# Piaggio Group
# First Half 2013 Financial Results

Conference Call
July 26th, 2013

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# Highlights (1/2)
# H1 results

## H1 market demand affected by prolonged economic headwinds in Western Countries and mixed but overall weak growth in Emerging Markets

- Western Markets drifting further lower after five straight years of decline; Italy down ~ 70% vs. H1 2007
- Asia Pacific with uneven but improving trend leading to a slightly positive market demand in the semester
- Indian 2 Wheels with diverging trends: bikes down and scooters steadily growing, confirming the structural market mix shift
- Indian 3 Wheels demand ending up flat after positive Q1 and negative Q2; ongoing decline in sub 1 ton 4 Wheels

## In this difficult scenario, Piaggio reinforces its focus on premium products, rigorous price discipline and efficiency gain initiatives …

**Western Countries: relentless market contraction is taking its toll, despite effective management**

- European scooter market share in line with prior year, confirming Piaggio leadership in a highly competitive market
- Positive price effect sustained by continuing shift towards high-end and high displacement segments
- North America good sales momentum continues, outstripping market performance
- Moto Guzzi growing double digits in a shrinking market, providing further proof of the brand appeal
- Remarkable % Gross Margin resilience, despite further sales decrease, proving operating cost flexibility

**Asia Pacific: gradual enhancement throughout the semester**

- Slightly negative performance, but growth in Q2 driven by Indonesia and ongoing positive performance in Thailand, Taiwan and Philippines
- Average regional prices holding up well and % Gross Margin kept at record levels, against increased competitive intensity

**India: improving performance against a worsening market environment**

- Commercial Vehicles volume in line with PY driven by domestic market share gain and growth in exports
- Positive price effect excluding forex, stemming from rigorous pricing discipline
- Recent 3 and 4 Wheeler launches begin to yield results sustaining domestic and export sales
- Vespa run rate around 4k per month; new Vespa VX launched in June

# Highlights (2/2)
# H1 results

## … to sustain profitability

**Despite 12.1% decrease in Net Sales…**

- European sales declining double-digits reflecting longest-ever market fall; Italy and France worst performers. Different trend in North America with revenues holding up well
- Asia Pacific slight decline mainly driven by Vietnam performance, partially offset by strong growth in Thailand, Taiwan and Philippines
- Commercial Vehicles India in line with PY excluding FX effect. Moderate positive contribution stemming from Vespa sales

**… significant cost efficiencies sustain EBITDA, EBIT and Net Result ratios**

- Premium price positioning and product cost efficiencies lead to stable Gross Margin ratio (30.9% vs. 30.9% H1 2012), despite volume decrease
- Ongoing strong OpEx reduction (~ 15 €m vs. H1 2012), even after ~ 7 €m of restructuring costs to support European industrial footprint rationalization
- Higher financial expenses driven by higher debt level after strong 2012 investment plan

**CapEx containment** to 43 €m (vs. 78€m prior year), after completion of investment cycle in 2011 and 2012

**Net Debt increase** mainly reflecting working capital cash absorption, but preserved **Group's robust debt profile** with average life of debt around 2.6 years and **ample liquidity backup**

# Despite lower net sales, resilience of key financial ratios thanks to strong efficiency improvements; Net Debt increase reflecting seasonal working capital absorption

