



# Piaggio Group

## First Quarter 2012 Financial Results

Conference Call  
May 8<sup>th</sup>, 2012

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### **2011 key market trends confirmed in Q1 2012**

- 2 Wheels global market keeps growing, sustained by Emerging countries
  - Asia Pacific markets growing on average at double digit rate
  - Indian market 11% increase driven by scooters surging at 30%, confirming a structural market shift towards scooters
  - Western markets with mixed trends: North America growing and Europe shrinking mainly affected by Italy and Spain
- Diverging dynamics in Indian Commercial Vehicles with 3 wheels declining by 9% and 4 wheels growing by 26%

### **In this scenario Piaggio's increasing exposure to Emerging Markets is paying off...**

#### **Western Countries: resilient performance despite a persistent challenging scenario**

- Fourth consecutive quarter of market share gain in European scooters (26.3% vs. 25.7% in Q1 '11) strengthening our leading position
- Positive price effect sustained by continuing shift towards high-end and high displacement segments
- Volume and revenue growth in Northern European Countries and North America
- Double-digit revenues increase in Bikes with Moto Guzzi growing more than 50%

#### **India: negative performance, as expected**

- Decline in Commercial Vehicles sales versus an outstanding Q1 2011, driven by 3 wheel market weakness and drop of some key regional markets for Piaggio (Tamil Nadu, down by 91%, and Andhra Pradesh, down by 35%)
- Rigorous pricing discipline maintained in an increasingly competitive market
- Launch of new products in second part of the year should sustain volumes

#### **Asia Pacific: another outstanding quarter**

- Volume and revenues growing more than 50%, led by Vietnam
- Average prices holding up and profitability in terms of Gross Margin peaking at 39%, despite expansion of product range and geographical presence

### **... as well as the effects of last year's restructuring actions, leading to Net Income increase vs. Q1 2011...**

#### **Net Sales slightly decreasing...**

- Net Sales down by 2.4%, 1.4% at constant exchange rates
- Increase in 2 Wheels with Asia Pacific growing by 54.8% (49.6% excluding FX effect) and Western Countries growing by 0.4% thanks to strong results in North America and Northern European Countries more than offsetting weak Italian and Spanish markets
- Decline in Commercial Vehicles driven by India down by 18.7% (-13.4% excluding FX effect)

#### **... but improvement in EBIT and EBT...**

- EBIT growing by around 1€m or 7.3% driven by Gross Margin ratio improvement (29.4%,+0.2 pp vs. prior year), lower Cash OpEx and D&A
- Higher financial expenses due to increased financial indebtedness and cost of funding

#### **...leading to a Net Income increase**

#### **Net Debt increase to 422€m mainly reflects...**

- Seasonal working capital cash absorption
- Strong CapEx increase (+37% vs. prior year) to sustain growth opportunities in emerging markets

**... but debt profile further strengthened** thanks to the successful extension of RCF to 200€m with an increase of the average life of debt to more than 3.3 years



### **... with several actions in place to sustain sales growth and profitability improvements in the second half of the year**

#### **India**

- Re-entered the 2 Wheel market at the end of April adding another milestone in the strategic evolution of the Group
  - Launch of Vespa LX, equipped with the brand-new eco-friendly 60 km/liter engine, opening up a completely new premium product segment ...
  - ... with a distribution network of 50 exclusive dealers spread across India's 35 largest cities that will double by the end of 2013...
  - ...and an initial capacity of 150,000 unit/year ready to be extended to 300,000 units/year by the end of 2013
- Launch of Apé City petrol in the third quarter to enter the small Pax segment, which represents half of the Indian 3 wheel passenger market, and to take the opportunity to increase export sales

#### **Asia Pacific**

- Recently launched the Fly made in Vietnam, which further enhances Piaggio's high-end product offering
- Introduction of new low consumption engine made in Vietnam foreseen by end of September

#### **Western countries**

- Recently successfully launch of Aprilia SRV 850, Piaggio X10 and Moto Guzzi V7 representing the first part of the 2012 pipeline of new products that will strengthen Group's market positioning
- Starting from May first tangible benefits from the contract with "Poste Italiane", with the bulk of the 18,000 Liberty to be sold in Q2 and Q3

# Healthy P&L stemming from significant efficiency improvements despite lower Net Sales; seasonal Net Debt increase led by higher CapEx



