

Piaggio Group

Q1 2014 Financial Results

CORPORATE PARTICIPANTS

GABRIELE GALLI –GENERAL FINANCE MANAGER

RAFFAELE LUPOTTO –HEAD OF INVESTOR RELATIONS

MANAGEMENT DISCUSSION

Raffaele Lupotto – Head of Investor Relations

Hello. Hello, everybody. Thank you for joining us today to analyze Piaggio Group's first quarter 2014 financial results. Today's conference call will be held by Mr. Gabriele Galli, Piaggio Group General Finance Manager. During today's conference call, we will use the presentation that you can download from our website under the link Investors.

I remind you that during today's conference call, we can use some forward-looking statements that are subject to risks that can cause actual results to be materially different.

And now, I am glad to hand over the call to Mr. Gabriele Galli.

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Gabriele Galli - General Finance Manager

Hello. Good afternoon to everybody. As usual, we will start with a couple of slides making the synthesis of what we did during the first quarter. So in terms of market demand, I'm on slide number three, finally after almost six years of market downturn, the European market started to go up, while we are still facing some difficulties in terms of market in the Piaggio emerging areas.

In fact, Europe 2 Wheels was up by 13%. It was made of a strong rebound of bikes, up by 21%, and the further growth of scooters, up by 6%. And especially this trend started in February and March, and April was very much aligned.

In Asia-Pacific, we have mixed and negative demand, especially in Vietnam and in Thailand.

In India, we have a very booming market in terms of two-wheelers going on especially in Scooter at 33%, while in terms of three and four-wheelers, the market was down double-digit, but the trend across the quarter was positive, because January was very bad, February around minus 15%, March was better and probably the same trend is going to go on also in April. The end of this situation is expected by mid-May when the political election will be finished.

If we move to the business highlights, in Western Countries, we started to reap the initial benefits of the improved market, leveraging on our market share leadership. The European scooter market share was very much aligned to last year or a little bit higher, 25.4% versus 25.3%, confirming our leadership undiscussed.

And in terms of product, these market share increases was driven by MP3 and Vespa. We have been able also to reduce a little bit the stock in the network, also thanks to these positive trend of the market. And despite this reduction in network stock, we have been able to increase our turnover.

In America, the robust momentum for sales continues and in March, we have been able to enlarge our geographies and we started selling the mid-sized bikes in Latin America. In terms of pricing across the region, the average price has been up, sustained by both the mix and the effective price policy. In general terms, the turnover of the region was up, especially in some countries such as France and Holland, and the trend was improving during the quarter starting from January up to March.

Moving to Asia-Pacific, the market conditions are difficult. Especially we have difficult market conditions in Vietnam and in Thailand due to political reasons and also the competition started to get aggressive, especially in Vietnam. If we exclude the Vietnam, all the other regions showed a robust sales growth, especially in Indonesia, Taiwan and also in Thailand despite the bad market conditions, while Vietnam was down double-digit.

Moving to the follow slide, slide number four. In India, as we said before, the market was difficult, but we have been able to post a strong relative performance. Particularly in the three-wheeler market, the total volume was down by 16%, but we have been able to increase our market share by 3.6 percentage points, putting together the two-wheeler and the four-wheeler, we had very good performance on the four-wheeler and on the new product, Ape City Pax. Again, the market was in total minus 15% over the quarter, but the trend month after month was continuous improvement. So, March was not so bad and the expectations for April are good.

In terms of export, we have been about to increase our turnover by around 50% compared to previous year, and this is a clear proof that there is the opportunity for a long-lasting growth. We have been discussing during our strategic plan that export may be one of the drivers for future growth of our business in India. In terms of pricing, if we exclude the negative forex effect, because the forex effect for India is minus 15% comparing Q1 2014 with Q1 2013, because still this effect, the average price performed well, reflecting our absolutely rigorous pricing discipline.

Despite the market was very good for scooter, our performance in Vespa India was not so good and the sales are very much aligned to the sale of the past quarter, meaning 2,000 units per month. As a total result, the revenues are very much aligned to previous year if we exclude the forex, despite the market weakness and thanks to the improvement we had in the market share.

