PIAGGIO GROUP

Piaggio Group
First Nine Months of 2016 Financial Results

Conference Call | October 28th 2016

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Highlights (1/3)
Nine months results

Market demand

Positive demand trend in most of Piaggio's key reference markets

- Western Countries overall positive demand still affected by diverging dynamics:
  - European 2 Wheeler demand grew ~5% with bikes confirming good momentum ending up ~9% whilst scooters growth remained stuck at ~0.5% as their upward trend slowed down progressively since the beginning of the year;
    - Italy and Spain, both up double-digits, kept driving the growth, markedly in the scooter segment
    - Germany and France lagged behind ending just lightly up, with France steadily improving across the period with an encouraging trend in scooters which shifted to positive in August and September
  - North America kept on slumping, with scooters ending down double–digits, thus reaching the ninth consecutive quarter of demand decline

- Asia Pacific posted mixed but sequentially improving demand trends:
  - Vietnam kept growing high single digit, underpinned by robust double-digit growth in automatic scooters
  - Asia ex Vietnam grew in all key markets, apart from Indonesia still down mid-single digit

- India confirmed positive demand momentum, although softening for LCV in Q3:
  - 3 wheelers up by 16%, with Pax losing momentum in Q3, whilst Cargo steadily improved as the year progressed
  - 4 wheelers slightly up by 3%, after ending flat in Q3
  - scooters relentless upward trend further accelerated throughout the year leading to 22% growth YTD

Highlights (2/3)
Nine months results

Business Highlights

Western Countries: European healthy performance, dented by persisting weakness in North America

- European leadership in 2 wheelers strengthened mainly reflecting strong market share gain in scooters (25.9%;+1.5 p.p. vs PY), boosted by the successful launch of new products (Liberty and Medley) in the first part of the year
- European positive volume trend continued, with volumes up high single-digit outstripping market trend, mainly driven by Italy, Switzerland, Germany and France
- North America continued to be a drag, with volume down 20% mainly reflecting worsening demand trend
- Vespa and Guzzi sales in Europe posted robust sales growth, leveraging unmatched brand appeal
- Average prices slightly down vs. 2015, reflecting dilutive product mix effect

As a result, revenues up mid single digit, with Italy and Germany best performers ending up double digits

Asia Pacific: strong Q3 volume uptick led performance relief

- Vietnam, although improving in Q2 and Q3, ended slightly negative YTD amid fierce competitive environment
- Asia ex Vietnam has been the bright spot with volumes surging ~ 40% in Q3 leading to positive results YTD, once more signaling the untapped potential of the region; Indonesia, growing more than 40% YTD against negative demand trend, and Thailand, up ~30% YTD, continued to be the best performers
- Average regional prices in line with PY, despite negative FX effect

As a result, revenues slightly up vs. PY, despite negative FX effect

India: subdued performance despite positive market dynamics

- 3/4 Wheel market share loss, mainly reflecting unfavorable product mix in Pax segment and competitive pressure in Cargo
- Light Commercial Vehicles volume slide driven by persisting demand decline in export markets
- 2 Wheel volumes significantly higher than PY primarily driven by the recent launch of the Aprilia SR, whilst Vespa volumes remained broadly in line with PY
- Average prices on the rise excluding FX, reflecting once again rigorous pricing discipline

As a result, revenues slightly down vs. PY, while increasing by 3.3% excluding FX

Highlights (3/3)
Nine months results

Financial Highlights

Ongoing Strong Cash Flow generation, driven by healthy operating performance and heightened discipline on Working Capital, kept Net Debt markedly below 2015 level

- **Net Sales up by ~29€m** (+2.9%; +4.7% at constant FX)
- **EBITDA up by ~6€m** (+4.3%; +5.5% at constant FX), **with a ratio on net sales increasing to 13.7% from 13.5%**
- **Net Profit up by ~0.8€m** (+4.6%)
  - **Gross Margin on the rise** (+ ~ 13€m), with increased ratio on Net Sales (30.0% vs. 29.6%) stemming from rigorous price discipline and efficiency on product costs
  - **OpEx slighty up** (+~11€m), mainly reflecting step-up in new initiatives and marketing expenses and rise of D&A driven by prior years increased level of CapEx
  - **Financial expenses further decreased**, on the back of the ongoing initiatives to strengthen the debt structure and lower the cost of debt
  - **Tax rate raised to** 43% (vs. 40.0%), to take into account new rules on some specific items, although most of the impact is non cash
- **Capital Expenditure at ~66€m** slightly below PY level (-~3 €m), in line with FY target of about 100€m
- **Outstanding Cash Flow generation continued across the year,** reflecting tight grip on working capital and healthy operating performance, **leading Net Debt at 470 €m, ~26€m below September 2015 and ~29€m below December 2015**

