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**REPORT  
OF THE BOARD OF DIRECTORS OF  
PERFORMANCE MOTORCYCLES S.P.A.**

**ON THE PROPOSED ABSORPTION OF**

**DUCATI MOTOR HOLDING S.P.A.**

**BY**

**PERFORMANCE MOTORCYCLES S.P.A.**

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### **Report of the Board of Directors of Performance Motorcycles S.p.A. on the proposed absorption of Ducati Motor Holding S.p.A. by Performance Motorcycles S.p.A., prepared pursuant to arts. 2501-bis and 2501-quinquies of the Italian Civil Code**

Shareholders,

You have been called to an Extraordinary Meeting to resolve on the absorption (hereinafter **the “Merger”**) of **Ducati Motor Holding S.p.A.** (hereinafter **“Ducati”** or “Company to be absorbed”) by Performance Motorcycles S.p.A. (hereinafter **“Performance Motorcycles”** or “Absorbing company”).

This report illustrates and explains, pursuant to arts. 2501-bis and 2501-quinquies of the Italian Civil Code, the legal, economic and operational reasons that make the Merger appropriate, the criteria and methodology adopted for determining the share exchange ratio, and the economic-financial plan for satisfying any obligations that may arise as a result of the operation.

#### 1. ILLUSTRATION OF THE OPERATION AND RELATED REASONS, THE OPERATIONAL OBJECTIVES AND THE PLANS MADE FOR THEIR ACHIEVEMENT

##### BACKGROUND AND REQUIREMENTS FOR THE MERGER: ACQUISITION OF DUCATI

The absorption of Ducati by Performance Motorcycles takes place in the context of the voluntary public offer (hereinafter **the “Offer”**) made by Performance Motorcycles pursuant to arts. 102 and 106.4 of Decree 58 dated 24 February 1998 (hereinafter the **“TUF”**), for all (excluding the 98,531,073 shares already held by Performance Motorcycles) the ordinary shares of Ducati (hereinafter the **“Shares”**), a company listed in the STAR segment of the Screen-traded Market (hereinafter the **“MTA”**) organised and managed by Borsa Italiana S.p.A, at a unit price of € 1.70 (hereinafter the **“Consideration”**).

As part of the operation, World Motors S.A., World Motors Red S.C.A. and World Motors White S.C.A., Luxembourg companies, (hereinafter referred to together as the **“WM Companies”**), which prior

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to the Offer held 98,531,073 Shares, signed a co-investment agreement (hereinafter the “Co-Investment Agreement”) on 19 February 2008 in order inter alia to consolidate within Performance Motorcycles all their equity interests in Ducati (hereinafter the “Ducati Investment”). In particular, implementation of the Co-Investment Agreement resulted in:

- (i) the purchase by the WM Companies of the entire share capital of a Netherlands company known as International Motor Holdings B.V. (hereinafter “International Motor Holdings”) and the purchase by International Motor Holdings of the entire share capital of an Italian company known as International Motorcycles S.p.A. (hereinafter “International Motorcycles”), which in turn holds the entire share capital of Performance Motorcycles;
- (ii) the sale to Performance Motorcycles (conditional on the successful completion of the Offer) of the investments held by the WM Companies in the capital of Ducati at a price per share equal to the Consideration (sale completed on 26 March 2008);
- (iii) the promotion of the Offer by Performance Motorcycles for the purchase of the Shares at a unit price equal to the Consideration;
- (iv) on closure of the Offer, which took place between 5 May 2008 and 6 June 2008, the acquisition by Performance Motorcycles of a total of 282,860,676 Shares, including the 98,531,073 Shares transferred by the WM Companies, representing about 84.70 percent of the capital of Ducati.

Subsequent to 13 June 2008 and until today, Performance Motorcycles has acquired on a number of occasions a further 26,895,467 Ducati shares, raising its interest in the capital of Ducati to about 92.75 percent.

Following the purchase of Ducati shares made on 28 August 2008, when the threshold of 90 percent ownership of the capital of Ducati was passed, Performance Motorcycles confirmed its intention (already stated in the Offer) not to reinstate the required number of floating shares and to fulfil the purchase obligation envisaged by art. 108.2 of the TUF as soon as Consob has determined the price at which this obligation must be fulfilled. Performance Motorcycles has also confirmed, should it reach the threshold of 95 percent ownership of the share capital of Ducati and if required by the regulations, that it intends to exercise its right to purchase under art. 111 of the TUF and comply with the obligation to purchase under art. 108.1 of the TUF, possibly via a combined procedure to be agreed with Consob and

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Borsa Italiana as soon as possible, in order to obtain the delisting of the Shares.

### FINANCING OF THE PURCHASE OF THE DUCATI INVESTMENT

The purchase price paid for the 92.75 percent interest in the capital of Ducati held today by Performance Motorcycles was about Euro 526.5 million, plus purchasing-related expenses of about Euro 10 million, representing a total investment of about Euro 536.5 million.

Performance Motorcycles has covered this investment with own funds of about Euro 313.9 million; the remaining amount of about Euro 222.6 million was financed by short-term bank lines of credit made available under the senior loan contract known as the “BidCo Facility Agreement”, which was signed on 26 March 2008 between Performance Motorcycles, International Motorcycles, Intesa Sanpaolo S.p.A., and Banca IMI S.p.A. as the *arranger*. Under this contract, Performance Motorcycles has access to lines of credit totalling a maximum of Euro 255 million. Details of the conditions applying to this loan contract are provided in paragraph 2.1.

### GENERAL DESCRIPTION OF THE MERGER

The operation to be presented for examination and approval at the Extraordinary Meeting consists in the absorption of Ducati by its parent company Performance Motorcycles, which will simultaneously change its name to “Ducati Motor Holding S.p.A.”.

Following the Merger, the shares of the Absorbing company will not be admitted for trading on any regulated markets.

The exchange of the Ducati shares held by shareholders other than Performance Motorcycles – using the exchange ratio indicated in paragraph 4 below – will be satisfied by the issue of new ordinary shares in Performance Motorcycles consequent to the capital increase described in paragraph 6.

**In addition to this, at the time of approving the Merger, the Extraordinary Meeting of Performance Motorcycles will authorise a divisible, cash increase in share capital with premium for up to a maximum of Euro 255,000,000, reserved for subscription by its sole shareholder International Motorcycles (hereinafter the “Equalisation Increase”)** The total amount, the number of shares and

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the allocation between share capital and premium will be determined subsequently by the Board of Directors of PM such that:

- (i) the total number of **Performance Motorcycles shares resulting from the Equalisation Increase is the same as the number of Ducati shares held by Performance Motorcycles on the date of signing the Merger deed (hereinafter the “Merger Completion Date”)**; and that
- (ii) the value of the economic capital of Performance Motorcycles on the Merger Completion Date is the same as the economic value of the investment held by Performance Motorcycles in Ducati (hereinafter the “**Equality Point**”).

This allows for the possibility that, prior to the Merger Completion Date, Performance Motorcycles may acquire additional shares in Ducati with respect to those held at the date of this report (considering the procedures regarding the purchase requirement pursuant to art. 108.2 of the TUF), unless prior to the Merger Completion Date, the Absorbing company holds the entire share capital of the Company to be absorbed.

The Equalisation Increase will be determined as the amount necessary and sufficient to complete the Merger using the exchange ratio indicated in paragraph 4 below, while avoiding any dilution of the sole shareholder of the Absorbing company and the minority shareholders of Ducati.

The amount of the Equalisation Increase will be used by Performance Motorcycles to repay its borrowings, in whole or in part, in order to achieve the Equality Point.

The Equalisation Increase, and the consequent repayment of the borrowings of Performance Motorcycles (the borrowings of Performance Motorcycles are described in paragraph 2.1) in order to achieve the Equality Point, will take place prior to and as a condition for signing the Merger deed unless, prior to the Merger Completion Date, the Absorbing company holds the entire share capital of the Company to be absorbed.

The amount of the Equalisation Increase, including premium, will be determined by the Board of Directors of Performance Motorcycles as the difference between:

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- the sum of (i) *bank borrowing of Performance Motorcycles in terms of principal, interest and other financing costs*, (ii) *borrowing by Performance Motorcycles other than that described in (i) above (e.g. amounts due to suppliers)*, and (iii) *accrued expenses*; and
- *the economic value of the assets of Performance Motorcycles, other than the “Non-current financial assets” represented by Ducati shares and the “Intangible assets” represented by deferred charges and costs associated with the loan contracts.*

In order to quantify the Equalisation Increase, including the premium, the Board of Directors will make reference to the balance sheet of Performance Motorcycles as of the Merger Completion Date.

At the same time as approving the Merger, the Extraordinary Meeting of Performance Motorcycles will also authorise an increase in capital by a maximum of Euro 41,131,960.70 to service the Merger share exchange, via the issue of up to 24,195,271 shares without par value. The actual amount of the capital increase will be determined on the Merger Completion Date, based on a price of Euro 1.70 for each share to be exchanged in the Company to be absorbed, consistent with the specific appraisal of the economic capital of Ducati prepared by the independent consultant, Prof. Mario Massari (**hereinafter the “Consultant”**) and presented as attachment 1 to this report. The actual number of shares issued to service the share exchange will be determined using the exchange ratio described further in paragraph 4.

### COMPANIES PARTICIPATING IN THE MERGER

The Merger proposal describes the characteristics of the companies participating in the Merger (e.g. registered offices, share capital etc.).

### STATUTORY ASPECTS OF THE MERGER

From a statutory standpoint, the Merger will take place in accordance with arts. 2501 et seq. of the Italian Civil Code and on the basis and conditions contained in the Merger proposal.

The statutory effects of the Merger will apply, pursuant to art. 2504-*bis* of the Italian Civil Code, from the day on which the Bologna Companies Register records the last of the entries required pursuant to art. 2504 of the Italian Civil Code, unless the Shareholders' Meetings of the companies participating in the Merger decide to establish a later date in the Merger deed.

Consequently, the Company to be absorbed will cease to exist from

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that date and the Absorbing company will take over for all effects the net worth of the Company to be absorbed. The Absorbing company will therefore take over all the assets and liabilities of the Company to be absorbed including, by mere and incomplete way of example, all the related property, plant and equipment and intangible assets, all the receivables and payables due and not yet due and, more generally, the entire net worth of the Company to be absorbed, without any exclusions or limitations.

*The Merger will be implemented in accordance with the requirements of art. 2501-bis of the Italian Civil Code.*

Post merger, the Absorbing company will be governed by the text of the Articles of Association attached to the Merger proposal, as discussed further in the Merger proposal document.

