Piaggio Group
First Half 2016 Financial Results

Conference Call | July 27th 2016

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Highlights (1/3)
First half results

Market demand

Positive start to the year strengthened throughout the semester in most of Piaggio's key reference markets

- Western Countries overall positive demand stemmed from dual speed performance:
  - European market demand continued to trend up across the semester ending up by ~5%, mainly driven by bikes up by ~9% outgrowing scooters which ended up by ~2%, thus confirming that early stages of a long-lasting replacement cycle are well in place;
    - Italy and Spain, both up double-digits, drove the growth
    - France and Germany ended slightly up, thanks to the positive trend in bikes
  - North America kept on slumping, with scooters negative trend accelerating across the semester leading to double-digit segment decline

- Asia Pacific ended the semester with mixed but progressively improving demand trends:
  - Vietnam market demand ended up high single digit, underpinned by the ongoing healthy double-digit growth in automatic scooters
  - Asia ex Vietnam grew in nearly all key markets, apart from Indonesia still down mid-single digit

- Indian positive momentum accelerated across the semester:
  - 3 wheelers up by 22%, mainly driven by the Small City Pax alternative fuel segment growing by ~46%
  - 4 wheelers up by 5%, confirming the recovery of the segment after two years of market decline
  - scooters up by 20%, boosted by strong Q2 demand (+27%), confirming the high potential of a market becoming the largest in the world by the end of 2016

Highlights (2/3)
First half results

Business Highlights

Western Countries: European healthy performance, partially offset by persisting weakness in North America

- European leadership in 2 wheelers further enhanced by market share gain mainly driven by strong performance in scooters (26.0%;+1.2 p.p. vs PY), thus confirming Piaggio as the best positioned player to grasp the opportunities of the replacement cycle in a market that is still ~ 45% below 2007 level
- European volumes steadily improved mainly driven by Italy, The Netherlands, Germany and Switzerland
- North America on a different path, with volume declining double-digits on the back of worsening demand trend
- "High-Wheels" scooters good momentum strengthened also supported by the successful launch of the Medley
- Vespa sales in Europe posted robust sales outstripping market trend, providing further proof of brand appeal
- Average prices slightly down vs 2015, affected by a dilutive product mix effect

As a result, revenues up mid single digit, with Italy and Germany up double digits

Asia Pacific: weak performance, although improving in the latter part of the semester

- Vietnam still negative YTD, but posting positive volume trend in Q2 (~+4%), unveiling encouraging signals for the second part of the year
- Asia ex Vietnam slightly down vs PY, with strong performance in Indonesia and Thailand overridden by volume decline in Taiwan and Malaysia
- Average regional prices in line with PY, despite negative FX effect

As a result, revenues decreased mid single-digit, dragged down by Vietnamese performance

India: stable performance despite drop in export

- 3/4 Wheel market share loss, mainly reflecting unfavorable product mix
- Light Commercial Vehicles volume slightly up, with positive domestic sales more than offsetting market decline in Nigeria and Sri Lanka
- Vespa volumes in line with PY, whilst revenues grew high single digit sustained by improved product mix
- Average prices on the rise excluding FX, reflecting once again rigorous pricing discipline

As a result, revenues slightly down vs. PY, while increasing by 3.5% excluding FX

Highlights (3/3)
First half results

Financial Highlights

Strong Cash Flow generation, driven by healthy operating performance and heightened discipline on Working Capital, drove Net Debt well below 2015 level

- **Net Sales up by ~13€m** (+1.8%; +3.8% at constant FX)
- **EBITDA up by ~6€m** (+6.7%; +7.6% at constant FX), **with a ratio on net sales up by 0.7 p.p.**
- **Net Profit up by ~3€m** (+21.9%), **with a ratio on net sales up by 0.4 p.p**
  - **Gross Margin on the rise** (+ ~ 12€m), with ratio on Net Sales uplift (30.6% vs. 29.5%), further proving rigorous price discipline and efficiency on product cost
  - **OpEx slighty up** (+~7€m), mainly reflecting step-up in marketing and new initiatives expenses and rise of D&A driven by prior years increased level of CapEx
  - **Lower financial expenses**, mainly benefitting from recent initiatives to strengthen debt structure and lower the cost of debt
- **Capital Expenditure at 47€m** above PY level (+ ~5 €m), but in line with FY target of about 100€m
- **Outstanding Cash Flow generation,** stemming from tight grip on working capital and healthy operating performance, **led Net Debt at 480 €m, ~55€m below June 2015 and ~18€m below December 2015**