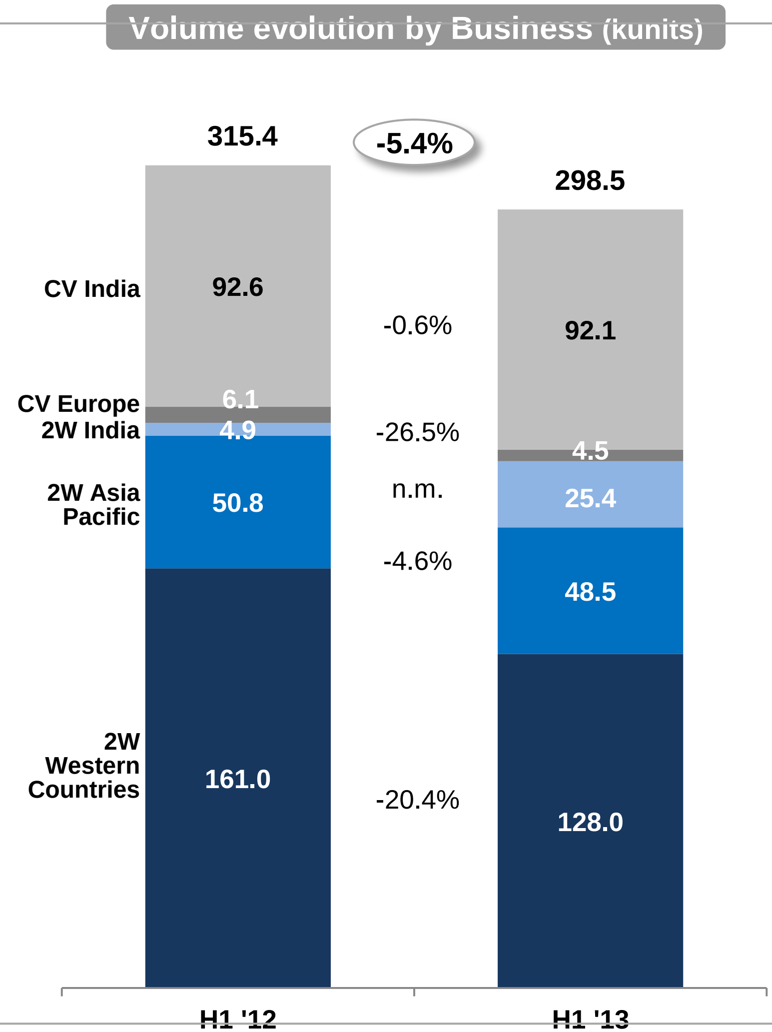
## P&L (€m)

| | H1 2012 | H1 2013 | Change 2013 vs. 2012 | | |
|---|---|---|---|---|---|
| | | | Absolute | % | % excl. FX |
| **Net Sales** | **764.1** | **671.5** | **(92.5)** | **-12.1%** | **-10.3%** |
| **Gross Margin** | **236.3** | **207.3** | **(28.9)** | **-12.2%** | **-10.6%** |
| *% on Net Sales* | *30.9%* | *30.9%* | *0.0%* | | |
| **EBITDA** | **114.4** | **100.6** | **(13.8)** | **-12.1%** | **-9.9%** |
| *% on Net Sales* | *15.0%* | *15.0%* | *0.0%* | | |
| Depreciation | (42.7) | (43.0) | (0.3) | +0.7% | |
| **EBIT** | **71.7** | **57.6** | **(14.1)** | **-19.7%** | **-17.1%** |
| *% on Net Sales* | *9.4%* | *8.6%* | *-0.8%* | | |
| Financial Expenses | (15.3) | (16.0) | (0.6) | +4.1% | |
| **Income before tax** | **56.3** | **41.6** | **(14.7)** | **-26.2%** | |
| Tax | (22.5) | (16.6) | 5.9 | -26.2% | |
| **Net Income** | **33.8** | **25.0** | **(8.8)** | **-26.1%** | |
| *% on Net Sales* | *4.4%* | *3.7%* | *-0.7%* | | |

## NFP (€m)

| | H1 2012 | H1 2013 | Change 2013 vs. 2012 | |
|---|---|---|---|---|
| | | | Absolute | % |
| **Net Financial Position** | **(384.0)** | **(458.2)** | **(74.2)** | **+19.3%** |

