

PIAGGIO GROUP: PROFILE

The Piaggio Group is the largest European manufacturer of two-wheel motor vehicles and one of the world leaders in its sector. The Group is also a major international player on the commercial vehicle market. Established in 1884 by Rinaldo Piaggio, since 2003 the Piaggio Group has been controlled by Immsi S.p.A., an industrial holding listed on the Italian stock exchange and headed by Roberto Colaninno as Chairman. Immsi's CEO and DG is Michele Colaninno. Roberto Colaninno is the Chairman and Chief Executive Officer of the Piaggio Group, Matteo Colaninno is Deputy Chairman. The Piaggio Group has been listed on the Italian stock exchange since 2006.

The Piaggio Group product range includes scooters, mopeds and motorcycles from 50 to 1,200 cc marketed under the Piaggio, Vespa, Gilera, Aprilia, Moto Guzzi, Derbi and Scarabeo brands. The Group also operates in the three- and four-wheel light transport sector with its Ape, Porter and Quargo ranges of commercial vehicles (Ape Truck). The Piaggio Group brand portfolio contains some of the most distinguished and historic names in the two-wheeler industry, from Gilera (founded in 1909) and Moto Guzzi (founded in 1921) to Aprilia (which in just over twenty years has established itself as the most successful Italian and European vehicle manufacturer in the world motorcycling championships) and Vespa, the extraordinary two-wheeler that has come to be regarded as "the" scooter, which, with more than 17 million vehicles produced since 1946, is an incredibly long-lived market success as well as one of the best known icons of Italian style and technology in the world.

The Piaggio Group is headquartered in Pontedera (Pisa, Italy) and has production plants around the world: in Pontedera (Pisa), which produces Piaggio, Vespa and Gilera branded two-wheelers, light transport vehicles for the European market and engines for scooters and motorcycles; Noale (Venice), a technical centre for the development of motorcycles and the base of Aprilia Racing; Scorzè (Venice), which produces Aprilia and Scarabeo branded two-wheelers; Mandello del Lario (Lecco, Italy), which produces Moto Guzzi vehicles and engines; Martorelles (Barcelona, Spain), producing Derbi vehicles; Baramati (in the Indian state of Maharashtra), which produces three- and four-wheel light transport vehicles for the Indian market, diesel and turbodiesel engines for the Group's commercial vehicles, and, since the beginning of 2012, the Vespa scooter for sale on the Indian market; Vinh Phuc (Vietnam), which produces Vespa and Piaggio scooters for the local market and the ASEAN area. The Piaggio Group also operates in China with a joint venture (Zongshen Piaggio Foshan Motorcycles, based in Foshan in the province of Guangdong) in which it holds a 45% stake and which is therefore not included in the Group's consolidated results.

In fiscal year 2011 the Piaggio Group reported consolidated net sales of 1,516.5 million euro (+2.1% from fiscal year 2010), consolidated EBITDA of 200.6 million euro (+1.7% from 2010), net profit of 47 million euro (+9.8% from 2010). Net debt as of 31.12.2011 was down to € 335.9 million euro (from 349.9 million euro at 31 December 2010). In 2011, the Piaggio Group reported a significant increase in capital expenditure – in particular for the expansion of Group industrial operations in the emerging countries – for a total of 126.1 million euro, up by 31.1% from 96.2 million euro in 2010. Of the total, 38.3 million euro were in the R&D area, which also reported expenditure of 30.2 million euro. Consequently, R&D expenditure and investments in 2011 increased by 8.9% from 2010.

In 2011 the Piaggio Group shipped a total of 653,300 vehicles worldwide (up 4.0% from 628,400 in 2010), including 415,000 vehicles in the two-wheeler business (scooters and motorcycles) and 238,300 three- and four-wheel commercial vehicles.

Particularly worthy of note is the extraordinary progress in worldwide sales of Vespa branded vehicles to more than 150,000 scooters shipped in 2011. As a comparison, worldwide Vespa scooter sales in 2003 were approximately 50,000.

Looking at performance in the different geographical and business areas, in 2011 the Piaggio Group confirmed its position as European leader in the two-wheeler sector, raising its market share to approximately 20.1%; its market share in scooters improved to 27.6%.

Although the two-wheeler market in the EMEA area showed an overall decline of 9.5% (-11% in scooters and -7% in motorcycles), the Group's commercial operations in Europe were particularly incisive, so that, with shipments of approximately 300,000 vehicles, the sales slowdown was smaller than the market downturn – leading to an improvement in market share in almost every country – and the revenue decline was contained at 3.5% (2011 turnover 802.5 million euro); this was also thanks to the positive effect on the mix of higher sales of top-end motorbikes, as a result of the success of the latest Moto Guzzi and Aprilia models.

