

PRESS RELEASE

PIAGGIO GROUP: FIRST QUARTER 2014

Consolidated net sales € 276.8 million (303.4 mln in Q1 2013)

**Ebitda € 32.5 million (30.1 mln in Q1 2013)
Ebitda margin 11.7% (9.9% in Q1 2013)**

Ebit € 11.7 million (9.8 mln in Q1 2013)

Profit before tax € 1.8 million (1.8 mln in Q1 2013)

Net profit € 1.1 million (1.1 mln in Q1 2013)

Net financial position € -541.0 million

Consolidation of leadership on European market (15.1% overall, 25.4% in scooters)

4.6% growth in scooter sales in the USA

50% rise in turnover on three-wheeler exports from India

Mantua, 8 May 2014 – At a meeting today in Mantua chaired by Roberto Colaninno, the Board of Directors of Piaggio & C. S.p.A. examined and approved the quarterly report at 31 March 2014.

The Piaggio Group reported positive performance for the first quarter, with a general improvement in all the main financial and operating indicators.

Cost and productivity control measures improved Piaggio Group profit margins, without slowing the roll-out of its global expansion strategies based on premium brand and price policies, enabling the Group to benefit immediately from the initial signs of an upturn on the two-wheeler market in Europe.

In the two-wheeler sector, the domestic European market grew by approximately 13% in the first quarter of the year, after 24 consecutive quarters of decline. Meanwhile, overall performance in two-wheelers slowed in the Asia-Pacific region, as a result of a variety of situations, with demand slackening in Vietnam and Thailand. In light transport, the Indian three- and four-wheel commercial vehicle market remained weak, although an improvement emerged during the first quarter.

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Group **consolidated net sales** in the first quarter of 2014 amounted to 276.8 million euro, from 303.4 million euro in the year-earlier period. As in 2013, the **depreciation of the Asian currencies** and **the dollar** had a particularly negative impact on turnover, for a decrease of 14.4 million euro. Net of this effect, net sales would have totalled 291.1 million euro, a reduction of 4.1% from the year-earlier period.

In the first three months of 2014, the Piaggio Group shipped a total of **123,900 vehicles** worldwide, compared with 138,400 vehicles in the first quarter of 2013. With an upturn emerging on many Western markets, the Piaggio Group maintained its **leadership position on the European two-**

wheeler market in the first three months of 2014, with an overall share of 15.1% and a 25.4% share in scooters. This permitted a significant reduction in network stock levels, despite which the Group reported a slight rise in sales volumes in the **EMEA area and the Americas**, with sales of 52,600 vehicles compared with 52,300 in the first quarter of 2013. Healthy performance was reported in the **USA**, where, against a 10.7% decline on the scooter market, Piaggio Group scooter sales rose by 4.6% for a 23.7% share of the segment. Overall sales volumes (scooters and motorcycles) increased by 3.7% across the **Americas area** (USA+Canada+Latin America). In **Asia**, the fall in sales in a number of markets (notably Vietnam, where the two-wheeler market declined by 9%) was accompanied by healthy Group progress – outperforming the market – in Indonesia, Taiwan and Thailand.

In **commercial vehicles**, where a 15.6% decline was reported in demand on the Indian three-wheeler market although an improvement emerged during the first three months, the Piaggio Group boosted its **market share in India** for the fourth consecutive quarter, to reach 33.3% (+0.4 percentage points). Group performance was strong on the Indian market for **4-wheel commercial vehicles** under 2 tons, with a sharp increase in sales volumes. **Growth** continued in **commercial vehicle exports** from the Indian production hub, with a 50% turnover improvement on the first quarter of 2013.

The **industrial gross margin** for the quarter was 83.2 million euro, against 88.0 million euro in the first quarter of 2013, with an **improvement in the net sales margin to 30.1%** from 29.0% in the first quarter of 2013.

Operating expense in the first quarter of 2014 totalled 71.5 million euro, down by approximately 6.7 million euro from the year-earlier period, confirming the Group's constant focus on cutting costs and maintaining high profitability and productivity.