Healthy growth of all key operating metrics
Net Debt well below September and December 2015 driven by ongoing strong Cash Flow generation even after dividend payment and buy-back

P&L (€m)

	9M 2015	9M 2016	Change 2016 vs. 2015		
			Absolute	%	% excl. FX (*)
Net Sales	**1,002.6**	**1,031.7**	**29.1**	**+2.9%**	**~ +4.7%**
Gross Margin	**296.5**	**309.9**	**13.4**	**+4.5%**	**~ +5.5%**
% on Net Sales	*29.6%*	*30.0%*	*+0.5%*		
EBITDA	**135.7**	**141.5**	**5.8**	**+4.3%**	**~ +5.5%**
% on Net Sales	*13.5%*	*13.7%*	*0.2%*		
Depreciation	(77.6)	(81.0)	(3.4)	+4.4%	
EBIT	**58.1**	**60.5**	**2.4**	**+4.2%**	
% on Net Sales	*5.8%*	*5.9%*	*0.1%*		
Financial Expenses	(27.6)	(26.9)	0.7	-2.4%	
Income before tax	**30.5**	**33.6**	**3.1**	**+10.1%**	
Tax	(12.2)	(14.5)	(2.2)	+18.4%	
Net Income	**18.3**	**19.2**	**0.8**	**+4.6%**	
% on Net Sales	*1.8%*	*1.9%*	*0.1%*		

NFP (€m)

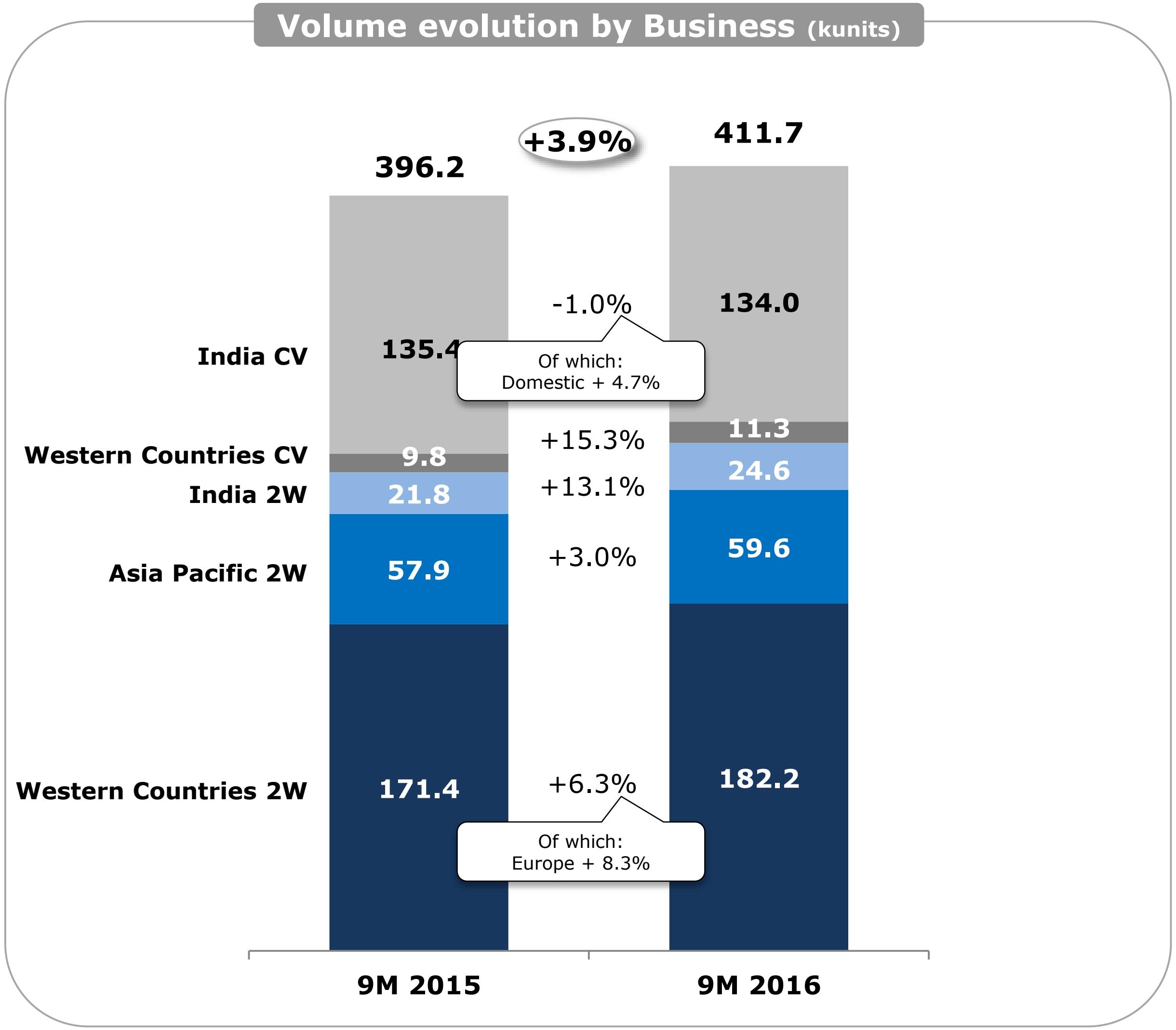
	31.12.2015	30.09.2016	Change
Net Financial Position	**(498.1)**	**(469.5)**	**+28.6**

