

# Piaggio Group

## FY 2011 Financial Results

### CORPORATE PARTICIPANTS

Roberto Colaninno – Chairman and CEO

Gabriele Galli -CFO

Raffaele Lupotto –Head of Investor Relations

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### MANAGEMENT DISCUSSION

#### **Raffaele Lupotto – Head of Investor Relations**

Hello, thank you all for joining us in the Piaggio Group's Full-Year 2011 Conference Call. Here with me are Mr. Colaninno, Piaggio Group CEO and Chairman; and Mr. Galli, Piaggio Group CFO. As usual before beginning, I remind you that you can download the presentation from our website under the link Investor Relations Presentations. After the presentation, there will be the opportunity to ask questions.

And now, I think that we can start with the call and I'm pleased to hand over the conference to Mr. Galli.

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#### **Gabriele Galli -CFO**

Hello. Good afternoon to everybody. So, let's start with the presentation to provide capital highlights and then we will look at details. So first of all, we believe that 2011 full-year result confirm that our strategy is consistent with what is happening in the market. In fact, all the emerging markets are continuing to grow at a double-digit rate, Vietnam plus 30%, India growing both in two, three and four wheeler, while the Western markets are stable or decreasing, especially in Italy and Spain.

So our decision to invest in this market gave us good result and probably we do the same for the future. Our position in old market is very strong, starting with Western Counties; we believe we are showing a very resilient performance in a very difficult scenario.

First of all, it is the third year, in which we have been able to gain market share in Europe. We went up from 26% to 27.6%, confirming our leadership in the scooter market in Europe. We have been growing volume in net sales in all the Northern European countries and in North America. We have been suffering in Southern Europe given the very difficult environment, but for the future, the recent contract that we gained with Poste Italiane will sustain all our sales and production volume for 2012. And in a difficult market, we have been able to show a double-digit revenue increase in the Bikes with a very good performance in Moto Guzzi, which grow about by 40% this year.

India, we had a very solid performance. Even though we saw very good 2010, we are being growing in three wheeler cargo segment and we have been a stable performance in three-wheel passenger. In July, as you

know, we will enter the small Pax segment with the new Apé City petrol and this will be to sustain our revenue in 2012. We have been having a double-digit growth in the four-wheeler Sub 0.5 Ton segment. Of course we should improve our performance in the Sub 1 Ton segment, but this is an opportunity to increase our presence in India. And as you know, in April 2012, we will be launching the new Vespa, which will represent for us an entry in a market very interesting 2.4 million units growing at a double-digit rate.

Asia Pacific, the strong moment is continuing. The market in Vietnam is growing. Our market share is growing as well. We are reaping the initial benefit of geographical expansion with the entry in Indonesia. And it's fifth consecutive year of percentage gross margin increase, despite the enlargement of product range and despite the enlargement of the geographical range. So, we say that probably the expansion from Vespa Vietnam to other vehicle other region could have decreased the gross margin, for the moment no.

The scale economy we extracted were able to gave us a good performance both in absolute and percentual term. All of this leads us to a net sales increase of 2.1%, 5.2% if you exclude the exchange rate. Some particular markets are being growing very fast, Asia-Pacific plus 40%; India plus almost 2%, 9%, if you exclude the foreign effect. And also in – some difficult market, we had a robust four months, especially in Northern Europe, which grew up 8%. So I mean, also Western country are not similar, because also there we have been able to have a very good performance in some countries.

Improvement of EBITDA and the improvement in the tax rate have been able to offset higher depreciation charge leading us to a net income increase by 10%, so from €42 million to €48 million. We have been reducing the net debt for the fourth consecutive year. The net financial position has in fact been improved by €14 million; especially thanks to a strict control on working capital and a healthy operating cash flow generation. And all of that has allowed us not only to increase the net financial position, but also to finance a strong increase in CapEx program, which was 31% higher compared to last year.

