PIAGGIO GROUP

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First Half 2014 Financial Results

Conference Call

July 28th 2014

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Highlights (1/2)
First half 2014 results

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Market demand

Overall market demand still unsupportive in Piaggio's key reference markets

- Europe 2 Wheels positive trend softened throughout the semester leading to +4% increase vs PY, mainly driven by Bikes up by 9% and Scooters flat
- Asia Pacific market trend mixed but overall negative, notably in Vietnam, Thailand and Malaysia; Indonesia, on a different path, growing mid single digit
- Indian 2 Wheels solid momentum continues driven by Scooters strong growth
- Indian 3 Wheels slightly down YTD, but posting an encouraging upward trend acceleration in Q2; 4 wheels still slumping

Business Highlights

Western Countries: resilient performance in a volatile market environment

- Piaggio leadership confirmed in an highly competitive scooter market
- Strong performance of Vespa and MP3 posting double-digit revenue growth, confirming the value of our focus on high-end segments
- Expansion of mid-sized bikes in Latam on track with our plans
- Vehicles' average price on the rise, sustained by positive mix and firm price policy

As a result, Western Countries revenues, excluding engine business, in line with PY; France, Holland and Spain best performers ending up double digits; Italy still lagging behind

Asia Pacific: negative performance in a persisting difficult market scenario

- Vietnam still negative, suffering from market weakness and stronger competition; YoY comparison will ease going forwards
- Asia Pacific ex Vietnam posts resilient sales, markedly in Indonesia, Taiwan and Thailand, outstripping market trend
- First positive steps in the Chinese 2 wheeler premium segment
- Average prices holding up excluding negative FX, despite increased competitive intensity

As a result, revenue down double digits with Asia Pacific ex Vietnam still unable to counterbalance Vietnamese performance and FX negative effect

Highlights (2/2)
First half 2014 results

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Business Highlights

India: good performance in an improving market environment

- Three Wheeler market still negative, but steadily improving across the semester with a strong upward acceleration in May (+12% y/y) and June (23%y/y) following a -16% in Q1, unveiling encouraging signals of demand recovery in H2
- Market share gain for the fifth consecutive quarter, with a particularly good performance in 4 wheels and Ape City Pax
- Exports strong momentum continues, with volume surging by 84% vs. PY
- Average prices on the rise excluding negative FX, reflecting rigorous pricing discipline; FX YoY comparison will reverse going forwards
- Vespa sales stuck at ~2,000 unit per month

As a result, Commercial Vehicles revenues already up by 5% vs. PY excluding FX, driven by strong acceleration in Q2

Financial Highlights

Net Sales declining by ~6% (~2% at constant FX), but with a significant reduction of the downward trend across the semester; premium pricing and brand positioning coupled with cost efficiencies keep EBITDA and EBIT margin at PY levels and mitigate Net Result decline

- Gross Margin ratio at 30.9% as in 2013, further proving effective pricing policy and product cost efficiency
- OpEx containment (~-6 €m vs. 2013), even after step up in marketing expenses
- Higher financial expenses driven by one-off negative effect of bond redemption (2.9 €m), lower capitalization of interest expenses (IAS 23) coupled with higher debt level

CapEx containment at 38 €m (vs. 43 €m prior year) consistent with 2014-2017 industrial plan investment profile

Positive Cash flow generation, against 66 €m cash absorption in H1 2013**,** stemming from healthy operating cash flow generation, tight grip on working capital and no dividend payment, leading to **Net Debt decrease vs. Year End 2013**

Debt profile further strengthened thanks to the placement of a 250 €m bond with a maturity of 7 years and the recent 220 €m refinancing of RCF expiring at the end of 2015, thus extending the **debt average life to ~5 years** and significantly reducing borrowing costs

Resilience of key operating ratios, despite decrease in Net Sales; Strong improvement in cash flow vs. H1 2013 drives Net Debt reduction vs. YE 2013