Healthy growth of all key operating metrics
Net Debt well below June and December 2015 driven by outstanding Cash Flow generation even after dividend payment and buy-back

P&L (€m)

	H1 2015	H1 2016	Change 2016 vs. 2015		
			Absolute	%	% excl. FX (*)
Net Sales	**693.9**	**706.5**	**12.6**	**+1.8%**	**~ +3.8%**
Gross Margin	**204.4**	**216.4**	**12.0**	**+5.9%**	**~ +6.8%**
% on Net Sales	*29.5%*	*30.6%*	*+1.2%*		
EBITDA	**95.1**	**101.5**	**6.4**	**+6.7%**	**~ +7.6%**
% on Net Sales	*13.7%*	*14.4%*	*+0.7%*		
Depreciation	(52.1)	(53.7)	(1.6)	+3.0%	
EBIT	**42.9**	**47.8**	**4.8**	**+11.3%**	
% on Net Sales	*6.2%*	*6.8%*	*+0.6%*		
Financial Expenses	(18.3)	(17.7)	0.5	-3.0%%	
Income before tax	**24.6**	**30.0**	**5.4**	**+21.9%**	
Tax	(9.9)	(12.0)	(2.2)	+21.9%	
Net Income	**14.8**	**18.0**	**3.2**	**+21.9%**	
% on Net Sales	*2.1%*	*2.5%*	*+0.4%*		

NFP (€m)

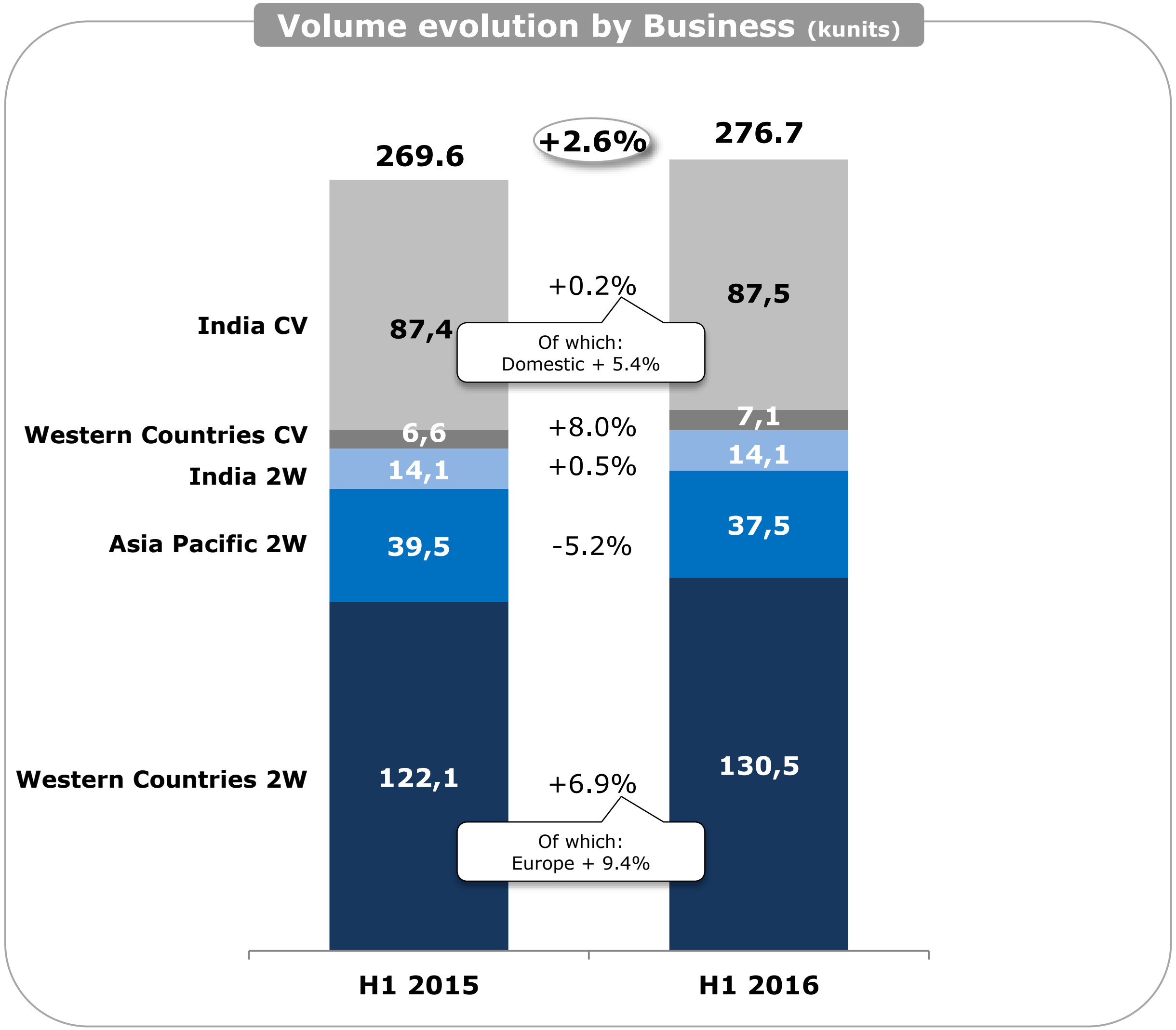
	31.12.2015	30.06.2016	Change
Net Financial Position	**(498.1)**	**(479.9)**	**+18.2**

