

Piaggio Group

Full Year 2014 Financial Results

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION

Raffaele Lupotto – Head of Investor Relations

Hello. Good afternoon, everybody. Thank for joining us to analyze Piaggio Full Year 2014 Financial Results.

Today's conference call will be held by Mr. Roberto Colaninno, Piaggio Group Chairman and Chief Executive Officer; and by Mr. Gabriele Galli, Piaggio Group General Finance Manager.

During today's conference call, we will use the material you can download it from our website under the link Investors. And before going ahead, I remind you that during today's conference call, we can use forward-looking statements that are subject to risks that can cause actual results to be materially different.

And now, I'm glad to hand over the conference call to Mr. Gabriele Galli. Please.

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Gabriele Galli - General Finance Manager

Hello. Good afternoon to everybody. So as usual, we will start with a short presentation. We will start with slide number 3.

So starting with market demand, you can appreciate that 2014 ended up with some improvement versus 2013. So we started not so good at the beginning, and then we are improving and improved in particular during the third and fourth quarter. The European two-wheeler grew by 3%. Scooter were stable compared to 2013, while bikes were up by 8%.

Asia-Pacific was slightly negative, but throughout the year it improved, especially Vietnam. The Indian three-wheelers, which started not so good last year, improved and, at the end of the year, were up by 10 percentage point while the four-wheeler went down. Two-wheeler strong momentum is continuing.

Moving from the market to Piaggio performance. The profitability was at peak level in the Western countries also despite a flat scooter market. We have been confirming our leadership, with a 12 percentage point lead over the next competitor. We have been able to enhance our premium positioning, especially

through Vespa and Mp3, which increased very much. We went up destocking the dealer network despite the slight increase of the market. In America, we have been growing especially in Latin America, thanks to the new introduction of mid-sized bikes. And the average price was up, as in the last quarter. The total result, our revenue went up both in the fourth quarter and the year-to-date. The most important countries in terms of growth are being Spain, France, UK and Holland, while in Italy and Germany the demand was a little bit down.

In Asia Pacific, the market was volatile and our performance followed the market. Vietnam at the end of the year was slightly negative, but during third and fourth quarter we have been able to improve, posting a double-digit volume growth. All the other countries of Asia Pacific went up growing for the fifth straight year. The most important in terms of growth have been Thailand, Taiwan and South Korea. The prices were up despite their negative ForEx. As a total result, we have been able to increase double-digit in Q4. And excluding ForEx, the turnover has been flat compared to 2013, despite the really low start in the Vietnamese market during the first months of 2014.

Moving to India, we had positive result in an improved market environment. We've been able to increase our market share compared to previous year. The volume of commercial vehicle went up after two year of decline. Especially, the growth has been driven by the export, which was up by 50%, and also we've been able to increase in the four-wheeler business. Vespa, was stable around 2,000 units per month. In terms of pricing, the average price went up, excluding the negative ForEx. As a total result, our revenues were up by 4% versus previous year, which would have been 7% excluding the ForEx effect, on the back of a very strong Q3 which was plus 19% in terms of revenues and in Q4 which was plus 12%.

In terms of financial results, we have been accelerating growth during the year and widening our margins. Looking at Q4, the net sales were up by 9.7%. The gross margin was up by 15%, with a ratio on net sales up by 1.3 percentage point. EBITDA was up by 85%, with a ratio on net sales of around 8.5%, which was up by 3.4 percentage point versus previous year. This drove the significant EBITDA uplift in terms of the full year, which reached the ratio on net sales at above 13 percentage points, the best performance since 2011.

At year-to-date level, the gross margin was up 30.1%, which is 0.6 percentage point higher than the previous year, proving our effective pricing policy and efficiency on product cost. The OpEx has been line compared to 2013. And we have been experiencing a higher financial expenses, and these increase have been mainly driven by some one-off effect in 2014 affecting our performance and some positive one-off effect which will be commencing later.