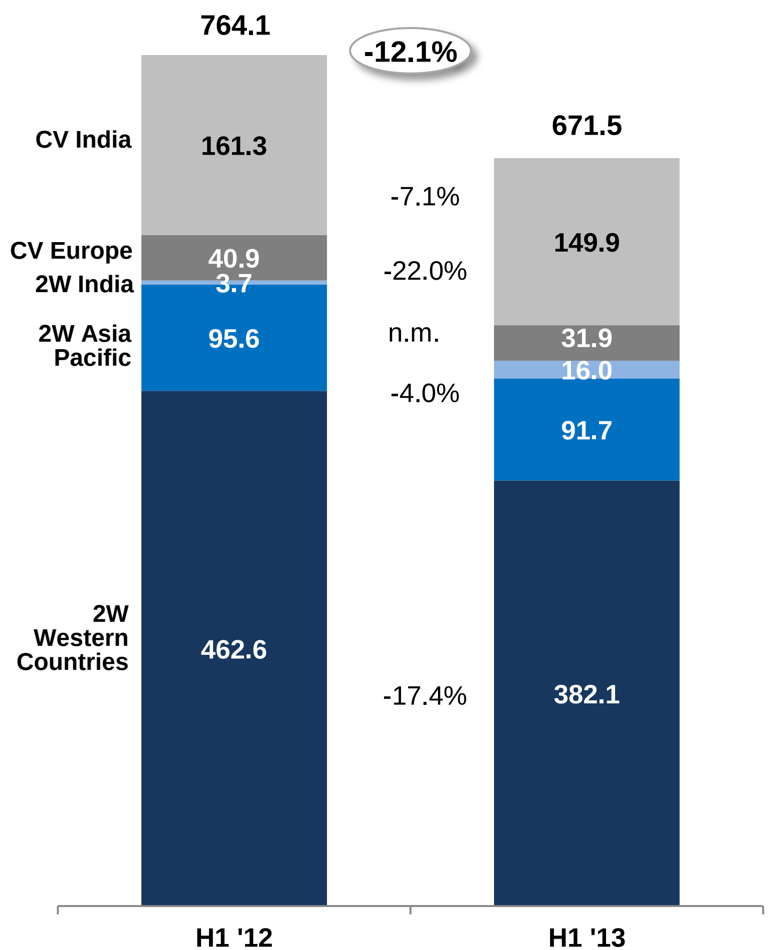
# Volume decline driven by Western countries while Emerging markets are slightly down but with a positive trend in Q2




