



# 2006 - 2008 Strategic Plan Capital Increase Road Show

May 2006

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	<b>Name</b>	<b>Position</b>	<b>Years with Ducati</b>
	<b>Federico Minoli</b>	<b>Chairman and CEO</b>	<b>11</b>
	<b>Enrico D'Onofrio</b>	<b>CFO</b>	<b>5</b>

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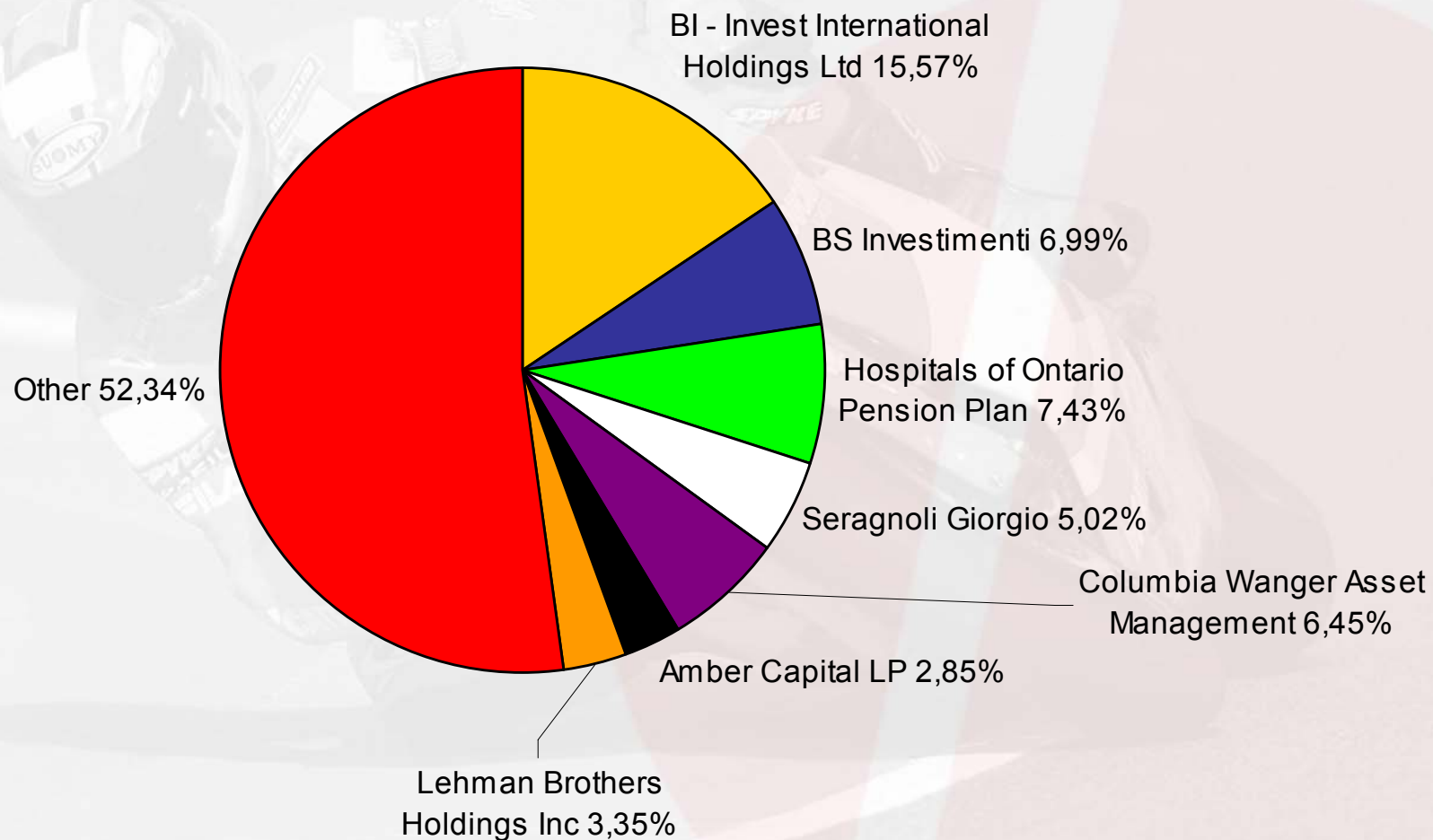
- 2005 Discontinuity

- Relaunch Strategy

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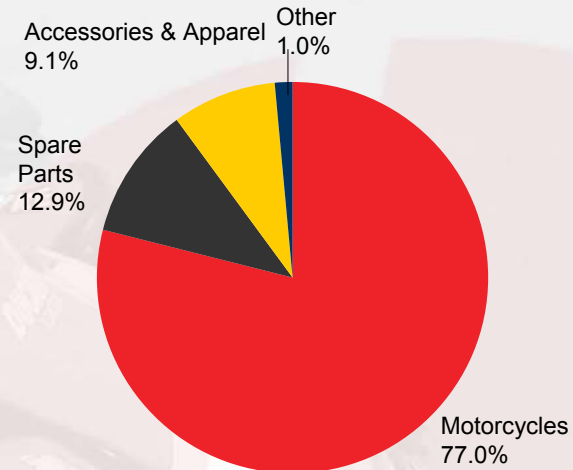
### ☐ RESTRUCTURING PLAN

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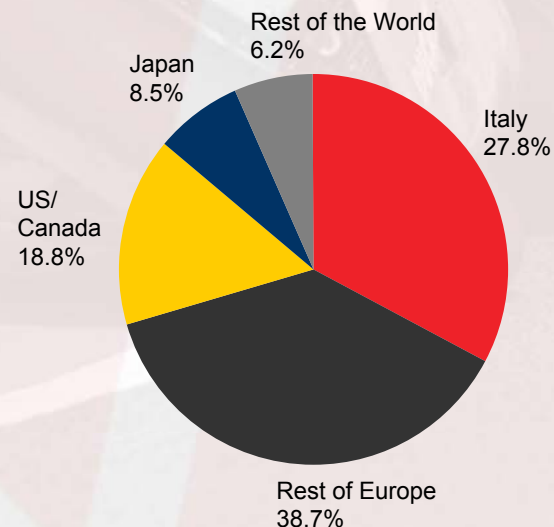


- Founded in 1926, Ducati is today the leading European manufacturer and distributor of high-performance sport motorcycles
- Ducati is recognized throughout the world for its distinctive product, racing pedigree and “cool” brand
- Ducati sells approximately 35,000 motorcycles in 61 countries, with 4.4% worldwide market share in the sport segment of the high displacement road market

## 2005 Revenues by Product



## 2005 Revenues by Region





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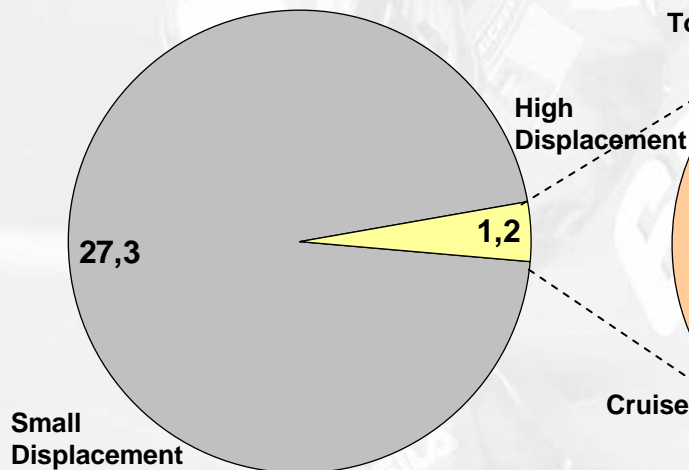
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☐ RESTRUCTURING PLAN

## SECTION 3: OFFER STRUCTURE

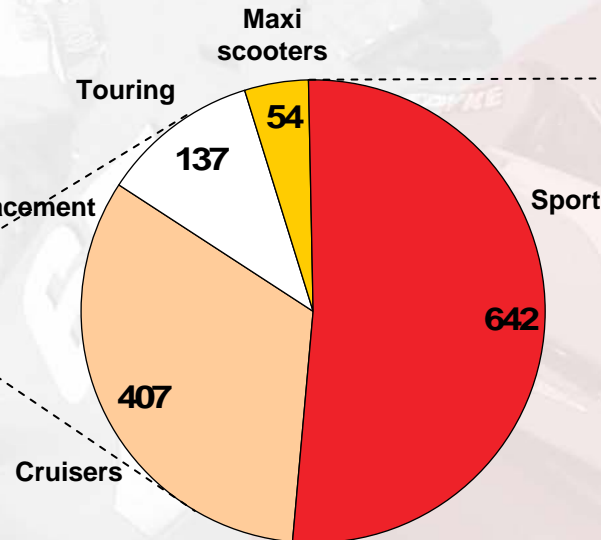
## Total 2-Wheel Market

28.5 MM units <sup>(1)</sup>



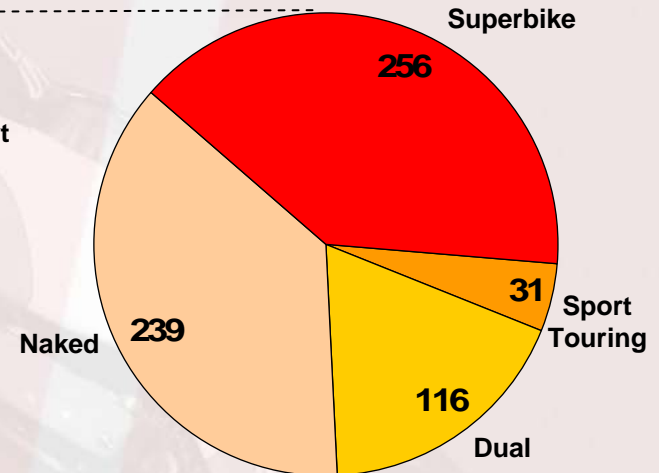
## High Displacement Road Market

1.2 MM units <sup>(2)</sup>



## Ducati Relevant Market

642,000 units <sup>(2)</sup>



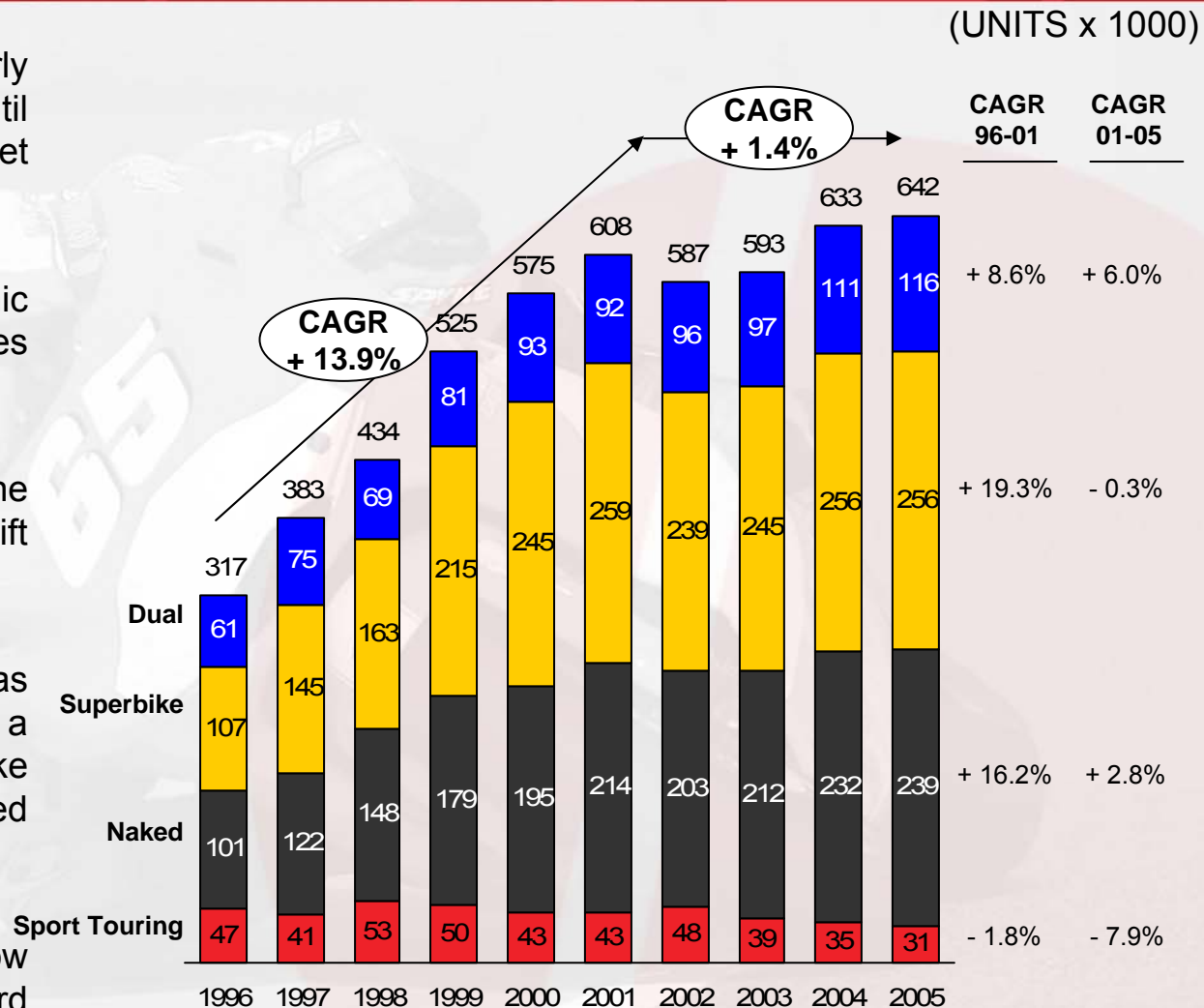
- The 28 Million unit 2-wheel market is dominated by small displacement commodity vehicles used in developing countries
- The 1.2 Million unit high displacement road market includes all vehicles above 400 cc registered for road usage (excluding off-road unregistered vehicles) sold primarily in developed countries. It is divided into four segments: "Sport", Cruisers, Touring and Maxi Scooter segments
- The Sport segment of the high displacement road market accounts for approximately 644,000 units; it is the only market where Ducati competes (Ducati Relevant Market) and is divided in 4 sub-segments, which are: Superbike, Naked, Dual and Sport Touring