Going through the financial highlights, we see that the total Net Sales are down by 9% and excluding the forex effect, primarily related to Indian rupee and the secondary related to Indonesian rupiah and the dollar is minus 4%. Despite this reduction in sales, all our policy in terms of premium pricing, brand positioning, coupled with the cost efficiency we obtained, drive the growth of EBITDA and EBIT, ensuring in any case a Net positive Result.

Especially the EBITDA and the EBIT margin in Q1 were at record levels compared to all the other years. The key numbers are gross margin ratio up compared to 2013. Last year, it was at 29% and this year, it was at 30.1%. The OpEx were down by €7 million compared to 2013 and then, we had some higher financial expenses, driven by lower interest capitalization compared to 2013, following the IFRS 24, and a slightly higher level of debt.

In terms of CapEx, we've been able to contain our €16 million in the quarter versus €22 million the prior year, and this is very much in line with the investment plan that we showed one month ago in our plan, so we are still in line to invest this year around €100 million. In terms of cash flow, as every first quarter, we

have a seasonal cash flow absorption. This cash flow absorption was lower compared to last year's absorption by €31 million, which is very good because next year we absorbed during the first quarter €95 million and this year, we absorbed just €60 million.

Moving to slide five, we just wanted to put in line all the key activities we did in order to ensure the profitable growth we have been talking about one month ago in our Strategic Plan. So in terms of product, we went on launching our key products, so at the end of last year, we launched the Vespa Primavera. Now in March, we launched Vespa Sprint, which is much more a male scooter and they're in very important countries where Vespa Primavera is perceived to be much more a woman's scooter, like in Asia. Then in April, we launched the new Vespa GTS with a lot of electronic devices. Now in May, we will be launching the new MP3, which is completely renewed and also adds the ABS. And also in April, we are launched – we launched the new Scarabeo.

In terms of markets, we went on with our strategy to enlarge all the end customer markets, so we'll be launching the small-sized bike in Latin America and in Africa as we have been promising during the strategic plan. And the product, at least in the initial phase, thought to be very successful. And also, we entered the market in China with a direct presence. In fact, starting from April, we obtained sales license for our company we launched a couple of years ago in China. So we will be able to serve the market directly without any involvement of our joint venture.

In terms of financial accomplishment, we launched the new bond. It was in April. The bond was €250 million with a maturity of seven years. This allows us to enlarge the debt profile by lengthening the average life from 2.4 years to 4.3 years. This allows us to reduce the cost of debt from 7% to 4.625%. And this allows us to increase the amount of debt raised in the capital markets. We were at 33% and now, we are at 50%.

Moving to slide number six, you can have a look at the P&L. So revenues were down by 8.8% from €303 million to €276 million. Excluding the forex, we are down by 4.1%. Gross margin ratio improved from 29% to 30.1%, reducing the difference compared to last year to €4.8 million from €88 million in 2013 to €83.2 million in 2014. A strong reduction in cash OpEx allowed us to recover this distance in terms of gross margin and the EBITDA was higher compared to last year by €2.4 million from €30 million last year to €32.5 million this year, with the ratio on net sales increased by 1.8% from 9.9% last year to 11.7% this year. The depreciation was pretty constant, leading to an EBIT increase to 2013 by €1.9 million with a ratio on sales increased by 1% from 3.2% to 4.2%. Income before tax – sorry, financial expansions, as we said before, increased by €1.9 million, out of which €1.3 million is linked to the lower capitalization of financial interest due to the IFRS 23 and €0.6 million are due to the higher level of debt and these higher financial expenses led to an equal income before tax, which after a tax rate of 40% aligned to last year, led to a net income aligned to 2013 in absolute value, with a slightly higher margin.

In terms of net financial position, as you know, we started the year with a higher financial position compared to last year by around €50 million. We ended up – sorry, €80 million. We ended up with €541 million net financial position versus last year €487 million, and in the period, we had the usual seasonal cash flow absorption, which was very much reduced compared to last year. Last year, it was €96 million. This year, it is €65 million.

Moving to slide number seven, where we can appreciate the volume trend. So Europe was up by 0.6%. As we said before, the market was up by 13%. We kept or slightly increased our market share in the scooter, so in terms of sell-out, our volumes were much higher than the 0.6% we are posting in the sell-in figures or the volumes figure. The point is that we decided to destock a little bit the network, and so we absorbed the sales of the dealer and invoiced a lower amount of sales compared to sell-out. So the growth was limited to 0.6%.

