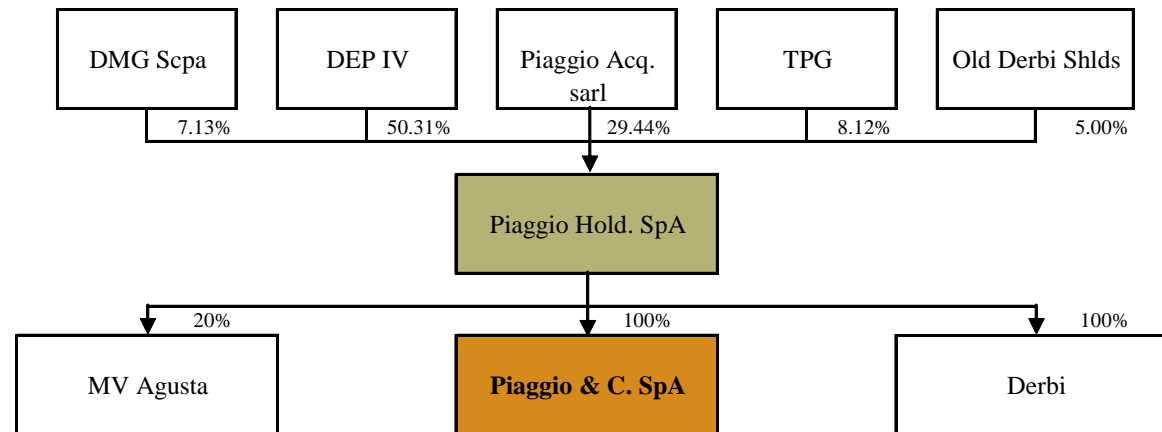


Confidential

Project Gregory – Case Study

Piaggio Overview

- ◆ Piaggio & C. S.p.A. (“Piaggio & C.”) is one of the leading two-wheel manufacturers in Europe, with a 27.5% market share in 2002. The company also produces light-weight transportation vehicles
- ◆ Piaggio & C. is owned by Piaggio Holding S.p.A. (“Piaggio Holding” or the “Company”) whose largest shareholders are the private equity funds of Deutsche Morgan Grenfell (“DMG”) and other institutional investors (collectively “Existing Shareholders”)
- ◆ Existing shareholders acquired Piaggio & C. in 1999 in a €690 mln LBO (including assumed debt). Equity investment is in the region of €280 million
- ◆ During 2001, the Company acquired 100% of Derbi, a Spanish two-wheel manufacturer, for stock. As a result of the acquisition, Derbi former shareholders own 5% of Piaggio Holding
- ◆ The following chart summarises the group’s structure:



Piaggio Overview

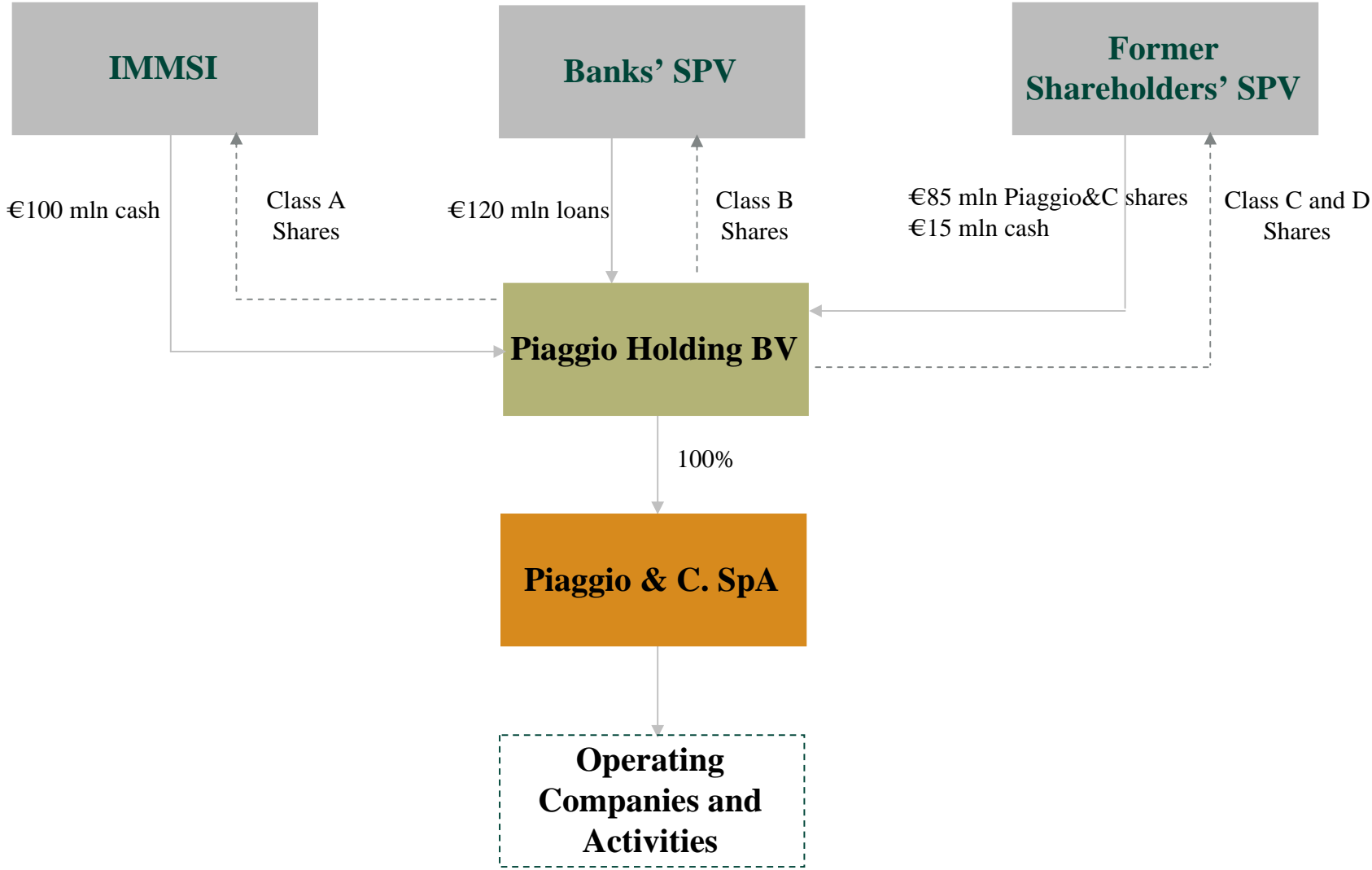
- ◆ In 2002, Piaggio Holding reported consolidated net sales of € 949 mln, €77 mln of EBITDA (8.1% margin)
- ◆ Despite a fairly good operating performance, Piaggio incurred in heavy losses, as a consequence of:
 - amortisation of the approx. €500 mln goodwill originated by the merger of the acquisition vehicle with the operating company
 - interest expense on a gross debt figure of over €600 mln
 - extraordinary charges (restructuring, write-off of financial investments)
- ◆ Moreover, Piaggio could not generate cash flows to meet the acquisition debt repayment obligations, resulting in an increasing net debt figure and in a default situation with the lending banks (the “Banks”) at year end 2002
- ◆ At year end 2002, net financial debt amounted to approx. € 580 mln, goodwill to approx. €420 mln and book shareholders’ equity to €107 mln
- ◆ With a negative market value of Piaggio equity, Existing Shareholders lost their money. At the same time, none of them was willing to inject new funds in the Company