Cash Flow (€m)

	9M 2015	9M 2016	Change
Cash Flow	**(3.0)**	**28.6**	**+31.6**

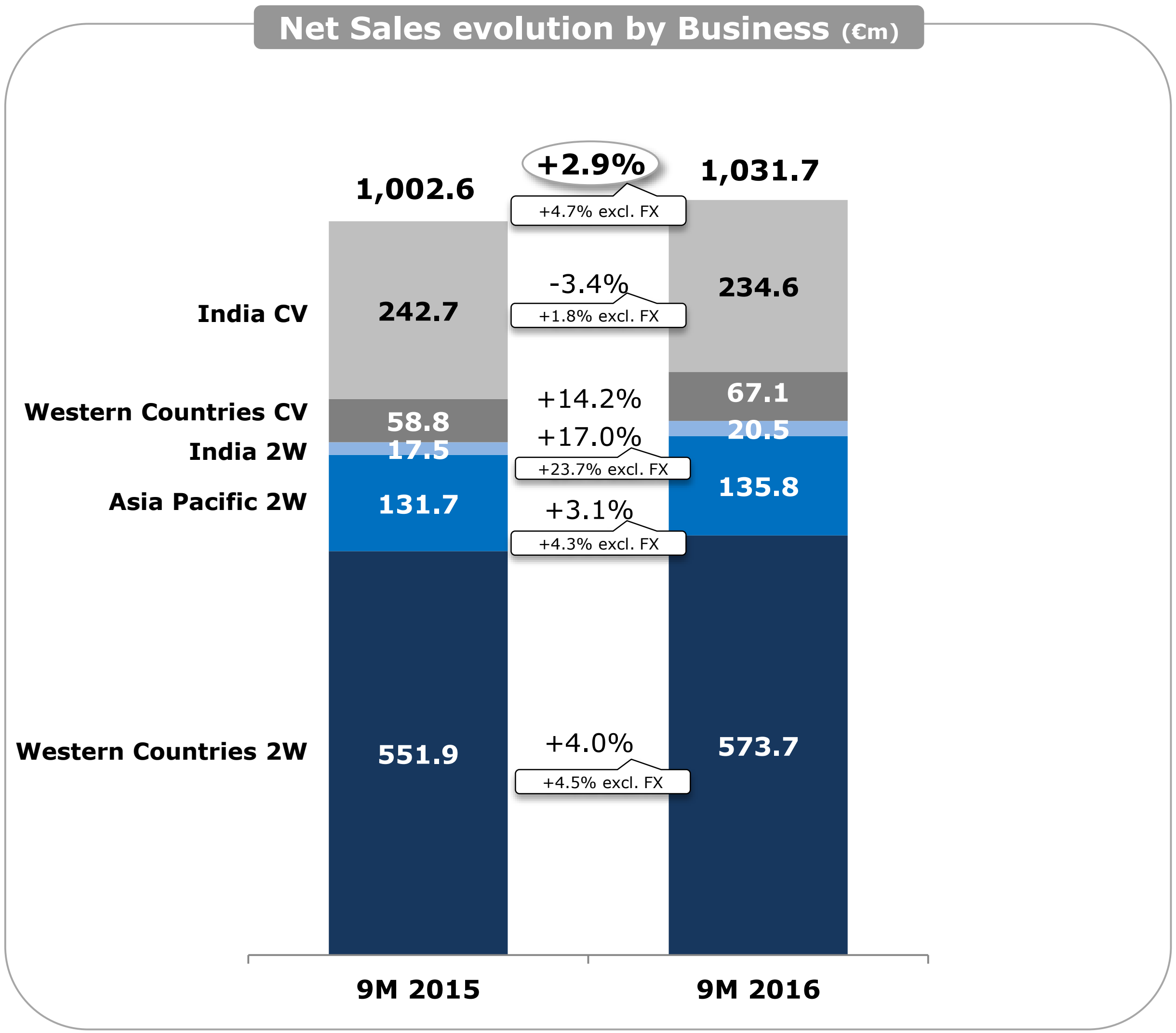
(*) Figures at constant exchange rates are management estimates calculated using the average exchange rates for the corresponding period in the previous year