In Asia-Pacific, we had a decrease of around 18% from 24,000 to 20,000.

In India two wheeler, as we said before, we had a strong decrease of sales of Vespa from 13,000 to 6,000, so this result is very much aligned to what we did in the latter part of 2013.

Sales of European commercial bike were very much aligned, while we had a decrease of 6.7% in the Indian commercial bike, and as we said before, this compares to a market reduction of around 15%, showing that thanks to our market share increase both in three-wheeler and in four-wheeler and thanks to the increased volume of exports, which went up by around 55% in terms of volume and 50% in terms of sales, we've been able to counter-balance these negative effects of the industry; negative effects that, as we said, was very strong in January, not so strong in March and probably will revert during the next quarter.

Moving to slide number eight, we can appreciate the trend of net sales. So Western Countries went down by 0.4% and this is very much due to the lower sale of engines we had during this first quarter. In fact, excluding the sales of engines, we [had in the B to B business and looking only at the business of accessories and spare parts, the revenues would have been higher by 1.7%.

Then, Asia-Pacific was down by 17.4%. Excluding the forex, it would have been 13.2%, so a lower ratio compared to the decrease of volume, which was 18.2%.

India two-wheeler was down to the same percentage compared to the decrease of volume, so 52%.

European commercial bike was down by 4.2% and the Indian commercial vehicles was down by 16.8%. If you exclude the devaluation of the Indian rupee, which was around 15%, the decrease in value would have been minus 2%. So total revenue very much aligned to last year, excluding the forex, despite the strong contraction of the market during the first month of the year. The total turnover excluding all the forex effect would have been minus 4%.

Moving to slide nine, we can have a look at the different products. So basically, scooters went down by around 6.6% with a mix shifting generally to high-end segment. As we said before, the sales of Vespa and MP3 were very good and were growing double digits in Western Countries. The volume of bikes was positive in terms of volumes, but was a little bit diluted in terms of revenue by the increased sales of the low displacement vehicles, mainly the introduction of the small motorbikes that were mentioning before in Latin America and in Asia. The strong reduction in terms of sales, you can see in the commercial vehicle business, minus 15.8%, is largely due to the devaluation of the rupee, as we've said before, which devaluated 15% in 2014 first quarter versus last year.

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Moving to slide number 10, we can have a look at the EBITDA evolution. Last year, the EBITDA was at €30 million, 9.9%. This year, we had a negative change in cash gross margin by €4.7 million. As we said before, the total value of sales including the forex, was down by around €27 million, but we have been able to increase the percentage of contribution. In total terms, the gross margin was up by 1%. In cash terms, the gross margin was up by 1.5 percentage points from 31.8% to 33.3%. In terms of the full P&L, this reduction of cash gross margin has been more than balanced by the reduction of cash OpEx, which were down by around €7 million, leading to an end of quarter EBITDA of €32.5 million with a percentage of 11.7%.

Moving to slide 11, you can have a look at the net result evolution. Last year, it was €1.1 million. As we said before, we saved €2.4 million in terms of EBITDA, which were counterbalanced by the increase of the depreciation of around €0.5 million and the increase of financial expenses of €1.9 million. As we said before, €1.3 million is for the lower capitalization of financial interest following the IFRS 23 and the total result for 2014 was absolutely aligned with last year, €1.1 million.

Moving to slide number 12, we can have a look at the Net Financial Position trend. So we started at €475 million net debt. We had an operating cash flow of €17.4 million. Then an absorption, which is the seasonal absorption for the working capital of around €64 million. Then we had the CapEx for €16 million and the change in equity and other, which is a conversion reserve of around €2.4 million leading to a Net Financial Position of €541 million. Comparing with last year, last year, the operating cash flow was €21.6 million. After the reclassification of the €17.4 million, as you can see in the note on the bottom of the page, the operating cash flow for 2014 could have been €21.5 million, meaning €4.1 million higher than what it is and of course, the negative effect would be on the change in working capital, which will be minus €68.2 million compared to the €64.1 million which is posted, meaning that in terms of operating cash flow, the generation was very much aligned to last year. So apple with apple €21.5 million versus €21.6 million in 2013. The change in working capital was very much better, because it was €68.2 million versus €92 million last year, meaning that we have been absorbing around €24 million lower cash flow in the working capital. The profits were lower by €6 million compared to last year, minus €16 million versus minus €22 million, while the change in equity was very much aligned, €2.4 million versus €3.2 million, leading to a total cash flow absorbed which is €31 million lower compared to the cash flow absorption we had last year.