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And going to the debt profile, we have been able to do a capital good operation in 2011 such as the \$75 million USPP with expiration in 2021 and the €130 million syndicated revolving credit facility expiring in 2015, allowing us to have an average life of debt longer than three years.

Moving to slide five, we can have a look at our P&L. So, very quickly, net sales, as we said from €1,485 million to €1,516 million, plus 2.1%, plus 5.2%, excluding the ForEx. Gross margin a little bit reduced compared to 2010, but still up 30%, which is our target. EBITDA, from €197 million to €200 million, plus 1.7%, excluding the ForEx, plus 8.4%. We have to include – we have to say that in this number we have also have €17 million of one-off restructuring costs. So of course without these costs, the increase would have been much higher. An increase in depreciation, as you can see, from €86 million to €95 million, due to the CapEx done in research & development to develop new products for Asia. Given EBIT a little bit lower than last year, €105 million versus €111 million, financial expenses pretty stable at €27 million, €26.2 million, income before taxes a little bit lower than 2010, €79.3 million versus €83.8 million. A good improvement of tax rate going down by 8 percentage point versus 2010, allowed us to significantly reduce our tax expenses. The reduction was around €9 million, with a net income increasing by almost 10%. Again, including foreign effects and including restructuring cost. In terms of net financial position, as we said before, improvement of around €14 million meaning 4% compared to previous year.

Going to slide six, we can see the volume evolution by cash generating unit, geographic area, and business. Let's comments I mean the geographic area, which is probably the most important. We can see that in the Western countries, we have been reducing our volume by 7.4%, which was a good performance

considering that the equivalent market went down by 9.5%. So we have been able to gain market share in Europe and U.S.

Asia-Pacific going up by 76% especially due to good performance in Vietnam, where we increased our market share by 4 percentage points in a market growing by 30% and where we had a very good performance in Indonesia, which started operation in July last year. India, a net increase of 2.4% going from 220 to 225 k units. Looking at it by business, we can see that we have been growing in scooter, a little bit reducing volume of motorbikes, but in the next slide we will look that in terms of net revenues this will be also good performance and increasing our, I mean, number of commercial vehicles sold.

Moving to slide number seven, we can see – we can have a look at revenues. We see that, I mean, in comparison to a total volume reduction of 7.4% in Western countries, the turnover went down only by 2%, and it means that we have been able to keep very good pricing point, very good mix, very good performance in business motorbikes. Looking at turnover evolution in Asia, we see an increase of 41%, of course, because I mean we are looking not only at attacking the top part of the market with Vespa, but also the medium part with Liberty and other vehicles, but I mean 41% is a very significant increase, which excluding the ForEx would have been 55%. And then in commercial vehicle, we see plus 1.6% around the order, which would have been a growth of 8.8% excluding the ForEx effect. If you look at the same segmentation by business, as we said before, we can notice the good increase of turnover of motorbikes going up by 12.2%. Before, we were commenting the reduction in volume. That means that our high displacement motorbike with particular reference to Moto Guzzi outperformed particularly well.

Going to slide eight, we can show – we can see the evolution of EBITDA. So we had a reduction in gross margin cash of around €7.7 million and an improvement of cash OpEx of around €11 million. This is as we said before also including one-off restructuring cost of €17 million. So I mean, the total performance in terms of reducing fixed cost and improving, I mean, the break-even point as you can imagine is very good. So the break-even point in next year would be lower.

Going to slide nine, we can show the net result evolution. So we already commented the change in EBITDA. The change in depreciation, which affected our results by €9 million as we said before, is especially due to depreciation in intangible. So I mean R&D for developing new engine and new vehicles for Asia. Financial expenses stood pretty stable. We have between through this year €2.3 million revaluation of equity of our participation. Excluding that, I mean, the financial expenses would have increased by around €1.2 million. And this is explainable with an increase of our cost of debt, because of the increase of Euribor, and more reduction of the net financial position. On top of that, we had a good reduction of taxes. This reduction is partially due to the modification of law in Italy. Last year, we had to write-off some assets expiring. This year, I mean, the Tremonti Law in July modified, so there is no more need to write-off tax assets, but I mean you can carry forward on without expiration in five years. And the second point of that was that we have been making more money in Vietnam. And as you know, in Vietnam, we have zero tax rate for, I mean, this year. And starting from next year, we will have a tax rate of 7.5% for the next 7 years. So the composition of this effect allowed us to increase the net results from 43 to 47 million euro,.