(1) Approximately, 2005 data

(2) Excluding Japan

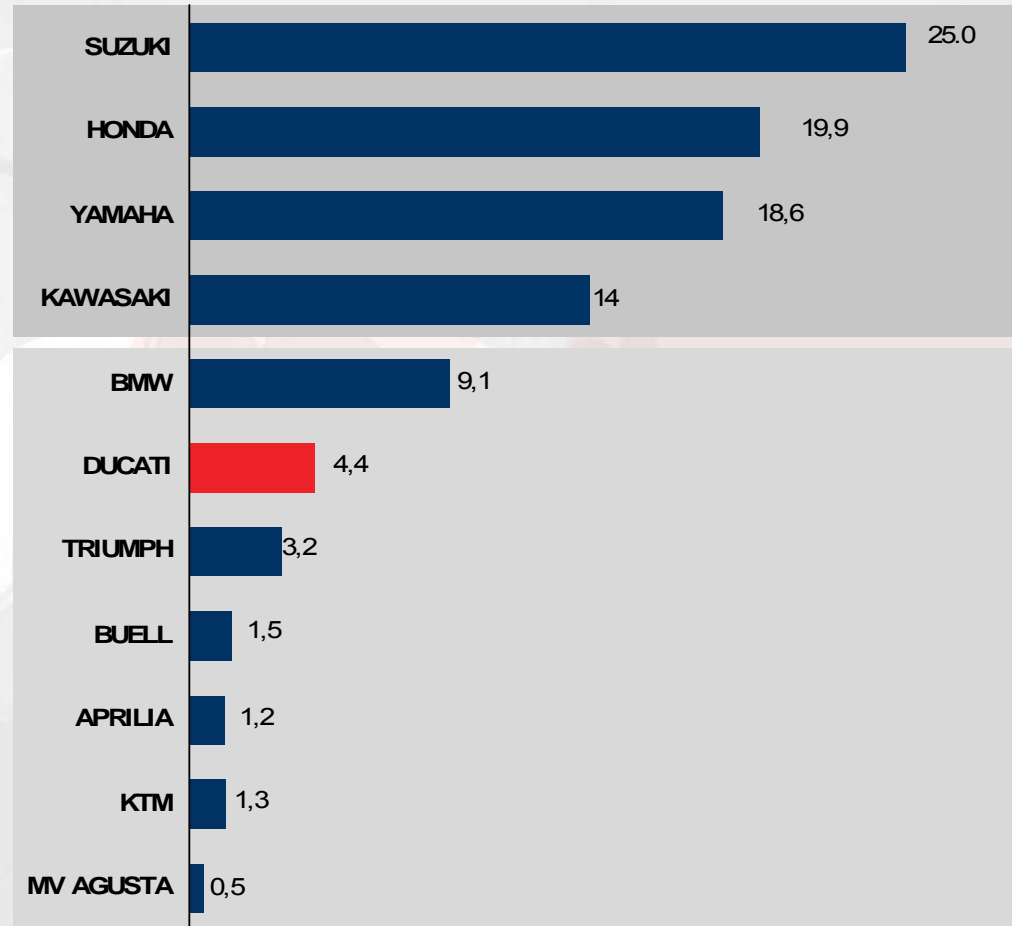


- After experiencing a yearly double digit growth rate until 2001, Ducati relevant market has since leveled off
- Despite weak macroeconomic conditions, market volumes were slightly up since 2001
- Over the past 4 years, the market has experienced a shift among different subsegments
  - ✓ In particular, there has consistently been a decrease in Superbike segment in favor of naked motorbikes
- Market is expected to show modest growth going forward driven by Naked and Dual subsegments



%

- Market performance clearly divided between Japanese mass market producers and premium price Europeans
- Among the Japanese, Suzuki and Honda alternate as # 1 player year after year
- Ducati is a solid # 2 player among the Europeans after BMW with 4.4 % market share
- BMW has a wider product range with single, twin and four cylinder engines
- Harley Davidson competes in the Sport segment through Buell only



Source: GIRAL, Ducati analysis

\* Ducati Relevant Market is defined as Superbike, Naked, Sport Touring and Dual above 398cc bikes

\* 2005 Data

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### ☐ RESTRUCTURING PLAN

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Ducati will return to profitability by revising its long range strategic plan in light of recent market developments and of the currently unsatisfactory results. Renewal and simplification of the product line up, focus on high margin products, reduction of fixed costs and a capital increase are the main focal points of the long range plan.

- ☐ Ducati's growth phase (1996-2001) took place thanks to precise brand positioning; promotion of the unique product character; distribution through Ducati Stores; Community marketing; development of accessories and apparel; turn around of the production plant.
- ☐ The stabilization phase (2002-2004) was caused by external factors such as the decline of the US dollar, internal errors such as the relocation of the US subsidiary, and structural factors such as the crisis of the Customer Acquisition Model which was based on client loyalty and on gaining new clients.

In particular the product showed some weakness both with the M620 entry model due to aggressive competition from the Japanese, and with premium model 999.

- ☐ A scorecard which summarizes Ducati's performance between 1996 and today shows significant steps forward in the areas of Brand, distribution, marketing, racing and the factory, but a poor performance in the product area.

- ☐ 2005 was a year of discontinuity with a forthcoming new shareholder and a sizable capital increase making possible a change of strategy reflected already in the 2005 results.
- ☐ The relaunch strategy is based on a turn around in the product area aimed at restoring the Customer Acquisition Model. Products will be focused on high margin models with significant changes in design, quality, performance and profit. Other factors (brand, distribution, marketing, Corse, and factory) although subject to continuous improvement will not be changed compared to the past.
- ☐ Key factors for product relaunch are a new organization structure in the product area; a new design brief; the renewal and simplification of the product range in all families; a focus on high margin products; an improvement of quality levels.
- ☐ Prerequisites for the product success are a significant investment in R&D; reduced pressure on sell in to decrease dealer stock; global sourcing; reduction of Company fixed costs.

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Growth Phase			Key factors
	1996	2001	
<b>Units</b> CAGR + 25.9%	12,639	40,016	<ul style="list-style-type: none"> <li>• Successful evolution of existing products (Monster, 916)</li> <li>• Focused niche brand</li> <li>• Product character</li> <li>• Community Marketing</li> <li>• Dedicated distribution network</li> <li>• Related products</li> <li>• Flexible manufacturing operation</li> </ul>
<b>Revenues</b> (€ MM) CAGR + 31.1%	105.3	407.8	
<b>EBITDA</b> (€ MM) CAGR + 41.1%	11.8	66.1	
<b>Capex</b> (€ MM) CAGR +37.4%	6.0	29.4	

From 1996 to 2001 Ducati underwent a successful turnaround which involved all areas of the company.