Moving to the last slide, you can see the balance sheet figures. So the trade receivables are very much aligned to last year, €118.1 million versus €118.7 million. In terms of inventory, we did a big job of reduction and we started the year with €14 million lower inventory compared to last year, so €207 million versus €221 million, and we ended the period with a reduction of €27 million compared to last year, which is €230 million this year versus €257 million last year, showing that we worked on in the process of reducing the inventory which started during the second part of 2013. Of course, commercial payable were lower compared to last year, because the reduction in sales transformed into a reduction of purchasing and so a reduction of outstanding payable versus supplier, while the other assets and liabilities are higher compared to March last year, especially due to some VAT credit which will be recovered the next part of this year and some other small items.

Looking at tangible fixed and intangible fixed assets, last year, we were at €990 million, €324 million plus €665. This year, we are at €963 million so we've been able to reduce a little bit the portion of the tangible plus intangible fixed assets compared to last year.

The financial investments are at €9.6 million, very much aligned to the value of end of 2013, which was €9.9 million and the provision of €72 million and it is the reclassification we have been talking before of an item from provision to other debt. Without including the reclassification, the provision would be at €72.0 million plus €4.1 million, very much aligned to €76.4 million at the beginning of the year. So, I mean, provisions are very much aligned to their usual level, which is around €76 million as it was in 2013.

The net debt, we already commented. The capital is at €393.4 million versus €392.1, so €1.3 million higher compared to last year and the ratio of debt on net capital is at 1.38 versus 1.21 last year.

So here, the presentation is over. Of course, we have more time for questions.

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Raffaele Lupotto – Head of Investor Relations

Ok we are ready for the Q&A session
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QUESTION AND ANSWER SECTION

Mr. Stefano Lustig – Equita SIM

Good afternoon. I have four questions, if I may.

The first one is, if you have an indication of April trend of sales in Europe, and if you have some comment about the destocking of – the dealer destocking actions? So if you have any idea of the magnitude of the phenomenon and when the two, let's say, speed of business will be similar, selling the sell-out obviously? The second question is on Asia: if you can give us some number to understand the different speed in Vietnam and the rest of Asia and if you can expand the comment on the challenges on the Vietnamese market?

The third question is on the cost reduction. I see that among the costs that have been reduced, there is a quite substantial reduction in the cost of personnel. And I wonder if it is depending from the number of employees, or what I want to understand at the end is if it is repeatable, let's say, in the next quarters or if there is some extra benefit which is not that recurrent.

And the fourth question is if you can provide us with an indication of the average cost of debt today?

Gabriele Galli - General Finance Manager

Okay. So starting from the sales in Europe. So as we said at the beginning, the year started, let's say, with a January which was not so positive. Then February was good. March much better, and April was a plus. So basically for what we can see today is that all the basic thinking of analysts, but not only all the analysts, so also dealers, customers, are taking place and this is very good. In our strategic plan, we had growth for the first year around zero. Today, we were at the end of March at 12.9% in Europe and at the end of April, we will be in any case double-digit, okay, so this is good. And it is particularly good after this six, seven years of continuous decrease, 72 months of minus, now four months of plus, so that's good.

In terms destocking, as you know, the business is seasonal and so you used to put some stock in the first month and then you used to reduce the stock in the last month of the year. So during the first quarter, the stock had a negative effect on our sales compared to 2013. It was around 3,000 units, so meaning that if you had the same stock movement in 2014 as in 2013, our turnover should have been around 3,000 units more, which is ahead 6%, 3,000 or a total of 6,000, actually 6,000 includes also U.S. and these data are very much in Europe.