2W: 2 Wheels CV : Commercial Vehicles

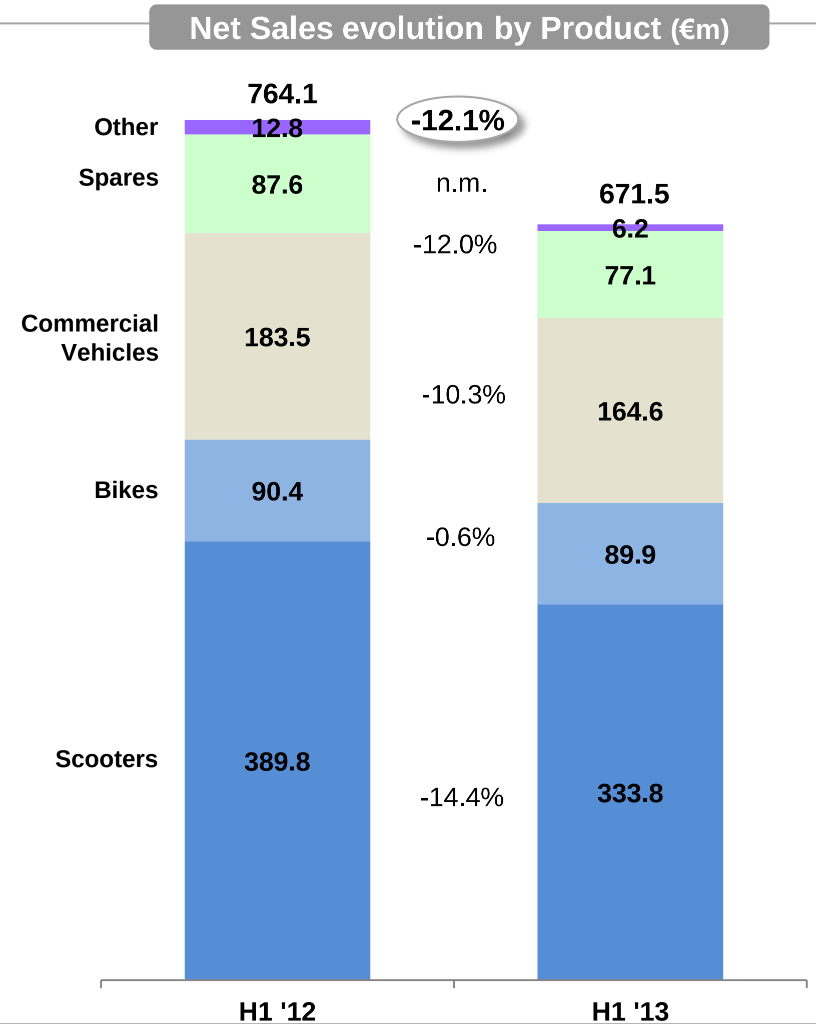
# Net Sales decline driven by volume effect whilst average price holds up above PY. Vespa India with a positive absolute contribution but diluting average Group price. Negative FX effect of Indian Rupee

