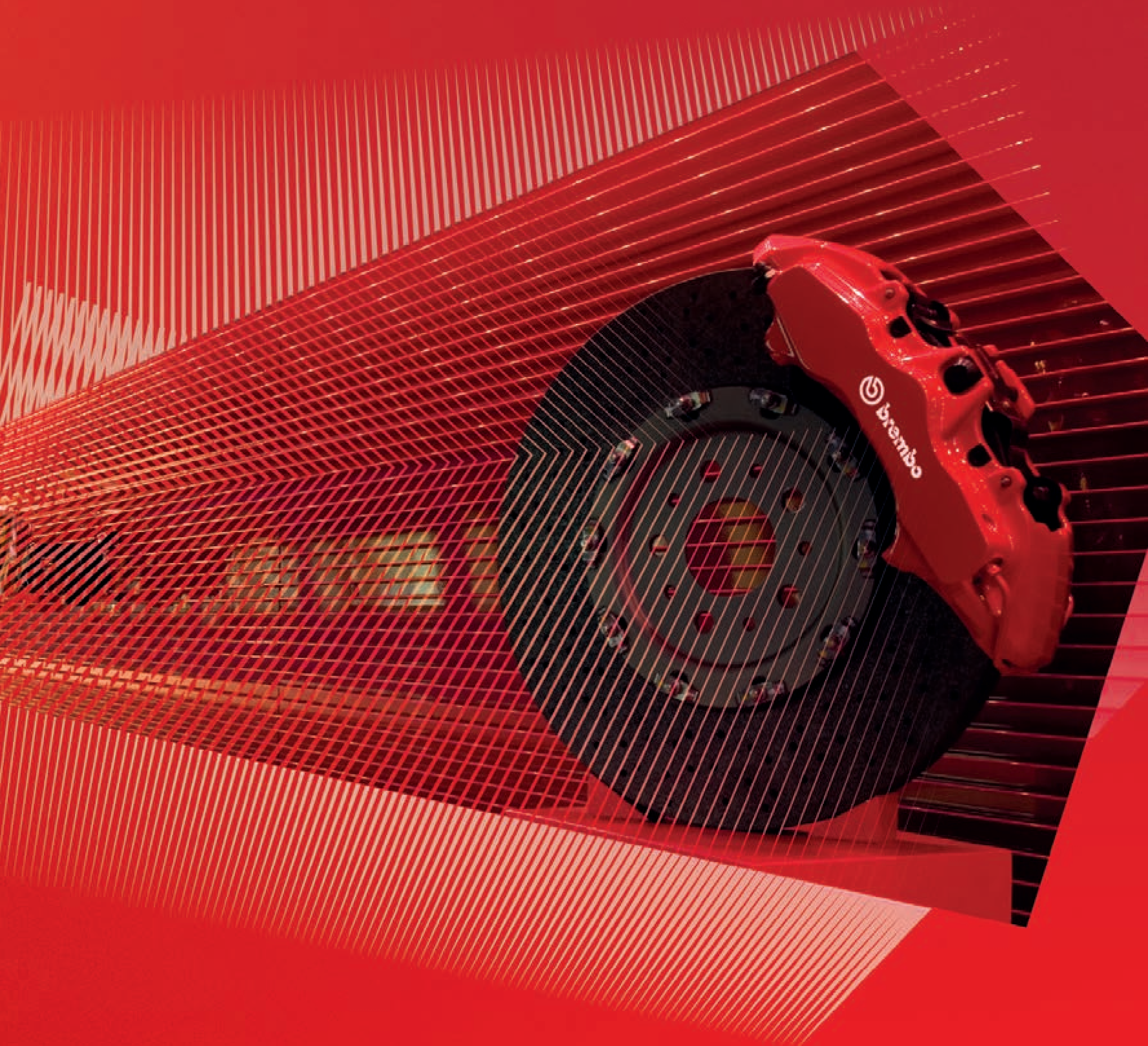


ANNUAL FINANCIAL REPORT 2021

2021 CONSOLIDATED DISCLOSURE
OF FINANCIAL INFORMATION
IN ACCORDANCE WITH LEGISLATIVE
DECREE No. 254/2016

brembo

ANNUAL FINANCIAL REPORT 2021


SENSIFY
#JourneyBeyond

Dominating energy.