In terms of debt, we haven't been able to reach the target we were discussing during last conference call. The net debt was up by around €17 million, ending up at €493 million, but this was caused by three monetary causes.

- The first cause is the VAT credit delay we had in India in terms of recovering it, and this has been accounted for around €11 million.
- The second effect was the VAT recovery delay and the custom duty recovery delay in Vietnam, which has been of around €6 million.
- The third reason was the increase of warehouse, especial in raw material, because despite the growth we posted in the fourth quarter, our expectation in September and October were still higher and, at the end, the reduction in this expectation caused some higher inventory.

What is very important is that the three effects are momentary. Starting from the first one which is the VAT credit, we've been able to cash it on the 10th of February. So, this effect would not be anymore present in the closure of first quarter. The second effect, so the VAT and custom duty in Vietnam, will be recovered before closure of H1. And in terms of warehouse, it will be recovered between March, April and May. So in June, this will not be present. So, let's say, not so good performance in terms of net debt, but momentary causes are already recovered.

Moving to slide number 5, you can appreciate the P&L. So net sales were up by €0.7 million, plus 0.1%. Excluding ForEx, it is plus 1.3%. Looking at the evolution of the sales by quarter, we started with a minus 8.8% in first quarter, then we moved to minus 4.3% in second quarter. It became a plus 6.5% in the third quarter. And finally, plus 9.7% in the fourth quarter. So, we can say that there was a considerable improvement throughout the year. In terms of gross margin, as we said before, we have been able to increase the percentage from 29.5% to 30.1%, meaning 0.6% of productivity.

In terms of EBITDA, we moved from around €147 million to €159 million, so plus €12.5 million EBITDA, with a net increase in terms of ratio to sales from 12.1% to 13.1%.

In terms of EBIT, the EBIT was up by €7 million, from €62.6 million to €69.7 million.

Then, we had the financial expense. And as we said before, this year we had a non-recurring charge mainly due to the buyback of the bond accounting for around €3.6 million, worsening our performance.

Last year, we had mainly three benefits.

First of all, accounting for €2.5 million was the result of foreign companies consolidated at equity.

Then, we had around €2 million of capitalization of financial expenses following IFRS 23. And then, we had some further advantage coming from foreign exchange.

Excluding these extra effects positive in 2013 and, let's say, flat in 2014, the real financial expenses have been up this year by around €1.2 million, out of which a part is explained by a higher net financial position, partially compensated by a reduction in cost of the debt. As you remember, throughout the year we issued a new bond of 4.6% versus the previous one of 7% and in July we re-negotiated the revolving credit facility with a reduction in terms of around 1.2 percentage point. So, let's say, higher financial burden is explained mainly by one-off items. Excluding them, the real interest expenses are around the one of 2013.

So the income before tax was, this year, €26.5 million versus €30.3 million last year.

Then, this year, the tax rate was around 40% -- 39.2%, up €10.5 million. Last year, we had the one-off item of €24.5 million, which led this year the net income at €16.1 million while last year it was at minus €6.5 million.

Excluding the one-off item from 2013 and 2014, including also of course the tax effect for the financial one-off item in 2014, the net income adjusted last year was €18.1 million, which compares to €18.6 million in 2014.

Net financial position, as what we've already said before, was €475 million last year and €493 million this year.

Moving to slide number 6, you can appreciate the volume in 2014 versus 2013 full year. And in the fourth quarter, starting from the last quarter, we can appreciate an increase of around 2.8%, with India increasing by 0.3% in commercial vehicle; Western countries increasing by around 18%; India two-wheeler increasing by around 26%; Asia Pacific up by 5.8%; and Western countries down by minus 1.2%. This increase in the fourth quarter led the full year at minus 1.6% with India CV at plus 4%, Western Countries CV at plus 6%, while India 2-Wheeler at minus 30%, Asia Pacific at minus 3.5% and Western Countries at minus 0.9%.