<i>Euro mln</i>	2000A	2001A	2002A	1H 2003A
Sales	1,128.3	986.8	948.5	534.1
<i>growth %</i>		-12.5%	-3.9%	
EBITDA	106.4	64.1	77.0	58.9
<i>margin %</i>	9.4%	6.5%	8.1%	11.0%
EBITA	43.0	(7.2)	5.7	21.1
<i>margin %</i>	3.8%	-0.7%	0.6%	4.0%
EBIT	11.7	(41.1)	(29.1)	3.6
<i>margin %</i>	1.0%	-4.2%	-3.1%	0.7%
Net interest income / (expense)	(29.5)	(33.2)	(33.6)	(16.6)
Extraordinary items and other	14.2	(16.9)	(55.2)	(2.8)
EBT	(3.5)	(91.1)	(118.0)	(15.8)
Taxes	0.2	(7.7)	(10.3)	(7.2)
Net profit / (loss)	(3.4)	(98.8)	(128.2)	(23.0)
Minority interests		1.6	1.0	-
Group net profit / (loss)	(3.4)	(100.4)	(129.2)	(23.0)
Fixed Assets	827.8	826.1	716.0	680.8
<i>Inventory</i>	204.4	192.7	169.3	152.6
<i>Receivables</i>	160.6	129.5	107.9	157.9
<i>Payables</i>	(318.7)	(266.7)	(224.5)	(306.8)
<i>Other net current assets</i>	49.2	38.1	11.2	12.2
Working Capital	95.5	93.6	64.0	15.9
Funds	(108.3)	(104.4)	(95.6)	(99.7)
Net Invested Capital	815.0	815.3	684.4	597.0
Net Debt / (Cash)	458.7	567.4	577.1	529.2
Shareholders' Equity	356.3	247.8	107.2	67.8
Total Capitalisation	815.0	815.3	684.4	597.0

The Transaction

- ◆ The transaction entailed a re-structuring and re-recapitalisation of Piaggio Group, through the following key steps:
 - contribution by Piaggio Holding of MV Agusta and Derbi into Piaggio & C., in order to by-pass certain litigations and tax issues that an investment at Piaggio Holding level would have risen
 - contribution of Piaggio & C. into a DutchCo (for an amount of €85 mln) and capitalisation of DutchCo as follows:
 - IMMSI, €100 mln in cash
 - Banks, €120 of loans converted into equity (through an SPV)
 - former Piaggio Holding shareholders, €15 mln in cash (on top of the €85 mln of nominal value of Piaggio & C. contribution)
 - Attribution of different classes of shares to DutchCo shareholders, with the objectives of differentiating the investment returns (privileging IMMSI) and granting full control and operating responsibility to IMMSI. Corporate governance agreements rule voting rights with respect to certain extraordinary transactions and exit of Banks and former shareholders (IPO vs. sale of their stake to IMMSI)
 - Execution of a €235 mln capital increase by Piaggio & C. (underwritten by DutchCo) whose proceeds are fully destined to re-pay part of the outstanding bank loans
- ◆ Upon completion of the transaction, Piaggio & C. could reduce its net debt to approximately €320 mln - €350 mln, at the same time increasing shareholders' equity by such an amount which might result compatible with future decisions around partial write-off of goodwill

Group Structure Post Transaction



Current Financing Facilities

Overview

Facility	Pre-Restructuring	Post-Restructuring*	Expiry	Cost
Long Term Loan	258,500,000	127,168,786	31-Dec-10	Euribor 6 mth + 250 bps
Stand-by	77,500,000	38,126,031	31-Dec-10	Euribor 6 mth + 250 bps
Stand-by Intesa	54,684,091	27,005,183	31-Dec-10	Euribor 6 mth + 250 bps
Working Capital	154,937,069	125,000,000	30-Jun-07	Euribor + 50/100/125 bps; 0.1% commit. fee
Total	545,621,160	317,300,000		

* fully drawn amounts, except for working capital facility

Amortization

Facility	31-Dec-06	30-Jun-07	31-Dec-07	30-Jun-08	31-Dec-08	30-Jun-09	31-Dec-09	30-Jun-10	31-Dec-10
Long Term Loan	9,537,659	9,537,659	9,537,659	12,716,879	12,716,878	12,716,878	12,716,878	12,716,878	38,150,634
Stand-by	2,859,451	2,859,451	2,859,451	2,859,451	3,812,604	3,812,604	3,812,604	3,812,604	11,437,811
Stand-by Intesa	2,025,389	2,025,389	2,025,389	2,025,389	2,700,519	2,700,518	2,700,518	2,700,518	8,101,554
Total	14,422,499	14,422,499	14,422,499	17,601,719	19,230,001	19,230,000	19,230,000	19,230,000	57,689,999

