



PIAGGIO GROUP

PIAGGIO GROUP

First Nine months of 2014 Financial Results

Conference Call

October 23<sup>rd</sup> 2014

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# Highlights (1/2)

## Nine months results

### Market demand

#### **Mixed dynamics in Piaggio's key reference markets: Indian demand gaining momentum, Asia Pac shifting to positive, European recovery remaining weak**

- Indian 3 Wheels recovery started in Q2 accelerates in Q3 leading to mid single digit growth YTD while 4 wheels are still slumping; 2 Wheels strong momentum continues
- Asia Pacific market demand slightly easing, with Vietnam growing in Q3 and Indonesia up mid single digit vs. PY
- European 2 Wheels trend worsening throughout the year leading to 2% increase vs. PY, underpinned by Bikes up by 8% while Scooters are down by 2%

### Business Highlights

#### **Western Countries: resilient performance in a flat market**

- Piaggio European leadership confirmed in an highly competitive scooter market
- Favorable momentum for premium scooters continues, with Vespa and MP3 posting double-digit revenue growth, outstripping market trend
- Expansion of mid-sized bikes in Latam on schedule
- Vehicles' average price on the rise, sustained by positive mix and firm price policy

*As a result, Western Countries revenues slightly up in Q3 and YTD vs. PY; Spain, France, UK and Holland best performers posting healthy growth; Italy still lagging behind*

#### **Asia Pacific: encouraging signals in an improving market scenario**

- Vietnam still negative YTD, but posting a strong volume rebound in Q3 (~17%), unveiling positive signals for Q4
- Asia Pacific ex Vietnam keeps growing, markedly in Thailand, Taiwan and Indonesia
- Premium segment penetration in Asia moving forward
- Average prices on the rise excluding negative FX, despite increased competitive intensity

*As a result, revenues up high single digit in Q3, while still down YTD mainly reflecting Vietnamese slow start of the year and FX negative effect*

# Highlights (2/2)

## Nine months results

### Business Highlights

#### India: positive trend accelerates in a strong market environment

- Three Wheeler market turns to positive, on the back of a strong upward acceleration in Q2 (+12%) and Q3 (+23%)
- Commercial Vehicles market share above PY
- Export strong momentum continues, with volumes surging more than 70% vs. PY
- Average prices on the rise excluding negative FX, reflecting rigorous pricing discipline; FX MoM trend already positive since August
- Vespa sales still flat around 2 thousand units per month

*As a result, Commercial Vehicles revenues up by 0.6% vs. PY (+9.2% excluding FX), on the back of positive Q2 (+0.9%) and strong upward acceleration in Q3 (+19.3%)*

### Financial Highlights

#### Very good Q3 results ...

- **Net Sales: up by 7%**
- **EBITDA: up by ~25% with ratio on sales up 2 p.p.**
- **EBIT: up by ~35% with ratio on sales up 1.3 p.p.**
- **Net Income: almost doubling from 2.8 €m to 5.4€m**

**...drive YTD growth of Net sales at constant FX (-2.5% at current FX) and of EBITDA , which reaches the best ratio on sales since 2010**

- YTD Gross Margin ratio at 30.9% vs. 30.4% in 2013, further proving effective pricing policy and product cost efficiency
- YTD OpEx in line with PY (~-1 €m vs. 2013), even after step up in marketing expenses
- YTD Higher financial expenses driven by one-off negative effect of bond redemption (2.9 €m), lower capitalization of interest expenses (IAS 23)

**Strong Cash flow generation (+38€m vs. -63€m in 9M 2013) stemming from healthy operating cash flow, tight grip on working capital, no dividend cash out in 2014, drives Net Debt below both Year End 2013 and Sept. 2013 level**

Q3 posts healthy growth in all key metrics with ratios at peak levels.  
 YTD performance still affected by weak start of the year and negative FX  
 Strong improvement in cash flow drives significant Net Debt reduction