Moving from volume to values switching to slide number 7, you can appreciate the evolution of turnover. As we said before, last quarter was up by 9.7%. The ForEx starting from Q4 started helping the turnover and

the contribution of ForEx out of €282 million of total turnover in the quarter accounts for around €10 million. Without this contribution in any case the increase would have been of around plus 5.8%. This increase is due to India plus 12.4% excluding ForEx plus 2.3%, Western Countries should be plus 4.4%, India 2-Wheeler plus 55%, Asia-Pacific plus 13%, 11.6% excluding ForEx and Western Countries plus 5.1%. So, comparing volume with venues, also without the contribution of these ForEx, you can appreciate that during the last quarter there was in many case the positive contribution coming from pricing policy and mix.

Full year performance was as, we said before plus 0.1% higher than 2013. The ForEx in this case during the first six months of the year was negative, had a negative effect of around €15.3 million excluding ForEx would have been plus 1.3%, and this growth it is made of India growing at plus 3.5% which could have been plus 7.2% excluding ForEx. Western Countries, plus 3.1%, Vespa India minus 24%, Asia Pacific 2-Wheeler minus 2.2% or 0% flat excluding the ForEx and Western Countries at flat level compared to 2013.

Moving to slide number 8, you can look that the contribution of our business. So, the total of 0.1% was a little bit negative in spares and accessories, positive by 3.5% in commercial vehicle, negative by 9% in terms of bikes and positive by 1.4% for scooter. Looking at the trend in the last quarter, we can appreciate the strong increase of motor bikes, thanks to the launch of the new one moving from minus 8.8% to 23.3% in the special data in the last quarter, and this similar increase was also in the other business with scooter up from averaging 1.4% in the year to 7.3% in the quarter, commercial vehicle from 3.5% in the year to 11.6% in the quarter, and spares and accessories from minus 0.6% to plus 8.2% in the quarter.

Moving to slide number 9, you can look at the EBITDA evolution. The EBITDA was up by around €12.5 million. So the volume effect was negligible because the turnover was very much inline. Coming from higher productivity of cost, cost efficiency and pricing, there is an important increase in gross margin ratio from 29.5% to 30.1% which lead to an increase of EBITDA of around €7.8 million, and then there was a reduction in OpEx of around €4.5 million, leading the EBITDA to €159.3 million.

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Moving to the net results, you can look at most of the reported and adjusted data, so last year, we were at minus €6.5 million. Including the non-recurring cost, the net result adjusted would have been €18.1 million. Then starting from last year, we have been able to increase the EBITDA by €12.5 million which we already commented in the previous slide. Then we had an increase in depreciation by around €5.5 million and increase in financial expenses by €7.2 million which we already explained before out of the €7.2 million just to remind you, €6 million one-off item which benefited 2015 performance, and then a change in taxes of around €0.8 million leading to a net result adjusted in 2014 of €18.6 million higher by 0.5% compared to 2013. Then we had non-recurring financial expenses mainly bond buyback accounting for €3.6 million this year, and the fiscal tax of around of €1 million positive, leading to a net result of \$16.1 million for 2014.

Moving to slide number 11, you can look at the evolution of net financial position.

We started with €475 million. We had an operating cash flow accounting for €105.3 million versus €78.1 million last year. Then, we had an absorption of working capital accounting from €14.3 million. We explained before the issue we had with VAT credit in India, VAT credit and custom duty in Vietnam, and the increase in the warehouse in especially in Europe and U.S. Without this effect, probably there would have been a reduction in working capital accounting for more than €15 million, but in any case, I mean including this effect we have an absorption versus the absorption we had last year accounting for €50.7 million, then we had CapEx of around €95 million comparing with €87.6 million last year, and changing equity and other namely ForEx effect and dividends paid in 2013. This year, this contribution was negative by €15.4 million

last year negative by €23.6 million, leading to an explanation position of €493 million versus €475 million last year.