## Net Sales evolution by Business (€m)



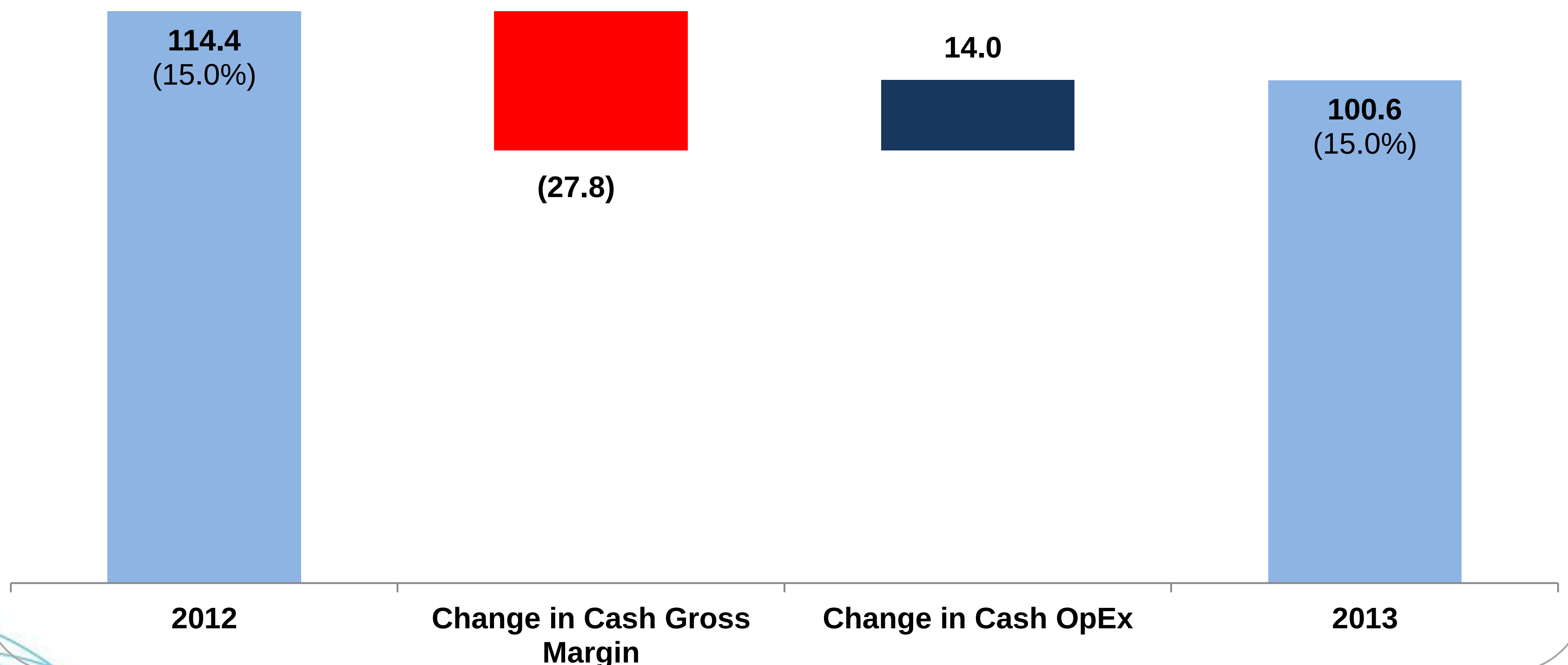

2W: 2 Wheels CV : Commercial Vehicles

# Scooters product mix shifting to high displacement segments mitigates volume decline effect; good results in bikes despite market