Consolidated Ebitda in the first quarter of 2014 grew in absolute terms, to 32.5 million euro, from 30.1 million euro in the first quarter of 2013, and the **Ebitda margin rose to 11.7%**, from 9.9% in the year-earlier period, thanks to the significant cost efficiencies achieved during the period.

2014 first-quarter **Ebit** was also up, to 11.7 million euro, compared with 9.8 million euro in the year-earlier period. The **Ebit margin rose to 4.2%**, from 3.2% in the year-earlier period.

For the first quarter of 2014, the Piaggio Group posted a **profit before tax** of 1.8 million euro, identical to the figure in the year-earlier period.

The first quarter of 2014 closed with a **net profit** of 1.1 million euro, identical to the net profit of the first quarter of 2013.

Net debt at 31 March 2014 was 541.0 million euro. Compared with the figure of 475.6 million euro at 31 December 2013, the increase was largely due to the typical seasonal nature of the two-wheeler business, which absorbs financial resources in the first half of the year and generates resources in the second half. First-quarter cash flows, which typically were negative due to seasonal trends, nevertheless improved by approximately 31 million euro from the year-earlier period, due to lower absorption of working capital.

Shareholders' equity at 31 March 2014 was 393.4 million euro, up by approximately 1.3 million euro from 31 December 2013.

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Exercise of call option on “Piaggio & C. S.p.A. € 150 million 7% senior notes due 2016” bond

At today's meeting, the Piaggio & C. S.p.A. Board of Directors approved the completion of the refinancing of the “Piaggio & C. S.p.A. € 150 million 7% Senior Notes due 2016” bond issued on 1 December 2009, for the amount of approximately 42 million euro outstanding after the conclusion of the exchange offer launched on April 7, 2014, through exercise of the call option detailed in the indenture at a call price of 103.50%. The transaction will be funded with the proceeds raised from the “Piaggio & C. S.p.A. 250 million 4.625% Senior Notes due 2021” issue, generating a reduction in interest expense and extending average maturity on Group debt.

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Share buyback program

During the meeting, in connection with the authorisation for the acquisition and disposal of own shares approved by the Piaggio AGM on 28 April 2014, the Board of Directors approved a share buyback program under the “market practices” allowed by Consob pursuant to art. 180, paragraph 1, head c), of the consolidated law on financial intermediation (TUF) with resolution no. 16839 of 19 March 2009 and EC Regulation no. 2273/2003 of 22 December 2003.

Specifically the purpose of the buyback program is to form a “stock inventory” to service the implementation of possible future investment transactions through the exchange, transfer, sale or other act of disposal of own shares, including their use as pledges to guarantee company borrowings.

Share purchase transactions under this program will be conducted in compliance with the procedures and limits envisaged the aforementioned shareholder resolution, specifically:

- the purchase may be for a maximum of 15,000,000 Piaggio ordinary shares without express par value and, therefore, within the legal limits (20% of the share capital pursuant to art. 2357, paragraph 3, Italian Civil Code), taking into account the own shares held as of today by the company (639,669 shares representing 0.178% of the share capital);
- share buybacks shall take place within the limits of distributable earnings and available reserves as reflected in the most recent financial statements (including interim financial statements) approved at the time of implementation of the transaction;
- share buybacks shall be conducted in compliance with the operating conditions established by the Consob pursuant to art. 180, paragraph 1, head c), of the TUF with resolution no. 16839 of 19 March 2009, and EC Regulation no. 2273/2003 of 22 December 2003 where applicable, and specifically for a consideration that shall not be higher than the greater of the price of the most recent independent transaction and the price of the highest independent offer on the trading markets where the buyback is made, without prejudice to the condition that the per-share consideration shall not in any case be more than 20% below or 10% above the arithmetic average official Piaggio share price in the ten trading days before each single purchase transaction;
- buybacks shall be conducted in compliance with art. 144-*bis*, paragraph 1, head b) of Consob Regulation 11971/1999 (and subsequent amendments) and of applicable regulations, in order to ensure equality of treatment of shareholders as envisaged by art. 132 of the TUF, and therefore on regulated markets, in accordance with the operating procedures laid down by the regulations for the organisation and management of the markets in question, which do not allow purchase offers to be directly matched with predetermined offers for sale;
- the buyback program may be implemented, in one or more tranches, through 28 October 2014.