The last slide, the balance sheet. As you can see the trade receivable is very much in line compared to last year at €71.6 million. The inventory increased by around €25 million. Last year was particularly low. Comparing to the 2012 result, you can see that the real increase compared to what we also were expecting is around €15 million to €17 million which we explained before. Then there is a commercial payable which is, this year €383 million in line with 2012, while last year it was €345 million, and then the other assets and liabilities, inside which there is the VAT and a custom duty credit which we explained before increasing by around €31 million compared to last year. This leads to a total working capital generating cash by €30 million last year and €16 million this year with let's say an absorption of around €14 million. In terms of tangible plus and tangible fixed asset, the sum last year was €964 million, this year is €987 million, with an absorption of around €23.2 million. A lot of this amount is of course due to the translation of foreign investment, so due to the appreciation of dollar, Indian rupee, the Italian dollar versus euro at the end of 2014, financial investments then are very much aligned to last year to \$10 million versus \$9.9 million and provisions are very much aligned to last year as well. Total net investment capital is at €906 million versus €867 million. This is of the counterpart of a net debt of €493 million versus €476 million last year, and Equity which is at €413 million versus €392 million. The total ratio of debt on equity last year was 1.21, this year is 1.19. I believe we are done with the presentation and ready for questions.

Raffaele Lupotto – Head of Investor Relations

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Yes and before going ahead just for conversation sake I ask you to limit the maximum number of questions to three per person please. Thank you..

QUESTION AND ANSWER SECTION

Mr. Gabriele Gambarova – Banca Akros

Yes, good afternoon to everybody, I have just three questions. The first one is on the outlook. I see that the consensus goes for €180million, I was wondering if you deem this level attainable for 2015. The second one is on Europe. You said that you had too much inventory in comparison to what were your expectations, so your previous expectation. So now I wonder what you see in terms of evolution of the European market in particular. And the third question is on India, could you share with us your expectations even there in terms of the volume evolutions both for domestic market and export market? Thank you very much.

Gabriele Galli - General Finance Manager

Okay, so in terms of outlook, I believe that the consensus at the moment is I mean projecting what we think. So the €180 million EBITDA is absolutely in line with our thinking. Probably there will be some sort and switch throughout the year depending very much on the ForEx because the ForEx really show the

devaluation of euro. So if the euro is devaluated some part of our revenue will come also, thanks to a positive contribution of ForEx especially the revenues coming from India, Vietnam, and U.S. But some line down in the P&L especially in the cost of purchasing we may experience some increase in cost, I'm thinking about some components which we buy for example in China. Everything included the ForEx effect should be positive to us at the bottom line level. So we may experience some €million of profit coming from the ForEx. But during this year, you can see some for example some dilution of some percentage point at the gross margin level.

Thinking about evolution of Europe, so the evolution of Europe, in reality neither positive nor negative. So we are projecting volume in line with last year or lightly increasing. We see an increase in spare parts and accessories. There are some countries performing in a very good way. This trend started last year. For example Spain last year grew by around 17%, France was good, UK was good, Netherlands was good. On the other side, Italy started so and so, last year it was down by some few percentage points and this year we see it flat to slightly negative. Germany is not performing so well especially in the scooter. So, motorbikes are pretty good, scooters are not so good. So, putting everything together, we are in any case positive, because the volume should be in line or a little bit growing, maybe this growth will not be seen 100% in the first quarter because last year was good. Q1 in Europe was very good, remember when we made the presentation of the strategic plan Europe was up by around 10%, and it was April. But then Europe reduced a little bit. So, even if in the Q1, maybe we may be at the same level as in 2015 then some growth should arrive. And something very important to say what we did apart in the market, we introduce a lot of a new model especially in motorbike. So, we would be presenting three Moto Guzzi this year, we will be presenting the, okay, I cannot tell you the model, otherwise I mean I'm not doing my job, in any case couple of Aprilia, a couple of Moto Guzzi in the motorbikes sector, we will be presenting the e-bike in July, August. So let's say that we are positive. On top of new model, we played on pricing, making good adjustment at the end of the year, and we also we are increasing the turnover of spare parts and accessories. This in Europe, then I mean we are presenting some new model in Vietnam, your question was focused in Europe.