Moving to slide 10, we can appreciate the balance sheet. So as you can notice, we had a very good performance in working capital. Working capital has been able to release something around €50 million cash this year. The performance was good both at commercial payable level, but also in terms of trade receivable going down by €16 million in a year where total revenues have been increasing. This €48 million capital – working capital release, we're financing an increase in tangible and intangible fixed assets and also

an improvement of net financial position of around €14 million. Commenting the equity, the total equity at the end of 2011 is €3.3 million better than previous year after distributing dividend, but you can better appreciate the movement in slide 11.

So we have been starting with around €350 million net financial position. The cash flow generation at operating level was very much in line to 2010, also to obtain the €17 million restructuring cost, so €121 million. Then €48.8 million working capital release. A strong increase in CapEx; last year, we have been investing €96 million, this year €126 million, again to build up new Vespa plant, a new production facility in Asia-Pacific. And then, I mean, a capital absorption of around €29.7 million, including €25.7 million of dividend, €9.1 million of share buyback and other matters. So meaning that, I mean, if you include that, we have been able to improve our net income, the dividend, and the share buyback, we consider that we have been delivering a high value to our shareholders.

So that's a very short presentation. We are available for questions.

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#### QUESTION AND ANSWER SECTION

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**Mrs. Monica Bosio - Banca IMI.**

Yes. Good evening, everyone. I would have two questions. The first one is on the quarterly trend of the Group for 2012. Is it correct to believe or to think that the first quarter will be weaker than the first quarter of 2011, and then we can expect a higher contribution on the second quarter and on the third quarter so we can see a positive improvement in top line in the second and in the third quarter?

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And the second question is on the working capital trend, the changing working capital. It has been a huge change in working capital. I would like – maybe I would appreciate if you can elaborate a little bit more on this and in particular I would like to know where do you – did you have this change in working capital in term of countries?

And the last if you can give us some flavor on the tax rate for 2012. Thank you.

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**Gabriele Galli -CFO**

Okay. I mean, going to the quarterly trend, if I understood correctly, you want to comment about new quarter in 2012. So as you know, I mean our product plan has an introduction of new Vespa in India in the second quarter and then the introduction in the third quarter of the new vehicle in India. So I mean as you know, 2012 is expected to perform much better than 2011, I mean as stated in the strategic plan; but of course, I mean the net addition would be in the middle and second part of the year. So we can expect a strong increase of turnover not in the first quarter, but it will be very much aligned to last year, but in the second and fourth quarter 2012.

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**Mrs. Monica Bosio - Banca IMI.**

Okay, thank you very much. Just a follow-up please. Sorry to interrupt, did you say that the first quarter will be pretty aligned to the last year? Is it correct?

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**Gabriele Galli -CFO**

In the first quarter, there are not big changes in terms of new product introduction, and so we will be a little bit higher we hope, but not so much higher compared to last year?

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**Mrs. Monica Bosio - Banca IMI.**

And this despite a weaker trend of the Indian market, we have look at registrations and at Piaggio market share in the Indian market in the first quarter. So I would have assumed a lower trend in revenues in the first quarter due to the Indian situation?