## P&L

€m

	Q1 2011	Q1 2012	Change 2012 vs. 2011		
			Absolute	%	% excl. FX
<b>Net Sales</b>	<b>351.7</b>	<b>343.1</b>	<b>(8.6)</b>	<b>-2.4%</b>	<b>-1.4%</b>
<b>Gross Margin</b>	<b>102.6</b>	<b>101.0</b>	<b>(1.6)</b>	<b>-1.5%</b>	<b>+0.1%</b>
<i>% on Net Sales</i>	29.2%	29.4%	+0.3%		
<b>EBITDA</b>	<b>33.7</b>	<b>33.0</b>	<b>(0.7)</b>	<b>-2.1%</b>	<b>+3.3%</b>
<i>% on Net Sales</i>	9.6%	9.6%	0.0%		
Depreciation	(21.6)	(20.0)	1.6	-7.4%	
<b>EBIT</b>	<b>12.2</b>	<b>13.0</b>	<b>0.9</b>	<b>+7.3%</b>	<b>+20.5%</b>
<i>% on Net Sales</i>	3.5%	3.8%	+0.3%		
Financial Expenses	(6.5)	(7.2)	(0.7)	-10.1%	
<b>Income before tax</b>	<b>5.6</b>	<b>5.8</b>	<b>0.2</b>	<b>+4.0%</b>	
Tax	(2.6)	(2.6)	0.0	-0.5%	
<b>Net Income</b>	<b>3.0</b>	<b>3.2</b>	<b>0.2</b>	<b>+7.9%</b>	
<i>% on Net Sales</i>	0.8%	0.9%	+0.1%		

## NFP

€m

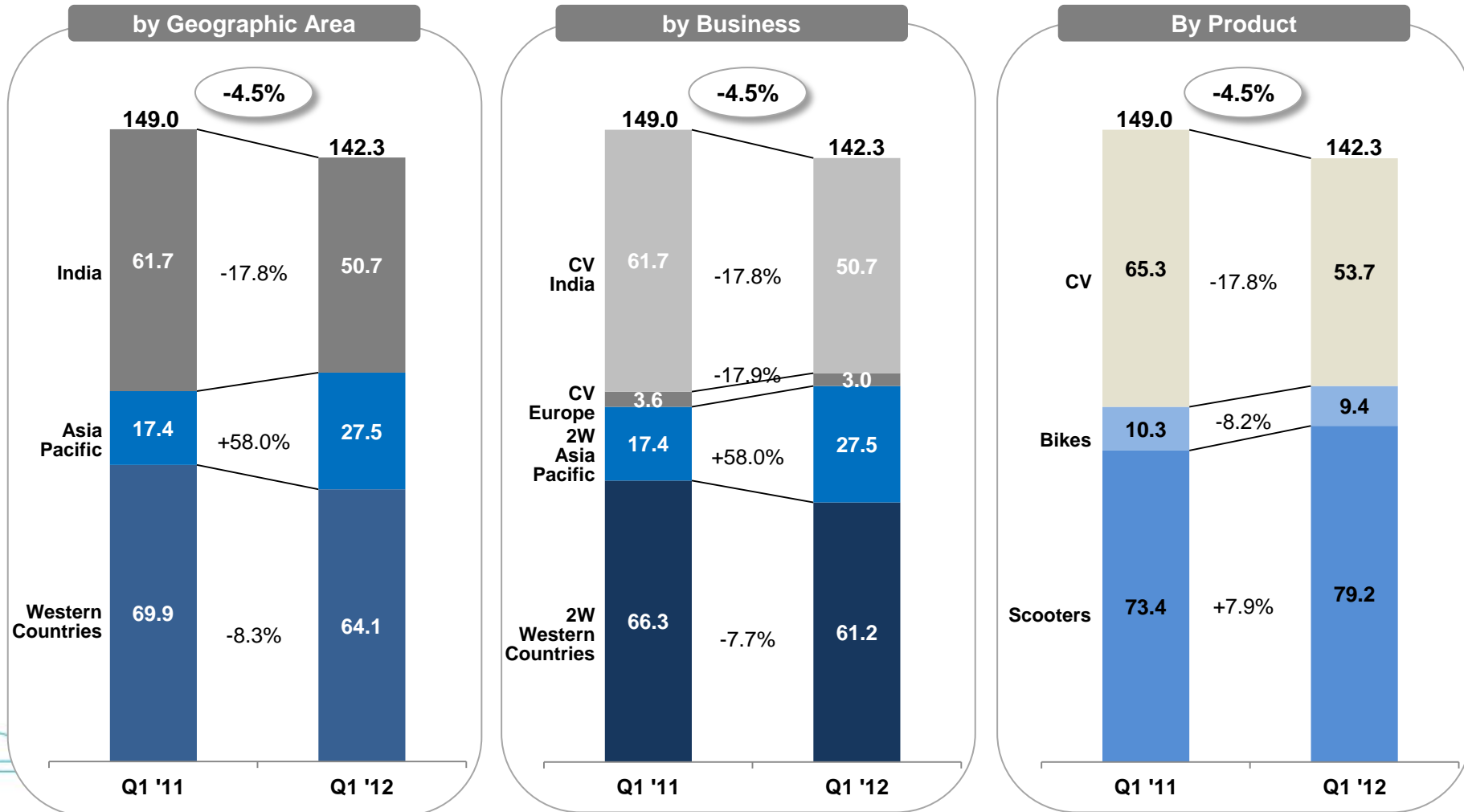
	Q1 2011	Q1 2012	Change 2012 vs. 2011	
			Absolute	%
<b>Net Financial Position</b>	<b>(406.4)</b>	<b>(422.4)</b>	<b>(16.0)</b>	<b>+3.9%</b>