P&L (€m)	H1 2013	H1 2014	Change 2014 vs. 2013		
			Absolute	%	% excl. FX
Net Sales	**671.5**	**629.0**	**(42.6)**	**-6.3%**	**-2.4%**
Gross Margin	**207.3**	**194.4**	**(12.9)**	**-6.2%**	**-3.3%**
% on Net Sales	*30.9%*	*30.9%*	*0.0%*		
EBITDA	**100.6**	**94.0**	**(6.5)**	**-6.5%**	**-2.6%**
% on Net Sales	*15.0%*	*15.0%*	*0.0%*		
Depreciation	(43.0)	(43.0)	0.1	-0.1%	
EBIT	**57.6**	**51.1**	**(6.5)**	**-11.3%**	**-6.8%**
% on Net Sales	*8.6%*	*8.1%*	*-0.5%*		
Financial Expenses, *recurring*	(16.0)	(20.7)	(4.7)	+40.1%	
Financial Expenses, *non -recurring*		(2.9)	(2.9)	n.a.	
Income before tax	**41.6**	**27.5**	**(14.1)**	**-34.0%**	
Tax	(16.6)	(11.0)	5.6	-34.0%	
Net Income	**25.0**	**16.5**	**(8.5)**	**-34.0%**	
% on Net Sales	*3.7%*	*2.6%*	*-1.1%*		
Net Income, adjusted (*)	**25.0**	**18.3**	**(6.7)**	**-26.9%**	
% on Net Sales	*3.7%*	*2.9%*	*-0.8%*		

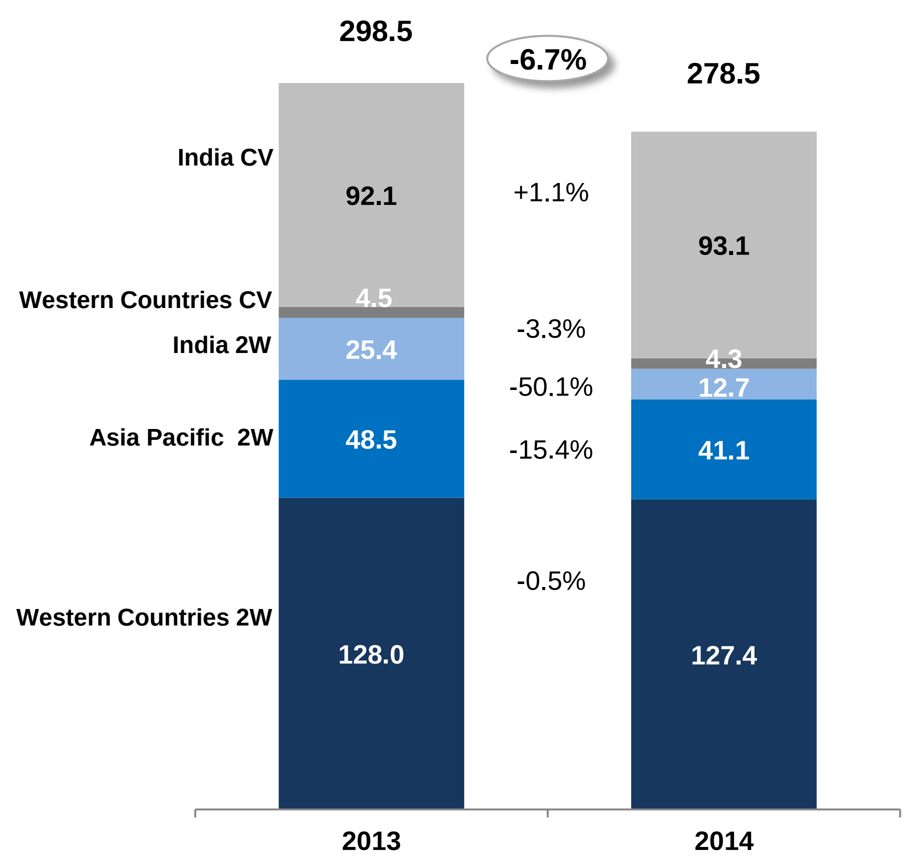
NFP (€m)	31.12.2013	30.06. 2014	Change
Net Financial Position	**(475.6)**	**(472.3)**	**+3.3**

Cash Flow (€m)	H1 2013	H1 2014	Change
Cash Flow	**(66.3)**	**3.3**	**+69.6**

(*) To provide a better comparison of information from different years, the Group has defined the item "*adjusted*", which excludes the impact of non-recurring events.

