PIAGGIO GROUP

Piaggio Group
H1 2015 Financial Results

Conference Call | July 30th 2015

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Highlights (1/2)
H1 2015 results

Market demand

Early signs of replacement cycle in Europe offset by weakness in several key emerging markets

- Europe 2 Wheels grew by 3%, with Bikes up by 8.5% and Scooters slightly down by 0.9% after taking an upward trend in Q2 which unveiled encouraging signals of demand recovery
- Asia Pacific affected by widespread market weakness, markedly in Indonesia. Vietnam resumed a mild growth ending up by 4%
- Indian 3 Wheel demand worsened throughout the semester ending down 3% vs. PY; 4 Wheels kept slumping double-digits; Scooters strong momentum confirmed

Business Highlights

Western Countries: good performance in the wake of an improving market scenario

- Piaggio confirmed strong competitive positioning maintaining the leadership in total 2 Wheel European market and keeping ~12 p.p. lead over the closest competitor in the Scooter market
- MP3 strong momentum continued, with volume and revenue up double digits, confirming brand untapped potential
- Bikes performance accelerated across the semester, boosted by recent successful product launches
- Spare Parts and Accessories kept growing double digits, confirming to be a key lever of forthcoming profitable growth
- Vehicles' average price kept rising, sustained by strong performance of high value segments and firm price policy

As a result, revenues up mid single digit, with UK, Germany, Italy and Benelux up double digits; France lagging behind, still affected by a negative, although improving, market trend

Asia Pacific: coping with market volatility by focusing on mix

- Vietnamese positive mix and FX effect more than compensating volume drop linked to heightened competitive pressure
- Asia Pacific ex Vietnam kept growing notwithstanding negative trend in Indonesia, with revenues boosted by mix improvement and positive FX
- Favorable momentum for premium segment penetration confirmed, with Vespa volumes up double digits across the region
- Average regional prices on the rise also excluding FX effect, reflecting strong brand reputation

As a result, revenues up double-digits (low single digit excluding FX) sustained by strong performance in Taiwan, Malaysia Thailand and China

Highlights (2/2)
H1 2015 results

Business Highlights

India: performance affected by increasingly negative domestic market trend

- 3/4 Wheel market share above PY
- Resilient performance in Cargo and Export segments unable to counterbalance Passenger negative trend, which worsened throughout the semester
- Vespa sales slightly up, also benefitting from recent vehicle content enhancements
- Average prices on the rise also excluding FX, reflecting rigorous pricing discipline

As a result, revenues up by 17% vs. PY (almost flat excluding FX)

Financial Highlights

Net Sales up by 64.9 €m (~ +10%; +2.5 % at constant FX)

EBITDA slightly up by 1 €m

Net Profit slightly off Prior Year (-1.7 €m)

- **Gross Margin on the rise** (+ ~ 10 €m), even if with a lower ratio on Net Sales vs. PY (29.5% vs. 30.9%) reflecting the dilutive FX impact
- **OpEx significantly higher vs. PY after step-up in marketing and racing expenses** and rise of D&A mainly due to the increased level of CapEx in prior quarters
- **Lower financial expenses**, even excluding non recurring negative effect in 2014, benefitting from last year initiatives to strengthen debt structure and lower the cost of debt

- **Capital Expenditure increased** to 43€m (+5.3 €m vs. PY) **to sustain the deep pipeline of 2015 product launches**
- **Net Debt above year end 2014**, but decreasing in Q2, on the back of healthy Operating Cash Flow offset by higher CapEx, Working Capital absorption and dividend payment
- **Debt profile strength preserved** with average debt life of ~ 4 years and ample liquidity backup

Net sales growth, also benefitting from positive FX effect, drove EBITDA slightly up vs. PY despite higher marketing and racing expenses.
Net Debt above PY, reflecting higher CapEx, Working Capital and dividend payment.