### DESCRIPTION OF THE ACTIVITIES OF DUCATI AND PERFORMANCE MOTORCYCLES

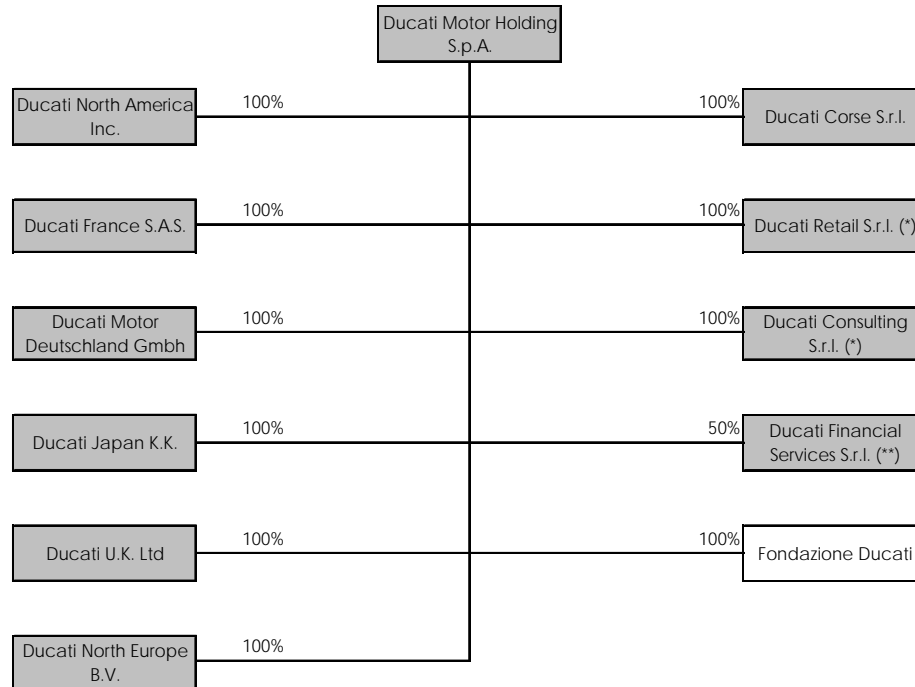
In order to understand and therefore evaluate the reasons justifying the decision to proceed with the Merger, it is firstly appropriate to illustrate briefly the activities carried out by the companies involved.

#### Ducati

A chart of the structure of the Ducati group (the “**Group**”) at today's date is presented below.

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(\*\*) Company jointly controlled by Ducati Motor Holding S.p.A. and Linea S.p.A., a finance company. Ducati Financial Services S.r.l. is not managed or coordinated in any way by Ducati Motor Holding S.p.A.

The Group operates in the business sectors associated with the design, construction and distribution of motorcycles, spare parts, accessories and apparel bearing the Ducati brand name.

In particular, the Group produces and distributes a number of lines of high performance motorcycles, including the Superbike, Super Sport, Sport Naked, Sport Touring, Multistrada and Sport Classic models.

In addition, by leveraging the strength of the Ducati brand and other house brands, as well as the loyalty of its customers, the Group pursues targeted expansion, partly via a brand licensing strategy, of its revenues from spare parts, Ducati Performance accessories, motorcycle apparel (technical and other) and other merchandising products.

The products commercialised by Ducati include airbrushed fuel tanks, mudguards, fairings, special exhaust systems, couplings and accessories made from carbon fibre, magnesium and titanium. The apparel business comprises jackets, overalls, gloves, boots, helmets and other forms of protection, as well as casual clothing and t-shirts,

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caps and other objects for motorcycle enthusiasts. Finally, merchandising activities mainly comprise publishing, clothing and accessories, fragrances, model-making, stationery and school products, toys and videogames.

The main events in the history of the Ducati Group are summarised below.

Ducati's activities commenced on 4 July 1926 when Antonio Cavaliere Ducati and his three sons founded one of Italy's first companies for the production of radios and electrical components.

The production and sale of motorcycles began in 1946, enabling the firm to acquire rapidly a reputation for technical innovation, high performance products and success in competitions.

In 1985, the business and the Ducati name were acquired by the Cagiva group in a move that helped to strengthen the brand.

In 1996, TPG Acquisition L.P. (ultimately controlled by the US investment company previously known as Texas Pacific Group) (**hereinafter** "TPG") obtained control over the Ducati business from Cagiva via a restructuring operation that resulted in TPG acquiring 51% of Ducati, while Cagiva retained the remaining 49% (later sold during 1998 to TPG and other investors).

In 1999, Ducati's shares were admitted for trading on the NYSE and the MTA following a public offering. On 27 March 2006, the WM Companies acquired a total of 47,808,010 Shares (equal to 30% less one share of the share capital of Ducati which, at that time, amounted to 159,360,037 shares) from TPG, for Euro 0.85 per Share. Later, TPG sold its remaining equity interest in Ducati on the open market.

Subsequently, in June 2006, the capital of Ducati was increased by about Euro 80 million, via the issue of 160,343,960 shares at a unit price of Euro 0.4985 per Share. WM, WM II and WM III participated in this capital increase by exercising in full their option rights.

From 2 September 2007, the Issuer's shares are no longer listed on the New York Stock Exchange.

### *Performance Motorcycles*

As discussed in paragraph 1.1, Performance Motorcycles is the company that promoted the Offer and acquired the Shares in Ducati. Performance Motorcycles currently does not carry on any activities, except for holding the investment in Ducati.

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### REASONS JUSTIFYING THE MERGER

As mentioned in the Offer document required by art. 102 of the TUF(**hereinafter the "Offer Document"**), the Merger will simplify the chain of control over Ducati resulting from completion of the Offer. This simplification will be achieved for legal effects via the absorption of Ducati by Performance Motorcycles, resulting in clear improvements in terms of operational flexibility and the unification of decision-making processes, while also reducing administrative and operating costs.

The shares of Performance Motorcycles are not currently listed on any regulated markets, and will not be listed on completion of the Merger operation. Accordingly, consistent with the information provided in the Offer Document, the Merger will result in the delisting of the Shares. Delisting will enhance the operational agility of the company and reduce the direct and indirect costs associated with maintaining listed company status.

In addition, the Merger will create the conditions for implementing the special finance operations currently under review and described in paragraph 2.3. These involve the proposed post-Merger distribution of the Absorbing company's available reserves, being those deriving from (i) the share premium already paid in at today's date by International Motorcycles, and (ii) the share premium to be paid in by International Motorcycles as part of the planned capitalisation of Performance Motorcycles in order to repay enough of its borrowings to reach the Equality Point. As described in paragraph 2.3, this distribution of reserves will not exceed Euro 270 million and, therefore, will not exceed Euro 0.81 per share.

Lastly, completion of the Merger will increase the amount available to Ducati under the medium-term Target Revolving Credit Facility from the current level of Euro 10 million to Euro 25 million.

### OBJECTIVES TO BE ACHIEVED

The Merger will complete the complex acquisition operation described in paragraph 1. In line with the version of Ducati's business plan for the three-year period 2008-2010 that includes the effects of the Merger, approved today by Ducati's Board of Directors<sup>1</sup>, the post-

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<sup>1</sup> With respect to the three-year business plan presented to the Board of Directors by Ducati's management on 15 January 2008, the guidelines for which were presented to the financial community on the following day, the business plan approved today reflects the effects deriving from the Merger and the fiscal benefits deriving from the proposed

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Merger Absorbing company plans to pursue the enhancement of Ducati's value by expanding the current business and implementing a growth strategy.

In particular, the Absorbing company *intends to focus on the further development of existing business areas by implementing the following strategic guidelines*: (i) consolidation and development of market positions; (ii) additions and continual launch of new models of motorcycle; (iii) expansion of activities related to the sale of motorcycles (e.g. accessories, spare parts and apparel).

Beyond the overall strategic design outline above, the detailed strategies of the Absorbing company will be determined based on the specific characteristics of each area of Ducati's operations.

The Absorbing company intends to continue leveraging the significant strengths of Ducati, such as the integrated nature of the business model, the technical and operational know-how that assures Ducati of high levels of operating efficiency and technology, as well as outstanding installations, and the presence of a skilled workforce; these are all factors that assure Ducati's role as a leading European and international operator in the reference markets.

In addition, the Absorbing company intends to maintain Ducati's competitive position in the reference market and promote the development of its activities, partly via acquisitions selected for their synergies with Ducati's operations. This will be achieved by making recourse both to the resources generated by Ducati *and to those made available under the loan contract known as the Target Facility Agreement*.

The above objectives will be achieved as a result of a long-term process, which is likely to be facilitated by the delisting of Ducati as a consequence of the Merger.

## 2. ILLUSTRATION OF THE CURRENT AND EXPECTED BORROWING OF THE COMPANIES PARTICIPATING IN THE MERGER AND THE EXPECTED FINANCIAL RESOURCES REQUIRED TO MEET THE OBLIGATIONS OF THE ABSORBING COMPANY

### CURRENT BORROWING STRUCTURE OF THE ABSORBING COMPANY

*As explained in paragraph 1.2*, the acquisition of the investment in Ducati was financed in part by the own funds made available by the sole shareholder, International Motorcycles, and in part by the short-

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domestic tax group to be established by International Motorcycles and the Absorbing company

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term senior bank lines of credit available under the loan contract known as the “BidCo Facility Agreement”.

This contract allows Performance Motorcycles to draw against the following lines of credit up to maximum amount of Euro 255 million:

- line of credit known as the "Bridge A Term Loan Facility" for Euro 100 million, repayable in full on maturity, at Euribor plus a spread of 2.60 percent;
- *line of credit known as the “Bridge B Term Loan Facility”* for Euro 70 million, repayable in full on maturity, at Euribor plus a spread of 3.10 percent;
- *line of credit known as the “Bridge C Term Loan Facility”* for Euro 70 million, repayable in full on maturity, at Euribor plus a spread of 3.60 percent.

*In addition, the company has access to a revolving facility known as the “Bridge Revolving Loan Facility” for up to Euro 15 million, usable to finance any general cash requirements, including the payment of periodic interest on the lines of credit described above, at Euribor plus a spread of 2.60 percent.*

At today's date, Performance Motorcycles has drawn down about Euro 226.3 million against the above credit lines.

Pursuant to the same loan contract, *International Motorcycles* has access to short-term senior lines of credit for a maximum amount equal to that made available to Performance Motorcycles (Euro 255 million). These lines of credit will be used, prior to the Merger Completion Date, to finance the Equalisation Increase to be authorised by Performance Motorcycles at the same time as approving the Merger, for a maximum amount of Euro 255 million.

As already mentioned, immediately after the Equalisation Increase is paid in and, in any case, prior to the Merger Completion Date, Performance Motorcycles will use the financial resources deriving from the Equalisation Increase to repay the large majority or all of its borrowings in order to reach the Equality Point.

