

**MV Agusta : Proton sells for RM5, Harley buys for RM350 million**  
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Harley Davidson Inc has agreed to purchase Italian motorcycle manufacturer MV Agusta, once owned by Proton Holdings Bhd, for US\$109 million (RM352 million).  
MCPX

augusta 271205 brutalleAccording to an Associated Press report, the deal will help Harley-Davidson expand into the European market as sales slump in the US, where consumers are pulling back on spending.

In 2006, Proton Holdings had sold the company, which it bought for RM368 million, for one euro (RM5), a deal which raised many eyebrows and drew flak from various quarters.

Among those who criticised the 'firesale' were former premier and Proton adviser Dr Mahathir Mohamad and the company's former chief executive officer Tengku Mahaleel Arif.

In a news report then, Mahathir said: "As the two people (Mahathir and Mahaleel) most involved in the purchase of MV Agusta, our credibility and honesty are at stake."

mahathir hulu langat 120408 press conferenceMahathir said there was no urgent need to sell the stake in the Italian motorcycle company as its debts had been frozen.

In defending the sale, Proton had said here were no synergies between the motorcycle maker and Proton as a carmaker.

"There were no operational, engineering, and technological synergies between Agusta and Proton. This has been independently confirmed by Proton's appointed advisers.

"Proton manufactures cars for the masses while Agusta manufactures motorcycle," the company had said in a statement.

### **Careful consideration**

Proton bought a 57.75 percent stake in MV Agusta in December 2004 for 70 million euro (RM367.6 million).

The current management sold the stake to Italy's GEVI Spa, which also assumed the motorcycle maker's 107 million euro debt.

Proton said the entire purchase consideration of RM367.6 million was treated as goodwill and written off in the financial year ended March 31, 2005.

The additional provisions relating to MV Agusta in the accounts of the Proton group for the financial year ended March 31, 2006, amounted to RM136.2 million.

The company also reiterated that the decision to dispose the stake in MV Agusta was after careful consideration of the financial and operational implications to the Proton group, both in the immediate as well as the long term.

Meanwhile, Harley Davidson is expected to seal the deal in several weeks. It will be paid for through euro-denominated debt, said the American motorcycle manufacturer.

The purchase price includes Harley-Davidson assuming MV Agusta's existing bank debt of about US\$70 million.

MV Agusta is privately held, and the Castiglioni family owns 95 percent of its shares.

Under the agreement, Harley-Davidson will pay Claudio Castiglioni, who will continue to serve as chairman, additional payments in 2016 if certain financial targets are met.

MV Agusta will keep operating from its headquarters in Varese, Italy. Harley-Davidson will appoint a new managing director once the deal closes.

### **Mahathir's reaction**

In an immediate response, Mahathir wrote in his blog with his usual sarcasm that Proton's "savvy management" had sold Agusta to an unknown company in Italy - Gevi SpA. "Some months ago Husqvarna, a division of MV Agusta which manufactures scrambler sporty off-road motorcycles was sold to a German company, BMW for 90 million euro (RM450 million). Now the rest of MV Agusta has been bought by Harley-Davidson Motor Cycles of the United States for RM350 million."

He argued that Proton has lost approximately RM800 million by selling Agusta for only RM5.

"The buyer invested one euro and made 160 million euro," he said.

"Do we need a royal commission to look into this or should the ACA investigate this matter particularly the role of Credit Suisse who was paid a huge consultancy fee to advise Proton's management who executed it.

"Or maybe we do not mind losing RM800 million because we have so much money."

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