P&L (€m)

	H1 2014	H1 2015	Change 2015 vs. 2014		
			Absolute	%	% excl. FX(*)
Net Sales	**629.0**	**693.9**	**64.9**	**+10.3%**	**~ +2.5%**
Gross Margin	**194.4**	**204.4**	**10.0**	**+5.1%**	**~ +1.5%**
% on Net Sales	*30.9%*	*29.5%*	*-1.4%*		
EBITDA	**94.0**	**95.1**	**1.0**	**+1.1%**	**~ -2.0%**
% on Net Sales	*15.0%*	*13.7%*	*-1.3%*		
Depreciation	(43.0)	(52.1)	(9.2)	+21.4%	
EBIT	**51.1**	**42.9**	**(8.2)**	**-16.0%**	
% on Net Sales	*8.1%*	*6.2%*	*-1.9%*		
Financial Expenses, *recurring*	(20.7)	(18.3)	2.4	-11.5%	
Financial Expenses, *non -recurring*	(2.9)		2.9	n.a.	
Income before tax	**27.5**	**24.6**	**(2.8)**	**-10.3%**	
Tax	(11.0)	(9.9)	1.1	-10.3%	
Net Income	**16.5**	**14.8**	**(1.7)**	**-10.3%**	
% on Net Sales	*2.6%*	*2.1%*	*-0.5%*		

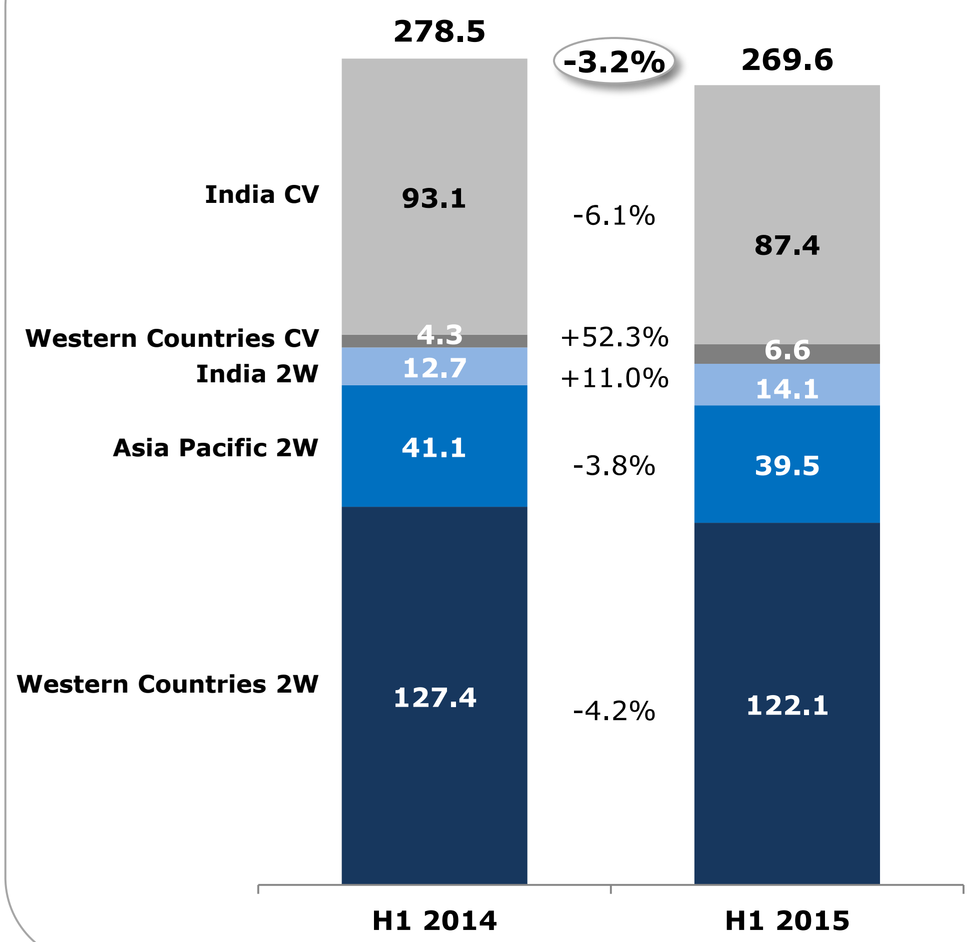
NFP (€m)