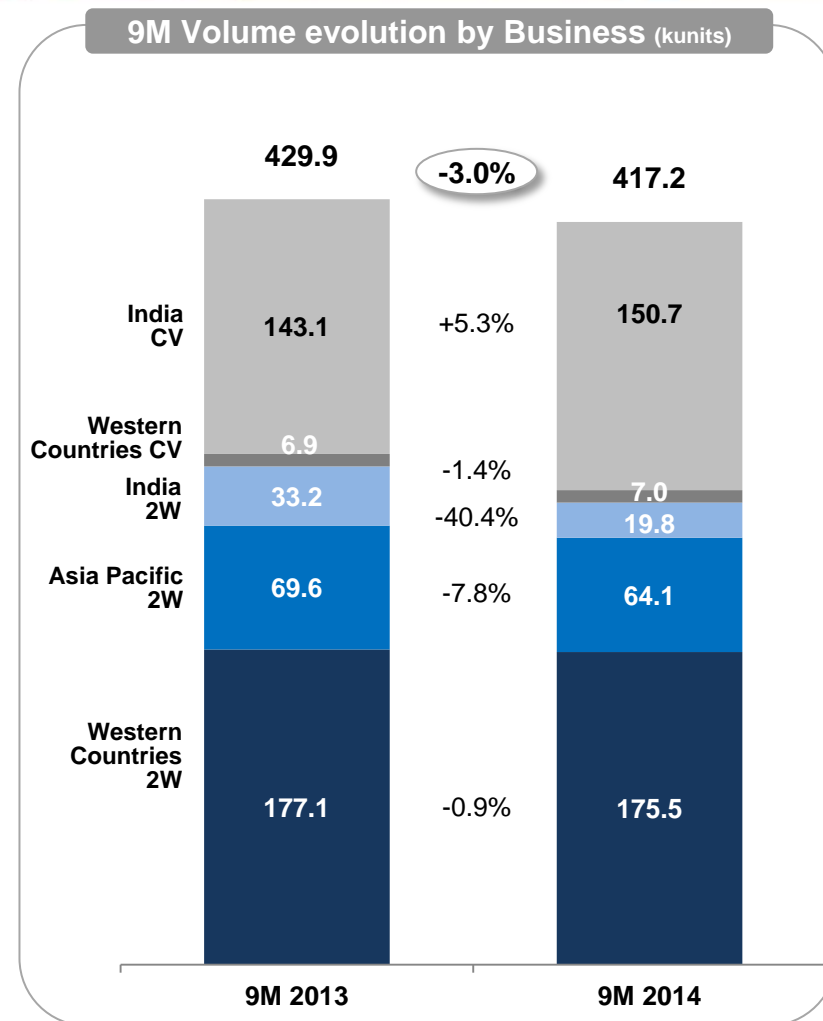
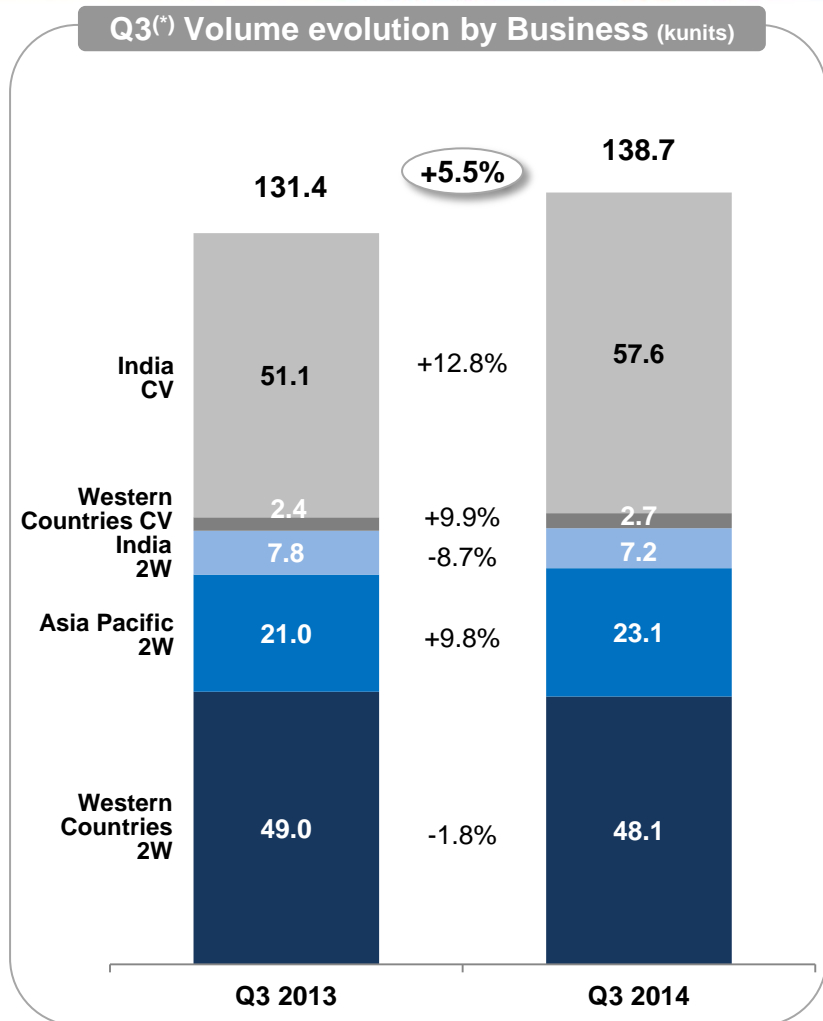
P&L (€m)	Q3 2014 <sup>(1)</sup>	% Change vs. Q3 '13	9M 2013	9M 2014	Change 9M '14 vs. 9M '13		
					Absolute	%	% excl. FX
					<b>Net Sales</b>	<b>301.8</b>	<b>+6.5%</b>
<b>Gross Margin</b>	<b>93.1</b>	<b>+11.8%</b>	290.6	<b>287.5</b>	<b>(3.1)</b>	<b>-1.1%</b>	<b>+0.9%</b>
% on Net Sales	30.8%	1.5%	30.4%	30.9%	0.5%		
<b>EBITDA</b>	<b>41.3</b>	<b>+24.6%</b>	<b>133.7</b>	<b>135.4</b>	<b>1.6</b>	<b>+1.2%</b>	<b>+3.8%</b>
% on Net Sales	13.7%	2.0%	14.0%	14.5%	0.5%		
Depreciation	(22.8)	+17.6%	(62.4)	(65.7)	(3.3)	-5.4%	