**Monster** 1993



**Monster S4** 2001



**916** 1994



**998** 2001



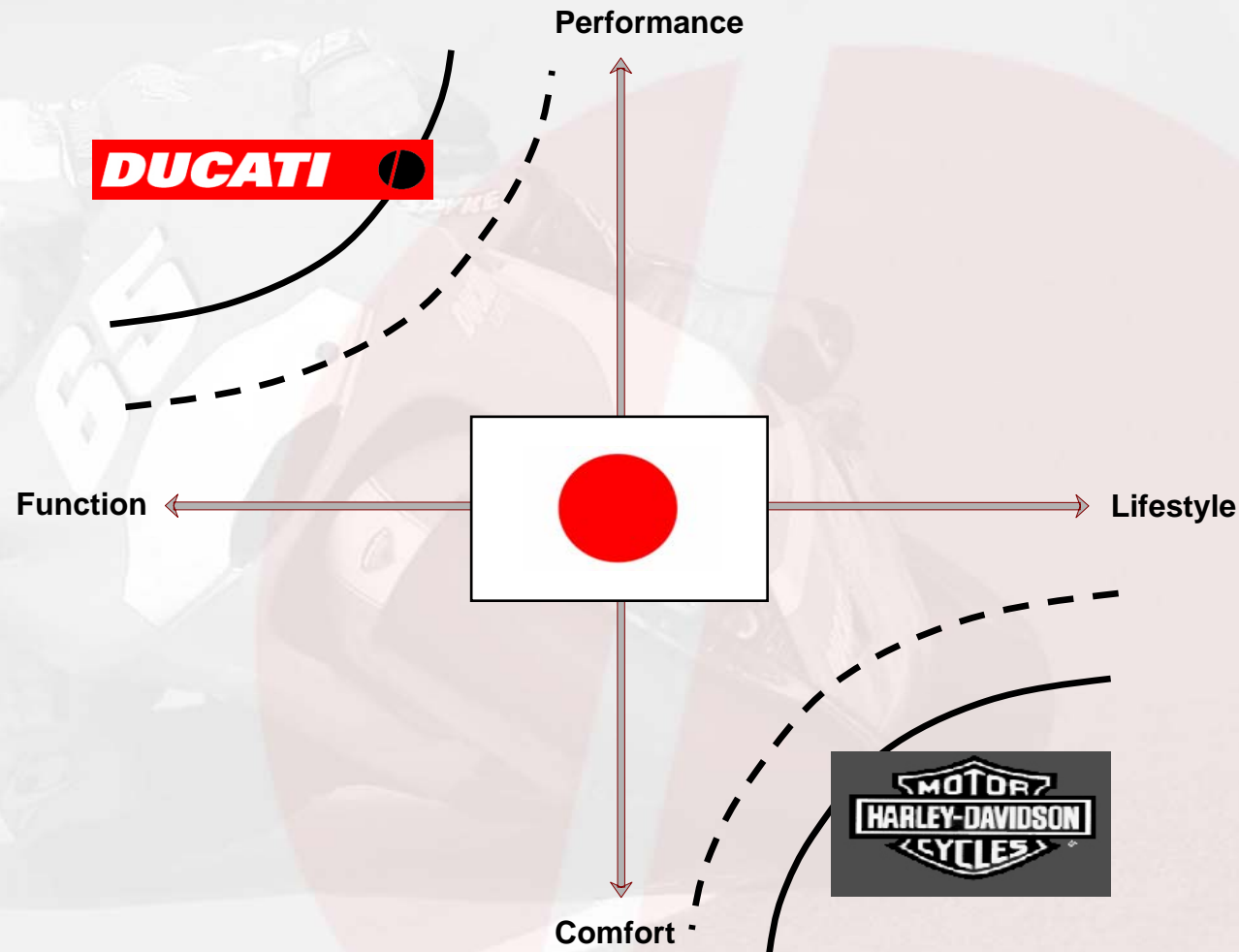
**ST2** 1997



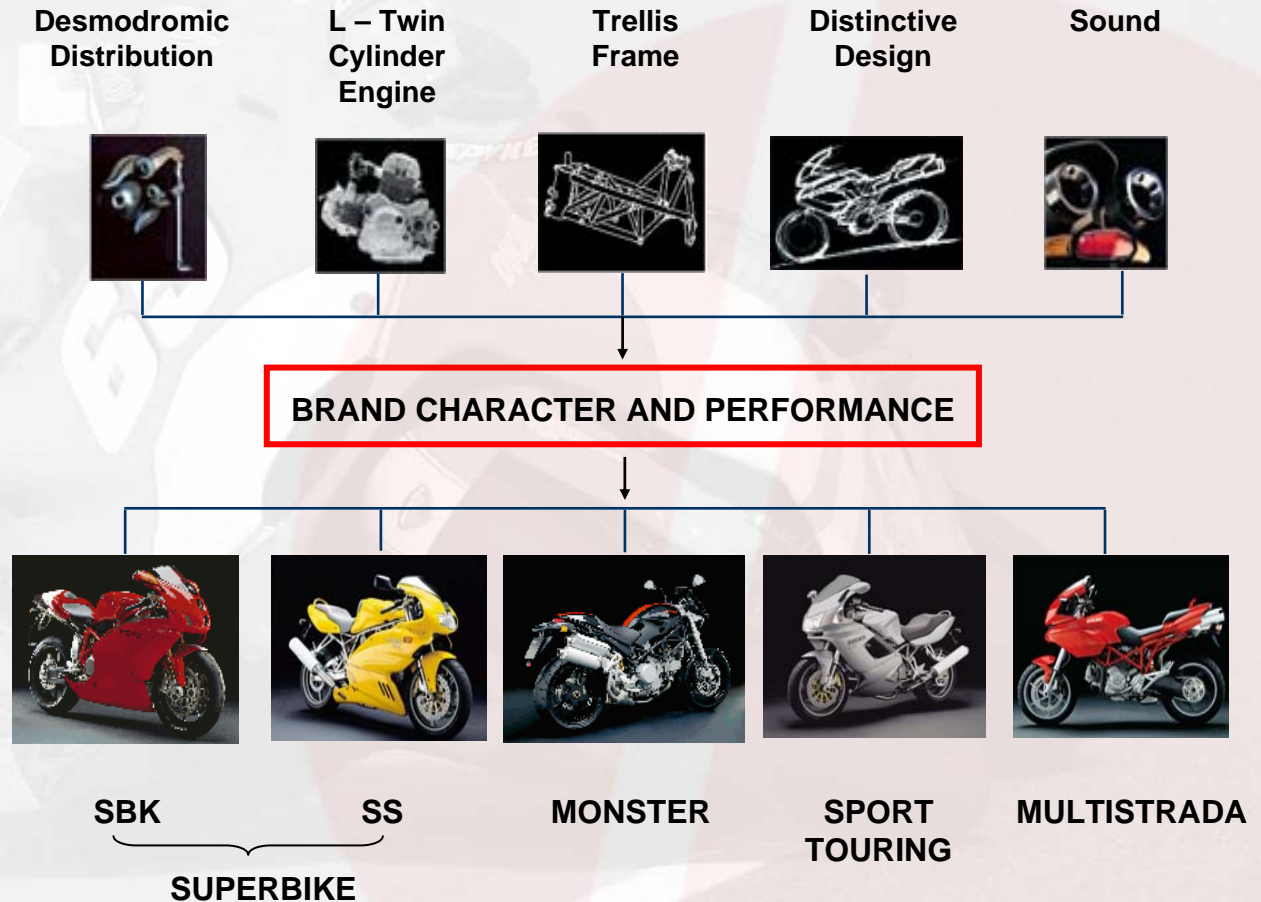
**ST4ABS** 2001

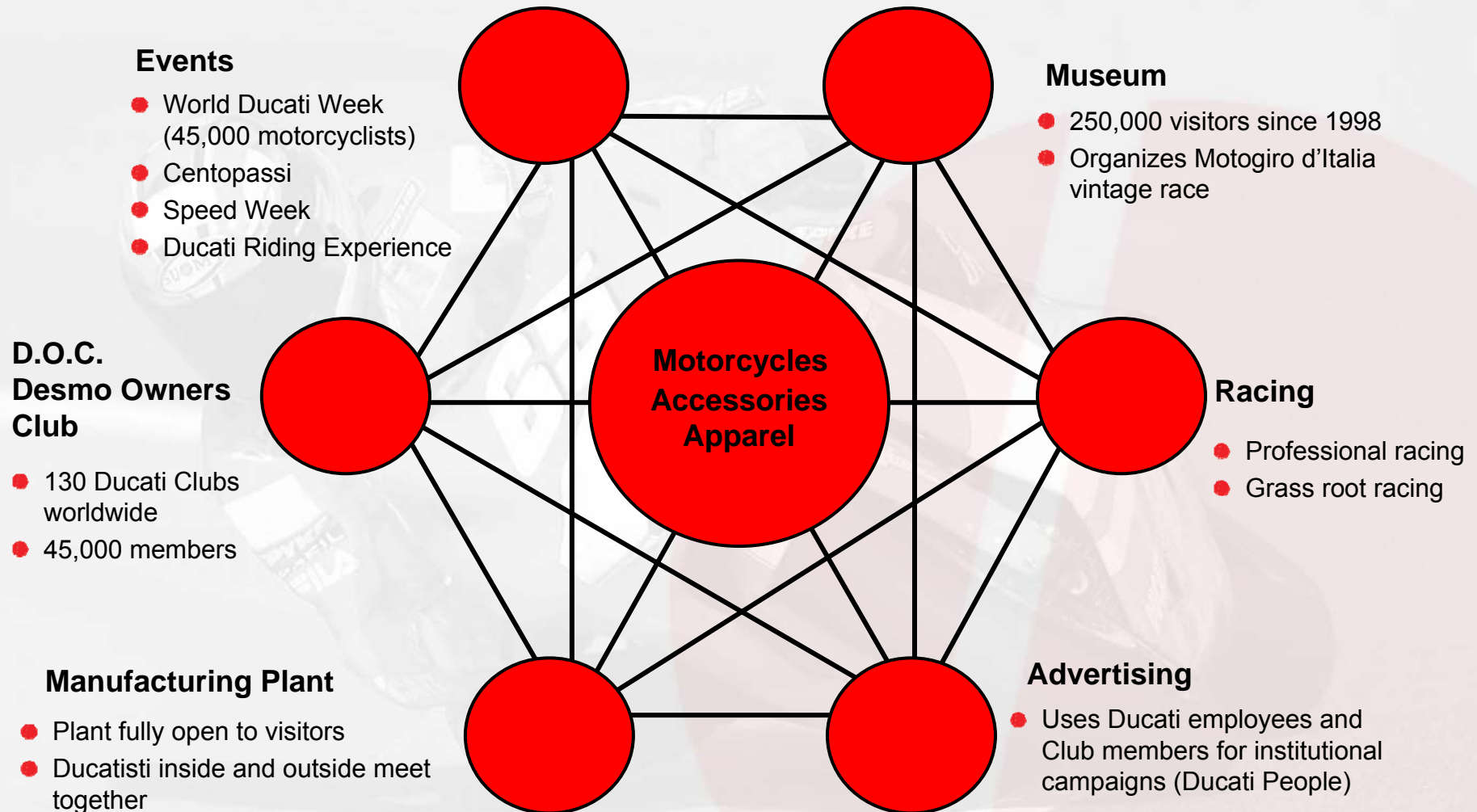


- Japanese players adopt a generalist strategy competing in every segment of the market with high quality and technological products at low prices
- Ducati and Harley compete in specific niches where a **highly characterized** product can demand a premium price
- Both niche brands are pushing the boundaries of their original niche while remaining loyal to their respective DNA and heritage
- Ducati has been particularly successful expanding towards lifestyle with Monster family and towards comfort with Multistrada and Sport Touring



- Five distinctive features build the unique character of Ducati's product while providing winning performance
- Desmodromic distribution has been exclusive to Ducati since the 70's with legendary high revving capabilities
- L-Twin engine "Pomponi" and the light and flexible trellis frame give Ducati's body a distinctive look
- Sexy Italian design has won Ducati more awards than any other brand
- Sound is the distinctive, highly recognizable voice of any Ducati motorcycle

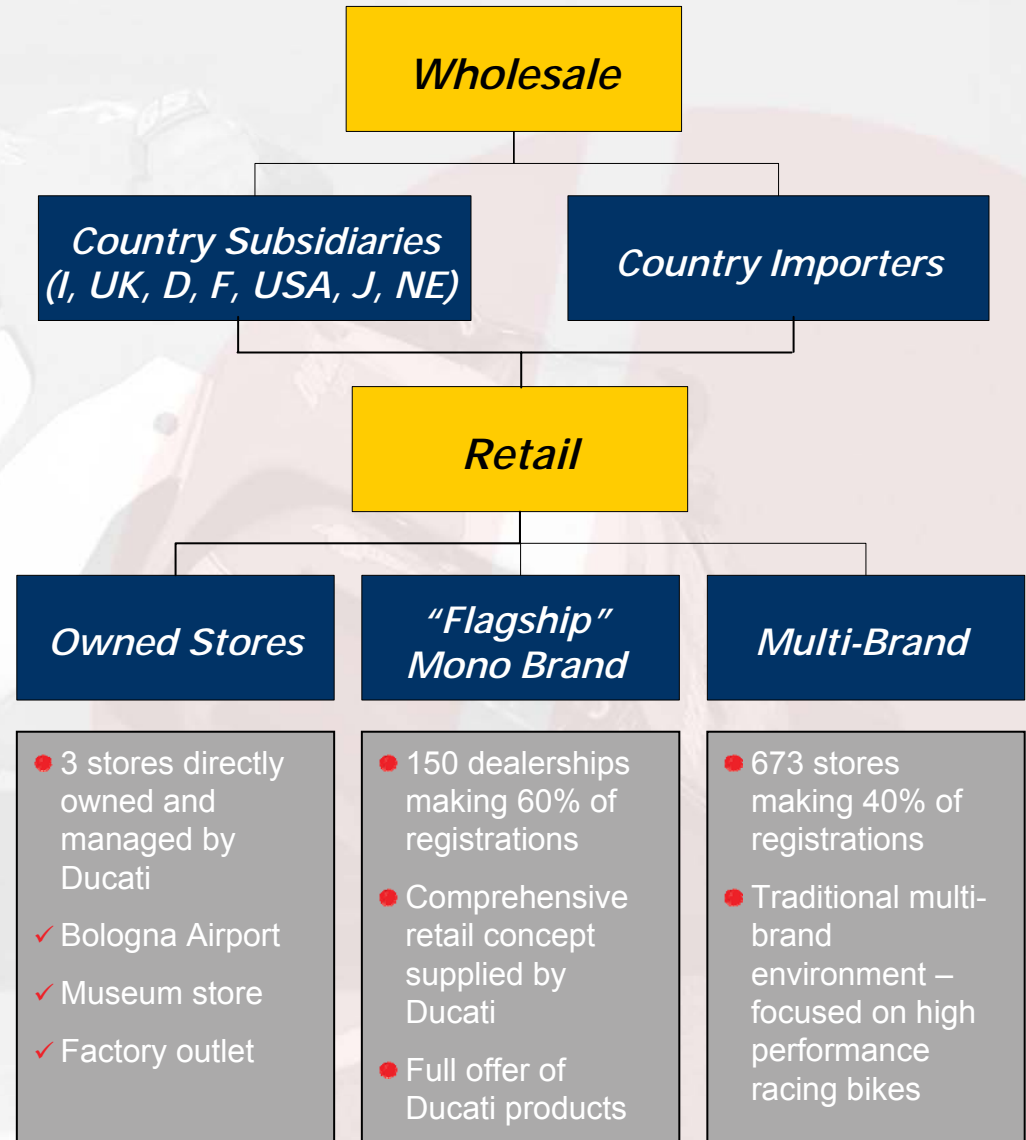




The essence of community marketing is to devise entry doors to the Ducati world and to provide a "Ducati experience" to community members



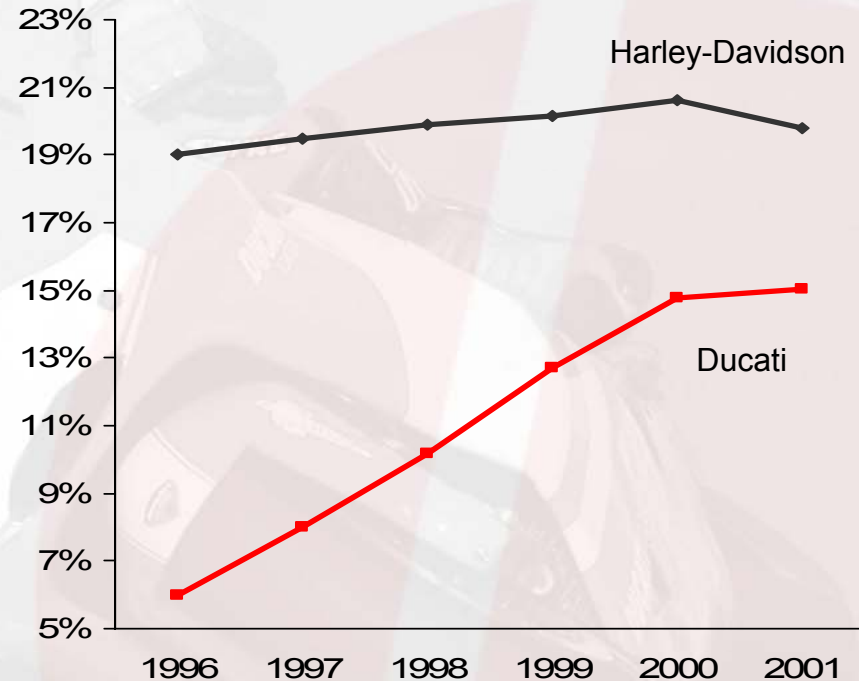
- Wholesale sales to subsidiaries in Italy, US, UK, Germany, France, Japan, Benelux and Scandinavia (81% total sales)
- Wholesale sales to 49 importers in all other countries (19% total sales)
- Retail sales through independent dealers with mono or multibrand stores
- All product development, advertising, community marketing at central level
- Subsidiaries and importers focused on selling, local marketing and distribution development
- Central third party warehouse serves all subsidiaries and importers (except Japan) for bikes, accessories, spare parts and apparel





- Within the sales of motorcycle related products, Ducati has approached in only 5 years the results achieved by Harley Davidson

Motorcycle Related Products % Sales on Total Sales



## Overview

- Single production facility located in Bologna of 124,487 sqm
- Focus on engine and motorcycle assembly and testing
- Direct machining of two strategic components:
  - ✓ Crankshaft
  - ✓ Camshaft
- Manufacturing outsourced to a network of sophisticated third-party suppliers. Key suppliers include Brembo, Eaton and Magneti Marelli
- Increased purchasing power through increasing supplier concentration
  - ✓ ~65% of cost of raw material are represented by 20 suppliers
- 467 direct workers fully dedicated to production
- Average daily production: 180 units
- Maximum daily production: 250 units

## Key Production Improvements

1996

Batch & queue

Insourcing

208 Direct material Suppliers

Non compliant

2001

Lean production model in manufacturing, sourcing and logistics processes (Porsche model)