Volume grew above 2015, driven by strong Q3 in 2 Wheelers Emerging Countries and ongoing healthy performance Western Countries …



2W: 2 Wheels CV: Commercial Vehicles

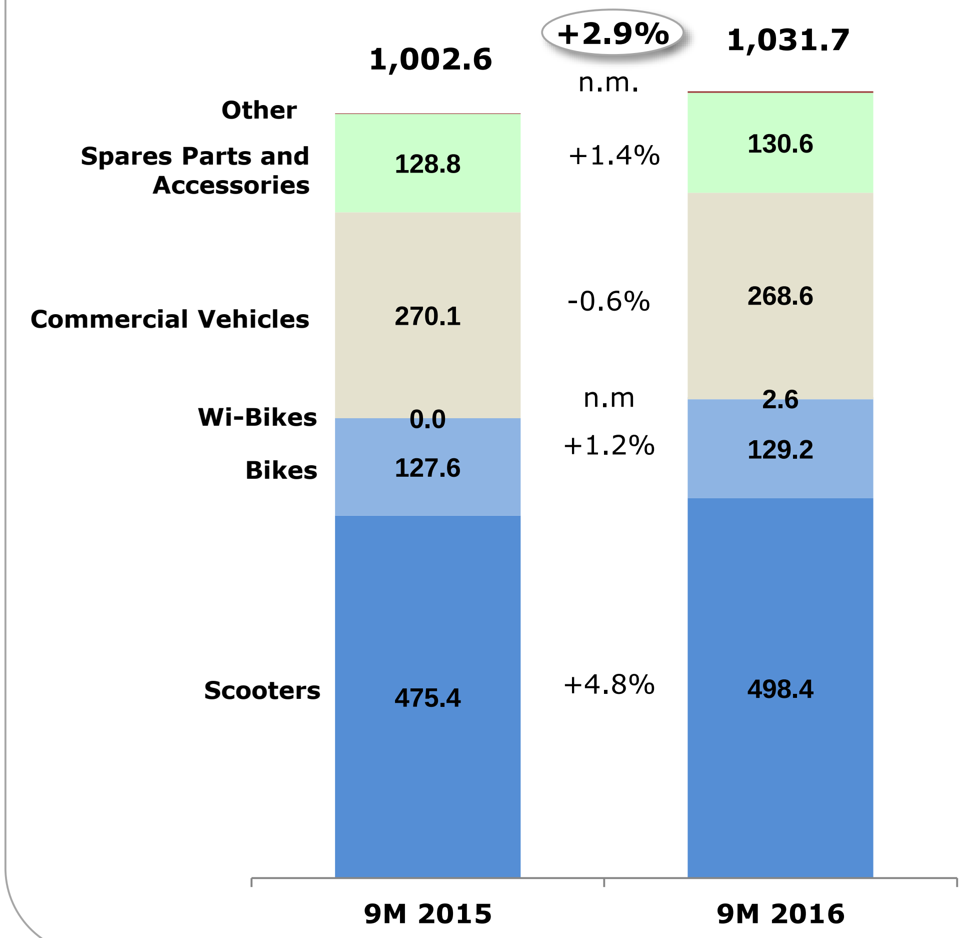
…leading Net Sales slightly up, despite negative FX and dilutive mix effect of scooters recently launched in Europe