	31.12.2014	30.06.2015	Change
Net Financial Position	**(492.8)**	**(535.3)**	**(42.5)**

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

Volume slightly off PY, mainly reflecting demand weakness in key reference markets and heightened competitive pressure…

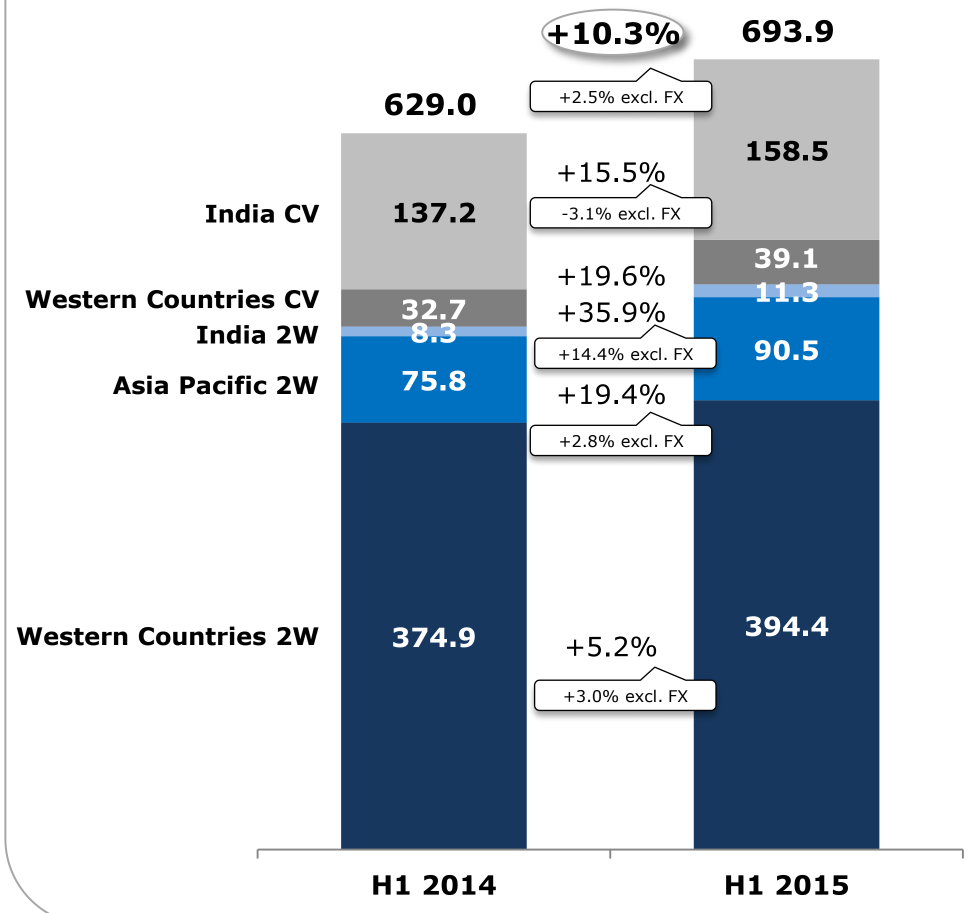
Volume evolution by Business (kunits)



2W: 2 Wheels CV: Commercial Vehicles

… but Net Sales on the rise across the board boosted by positive price/mix effect which strengthened throughout the semester and FX tailwind in US $ linked Markets.