*The lines of credit made available to International Motorcycles and Performance Motorcycles under the BidCo Facility Agreement expire 18 months less one day from the date of signing the loan contract, which was 26 March 2008.*

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The lines of credit utilised by Performance Motorcycles at the date of the Merger Proposal are backed by the following guarantees:

- first pledge on the shares of (i) Ducati, (ii) Performance Motorcycles and (iii) International Motorcycles;
- guarantee given by International Motorcycles;
- deposit in guarantee of any receivables deriving from (i) sale contracts signed prior to the start of the Offer between Performance Motorcycles (as purchaser) and World Motors S.A., World Motors Red S.c.A. and World Motors White S.c.A. (as sellers) for the transfer to Performance Motorcycles, prior to completion of the Offer, of holdings in Ducati totalling 29.5 percent of its share capital, (ii) any actions for responsibility taken against the consultants that assisted Performance Motorcycles with the acquisition pursuant to the respective contracts that appointed them, and (iii) any intercompany loans;
- first pledge on the bank current accounts of Performance Motorcycles and International Motorcycles.

The terms of the loan contract specify failure to complete the Merger within one month of the contract expiry date as one of the reasons for default in relation to the lines of credit granted.

### STRUCTURE OF THE BORROWING OF THE COMPANY TO BE ABSORBED

As of 30 June 2008, the Merger balance sheet of Ducati reports a net financial position represented by net liquid assets of about Euro 43.4 million.

The consolidated net financial position of the Ducati Group at the same date was represented by net liquid assets of about Euro 25 million.

### EXPECTED BORROWING STRUCTURE OF THE ABSORBING COMPANY POST MERGER

As mentioned in paragraph 1.3, the residual borrowing of Performance Motorcycles at the Merger Completion Date will be that necessary to reach the Equality Point.

The post-Merger distribution of the Absorbing company's available reserves is currently under review. These would comprise the reserves deriving from (i) the share premium already paid in at the Merger proposal date by International Motorcycles, and (ii) the share premium

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to be paid in by International Motorcycles as part of the planned capitalisation of Performance Motorcycles in order to repay enough of its borrowings to reach the Equality Point. Such distribution of reserves will be no greater than Euro 270 million and, therefore, will not exceed Euro 0.81 per share.

The distribution of such reserves could be financed in part by the available liquidity generated by Ducati and in part by the available medium-term lines of credit totalling *Euro 265 million*. *These lines are available under the "Target Facility Agreement" signed on 7 August 2008 by Performance Motorcycles, Ducati, Banca Intesa Sanpaolo S.p.A. and Banca IMI S.p.A. as the arranger.* Under the terms of this contract, the following senior lines of credit are available (hereinafter together the "**MergeCo Facilities**"):

- *line of credit with increasing six-monthly payments known as the "MergeCo A Term Loan Facility", for Euro 100 million, to be repaid within 7 years of 26 March 2008 and utilisable by Performance Motorcycles subsequent to the Merger, at Euribor plus a spread of 2.60 percent;*
- *line of credit known as the "MergeCo B Term Loan Facility", for Euro 70 million, to be repaid in full 8 years after 26 March 2008 and utilisable by Performance Motorcycles subsequent to the Merger, at Euribor plus a spread of 3.10 percent;*
- *line of credit known as the "MergeCo C Term Loan Facility", for Euro 70 million, to be repaid in full 9 years after 26 March 2008 and utilisable by Performance Motorcycles subsequent to the Merger, at Euribor plus a spread of 3.60 percent.*

In addition, Ducati prior to the Merger and the Absorbing company subsequent to the Merger have access to a medium-term facility known as the "Target Revolving Credit Facility" for up to Euro 25 million, usable to finance any general cash requirements and repayable 7 years after 26 March 2008, at Euribor plus a spread of 2.60 percent. As specified in the loan contract, until the effective date of the Merger the maximum amount available to Ducati under the revolving facility is limited to Euro 10 million.

The spreads charged on the above lines of credit are subject to adjustment (solely in favour of the borrower) with reference to the ratio of consolidated net borrowing to consolidated EBITDA. Conversely, this spread may be adjusted by up to 0.50 percent in favour of the lending institutions (so-called market flex), if the syndication procedure is not completed within the agreed timetable.

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The above medium-term senior and revolving lines of credit are backed by the following guarantees:

- first pledge on the shares of (i) Ducati, (ii) Performance Motorcycles and (iii) International Motorcycles;
- guarantee given by Performance Motorcycles;
- *guarantee given by other Group companies known as “Additional Guarantors”* under the terms of the loan contract;
- deposit in guarantee of any receivables deriving from (i) sale contracts signed prior to the start of the Offer between Performance Motorcycles (as purchaser) and World Motors S.A., World Motors Red S.c.A. and World Motors White S.c.A. (as sellers) for the transfer to Performance Motorcycles, prior to completion of the Offer, of holdings in Ducati totalling 29.5 percent of its share capital, (ii) any actions for responsibility taken against the consultants that assisted Performance Motorcycles with the acquisition pursuant to the respective contracts that appointed them, and (iii) any intercompany loans;
- first pledge on the bank current account of the borrower;
- first pledge on the trademarks owned by Ducati;
- special privileges over the fungible assets held by Ducati;
- pledge of the shares/quotas held in Ducati Corse S.r.l. and Ducati North America Inc., both subsidiary companies.

*The Target Facility Agreement also contains certain commitments and obligations usually found in commercial practice, including restrictions on borrowing more than that envisaged in the contract, on the granting of loans and guarantees, on corporate restructurings, on the sale of assets, on the acquisition or formation of joint ventures, and on significant changes in the activities of the Group.*

Under the agreements signed with the financing banks, the borrower is also obliged to hedge the risk of interest rate fluctuations.

Lastly, under the terms of the loan contract the Target Revolving Credit Facility utilised by Ducati must be repaid early (so-called mandatory prepayment) if, among other matters, the Merger is not completed within 18 months and two days from 13 June 2008.

### SUSTAINABILITY OF THE BORROWING LEVEL OF THE ABSORBING COMPANY POST MERGER

As required by art. 2501-bis of the Italian Civil Code, in addition to

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indicating the reasons that justify the operation (see paragraph 1.7) and describing the objectives to be achieved (see paragraph 1.8), this report also illustrates below the economic and financial plan prepared by the directors of the companies participating in the Merger, and indicates the source of the financing needed to meet the obligations to be accepted by Performance Motorcycles if, post Merger (i) available reserves are distributed up to a maximum of Euro 270 million and any credit lines obtained under the BidCo Facility and not repaid prior to the Merger in order to reach the Equality Point are refinanced or (ii) the credit lines obtained under the BidCo Facility and not repaid prior to the Merger are simply refinanced in the case that the Absorbing company holds the entire share capital of the Company to be absorbed prior to the Merger Completion Date. Both cases would be financed in part by the available liquidity generated by Ducati and in part by the lines of credit available under the *Target Facility*.

### THE BUSINESS PLAN

*The sustainability of the borrowing that would derive from the use of the Target Facility lines of credit was assessed (i) with reference to the version of the three-year business plan for the period 2008-2010, approved today by the Board of Directors of Ducati, that considers the effects deriving from the Merger.<sup>2</sup> (hereinafter the "Business Plan"), and (ii) certain economic and financial projections for the period 2011-2017, until the 2017 expiry of the last tranche of borrowing against the Target Facility lines of credit. The resulting economic-financial plan, the contents of which are described later, shows the financial resources needed to meet the obligations of the Absorbing company. This plan was used to evaluate the sustainability of the company's borrowing.*

**The Business Plan** and the economic and financial projections for the period 2011-2017 (hereinafter the "Economic-Financial Plan") was developed using accounting policies and criteria consistent with those adopted by Ducati for the preparation of the separate and consolidated financial statements as of 31 December 2007 (International Financial Reporting Standards or "IFRS" endorsed by the European Commission as of 31 December 2007), to which reference is made for

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<sup>2</sup> *With respect to the three-year business plan presented to the Board of Directors by Ducati's management on 15 January 2008, the guidelines for which were presented to the financial community on the following day, the business plan approved today includes (i) the effects deriving from the Merger and the fiscal benefits deriving from the proposed domestic tax group to be established by International Motorcycles and the Absorbing company*

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a detailed explanation of such policies and criteria.

*The Economic-Financial Plan was prepared on a "post merger" basis, simulating 100 percent ownership of Ducati by Performance Motorcycles and attributing to goodwill provisionally and without separate identification the difference between the purchase cost of the investment in Ducati held by Performance Motorcycles and Ducati's consolidated shareholders' equity as of 31 December 2007. The possible allocation of this difference (so-called *purchase price allocation*) has not been considered for the moment. Since the purchase price has not been allocated, with the consequent recognition in the balance sheet of the related deferred tax assets/liabilities, the effect of the tax losses carried forward by the Ducati Group as of 31 December 2007 has been released to the statement of operations included in the Economic-Financial Plan by reducing the taxable income estimated over the forecast period. With reference to the area of taxation and having regard for the use of the tax losses mentioned above, taxable income has been estimated on a consolidated basis using the tax rates current in Italy and separating the effects relating to the American subsidiary (Ducati North America Inc.), whose tax rate is higher than that for the rest of the Ducati Group.*

Costs directly attributable to the purchase of the interest in Ducati have been added to the value of the investment and therefore classified as goodwill post Merger.

*The expenses associated with the Bidco Facility Agreement and the related interest expense that Performance Motorcycles has incurred and will incur for use of the lines of credit available under the Target Facility Agreement, as well as the costs relating to the Merger operation, were entirely financed with equity and have not been reflected in the Economic-Financial Plan.*

*In preparing the Economic-Financial Plan, the spreads for the lines of credit available under the Target Facility Agreement were prudently uplifted by 0.50 percent with respect to the contractual amounts (so-called *market flex*).*

*Lastly, the Economic-Financial Plan assumes the absence of any impairment in the value of assets.*

*In line with international best practice, it is stressed that the hypotheses underlying the Business Plan may be regarded as assumptions in relation to 2008 and as hypothetical assumptions for*

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*the subsequent years.*

### Business Plan: Description

The Business Plan is based on the following hypotheses:

- substantial recovery of market share, growing from 5 percent at present to 6.5 percent in 2010 (share held by Ducati in 2000);
- *improvement of the product portfolio*, focusing on higher margin models and abandoning those with lower margins;
- increased volume of motorcycles sold and slight reduction in the average unit price;
- constant product innovation;
- pull marketing strategy, with efficient inventory management via the careful alignment of sell-in and sell-out volumes;
- Euro/Dollar exchange rate of 1.5 in 2008, 1.45 in 2009 and 1.4 in 2010.

**Net sales are forecast to increase by 15.3 percent in 2008, 8.7 percent in 2009 and 10 percent in 2010.** The compound annual growth rate (CAGR) of net sales during the period 2007-2010 is expected to be 11.3 percent, rising from Euro 398.0 million in 2007 to Euro 548.6 million in 2010.