Looking at the total level of stock in the network, this 3,000 reduction is just a limited portion of the destocking we have been making over the past month. Actually, if you compare the stock today at the end of March with the stock at the end of March 12 months ago, the total destocking is around 20,000 units, so meaning that we had a movement that was 17,000 last year and 3,000 this year. So again, this is good because we could balance much more the level of stock in our dealers with real market conditions and today we are much better than 12 months ago, with a market which is posting a plus, whereas the market last year was posting a minus. So I really believe that now, we can move in the phase of having the same speed of sell-in and sell-out. We have built the same month after month, because one month you have to stock, another month you have to destock according to the seasonality. But in the longer term, we will

reach the moment when sell-in can be equal to the sell-out. And probably if the market goes up, there is a lot of room to re-stock the dealer network, because the dealer is reasoning in terms of coverage. So if you take that the sales will go up by 10%, you can have 10% more stock.

Moving to second question, Asia. Asia – I mean, the situation is of course, as we say, difficult because the total volume went down by 15%. So the most affected market was Vietnam. Actually, the market went down by around 8%, and on top of that, competition increased very much. So Honda realized that it's going to claim following the bottom part of the market, but it's good also to claim the top part and pushed that on Honda SH and on Honda SH mode. This production of these two new product by the one hand caused a reduction in our sales. By another hand, it gave a tremendous boost to the overall volume of the top part of the market. Again, this is bad in the very near-term; this is good in the long term, because it means that if there is offer, the top part of the market may expand very quickly also in Asia. And if we consider that today, the top part of the market is in Vietnam and just in the process to start in the other countries, it can mean that if we push on the, let's say, premium product also in other countries, and if some of the other player will help us to push and create in this premium market probably from now to the next two, three, four years, there will be a significant part of vehicles in the premium segment and of course, for us by a strategic point of view, playing in the premium part of the market is much easier than playing in the bottom part, where, I mean, cost is the only variable. Again, in the quarter it was not good and Vietnam went down double-digit while Indonesia performed well, but we are talking about limited volumes, so it was a plus – a high two-digit number.

In terms of cost reduction, personnel was absolutely one of the key items and one of the savings is linked to the reduction we had in terms of units compared to last year. Actually, last year, we were in the process of closing the Spanish plant and this year, the Spanish plant is closed, so we will not have any more this kind of cost. Another part of cost is not repeatable – this part is repeatable, of course. Another part is not repeatable because last year, we had some €5 million restructuring in cost while this year, the reduction in costs were only €2 million. So let's say that €3 million is a non-recurring item. The other part is recurring, and we can leverage this reduction of people from now on.

In terms of average cost of debt, the total number is around 4.9% this quarter. Last year, it was 5.2%. This, of course, is not including in 2014 the advantages we will have with the new bond, which is 2.3 percentage points lower than the old one. So today, we decided and we defined at the board of directors to call the remaining part of the old bond, and so from now on, the cost of debt should be lower, thanks to these new bonds cost much lower than the old one.

Nicolo Storer – Mediobanca

Yes. Good afternoon to everybody. I have just five questions for you.

One is related to the cash OpEx reduction, if you could tell us if in the numbers, part of the reduction was related to “contratto di solidarietà” And if yes, how much do they account for? The second question, again still related to the previous question from my colleague on the effects of the emission of the new bond on your financial charges going forward, because as far as I understand on the one hand, you have an outlay to recall the bond, plus new debt to reimburse lower cost short-term line. So I was wondering all in all, which would be the impact short-term on your overall financial charges, also considering the impact of the IFRS 23?

Then, moving to my third question, I saw from the slides you published that in Europe basically volumes went hand in hand with revenues in terms of growth. And you talk about an improving mix. So basically, am I to think that this basically hides a reduction in price? Fourth question related to the launch of the new bike in Latin America; could you give us more color on this? Which kind of vehicle is this? Which brand? Where it was launched and so on?