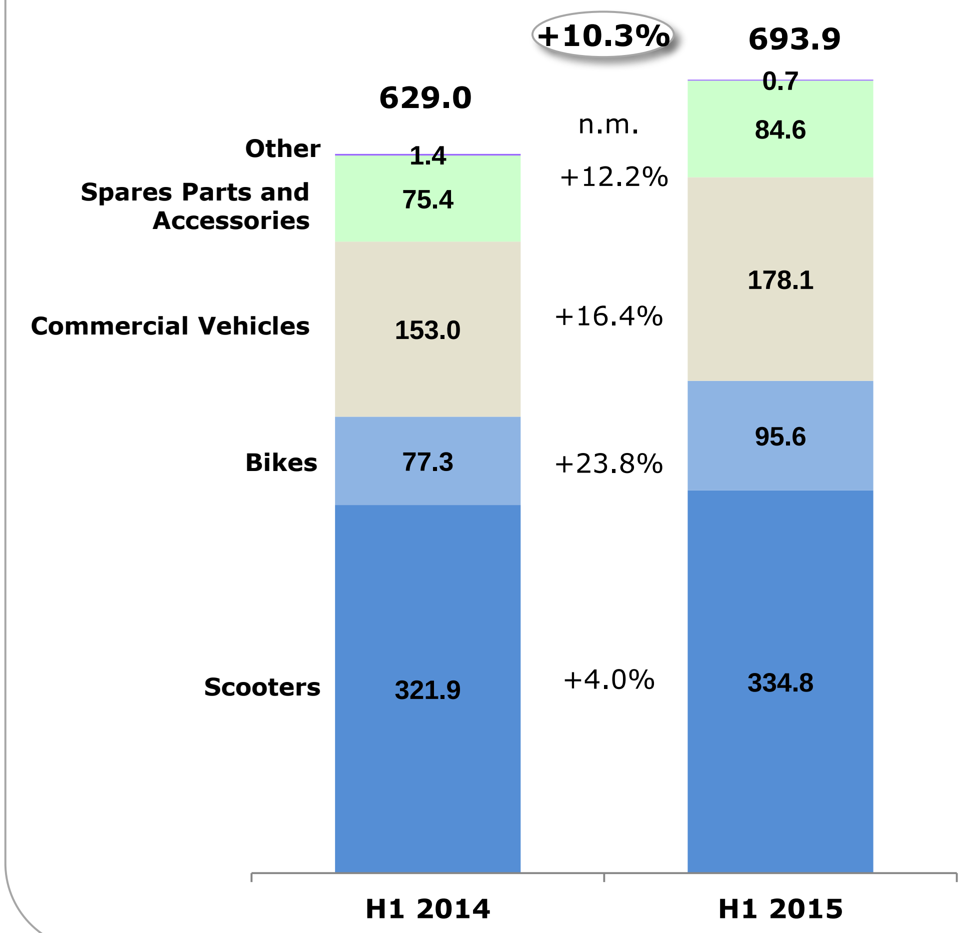
Net Sales evolution by Business (€m)



