

Piaggio Group

Full Year 2021 Financial Results

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Hello. Thank you very much for taking your time to follow the conference call. Joining me today are Roberto Colaninno, Chairman and Chief Executive Officer; Michele Colaninno, Chief of Strategy and Products; Alessandra Simonotto; Chief Financial Officer.

You can access the slides, supporting this call at piaggiogroup.com website.

Before starting the presentation, I need to remind you that during today's conference call, we may use forward-looking statements based on Piaggio's current expectations and projections about future events. By their nature, forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to be materially different. Also, I remind you that the press has been invited to participate in this conference call in a listen-only mode. Now, I would like to turn the conference over to Roberto Colaninno.

Roberto Colaninno-Chairman and Chief Executive Officer

Good afternoon, everybody. I am very happy to present today the results of 2021. Everybody has read already the results. And I believe that you are more interested to try to understand what we are on the way to do regarding '22. Based on our budget, the target of '22 is quite let's say very challenging, it's very, very interesting.

Based on the results of '21, when we have achieved all the programs that we were thinking at the beginning of '21, that we have done everything on time: new products, technology, electrical projects of Piaggio, new factory in Indonesia, the new factory of Moto Guzzi, the big investments on marketing and all the styling, and the new products. This is all what we have done in '21, and we expect big results in 2022.

The reason we expected that in 2022, by the end of the year, we have the first results of the new factory of Indonesia, where we expected to have the same important results that we have obtained in let's say in Southeast of Asia, from Vespa. We have done a new organization in China, where the results of the last year sales of Vespa were incredibly good, and we're expected to have more sales in 2022.

We expected that India, at least we will be able to restart with a new situation and solve all the problems coming from the virus. We expected to increase sales in all Asia countries. So, we expect to have a big result, of sales of motorcycle in United States and in Europe. If you want Piaggio, due to the organization, in the factory where we are in China, where we are in Vietnam, where we are in India, where we are in Indonesia, we are out from the turmoil area of Europe unfortunately, that is huge.

Now with those results, sales of the first period of the year, is very, let's say it is very good. And we expected that the market reacts very well, in also because all the world, the cost of gasoline it has rising, going up, and people will discover for the urban transportation two vehicle products.

We expect also that the people discover motorcycles, and we see that the number of Aprilia and the Moto Guzzi is quite good. All the markets around the world, we have designed that the new model of Aprilia and the Guzzi is very welcome from all markets, and especially for the young people.

Our marketing policy gave very good results, especially in China, especially in the United States, in Italy, and generally speaking in Europe. But one of the points that give us more hope that we are able to reach our targets, is that the market reaction, and the market response to the new model for instance, Tuareg, Moto Guzzi, and other premium model in the first two months and days of the order that we see is very, very good.

Let's turn now on other problems of supplier and then components. Remained some problem, but we see that now especially from the Asia Market, first positive results where our supplier began to be in line with the timing, in line with the quantity. The transportation cost remained high, but we are working now to find the new, let's say packages in order to save space on the container and on transportation tools.

Naturally we want to avoid using airline for transportation of our parts, because the cost is too high. But we see that with a good production scheduling and with a good performance of our stock, it will be possible to have a good working capital.

So, let's say that we have achieved in '21 some results, where the market and -- and I remember the last conversation we had, where I said that we'll try to achieve 240 for the EBITDA. And some of the analysts consider that very difficult and we were able to achieve 240.6 on EBITDA. So, let's say that our organization in terms of cost control, in terms of sales developed, let's say achieved the system to be flexible and that is enabling to give us the results, in order to give us the possibility to react and to have the proper reaction, when we register the difference between the reality and the budgets.

So what I want to say is, our future is, quality of the products, customer, organization on production, and organization on all the pieces in term of working capital, in term to be very ready to react quickly and to react all the time when necessary to be in position to take the right decision on that. Even the quality is very high target for us. Quality, in terms of customer assistance, in term of good technical performance and also to be able to control the cost and try to reduce the costs also to a good performance of design to cost.

Electrical side. We, as you know already, we proceeded on the transformation exercise of Piaggio from a thermic company to electrical company. This, we projected to do this in the next three years. We have already built the laboratory and the building dedicated to electrical products. We have already hired 45 technical people, totally dedicated to electrical technology. We work with some important supplier, very high skill on electrical problems.

And I want, I can say that today, we are perfectly in line with the project of this big change of the company. Naturally, it is not what means that we are going out from thermic. We believe that the thermic will be for

many years product that the market will require, especially on the Asian market. And based on the fact also that we believe that India problems will be solved by June this year, and then we can have advantages of our organization in this huge market that will become again very profitable and very interesting.