Outsourcing

166 Direct material Suppliers

Compliant with regulatory standards, winner of Sole 24Ore Best Factory Award



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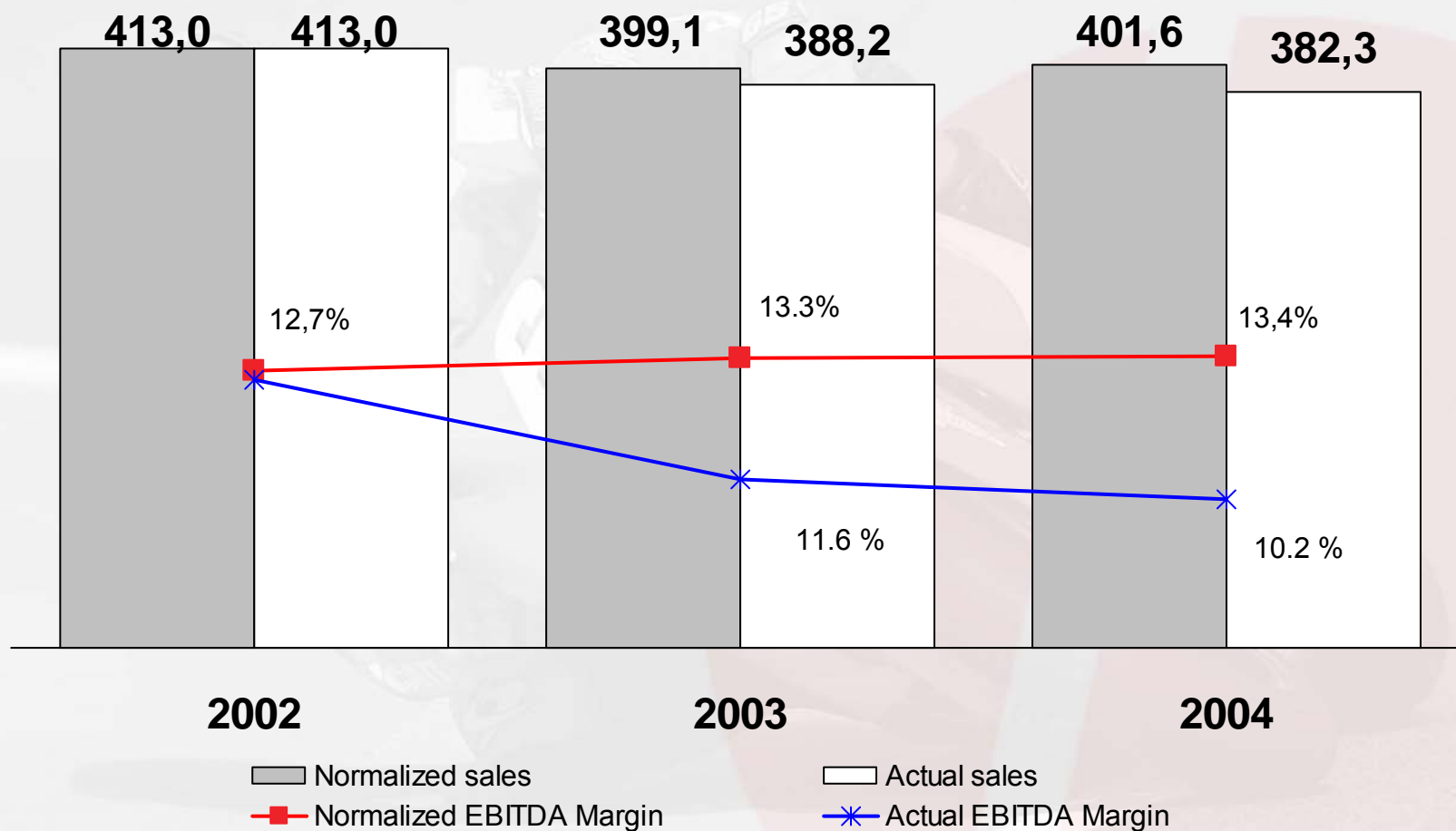
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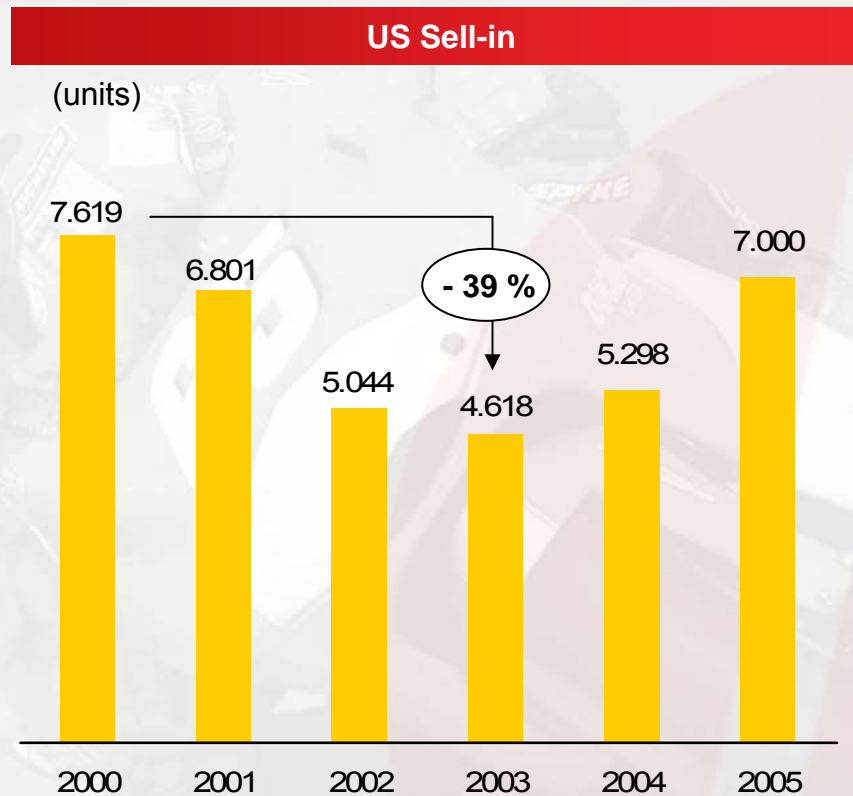
	Growth Phase			Stabilization - Decline		
	1996	2001	Key factors	2001	2004	Key Factors
<b>Units</b> CAGR + 25.9%	12,639	40,016	<ul style="list-style-type: none"> <li>Successful evolution of existing products (Monster, 916)</li> <li>Focused niche brand</li> <li>Product character</li> <li>Community Marketing</li> <li>Dedicated distribution network</li> <li>Related products</li> <li>Flexible manufacturing operation</li> </ul>	40,016	36,560	<ul style="list-style-type: none"> <li>Negative Forex</li> <li>Mismanagement in the US</li> <li>Under-performing Customer Acquisition model</li> <li>Product discontinuity</li> <li>Related products growth</li> <li>Plant Efficiency</li> <li>Brand strength</li> </ul>
<b>Revenues</b> (€ MM) CAGR + 31.1%	105.3	407.8		407.8	382.8	
<b>EBITDA</b> (€ MM) CAGR + 41.1%	11.8	66.1		66.1	39.1	
<b>Capex</b> (€ MM) CAGR +37.4%	6.0	29.4		29.4	26.1	

(€ MM)



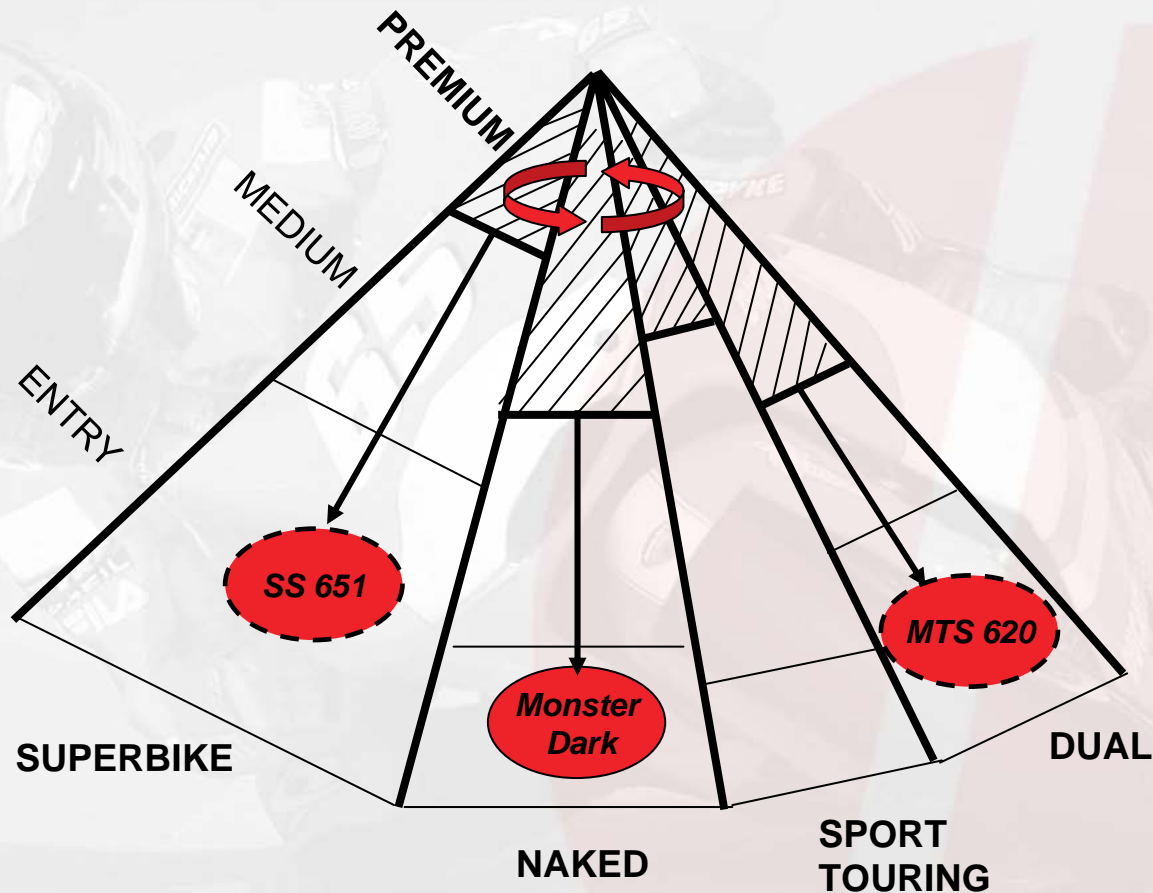
In 2003 and 2004 Forex penalized both revenues and EBITDA levels

(1) Revenues and costs in US\$ have been converted in Euro with 2002 average exchange rate 0.9471



Internal organisational mistakes caused major issues in our US operations, which after 3 years of struggling have only recently stabilized allowing growth to resume.





The Ducati Customer Acquisition Model developed in 1997 has deteriorated due to the impossibility to generate margin in the entry segment and the diminished rate of upgrade due to the lower appeal of premium models

Monster 1993



Monster Dark

Fuel injection

S4

S4R

Evolution

Monster S2R 2004



MH 900 2001



Limited edition sold on internet

2005-2006 Sport Classic

Evolution

Paul Smart 2005



916 1994



996

998

998 Testastretta

Discontinuity

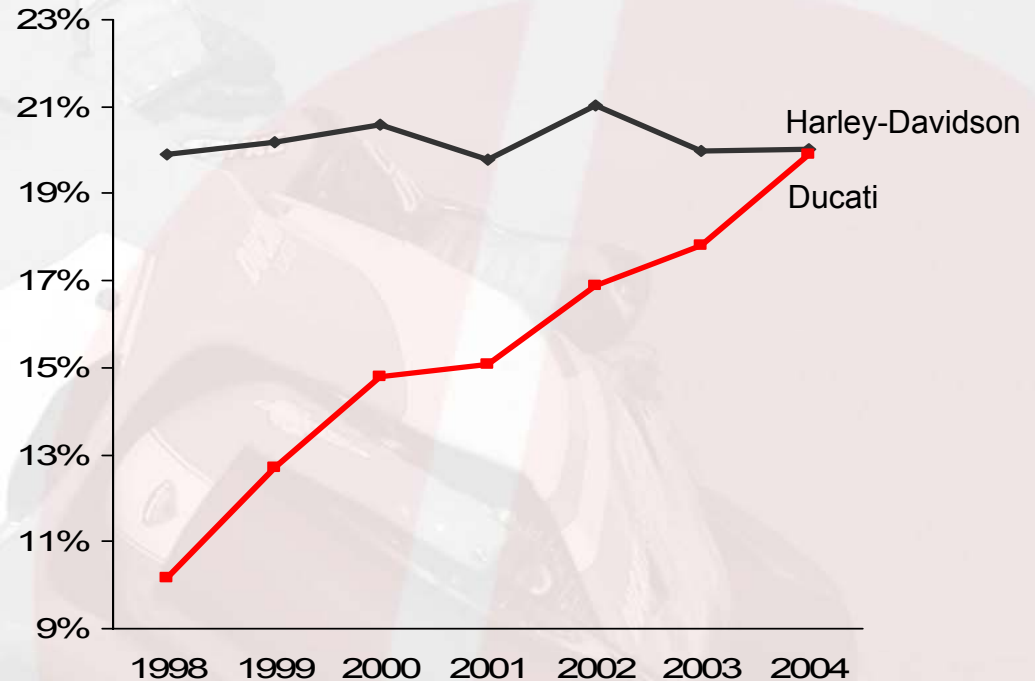
999 2004



Moreover Ducati is experiencing problems with product appeal in the premium price SBK segments due to a style and discontinuity issue on the 999 – 749.

- Within the sales of motorcycle related products, Ducati has equalled in only 7 years, the results achieved by Harley Davidson

Motorcycle Related Products % Sales on Total Sales



		2000	2001	2002	2003	2004
Volumes produced	units	39,549	40,665	41,392	36,661	35,538
Plant Efficiency <sup>(1)</sup>		N.A.	93,5%	94,2%	95,6%	95,7%
# Bikes Produced/# Employees <sup>(2)</sup>	units	80,4	87,1	89,0	89,5	98,2
# Bikes Produced/# Direct Employees		84,5	91,8	105,6	107,2	112,8
Throughput time	hours	14.5	10.5	10.3	10.2	10.0
WIP stock	days	4.7	4.1	4.0	3.0	2.9
Material stock	days	31.2	27.9	23.1	27.4	20.3

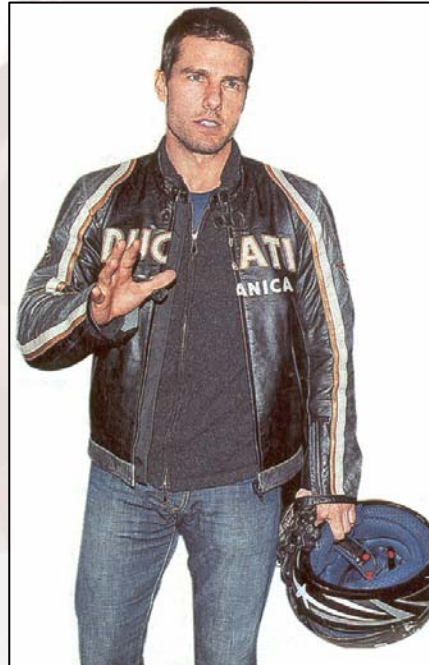
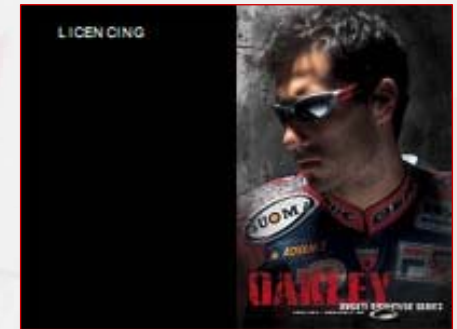
The Lean Plant Approach generated significant improvement of efficiency ratios.

(1) Plant Efficiency equals the ratio between the total man hours spent at producing versus the total amount of hours of presence in the company

(2) Nr. Bikes Produced / Nr. Employees includes all direct and indirect employees and is weighted on the same nr. of working days as of 2000



- The success of our branding and community marketing is testified by:
  - ✓ Free product placement in blockbuster movies
  - ✓ Request of co-marketing from successful brands
  - ✓ Widespread usage in third parties' advertising
  - ✓ Usage of the brand by personalities



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# Ducati's Score Card

CONCEPTUAL

	Yesterday	Today	Plan
<b>Product (overall)</b>	A-	B-	A-
<b>Design</b>	A+	B-	A-
<b>Technical Performance</b>	A	B+	A-
<b>Reliability</b>	D	C	B+
<b>Brand</b>	B+	A+	A+
<b>Distribution</b>	C	B	B+
<b>Marketing</b>	B	A-	A-
<b>Racing</b>	B+	A-	A-
<b>Plant</b>	C	B-	B+

Since acquisition Ducati has significantly improved marketing, brand, distribution network, racing and the factory but has lost its traditional strengths in the product area. To return to success it is indispensable that Ducati restores its product excellence guaranteeing continuity to elements that were successful in the past.