Volume decline mainly driven by negative performance of 2 Wheelers in Emerging Countries; Western Countries flat, reflecting Scooter market trend; India CV up on the back of an encouraging strong double digit growth in Q2

Volume evolution by Business (kunits)



Net Sales down by 6.3% reflecting volume effect, 2.4% excluding FX Average Price above PY in all regions; slight revenue decrease in Western Countries due to lower contribution of engine business

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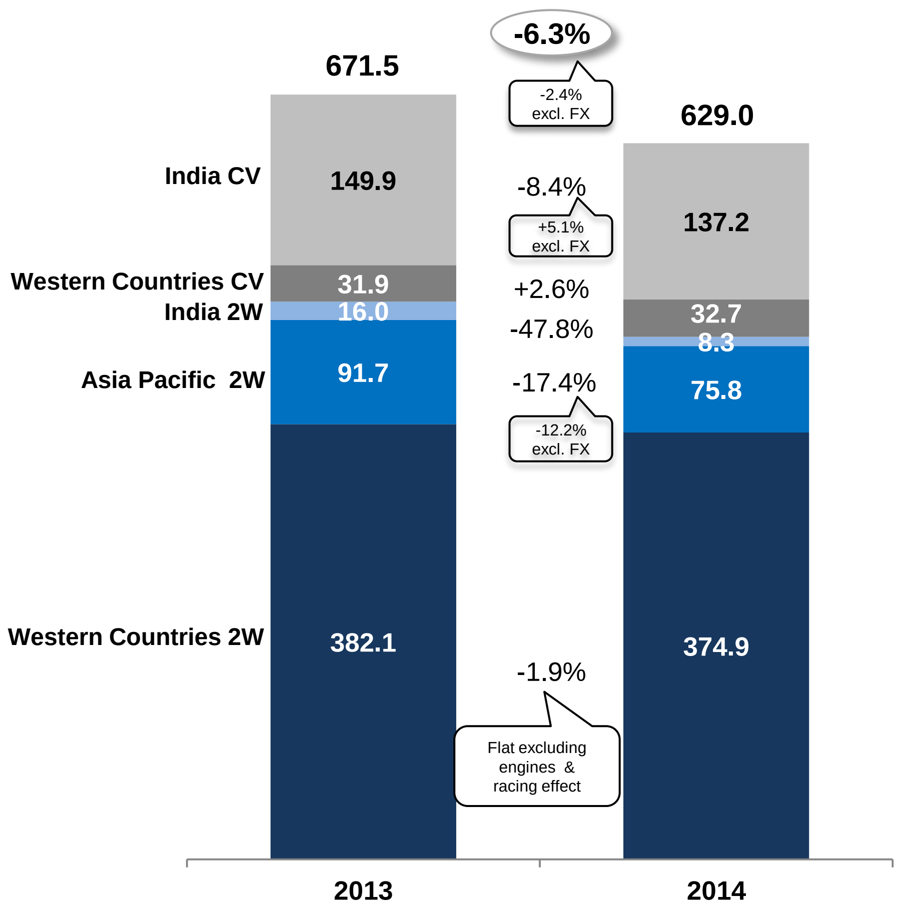
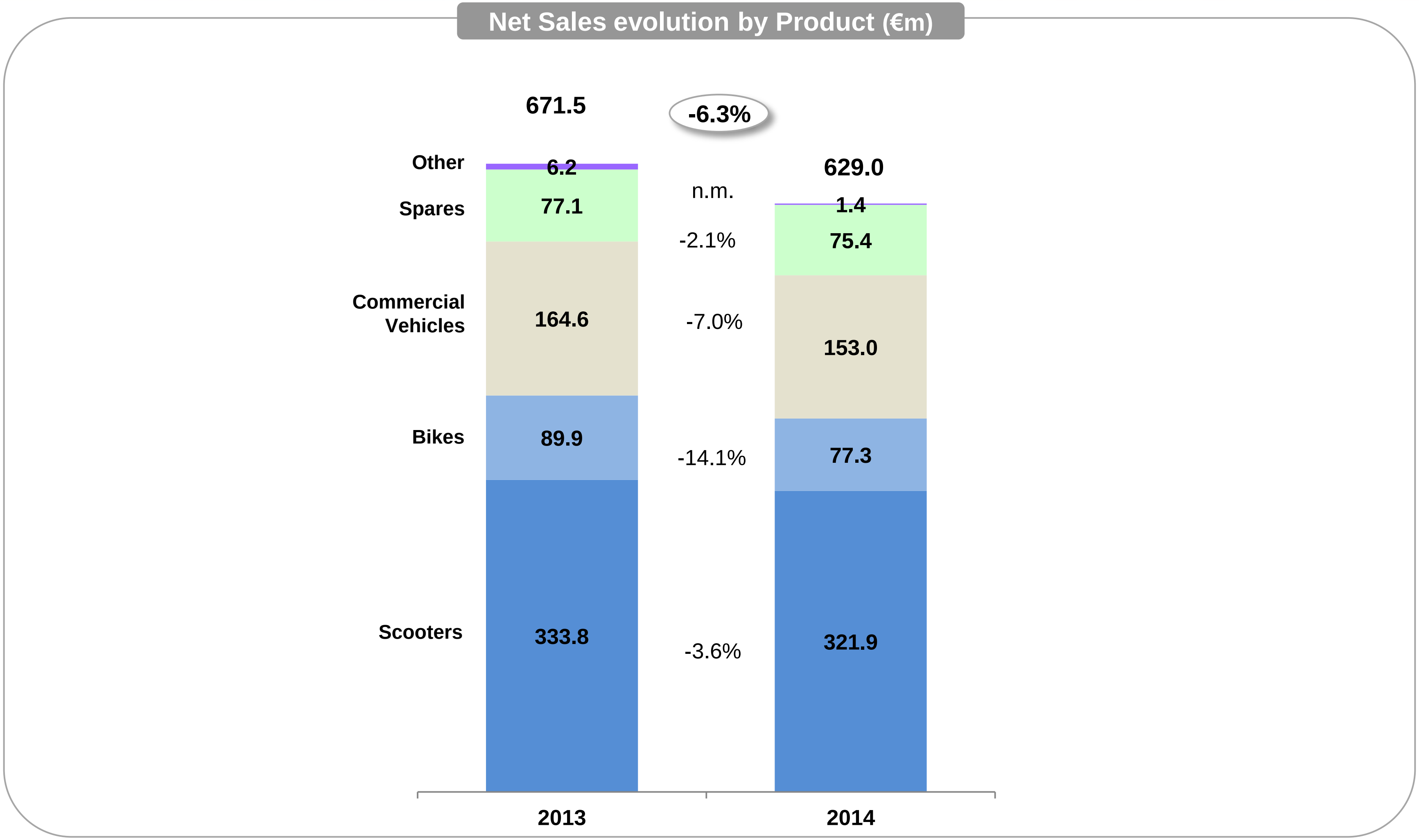
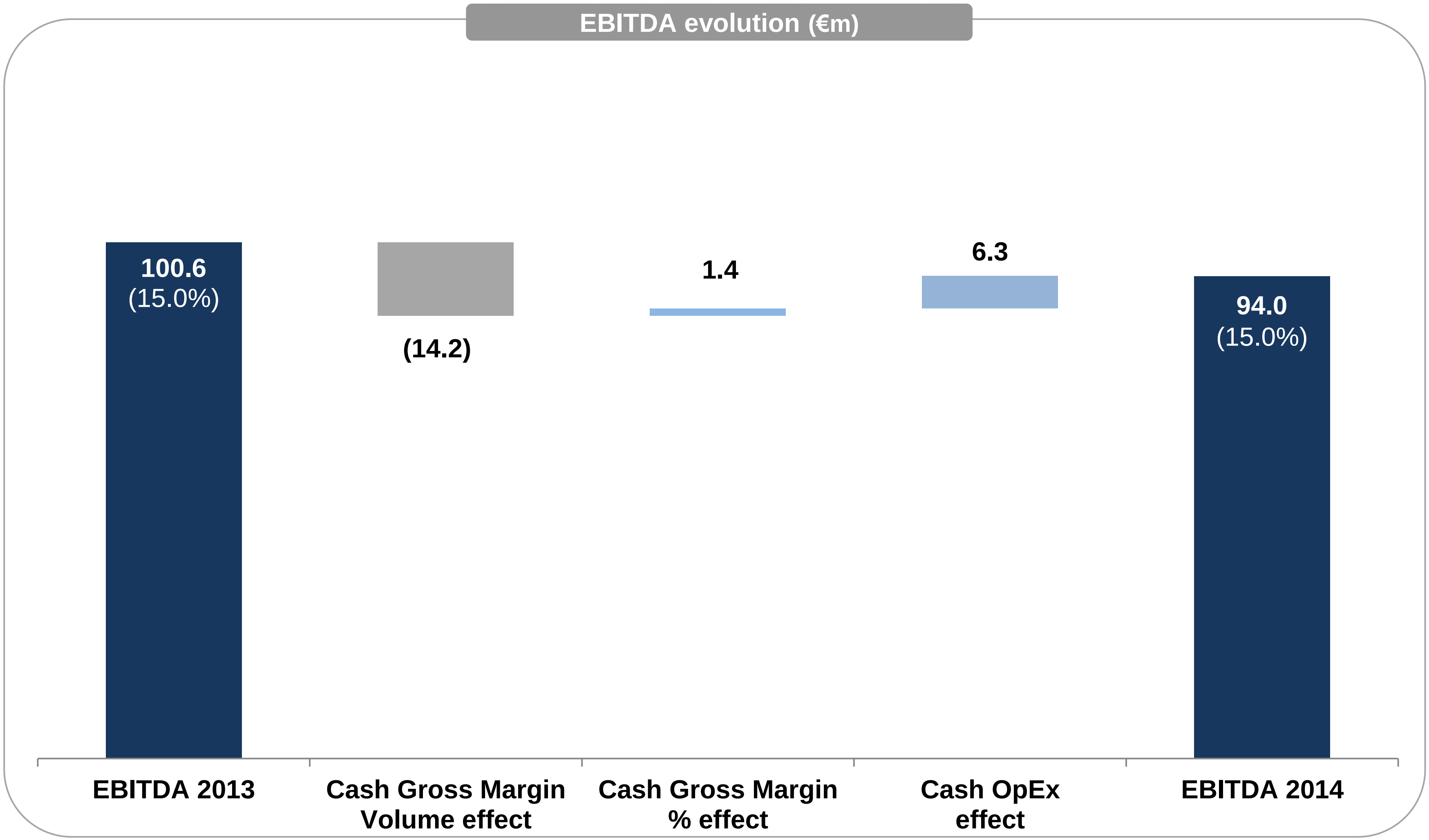
Net Sales evolution by Business (€m)



