUTIVE OFFICER

Colaninno speaking. Let's say that we're still looking at Asian market as one of the most interesting market for us. It's no doubt that we have experienced a decline with respect to the trend of the past few years, We have decided, because director of India is ready for retirement, to have a new managing director starting from September this year. He is an Italian that had been living and working in India for more than 20 years. I am not allowed to say in which company he is working today, but this company is very focused on sales, marketing and distribution of consumer products where competition is quite tough. As you know, we have already appointed as the new general manager, a guy that take care about three and four-wheeler and now with this new guy that will replace the old managing director, we will focus on the two-wheeler market, where we are totally unsatisfied. So I'm expecting that, starting from September, confirming the good performance of three-wheeler and four-wheeler market, a different marketing approach on two-wheeler can give us the opportunity to follow the market growth.

We took the decision follow a new dealer strategy in China. We have already opened a shop, as a test, in Shanghai, and other three different shops and the first reaction is quite good, and these shops are for different brands, not only Vespa but also Moto Guzzi, Aprilia and bikes generally speaking. We believe that
if this strategy can be able to meet customer need, I think that China will be a new market very important from us.

Going to the southeast of Asia even there we have in mind to make sort of restructure or reorganization of the top management, especially on the sales and marketing area. We began to improve advertising and we expected to see the results in August or September to confirm if the strategy is appropriate for that kind of market.

And then we have decided for India to look at the export market to countries that are very close to India and that gave us already successful sales results in June and July.

We put a new managing director in the United States, this guy is coming from the two-wheeler business. He had been working for us in Vietnam and then in Europe. He is a particularly except on scooters. And I believe that this can give a different position of the company in Canada, United States, in Mexico. And we are thinking about how to organize sales in South America. This is still at project level, can be launched at the beginning of next year; we don’t want to increase too much of the cost, so we thinking how to organize this sort of organization. We hope to create headquarters in Brazil and from Brazil to look at Argentina, Chile and the other countries. So I believe that also leveraging this type of organization, our future results should be better than what we have seen in the past. Beside that, the competition is quite strong, especially Honda and the other Japanese makers.

Alberto Villa – Intermonte

Thank you. That was very interesting. So if I understand correctly, you have changed a lot of key people from different areas, but we don’t have to expect an increase in the cost.

Roberto Colaninno – CHIEF EXECUTIVE OFFICER

No because in the meantime, we have replaced people, we haven’t add people. We are replacing them.

Filippo Prini - Kepler Cheuvreux

Good morning. Thank you for taking my questions. I’ve got two brief questions. First one is on the revenues in the result on the Indian commercial vehicles. Could you give us some color on the price mix effect in the second quarter or on the first half for this segment?

And, secondly, on the net working capital, given your outstanding results you achieved there, I think that most of that was achieved, thanks to strong action of customer payables. Could you assume that the strong performance, cash from this side that should be also be repeated in the following quarter? Thank you.

Mr. Raffaele Lupotto – Head of Investor Relations

Could you repeat the first question, please.
Filippo Prini - Kepler Cheuvreux


Gabriele Galli - General Finance Manager

Okay. So, starting from the first one, as you know, we are much stronger in the two-wheeler than in the small four-wheeler. And inside the three-wheeler, we are much stronger on the cargo segment than on the pax segment.

So, in the three-wheeler we have a much stronger market share, which is around 33%. Last year, it was 34%. So, we lost 1 percentage point. But as we said at the beginning, in the question of Ms. Bosio, the lost of market share was due an incredible push of Bajaj in a particular segment, which is City Pax segment where Bajaj has 90% of market share because they were used to sell just in segments. So, they have absolutely a very strong position in terms of licenses and they have a monopoly in the broker segment. So, of course, they are very strong there. And that during the month of June they did a very strong push which allowed them to increase the market share. If we exclude this particular segment where we started to play last year, with Apé City Pax, which allows us in any case to have around 5%, 6% of market share in one year, and that which is good for us because we started also exporting this product, the performance in all the other segments of three-wheeler, pax, rural, and three-wheeler cargo was good for us and we gain market share.

The same occurred also in the four-wheeler business and the most four-wheeler business we have a much stronger positioning because last year we were at around 1.5% market share, this year, we have been able to increase our penetration and we achieved a full 0.8% market share. So, we had in a very let’s say decreasing market because the four-wheeler market during the recession in India went down in the second quarter by around 30%. This is a very good increase of market share.

Combining the two market share, three-wheeler and four-wheeler, and combining the movement of the market, our total market share was up by around 2.3 percentage point from 24.1% to 26.4%. And so, the position is much stronger compared to last year.

On top of that, as we said before, we have to consider also the export business, which was up by 84% with a lot of room remaining for improvement because the total three, four-wheeler export market is absolutely bigger and growing, and expected to grow in the future. I’m talking about sub Indian continent, talking about Africa, and talking about Latin America.

The second question about the net working capital. You can have a look at the slide number 12 where you see basically the performance for the different components. So trade receivable we went on managing as in the past, in effect you can see that we added 126 total amount at the end of the year versus 125 last year. The beginning was worse because we’ve started with 74.4 versus 59.3 and from the difference of the two, it means that we have absorbed 52 instead of 65. A significant part of this improvement in the absorption of cash was given by India. India last year was a little bit in crisis in terms of market and so this forced them to push a little bit of stock in the dealer network. This recover of the market during Q2 allowed us to increase our volume while decreasing the pressure on the dealer stock and decreasing the pressure on the dealer stock, the dealer had the opportunity to go back to former policy in terms of payment, which is the cash payment before delivery. There is still some measure to be recovered, but the position at the end June is much better compared to the position at the end of December this year. So, I would say that in
terms of receivables, a significant part of the improvement which is €13 million is due to Indian performance.