*In particular, the Business Plan forecasts an increase in the importance in absolute terms of Spare Parts, Accessories and Apparel (so-called *Motorcycle-Related Products*: “MRP”), which are expected to generate total revenues of about Euro 98 million in 2010, compared with about Euro 75 million in 2007 (CAGR 2007-2010 + 9 percent). The large majority of net sales will always be generated by motorcycles, which are expected to contribute total revenues of about Euro 447 million in 2010 compared with about Euro 317 million in 2007 (CAGR 2007-2010 +12 percent). In particular, a slight decrease in the average unit selling price is expected (to about Euro 8,650 in 2010, down 1 percent with respect to 2007), while the CAGR in volume terms is forecast to be 12 percent. Other Revenues will fall to about Euro 4 million by 2010, from about Euro 8 million in 2007.*

In geographical terms, the Business Plan envisages essential stability for the revenues generated in Europe, amounting to about Euro 250 million in 2010 (55 percent of the total) compared with the 2008 forecast of Euro 220 million (54 percent of the total). North America

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will become Ducati's biggest market in 2010 (27 percent of total revenues) with around 14,700 units sold and net sales of Euro 124.9 million, followed by Italy (22 percent of total revenues) with around 12,000 units sold and net sales of Euro 103.0 million.

In terms of the distribution channels, geographical coverage will be optimised by:

- *moderate growth in the number of dealers* (from 480 at present to 515 in 2010) and a significant rise in the average sales per dealer (from 67 to 87 motorcycles annually);
- *focus on mono-brand Ducati Stores* (up from 140 now to 200 in 2010) rather than on *multi-franchising* stores.

Analysis of the change between 2007 and 2008 in the Contribution margin, obtained as the difference between revenues and the cost of materials and direct labor, shows that the key factors were the sale of 1,300 units of the Desmosedici RR (limited edition, already sold out) and the launch of the Monster 696, which updates one of the company's long-established models.

*The launch of new versions for the Superbike and Naked families during 2009 will contribute more to the Contribution margin than the Desmosedici RR, which is no longer produced.*

In particular, over the period of the *Business Plan*, about 55,000 Naked machines will be sold compared with the 150,000 units sold from 1993 until now:

- *the Monster 696 represents the first true new model in 15 years;*
- *the Monsters currently on the road are somewhat dated, accordingly the new model is expected to be very well received, as confirmed by the level of outstanding orders;*
- *the family will be extended with a larger-engined version with respect to the Monster 696, and by the presentation of an evolutionary new model that incorporates leading-edge technology and mechanics.*

The Business Plan highlights the substantial growth of EBITDA, which is forecast to rise from Euro 55.0 million in 2007 to Euro 112.7 million in 2010. The operating margin is also expected to improve significantly, from 13.8 percent in 2007 to 20.5 percent in 2010.

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In particular, the change in EBITDA reflects the following actions envisaged in the Business Plan and the factors outlined below:

- *improvement of product costs as a consequence of global sourcing activities;*
- reduction in the cost of warranty repairs due to maintenance of the product quality standards already achieved;
- optimisation of internal processes, both in manufacturing and in the sharing of information intended to improve performance in all business areas.

Operating Capital is expected to rise (see table 3) from Euro 32.4 million in 2008 (7 percent of net sales) to Euro 52.4 million in 2010 (9.55 percent of net sales).

With regard to capital investment, the Business Plan envisages annual expenditure of about Euro 40 million, comprising about Euro 20 million dedicated to the development of new products, Euro 10 million to the industrialisation of processes and Euro 10 million to IT and other production-related investments.

Table 1 - 2008-2010 Business Plan : consolidated statement of operations

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<b>Conto Economico</b> <b>Euro/milioni</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<i>Sell-out (migliaia di unità)</i>	35,3	40,8	43,8	48,6	52,9
<i>Sell-in (migliaia di unità)</i>	32,3	38,4	42,8	48,6	54,2
<b>Ricavi netti</b>	<b>305,0</b>	<b>398,0</b>	<b>458,8</b>	<b>498,7</b>	<b>548,6</b>
% di crescita		30,5%	15,3%	8,7%	10,0%
<b>Margine lordo industriale</b>	<b>90,6</b>	<b>129,5</b>	<b>162,5</b>	<b>187,0</b>	<b>210,8</b>
%	29,7%	32,5%	35,4%	37,5%	38,4%
<b>EBITDA</b>	<b>27,0</b>	<b>55,0</b>	<b>72,0</b>	<b>94,2</b>	<b>112,7</b>
%	8,9%	13,8%	15,7%	18,9%	20,5%
Ammortamenti	(22,0)	(30,8)	(37,6)	(42,0)	(36,8)
<b>EBIT</b>	<b>5,0</b>	<b>24,2</b>	<b>34,4</b>	<b>52,2</b>	<b>75,9</b>
"Contingencies"			6,0	6,5	7,1
<b>EBITDA ante contingencies</b>	<b>27,0</b>	<b>55,0</b>	<b>78,0</b>	<b>100,6</b>	<b>119,8</b>
%	8,9%	13,8%	17,0%	20,2%	21,8%

### Business Plan: Risk factors

The Business Plan makes the following main assumptions about the macroeconomic context and market conditions:

- *a slight downward trend in European sport sector sales (the most significant sector for Ducati). In substance, the market is essentially viewed as a replacement market;*
- *growth in the USA, partly due to demographic factors.*

As indicated in the Ducati Group's consolidated report as of 30 June 2008, the results for the first half of 2008 were ahead of target and the historical numbers.

In addition to the macro and market assumptions, the Business Plan also envisages certain improvements in organisational processes, mainly in the areas of launching new products, capitalising on the brand image and reshaping the commercial network.

*The contingencies classified as operating costs in the Business Plan, amounting to Euro 6.0/6.5/7.1 million in, respectively, 2008, 2009 and 2010, cover general implementation risks. The purpose of the contingencies caption is to mitigate the emergence of business risks affecting the "numbers" included in the Business Plan; the provisions made roughly represent the margin that would be lost if motorcycle sales were lower by 2,000 units.*

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*Lastly, management also has considerable room for manoeuvre when tackling adverse situations, given the opportunities available for cost cutting in certain areas.*

### PROJECTIONS FOR 2011-2017 AND THE ECONOMIC-FINANCIAL PLAN

*As mentioned in paragraph 2.5, commencing from the Business Plan* certain economic and financial projections have been prepared for the period 2011-2017, therefore covering the period until the expiry in 2017 of the last tranche of borrowing against the Target Facility lines of credit. The ensuing Economic-Financial Plan, the contents of which are described later (see tables 2, 3, 4, 5, 6), shows the financial resources needed to meet the obligations of the Absorbing company. This plan was used to evaluate the sustainability of the company's borrowing .

When evaluating the sustainability of the borrowing deriving from the operation, the directors of the companies participating in the Merger made reference to the report prepared by the Consultant (**hereinafter the "Report"**, attachment 2), who provided Performance Motorcycles and Ducati with his favourable opinion on the reasonableness of the Plan and the sensitivity analysis described later.

The projections for 2011-2017 were developed using the following criteria:

- Scenario "steady-state, inflation neutral".  
*No specific hypotheses were made about changes in the product mix, but overall production volumes were taken to be those expected in 2010.* In addition, a "neutral" rate of inflation of 2.0 percent per annum was assumed (i.e. hypothesising the same dynamic for sales-prices and cost-prices denominated in Euro). Consequently, in percentage terms, EBITDA is constant throughout the entire period 2011-2017 (20.5 percent).
- Working capital: assumed to grow steadily at 2.0 percent;
- Investment: also assumed to grow at an annual rate of 2.0 percent, commencing from the "ongoing" capital expenditure( "CAPEX") envisaged in the plan for 2011 (Euro 40 million).

The "steady-state inflation neutral" hypothesis is a frequently adopted simplification for the preparation of long-term financial projections. This does not represent management expectations (by contrast with the Business Plan), but merely a useful hypothesis

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made solely for the purpose of evaluating the financial sustainability of the level of borrowing.

Applying this hypothesis:

- *the* “contingencies” caption also increases at 2.0 percent per annum. This means that the safety margin also increases in normal terms every year;
- “ongoing” capital investment (which also increases) becomes substantial and is prudently overstated in a scenario of zero growth in real terms.

In addition, for the purpose of preparing the Economic-Financial Plan, it was assumed that the Absorbing company would obtain 50 percent of the benefit of the planned election to be made from 2009 to establish a domestic tax group comprising the Absorbing company and its parent company, as allowed by arts. 117 et seq. of Decree 917 dated 22 December 1986 .

Based on the Economic-Financial Plan, as assessment was made of the ability of the Absorbing company to (i) meet regularly its obligations to pay interest and instalments of principal on predetermined dates and (ii) comply with the financial covenants *specified in the* Target Facility loan contract.

### *Performance of EBITDA and cash flows*

The financial resources needed to repay the borrowings *derive from the growth in net sales and the increase in profitability (in terms of Ebitda)* envisaged in the Economic-Financial Plan. In particular, consolidated net sales should amount to Euro 458.8 million in 2008 and rise steadily until 2017, reaching Euro 630.2 million (see table 2). In the same way, the *Economic-Financial Plan* envisages robust growth in consolidated Ebitda from Euro 72 million in 2008 to Euro 129.5 million in 2017 (see table 2).