Negative volume effect in Scooters mitigated by mix shift to high-end segments (Vespa and MP3 steadily growing double digits in Western Countries).
In Bikes negative volume effect and increased sales of low displacements vehicles

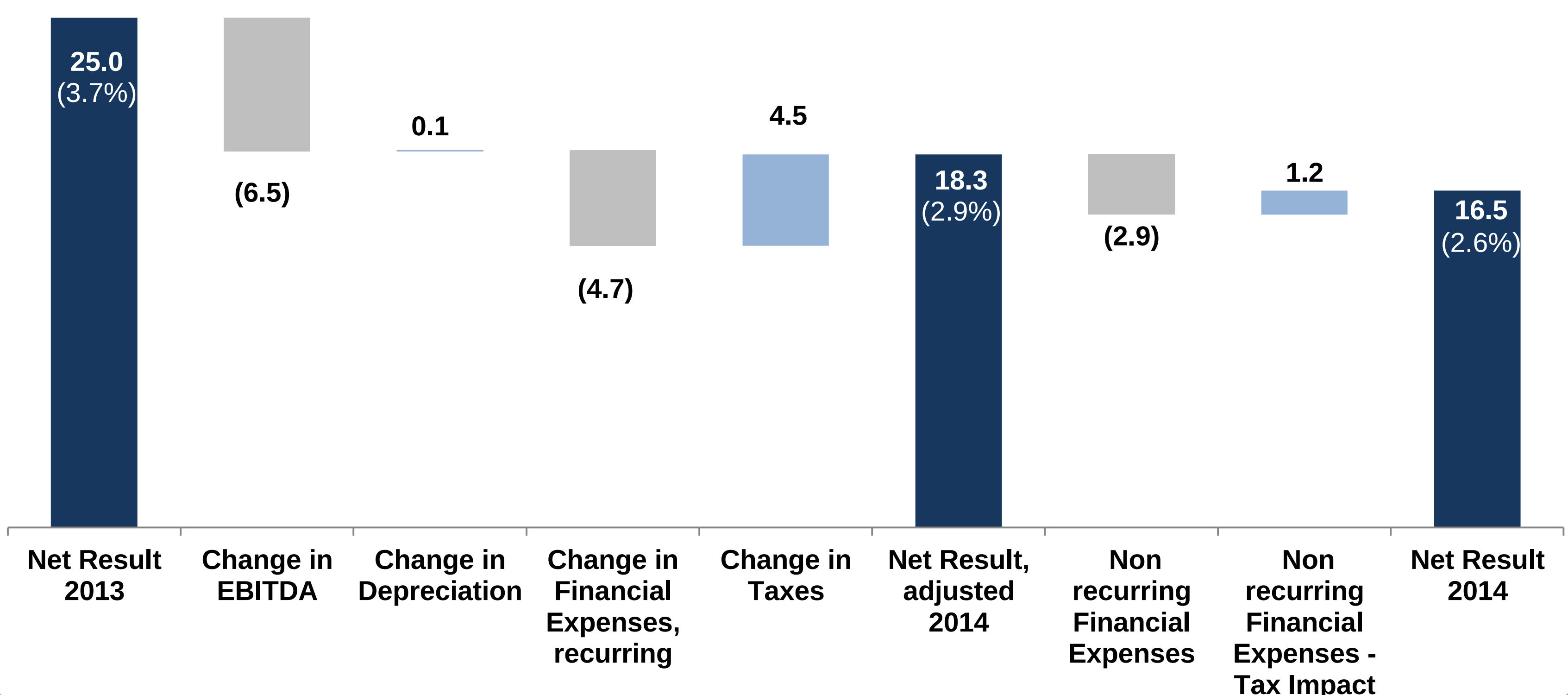


Product mix improvement and OpEx containment sustain EBITDA margin at Prior Year level…