2W: 2 Wheels CV: Commercial Vehicles

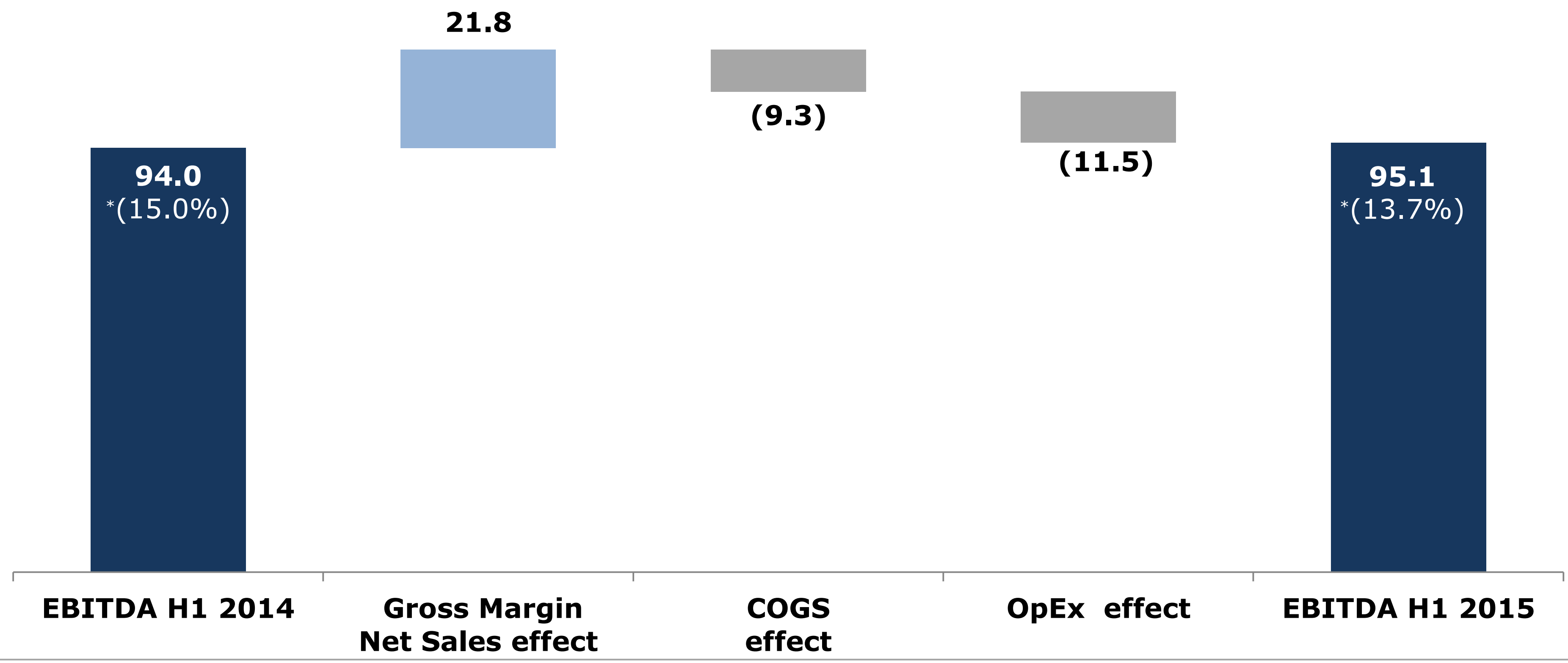
Negative volume effect in Scooters more than offset by strong price effect sustained by the ongoing shift towards high-end segments.
Strong performance in Bikes fostered by recent successful product launches.
Strong performance of Spare Parts and Accessories.

Net Sales evolution by Product (€m)