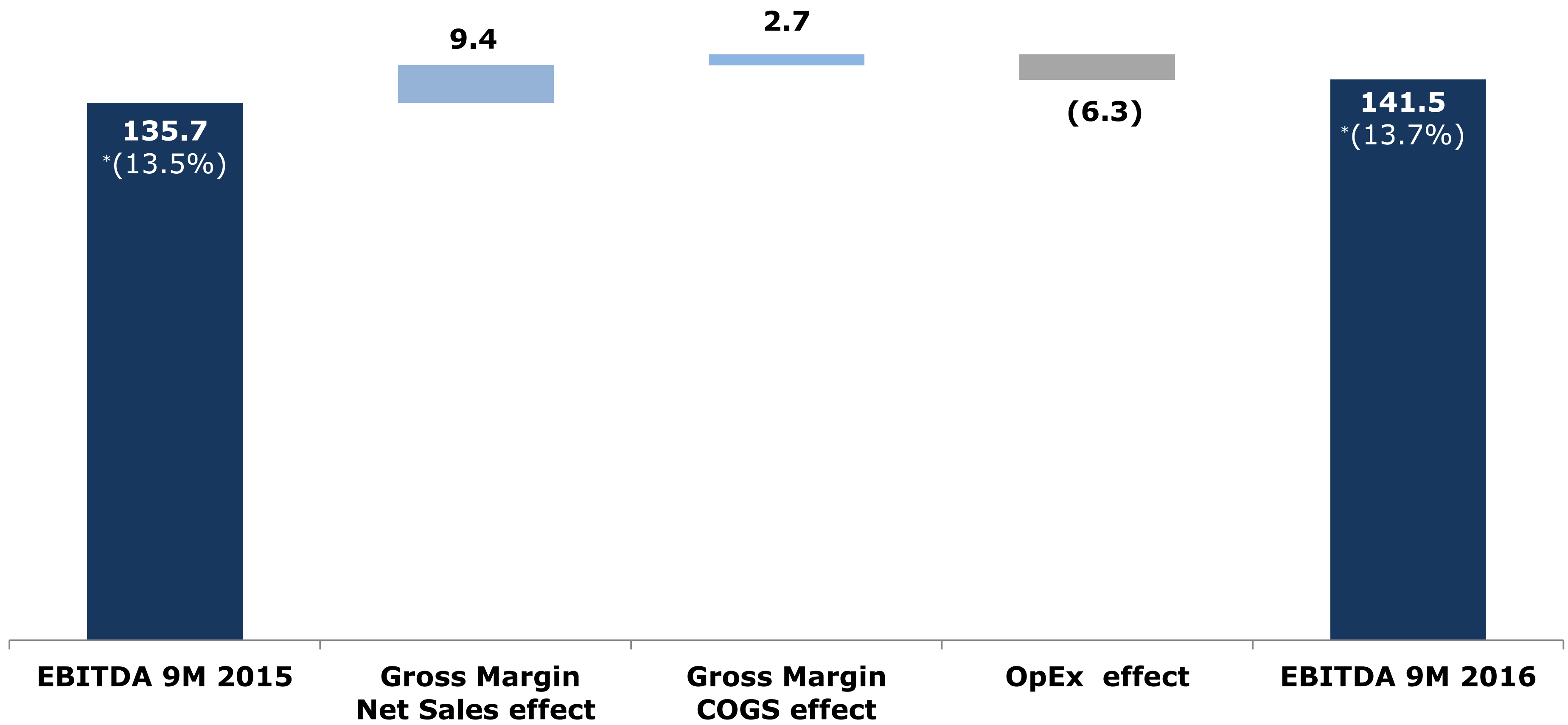
2W: 2 Wheels CV: Commercial Vehicles

Scooters revenues growth accelerated across all regions also fostered by the recent successful launch of the New Liberty, the Medley and the Aprilia SR in India Bikes healthy performance in Europe overshadowed by N.A. market weakness