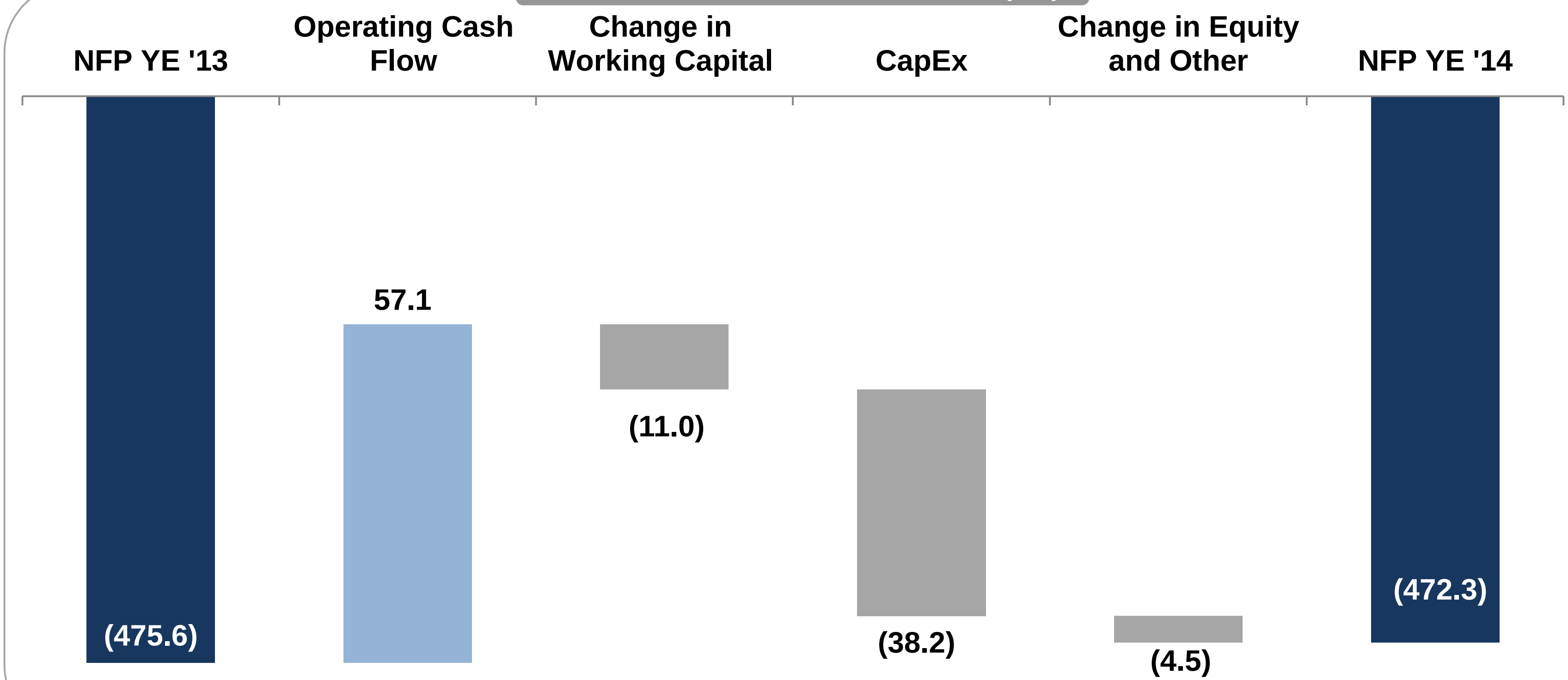
…and mitigate Net Results decline, notwithstanding non recurring financial expenses

Net Income evolution (€m)



NFP decreases vs. YE 2013 driven by strong working capital containment and no dividends payment; H1 2014 Cash Flow improved by 70 €m vs. H1 2013 (1/2)

Net Financial Position evolution (€m)



H1 2013

€m

(391.8)	66.0	(60.4)	(43.4)	(28.6)	(458.2)
NFP YE '12					NFP H1 '13

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NFP decreases vs. YE 2013 driven by strong working capital containment and no dividends payment; H1 2014 Cash Flow improved by 70 €m vs. H1 2013 (2/2)

	2012	H1 2013	*Chg. '13 vs YE '12*	2013	H1 2014	*Chg. '14 vs YE '13*
Trade Receivable (*)	59.3	124.9	*65.6*	74.4	126.4	*52.0*
Inventories	221.1	257.0	*35.9*	207.8	246.6	*38.8*
Commercial Payable	(389.4)	(423.7)	*-34.3*	(344.8)	(418.2)	*-73.4*
Other assets/liabilities	27.9	21.1	*-6.8*	32.3	25.9	*-6.4*
Working Capital	**(81.1)**	**(20.7)**	***60.4***	**(30.4)**	**(19.3)**	***11.0***
Tangible Fixed Assets	321.0	317.1	*-3.9*	310.1	308.6	*-1.5*
Intangible Fixed Assets	661.0	657.0	*-4.0*	654.5	659.2	*4.7*
Financial Investments	6.7	7.8	*1.2*	9.9	9.6	*-0.3*
Provisions	(75.9)	(73.9)	*2.0*	(76.4)	(74.0)	*2.4*
Net Invested Capital	**831.7**	**887.3**	***55.6***	**867.7**	**884.0**	***16.2***
Net Debt	**391.8**	**458.2**	***66.3***	**475.6**	**472.3**	***-3.3***
Equity	**439.9**	**429.2**	***-10.7***	**392.1**	**411.7**	***19.5***
Total Sources	**831.7**	**887.3**	***55.6***	**867.7**	**884.0**	***16.2***
Net Debt/Equity	**0.89**	**1.07**		**1.21**	**1.15**	

(*) Net of advances from customers.

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