<b>EBIT</b>	<b>18.5</b>	<b>+34.3%</b>	<b>71.4</b>	<b>69.6</b>	<b>(1.8)</b>	<b>-2.5%</b>	<b>+0.7%</b>
% on Net Sales	6.1%	1.3%	7.5%	7.5%	0.0%		
Financial Expenses, <i>recurring</i>	(9.6)	+4.6%	(25.1)	(30.2)	(5.1)	+20.4%	
Financial Expenses, <i>non-recurring</i>				(2.9)	(2.9)	n.a.	
<b>Income before tax</b>	<b>9.0</b>	<b>+92.6%</b>	46.3	<b>36.5</b>	<b>(9.8)</b>	<b>-21.2%</b>	
Tax	(3.6)	+92.6%	(18.5)	(14.6)	3.9	+21.2%	
<b>Net Income</b>	<b>5.4</b>	<b>+92.6%</b>	27.8	<b>21.9</b>	<b>(5.9)</b>	<b>-21.2%</b>	
% on Net Sales	1.8%	0.8%	2.9%	2.4%	-0.6%		
<b>Net Income, adjusted <sup>(2)</sup></b>			27.8	<b>23.6</b>	<b>(4.1)</b>	<b>-14.9%</b>	
% on Net Sales			2.9%	2.5%	-0.4%		