India expectations. So last year India had a very erratic macro trend because if you remember, it started as minus 15%, then in moved at minus 5%, then in April, May, there were the result of the election so the market was positive double digit in the third quarter and then in the fourth quarter it was pretty bad. The beginning of the year is very much in line to last year. So I am sort of a boom that we should have expected in the third quarter maybe would be a little bit reduced compared to what we were thinking some months ago but there is a lot of optimism from May on. It feels like the new government should be issuing the budget guidelines for fiscal year April 2014, sorry April 2015 - March 2016 in the next days. So there will be some sort of push for consumption. So we're absolutely not worry but for our sales in the fourth quarter, but we may be seeing an increase from May on, so let say second quarter and third quarter. On top of that, of course we are going to push export because I mean export is something which played a very good role last year. They announced some difficulty in some countries such as Nigeria due to political problem, Sri Lanka a little bit, but in any case I mean the trend for this kind of products in Africa and in Latin America is positive and then we want to leverage on that.

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Filippo Prini – Kepkler Chevroux

Good afternoon. Very briefly, could you tell us which is the lever of reverse factoring at the end of the year and also same figure it was at the end of the September 2014? Thank you.

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Gabriele Galli - General Finance Manager

Yes, so you're talking, sorry, about the factoring?

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Filippo Prini – Kepkler Cheuvreux

Sorry, the reverse factoring effect

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Gabriele Galli - General Finance Manager

Reverse factoring okay, okay in any case, the reverse factoring, if I remember well, was around €90 million at the end of 2014 and was very much in line at September 2014.

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Alberto Villa – Intermonte

Hi, good afternoon, couple of questions from my side as well.

Just wondering why do you expect a flat market in Italy, are there any specific reasons why Italy is not I mean recovering as we are seeing in other jurisdictions like Spain and France for example. Why you think it's gonna be a weaker market going into 2015? The second question is as same as for Europe and India if you can give us an outlook on what are your expectations this year for volumes in the Asian Pacific region may be with some flavor on major markets like Vietnam and Indonesia. And thirdly, looking at the cash flow generation, the CapEx expectation for this year, what we should expect in terms of reduction in financial debt and if the decision to pay a cash dividend this year is something that it's going to be potentially proposed and in which terms in terms of payout for the following years? Thank you.

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Gabriele Galli - General Finance Manager

Okay so, in Italy, starting from Italy. I mean, as you know Italy is at the moment unfortunately not so important market. So I mean the Italian market for us has an incidence in terms of turnover of around 12% So I mean we are not worried neither happy regarding Italy. Italy is a market like another. France for example for us is more important than Italy such as the Indian and Vietnam.

In any case for Italy today the market is performing at around minus 1% or something like that. So I mean it's pretty flat. Maybe that in the future, the market can increase as Spain was doing last year and is doing during these first months of the year, or as I mean UK is joined, but if we want to take let's say a not aggressive approach, so it's an important market, but not so important to influence our I mean financial stability and we want to play not in aggressive play.

Looking at India, we expect at the end of the year a good growth. So in terms of phase there should a contribution also coming from ForEx just to give you an idea, last year ForEx was around INR 80 per euro. This year it is playing at around INR 69, INR 70, so there should be a good translation effect. And in terms of turnover we may forecast a growth I believe higher than 10%.

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Alberto Villa – Intermonte

Which region is this, sorry?

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Gabriele Galli - General Finance Manager

I'm talking about India and especially commercial vehicles in India. For Vespa at moment we are expecting some increase, but as you know I mean the difference in terms of P&L coming from some 1,000 unit more or less is not so relevant. I'm talking about in particularly looking at a few commercial vehicles.

And Asia similarly should be increasing at a number higher than 10%, let's say, we hope 13% to 14% in terms of volume. And there should be also an increase coming from the appreciation of Vietnamese dong and other currencies versus euro. So let's say that in terms of turnover they should be growing and on top of that we should be having the ForEx help. In terms of CapEx, the CapEx for this year is forecasted at around the same level we had last year, so starting between €90 million and €100 million.