Further improvement at constant exchange rates

# Volume decline driven by India and Western Countries while Asia Pacific keeps on performing exceptionally well



Volume evolution (kunits)

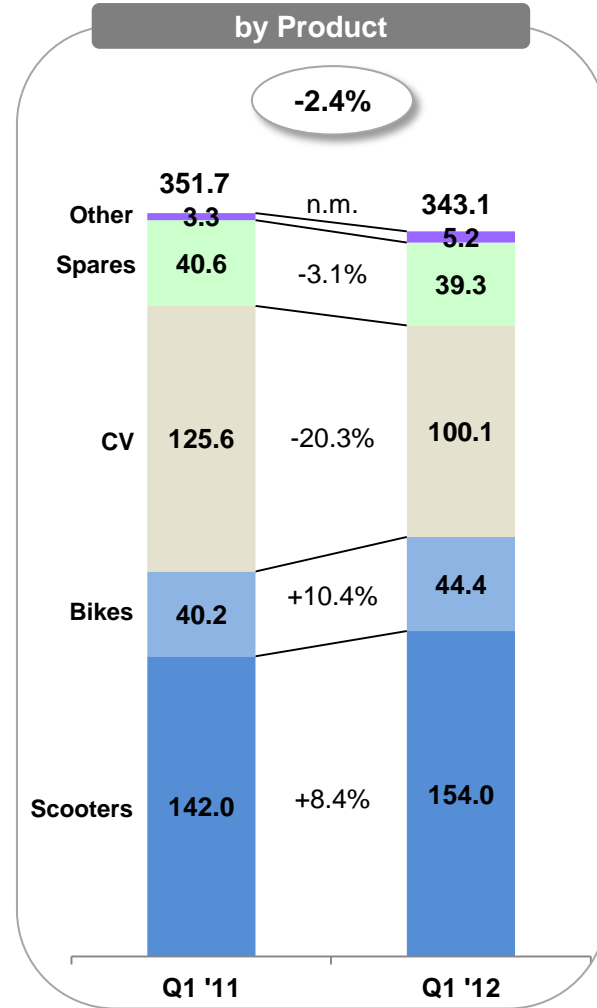
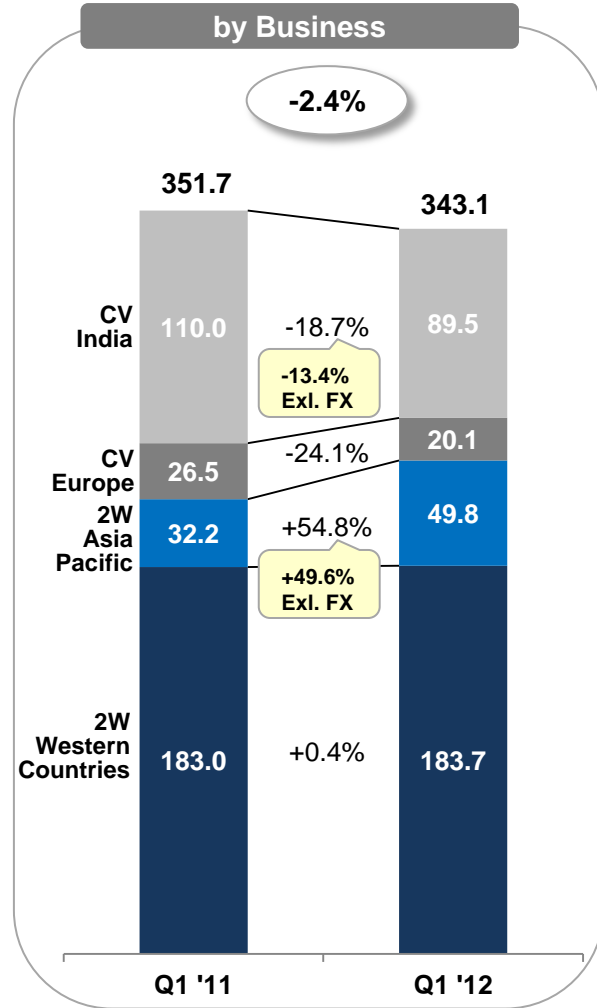
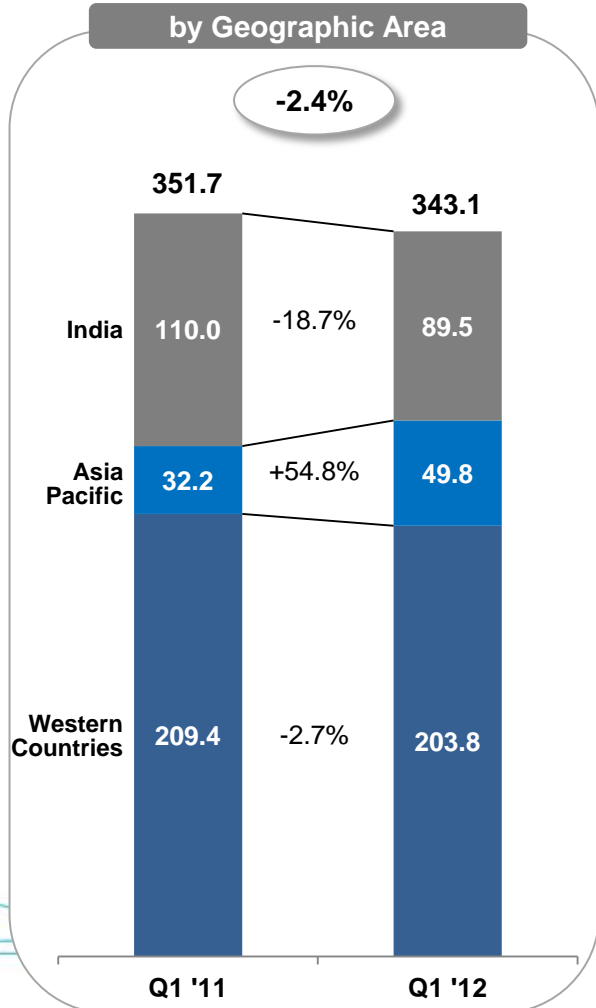


2W: 2 Wheels CV : Commercial Vehicles

# Commercial Vehicles Net Sales decline partially offset by positive sales mix in 2 Wheels Western Countries (+0.4% Revenues vs. -7.7% Volumes) and growth in Asia Pacific; double digit increase for Vespa, MP3 and Moto Guzzi



Net Sales evolution (€m)