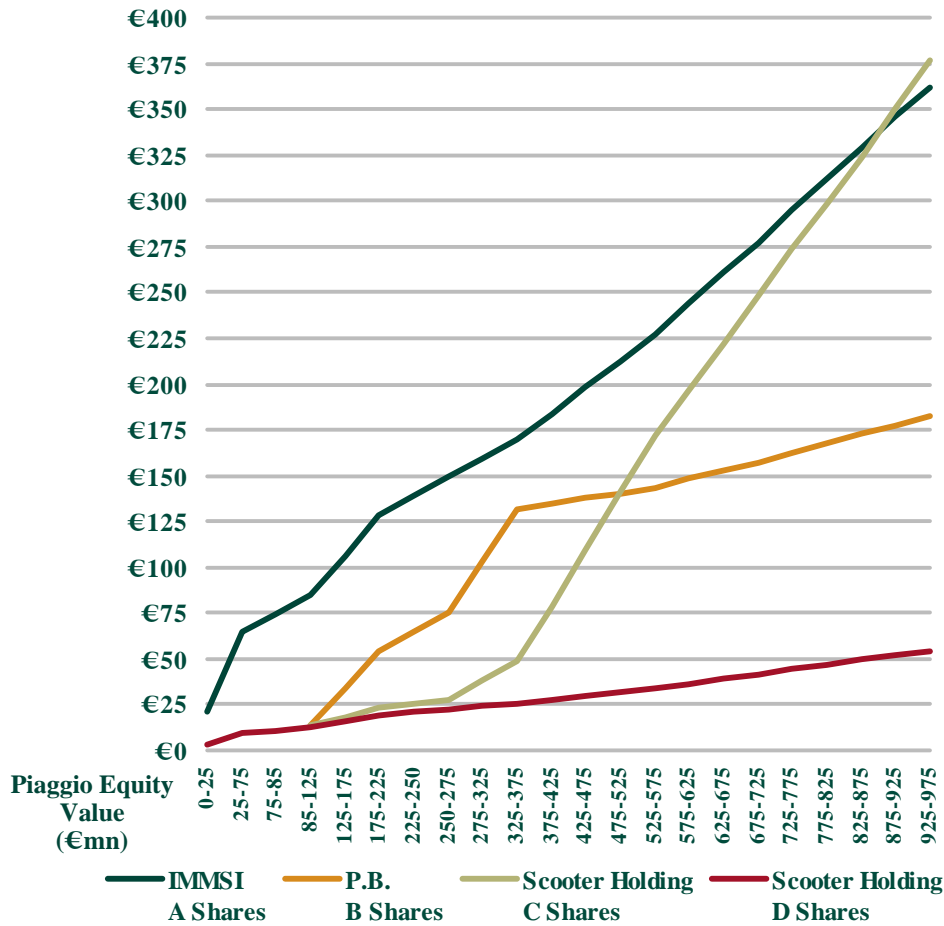
Financial Covenants

Financial Covenant	2004	2005	2006	2007	2008	2009	2010
Net Debt / Equity	3.50x	3.50x	3.50x	2.00x	2.00x	2.00x	2.00x
EBITDA / Net Interest Expense	4.00x	4.00x	5.00x	5.00x	5.00x	5.00x	5.00x
Net Debt / EBITDA	4.75x	4.00x	3.00x	2.00x	2.00x	2.00x	2.00x
Book Equity greater than (€mln)	180	180	180	180	180	180	180
EBITDA greater than (€mln)	0	0	0	0	0	0	0