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- **2005 Discontinuity**
- Relaunch Strategy

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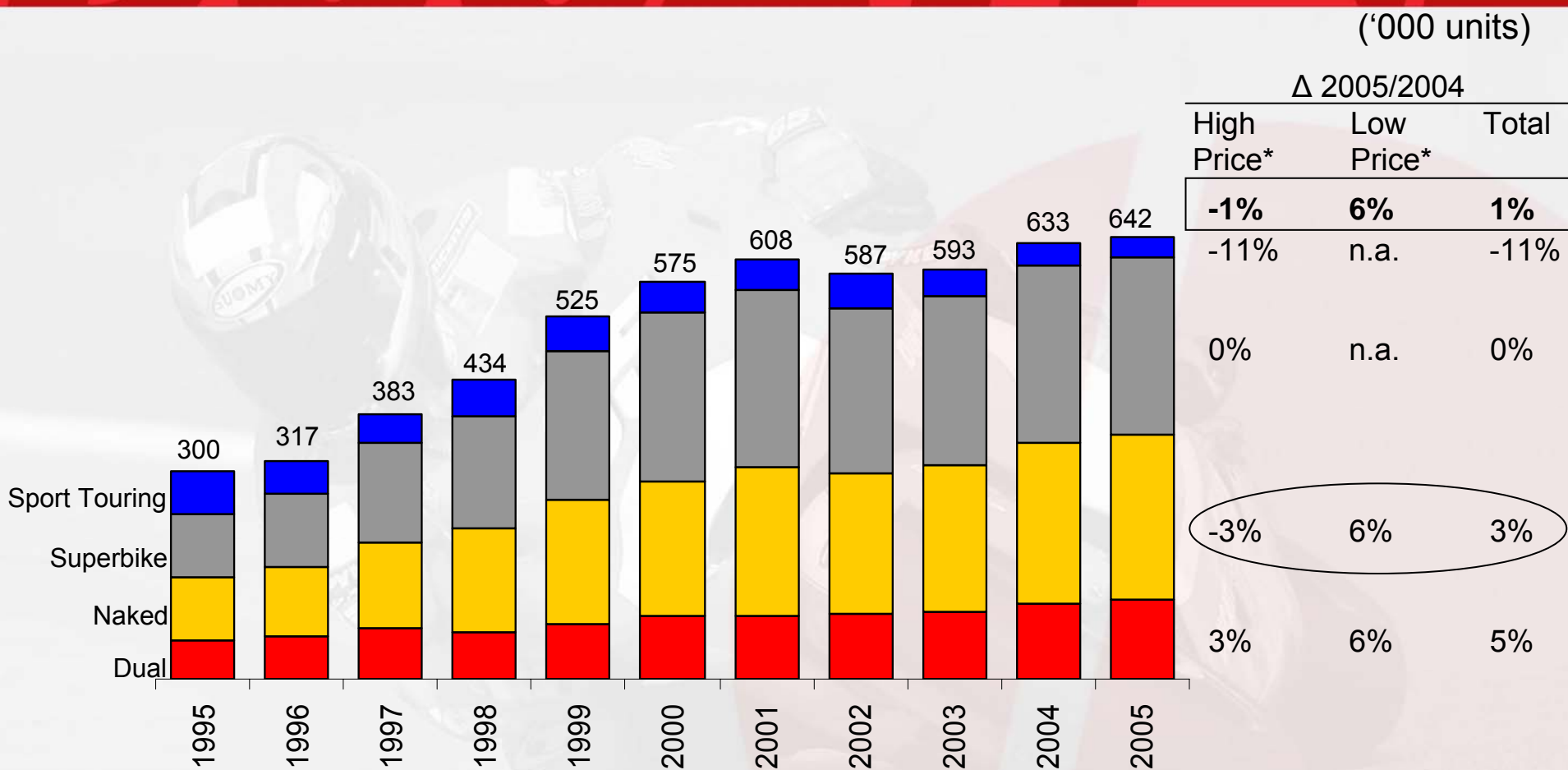
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Growth Phase				Stabilization - Decline			Discontinuity	
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<b>Units</b> CAGR + 25.9%	12,639	40,016	<ul style="list-style-type: none"> <li>Successful evolution of existing products (Monster, 998)</li> <li>Focused niche brand</li> <li>Product character</li> <li>Community Marketing</li> <li>Dedicated distribution network</li> <li>Related products</li> <li>Flexible manufacturing operation</li> </ul>	40,016	36,560 - 3.0%	<ul style="list-style-type: none"> <li>Negative Forex</li> <li>Mistakes in the US</li> <li>Customer Acquisition model</li> <li>Product discontinuity</li> <li>Related products</li> <li>Plant Efficiency</li> <li>Brand Building</li> </ul>	34.500	<ul style="list-style-type: none"> <li>Adverse Market Evolution</li> <li>Bike Mix deterioration</li> <li>Unsatisfactory performance but Debt position improved for 17M€</li> <li>One-off Items (28.2M€)</li> </ul>
<b>Revenues</b> (€ MM) CAGR + 31.0%	105.8	407.8		407.8	382.8 - 2.1%		320.8	
<b>EBITDA</b> (€ MM) CAGR + 41.1%	11.8	66.1		66.1	39.1 - 16.1%		18.6 (*)	
<b>Invest</b> (€ MM) CAGR +37.4%	6.0	29.4		29.4	26.1 - 3.9%		31.0	

The arrival of a new controlling shareholder and of a sizeable capital increase create the financial and political opportunity to build a discontinuity and adjust Ducati strategy.

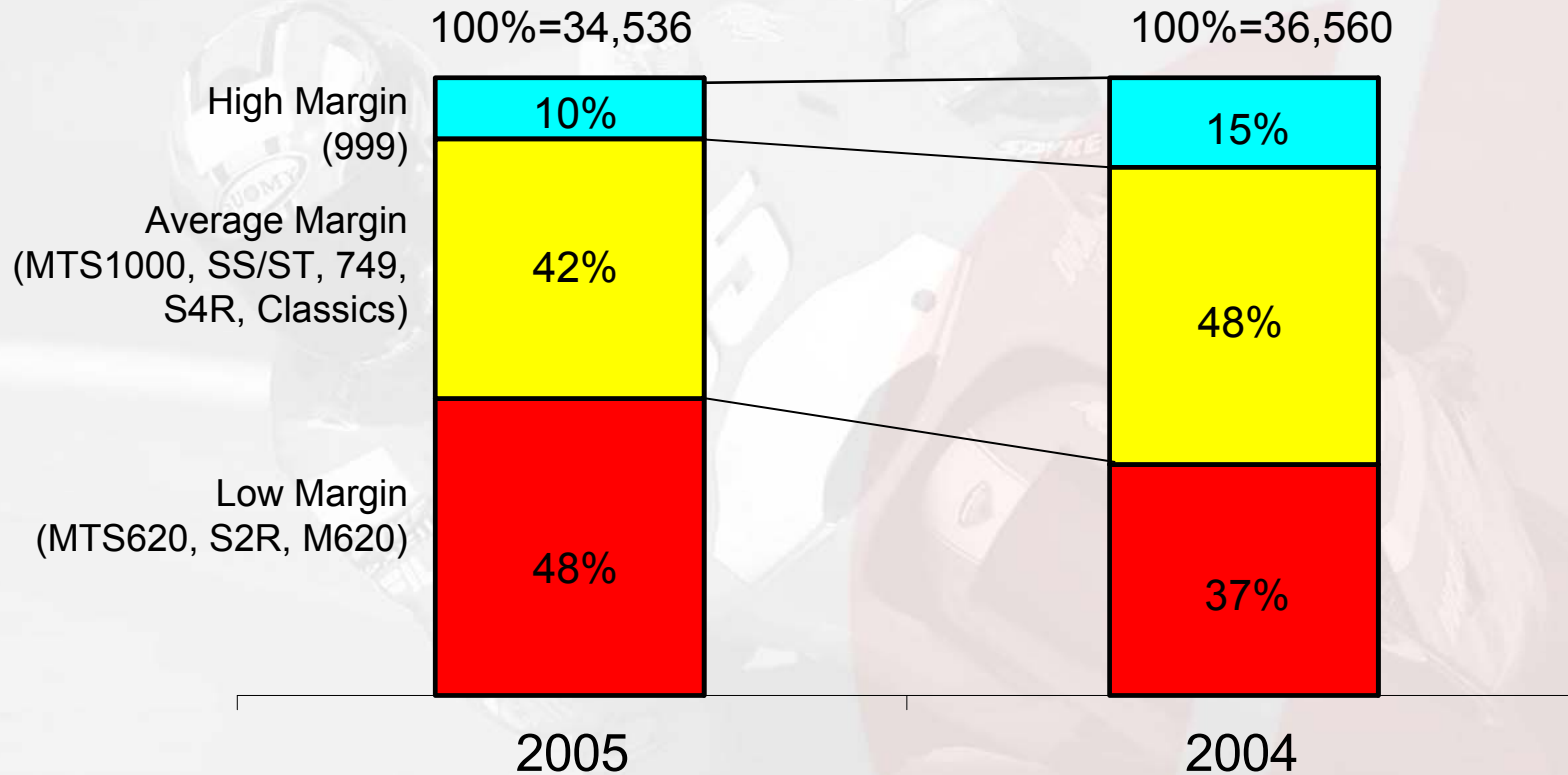
All figures based on IT GAAP except for 2005 IFRS

(\*) Adjusted for one-off restructuring accrual reserve, inventory devaluation and write off penalties



The Ducati relevant market (particularly in Italy) is stable but is polarizing towards the low end naked segment.

\* High price: € 10,000 +; Low price: €6500-€7500



The overall result of the product problems has been a decrease in sales and a shift towards a low product mix.

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### KEEP

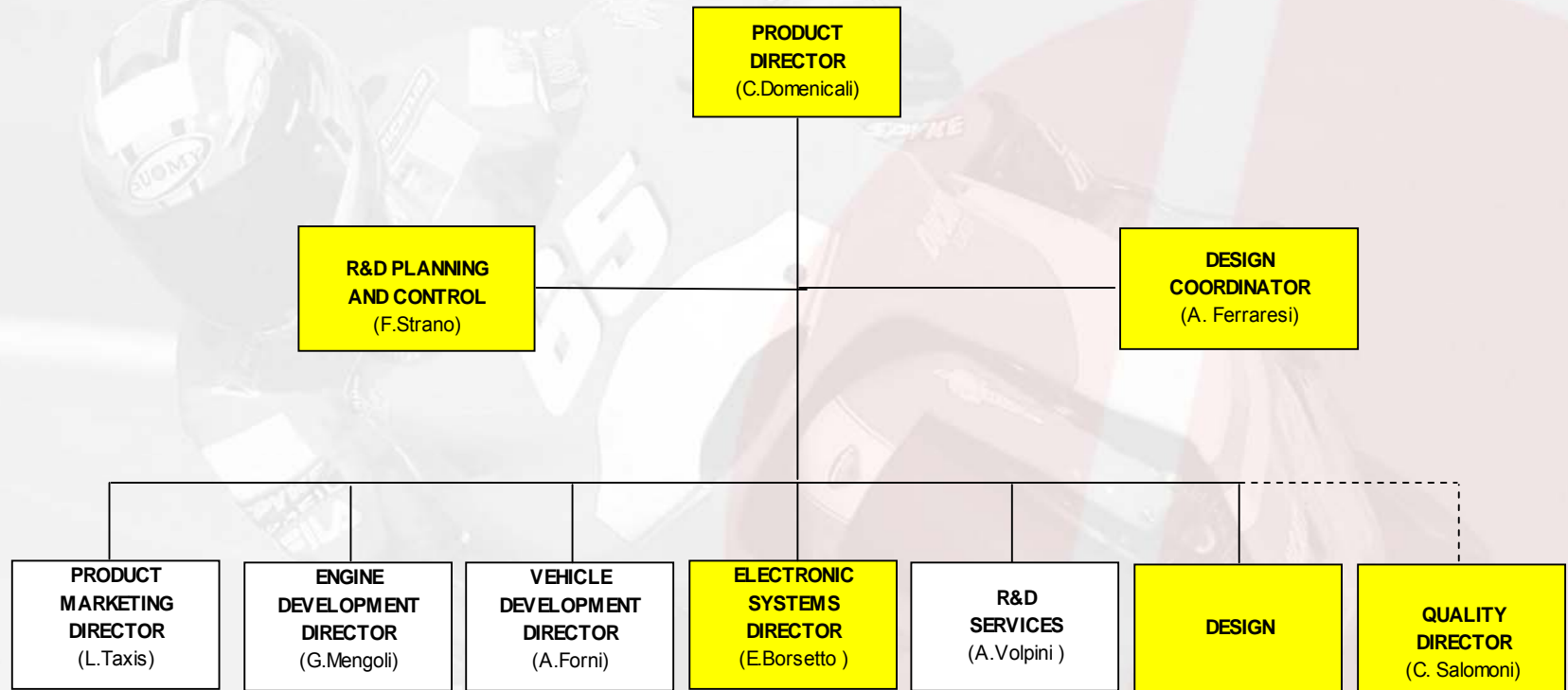
- Brand
- Dealer Network
- Marketing
- Racing
- Factory