Cash Flow (€m)

	H1 2015	H1 2016	Change
Cash Flow	**(42.5)**	**18.2**	**+60.8**

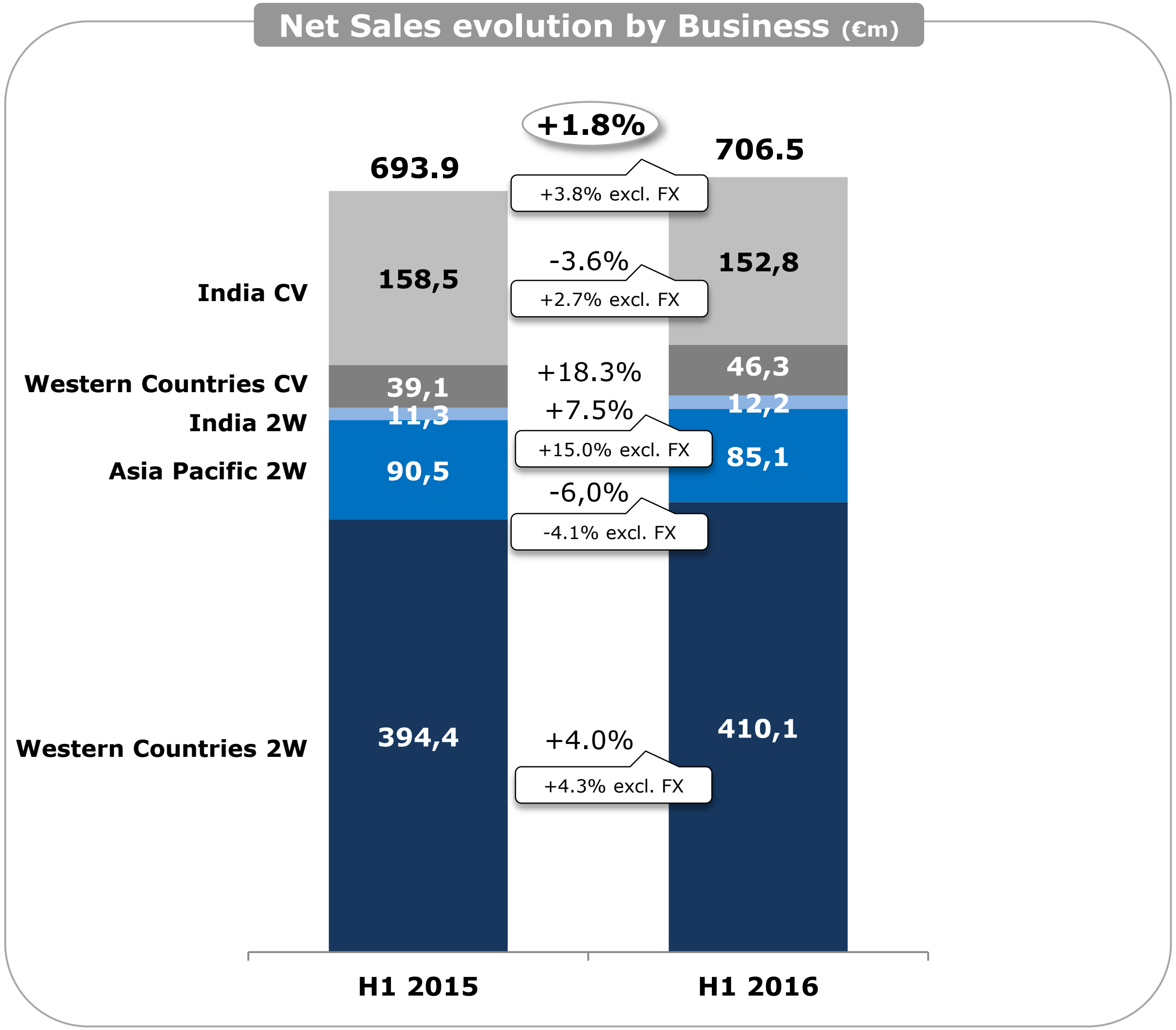
(*) Figures at constant exchange rates are management estimates calculated using the average exchange rates for the corresponding period in the previous year