Net Sales evolution by Product (€m)



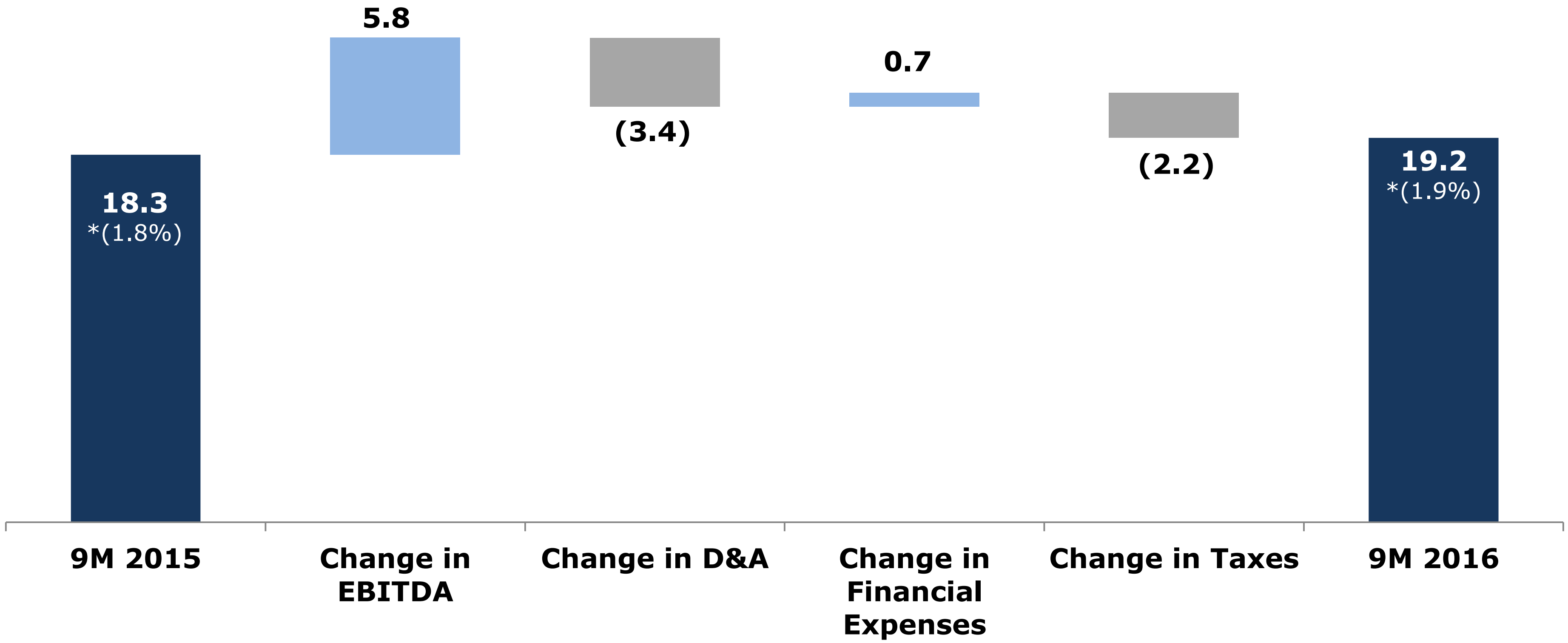
Heightened product profitability coupled with top line growth drove EBITDA uplift, …