And in terms of cash flow, we have a target of ending at around €455 million to €460 million, which is in line with our strategic plan and which would recover these one-off item we had during last part of the year, together with – you were asking dividend. It is I mean it has been deliberated by the Board of Directors, a payment of €26 million dividend for the result in 2014, which is already, of course, accounted in the estimate of net financial position at the end of 2015 I'm providing you.

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Alberto Villa – Intermonte

Okay, thank you very much. If I can follow up, that I forgot to ask before. When we look at the ForEx, and you mentioned some of the positive will be offset by an increase in the cost, can you give us an idea what is the cost base in Europe that is linked to the U.S. dollar or other currencies that might have a negative effect on your margins in Europe?

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Gabriele Galli - General Finance Manager

I think in Europe, I can tell you that we buy something around €60 million to €70 million of material in currency difference from Euro, which may be Chinese renminbi or whatever. Of course, part of it is covered, because anytime we make the budget we cover a part of the exposure, so we are ensuring some way the result at the moment of the budget. And when we made the budget, the dollar was not at the level that it was today. It was much around \$1.28, \$1.29. So, I mean the coverage was good.

We have a true balance of these amount of purchasing that we are making in Europe, in external ForEx, coming from the sales of product manufactured in Europe and sold in America, especially on Latin America. And then, so the two are balancing.

Then, we have some positive translational effect of all the net result that's coming from India and Vietnam, which are done Indian rupee versus Indian rupee 100% and the Vietnamese dong versus Vietnamese dong 100%. So the net result then, you translate it back in euro. And so, the fact that this year at the moment the

Vietnamese dong is at VND 24,000 versus VND 28,000, the Indian rupee is at INR 70 versus INR 80 last year, gives us a good help in terms of translating dividends coming up and, I mean, accounting figures.

Nicolo Storer – Mediobanca

Yes, good afternoon, gentlemen. I've got two questions. The first is related to competitive environment. In particular, I'm referring to Europe and India. Could you please just elaborate a little bit on this, because the feeling is that you're losing some market share in both markets – in India, if you exclude clearly the good performance of the export.

The second question is related to the Indian Vespa. I was wondering whether the arrival of the new management has brought about some change in the strategy or some idea on how to sort out the problem of low sales, or not. Thank you.

Gabriele Galli - General Finance Manager

Okay, so starting from the first question. Then, the second one regarding India Vespa, we have with us Mr. Ravi Chopra, which is the Chairman of Piaggio India, so the second question will be answered directly by him. And you know he's in the board of advisors, and today he was here for the board of directors.

So the competitive environment in Europe, I'm positive in the sense that the fact that other currencies are appreciating, some way reduce the pressure coming from people manufacturing in Asia and importing the vehicles here. We have been in China with the Chairman a couple of weeks ago and what you can clearly see is that by the one hand, there was an appreciation of renminbi, and the same is for the other, for – I mean all the other currencies in all the other countries in Asia. For example, in China in 2008 the ForEx was at RMB 10 per euro; now it's at RMB 7. And at the same time, there was a very important inflection, increasing cost. So, what I was making a certain number of RMB, and today is making 50%, 70%, 80% more. If you combine the local inflection with this currency appreciation, it clearly appear that what something produced in China in 2007 was costing €1, today it's costing €2. And so, China and Far East country are becoming less competitive year-after-year. And this is particularly important for us, because it mean when we are to compare with Honda or other manufacturer producing in Thailand, China or wherever, and then export to Europe they face this issue. And if they want to keep cost down to marginality, then you have to increase the pricing.

So in terms of environment, we are absolutely not negative. And in this moment of, let's say, market reduction compared to 2007 and 2008, we clearly see that premium vehicle are suffering less than bottom vehicles. Just to give you an idea, our net turnover of Mp3 this year increased by around 27% compared to last year. So this is very strange because, I mean, we are in the middle of a crisis, and a vehicle costing €9,000 and more increased the turnover by around 27%.