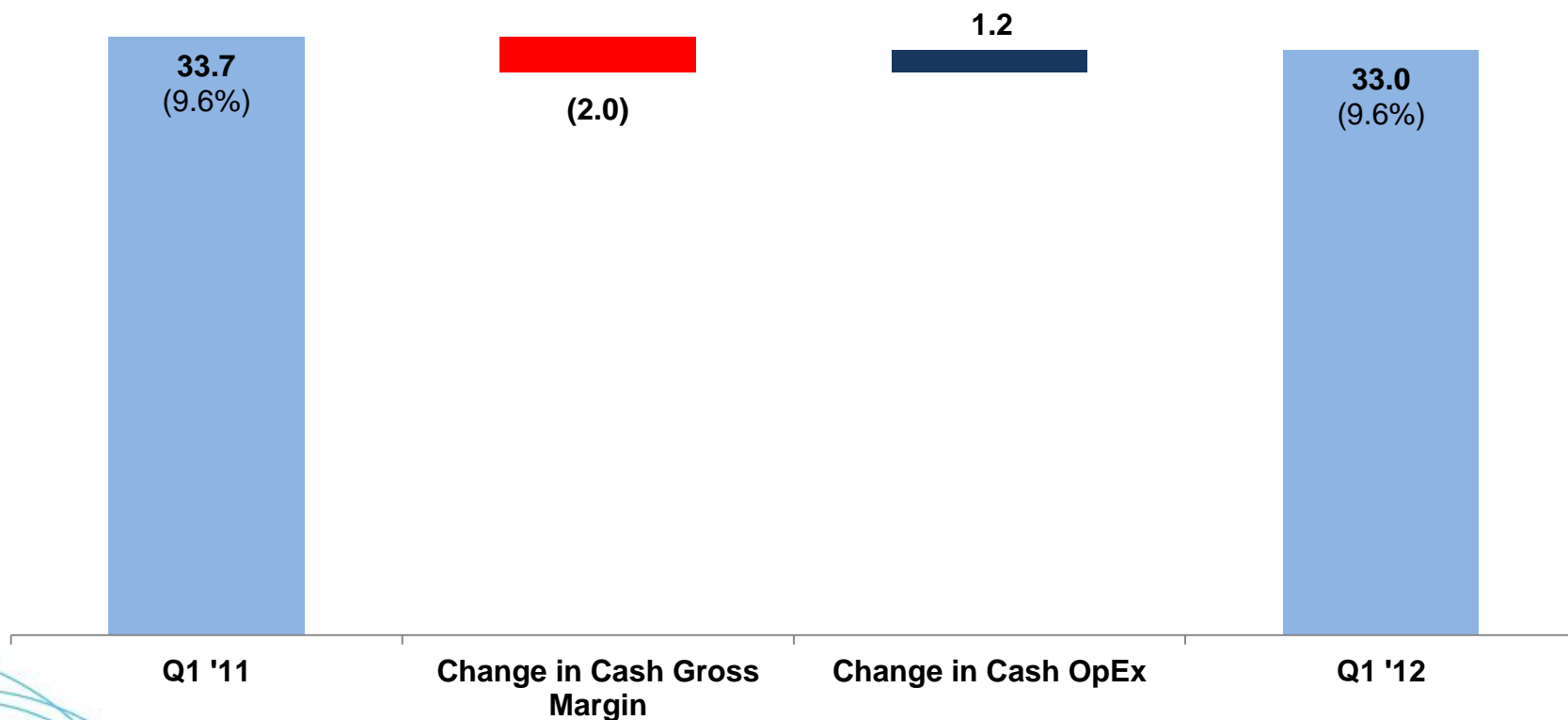
2W: 2 Wheels CV : Commercial Vehicles



# Containment of fixed costs ensures a stable EBITDA ratio even after ~1.8€m of negative FX effect



EBITDA evolution (€m)