Inventory. Inventory, we have been trying to manage the international expansion without increasing inventory. Actually, I mean, this year, we decided to be even stronger in terms of availability of product, and maybe we made also some sacrifices in terms of potential little loss of sale to be recovered the following month. Of course, because I'm not talking about a warehouse empty, but I mean, a warehouse managed better. And this allowed us to have at the end of the quarter €11 million lower inventory compared to last year.

Thirdly, last year, we had, I mean in terms of commercial payable in generation of €34 million, and this was due because during 2012, we had a lot of CapEx and we had the higher sale. So, at the beginning of the fiscal year 2013, we had a lot of commercial payable outstanding which were not more in place at the end of H1 2013. This year, this effect was not present because, I mean, we started the year with a lower level a commercial payable, €344 million versus €389 million. And so, I mean, with a similar amount of commercial payable outstanding at the end of H1, €418 million versus €423 million, we have been able simply to generate more cash coming from the delta of commercial payable outstanding. So I would say adding up: India, performance in terms of receivables, strict management of inventory and difference coming from a very full of commercial payable 2012, which during the first half of last year made us to have a non satisfactory performance in terms of cash generation.

Gabriele Gambarova – Banca Akros

Yes. Good afternoon to everybody. I was wondering if you can provide me the breakdown of the volumes for the Asia region between Vietnam, Indonesia and other countries. I was interested in trying to understand how was the performance between these three different areas or countries.

Gabriele Galli - General Finance Manager

Of course. I mean, out of the 41,000 units, Vietnam accounted for 22,000 units, Indonesia for 7,000 and the rest of Asia for 12,000 units. Within the rest of Asia, Thailand was the most important country which reported 7,000 units and the second was Taiwan with 2.1.

Gabriele Gambarova – Banca Akros

And coming back to Vietnam, I understand that you had a major managerial reshuffle, but I didn't really get your expectations on the market development for this year and possibly on your sales. Could you be a little bit more precise if possible?

Gabriele Galli - General Finance Manager

In terms of sales, I mean, we hired a new commercial director and we changed the strategy in in terms of dealer network development. During the first six months, we had also reduced a little bit the dealer network stock, because as you know we started selling the Primavera at the beginning of last year or in
December 2013. And when we started with Primavera we had also some LX in that network. During the first quarter, we’ve been able to reduce the dealer network stock. And today basically we can leverage our three items to push on Vietnam sales. Lower network stock, new commercial organization and also Primavera which after, let’s say, a not-so-easy start up first started to perform well. So, I mean, the expectation on the future are also linked to Primavera and Vespa Sprint which are very much perceived positive from the markets.

Mr. Raffaele Lupotto – Head of Investor Relations

Thank you. So, I see that now time is up. So we have just one question more if you want and then we have to close and to end the conference call. So next analyst and then, we have to end the call.

Nicolo Storer – Mediobanca

Yes. Good afternoon to everybody. I have some questions for you. The first one is related to inventories in Europe. Basically, you blame for the weak results of the first quarter, some dealer network destocking, and that I was wondering if should we expect, going forward, restocking of dealer network or if you believe that now we are okay, and so, sell-in and sell-out could grow hand in the hand?

Second question is related to volumes sold in Latin America, in Middle East, Africa. If you could give us a flavor of how many units you sold in the quarter or in the half there?

Third question is related to India three-wheelers. I mean my personal feeling is that probably, the market in the last few months was somewhat boosted by the expected expire of excise duty cap. So my question is if you have already seen any kind of improvement in July which could confirm the fact that the market is actually recovering?

The very last question on export of three-wheelers from India, do you believe that the run rate we have been seeing in the last few months could be maintained until the end of this year? I’m thinking about 2,500 units per month. Thank you.

Gabriele Galli - General Finance Manager

Okay. So starting from the first one, the dealer network stock has been reduced in the first quarter. And the second quarter was more or less kept constant and you would see that today if the market stays at the same level, we are at the right level of network stock. Maybe we can reduce a little bit on country, push a little bit more on another country, but more or less we reached a good level. Of course, I mean, there is the seasonality, so we can see a movement with the first, second quarter having their stock increasing a little bit to serve the retail customer in July, August and September and then reduce a little bit over the next six months. But it is in the normal seasonality behavior.

In Latin America, we started – well, we improved a little bit the total sales were around 2,300 units versus 1,700 units last year, so it’s a plus 30%. But in terms of number, we are talking about a small number, as Mr. Colaninno was saying before, it is mandatory in order to have a good performance there, to have commercial or maybe commercial plus some CKD industrial operation in one of the countries to fully take
advantage of a very important market, which is around 3 million units. So, we are talking about signals and not about the real performance. But we are in the good path and the introduction of the small bikes show that.

In terms of improvement in India, we believe that is really something on which we can count. Actually, I mean, also for July, we are expecting volumes improving by around more than 10%, let’s say, more than 10%. But I mean, the feeling is good. The network is already destocked and so we are a very much positive. And this is, I believe, the best news we have for the next six months. I remember that also the forex should play a good role on that.

And in terms of run rates for export, we are really confident. I believe that the target of 2,500 units per month can be maintained. And we hope that there can be an improvement here.

Mr. Raffaele Lupotto – Head of Investor Relations

Thank you. I think that is answer draws the call to an end. If you need more info, you can me later as usual. And thank you very much for attending the conference call. Bye.