Table 2 – Consolidated statement of operations

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Conto Economico										
Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Ricavi netti	458,8	498,7	548,6	559,6	570,7	582,2	593,8	605,7	617,8	630,2
% di crescita	15,3%	8,7%	10,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
<b>Margine lordo industriale</b>	<b>162,5</b>	<b>187,0</b>	<b>210,8</b>	<b>215,0</b>	<b>219,3</b>	<b>223,7</b>	<b>228,2</b>	<b>232,8</b>	<b>237,4</b>	<b>242,2</b>
%	35,4%	37,5%	38,4%	38,4%	38,4%	38,4%	38,4%	38,4%	38,4%	38,4%
<b>EBITDA</b>	<b>72,0</b>	<b>94,2</b>	<b>112,7</b>	<b>115,0</b>	<b>117,3</b>	<b>119,6</b>	<b>122,0</b>	<b>124,4</b>	<b>126,9</b>	<b>129,5</b>
%	15,7%	18,9%	20,5%	20,5%	20,5%	20,5%	20,5%	20,5%	20,5%	20,5%
Ammortamenti	(37,6)	(42,0)	(36,8)	(40,0)	(40,8)	(41,6)	(42,4)	(43,3)	(44,2)	(45,0)
<b>EBIT</b>	<b>34,4</b>	<b>52,2</b>	<b>75,9</b>	<b>75,0</b>	<b>76,5</b>	<b>78,0</b>	<b>79,5</b>	<b>81,1</b>	<b>82,8</b>	<b>84,4</b>
"Contingencies"	6,0	6,5	7,1	7,3	7,4	7,6	7,7	7,9	8,0	8,2
<b>EBITDA ante contingencies</b>	<b>78,0</b>	<b>100,6</b>	<b>119,8</b>	<b>122,2</b>	<b>124,7</b>	<b>127,2</b>	<b>129,7</b>	<b>132,3</b>	<b>135,0</b>	<b>137,6</b>
%	17,0%	20,2%	21,8%	21,8%	21,8%	21,8%	21,8%	21,8%	21,8%	21,8%

Table 3 – Consolidated balance sheet

Stato Patrimoniale										
Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Immobilizzazioni	552,9	550,7	553,7	553,7	553,7	553,7	553,7	553,7	553,7	553,7
Capitale circolante	32,4	42,4	52,4	53,5	54,5	55,6	56,8	57,9	59,0	60,2
<b>Attività</b>	<b>585,3</b>	<b>593,1</b>	<b>606,1</b>	<b>607,2</b>	<b>608,2</b>	<b>609,3</b>	<b>610,5</b>	<b>611,6</b>	<b>612,7</b>	<b>613,9</b>
Indebitamento netto	270,0	254,7	228,8	196,1	160,5	121,9	83,3	41,8	(2,4)	(55,7)
Fondi	14,0	13,0	12,0	11,0	10,0	9,0	8,0	7,0	6,0	5,0
Patrimonio netto	301,4	325,4	365,4	400,1	437,7	478,5	519,2	562,8	609,1	664,6
<b>Passività e Patrimonio netto</b>	<b>585,3</b>	<b>593,1</b>	<b>606,1</b>	<b>607,2</b>	<b>608,2</b>	<b>609,3</b>	<b>610,5</b>	<b>611,6</b>	<b>612,7</b>	<b>613,9</b>

### Servicing the debt

The simulations presented in tables 4 and 5 highlight the following:

- Constant improvement in the net financial position from about Euro 270 million in 2008 to net liquidity at the end of the projection (2017) of about Euro 55.7 million (see table 5, “Net borrowing” caption”);
- *the cash flow before interest and the repayment of debt generated by operations (see table 4, “Net operating cash flow” caption) is expected to grow steadily, increasing from Euro 13.9 million in 2008 to Euro 54.3 million in 2017. This will allow the regular servicing of debt (payment of interest and the instalments of principal as they fall due) (see table 5).*
- *cash flow during the period covered by the Economic-Financial Plan exceeds the servicing of debt, except in 2016 and 2017 when*

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*the two bullet lines of credit, amounting to Euro 70 million each (MergeCo B Term Loan Facility and MergeCo C Term Loan Facility), are due for repayment. In these years, the servicing of debt will be covered by operating cash flow and by using part of the liquidity accumulated in the earlier years (see table 5, "Revolving/(Cash)" caption). This is normal in the case of lines of credit to be repaid in full on maturity (bullet).*

*Table 4 – Consolidated cash flow*

Cash Flow Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EBITDA	72,0	94,2	112,7	115,0	117,3	119,6	122,0	124,4	126,9	129,5
Variazione capitale circolante	(10,8)	(10,0)	(10,0)	(1,0)	(1,1)	(1,1)	(1,1)	(1,1)	(1,2)	(1,2)
Variazione fondi	(2,5)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)
Imposte	(4,2)	(4,7)	(13,7)	(20,0)	(21,2)	(22,5)	(24,0)	(25,4)	(27,0)	(28,7)
Remunerazione per consolidato fiscale		0,9	0,9	1,0	1,1	1,2	1,3	1,4	1,6	1,7
Oneri straordinari	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)
Investimenti	(39,6)	(39,8)	(39,8)	(40,0)	(40,8)	(41,6)	(42,4)	(43,3)	(44,2)	(45,0)
<b>Flusso di cassa operativo netto</b>	<b>13,9</b>	<b>38,5</b>	<b>48,1</b>	<b>53,0</b>	<b>53,3</b>	<b>53,6</b>	<b>53,8</b>	<b>54,0</b>	<b>54,2</b>	<b>54,3</b>
Oneri finanziari	(2,8)	(23,3)	(22,2)	(20,3)	(17,7)	(14,9)	(11,7)	(8,5)	(5,0)	(1,0)
<b>Flusso di cassa per il rimborso del debito</b>	<b>11,1</b>	<b>15,3</b>	<b>25,9</b>	<b>32,7</b>	<b>35,6</b>	<b>38,7</b>	<b>42,1</b>	<b>45,5</b>	<b>49,2</b>	<b>53,3</b>

Table 5 - Debt servicing

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Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
A (ammortamento 7 anni)	0,0	(2,0)	(4,8)	(10,3)	(17,5)	(21,3)	(23,8)	(20,5)	0,0	0,0
B (bullet 8 anni)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(70,0)	0,0
C (bullet 9 anni)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(70,0)
Leasing	(3,9)	(1,7)	(0,1)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Agevolati	(2,8)	(2,8)	(3,2)	(3,2)	(2,3)	(0,5)	(0,5)	(0,5)	0,0	0,0
Securitization	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Totale rimborso</b>	<b>(6,7)</b>	<b>(6,5)</b>	<b>(8,0)</b>	<b>(13,5)</b>	<b>(19,8)</b>	<b>(21,7)</b>	<b>(24,2)</b>	<b>(21,0)</b>	<b>(70,0)</b>	<b>(70,0)</b>
Revolving / (cassa)		(0,3)	(1,1)	(2,6)	(4,2)	(5,5)	(6,9)	(8,1)	(9,9)	(7,7)
A (ammortamento 7 anni)		8,4	8,2	7,8	7,0	5,5	3,7	1,7	0,0	0,0
B (bullet 8 anni)		6,2	6,2	6,2	6,2	6,2	6,2	6,2	6,2	0,0
C (bullet 9 anni)		6,6	6,6	6,6	6,6	6,6	6,6	6,6	6,6	6,6
Leasing	0,3	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Agevolati	0,2	0,2	0,1	0,1	0,0	0,0	0,0	0,0	0,0	0,0
Securitization	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1
Stagionalità capitale circolante, fees e costi di finanziamento	0,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
<b>Oneri finanziari</b>	<b>1,6</b>	<b>23,3</b>	<b>22,2</b>	<b>20,3</b>	<b>17,7</b>	<b>14,9</b>	<b>11,7</b>	<b>8,5</b>	<b>5,0</b>	<b>1,0</b>
Revolving / (cassa)	(4,0)	(12,8)	(30,6)	(49,9)	(65,7)	(82,6)	(97,0)	(117,6)	(91,7)	(75,0)
A (ammortamento 7 anni)	100,0	98,0	93,3	83,0	65,5	44,3	20,5	0,0	0,0	0,0
B (bullet 8 anni)	70,0	70,0	70,0	70,0	70,0	70,0	70,0	70,0	0,0	0,0
C (bullet 9 anni)	70,0	70,0	70,0	70,0	70,0	70,0	70,0	70,0	70,0	0,0
Leasing	1,8	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Agevolati	12,8	10,0	6,9	3,7	1,4	1,0	0,5	0,0	0,0	0,0
Securitization	19,3	19,3	19,3	19,3	19,3	19,3	19,3	19,3	19,3	19,3
<b>Indebitamento netto</b>	<b>270,0</b>	<b>254,7</b>	<b>228,8</b>	<b>196,1</b>	<b>160,5</b>	<b>121,9</b>	<b>83,3</b>	<b>41,8</b>	<b>(2,4)</b>	<b>(55,7)</b>

Lastly, in terms of the analysis of the Absorbing company's ability to meet its financial obligations subsequent to the Merger, it is confirmed that there are no restrictions over the transfer to Ducati of the cash flows generated outside of Italy by subsidiaries; accordingly, they can be usefully employed in the repayment of the borrowing described in the Plan.

### Compliance with the covenants

*In addition to the ability to repay debt as it fall due, the ability of the combined Performance Motorcycles- Ducati to comply with the financial covenants specified in the Target Facility Agreement was also verified.*

Table 6 below considers compliance with the following three covenants:

- *Cash flow/Debt servicing*: this is the relation between consolidated cash flow and the cash flow required to service consolidated senior net borrowing; this ratio must not be less than the point value of 1 specified in the contract.
- *Net borrowing/EBITDA*: this is the relation between consolidated senior net borrowing and consolidated EBITDA; this ratio must not

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exceed the point value specified in the contract which, depending on the year, varies between 4.90 in 2008 and 2.50 in 2017;

- *EBITDA/Financing costs*: this is the relation between consolidated EBITDA and the consolidated net interest due in relation to the senior net borrowing; this ratio must not be less than the point value specified in the contract which, depending on the year, varies between 3.10 in 2008 and 4.50 in 2017.

*Table 6* clearly shows that all the financial covenants are met by a wide margin over the entire duration of the lines of credit. For example, the *Net borrowing/EBITDA ratio* is 3.75 in 2008, which is much lower than the maximum ratio of 4.90 allowed by the covenant, and is -0.43 in 2017, which is far below the maximum permitted value of 2.50. With regard to the first of the above covenants (*Cash flow/Debt servicing*), the ratio in 2016 and 2017 is expected to be lower than 1 - this being the parameter envisaged in the contract. This is explained by the fact that repayment of the two bullet lines of credit, amounting to Euro 70 million each, is concentrated in those two years. As usual in similar situations, the servicing of this debt will be covered from operating cash flow and by using part of the liquidity accumulated in the earlier years.

Table 6 - Compliance with the *covenants*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Flusso di cassa operativo netto</i>	26,9	38,5	48,1	53,0	53,3	53,6	53,8	54,0	54,2	54,3
<i>Servizio del debito</i>	21,9	29,7	30,2	33,7	37,5	36,6	35,9	29,5	75,0	71,0
<i>Flusso di cassa / servizio del debito</i>	1,23x	1,30x	1,59x	1,57x	1,42x	1,46x	1,50x	1,83x	0,72x	0,76x
<i>Covenant</i>	1,00x	1,00x	1,00x	1,00x	1,00x	1,00x	1,00x	1,00x	1,00x	1,00x
<i>Indebitamento netto</i>	270,0	254,7	228,8	196,1	160,5	121,9	83,3	41,8	(2,4)	(55,7)
<i>EBITDA</i>	72,0	94,2	112,7	115,0	117,3	119,6	122,0	124,4	126,9	129,5
<i>Indebitamento netto / EBITDA</i>	3,75x	2,70x	2,03x	1,71x	1,37x	1,02x	0,68x	0,34x	-0,02x	-0,43x
<i>Covenant</i>	4,90x	4,00x	3,50x	3,00x	2,50x	2,50x	2,50x	2,50x	2,50x	2,50x
<i>EBITDA</i>	72,0	94,2	112,7	115,0	117,3	119,6	122,0	124,4	126,9	129,5
<i>Oneri finanziari</i>	15,3	23,3	22,2	20,3	17,7	14,9	11,7	8,5	5,0	1,0
<i>EBITDA / oneri finanziari</i>	4,72x	4,05x	5,07x	5,67x	6,61x	8,01x	10,42x	14,64x	25,16x	131,50x
<i>Covenant</i>	3,10x	3,10x	3,50x	4,00x	4,50x	4,50x	4,50x	4,50x	4,50x	4,50x

### *Conclusion*

In view of the data described above and forecast growth of the business described in the Business Plan, it can be concluded that the Absorbing company post Merger will be able to meet the financial commitments deriving from the lines of credit, considering the

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scheduled repayments of principal, the interest payments and compliance with the financial covenants. The company will be able to generate sufficient financial resources, meeting the obligations deriving from the acquisition operation and maintaining, at the same time, the ability to make the capital investment needed to pursue and develop its activities.