contraction sustained by Moto Guzzi growing more than 20%



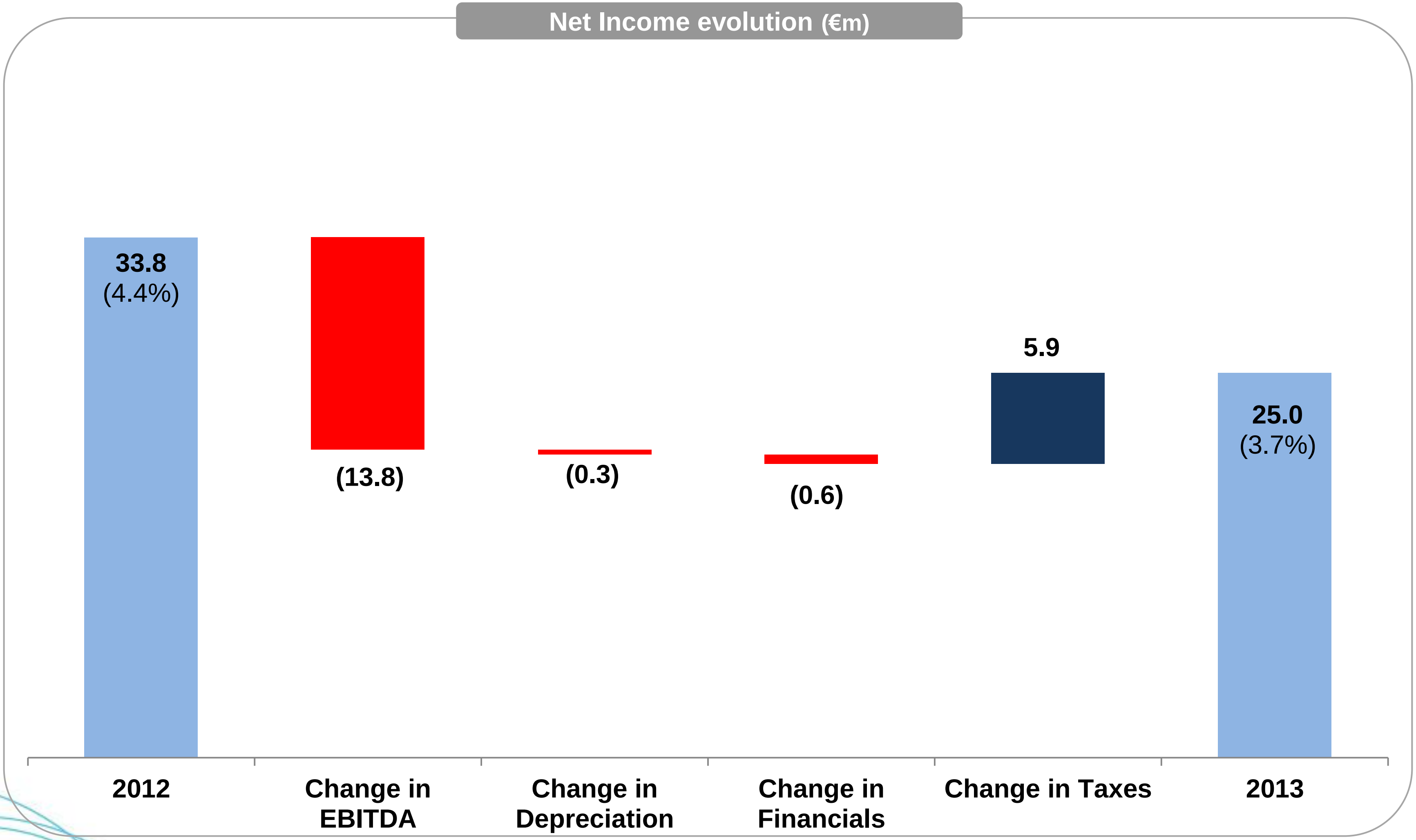
# Efficiency gain and strong containment of fixed costs, even after extra OpEx for business expansion and restructuring plan, keep EBITDA margin at PY level and …