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Significant events in the first quarter of 2014

On 24 February 2014, Foshan Piaggio Vehicles Technology R&D Co. Ltd. obtained from the local authorities all the permits required to begin sales of two-wheel vehicles in the People's Republic of China.

On 14 March 2014, on the conclusion of the tax audit begun in 2012 and for the sole purpose of avoiding a lawsuit on valuation questions that are open to conflicting positions with outcomes that are difficult to forecast, Piaggio & C. S.p.A. accepted the settlement proposed by the Italian tax authorities on transfer pricing relating mainly to the intragroup services provided to subsidiaries in countries with ordinary tax systems.

No fine has been imposed on Piaggio, confirming the correctness and transparency of the Group's operations.

The irregularities identified by the tax authorities, with regard to 2009, 2010 and 2011, will generate a financial outlay for IRAP tax only of 5.1 million euro. The total amount for irregularities with regard to IRES tax has been set against prior-year losses, and involves no financial outlay.

The consequential expense of 24.6 million euro was correctly charged in full to 2013 income.

On 19 March 2014, the Piaggio Group 2014-2017 Business Plan was approved. The Plan was presented to the financial community on 20 March 2014, during the Piaggio Group Analyst and Investor Meeting in Milan.

On 24 March 2014, the new Vespa Sprint scooter with 50 and 125 cc engines was presented at an international press launch in Rome.

On 14 April 2014, the new Moto Guzzi V7 range was launched in the historic Moto Guzzi factory in Mandello del Lario. The range offers three models: Racer, Stone and Special.

On 14 April 2014, the Piaggio Concept Store Mantova S.r.l. company was established, owned 100% by Piaggio & C., S.p.A. Its corporate purpose is to market two-, three- and four-wheel vehicles and related spare parts and accessories, to provide repair and technical support services, and motorcycle services. The new company also sells clothing, food and beverages.

On 15 April 2014, the new Mechanical Factory was opened at the Piaggio industry park in Pontedera, to house high-precision machining operations on scooter and motorcycle components for the entire Group. The production facility covers a total surface area of approximately 7,500 m², of which 5,500 indoors, and performs high-precision machining on sumps, crankcases and other engine and chassis components, with a workforce of around 90 people. Most of these people were hired by the Piaggio Group in 2011, after its former supplier Tecnocontrol went bankrupt.

On 22 April 2014, the new Vespa GTS, also available in a GTS Super sports version with 125 and 300 cc engines, was launched in Tuscany. This is the largest and most powerful Vespa scooter ever produced, and features an ASR electronic traction control system (a world exclusive and technological first from the Piaggio Group) and an ABS braking system.

Significant events after 31 March 2014

On 16 April 2014, Piaggio & C. S.p.A. successfully completed the placement on the high-yield market of a 250 million euro 7-year unsecured non-convertible senior bond, with a semi-annual coupon with a fixed annual rate of 4.625% and 100% issue price. The proceeds enable the company to optimise its debt structure, in particular to extend average maturity (from 2.4 to more than 4 years), thereby reducing the average cost of funding and increasing the portion of debt raised on the capital markets.

Outlook

As also outlined in the new 2014-2017 Business Plan approved on 19 March 2014, commercial and industrial operations will aim to:

- confirm the Group leadership position on the European two-wheeler market, taking full advantage of the expected recovery through a further strengthening of the product range and growing motorcycle sales and margins with the Moto Guzzi and Aprilia lines; maintain current positions on the European commercial vehicle market;
- continue growth in the Asia Pacific region by exploring new opportunities in mid-range/large motorcycles and replicating the premium strategy in Vietnam throughout the region. In 2014 the Group will begin direct sales operations in China, with the aim of penetrating the premium segment of the two-wheeler market;
- strengthen sales on the Indian scooter market by increasing the offer of Vespa products and introducing new models in the premium scooter and motorcycle segments;
- grow commercial vehicle sales in India – in part through consolidation in new segments of the Indian three-wheeler market with the Apé City Pax and the introduction of new 4-wheel models – and in the emerging countries, aiming for further growth in exports to Africa and South America.