### CHANGE

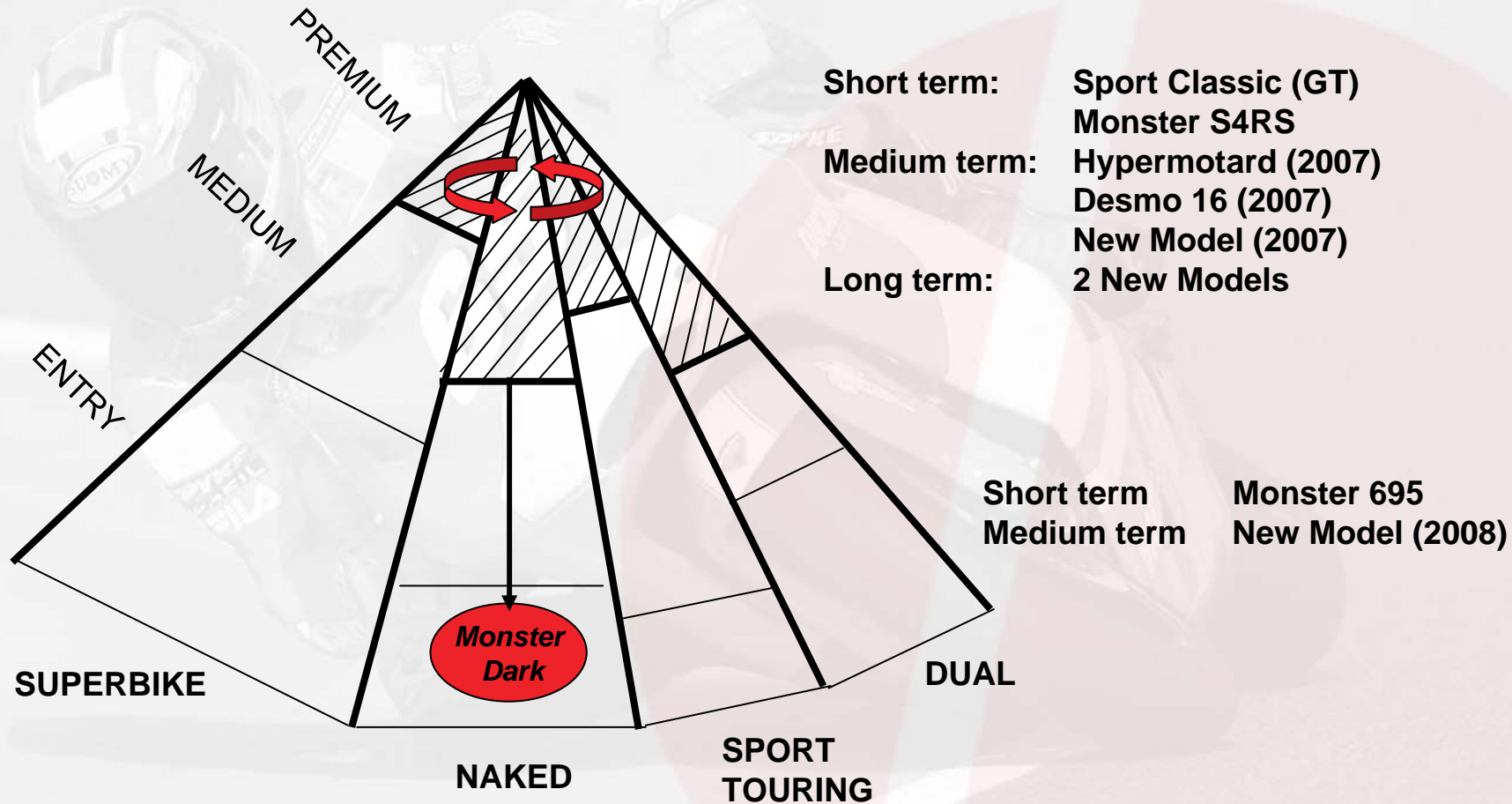
- Product:
  - design
  - reliability
  - performance
  - range
  - profitability
- Fixed cost base

Build on existing strengths

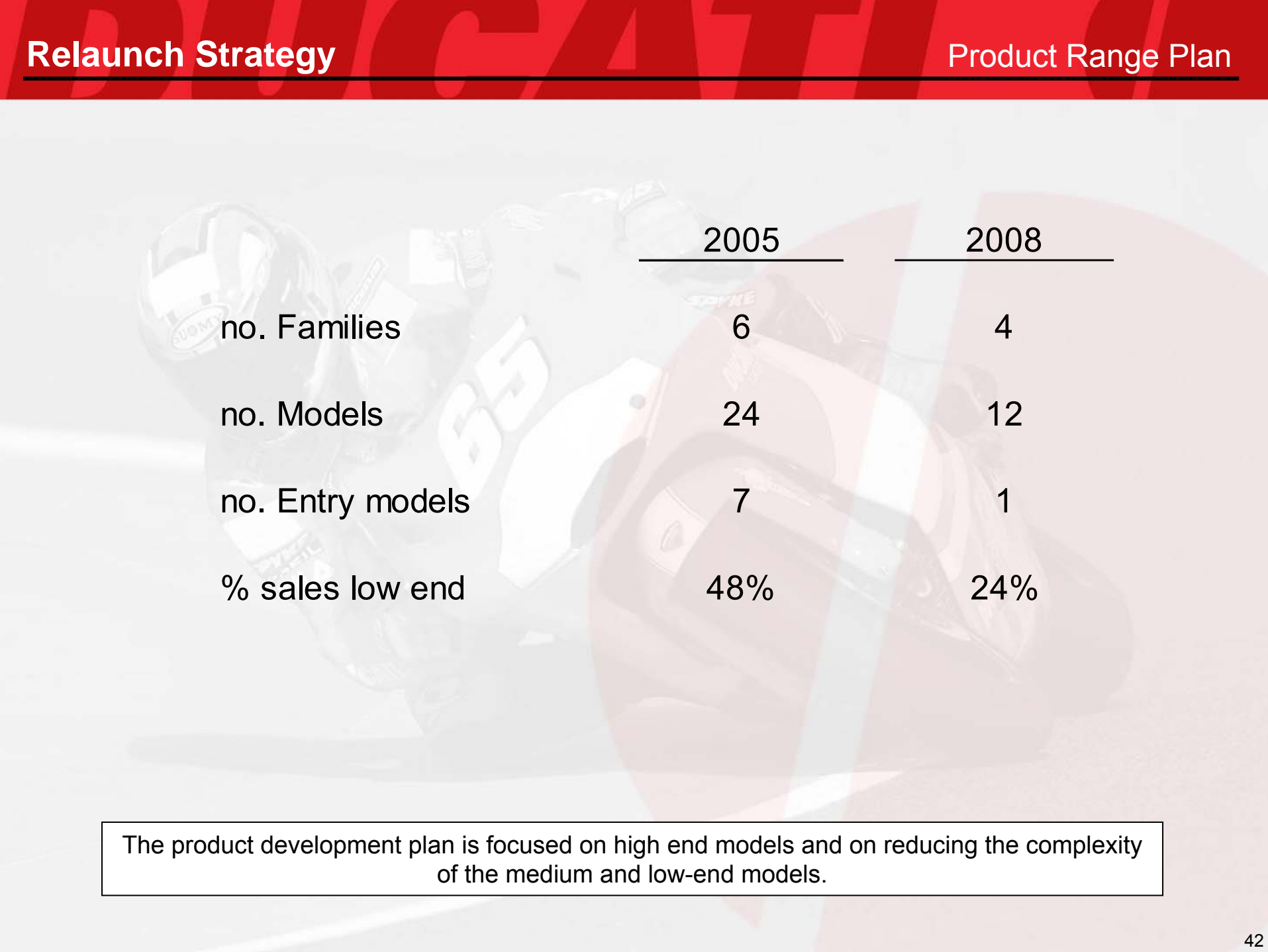
Shift approach to product and fixed costs



The CEO of Ducati Corse (Claudio Domenicali) has been appointed as R&D director to accelerate the transfer of technology from race bikes to production bikes.



The Customer Acquisition Model will be revised to allow only one entry door, and more premium models.

A faded background image of a motorcycle and rider in racing gear, including a helmet with 'SUOMY' and '65' on it, and a red and white racing suit.

	2005	2008
no. Families	6	4
no. Models	24	12
no. Entry models	7	1
% sales low end	48%	24%

The product development plan is focused on high end models and on reducing the complexity of the medium and low-end models.

## “Reduce to the Max”

New  
Ducatis  
should be

### **Authentic**

(only true racing features are present)

### **Essential**

(anything without a direct functional purpose is banned)

### **Small**

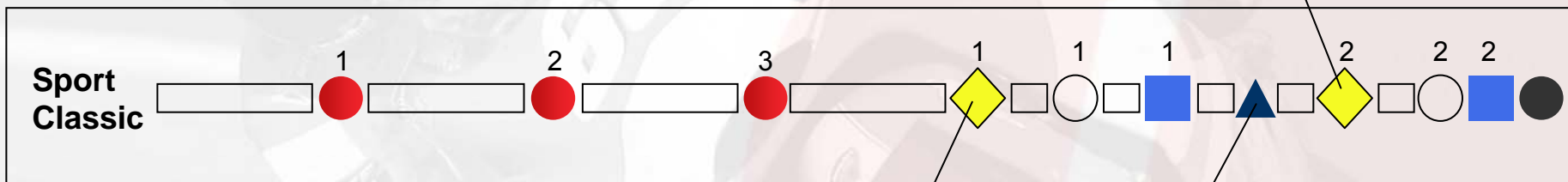
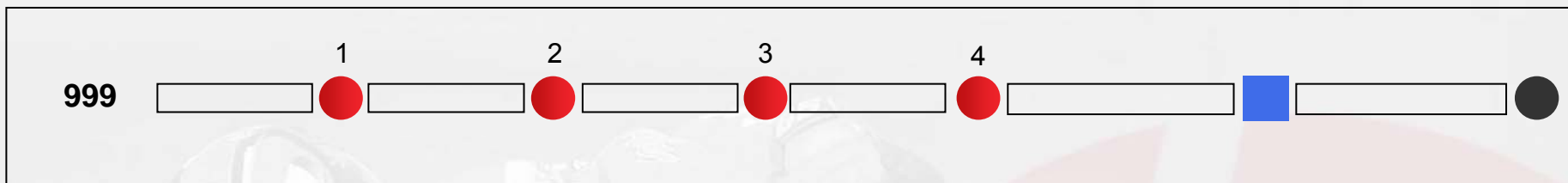
(dimensionally and visually)

### **Sexy, attractive**

### **Sporty**







### Zero Series

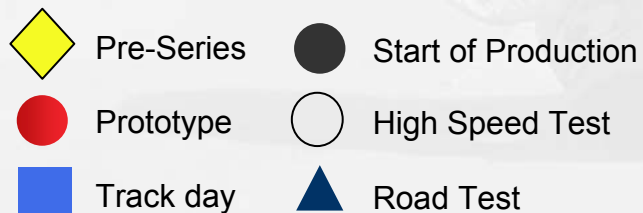
100% Parts from  
Production tool

### Pre-Series

100%  
Parts from  
production  
tool

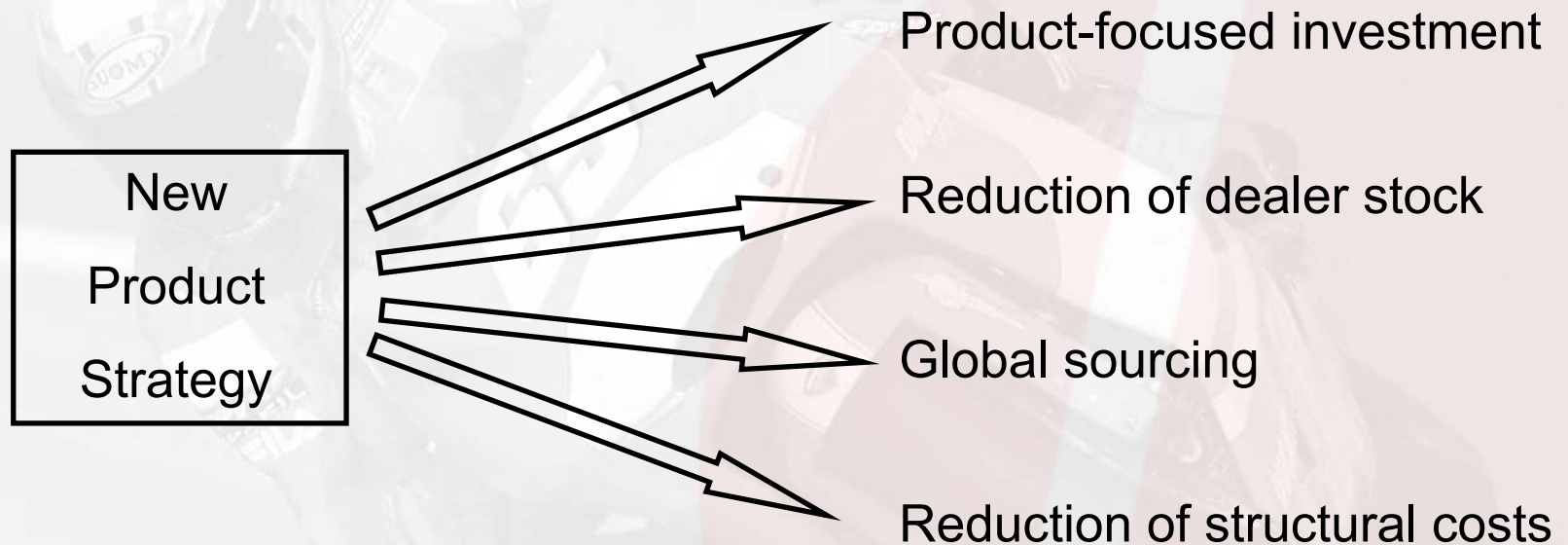
### Road Test

10.000 Km



5 Months 2 Months

New product introductions (starting with Sport Classic family) are expected to deliver better reliability thanks to the overarching changes in the development and testing processes implemented in 2005.



In order to transform product renewal into commercial and economic success there are several basic conditions that need to be fulfilled, all of which have been incorporated into the industrial plan.