These conclusions are also supported by the Consultant's Report.

\* \* \*

The attachments to the Economic-Financial Plan will comprise (i) the report prepared pursuant to para. 5 of art. 2501-*bis* of the Italian Civil Code by PricewaterhouseCoopers S.p.A., the auditing firm engaged to perform the statutory audit of Ducati, and (ii) the report required by para. 4 of art. 2501-*bis* of the Italian Civil Code, regarding the reasonableness of the information contained in the Merger proposal about the resources required to meet the obligations of the company resulting from the Merger, prepared by Deloitte & Touche S.p.A., the auditing firm appointed as expert by the Bologna Court pursuant to art. 2501-*sexies* of the Italian Civil Code.

### SENSITIVITY ANALYSIS

*Although, as stated, the Business Plan and the related Economic-Financial Plan (described in paragraphs 2.5 and 2.6) are considered to represent the most likely scenario, a sensitivity analysis has been carried out to further underscore the sustainability of the borrowing of the Absorbing company post Merger.*

*This analysis was prepared taking account of various risk factors, such as (i) changes in the €/€ exchange rate, (ii) the impact on the European economy of the current slowdown in the USA, (iii) a possible steeper decline of the US market, and (iv) delays in the launch of new products and the implementation of other actions envisaged in the Plan.*

Certain of these risk factors are however thought to be manageable by specific action ( managerial flexibility) designed to mitigate their effects. This is justified by the safety margins envisaged in the Business Plan ("*contingencies*" and the reduction of discretionary costs).

The sensitivity analysis was carried out in relation to both the Business Plan and the Economic-Financial Plan, developing on a more

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conservative basis a revised business plan for 2008-2010 and a revised economic-financial plan for 2008-2017. The following assumptions were made in this regard:

- *slightly lower sales volumes* (sell-in 41.8/46.6/51.0 in 2008/09/10, compared with 42.8/48.6/54.2 in the Business Plan);
- *EBITDA margin slightly smaller* (15.9%/18.7%/19.8% in 2008/09/10, compared with 15.7/18.9/20.5 in the Business Plan).

Table 7 - Sensitivity analysis for the business plan - Consolidated statement of operations

<b>Conto Economico</b>					
<b>Euro/milioni</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<i>Sell-out (migliaia di unità)</i>	35,3	40,8	42,8	46,8	49,8
<i>Sell-in (migliaia di unità)</i>	32,3	38,4	41,8	46,6	51,0
<b>Ricavi netti</b>	<b>305,0</b>	<b>398,0</b>	<b>449,1</b>	<b>481,3</b>	<b>518,6</b>
% di crescita		30,5%	12,8%	7,2%	7,7%
<b>Margine lordo industriale</b>	<b>90,6</b>	<b>129,5</b>	<b>157,8</b>	<b>177,8</b>	<b>194,8</b>
%	29,7%	32,5%	35,1%	36,9%	37,6%
<b>EBITDA</b>	<b>27,0</b>	<b>55,0</b>	<b>71,4</b>	<b>89,8</b>	<b>102,6</b>
%	8,9%	13,8%	15,9%	18,7%	19,8%
Ammortamenti	(22,0)	(30,8)	(37,6)	(42,0)	(36,8)
<b>EBIT</b>	<b>5,0</b>	<b>24,2</b>	<b>33,8</b>	<b>47,8</b>	<b>65,8</b>
"Contingencies"			6,0	6,5	7,1
<b>EBITDA ante contingencies</b>	<b>27,0</b>	<b>55,0</b>	<b>77,4</b>	<b>96,3</b>	<b>109,8</b>
%	8,9%	13,8%	17,2%	20,0%	21,2%

Table 8 - Sensitivity analysis - Consolidated balance sheet

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Stato Patrimoniale Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Immobilizzazioni	552,9	550,7	553,7	553,7	553,7	553,7	553,7	553,7	553,7	553,7
Capitale circolante	31,8	39,8	47,8	48,8	49,8	50,8	51,8	52,8	53,9	54,9
<b>Attività</b>	<b>584,7</b>	<b>590,5</b>	<b>601,5</b>	<b>602,5</b>	<b>603,5</b>	<b>604,5</b>	<b>605,5</b>	<b>606,5</b>	<b>607,6</b>	<b>608,6</b>
Indebitamento netto	270,3	257,7	245,9	221,5	194,6	165,3	136,5	105,5	72,5	31,0
Fondi	14,0	13,0	12,0	11,0	10,0	9,0	8,0	7,0	6,0	5,0
Patrimonio netto	300,4	319,8	343,6	370,0	398,8	430,2	460,9	494,0	529,1	572,6
<b>Passività e Patrimonio netto</b>	<b>584,7</b>	<b>590,5</b>	<b>601,5</b>	<b>602,5</b>	<b>603,5</b>	<b>604,5</b>	<b>605,5</b>	<b>606,5</b>	<b>607,6</b>	<b>608,6</b>

Table 9 - Sensitivity analysis for the 2008-2017 Economic-Financial Plan - Consolidated statement of operations

Conto Economico Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Ricavi netti</b>	<b>449,1</b>	<b>481,3</b>	<b>518,6</b>	<b>528,9</b>	<b>539,5</b>	<b>550,3</b>	<b>561,3</b>	<b>572,6</b>	<b>584,0</b>	<b>595,7</b>
% di crescita	12,8%	7,2%	7,7%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%	2,0%
<b>Margine lordo industriale</b>	<b>157,8</b>	<b>177,8</b>	<b>194,8</b>	<b>198,6</b>	<b>202,6</b>	<b>206,7</b>	<b>210,8</b>	<b>215,0</b>	<b>219,3</b>	<b>223,7</b>
%	35,1%	36,9%	37,6%	37,6%	37,6%	37,6%	37,6%	37,6%	37,6%	37,6%
<b>EBITDA</b>	<b>71,4</b>	<b>89,8</b>	<b>102,6</b>	<b>104,7</b>	<b>106,8</b>	<b>108,9</b>	<b>111,1</b>	<b>113,3</b>	<b>115,6</b>	<b>117,9</b>
%	15,9%	18,7%	19,8%	19,8%	19,8%	19,8%	19,8%	19,8%	19,8%	19,8%
Ammortamenti	(37,6)	(42,0)	(36,8)	(40,0)	(40,8)	(41,6)	(42,4)	(43,3)	(44,2)	(45,0)
<b>EBIT</b>	<b>33,8</b>	<b>47,8</b>	<b>65,8</b>	<b>64,7</b>	<b>66,0</b>	<b>67,3</b>	<b>68,6</b>	<b>70,0</b>	<b>71,4</b>	<b>72,8</b>
"Contingencies"	6,0	6,5	7,1	6,9	7,0	7,2	7,3	7,4	7,6	7,7
<b>EBITDA ante contingencies</b>	<b>77,4</b>	<b>96,3</b>	<b>109,8</b>	<b>111,6</b>	<b>113,8</b>	<b>116,1</b>	<b>118,4</b>	<b>120,8</b>	<b>123,2</b>	<b>125,6</b>
%	17,2%	20,0%	21,2%	21,1%	21,1%	21,1%	21,1%	21,1%	21,1%	21,1%

Table 10 - Sensitivity analysis for the 2008-2017 Economic-Financial Plan - Consolidated cash flow

Cash Flow Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EBITDA	71,4	89,8	102,6	104,7	106,8	108,9	111,1	113,3	115,6	117,9
Variazione capitale circolante	(10,2)	(8,0)	(8,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,1)	(1,1)
Variazione fondi	(2,5)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)
Imposte	(4,5)	(5,0)	(19,5)	(16,5)	(17,4)	(18,3)	(19,4)	(20,4)	(21,5)	(22,8)
Remunerazione per consolidato fiscale		0,9	0,9	1,0	1,1	1,2	1,3	1,4	1,6	1,7
Oneri straordinari	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)	(1,0)
Investimenti	(39,6)	(39,8)	(39,8)	(40,0)	(40,8)	(41,6)	(42,4)	(43,3)	(44,2)	(45,0)
<b>Flusso di cassa operativo netto</b>	<b>13,6</b>	<b>35,8</b>	<b>34,3</b>	<b>46,2</b>	<b>46,7</b>	<b>47,2</b>	<b>47,6</b>	<b>48,0</b>	<b>48,4</b>	<b>48,7</b>
Oneri finanziari	(2,8)	(23,3)	(22,5)	(21,7)	(19,9)	(17,8)	(15,4)	(13,0)	(10,4)	(7,3)
<b>Flusso di cassa per il rimborso del debito</b>	<b>10,8</b>	<b>12,5</b>	<b>11,8</b>	<b>24,5</b>	<b>26,8</b>	<b>29,4</b>	<b>32,2</b>	<b>35,0</b>	<b>38,0</b>	<b>41,5</b>

Table 11 - Sensitivity analysis for the 2008-2017 Economic-Financial Plan -Debt servicing