Volume slightly above prior year, mainly driven by Western Countries …



2W: 2 Wheels CV: Commercial Vehicles

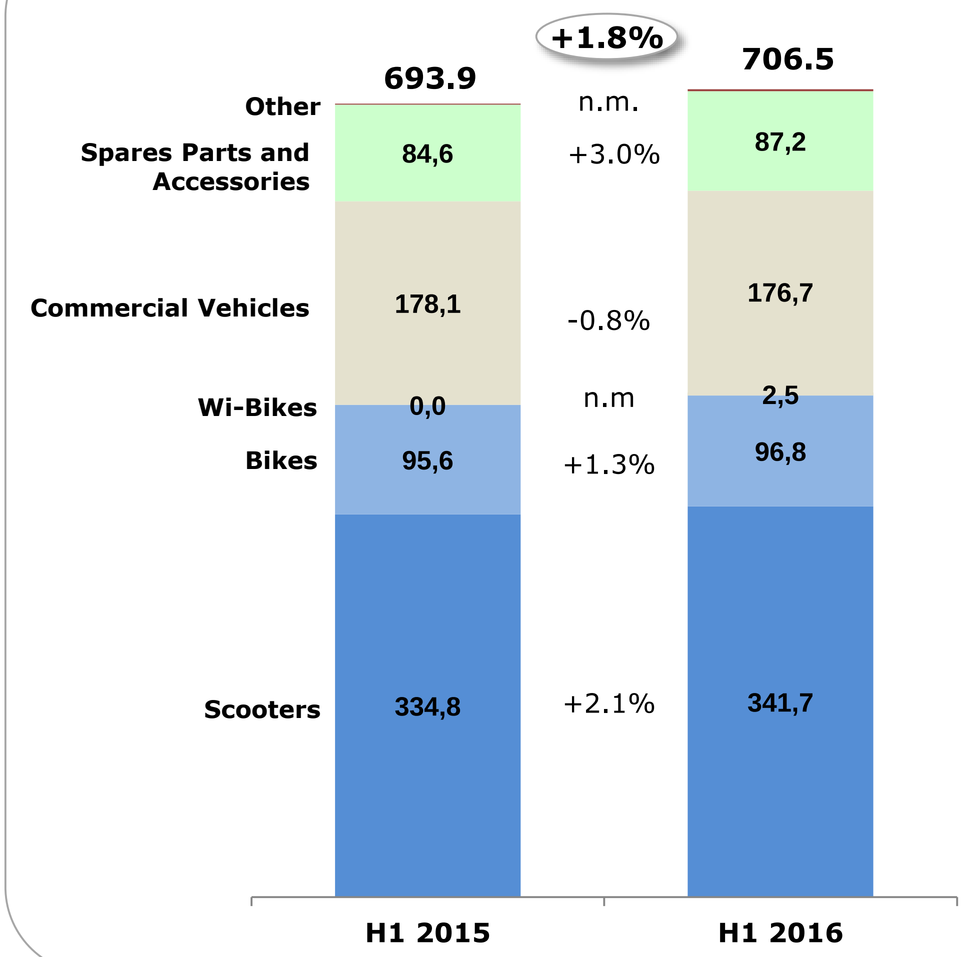
…drove Net Sales slightly up, despite negative FX and dilutive mix effect of scooters recently launched in Europe