So we see our future not so problematic or so negative as we can see on newspapers. We can say that the first two months, what we have in terms of the customer reaction, what we have from different, let's say market sector, but also from the whole global market. The United States, China, Southeast Asia, India, Indonesia, Europe. By the way we don't have nothing with Russia, we have nothing with Ukraine.

So, we see that our future for Piaggio in one way we can guarantee the geographic distribution, can guarantee the different markets for different products and it is able to have done already and we are developed again an extraordinary marketing policy for the young people. We have new design and we have new relation with some star -- very close to the young population in China and America especially, where we already have projects.

Our financial situation is: we don't not have any problem. We can look all the investments on CapEx without any problems on the debt. We can have all these investments without to put problem in the company. We have under the control the credit, we can say that today our credit position hasn't any problems in term of bad credits. We have the same situation with the supplier. So we say that we have the problem to manage. We have the problem to managing terms, that is our normal job. We want to reduce costs through productivity increasing strategy. The productivity is for us the first target that we want to improve. We consider productivity and customer care the two main strategy of all our deployment of our budgets of '22.

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Raffaele Lupotto – Executive Vice President, Head Of Investor Relations

Okay. Thank you very much and now we can go on with Alessandra Simonotto that will comment on the slide you can find on our website.

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Alessandra Simonotto – Chief Financial Officer

Good afternoon. We will start this call with Page 3 of the presentation. The most important group financial KPI, and we have compared as usual, the KPI not only with 2020 results, but also will 2019 results. But we are in the last year before the COVID-19 pandemic.

As you can see in 2021, we achieved all-time high cash generation and all key metrics get big level, exceeding update target. Net sales increased by 27% from EUR1.3 billion on 2020 to EUR1.7 billion in 2021.

EBITDA increased by 29.3% from EUR186 million in 2020 to EUR241 million in 2021 in line with target forecasting during the conference call of nine-months results, the best results ever. Comparing to 2019, net sales increased by 9.7% from EUR1.5 billion of 2019 to EUR1.7 billion in 2021. And EBITDA increased by 5.6%.

In terms of net debt, we saw significant improvement respect to EUR424 million of December 2020, recovering around EUR43 million at closing, December 2021, at EUR380 million, confirming the leverage started some years ago. Comparing to 2019, net debt of EUR430 million, improved EUR49 million.

Going to Page 4. We have tried to underline the result of the group in the next nine years to underline the strong growth of the profitability, achieving in 2021 a leverage of 1.6.

On Page 5, you can appreciate and we have been able to do this results on leverage, thanking to our brands. And at Page 5, you can appreciate the good performance of all our brands, both for scooters and motorcycles, we grow up to more than 50%.

On the following three pages, we have tried to resume what happened to our plans in 2021. Beginning from Page 6, with Moto Guzzi, we celebrated 100 years of the brand achieving the highest results ever, thanks to the success of the new models launched in the last two years.

During the celebration, we have unveiled the new project, V100-Mandello, and we have also presented the futuristic project for the new factory and museum in Mandello, designed to ride the next 100 years of Moto Guzzi.

Moving to Page 7, talking about Aprilia brand. We would like to outline -- highlight the outstanding results of the new range of bike 660 RS, Tuono, and New Tuareg. Thus Aprilia, getting the highest revenue today and opening 2022 with strong order book. About Aprilia Racing as in 2021, we get back with a new Aprilia Racing Factory and Team. And new factory and team will begin the races in the next weekend, as you all know.

On Page 8, Vespa. Vespa has celebrated in 2021, its first 75 years with Special Edition and some new collaboration, just like Vespa Dior, the collaboration with Sean Wotherspoon and opening a new kind of partnership with Pixar for Luca. And we all are waiting the result of the night of the offer on the 27 March. All these collaboration has contributed to the evaluation of Vespa brand made for the first time by Interbrand.

On the next three pages 9, 10, 11, you can have a look of what we have done about sustainability point of view with Vespa, Gita, Gitamini and the new Piaggio ONE, launched in the year 2021, but in the fourth quarter has sold more than 6,000.

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While going to Page 12, you can have a look about the new launches in 2022 like V100 Mandello, Tuono 660 Factory, RSVT, and the new collaboration with Justin Bieber for Vespa, and the Chinese designer Feng Chen Wang for Piaggio.