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**Gabriele Galli -CFO**

Yes, so I mean in India as you can see from SIAM data, and in Italy, obviously we'll be in the first – I don't know if in first three month, in the first month, month and a half, there is a reduction, but this reduction should be absorbed by increase at the retails, mainly Asia Pacific and the US

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**Mrs. Monica Bosio - Banca IMI.**

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**Gabriele Galli -CFO**

India, we expect – sorry, in India, our competitor are attacking in terms of price reduction, financial sustain to the consumer. What we want to do is to play I mean safe game not only in terms of volumes, but especially in terms of financials. So at the moment what we did was not react to price reduction, because we want to preserve our financials in this months, and this resulted in a January reduction of market share. Now, we are starting some counter measure, but we want to play as in Europe the safe game. So we don't want to follow somebody reducing pricing just to have good result for one month or two month. In Italy, the situation is a bit different, so you can see that because of atmospheric condition, crisis, shortage of money in pocket of people, I mean the market is going down very much. But in other countries, our performance is good, so we hope to be able to offset this two – India and Italy performance in the first quarter.

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**Mrs. Monica Bosio - Banca IMI.**

Okay.

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**Gabriele Galli -CFO**

Moving to working capital, I mean working capital is something on which we have to work very much during the three-year plan, because I mean as you know, we have very high investment plan, and if we want to finance all the investment plan and improve the net financial position, we have to play very hard on working capital. 2011 has been a very outstanding year in terms of working capital management, €48 million is something that as you noticed that we'll be able to manage in the future. So our target in the future is to keep this at the current level obtained in 2012.

Going to Asia, you should expect that in terms of receivable, you cash immediately. Going to payable, you have to shorten the normal payment time. So in Italy, we have 90 days to 120 days, in Asia probably you have to pay in 60 days. But let me say if you look at the spread between payment time and the credit time, the spread stays pretty constant, because also in Europe we have an advantage of almost 60 days, so we collect at 50 days and we pay let's say at 110 days or something like that.

The tax rate, so tax rate was very good, I mean, performance we believe. As you know, our tax rate is very much affected by our performance in India and our performance in Italy. In Italy, you have some sort of fixed cost which is the IRAP and in June you had some write-offs to make once every year looking at the expiring tax losses. So the recent law introduced in June – in July and the following interpretation of this, because it was not clear for 2011 even to some weeks ago, allows us to not to cancel the expiring tax losses. So last year, we had to cancel €6.0 million, but this year nothing and so this is a good contribution to the tax rate. The other important contribution is the fact that due to the introduction of the new diesel engine in India, we have been able to have this tax shield for the depreciation so we earned something less in India this year compared to last year and this increase is being done in countries such as Vietnam where the tax rate is very much close to zero. So I mean also the geographical mix improvement supported us in reducing the tax rate.

For the next year, I mean we didn't have in our plan many expiration of deferred tax asset. So the one-time benefit has been taken fully this year, but for the next year I mean can be that we will have some advantage but not so much. While – I mean if Vietnam is going to perform so well, we should be able to keep something, I hope in line with this year, but in any case not worse than the 43%, 42% that we plotted in our strategic plan.

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**Mrs. Monica Bosio - Banca IMI.**

Thank you very much.

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**Raffaele Lupotto –Head of Investor Relations**

Thank you.

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**Mr. Nicolo Storer- Mediobanca**

Yes, good afternoon. If I may, I would like you to come back on the Indian three-wheelers market situation. It seems that the market is struggling while two-wheels and cars registration on the contrary are growing. Do you see any clarity behind this weak performance and which explanation you give to this weak registration for U.S. or the Europe market? Thank you.

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**Roberto Colaninno – Chairman and CEO**

Okay, when you compare the evolution of the Indian market of this year to the evolution of – to the evolution of the market – India market on the previous year, I think that you consider how is their population growing that is expected from here to 2020, where the India expected to achieve 1.5 billion people. And then if you consider that the average age of the population is about 50% less than to the year, you understand how is the size of the market expected for the future next five year. So we'll develop the market in the next five year. We expected the more of this evolution will be on the two-wheeler for transportation, and given this for growing of the population and also for the change of the market segment of the transportation that before was concentrated on three-wheeler market that then will be transferred to two-wheeler in one side and four-wheeler in the other side.