* % on Net Sales

…and led Net Result slightly above prior year, despite higher D&A and tax rate

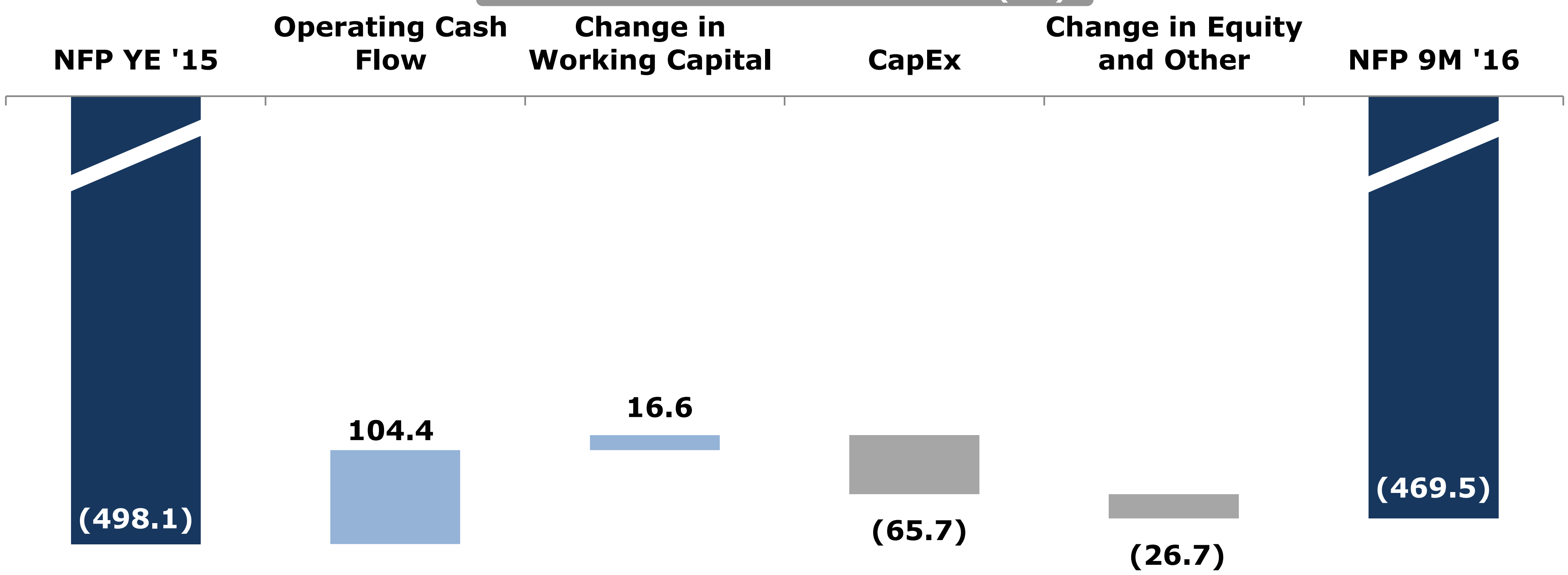
Net Income evolution (€m)



* % on Net Sales

Healthy Operating Cash Flow coupled with tight grip on Working Capital led NFP well below September and December 2015, even after dividend and buy-back (1/2)

Net Financial Position evolution (€m)



9M 2015 (€m)

(492.8)	91.3	0.7	(68.2)	(26.9)	(495.8)
NFP YE '14					NFP 9M. '15

Healthy Operating Cash Flow coupled with tight grip on Working Capital led NFP well below September and December 2015, even after dividend and buy-back (2/2)

Balance Sheet evolution (€m)

	2014	9M 2015	Chg. '15 vs YE '14	2015	9M 2016	Chg. '16 vs YE '15
Trade Receivable (*)	71.6	110.1	*38.5*	78.9	92.2	13.3
Inventories	232.4	231.7	*-0.7*	212.8	236.3	23.5
Commercial Payable	(383.6)	(407.2)	*-23.5*	(378.3)	-444.0	-65.7
Other assets/liabilities	63.6	48.6	*-15.0*	54.6	66.9	12.3
Working Capital	**(16.1)**	**(16.8)**	***-0.7***	**(32.0)**	**(48.6)**	**-16.6**
Tangible Fixed Assets	319.5	313.9	*-5.6*	319.6	309.7	-9.9
Intangible Fixed Assets	668.4	670.2	*1.8*	674.0	664.5	-9.5
Financial Investments	10.0	10.0	*0.0*	9.7	10.1	0.4
Provisions	(76.0)	(71.4)	*4.6*	(68.8)	(73.0)	-4.2
Net Invested Capital	**905.9**	**905.9**	***0.0***	**902.4**	**862.7**	**-39.7**
Net Debt	**492.8**	**495.8**	***3.0***	**498.1**	**469.5**	**-28.6**
Equity	**413.1**	**410.0**	***-3.1***	**404.3**	**393.2**	**-11.1**
Total Sources	**905.9**	**905.9**	***0.0***	**902.4**	**862.7**	**-39.7**
Net Debt/Equity	**1.19**	**1.21**		**1.23**	**1.19**	

(*) Net of advances from customers.

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