And now if we go onto Page 13, we have summarized our industries key demand plan for 2021. About EMEA and America, demand on the rise across all product segments and all countries, with an overall plus 4% EMEA and plus 8.7% in U.S. versus 2020, confirming a multi-year growth trajectory underpinned by the combination of replacement cycle, aversion toward public transport and macro recovery. Italy, Germany, the Netherlands and U.S., ended in double-digits above the pre-pandemic levels.

About Asia Pacific, despite the uneven trend across the year, overall demand ended well above 2020. ASEAN 5 demand regained strength in Q4, once lockdown measures had been lifted, ending at plus 15.6%, shedding a positive light for 2022. China confirmed the growth ending 2021, well above both 2020 and 2019 levels with an increase of 11.8% versus 2020. India, demand ended in-line with previous year, but significantly below pre-pandemic levels, both in Two-Wheelers and Light Commercial Vehicles due to the effects of COVID-19 second wave.

Moving to Page 14, we can have a detailed analysis of volumes and net sales by business.

Volumes and net sales grew at the fastest rate to date in all segments, except in Indian Light Commercial Vehicles, boosted by significant positive mix/price effect. So with EMEA & Americas, continued to grow, thanks to positive market dynamics and mix/price effects. 2 Wheelers Asia-Pacific, volume and revenues

raised to a fresh new record highs benefiting from strong brand equity and counties diversification. 2 Wheelers India started with all-time-high revenues, outstripping market trends with both Aprilia and Vespa brands. CV EMEA and Americas, highest revenues since 2009, mainly on the back of successful launch of the new Porter NP6. CV India underperformed mainly reflecting weak domestic market demand.

Going to Page 15, we can have a look at the breakdown of volumes and net sales by product. As mentioned before, motorbikes had been the brightest spot both with revenues skyrocketing by 70% -- with the success of the new product launched Aprilia RS and Tuono 660 and Moto Guzzi V7. Scooters performed extremely well too, benefiting from the combined strong grow in all geographic areas. In this context, I would like to highlight the very strong performance of Vespa, and the New Beverly. Light Commercial Vehicles revenue grew underpinned by the strong performance of the new Porter NP6, more than offsetting engine negative performance.

Moving to Page 16, you can have a look of the EBITDA range. In Q4, we achieved all targets provided in Q3 conference call. We've successfully managed the supply chain challenges, with engaging inefficiencies and normalizing the use of air freight.

Additionally, most of the Q3 of negative effects arrived -- has been restored. Those elements together with strong revenue growth and better mix global EBITDA, I believe to EUR48 million, the best Q4 results on the record. On a full-year basis, the EBITDA grew reaching an all-time high in absolute term. The key driver has been the strong revenues growth, more than offsetting the dilutive effect, stemming supply chain disruption, and from higher raw material costs. The delta in cash OpEx that you see in the chart is just a reflection of the unusual low level of last year, when we halted the activities due to the first spread of COVID-19. Conversely and more importantly, cash OpEx has been lower than 2019, and the ratio of cash OpEx on revenues in 2021 had been lower both versus 2020 and 2019, a remarkable result in my opinion, which specified the group's ability to keep a strong grip on costs.

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On Page 17, we see the remaining P&L figures that we have not shared with you. The most important is net profit. Net profit surged by 92% to EUR60 million, despite higher D&A, reflecting recent years on CapEx, whilst benefiting from lower financial expensing, stemming from lower average indebtedness and 1.7 percentage points of lower tax rate.

Moving to Page 18, you can have an in-depth analysis of cash flow, net debt, and liquidity. This is the most significant slide since it testifies our ability to reduce debt whilst returning value to shareholders through dividends. As we saw before, net debt went down by EUR43 million versus December 2020 and EUR49 million versus December 2019 thus pushing leverage down to 1.6, which testifies that we are fully on track with our long-term goals to keep leverage under control. These outstanding results stemmed from strong operating cash flow, which grew versus last year primarily on the back of higher EBITDA. Working capital is generating cash by EUR49 million topping an all-time high, mainly driven by containment of receivables, which weighed on sales, went down to 4% versus 4.9% in 2020, and 4.7% in 2019, and higher contribution of payables, more than offsetting the spike in inventories.

In respect of the capital expenditure was significantly higher than last year, EUR14 million driven by focus on new global launches. This brand is consistent with our multi-year approach discussed in previous conference calls.

Change in equity was higher than last year, mainly reflecting higher dividend paid for EUR39.6 million versus EUR32.9 million in 2020. Lastly, as you can see in this slide, we have recently secured additional financing for

EUR115 million, thus strengthening our maturity profile, and leading the waiting average debt maturity to 2.7 years. Thank you.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Ok. Thank you, Alessandra. So, now ready to answer the questions you may have. Thank you.

