

CONFERENCE CALL FULL YEAR 2009 RESULTS

Good afternoon everybody and thank you for joining this conference call.

Before going into the details of the figures, let me give you a brief comment on what happened last year, which was so hard for the international macroeconomic scenario:

- We consider the net sales trend as a positive result, despite the 5.3% decrease towards previous year, taking into account the trends of our reference markets (the 2-wheeled and the Commercial Vehicle one), and the negative impact of the exchange rates in 2009. We think we have been able to maintain a rewarding level of net sales mainly thanks to our internationalization strategy and to the strength of our brands and of our products, that allowed us to increase our market shares and to maintain, and sometimes increase, our prices
- The product profitability improved, exploiting our Global Sourcing capabilities and leveraging on our further developed international presence
- We have been able to reduce our operating costs, even despite a growing contribution of D&A
- A remarkable peak in terms of EBITDA margin was achieved
- We reinforced our Debt profile and reduced our financial expenses: the main actions were, among the others, the 150 MLN Euro financing from the European Investment Bank, the 90 ML Euro syndicated loan and – in December 2009 - the successful issuing of the 7 year 150 ML bond, with its positive effects both on the average cost and on the average maturity of the Debt
- We maintained our usual strict control over the Working Capital
- Thanks to the above mentioned positive results, the operating cash flow of the year more than sustained new investments, working capital needs and

dividend distribution, and generated a positive cash flow to further reduce our net financial position.

Moving now to figures, we can follow the highlights starting from pages 3 and 4 of the presentation you may find in our website.

The net sales accounted for 1.487 ML Euro, with a decrease of 5.3% compared to previous year. In addition, the negative difference in the exchange rates accounted for 17,5 ML Euro, so that the decrease in revenues would have been -4.2% at the same rates.

The Gross Margin was 467,1 ML Euro, roughly the same compared to last year, but with a remarkable increase in terms of ratio to net sales, which grew to 31,4% in 2009 compared to 29,9% in '08, as a result of product cost reductions and of a proper pricing policy.

The Ebitda was 200,8 ML Euro, that means about 12 ML higher than 2008, with an Ebitda margin of 13,5% on net sales, increasing from the 12,0% in 2008. In terms of ratio to net sales, it is to be noticed that 13.5% is the highest result of Piaggio Group recent history [taking into account the Immsi ownership timeframe]

Consequently, the Income Before Tax was 74,1 ML, 24% higher than previous year, and the 2009 Net Income increased to 47,4 ML Euro, 4 MLN Euro higher than 2008, also taking into account a 36% tax rate, compared to the 27% of 2008.

Accordingly to these positive results, the Net Debt level was 352 ML Euro, 8 ML lower than December 2008.

The Board of the Company resolved to submit to shareholder's resolution a dividend distribution at 7 cents/share, including the amount attributable to own shares (pursuant to art. 2357-ter of the Italian Civil Code).

Net Sales Trend

Moving on to the slide number 5 we can take a deeper look at the Net Sales trend.

Piaggio Group total Net Sales accounted for 1.487 ML, Euro with a decrease of 5,3% over '08.

Total 2 wheels sales accounted for 1.065 ML euro, including spare parts and accessories, versus 1.181 ML Euro of 2008 (that means -10%), while **total Commercial Vehicles sales** increased to 421 ML Euro from 389 ML Euro of 2008 (+8%).

2 wheels European sales decreased by almost 121 ML Euro, that means 11,6% over last year, to a level of about 921 ML Euro, compared to a total 2 wheels European market decrease of 17% (considering both scooters and motorcycles). As a consequence Piaggio obtained a remarkable increase in its European market share, that grew from 18% of 2008 to 20% in 2009.

The decrease of the 2w market was spread among almost all the European countries, at different paces: the market sales decrease affected both Italy, with a -4% versus last year (result that took advantage from a period of government incentives that referred primarily to the scooter over 50cc market), and the other European countries as a whole, with a 20% decrease vs '08, with negative peaks in Spain and UK, ranging from -29% in UK to -40% in Spain.

2 wheels Asian sales were up to 84 ML, from 45 ML of 2008, that means a 86% increase over last year; such an increase was concentrated in the second Half of

2009, coming from our new Vietnamese Operations, whose sales started in June 2009 (in particular, 6 months of Vietnamese sales accounted for more than 21k locally manufactured units sold)

2 wheels American sales were 61 ML, 33 ML less than previous year, that means about -35%, due to a significant decrease registered in the American market (both scooters and bikes) compared to 2008.

Going to **Commercial Vehicles**, the decrease in European sales (a 7% decrease, compared to a European Commercial Vehicle market decrease of 31% in terms of units) has been totally offset by the 18% increase of Indian sales (in line with local market trends), that grew to 287 ML from 244 ML of previous year (including spare parts and accessories); in addition, not considering the exchange rate, the total Indian net sales would have been approximately 16 ML higher, that means an increase by +24% over last year.

Overall, looking at the geographical mix of total sales, and considering both 2 wheels and Commercial Vehicles business segments, we can appreciate the outcomes of the internationalization process: extra European revenues contribution to total sales increased from 24,5% in 2008 up to 29,1% in 2009.