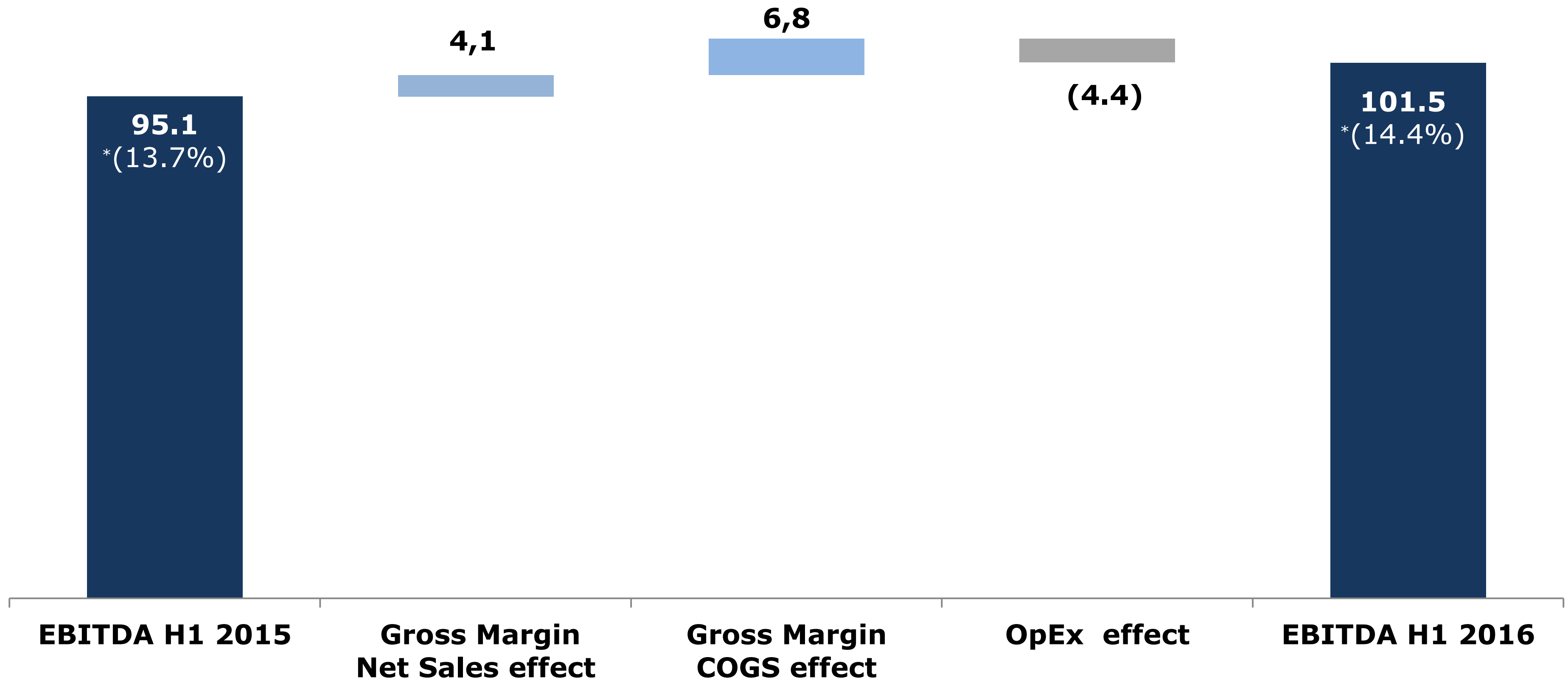
2W: 2 Wheels CV: Commercial Vehicles

Healthy performance of scooters in Europe partially offset by Asia Pacific and North America weakness
Slight increase in bikes mainly driven by Aprilia high displacement products.