Our product program for India is to introduce a new three-wheeler engine in July this year. It is a gasoline engine that it available – that is allowed to use as taxi in small city – in the city, sorry, where the population is growing– this segment is more than 200,000 pieces here where we did not exist until today, and this is controlled by Bajaj company.

Then we have parts of India where our presence is quite big, but now it would be down for different consideration, election in some of this country or the situation coming from the monsoon that was not as good as we expected and that has an influence on agricultural economy. We expected also to have some competition from Mahindra & Mahindra especially on the financial consumer strategy where they are often, especially started from this year, to give more credit to its customer and to reduce the price.

Now, from our strategy point of view, we decided not to reduce price and to keep a very severe policy on the consumer finance strategy due to the fact that is for the high – for the inflation rate and for growing on interest point side. This naturally will – should have an impact to us on quantity, but we are prepared to lose a little bit in market share instead to lose price level average in one site and then to lose and increase the credit line to our customer that due to the fact that I told you before, monsoon situation, new election in some major country, and their reaction of the market to the use two-wheeler instead three-wheeler due to fact of younger age and the big growing on the population. We consider that a temporary situation for us. There will be recovery from new product launch, the new Vespa launch that we, as you know, do this in the next month, where we want to have – give an idea to the market that our product is high level price segment instead to go in the competition with a low price and financial situation that we consider too risky for the time being. At the end of this, we consider to be able to reach our budget anyway. And we wait the response of the market – the segment market to Vespa that today is quite good on the different research that we have done, but we prefer to see the real results before to take final decision on price and to the consumer financial strategy where we believe that it's easy to reduce price, it's easy to increase the credit line, but we consider that is too easy to reach some results. We prefer to wait two or three months to put products on the market and finally make a decision on that.

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**Mr. Nicolo Storer- Mediobanca**

Okay. Thank you very much.

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**Mr. Alberto Villa - Intermonte**

Hi, good evening. I have a couple of questions. First one is a more broader question. You presented a plan a couple of months ago and the situation, especially Southern Europe was pretty tough at that time, especially also on financial markets. Now we have seen some improvements there, real economy is still pretty weak. Are you expecting potentially something better as an outlook going forward as some of the problems looks to be in a situation to be fixed potentially that could revamp a little bit demand for two-wheelers in southern Europe, Italy in particular which is still a very important market for your business?

Second question is on the contract you've won with the Poste Italiane, if you can give us an idea if the profitability there is comparable with the rest of the business? And the last one is on the depreciation, which accelerated quite, significantly in the fourth quarter, if you can give us an idea, what you are expecting for the full-year 2012? Thanks.

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**Gabriele Galli -CFO**

So I mean in terms of southern countries performance, of course, I mean the general economy conditions and [inaudible] of confidence on the countries probably has improved a little bit. If you look at consumption, the situation has not improved. I mean Italy in January and February comparing to market versus previous year, the situation is something like minus 30, minus 35.

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In Greece, the situation is even tougher. Of course I mean Italy is at the moment just something like 16%, 17% of our revenues. So it's like I mean another country. So we are worried. We would have preferred very much, I mean, a different situation, but we are not very much worried by performance of southern countries.

Going to Poste, I mean Poste is something important for us in the sense that I mean having the opportunity to produce 18,000 vehicles more during one year is something important for our plant and also for our profitability. Also I mean we are talking about corporate business, so the profitability cannot be in line with gross margin of 30%. Otherwise as you know, if you big such a price, you don't win then. And so in any case, it's not like a normal sale, but if you consider the whole 18,000 at the EBIT level, the EBIT contribution including surcharge is very much aligned to our Group EBIT. So overall, it's a good business.

And I – sorry, I don't remember if have another question?

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**Mr. Alberto Villa - Intermonte**

On the depreciation side, if you can just give us...