# A G E N D A

## SECTION 1: INTRODUCTION

- ☐ Company Overview
- ☐ Market Overview

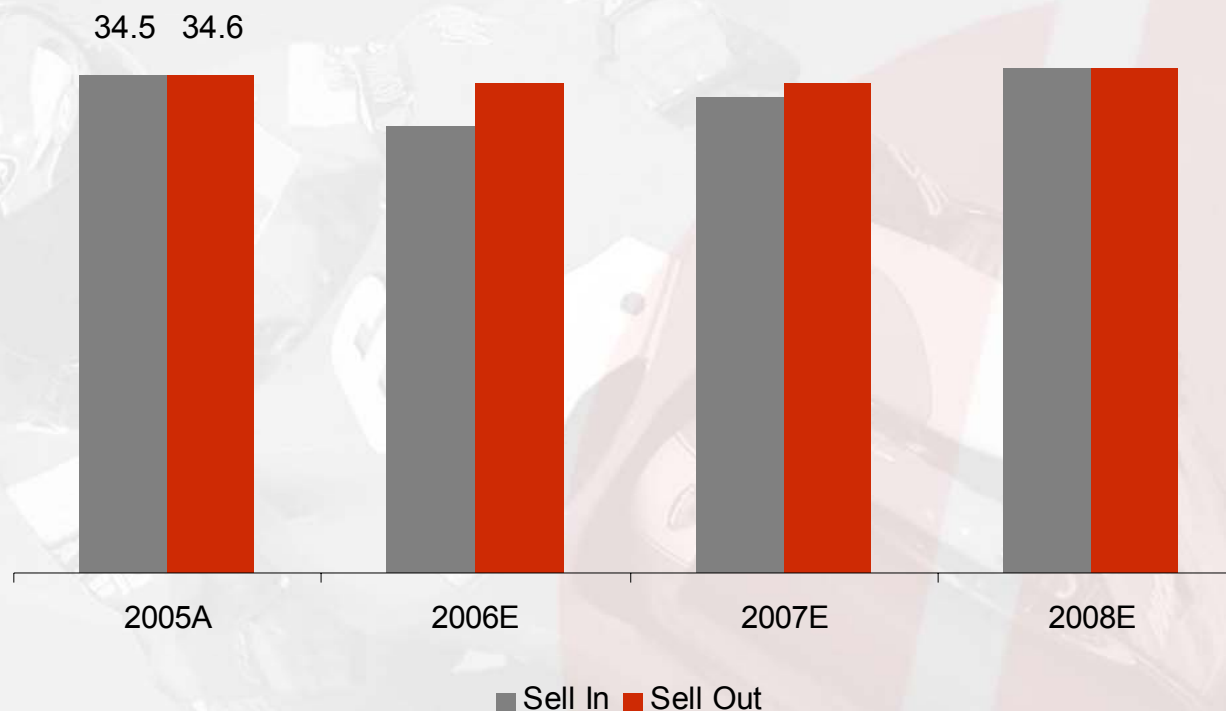
## SECTION 2: STRATEGIC PLAN

- ☐ SUMMARY OF CONCLUSIONS
  - ☐ “ERA ANALYSIS”
    - The Growth Phase 1996 -2001
    - The Stabilization Phase 2001 – 2004
  - ☐ THE DUCATI SCORECARD TODAY
  - ☐ RELAUNCH STRATEGY
    - 2005 Discontinuity
    - Relaunch Strategy
- o o o o o o

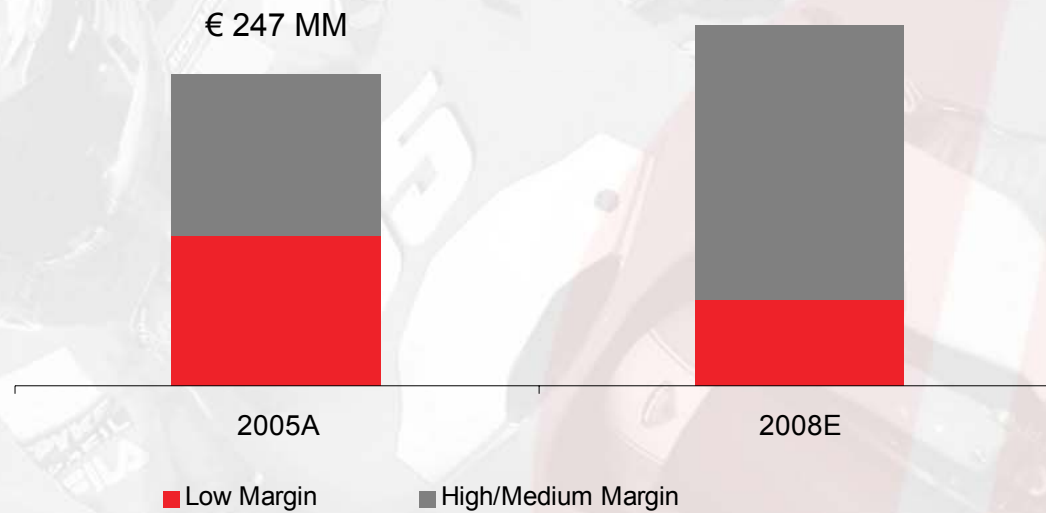
- ☐ **RESTRUCTURING PLAN**

## SECTION 3: OFFER STRUCTURE

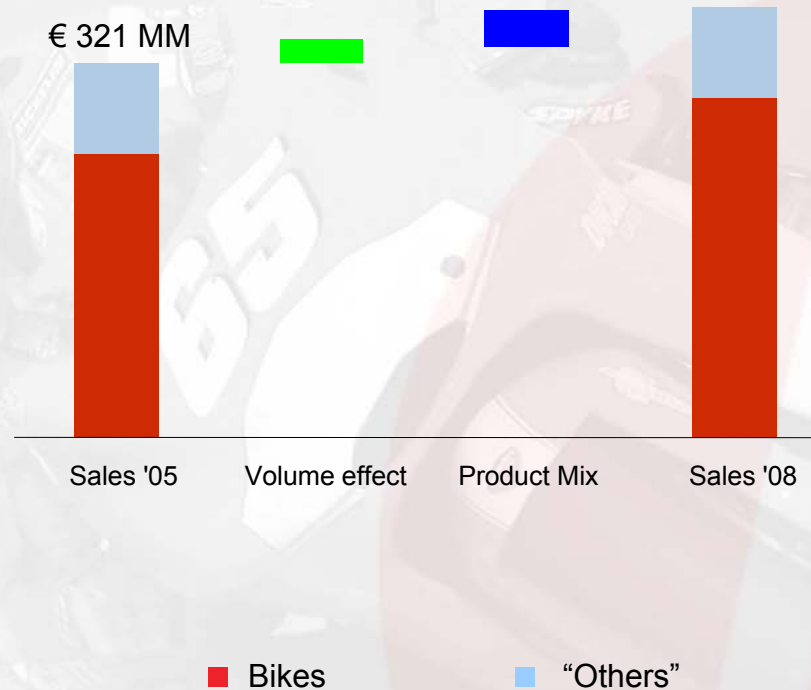
(Volumes /000)



- Sell-out (registrations) during 2006-2008 will be stable and around 2005 levels.
- Sell-in (shipments) will be in line with registrations in 2008 whilst they will lag behind registrations in 2006 and 2007 to favour the reduction of stock at dealer level.



Strong focus on high margin motorbikes will turn into a more favourable revenue mix in the future.

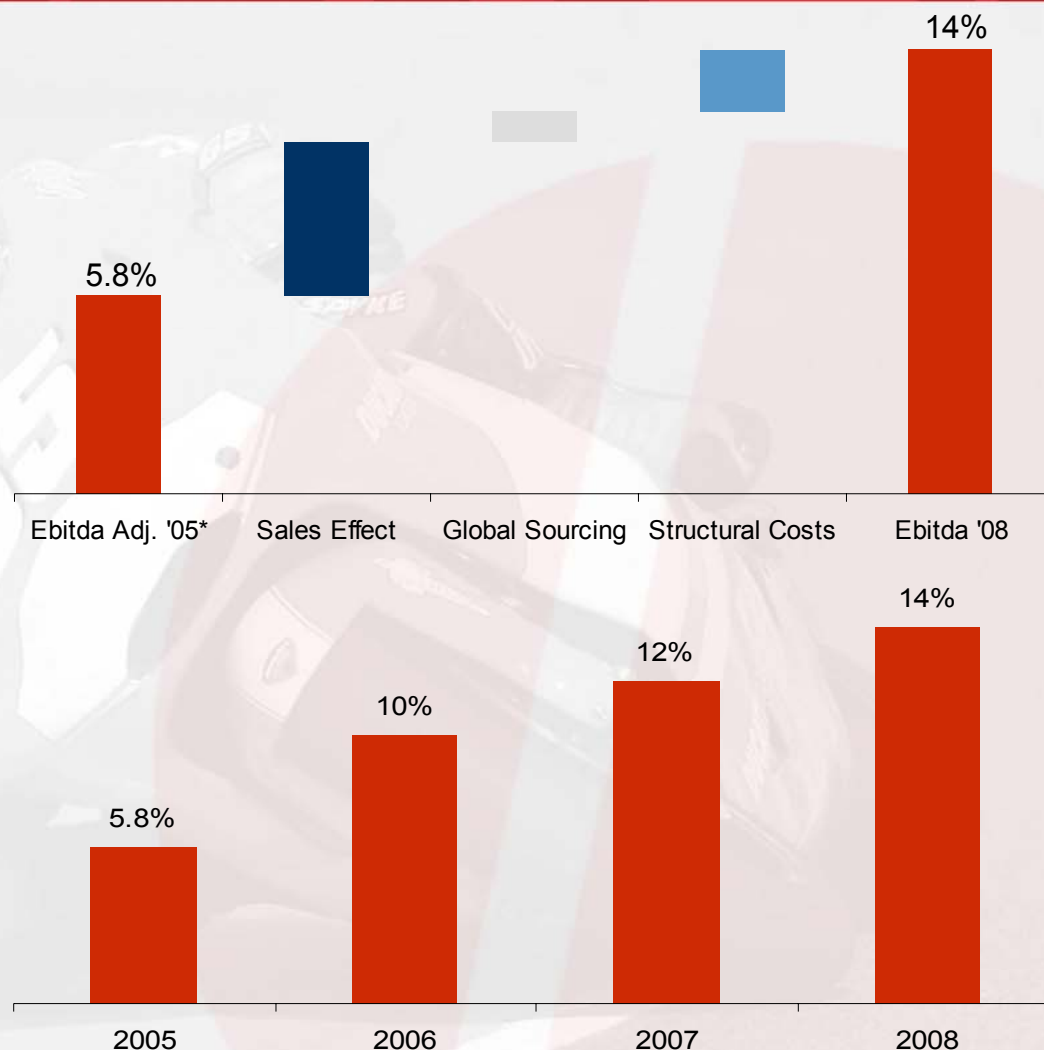


A modest sales growth path is expected in the period, especially after 2007, mainly driven by an expected higher average selling price given a more favourable product mix



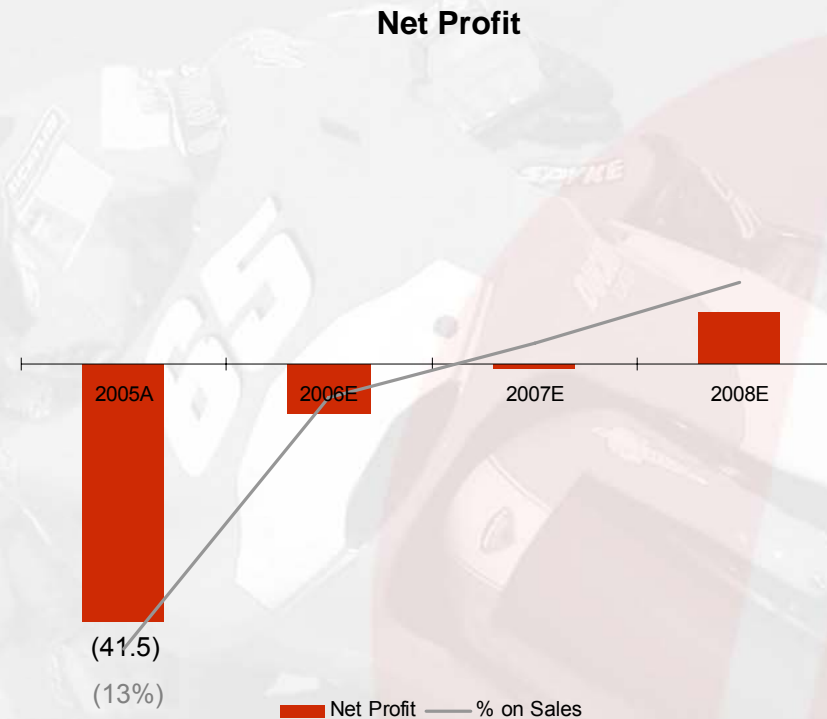
### EBITDA 2005 Reconciliation

<b>EBITDA 2005A</b>	<b>(0,3)</b>
Restructuring Reserve	13,0
Devaluation of Inventory	5,0
Penalties	0,9
<b>EBITDA Adj*</b>	<b>18,6</b>
<b>EBITDA Adj* Margin%</b>	<b>5,8%</b>



A better revenue mix and the implementation of efficiency measures - expected savings on both structural costs and on the components purchasing process - will progressively enhance Ebitda levels

(% on Sales)



Net result will still be negative in 2006, will virtually break even in 2007 and will be positive in 2008.



- Net financial position will improve thanks to Capital increase and EBITDA generation, partly offset by CAPEX and other negative cash items (restructuring costs, working capital, tax, interest).
- As for financing capacity, Ducati will have available credit lines for about €220 million guaranteed for 5 years.

To summarise, Ducati will return to profit and cash generation by revising its strategic plan by:

- ☐ Focusing on high margin products
- ☐ Reducing fixed costs

The capital increase of €80M will fund R&D investments, restructuring costs, and will strengthen the financial structure of the Company.