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QUESTION AND ANSWER SECTION

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Monica Bosio – Banca Intesa San Paolo

Good evening. Sorry, good afternoon, everyone, and thanks for taking my questions, I had a few ones. The first is on the EBITDA outlook, I know that you do not give guidance, but the consensus is pointing to something around 275. I was wondering if you feel comfortable with this level, as you should be able to offset fully the raw material prices increases and the energy costs through price mix, just a confirmation on this?

The second question is an APAC mainly project a still double-digit growth for APAC areas for 2022?

The third one is on electrification. Are we planning to launch new electric vehicles in 2022?

And the very last and sorry it's a housekeeping question. Can we keep the same tax rate for 2022? Thank you very much.

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Alessandra Simonotto – Chief Financial Officer

Good afternoon. From the last one, and on the first one, tax rate we have reached in 2021 a lower tax rate than the one we have shared with you in other conference call, because we choose to utilize or the -- just a moment I don't you remember one thing, basically the degree 104 for 2020, and this help us to get these lower tax rate than the 38% that we normally use. And with now we don't see other peak in our tax rate. So I believe that we work also for 2022 in this range, 38 and if we will find something new and some other opportunities, we work for getting that in our figures.

Then we could in 2022, we don't have new launch in 2022 of new electric vehicles, we will work on our range of product also in 2022, but there are not something new this year.

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Roberto Colaninno-Chairman and Chief Executive Officer

Regarding the Asia expectations, as I said before, we are very positive in the Asian market.

We see that the performance of '21 was widened from the South-eastern of Asia, and China, and Thailand. Now, we confirm the same positive trend for these countries, but we believe, based on the...to be confident, that we are able to start with the new plant in Indonesia, to begin to sell Indonesia by October, November,

December. We expected big results because through our check for that market, we know that Vespa is very, very welcomed.

The main factor that Indonesia and about 300 million people, we expect it to have in Indonesia the same results from the market point of view, that we get in Vietnam. Naturally this is based on our forecast of the production start, and if there are delays we have to postpone the transactions starting. But anyway, we are very, very confident that the Indonesian market should be very nice surprise for the Piaggio Group.

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Monica Bosio – Banca Intesa San Paolo

Thank you very much. And what about your confidence on the current consensus, you expect that your price mix will continue to affect all the raw material prices increases plus the energy cost? Thank you.

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Roberto Colaninno-Chairman and Chief Executive Officer

I don't want to go into details, because it's a very technical issue. And is a little bit complicated to explain this on the phone, but we have introduced in 2021 software production program, in order to keep under control the quantity of the number of components that we use for each product. And then, we want to achieve the target to reduce the quantity of the raw material, and not to change in the quality naturally, through a better design of material that we use for specific, for each specific product.

The result for 2021 is very good. Let's say this even is not definitely, we expect to improve the system in 2022. And thank you to this system, we hope to be able to keep under control, the material cost increases, but fortunately we are beginning to see especially from the Asia supplier, that the price is not going up on the same way than January last year. They are beginning to be soft. Now I cannot predict what we did the reaction of the war on their raw material, because this is impossible to predict. But we hope that through productivity system, organization and especially keeping under control the quantity of the components we will be able to counterbalance the price increase.

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Monica Bosio – Banca Intesa San Paolo

Ok. Thank you very much. Very useful. Thank you.

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Francois Robillard – Intermonte

Hi. Good afternoon everyone, and thank you for taking my question. First one is on your CapEx targets. So you mentioned earlier in 2021 something around 450 million over between 2021 and 2023. This year was 155 million, before it was big push on new product launches in every instance next year you see already the end delivery of the Indonesian factory and no new product launch. Can we expect something less in terms of CapEx in 2022 and 2023 compared to 2021? That's my first question.

Then, second question is on your gross margin for the product.

Can you confirm that this figure was positively impacted by the 4 million of supplier one off costs that we saw in the third quarter that got reversed. And if so, can you give us just a bit more detail on how the different moving parts? So a greater share of motorbikes compared to scooter in this quarter, impacted your gross margin? Thank you very much

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

François, Raffaele speaking, so we can confirm around the EUR450 million of CapEx in three years, as we said before. This is the first answer, then there is a question concerning the gross margin and the fact that we have reversed one-off effects. I don't know if Alessandra --

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Alessandra Simonotto – Chief Financial Officer

Yes, there was, as far the negative effect of Q3, we have recovered -- to remember, we disclosed in Q3 around EUR 4million for recall campaign and in the fourth quarter we have recovered EUR3 million.