Net Sales evolution by Product (€m)

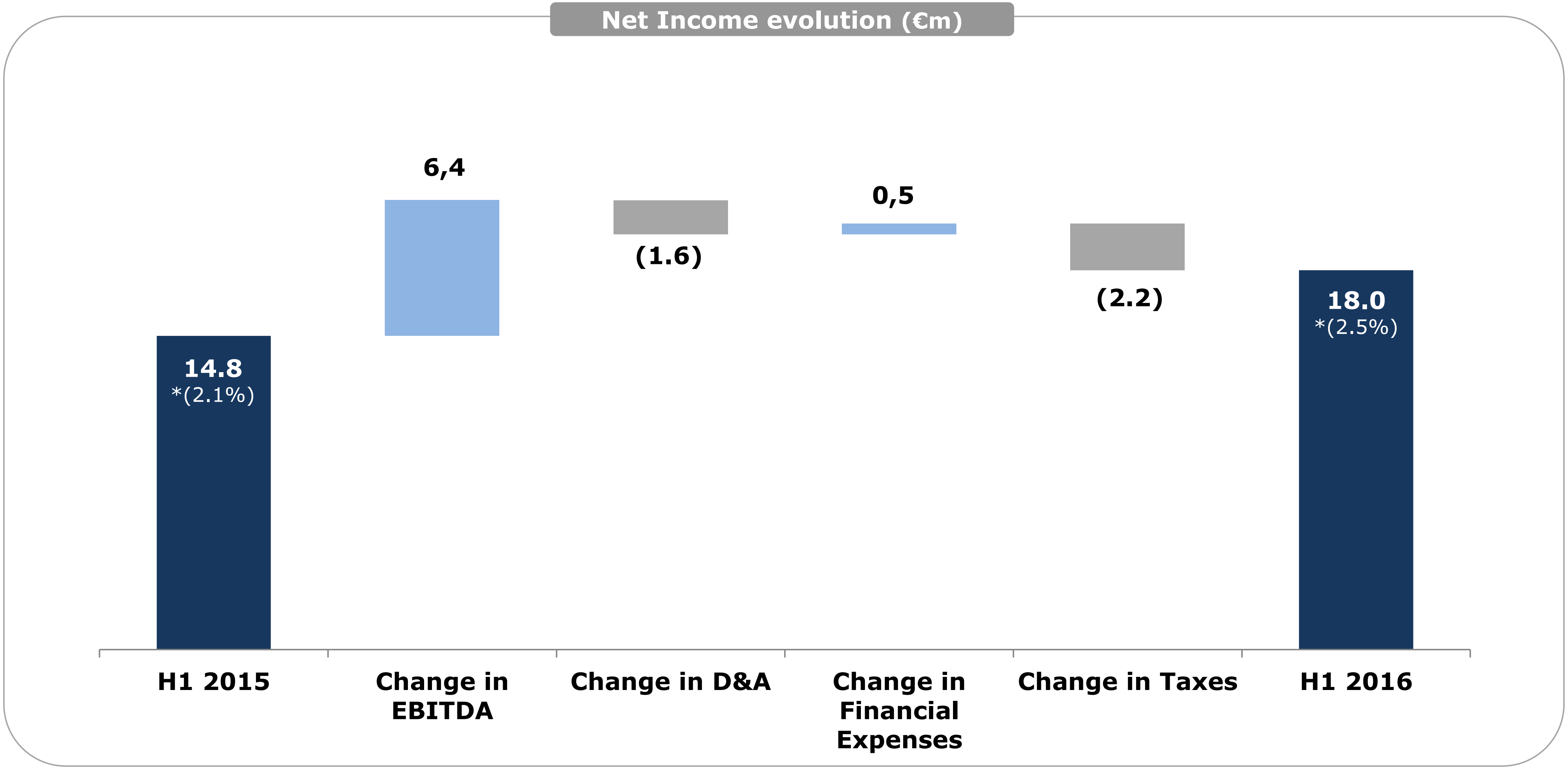


Heightened product profitability coupled with top line growth drove EBITDA increase, with a significant rise in the ratio on Net Sales…