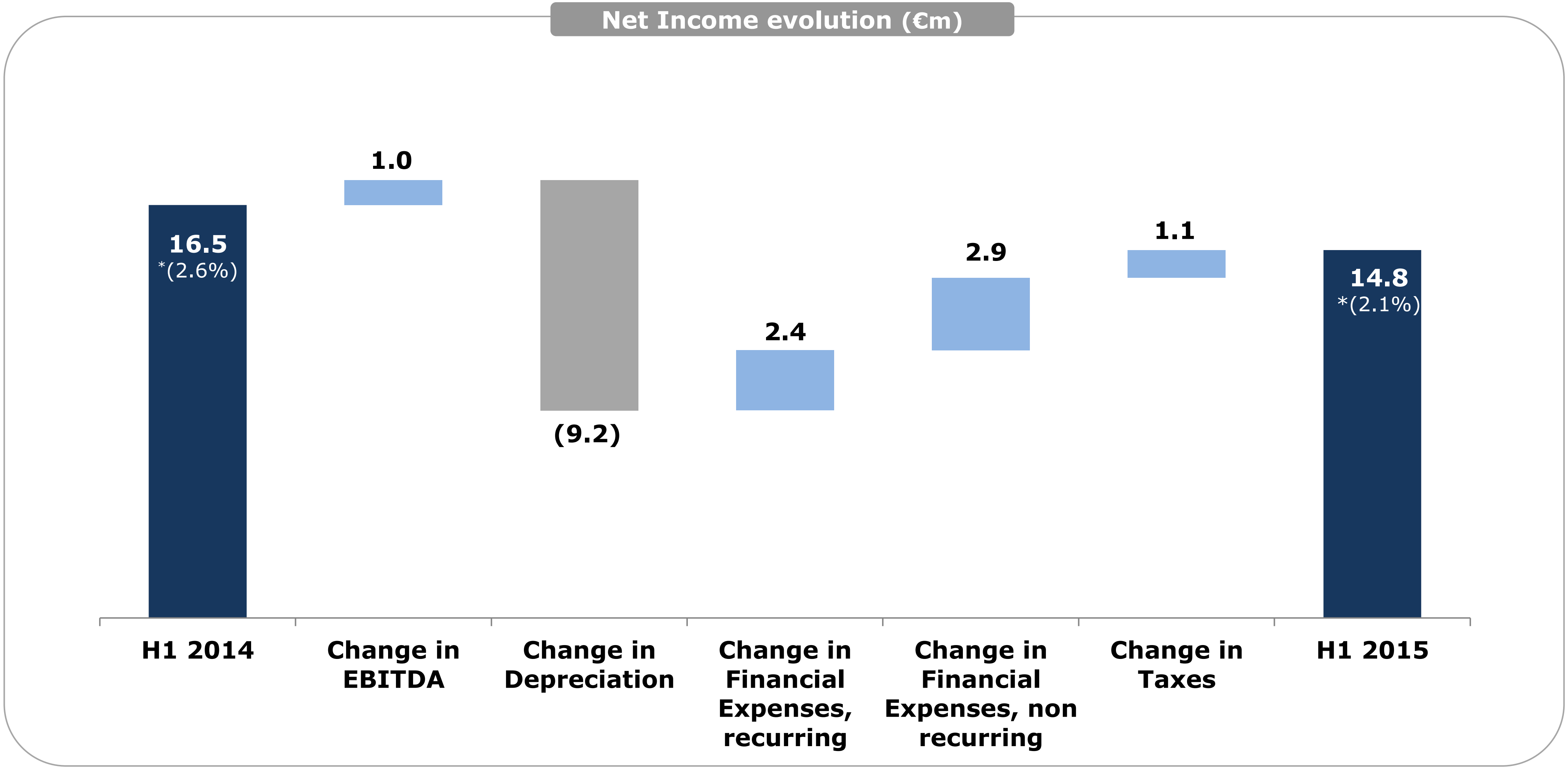
FX effect boosted Net Sales, COGS and OpEx.
The net effect was a dilution of % Gross Margin and an increase of Cash OpEx, also affected by higher marketing and racing expenses.

EBITDA evolution (€m)