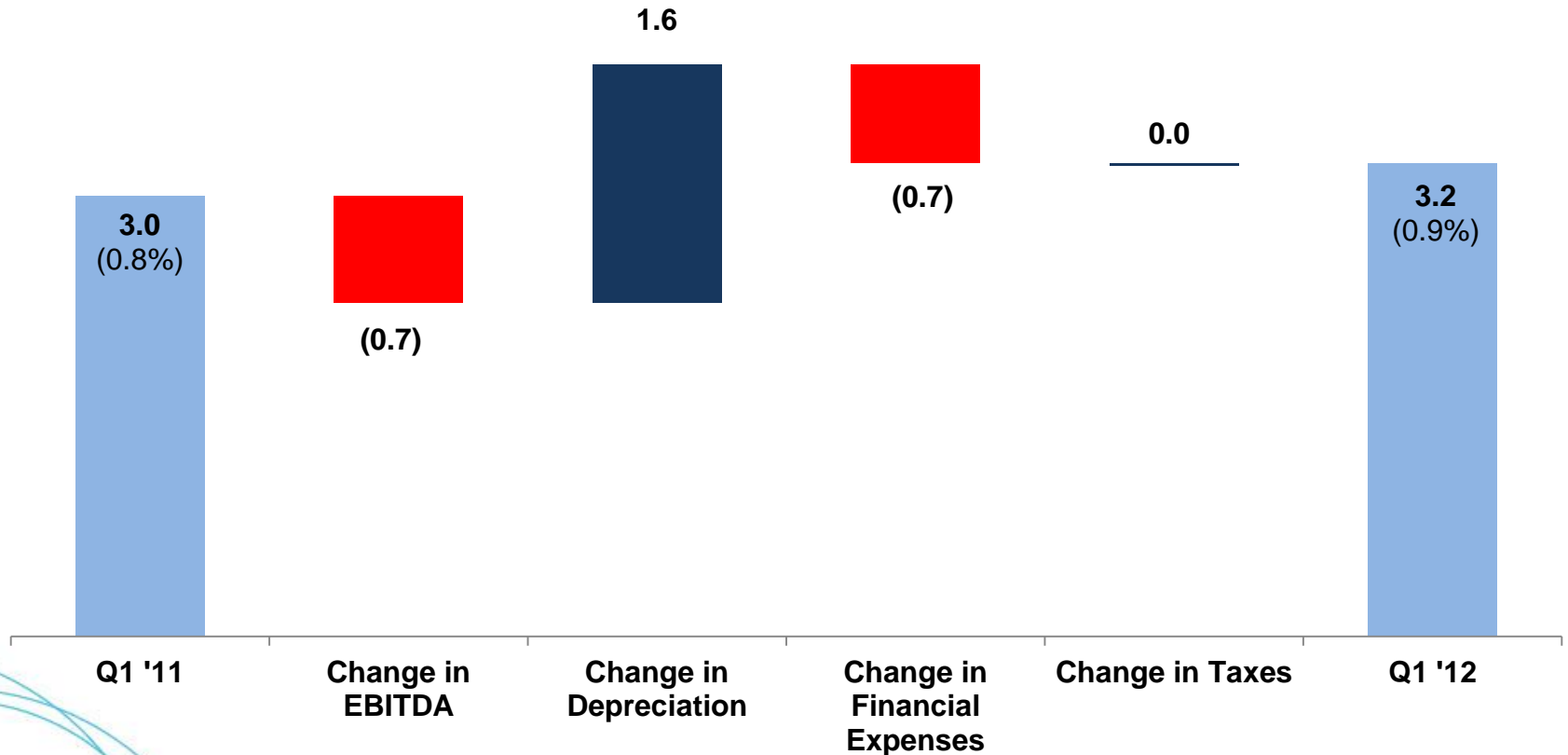


Streamlined structures and heightened productivity are leading to lower break even point

# Lower Depreciation more than offset higher Financial Expenses leading to Net Profit increase



Net Income evolution (€m)



# Seasonal Working Capital cash absorption and higher CapEx to foster international expansion lead to NFP increase, despite higher Operating Cash Flow generation (1/2)