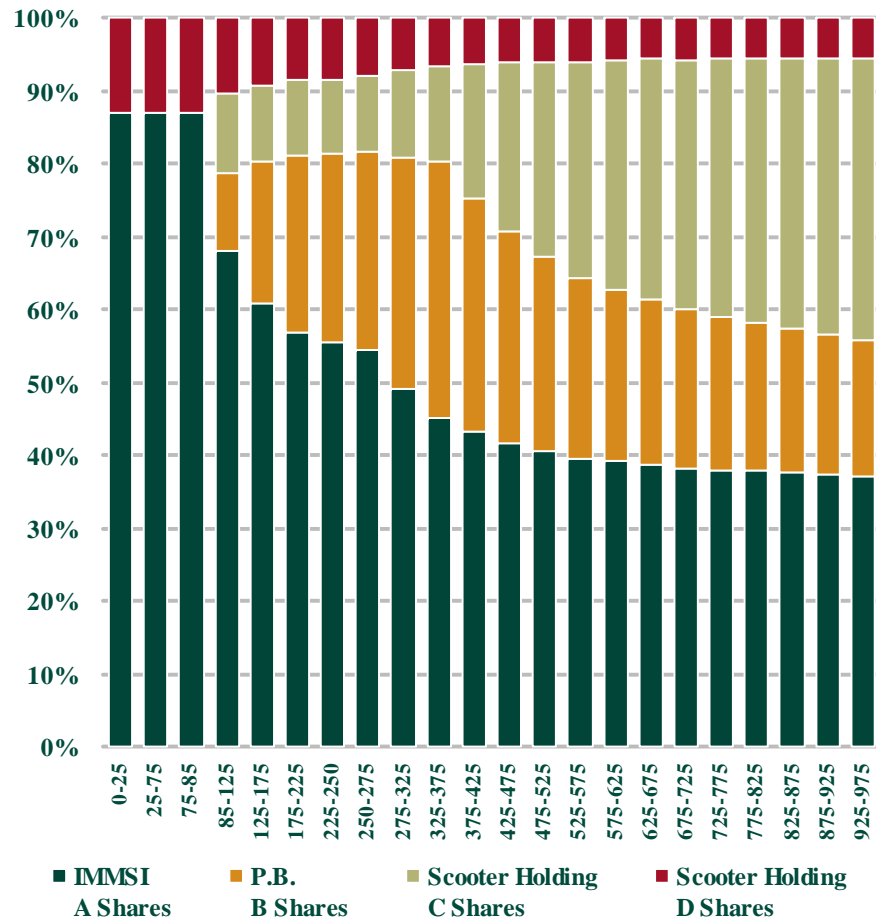
- ◆ All facilities (except for the working capital one) are guaranteed by pledge on: i) 100% of Piaggio & C. shares; ii) certain real estate assets; iii) plants and equipment

La Tabella

Total Proceeds by Shareholder



% Economic Interest



La Tabella

EQUITY VALUE		PROVENTI TOTALI				Economic Interest			
		IMMSI	P.B.	Scooter Holding		IMMSI	P.B.	Scooter Holding	
da	a	A Shares	B Shares	C Shares	D Shares	A Shares	B Shares	C Shares	D Shares
0	25	21.7	-	-	3.3	87.0%	0.0%	0.0%	13.0%
25	75	65.2	-	-	9.8	87.0%	0.0%	0.0%	13.0%
75	85	73.9	-	-	11.1	87.0%	0.0%	0.0%	13.0%
85	125	85.0	13.5	13.7	12.8	68.0%	10.8%	10.9%	10.2%
125	175	106.6	34.0	18.4	16.0	60.9%	19.4%	10.5%	9.1%
175	225	128.1	54.5	23.2	19.2	56.9%	24.2%	10.3%	8.5%
225	250	138.8	64.8	25.6	20.8	55.5%	25.9%	10.2%	8.3%
250	275	149.6	75.0	27.9	22.4	54.4%	27.3%	10.2%	8.2%
275	325	159.3	103.3	38.5	23.9	49.0%	31.8%	11.9%	7.4%
325	375	169.4	131.2	49.0	25.4	45.2%	35.0%	13.1%	6.8%
375	425	184.0	135.0	78.5	27.6	43.3%	31.8%	18.5%	6.5%
425	475	198.2	137.6	109.5	29.7	41.7%	29.0%	23.1%	6.3%
475	525	212.4	140.2	140.6	31.9	40.5%	26.7%	26.8%	6.1%
525	575	226.6	142.8	171.6	34.0	39.4%	24.8%	29.8%	5.9%
575	625	244.1	148.1	196.2	36.6	39.1%	23.7%	31.4%	5.9%
625	675	260.9	153.0	222.0	39.1	38.7%	22.7%	32.9%	5.8%
675	725	277.2	157.5	248.7	41.6	38.2%	21.7%	34.3%	5.7%
725	775	294.6	162.7	273.5	44.2	38.0%	21.0%	35.3%	5.7%
775	825	312.0	167.9	298.2	46.8	37.8%	20.4%	36.1%	5.7%
825	875	329.0	172.7	323.9	49.4	37.6%	19.7%	37.0%	5.6%
875	925	345.9	177.5	349.7	51.9	37.4%	19.2%	37.8%	5.6%
925	975	362.2	182.0	376.5	54.3	37.1%	18.7%	38.6%	5.6%
975	in poi								