NFP (€m)	Cash Flow (€m)					
	31.12.2013	30.09. 2014	Change	9M 2013	9M 2014	Change
<b>Net Financial Position</b>	<b>(475.6)</b>	<b>(437.9)</b>	<b>+37.7</b>	<b>(62.8)</b>	<b>37.7</b>	<b>+100.5</b>

<sup>(1)</sup> In this presentation, to facilitate the reading of the evolution of results throughout the year, third quarter data are calculated as the difference between September and June 2014 results

<sup>(2)</sup> To provide a better comparison of information from different years, the Group has defined the item "adjusted", which excludes the impact of non-recurring events

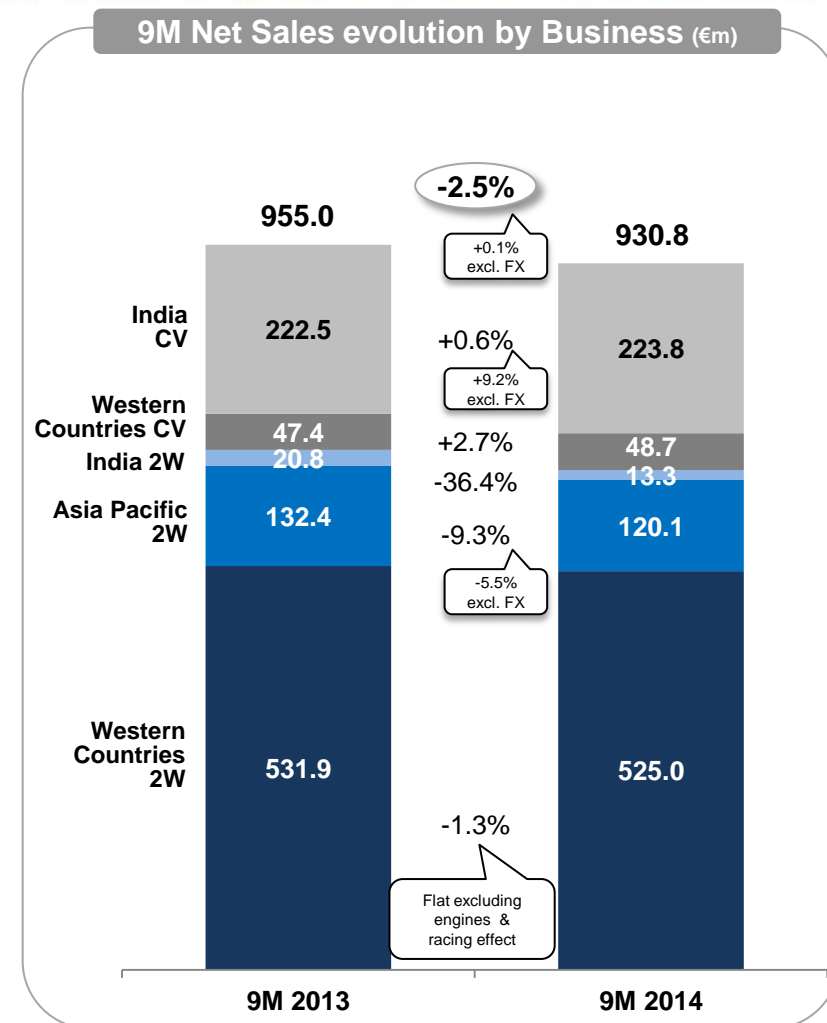
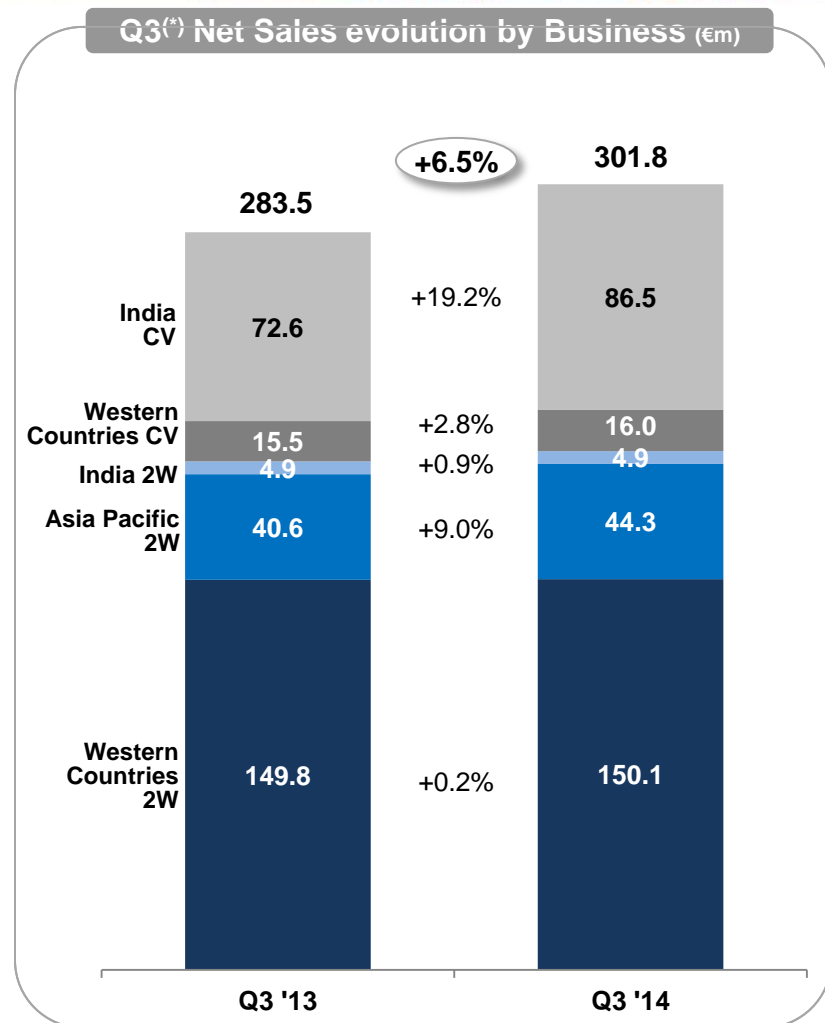
# Q3 Volume increase, mainly driven by healthy performance in Emerging Countries, almost offsets weak start of the year...