* % on Net Sales

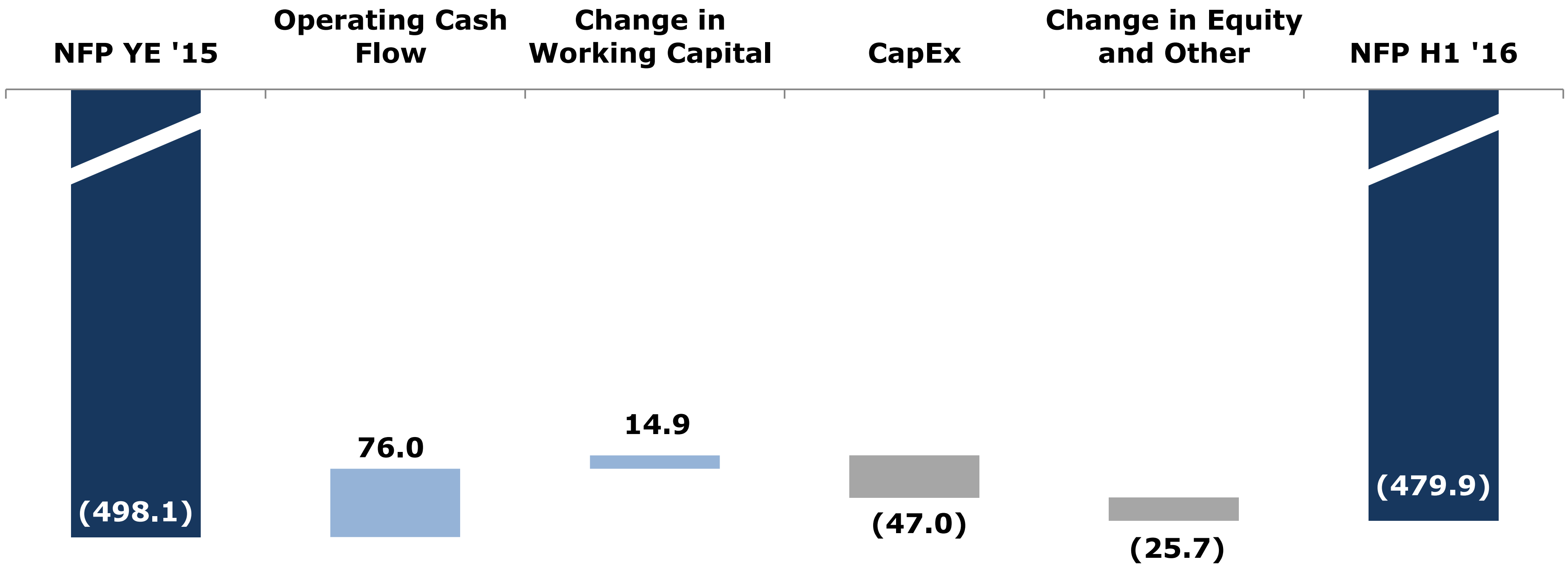
...and led Net Result above prior year, notwithstanding higher D&A



* % on Net Sales

Healthy Operating Cash Flow coupled with tight grip on Working Capital led NFP well below June and December 2015, even after dividend and buy-back (1/2)

Net Financial Position evolution (€m)



H1 2015 (€m)

(492.8)	63.9	(33.8)	(43.5)	(29.1)	(535.3)
NFP YE '14					NFP H1. '15

Healthy Operating Cash Flow coupled with tight grip on Working Capital led NFP well below June and December 2015, even after dividend and buy-back (2/2)

Balance Sheet evolution (€m)

	2014	H1 2015	Chg. '15 vs YE '14	2015	H1 2016	Chg. '16 vs YE '15
Trade Receivable (*)	71.6	158.2	*86.6*	78.9	118.7	*39.9*
Inventories	232.4	246.5	*14.1*	212.8	257.0	*44.2*
Commercial Payable	(383.6)	(439.7)	*-56.1*	(378.3)	(481.9)	*-103.6*
Other assets/liabilities	63.6	52.8	*-10.9*	54.6	59.3	*4.6*
Working Capital	**(16.1)**	**17.7**	***33.8***	**(32.0)**	**(46.9)**	***-14.9***
Tangible Fixed Assets	319.5	318.0	*-1.6*	319.6	312.6	*-7.0*
Intangible Fixed Assets	668.4	671.8	*3.4*	674.0	669.8	*-4.2*
Financial Investments	10.0	10.6	*0.6*	9.7	10.6	*0.9*
Provisions	(76.0)	-72.9	*3.0*	(68.8)	(73.1)	*-4.3*
Net Invested Capital	**905.9**	**945.1**	***39.2***	**902.4**	**873.1**	***-29.3***
Net Debt	**492.8**	**535.3**	***42.5***	**498.1**	**479.9**	***-18.2***
Equity	**413.1**	**409.8**	***-3.3***	**404.3**	**393.2**	***-11.1***
Total Sources	**905.9**	**945.1**	***39.2***	**902.4**	**873.1**	***-29.3***
Net Debt/Equity	**1.19**	**1.31**		**1.23**	**1.22**	

(*) Net of advances from customers.

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