And very last question, if you could comment on the situation on the Indian Vespa and on the measures that you've implemented to fix the situation, which continues to be quite disappointing? Thank you very much

Gabriele Galli - General Finance Manager

Okay. So starting from the first one, cash OpEx, as we said before, around €3 million is something which is related to one-off items, so basically last year, the restructuring was €5 million, this year, it was €2 million. So we had €3 million of savings because last year, we spent €3 million more. So this is very much aligned to guidance we give to Lustig. In terms of reduction of other personnel cost, we have a reduction and this reduction is also the reduction of the average number of people. In terms of "Solidarietà" this year we had a benefit, but with the benefit is very much aligned to the benefit we had last year because basically the policy we adopted on solidarietà is very much aligned with what we did last year. So there is not an extra saving compared to 2013.

Moving to the emission of new bond, now the emission was an exchange process, so we exchanged €108 million of the old bond and today there are outstanding around €42 million. This €42 million today have an interest of 7% while the new bond is at 5.375%. And of course, related to having these amounts of money in place there are some other cost for unused credit lines. So for us, it is much better by a cash point of view to call them and to reduce the total exposure by this €42 million in order to save interest.

Of course, I mean, there is a cost for call. The call is at 3.5%, so calling the €42 million will cause a cost of around €1.5 million and the net difference between the saving in interest and call cost at the end of the year would be €500 million – sorry, €500,000. For debt – it's worse if we call. But since life did not stop in December, but will go on also in January, we want to take this action because we start saving money from January 1 and we realize that fully what we wanted to do the moment of the emission of the bond.

Then, you said the IFRS 23, yes, 23 is not linked to the bond. It's linked to the capitalization of interest on R&D or industrial projects that we are implementing, but not still launched. So if you want to do a new plant, we can capitalize the interest up to the moment when the investment start working. And at this moment, you're including amortization, but the fixed asset in the amount of capitalized interest. Last year was March because we had a lot of project to be launched. This year at the moment, it is minus and probably at the end of the year, will be minor. This is of course not a cash item, because in the cash, you pay the interest and then you capitalize them. Then it is, I mean, just an accounting point. From now on, apart from the IFRS 23, we believe that the issue of new bond will lower the capital as we said before – the cost of debt. The cost of debt is already lower than in 2013 and it is lower by around 0.2 percentage points. The cash injection of new bond will reduce by another percentage point. And on top of that, we had other ideas about how to reduce or capitalize maybe a little bit more the company that with debt in rupees or Vietnamese dong. So we have a set of measures which can reduce the financial interest from now on.

In terms of mix of Europe, so we said, just looking the slide, we said that Europe volume went down by 0.6%. I'm talking about Western Countries volume and in value, if you exclude the engine on the raising

effect, would be higher by 1.7%. So the sum of mix and pricing gives a 1% increase. Of course, I mean, if you have a very ample product list and geography as Piaggio, the calculation is not so simple, because maybe you can sell one item more in one country, where the average price is a little bit lower than another country and so on and so forth. What I can tell you that in terms of price list starting from January the 1st, we have been increasing in Europe by around 2%, so the price is higher than last year. So it's not an issue of pricing.

Then in terms of launch of the new bike, we started in March. In April, we went down. This is a bike that we buy in China, is a 125cc bike, which is produced in our joint venture. So it's a good bike. During the first month of sales, so inside these numbers, there is the March sale, we sold around 500 units, 50% in the Middle East and Africa and 50% in Americas. This is good of course, because we made some volume there. But on top of that, because it gives us the sense about what can be our opportunity in this kind of market if we decide to push on this kind of product. And it helps us in order to build a network in some countries where in the past historically, we have been weak. So in other terms, it is an experiment with zero cash outflows to test what can be our space in these markets. We are happy about the two launches, the brand used are different, because in Latin America the brand Derbi is not very well-known, and so we named Aprilia. In the Middle East and Africa, there we're known and we used Aprilia for higher displacement bikes. And so we decided to brand Derbi. The margin is good. Also considering the fact that if you are to import such a bike in Colombia, for example, the kind of custom duty you have to pay is very much important. So the next evolution will be to do some CKD operation, maybe allow the dealer to set up some CKD operations in order to enlarge very much the margin or reduce a little bit the price, enlarge the margin and enlarge the volume. But for the moment, the experiment is good.

India Vespa, India Vespa today we are at 2,000 units. We are enlarging the product range. We launched the new Vespa S. We are thinking about some new launches, so we are working on the management part. Basically, we are not worried; at least, I'm not worried in the sense that today, India operation is at breakeven, so the money we invested is already invested, but business is not absorbing cash. So there may be a couple of opportunities.