2W: 2 Wheels      CV : Commercial Vehicles

<sup>(\*)</sup> In this presentation, to facilitate the reading of the evolution of results throughout the year, third quarter data are calculated as the difference between September and June 2014 results

... and drives Net Sales growth in Q3 across all the regions leading to YTD result in line with PY at constant FX

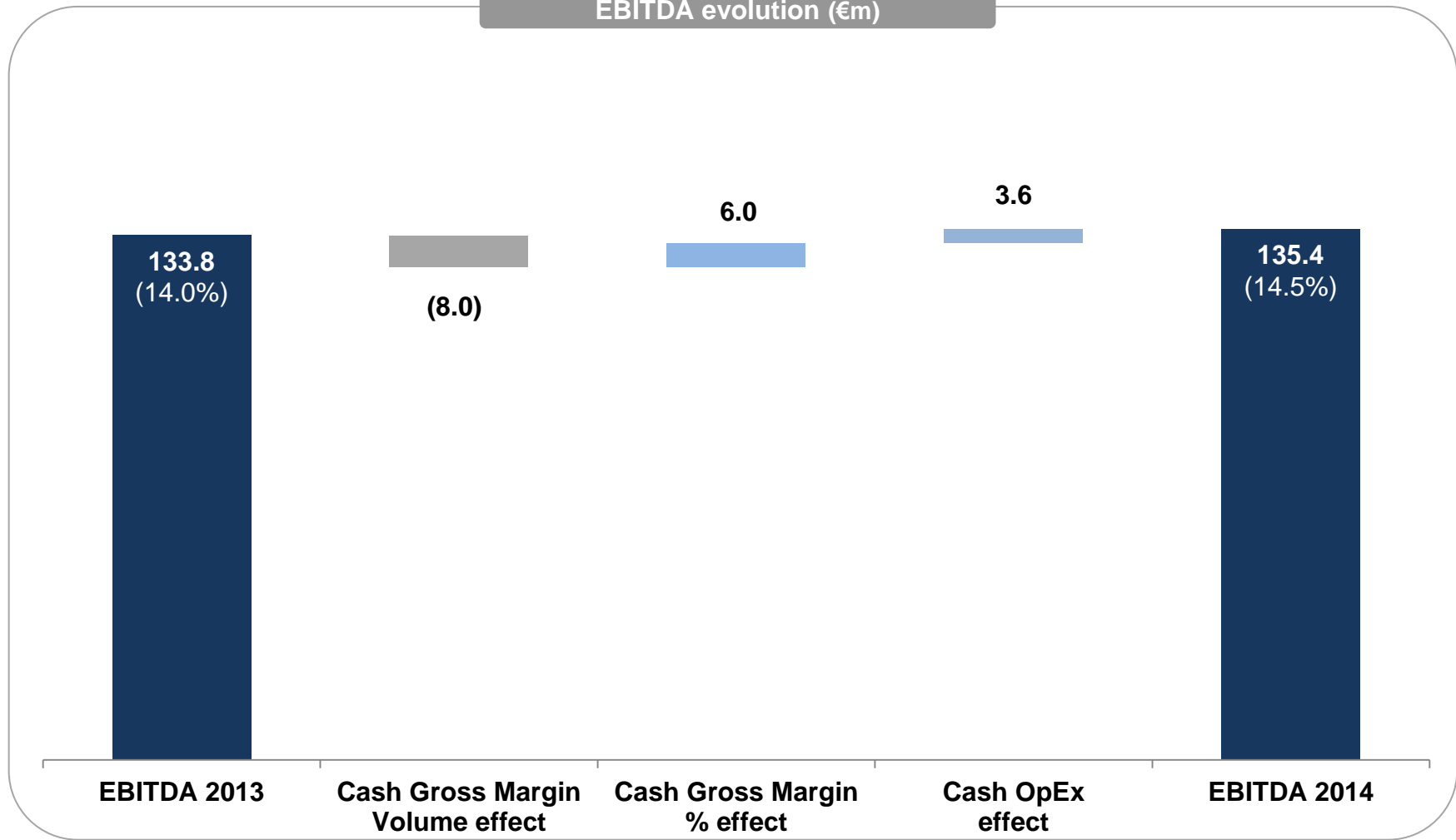


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Product profitability improvement and OpEx containment drive EBITDA above Prior Year, with a significant rise of the ratio on net sales...