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Francois Robillard – Intermonte

Thank you. And just a quick follow-up if I may, didn't quite understand your answer to Monica's question about the low impact rate in the fourth quarter of this year. Can you just come back on that and explain how come this tax rate was so low in the fourth quarter, and what we can expect from it here?

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Alessandra Simonotto – Chief Financial Officer

The closure of any quarter is based from a tax rate point of view in the IFRS 34 asked to all the companies. So normally if you don't know some different things, you have to use the tax rate, that you normally use for the budget and multi-year plan. So as I said in the other report 38% of tax rate, was one that we have used for the budget of 2021. At the ending of the year, when you are preparing also the -- or the fiscal declaration, you know all that what has happened during the year, and you can consider everything. So, as I already say, we have used in our fiscal declaration of 2021, what the decree 140 of 2020 allows for the Italian company, but early alignment between the value of the civil and the physical value of some assets. We have used it look like and many other companies in Italy, and we just bring up these 1.7 less in the tax rate.

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Gabriele Gambarova – Banca Akros

Yes, good afternoon, and thanks for taking my questions. The first one with regards the Indian market, you said that you expected to improve. So, I was wondering if you saw any improvement in registrations and sell-in in the first two months of the year, and if you can give us an idea of this recovery. I saw that in Q4 your sales were down heavily, still heavily and I'm wondering if there is any kind of structural problem, because the COVID-19 issue is no more there, I guess. So, any color any number on expectations on India for both the three and two wheelers would be very welcomed?

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Roberto Colaninno-Chairman and Chief Executive Officer

As you know, India is a big country, and get the 1.5 billion people, it is crossing a terrible timing, due to the virus problem, pandemic problems. The pandemic problems today seem to be solved. I want to underline seems to be, because it's quite difficult to get exactly situation from the whole country of India, but we know for instance that the school that until yesterday was closed, now is open. Banks begin again to work with market. All the dealers shop now is on the way to be reopened. Country sides people begin to buy three-wheelers especially for work. This is a good sign, that we take in our experience in the last two months.

Frankly speaking for me, but also for the people the work in India, it's too early to say that the India problem is over. Naturally, we are against the monsoon time. And this can help a lot for if the monsoon time is positive, this can help a lot, the general situation of India. From our positive point of view that India is not involved in any war in the area, there have no problem with Pakistan, and they have no problem with other country.

They have the problem of the pandemic situation, and they have the problem of the finance market that need to finance all the buying program of the people. Never forget that people -- a lot of people outside to agriculture area are working on transportation, transportation of people and transportation of goods. The majority of this transportation is done by three-wheelers. And this is giving us first positive signs, regarding to go against a positive time. We need to wait another one, two months' time before to say that category the India problem is over or not, naturally worse than this cannot go in it. So even this more positive sign is positive, because the big number is very positive, so keep the finger crossed wait one month then we look how we go all the rest of the year.

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Gabriele Gambarova – Banca Akros

Okay. Thank you very much Mr.Colaninno. If I may just a couple of clarification question follow-on. On the free cash flow, where do you see the net financial position heading this year? And what could be the role of working capital, the working capital released 45 million, 50 million this last year. So I was wondering if you can give us a hand, even in 2022?

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Raffaele speaking. So, what we can say that we keep on working in order to reduce the leverage. So this is the best answer to your question. Okay. Thank you.

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Emanuele Gallazzi – Equita SIM

Yes. Good afternoon everybody. Two questions from my side. The first one is on the pricing mix in Western countries, after the very strong 2021 what we should expect for 2022 even in terms of mix between the scooter and motorbikes in Europe? And the second one is just a quick comment on the current level of dealers stock in Europe? Thank you

Raffaele Lupotto – Executive Vice President, Head of Investor Relations

So you can expect a positive product mix also in 2022, okay?

That was the only question, right?

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Emanuele Gallazzi – Equita SIM

No. The other one was on the current level of dealer stock in Europe? Just to have an idea.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Yes, the dealer stock, so is at the same level at the end of 2019, but the ratio of dealer stock on total sales or total demand is clearly lower. So, still down compared to 2019, if you consider this ratio. Okay?

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Emanuele Gallazzi – Equita SIM

Okay. Thank you very much.

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Raffaele Lupotto – Executive Vice President, Head of Investor Relations

Okay. I think then my last answer draws the call to an end. Thank you very much for attending this meeting. As usual if you need to have further clarification you can call me later. Thank you. Bye.