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**Gabriele Galli -CFO**



Director-Finance Management, Piaggio & C SpA A

Okay, depreciation. I mean, as you know, we've been investing more and more to expand to Asia. So three, four years ago we were investing around €90 million, €85 million, last year it was €96 million, this year it has been very much increasing to €126 million. This, of course, I mean you invest and then the depreciation is coming. The particular increase in 2011 versus 2010 is due to the depreciation of the diesel engine in India and to the depreciation of diesel and gasoline engine for commercial vehicle. Of course, for the following year as we stated that in the three-year plan, the depreciation charge will increase more and more following our profile of CapEx.

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**Mr. Alberto Villa - Intermonte**

Thank you. Just another little question if I may. On the CapEx side, would you say that the intangible CapEx has grown significantly compared to...

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**Gabriele Galli - CFO**

No, no. I mean, at the moment, we are more and more I mean investing in production capacity. So 10 years ago, we had to invest a lot in new products, because I mean, we're doing a lot of new products for the same region, which was Europe. Now, I mean we are exporting this product or maybe doing also some other product, but I mean it's not compared to last year, so some more new product and huge CapEx investments in order to build up production capacity in Vietnam and India. So I would say that most of the new CapEx also this year are not intangible, but tangible.

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**Mr. Alberto Villa - Intermonte**

Thank you.

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**Mr. Gabriele Gambarova from Banca Akros.**

Yes. Good evening to everybody. I wonder if you can give us some details on the Indonesian market. I mean, we know that you should have sold around 15,000, 18,000 scooters last year. I wonder if you could give us some details, I don't know, on generally if possible on this market. This is my first question.

And then I was wondering if you could give us some more color on the Vespa in India? I mean, you will start selling it shortly. Do you have any kind of feedback from – in terms of market? I mean, it's too early to speak of market reaction. But, do you have already some data in terms of dealer reaction, I don't know, selling inventories build up and so on?

And finally, just a curiosity on the Poste Italiane contract; I remember that I think in 2005, you sold 27,000 units to Poste Italiane, 27,000 Libertys. Do you foresee any further contract on this side or I mean if done with these 18,000 units, and there are no more – no further prospective for sales to Poste Italiane? Thanks.

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**Gabriele Galli -CFO**

In Indonesia, Indonesia last year, we have been selling 1,000 vehicles. 2011, we have been selling 14,000 vehicles. So as we said before, I mean, we started selling from July, so it's less than one year. But when you start, I mean you have some sort of a need also to fulfill the network. So not all the sales immediately become registration, let's say. For 2012, our total target is around 30,000 vehicles. And I mean, we of course have this clear in mind and we want to keep it.

Going to Vespa India, Vespa India will be launched in April. So at the moment there is a lot of excitement on that. Everybody's very curious. So potential customers, dealers, suppliers so on everybody thinks it will be a great success. Of course, I mean, we haven't started to sell it yet. So it's very difficult to say whether – what was in the three-year plan, which was around something like Vespa, is too aggressive or too low. But, I mean, the excitement bought by dealers and customers is very high.

In terms of Poste Italiane, I mean, they have been making these tender for a long while, so I mean the trend has started, I would say, six months ago then there was I mean six months of time to present the offer. I really don't know if it was the first part of a total of similar to 27,000. What I can imagine is that in the period they also started to distribute the mail in a different way compared to three or four years ago. And probably the total need is simply lower. But, I mean, at the moment, the only thing I can say is that we don't have any information regarding a second possible tender .

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**Mr. Gabriele Gambarova from Banca Akros.**

Okay. Thank you very much.

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**Mr Stefano Lustig - Equita SIM**

Good afternoon. I have four questions. The first one is on restructuring costs. To check if you forecast further restructuring costs in 2012 or on the contrary what can be the benefit to – the extra benefit in 2012, because of the costs you had in 2011?

Then the second question is on working capital. Again, just to check if you can tell us if there is something different in the policy, in the factoring policy you had in 2011?