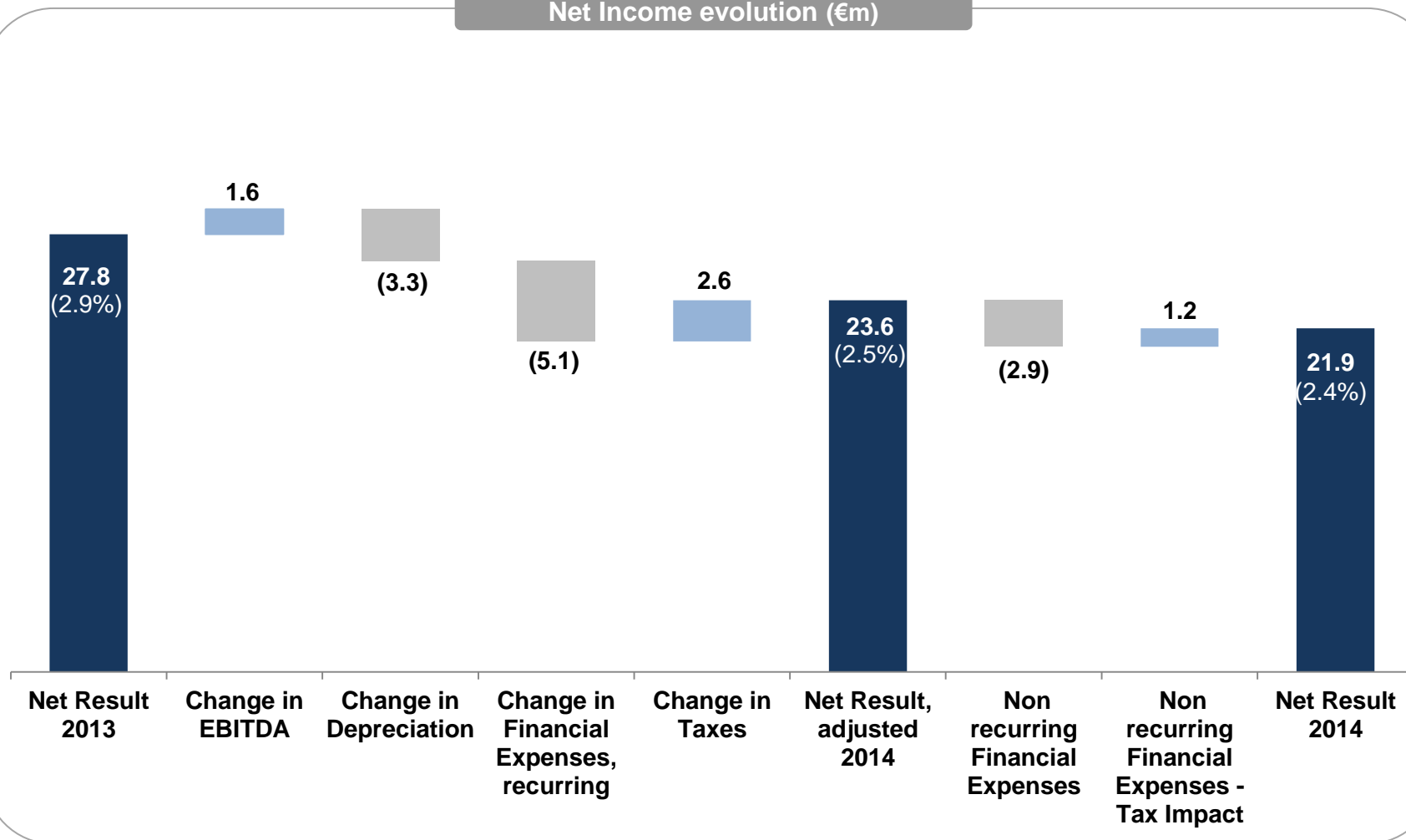
**EBITDA evolution (€m)**



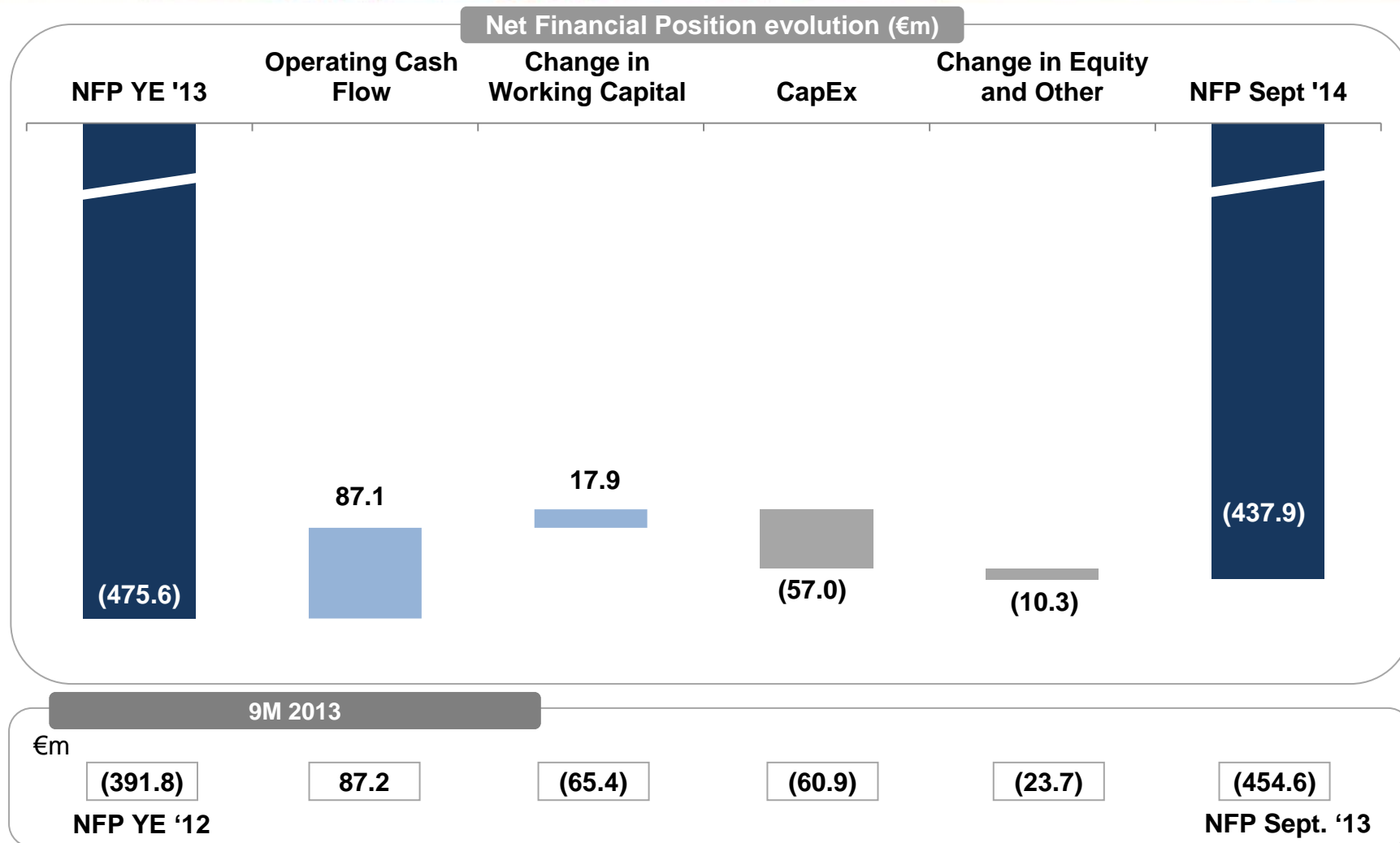


...and mitigate Net Results decline, notwithstanding non recurring financial expenses

Net Income evolution (€m)



Strong Cash flow generation (+38€m vs. -63€m in 9M 2013) stemming from healthy operating cash flow, tight grip on working capital, no dividend cash out in 2014, drives Net Debt below both Year End 2013 and Sept. 2013 level (1/2)



Strong Cash flow generation (+38€m vs. -63€m in 9M 2013) stemming from healthy operating cash flow, tight grip on working capital, no dividend cash out in 2014, drives Net Debt below both Year End 2013 and Sept. 2013 level (2/2)

	2012	Sept. 2013	Chg. '13 vs YE '12	2013	Sept. 2014	Chg. '14 vs YE '13
Trade Receivable (*)	59.3	89.0	29.7	74.4	89.5	15.1
Inventories	221.1	234.6	13.5	207.8	266.9	59.1
Commercial Payable	(389.4)	(379.8)	9.6	(344.8)	(443.4)	-98.6