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Euro/milioni	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
A (ammortamento 7 anni)	0,0	(2,0)	(4,8)	(10,3)	(17,5)	(21,3)	(23,8)	(20,5)	0,0	0,0
B (bullet 8 anni)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(70,0)	0,0
C (bullet 9 anni)	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	(70,0)
Leasing	(3,9)	(1,7)	(0,1)	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Agevolati	(2,8)	(2,8)	(3,2)	(3,2)	(2,3)	(0,5)	(0,5)	(0,5)	0,0	0,0
Securitization	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Totale rimborso</b>	<b>(6,7)</b>	<b>(6,5)</b>	<b>(8,0)</b>	<b>(13,5)</b>	<b>(19,8)</b>	<b>(21,7)</b>	<b>(24,2)</b>	<b>(21,0)</b>	<b>(70,0)</b>	<b>(70,0)</b>
Revolving / (cassa)		(0,3)	(0,8)	(1,1)	(2,1)	(2,7)	(3,3)	(3,7)	(4,5)	(1,4)
A (ammortamento 7 anni)		8,4	8,2	7,8	7,0	5,5	3,7	1,7	0,0	0,0
B (bullet 8 anni)		6,2	6,2	6,2	6,2	6,2	6,2	6,2	6,2	0,0
C (bullet 9 anni)		6,6	6,6	6,6	6,6	6,6	6,6	6,6	6,6	6,6
Leasing	0,3	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Agevolati	0,2	0,2	0,1	0,1	0,0	0,0	0,0	0,0	0,0	0,0
Securitization	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1	1,1
Stagionalità capitale circolante, fees e costi di finanziamento	0,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0	1,0
<b>Oneri finanziari</b>	<b>1,6</b>	<b>23,3</b>	<b>22,5</b>	<b>21,7</b>	<b>19,9</b>	<b>17,8</b>	<b>15,4</b>	<b>13,0</b>	<b>10,4</b>	<b>7,3</b>
Revolving / (cassa)	(3,7)	(9,7)	(13,5)	(24,5)	(31,6)	(39,2)	(43,8)	(53,8)	(16,9)	11,7
A (ammortamento 7 anni)	100,0	98,0	93,3	83,0	65,5	44,3	20,5	0,0	0,0	0,0
B (bullet 8 anni)	70,0	70,0	70,0	70,0	70,0	70,0	70,0	70,0	0,0	0,0
C (bullet 9 anni)	70,0	70,0	70,0	70,0	70,0	70,0	70,0	70,0	70,0	0,0
Leasing	1,8	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Agevolati	12,8	10,0	6,9	3,7	1,4	1,0	0,5	0,0	0,0	0,0
Securitization	19,3	19,3	19,3	19,3	19,3	19,3	19,3	19,3	19,3	19,3
<b>Indebitamento netto</b>	<b>270,3</b>	<b>257,7</b>	<b>245,9</b>	<b>221,5</b>	<b>194,6</b>	<b>165,3</b>	<b>136,5</b>	<b>105,5</b>	<b>72,5</b>	<b>31,0</b>

Table 12 - Sensitivity analysis for the 2008-2017 Economic-Financial Plan - *Compliance with the covenants*

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Flusso di cassa operativo netto</i>	26,6	35,8	34,3	46,2	46,7	47,2	47,6	48,0	48,4	48,7
<i>Servizio del debito</i>	21,9	29,8	30,5	35,2	39,6	39,5	39,6	33,9	80,4	77,3
<b>Flusso di cassa / servizio del debito</b>	<b>1,21x</b>	<b>1,20x</b>	<b>1,12x</b>	<b>1,31x</b>	<b>1,18x</b>	<b>1,19x</b>	<b>1,20x</b>	<b>1,42x</b>	<b>0,60x</b>	<b>0,63x</b>
<b>Covenant</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>	<b>1,00x</b>
<i>Indebitamento netto</i>	270,3	257,7	245,9	221,5	194,6	165,3	136,5	105,5	72,5	31,0
<i>EBITDA</i>	71,4	89,8	102,6	104,7	106,8	108,9	111,1	113,3	115,6	117,9
<b>Indebitamento netto / EBITDA</b>	<b>3,78x</b>	<b>2,87x</b>	<b>2,40x</b>	<b>2,12x</b>	<b>1,82x</b>	<b>1,52x</b>	<b>1,23x</b>	<b>0,93x</b>	<b>0,63x</b>	<b>0,26x</b>
<b>Covenant</b>	<b>4,90x</b>	<b>4,00x</b>	<b>3,50x</b>	<b>3,00x</b>	<b>2,50x</b>	<b>2,50x</b>	<b>2,50x</b>	<b>2,50x</b>	<b>2,50x</b>	<b>2,50x</b>
<i>EBITDA</i>	71,4	89,8	102,6	104,7	106,8	108,9	111,1	113,3	115,6	117,9
<i>Oneri finanziari</i>	15,3	23,3	22,5	21,7	19,9	17,8	15,4	13,0	10,4	7,3
<b>EBITDA / oneri finanziari</b>	<b>4,68x</b>	<b>3,86x</b>	<b>4,57x</b>	<b>4,82x</b>	<b>5,37x</b>	<b>6,12x</b>	<b>7,24x</b>	<b>8,73x</b>	<b>11,12x</b>	<b>16,21x</b>
<b>Covenant</b>	<b>3,10x</b>	<b>3,10x</b>	<b>3,50x</b>	<b>4,00x</b>	<b>4,50x</b>	<b>4,50x</b>	<b>4,50x</b>	<b>4,50x</b>	<b>4,50x</b>	<b>4,50x</b>

The above sensitivity analysis (see tables 8, 7, 9, 10, 11 and 12), shows, even in a more conservative scenario than that considered to be most likely, that the Absorbing company post Merger will be able to meet the financial commitments deriving from the lines of credit, considering the scheduled repayments of principal, the interest

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payments and compliance with the financial covenants.

*The sensitivity analysis for the Economic-Financial Plan developed with reference to the Business Plan shows, at the end of the projection period after repayment of the last bullet line of credit (being the MergeCo C Term Loan Facility), that borrowing will amount to about Euro 31 million, including Euro 19.3 million from the securitisation of receivables. This residual borrowing is deemed to be negligible in relation to the cash generating ability of the Absorbing company post Merger.*

These conclusions are also supported by the Consultant's Report.

### 3. MERGER BALANCE SHEETS

Pursuant to art. 2501-*quater* of the Italian Civil Code, the following balance sheets are being used for Merger purposes:

- for the Absorbing company, the balance sheet as of 30 June 2008 approved by the Board of Directors of Performance Motorcycles on 30 July 2008. This document was prepared in accordance with Italian (OIC) accounting standards;
- for the Company to be absorbed, the balance sheet as of 30 June 2008 approved by the Board of Directors of Ducati on 15 September 2008. This document was prepared in accordance with international accounting standards (IAS/IFRS).

With respect to the information contained in the Merger balance sheets:

- the share capital of Performance Motorcycles at today's date amounts to Euro 59,608,990.00, of which Euro 59,263,226.00 is issued and fully paid, and is represented by 236,279,714 shares without par value;
- at the same time as approving the Merger, Performance Motorcycles will authorise the Equalisation Increase to the extent necessary and sufficient to complete the Merger and the related additional capital increase using the exchange ratio indicated in paragraph 4, unless the Absorbing company already owns the entire share capital of the Company to be absorbed;
- immediately after the Equalisation Increase is paid in and, in any case, prior to signing the Merger deed, Performance Motorcycles will use the financial resources deriving from the Equalisation Increase to repay the large majority or all of its borrowings in order

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to reach the Equality Point, unless the Absorbing company already owns the entire share capital of the Company to be absorbed.

As from the effective date of the Merger, Performance Motorcycles will adopt international accounting standards (IAS/IFRS) for the preparation of its separate and consolidated financial statements for the entire 2008 financial year (or 2009 if the Merger becomes effective during that year), consistent with the application of those standards by Ducati since 2005.

#### 4. EXCHANGE RATIO AND CRITERIA ADOPTED

*The Boards of Directors of the companies participating in the Merger, having regard for the fairness opinion issued by the Consultant on 15 September 2008 and presented as attachment 1, determined the share exchange ratio presented later based on the following technical considerations:*

- the assets of the Absorbing company comprise at today's date and will comprise at the Merger Completion Date essentially just the investment in Ducati;
- the borrowing of the Absorbing company will be repaid in whole or in part, using the resources deriving from the Equalisation Increase described in paragraph 1.3, in order to reach the Equality Point at the Merger Completion Date. In this way, at the Merger Completion Date, the value of the Absorbing Company's economic capital will be equivalent to the economic value of the investment in Ducati held by the Absorbing company;
- the Equalisation Increase will be subscribed for in full by the sole shareholder of the Absorbing company, International Motorcycles, without therefore giving rise to any change in the current ownership structure of the Absorbing company.

In view of the above considerations and given that, at the Merger Completion Date, (i) the value of the economic capital of the Absorbing company will be equivalent to the economic value of the investment it holds in Ducati and (ii) the share capital of the Absorbing company will comprise the same number of shares as the number of Ducati shares it holds at that date, the share exchange ratio has been established to be:

**1 ordinary share in Performance Motorcycles without par value,**

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**issued to service a capital increase of Euro 1.70 per share,  
for each Ducati ordinary share without par value**

No cash adjustment is envisaged.

Given the structure of the operation described, the above share exchange ratio is not dependent on the value of Ducati's economic capital.

No particular valuation difficulties were encountered on applying the methodology for determining the share exchange ratio, due to the structure of the operation described above.

Following the Merger based on the above share exchange ratio, the percentage interest in Performance Motorcycles held by Ducati's minority shareholders will be equal to the stake they held in Ducati prior to the Merger. Similarly, the percentage interest in the Absorbing company post Merger held by the shareholders of Performance Motorcycles (*International Motorcycles*) will be equal to that held by them in Performance Motorcycles prior to the Merger. Accordingly, neither the shareholders of the Absorbing company nor Ducati's minority shareholders will be diluted in any way.

### 5. APPOINTMENT OF EXPERT PURSUANT TO ART. 2501-SEXIES OF THE ITALIAN CIVIL CODE

By decree dated 28 July 2008, the Bologna Court appointed Deloitte & Touche S.p.A., an auditing firm with registered offices at via Tortona 25, Milan, as common expert pursuant to art. 2501-*sexies* of the Italian Civil Code (hereinafter the “**Expert**”).

The Expert will prepare:

- the report on the fairness of the share exchange ratio described in paragraph 4 required by paras. 1 and 2 of art. 2501-*sexies* of the Italian Civil Code;
- the report on the reasonableness of the information contained in the Merger proposal about the resources required to meet the obligations of the company resulting from the Merger, required by para. 4 of art. 2501-*bis* of the Italian Civil Code;
- the report confirming that the value of the economic capital of Ducati represented by the shares to be exchanged is not lower than the amount of the increase in the share capital of Performance Motorcycles to service the exchange described in paragraph 6,

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required by art. 2343 of the Italian Civil Code, in application by analogy of para. 7 of art. 2501-*sexies* of the Italian Civil Code; this is necessary since, from an accounting standpoint, the Merger is expected to give rise to an “exchange difference” due to the fact that the increase in the capital of Performance Motorcycles to service the share exchange exceeds the carrying amount of the Ducati shareholders' equity represented by the shares to be exchanged.