The third question is on gross margin. If you can give us a very rough indication when it comes to the 100 basis point reduction, if it's more increasing raw materials and purchases or is it more geographical mix or product mix so if you can add a little about the different drivers of this reduction?

And the last question is on the rollout of the sales network in Vietnam and Indonesia. So what is – what was the number of dealers in Indonesia and Vietnam at the end of 2011 and what is the number you have in mind for the end of the calendar year? Thank you very much.

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**Gabriele Galli -CFO**

Okay. So restructuring; I mean, this year it was a very important year in terms of reduction of break-even point. What we did was to infuse the total structure of around 400 people, most of them in Italy, some of them in Spain, and the total cost has been very significant. So usually we have been spending in the past year something like €6 million to €7 million. This year we'll be spending €17.5 million, so three times more.

Of course, this will have a good benefit from 2012, but in 2012, I mean, we are not finished. We still have to think about what we want to do in Spain and the idea is to rationalize also the Spanish plant. And so you can expect maybe something lower than in 2011, but if not absolutely finished. So in 2012, we will have the full benefit of 2011 reduction, but we will have still some cost. Working capital...

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**Mr Stefano Lustig - Equita SIM**

Can I have a follow-up question just to be sure that I understand? So there would be obviously a benefit in 2012, but partly compensated by a further restructuring cost. So all-in-all, the combination of the two will give only for the moment some positive contribution.

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**Gabriele Galli -CFO**

So let's say that I mean in 2012 we will have a full positive contribution of lower cost of labor, which will be around, let's say, some €10 million to €15 million, but we will have another one-off around €10 million to €15 million to – depending on what we are going precisely to do in Spain and, so the one will be offset by the other. So if you compare 2012 with 2011, full results is net benefit, because in 2011, we had €13 million costs, but only a partial recovery in terms of cost reduction. So the net effect in 2011 was negative, let's say, by €7 million, €8 million. And in 2012, it will be probably more close to zero.

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**Mr Stefano Lustig - Equita SIM**

Very clear. Thank you.

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**Gabriele Galli -CFO**

Okay. Going to working capital, we didn't have any different restructuring policy. The restructuring again for 2012 was very – 2011, sorry, was very much aligned to the factoring pro solute we had at the end of 2010.

Going to gross margin, I mean, there were many reason on that. I mean, of course, there was some switch from, I mean, one business to the other. Out of that, I can tell you that motorbikes have been increasing. So as you know, motorbikes has a little bit lower margin last quarters. India has been increasing and India has a gross margin, a little bit lower than the average of the Group. There were some exchange rates effect, especially due to the appreciation of Renminbi, which affected some purchasing cost especially here in Europe, because we are short of Renminbi. But in any case, we have also to consider that the performance of 2010 also comparing with the previous year, 2009, 2008, 2007 was very, very good. So, I mean as we

declare many times, 30% is our target and of course, 31% is better than 30%, but 30% is very much satisfactory.

Going to the dealer network in Indonesia, we had 35 dealers in Indonesia in 2011 at the end. And our plan is to have something like 135 in the next years. I really cannot tell you at the moment, but maybe, we can tell you later on how many dealers we'll be – we plan to have in December 2012. So Raffaele will tell you.

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**Mr Stefano Lustig - Equita SIM**

Okay. Thank you.

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**Mr. Carlo Barracchia - Oppenheimer**

Yes, thank you, good evening. I have a couple of question. The first one is on, back to India again, on the January data. You – is it correct, you should have a – if you should gone to 32% of market share, so the question is, when – which level for you is an important level where you will react in terms of the lower prices as your competitors?

The second question is in on Europe, in the Q4 ASP, average selling price, improved to double-digit plus compared to last year. Is there any specific reason about this issue? Is it structure one, is it different products?

And the third question is on Asia, which is your forecast or your indication on the gross operating profit level for 2012 considering the lower average selling price per unit going to India would be, roughly I suppose a lower level on the singular unit price? Thank you.