Other assets/liabilities	27.9	40.5	12.6	32.3	38.8	6.5
<b>Working Capital</b>	<b>(81.1)</b>	<b>(15.7)</b>	<b>65.4</b>	<b>(30.4)</b>	<b>(48.2)</b>	<b>-17.9</b>
Tangible Fixed Assets	321.0	308.8	-12.2	310.1	311.8	1.7
Intangible Fixed Assets	661.0	653.3	-7.7	654.5	660.8	6.3
Financial Investments	6.7	8.4	1.7	9.9	9.9	0.0
Provisions	(75.9)	(72.9)	3.0	(76.4)	(75.9)	0.5
<b>Net Invested Capital</b>	<b>831.7</b>	<b>881.8</b>	<b>50.1</b>	<b>867.7</b>	<b>858.5</b>	<b>-9.3</b>
<b>Net Debt</b>	<b>391.8</b>	<b>454.6</b>	<b>62.8</b>	<b>475.6</b>	<b>437.9</b>	<b>-37.7</b>
<b>Equity</b>	<b>439.9</b>	<b>427.2</b>	<b>-12.7</b>	<b>392.1</b>	<b>420.6</b>	<b>28.4</b>
<b>Total Sources</b>	<b>831.7</b>	<b>881.8</b>	<b>50.1</b>	<b>867.7</b>	<b>858.5</b>	<b>-9.3</b>
<b>Net Debt/Equity</b>	<b>0.89</b>	<b>1.06</b>		<b>1.21</b>	<b>1.04</b>	

(\*) Net of advances from customers.



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