The competitive environment in India, maybe Ravi, for sure, is able to explain better than me in a couple of minutes, talking about three-wheeler, four-wheeler, In the three- wheeler, we are the market leader. We do not have, I mean, anything to be worried about because we have the scale, we have the product, we have the distribution network. So, the fact that there is competition is normal. Maybe that if during the second part of the year, there will be some expansion of the market, we and also all the other competitor

will be able to take advantage of that. Then, regarding in Indian Vespa, I hand over to Mr. Ravi to provide all the new guys commercial, so on and so forth.

RAVI CHOPRA- CHAIRMAN OF PIAGGIO VEHICLES PVT. LTD

Just to give you an idea of what's happening in the Vespa market in India. We, as a policy, as a strategy, as a positioning approach, as a pricing approach, are looking at creating a premium segment and only that segment. Up till now, I can certainly say we are fully satisfied, but certainly it is happening slowly but steadily. Patience is the key, and we do hope, with our strategy in place, our network being further enhanced, there should be a possibility of improving the performance of the Vespa in India.

What I can say, it is going to increase slowly but steadily. All the strategy is different. We're not in the mass production line, we're not in the mass scooter selling line. The scooter market in India is very huge; more than 3 thousand scooters per month. Now, that is the market, but we are clearly a different segment. And hopefully, this segment will be not only created, it will be owned by us. Up till now, there has been a strategy of additional results . But we have to be patient a little bit patient with the growth of the Vespa in India

Michele Baldelli – Exane BNP Paribas

Good afternoon to everybody. I have three questions that could be even quick. The first one is about the U.S. dollar, because you said that you hedged the cost on the exposure of the European production, but I assume that, let's say, the sales are not covered. So I mean in the short term, you could have the appreciation of the dollar increasing your revenues but not the costs. Is this something that will expand your margin in Q1 and then will revert back and for how long did you hedge this cost? The first question.

The second and third are on, let's say, accounting stuff. It's about factoring, pro solute of receivables. So, if you can give us the amount. And then lastly, the CapEx 2015, what is the amount that you expect, please?

Gabriele Galli - General Finance Manager

Okay. So starting from U.S. dollar. U.S. dollar, purchase is naturally hedged. Because when I was talking before about the amount of purchases in U.S. dollar of related of around €60 million, €70 million. We have a similar amount of sales in U.S. So the invoices in dollar and the cost is in euro because we're producing here. So, the two are offsetting one and the other. And the point is that the first line will be a little bit pumped, because I mean the turnover is increasing, because I mean the dollar is increasing. The second line, so the cost of the product, will be increasing as well. So when you will look at the P&L, you can see in the third line, which is the gross margin, something completely neutral in terms of millions but with a lower percentage simply because you are comparing the same quantity within a higher turnover.

Then, on top of that, we may have some advantage because of some of the cost regime, for example the one with, in chinese renminbi is partially covered.

And then thirdly, we have some, let's say, countries such as Vietnam India. They produce locally, they sell locally. And so, at the end, the ForEx situation on them doesn't occur to have important role. But as a group, whenever we will be translating the net result, we will have an advantage in terms of a higher number of euro translated with the similar – the same amount of local rupee or local dollar.

In terms of factoring, the factoring is pretty constant. This year was around €70 million. And this €70 million is something constant through the years, related very much to the turnover. In 2007, we were making something more, because the turnover was higher then, I mean, it has reduced following the reduction of turnover. If the turnover will go up this year, for sure also the factoring. And so the ability to generate cash will go up, following the turnover.

In terms of CapEx, as we said before, we are expecting a level between €90 million and €100 million, which is in line with our strategic plan and in line with the performance of 2013, in past year as well.

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Mr. Raffaele Lupotto – Head of Investor Relations

Okay. So I think that this answer draws the call to an end. If you need to have further info, you can call me later on during the weekend as usual. And thank you very much for attending the conference call. Bye.