On the American scooter market, which showed signs of an upturn in 2011 (with a 6% increase in overall vehicle registrations from 2010), Piaggio Group penetration made significant progress (market share rising from 27.1% to almost 30%), with shipments of 10,300 vehicles (+63.8% from 2010) and revenues of 35.4 million euro (+53.0%).

On the Asian market, 2011 was an extraordinarily positive year for the Group, which reported strong growth compared with 2010, with 104,800 vehicles shipped (+75.9% from 2010) and revenues of 187.5 million euro (+40.8% from 2010). Excluding the exchange-rate effect, revenue growth in this area was 55.1%.

The result reflected the growing success of operations in Vietnam (where marketing began of the Liberty scooter produced in the Vinh Phuc factory, and the milestone of 100,000 Vespas produced since production began in Vietnam in

June 2009 was reached in the second half of 2011) and entry on to important new markets in South East Asia: Indonesia, Thailand, Taiwan and Malaysia.

In the commercial vehicles business, the Piaggio Group closed 2011 with a total of 238,300 shipments (+2.1% from 2010) and revenues of 491.1 million euro. This result was substantially in line with the 2010 figure (a reduction of approximately 1%), but would have shown growth of 4.3% at constant exchange rates. On the Indian three-wheeler market, Piaggio Vehicles Private Limited confirmed its position as the subcontinent's main player, with a market share of 37.1%. Shipments in India (3- and 4-wheel commercial vehicles) rose by 2.4%, from 219,600 vehicles in 2010 to 225,000 in 2011.

With regard to the Group's businesses and geographical areas, the 2011-2014 Business Plan presented in December 2011 by Piaggio Group Chairman and CEO Roberto Colaninno envisages strong growth in sales volumes through expansion on the emerging markets, to reach sales of approximately 1,035,000 vehicles in 2014, as well as a significant increase in revenues, with a target of consolidated net sales of approximately 2,000 million euro in fiscal year 2014. In terms of revenue breakdown, the Piaggio Group expects to report 50% of its turnover in Asia in 2014, compared with 8% in 2003 and 25% in 2009.

The Piaggio Group 2011-2014 Business Plan envisages strong growth in productivity to generate value for customers, employees and shareholders by leveraging the Group's growing international presence, and boost product cost competitiveness on key processes like procurements, manufacturing, design.

In terms of the business and geographical areas, the Plan sets out a growth strategy consistent with the world economic scenario, targeting decisive expansion on the emerging high-growth markets, accompanied by the maintenance and consolidation of the Group's leadership positions on the mature markets.

Specifically the Plan envisages:

- in the Asia SEA area, the expansion of the engine and two-wheeler ranges, as well as completion of entry on to the Indonesian market and new Asian markets, assisted by an increase in production capacity at Piaggio Vietnam (300,000 vehicles/year compared with today's 140,000 vehicles/year);
- entry on to the Indian scooter market, where annual growth rates are high, with the Vespa premium brand; Vespa production will begin during the first quarter of 2012 in the new Baramati facility with an initial production capacity of more than 150,000 vehicles/year;
- on the mature Western markets, further consolidation of the Group's European leadership on the two-wheeler market as a whole and in the scooter sector, and growth in sales and margins for motorcycles thanks to the Aprilia and Moto Guzzi ranges;
- in commercial vehicles, higher sales and market share in India (in part through the introduction of new 3- and 4-wheel vehicles in the fastest growing market segments) and in the emerging countries, maintenance of current market positions in Europe, and further growth in exports to African, Asian and South American markets.

As far as technology is concerned, the Piaggio Group is focusing strongly on the development – for two wheelers and for commercial vehicles – of new highly innovative combustion engines, with sharply reduced fuel consumption and emissions. Supported by cooperation among the Group R&D centres in Europe and Asia and the world's leading universities, Piaggio will also continue development work on vehicles equipped with new-generation electric motors, as well as hybrid engines, a field where the Group is already one of the world's most advanced manufacturers.

Consistently with the Group's increasingly global industrial and commercial organisation, strong emphasis will also be given to development of an international system of expertise and research in product marketing and style, with Group centres in Europe, Asia and the USA bringing together the top designers and marketing specialists from all Piaggio Group locations around the world.

Motor-racing plays a vital role in the Piaggio Group's motorcycle production operations. In fact, the Group brand portfolio includes names that have earned pride of place in the history of international motorcycle racing, with a total of 101 world championships – 51 for Aprilia (the Italian and European brand with the richest collection of titles of any manufacturer active in racing today), 21 for Derbi, 14 for Gilera and 15 for Moto Guzzi – and more than 500 victories in world motorcycle Grand Prix and Superbike championships.

In the 2012 World Superbike season, the Piaggio Group triumphed with the Aprilia brand which won both the Manufacturer Championship with the four cylinder Aprilia RSV4 and the Rider Championship with Max Biaggi.