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## SECTION 3: OFFER STRUCTURE

## Issuer

- Ducati Motor Holding SpA

## Shares offered

- 1 newly issued ordinary share offered every 1 Ducati ordinary share

## Amount

- Approx. € 80 mln of which:
  - € 24 mln underwritten by WM, WM II and WM III(\*) (corresponding to approx. 29.9%)
- The remaining part of the rights issued will be underwritten by a syndicate of banks

## Issue price

- € 0.4985 per share

## Lead Manager

- UniCredit Banca Mobiliare

(\*) Controlled by Bi-Invest International Holdings Ltd, BS Investimenti SGR and HOOPP (Hospital of Ontario Pension Plan), respectively



- The exercise period would last 3 weeks starting from 8 May 2006, with a 2 weeks trading period for the rights
- Unexercised rights would be offered through a 5 days auction pursuant to article 2441, section 3 of the Civil Code

**8 May**

- Start of the exercise period and of the trading period for the rights

**19 May**

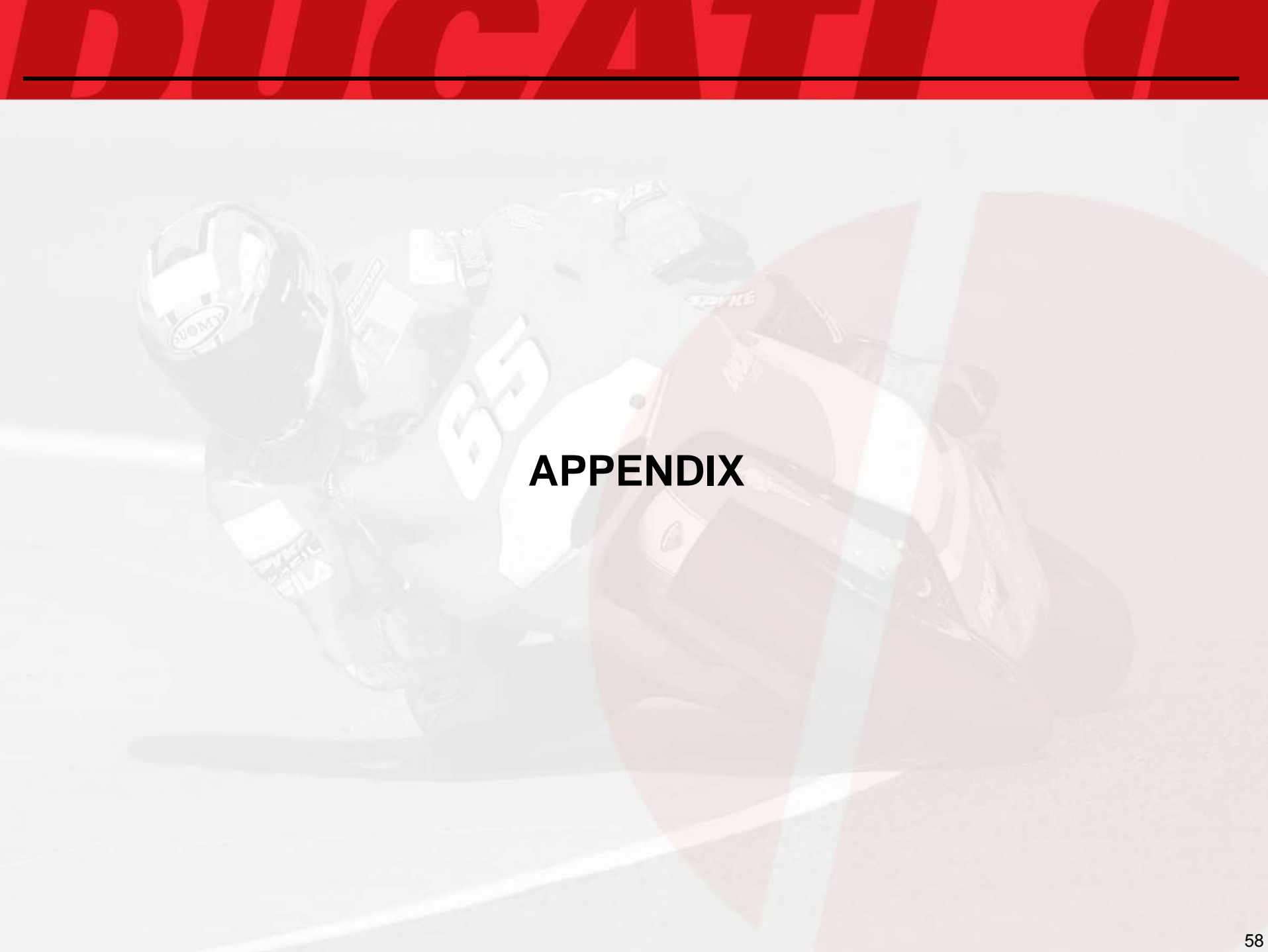
- Last day of trading for the rights

**26 May**

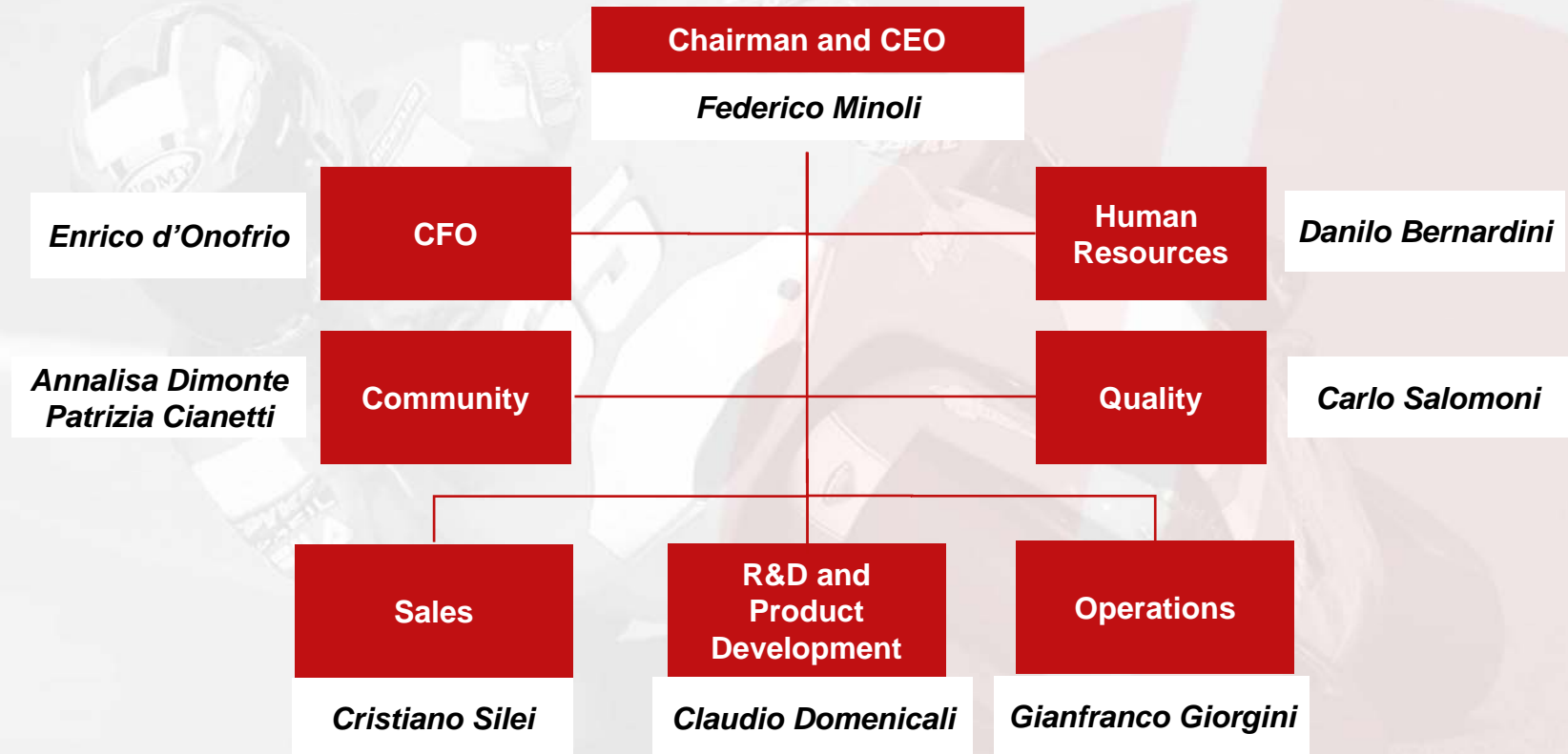
- End of the exercise period

**June**

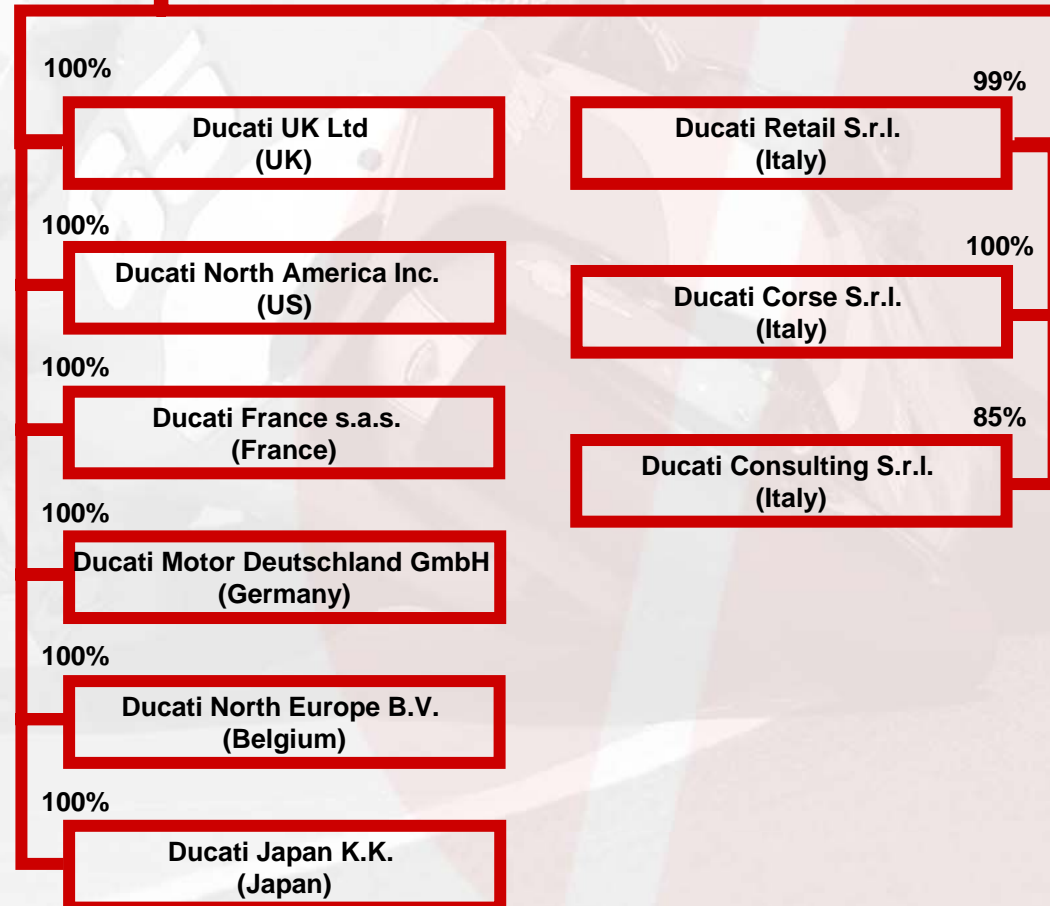
- Auction of the unexercised rights



**APPENDIX**

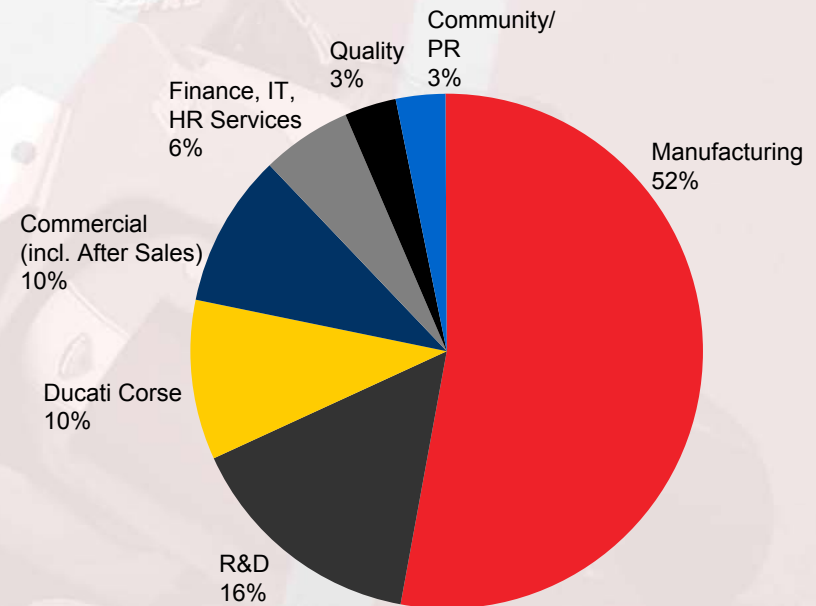


## Ducati Motor Holding S.p.A.



- One 124,487 sqm centralized production plant in Bologna
- 1,134 employees at 31 December 2005

**2005 Employees by Function**



## Ducati Relevant Market



### **Superbike**

Superbike/Supersport derive from motorcycles competing in the speed race tracks



### **Naked**

Essential bikes without any fairing



### **Sport Touring**

The combination of sporty and touring functionalities



### **Dual**

Multi-purpose sportsbike offering road performance with off-road inspired look



### **Cruiser**

Classically styled in the American tradition, visual performance priority



### **Touring**

Touring bikes are high wind protection and comfortable bikes with all the functionalities for long range trips



		<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>Difference</u></b>
Registrations	(units)	34,631	35,887	(1,256)
Shipments	(units)	34,536	36,560	(2,024)
Production	(units)	33,581	35,538	(1,957)
Average price	(Euro)	7,699	8,265	(0,566)
Revenues	(M€)	320.8	363.4	(42.6)
Operating Results	(M€)	(2.8)	9.1	(11.9)
One-off items	(M€)	(30.8)	-	(30.8)
Interest and taxes	(M€)	(7.9)	(12.6)	4.7
Net Result	(M€)	(41.5)	(3.5)	(38.0)
Net Debt	(M€)	137	154	(17)
Net Debt/Equity		1.15	1.00	

**Net Result 2005 Reconciliation**

<b>Loss 2005A</b>	<b>(41,5)</b>
Restructuring Reserve	13,0
Devaluation of discontinued R&D projects	9,3
Devaluation of Inventory	5,0
Penalty for orders cancelled to suppliers	0,9
<b>Loss 2005 Adjusted</b>	<b>(13,3)</b>

2005 Net Result reflects one-off adjustments related to Relaunch Strategy.