**EBITDA evolution** (€m)



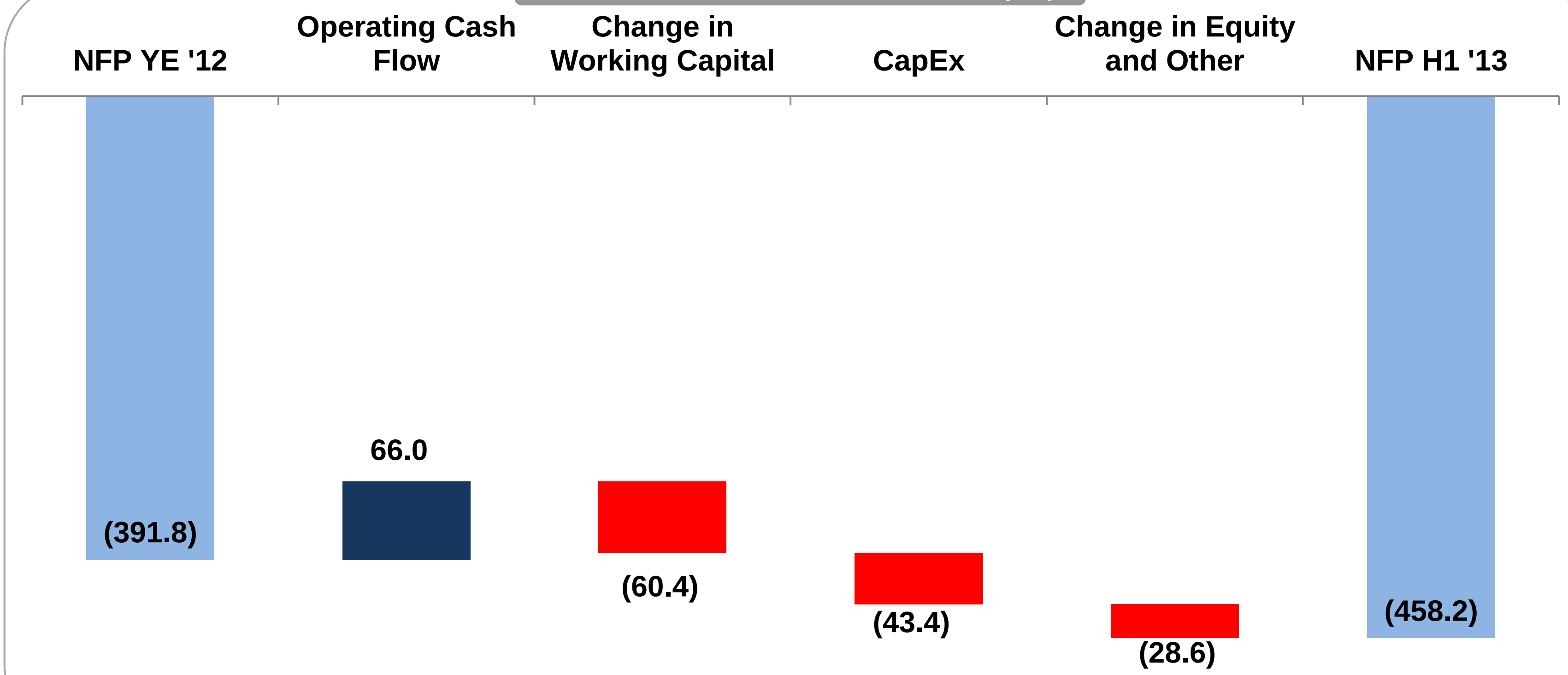

**Streamlined structures and heightened productivity lead to lower break-even point**

# …sustain Net Income ratio



# Lower Operating Cash Flow and seasonal Working Capital absorption lead to NFP increase (1/2)

**Net Financial Position evolution (€m)**




**H1 2012**

€m

| NFP YE '11 | | | | | NFP H1 '12 |
|---|---|---|---|---|---|
| (335.9) | 77.5 | (14.0) | (78.4) | (33.2) | (384.0) |

**Returning value to shareholders through dividends and share buy back**

# Lower Operating Cash Flow and seasonal Working Capital absorption lead to NFP increase (2/2)

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## Balance sheet evolution (€m)

| | 2011 | H1 2012 | *Chg. '12 vs YE '11* | 2012 | H1 2013 | *Chg. '13 vs YE '12* |
|---|---|---|---|---|---|---|
| Trade Receivable | 61.7 | 139.0 | *77.3* | 59.3 | 124.9 | *65.6* |
| Inventories | 237 | 287.8 | *50.8* | 221.1 | 257 | *35.9* |
| Commercial Payable (*) | (376.7) | (487.2) | *-110.5* | (389.4) | (423.7) | *-34.3* |
| Other assets/liabilities (*) | 5.3 | 1.7 | *-3.6* | 27.9 | 21.1 | *-6.8* |
| **Working Capital** | **(72.7)** | **(58.7)** | ***14.0*** | **(81.1)** | **(20.7)** | ***60.4*** |
| Tangible Fixed Assets | 274.9 | 302.0 | *27.1* | 321.0 | 317.1 | *-3.9* |
| Intangible Fixed Assets | 649.4 | 652.3 | *2.9* | 661.0 | 657.0 | *-4.0* |
| Financial Investments | 2.6 | 5.8 | *3.2* | 6.7 | 7.8 | *1.2* |
| Provisions | (72.2) | (73.1) | *-0.9* | (75.9) | (73.9) | *2.0* |
| **Net Invested Capital** | **782.1** | **828.4** | ***46.3*** | **831.7** | **887.3** | ***55.6*** |
| **Net Debt** | **335.9** | **384.0** | ***48.1*** | **391.8** | **458.2** | ***66.3*** |
| **Equity** | **446.2** | **444.4** | ***-1.9*** | **439.9** | **429.2** | ***-10.7*** |
| **Total Sources** | **782.1** | **828.4** | ***46.3*** | **831.7** | **887.3** | ***55.6*** |
| **Net debt/Equity** | **0.75** | **0.86** | | **0.89** | **1.07** | |

(*) In order to provide the reader of this Presentation with better comparison of the information included in the Working Capital, certain items have been restated from "Other assets/liabilities" to "Commercial Payables" for FY 2011 and H1 2012. The restatement has no impact on Working Capital results.

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