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**Gabriele Galli -CFO**

Okay. So I mean, India again, I mean, January was a very big month we say. The main reason, I mean, the following. First of all, there a couple, I mean, to understand the situation, we're – you have to sub-segment the market. So you have to look not only cargo and passenger, but you have to make analysis by region and you have to make an analysis also by kind of engine. And among the passenger, you have to split into segment, extra small and small.

First of all, a couple of regions, where we have a very good market share where the volume went down very much and these two regions are Tamil Nadu and Ambra Pradesh. The market is – I mean has a contraction of around 30% in this region. In one region because, I mean the government decided to stop the number of licenses, the other region because the market is suffering because of political reasons. So they are thinking about splitting the region into two.

So, this was one of the main reason of the reduction in market increase at general level. But also, affected our market share because environment is to markets for Tamil Nadu, our market share is 76% so as you're getting the cargo segment. So as you can imagine, if one region like this stops the sale, you lose market share at total level, okay.

So without these stop, probably our market share would have gone down in any case but our total volume would have gone up very much. Apart from that, as we said before, going to the cargo segment, as you know, we have a very strong market share, 67%, so it's very easy for competitors such as Mahindra and TVS to attack us making some sort of price reduction or financing the sales and for us it's very tough to react. In any case...

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**Mr. Carlo Barracchia - Oppenheimer**

Sorry to interrupt you – do you have any idea of, could you have any data on the price reduction of your competitors on the cargo?

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**Gabriele Galli -CFO**

Yeah, it is around 5%, I would say. Around 5% is the price of Mahindra reduction versus other. It will used to be 2% to 3% before. What we want to do is, to look at the market still the situation is changing in this region and do the same stuff in this segment where today we are not competing. As me and Colaninno was saying before, there is a very, very important segment, which is extra small body, our strategy is today competing with 200,000 units per year. So an incredible volume comparable to the total volume we are making as PVPL and at the moment, we're surely decided to starting very much closer to zero. That's because we don't have the engine and we have the vehicle, double vehicle is not optimized fully, so it's a little bit too large. So the first step will be introduction of the new engine, petrol engine in July. The second step will be the introduction of the new body in December. So entering this new segment, we plan to gain of course more of the volume we will be losing in the market where we are attracted by Mahindra and TVS in the cargo segment. So this is absolutely a key market and very important, so almost 50% of the total Indian market. So we prefer to gain volume and market share there then immediately react to tough competition of Mahindra. Of course, I mean we were – we are monitoring the situation and we are looking for day-after-day potential solution. What we can also do with these new products is to push the export. Today the export for us is accounting around 10% of our total volume or something lower. And for other competitors such as Bajaj, with this particular vehicle, is around 60% of the market. So we also believe that in 2012, we can push more on export not only with old product range but also with a new addition in terms of opportunity.

So the average selling price of fourth quarter in Europe now, there is no particular reason. We have been increasing pricing starting from 2012. So I mean, in January 1, we increased the price. There was not price increase in November or December. The only variation was the mix. So I mean we have product ranging from, I mean, €2,000 up to €15,000. So I mean it's very common to us because of seasonality differences between one quarter and the other.

Going to Asia, I mean the operating margin as we said before is very good. In Vietnam, we are heading also in 2011 at gross margin very much around 40% despite the introduction of a new product launch, which are not Vespa and the introduction of new countries, which are not Vietnam.

For India, we expect something lower. It will depend very much on their price positioning. The price position is not – is still not, I mean, public. If we are able to deliver the product at the price we have in our mind, also for India, the gross margin will be starting from the first year around 30% to 35%. And that's it.

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**Mr. Carlo Barracchia - Oppenheimer**

Thank you very much.

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Operator: - There are no questions at the moment.

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**Raffaele Lupotto – Head of Investor Relations**

So thank you, thank you very much and we can close the call now. And if you need further clarifications, you can call me at any time. Thank you, bye.