* % on Net Sales

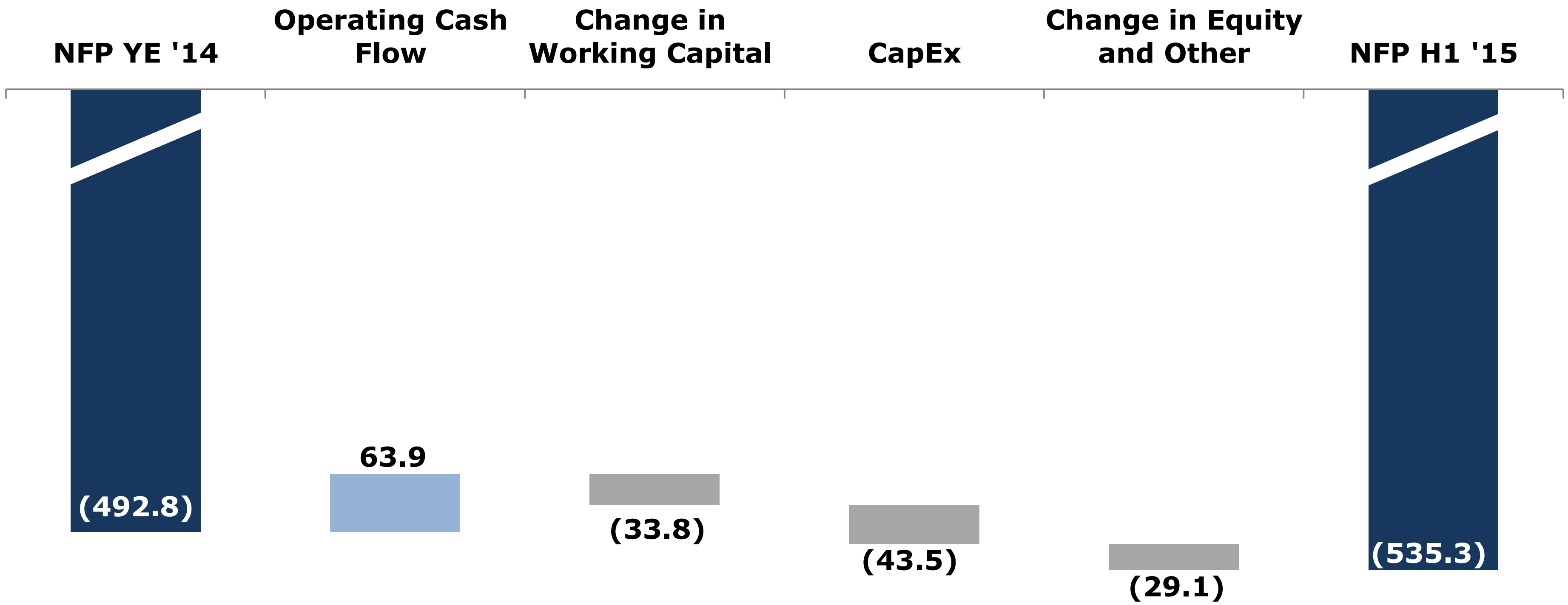
Significant increase of D&A drove Net Result slightly off prior year, despite lower Financial Expenses.



* % on Net Sales

Healthy Operating Cash Flow generation more than offset by higher CapEx, Working Capital and dividend (1/2)

Net Financial Position evolution (€m)



H1 2014 (€m)

NFP YE '13					NFP H1. '14
(475.6)	57.1	(11.0)	(38.2)	(4.5)	(472.3)

Healthy Operating Cash Flow generation more than offset by higher CapEx, Working Capital and dividend (2/2)

Balance Sheet evolution (€m)

	2013	H1 2014	Chg. '14 vs YE '13	2014	H1 2015	Chg. '15 vs YE '14
Trade Receivable (*)	74.4	126.4	*52.0*	71.6	158.2	*86.6*
Inventories	207.8	246.6	*38.8*	232.4	246.5	*14.1*
Commercial Payable	(344.8)	(418.2)	*-73.4*	(383.6)	(439.7)	*-56.1*
Other assets/liabilities	32.3	25.9	*-6.4*	63.6	52.8	*-10.9*
Working Capital	**(30.4)**	**(19.4)**	***11.0***	**(16.1)**	**17.7**	***33.8***
Tangible Fixed Assets	310.1	308.6	*-1.5*	319.5	318.0	*-1.6*
Intangible Fixed Assets	654.5	659.2	*4.7*	668.4	671.8	*3.4*
Financial Investments	9.9	9.6	*-0.3*	10.0	10.6	*0.6*
Provisions	(76.4)	(74.0)	*2.4*	(76.0)	-72.9	*3.0*
Net Invested Capital	**867.7**	**884.0**	***16.2***	**905.9**	**945.1**	***39.2***
Net Debt	**475.6**	**472.3**	***-3.3***	**492.8**	**535.3**	***42.5***
Equity	**392.1**	**411.7**	***19.5***	**413.1**	**409.8**	***-3.3***
Total Sources	**867.7**	**884.0**	***16.2***	**905.9**	**945.1**	***39.2***
Net Debt/Equity	**1.21**	**1.15**		**1.19**	**1.31**	*14.1*

(*) Net of advances from customers.

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