From a technology viewpoint, the Piaggio Group will continue to develop technologies and platforms that focus on the functional and emotional aspects of its vehicles, through continuous development in power trains, wider use of digital platforms connecting user and vehicle, and trials of new product and service configurations.

At a more general level, the Group maintains its constant commitment – a characteristic of recent years and continuing in 2014 – to generate higher productivity through close attention to cost and investment efficiency, in line with its ethical principles.

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The manager in charge of preparing the company accounts and documents, Alessandra Simonotto, certifies, pursuant to paragraph 2, art. 154 bis of Legislative Decree no. 58/1998 (Consolidated Law on Financial Intermediation), that the accounting disclosures in this statement correspond to the accounting documents, ledgers and entries.

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Consolidated Income Statement

<i>In thousands of euro</i>	Note	Q1 2014		Q1 2013	
		Total	Of which related parties	Total	Of which related parties
Net Sales	4	276,786	17	303,449	18
Cost of materials	5	160,088	5,979	175,318	5,063
Cost of services and use of third-party assets	6	48,778	902	54,272	990
Employee expenses	7	52,638		61,887	
Depreciation property, plant and equipment	8	10,239		9,891	
Amortisation intangible assets	8	10,495		10,387	
Other operating income	9	21,168	2,297	22,525	176
Other operating expense	10	3,987	8	4,415	4
EBIT		11,729		9,804	
Share of result of associates	11				
Finance income	12	130		436	
Finance expense	12	9,969	51	8,308	51
Net exchange-rate gains/(losses)	12	(94)		(168)	
Profit before tax		1,796		1,764	
Income tax expense	13	719		706	
Profit from continuing operations		1,077		1,058	
Discontinued operations:					
Profit or loss from discontinued operations	14				
Profit for the period		1,077		1,058	
Attributable to:					
Equity holders of the parent		1,083		1,072	
Minority interests		(6)		(14)	
Earnings per share (in €)	15	0.003		0.003	
Diluted earnings per share (in €)	15	0.003		0.003	

Consolidated Statement of Financial Position

<i>In thousands of euro</i>	Note	At 31 March 2014		At 31 December 2013	
		Total	Of which related parties	Total	Of which related parties
ASSETS					
Non-current assets					
Intangible assets	16	655,696		654,528	
Property, plant and equipment	17	299,978		302,767	
Investment property	18	7,346		7,346	
Equity investments	19	8,152		8,152	
Other financial assets	20	9,559		10,468	
Non-current tax receivables	21	2,958		2,974	
Deferred tax assets	22	36,192		33,660	
Trade receivables	23	127			
Other receivables	24	12,406	231	13,368	231
Total non-current assets		1,032,414		1,033,263	
Assets held for sale	28				
Current assets					
Trade receivables	23	119,740	873	75,722	864
Other receivables	24	29,944	11,130	26,514	7,162
Current tax receivables	21	29,360		23,615	
Inventories	25	230,668		207,808	
Other financial assets	26			838	
Cash and cash equivalents	27	71,048		66,504	
Total current assets		480,760		401,001	
TOTAL ASSETS		1,513,174		1,434,264	

<i>In thousands of euro</i>	Note	AT 31 March 2014		At 31 December 2013	
		Total	Of which related parties	Total	Of which related parties
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Share capital and reserves attributable to equity holders of parent	29	392,496		391,183	
Share capital and reserves attributable to minority interests	29	909		932	
Total shareholders' equity		393,405		392,115	
Non-current liabilities					
Borrowings due after one year	30	440,328	2,900	434,865	2,900
Trade payables	31				
Other non-current provisions	32	10,952		11,083	
Deferred tax liabilities	33	5,887		5,722	
Pension funds and employee benefits	34	50,800		49,830	
Non-current tax payables	35	0		0	
Other non-current payables	36	3,880		4,148	
Total non-current liabilities		511,847		505,648	
Current liabilities					
Borrowings due within one year	30	179,784		116,872	
Trade payables	31	360,951	12,411	346,164	11,204
Tax liabilities	35	11,410		12,587	
Other current liabilities	36	45,521	8,093	45,416	6,474
Current portion of other non-current provisions	32	10,256		15,462	
Total current liabilities		607,922		536,501	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,513,174		1,434,264	