In terms of businesses, and in line with market trends, the 2 wheels slow-down affected most motorcycle sales (-25% compared to last year) while scooter sales decreased by almost 5%. Such figures can be compared with the European scooter market (that is our core scooter segment) that decreased in the same period by 13% and a motorcycle market that went down by 22%.

Spare parts and accessories were down by 4,3%, to a total amount of 182 ML Euro.

Finally, a brief mention to the change in the currency rates year over year, that impacted by more than 17 ML over total revenues, mainly due to the devaluation of Indian Rupiah and Pound Sterling, only partially offset by the benefits coming from the revaluation of US dollar.

Total Volumes Trend

The next slides shows that the overall number of units sold decreased to 608K units, that means an about 6% decrease versus last year.

Going into details, scooters volumes were 37K units less than previous year (-9%) down to about 370K units, with a significant growing weight of the over 50cc segment (increasing from 55% in '08 up to 61.5% in '09).

The motorcycle units were 21 K less than previous year, with a total units sold of more than 40K.

Good news continue to come from average prices, both for scooter and motorcycles. In detail, we registered an average unit price increase by 5% for scooters and by 14% for motorcycles. In this context, it is worth to be mentioned:

- The contribution of Vietnamese scooter sales, that accounted for more than 28k units in 2009 (including also the imported products)
- The contribution of the MP3, with more than 22k units sold in 2009 and total sales of approximately 110 ML
- The contribution of the new Aprlia Motorcycle RSV4, with more than 2k units sold in 2009 and total sales of approximately 27 ML

Coming to Commercial Vehicles, the 3 and 4 wheelers units sold had an overall 11% increase, up to about 197 K units, thanks to the Indian performances that registered an increase of 14%; also in this business, we had an average unit price increase both in Europe (13%) and in India (3%), as a combined results coming from product mix and price increase.

EBITDA Evolution

Going to the next slide, we can see the Ebitda evolution, with a significant increase both in the total amount and as ratio to net sales. The EBITDA registered a 12 ML increase, up to 201 ML Euro from 189 in '08, gaining a remarkable profitability level, with an EBITDA margin of 13,5%. This increase was obtained thanks to:

- An increased product profitability, with a 1.5% increase in the gross margin (from 29,9% to 31,4%) coming from price increase from one side (mainly in India but not only) and purchasing efficiencies from the other side
- Furthermore, the strict control of the Group operational expenses resulted in savings for 12 ML compared to 2008 over a total amount of 363 ML opex, that means -3% compared to last year.

Net Income

The next slide shows the Net Income evolution, which accounted for a total amount of 47,4 ML Euro compared to 43,3 ML registered in 2008 (+9%).

The Ebit increased to 104,4 MI Euro, together with a growing EBIT margin from 6,0% of 2008 to 7,0% in 2009; the 10,0 ML EBIT increase comes from what we have just analyzed (that is net sales reduction almost completely offset by product profitability increase, with an overall contribution of -2 ML, and operational expenses savings for 12 ML).

The Financial Expenses showed a 4,6 ML Euro reduction compared to last year, thanks to the decrease of the cost of debt mainly due to the lower interest rates and to other cost efficiencies.

At the tax level, we had a 36% consolidated tax rate, higher than the 27% tax rate of 2008 (which, I remind you, benefited from MotoGuzzi tax losses carried forward on Piaggio&C): as a consequence of this increased tax rate, and of the increased Income Before Tax, we had a tax consolidated increase that accounted for 10 ML Euro compared to last year, at a total level of about 27 ML.

Balance sheet

Moving to the next slide, we can have a look at the balance sheet, where we can see how the slight increase in the Working Capital led to a consequent increase in the Net Invested Capital completely sustained by an improvement of Equity and a reduction of the Net Financial Position of 8 ML compared to December 2008.

With particular regards to the Net Financial Position, a few words about the main actions we completed during this year on our Debt:

- On February 2009, we fully drawn the 150 ML 7 year loan, from European Investment Bank, signed in December 2008, and planned to finance part of our R&D plan
- On July 2009, we obtained a 90 ML syndicated term loan
- On December 2009 we issued a 150 ML bond, 7 year, 7% fixed rate, to finance the buyback of the outstanding one (which, I remind you, had a 10% fixed rate and was due in 2012)

Thanks to these efforts, we have been able to reduce the average cost of our outstanding debt and, at the same time, to further extend its maturity, putting the group on a firm financial position for the coming years.

Going into further details, in order to better understand the financial evolution of the year, we can directly move to the next slide: there was a cash generation in the 12 months period by 8 ML Euro, reducing the debt level to 352 ML. The main components of such positive evolution were:

1. The operating cash flow, which generated 140 ML Euro coming from the P/L, which we analyzed before
2. The working capital increase by 21 ML Euro, due to a 12% net sales increase in the Q4 2009 versus Q4 2008

3. The capital expenditure, that accounted for 94 ML Euro, in line with our Three Year plan
4. The past year dividend distribution, accounting for 22 ML

We have finished our presentation, and we are ready for your questions.

Thank you for your kind attention.