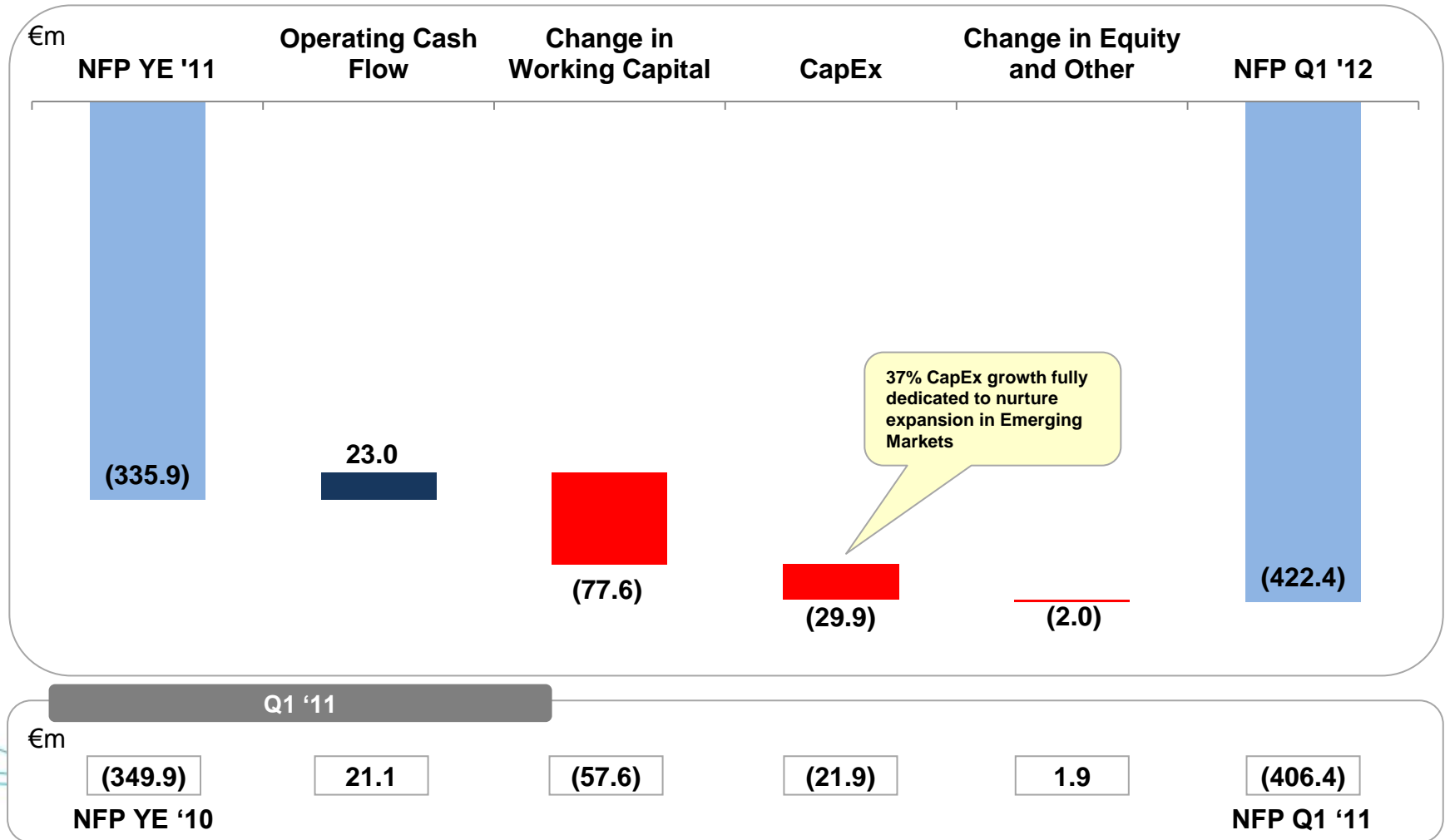
## Balance Sheet evolution (€m)

	2010	Q1 2011	Chg. '11 vs '10	2011	Q1 2012	Chg. '12 vs '11
Trade Receivable	78.0	134.2	56.2	61.7	123.6	61.8
Inventories	240.1	259.0	18.9	237.0	268.0	31.0
Commercial Payable	(340.3)	(340.9)	(0.6)	(371.7)	(391.9)	(20.2)
Other assets/liabilities	31.1	14.2	(16.9)	33.0	38.0	5.0
<b>Working Capital</b>	<b>8.8</b>	<b>66.5</b>	<b>57.6</b>	<b>(39.9)</b>	<b>37.7</b>	<b>77.6</b>
Tangible Fixed Assets	256.8	250.9	(5.9)	274.9	281.0	6.1
Intangible Fixed Assets	652.6	650.4	(2.3)	649.4	652.8	3.4
Financial Investments	0.5	0.5	0.0	2.6	4.2	1.6
Provisions	(125.9)	(122.4)	3.5	(104.9)	(104.7)	0.2
<b>Net Invested Capital</b>	<b>792.8</b>	<b>845.8</b>	<b>52.9</b>	<b>782.1</b>	<b>871.0</b>	<b>88.9</b>
<b>Net Financial Position</b>	<b>349.9</b>	<b>406.4</b>	<b>56.5</b>	<b>335.9</b>	<b>422.4</b>	<b>86.5</b>
<b>Equity</b>	<b>442.9</b>	<b>439.4</b>	<b>(3.5)</b>	<b>446.2</b>	<b>448.6</b>	<b>2.3</b>
<b>Total Sources</b>	<b>792.8</b>	<b>845.8</b>	<b>52.9</b>	<b>782.1</b>	<b>871.0</b>	<b>88.8</b>
<b>NFP/Equity</b>	<b>0.79</b>	<b>0.93</b>		<b>0.75</b>	<b>0.94</b>	

# Seasonal Working Capital cash absorption and higher CapEx to foster international expansion lead to NFP increase, despite higher Operating Cash Flow generation (2/2)



NFP evolution (€m)





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