The first one is to increase the sales, because the product is there, the market is there, so it's a matter of making Vespa grow day after day in order to – by pushing the brand, because we will not be able to, anytime, to sell our Vespa at the same price at which Honda is selling. So we need to work on the brand in order to give the people a reason why they should pay 30%, 40% more than Honda. So this is the first opportunity, it's a business opportunity and we will see.

The second opportunity is to use the plant we have in India in order to manufacture there some scooters to be buy back in Europe or some other countries, Latin America, and to produce them at a much lower cost in order to be more competitive in terms of product cost. And also this opportunity is taken, and we are thinking about a new product to be manufactured there and soon in also Europe, maybe. So, I mean really, we put a lot of attention probably in the past on India. Today India is something not absorbing cash already invested with some potential opportunities. And the second one, while the first one may be difficult, the second one so, using the plant just depends on us. So if we want to do it, and we want to do, we can do it.

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Nicolo Storer – Mediobanca

Ok thank you.
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Luca Orsini – One Investment

Yes. Just a question on the working capital. I've noticed that you are increasing your debt versus the suppliers, despite sales which are going in the other direction. Can you tell us how much you think you can push further on the suppliers on your working capital?.

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Gabriele Galli - General Finance Manager

I mean, we are not pushing more on the supplier. What I said is that the reduction you can see here, but also you could see at the end of 2013 compared to 2012 is not due to the fact that we reduced the payment there. So we are not moving from x to x minus 10%. X stays x and does not become x plus one. The point is that the amount of purchasing is reduced because is reduced the turnover and we want to keep low inventories, we buy less. And buying less, you have a much lower amount of payable to suppliers and so if you apply the same payment term, the total amount of accounts payable goes up. So we are very much flat since many years and it depends, of course, on the region. If you operate in Europe, you probably pay around 120 days. If you are operating or buying China and Vietnam or India, you are paying at around 60 days. And these number is very much aligned in terms of difference with the credit term we have. So in Europe, we cash at 60 days and we pay 120 days, while in Asia, we cash at zero and we are paying 60. So if the business goes up, you have the 60 days term between cash in term and paying term, your working capital takes advantage. If your business goes down since this working capital, so receivable minus payable is negative, we absorb cash. So that's the point. Last year, we absorbed a lot of cash because the business was down. This year at the moment, we are generating because also we work on inventory and working capital, but this is not because we are worsening the condition of our supplier.

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Luca Orsini – One Investment

Can I have a follow-up question? Can you tell us something about your guidance for 2014, because you gave a plan for up to 2017, when will we know how this plan will spell out in the period?

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Gabriele Galli - General Finance Manager

At the moment, we are absolutely aligned with a plan. In terms of EBITDA, our number, I mean, we gave some month ago, last month is very much aligned with the expectation of people in the financial community. So the €170 million EBITDA is absolutely feasible. We are ahead of last year and we have probably much better market perspective than the market's perspective we had during the last nine months, because again, Europe after 24 quarters of minus was plus and just to tell you, I mean the market went down from 2.4 million to 1.1 million. So we are playing in the market maintaining profitability after a reduction of 55% of the market. So if the market start to enlarge, the margin would start to go up as we did in the first quarter. India was negative, but now, it seems that it is recovering. The day after tomorrow, there will be the SIAM data of April and let's cross the finger, but it seems that there will be positive. So minus 20 something, I'm telling the numbers: in January, the industry, was minus 25, in February, minus 14, in March, minus 6. In April, it seems that it will be slightly positive and then in May, it seems that the process of political election is over and so the economy should start up again, since it is not easy and we explained. On all the other items, we are working because we are on time with the product, we are on time

with the new market and we have been talking about the Robinson. We are on time with, I mean, the introduction of countries. We talked about China and we talked about other countries in Latin America. So we are not worried about the future.

Mr. Raffaele Lupotto – Head of Investor Relations

Okay. So I think that now we can end the call. And if you need to have more info, you can call me later on tomorrow, as you know. Thank you very much for following us, and have a good evening. Bye.