### 6. ALLOTMENT OF SHARES IN THE ABSORBING COMPANY AND RELATED DIVIDEND RIGHTS

The Merger will be implemented by:

- cancelling the Ducati shares held by Performance Motorcycles at the effective date of the Merger;
- cancelling any Ducati shares held by Ducati at the effective date of the Merger;
- a capital increase to service the exchange of Ducati shares that, at the effective date of the Merger, are held by parties other than Performance Motorcycles or Ducati.

The above share exchange will take place using the ratio described in paragraph 4 via the allotment of up to 24,195,271 new shares in Performance Motorcycles with the same rights and characteristics as the shares in Performance Motorcycles currently issued.

The shares in Performance Motorcycles issued to service the share exchange will not be listed on any regulated markets.

The Extraordinary Meeting of Performance Motorcycles called to approve the Merger proposal will authorise an increase in share capital by a maximum of Euro 41,131,960.70 to service the share exchange, via the issue of up to 24,195,271 shares without par value.

The actual amount of the capital increase will be determined on the Merger Completion Date, based on a price of *Euro 1.70* for each share to be exchanged in the Company to be absorbed, consistent with the appraisal of the economic capital of Ducati prepared by the Consultant and presented as attachment 1.

The share exchange operations will be carried out commencing from the effective date of the Merger, without any charges, expenses or commissions for the account of Ducati's shareholders.

With regard to the timing and basis for proceeding with operations to exchange the shares of the Company to be absorbed, the Absorbing company will arrange for the publication of a notice in at least one

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daily newspaper with national circulation.

The shares in Performance Motorcycles issued to service the share exchange will carry the same dividend rights as the shares already issued in Performance Motorcycles at the effective date of the Merger.

7. DATE FROM WHICH THE TRANSACTIONS OF THE COMPANY TO BE ABSORBED WILL BE REFLECTED IN THE FINANCIAL STATEMENTS OF THE ABSORBING COMPANY

*Pursuant to art. 2504-bis of the Italian Civil Code, the statutory effects of the Merger will apply from the day on which the Bologna Companies Register records the last of the entries required pursuant to art. 2504 of the Italian Civil Code, unless a later date is specified in the Merger deed.*

Ducati's transactions will be reflected in the financial statements of Performance Motorcycles from 1 July 2008, or from 1 January 2009 if the Merger takes effect for statutory purposes during 2009; the tax effects referred to in art. 172.9 of Presidential Decree 917 dated 22 December 1986 and subsequent amendments and additions (hereinafter the “**TUIR**”) will apply from the same date (1 July 2008 or 1 January 2009).

8. TAX IMPACT OF THE MERGER OPERATION

### TAX NEUTRALITY

Pursuant to art. 172 of the **TUIR**, the Merger is tax neutral for corporate income tax purposes (hereinafter “Ires”), since it does not represent the realisation or distribution of capital gains or capital losses on the assets of the Absorbing company and the Company to be absorbed, including those relating to inventories and the value of goodwill.

Consistent with the above principle of neutrality, the reconciling captions recorded for accounting purposes (merger surplus or deficit) as a consequence of the Merger do not form part of taxable income and have no fiscal significance of any kind. These captions will be treated in the financial statements of the Absorbing company in accordance with the applicable regulations and accounting standards.

The principle of neutrality described above also applies to the Merger for the purposes of the regional tax on productive activities (IRAP).

### RESERVES IN SUSPENSE FOR TAX PURPOSES

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Pursuant to art. 172.5 of the TUIR, any reserves in suspense for tax purposes that are recorded in the financial statements of the Company to be absorbed and still in existence at the effective date of the Merger, will be reconstructed in the financial statements of the Absorbing company to the extent and on the basis required by their nature, or will form part of the taxable income of the Absorbing company if not reconstructed as required.

Pursuant to art. 172.6 of the TUIR, any capital increase or merger surplus remaining after having fulfilled any requirement to reconstruct the above reserves will inherit, proportionally, the fiscal nature of the capital and reserves comprising the shareholders' equity of the Company to be absorbed that differ from those reconstructed in the financial statements of the Absorbing company. Up to the value of the equity investment cancelled, the capital and equity reserves of the Company to be absorbed are not deemed to contribute to any cancellation surplus that may arise.

### **TAX LOSSES**

The tax losses of the companies participating in the Merger may be carried forward against the taxable income of the Absorbing company, to the extent and on the basis described in art. 172.7 of the TUIR.

### **START OF TAX EFFECTS**

Pursuant to art. 172.9 of the TUIR, the tax effects of the Merger will commence from 1 July 2008, or from 1 January 2009 if the Merger takes effect for statutory purposes during 2009.

### **INDIRECT TAXES**

Pursuant to art. art. 2.3.f) of Decree 633 dated 26 October 1972, VAT is not applicable to the Merger.

Pursuant to art. art. 4.1.b) of Part I of the Tariff attached to Decree 131 dated 26 April 1986, the Merger deed is subject to registration taxes at a flat rate of Euro 168.00.

Pursuant to art. art. 4 of the Tariff attached to Law 347 dated 31 October 1990, the Merger is subject to the application of mortgage and land-registration taxes at a flat rate of Euro 168.00, if property or real rights over property are involved.

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### EFFECTS ON THE SHAREHOLDERS OF THE COMPANY TO BE ABSORBED

Pursuant to art. 172.3 of the TUIR, the exchange of the shares held by the shareholders of the Company to be absorbed for shares in the Absorbing company is not significant for fiscal purposes, since it does not represent for them the distribution of capital gains or capital losses, or the earning of revenues. Consequently, the fiscally-recognised value of the Ducati shares exchanged is transferred to the shares in the Absorbing company received upon the share exchange.

### EFFECTS ON SHAREHOLDERS THAT EXERCISE THEIR RIGHT TO WITHDRAW

As discussed later in paragraph 11, the shareholders of the Company to be absorbed that do not resolve to approve the Merger are entitled to withdraw pursuant to art. 2437-*quinquies* of the Italian Civil Code, since they would receive in exchange shares that are not listed on any regulated market. The right to withdraw applies subject to the effectiveness of the Merger.

If the right to withdraw is exercised, any positive difference between the amount received by the shareholders and the fiscally-recognised cost of their equity investment represents:

- for physical persons, “other income” or “income from capital” subject to taxation under the applicable current regulations, depending on whether withdrawal takes place pursuant to paras. 1 and 4 of art. 2437-*quater* of the Italian Civil Code, or pursuant to para. 5 of art. 2437-*quater* of the Italian Civil Code;
- for individual entrepreneurs, business income subject to taxation under current regulations if the equity investment is held as a business asset;
- for limited companies, income subject to Ires taxation under current regulations.

\* \* \*

The tax effects of the Merger for the shareholders of the Company to be absorbed that are resident in countries other than Italy must be checked by each of them, in conformity with current regulations in their country of residence.

### 9. LIKELY SIGNIFICANT SHARE OWNERSHIP AND CONTROL OVER THE ABSORBING COMPANY POST MERGER

Considering the 1:1 share exchange ratio proposed and subject to the

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outcome of the procedure relating to the obligation on the Absorbing company to purchase the remaining Ducati shares pursuant to art. 108 of the TUF or to its right to purchase such shares (if the required conditions are met) pursuant to art. 111 of the TUF, the following table shows the ownership structure of the Absorbing company's shares at the effective date of the Merger:

Shareholders	% Capital
International Motorcycles S.p.A.	92.75 %
Market	7.25 %

The Absorbing company will therefore be controlled by International Motorcycles S.p.A.

### 10. EFFECT OF THE MERGER ON SHAREHOLDERS' AGREEMENTS

**Based on the information communicated to Consob and the market as required by law, a shareholders' agreement** ("Agreement") regarding Ducati was signed on 13 June 2008 by World Motor Holdings S. à r.l., World Motor Holdings II S. à r.l., BS Investimenti S.g.r. S.p.A., BS Private Equity S.p.A., Hospitals of Ontario Pension Plan, World Motors S.A., World Motors Red S.c.A., World Motors White S.c.A., International Motor Holdings B.V., International Motorcycles S.p.A. and Performance Motorcycles S.p.A..

This Agreement contains provisions regarding the transfer of Ducati shares and, in particular, lock-up obligations, pre-emption rights, tag-along rights and drag-along obligations.

*The Agreement also contains provisions regarding the governance of Ducati and, in particular, the criteria for nominating members of the company's Board of Directors and Board of Statutory Auditors. An extract of the Agreement is about to be published on Consob's website and is presented as attachment 3 to this report.*

Following the Merger, the Agreement is expected to remain in force. The provisions regarding the transfer of investments in Ducati and the appointment of board members and statutory auditors will be applied to Performance Motorcycles.

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### 11. ASSESSMENT OF THE APPLICABILITY OF WITHDRAWAL RIGHTS

Given the proposed changes to the articles of association of Performance Motorcycles, the shareholders of Performance Motorcycles will be entitled to exercise withdrawal rights pursuant to art. 2437.1.g) of the Italian Civil Code. International Motorcycles S.p.A. (the sole shareholder of Performance Motorcycles) has already declared its intention not to exercise this right.

### 12. DOCUMENTS MADE AVAILABLE TO THE PUBLIC

The following documents relating to the Merger will be made available to the public, within the legal timescale, at the registered offices of Performance Motorcycles and Ducati, and at the offices of Borsa Italiana S.p.A. at Piazza Affari 6, Milan, and will be published on Ducati's website ([www.ducati.com](http://www.ducati.com)):

- the report prepared by the Boards of Directors of Performance Motorcycles and Ducati pursuant to arts. 2501-*bis* and 2501-*quinquies* of the Italian Civil Code;
- the merger proposal for the absorption of Ducati by Performance Motorcycles prepared pursuant to arts. 2501-*bis* and 2501-*ter* of the Italian Civil Code;
- the merger balance sheet as of 30 June 2008 prepared by Performance Motorcycles pursuant to art. 2501-*quater* of the Italian Civil Code;
- the merger balance sheet as of 30 June 2008 prepared by Ducati pursuant to art. 2501-*quater* of the Italian Civil Code;
- the reports prepared by the Expert pursuant to arts. 2501-*sexies*, 2501-*bis* and 2343 of the Italian Civil Code.

With regard to the financial statements of the companies participating in the Merger, the financial statements of Performance Motorcycles and of Ducati will be filed at their respective registered offices pursuant to art. 2501-*septies* of the Italian Civil Code.

\* \* \*

Considering all of the above, the Board of Directors of Performance Motorcycles invites the Extraordinary Shareholders' Meeting to approve the Merger proposal and adopt the consequent resolutions.

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Attachments:

- 1) Fairness opinion prepared by the Consultant on the valuation of the economic capital of Ducati and the share exchange ratio;
- 2) Report of the Consultant on the sustainability of the level of borrowing;
- 3) Extract from the Agreement.

Bologna, 15 September 2008

**Performance Motorcycles S.p.A.**

For the Board of Directors

The Chairman

Gino Camillo Puliti