Aspirations that lead to concrete solutions.
Controlling energy, besides materials: mastering its preservation, distribution and regeneration.
Transformation always plays a central role.

Calling of the Ordinary Shareholders' Meeting

The Shareholders are convened to the Ordinary Shareholders' Meeting to be held at the Company offices at Viale Europa 4 (Entry Gate 1), 24040 Stezzano (Bergamo) on **21 April 2022 at 10:30 a.m., in single call**, to resolve on the following

Agenda

Ordinary Session

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2021, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in charge of the Company's Financial Reports. Relevant and ensuing resolutions.
2. Allocation of profit for the year. Relevant and ensuing resolutions.
3. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2021, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in charge of Company's Financial Reports.
4. Presentation of the Consolidated Disclosure of Non-Financial Information of the Brembo Group for the year ended 31 December 2021, pursuant to Legislative Decree No. 254 of 30 December 2016.
5. Authorisation for the buy-back and disposal of own shares. Relevant and ensuing resolutions.
6. Report on the Remuneration Policy for 2022 and Remuneration Paid in 2021:
   6.1 examination of Section I, drawn up pursuant to Article 123-*ter*, paragraph 3, of Legislative Decree No. 58 of 24 February 1998 (i.e., Remuneration policy for 2022). Resolutions pursuant to Article 123-*ter*, paragraphs 3-*bis* and 3-*ter*, of Legislative Decree No. 58 of 24 February 1998;
   6.2 examination of Section II, drawn up pursuant to Article 123-*ter*, paragraph 4, of Legislative Decree No. 58 of 24 February 1998 (i.e., Remuneration paid in 2021). Resolutions pursuant to Article 123-*ter*, paragraph 6, of Legislative Decree No. 58 of 24 February 1998;
7. Appointment of a member of the Board of Directors pursuant to Article 2386 of the Italian Civil Code to remain in office until the end of the Board's term in charge. Relevant and ensuing resolutions.

Stezzano, 3 March 2022

On behalf of the Board of Directors
The Executive Chairman
Matteo Tiraboschi

In light of the extension of the emergency regime related to the Covid-19 epidemic and given the legislation enacted to contain the spread of the infection, shareholders' attendance will take place solely through a proxy to the Designated Representative pursuant to Article 135-undecies of the TUF, i.e., Computershare S.p.A. Accordingly, individual shareholders will not be allowed to attend in physical presence. The information in this notice may be updated, changed or supplemented in view of the emergency regime related to the Covid-19 epidemic and related measures adopted by the competent authorities from time to time. Any and all updates, changes or additions to the information in this notice will be promptly circulated according to the same means used to publish this notice.

Letter from the Chairman

Dear Shareholders,
I am writing to you as Brembo's Executive Chairman for the first time. A long-planned hand-off that occurred smoothly, with continuity in terms of values and strategies. Nonetheless, it was a strong emotion and I felt a great sense of responsibility when I accepted Alberto Bombassei's invitation to take up his role.
My gratitude goes out to him. With his gaze constantly fixed on the future and his untiring dedication, he has made Brembo a model of genuine Italian excellence. For all of us, Alberto Bombassei is an example from which to draw constant inspiration.
In my role at the helm of the Company, I intend to maintain the focus on our customers, people and the communities in which we operate that has always set us apart.

Brembo delivered solid results in particularly challenging circumstances in 2021. Despite a market scenario shaped by the severe adverse impact of inflation on raw materials and the semiconductor shortage, the Company generated revenues in excess not only of 2020, but also of 2019, confirming its aptitude to create value.
Notwithstanding the complexity of the global scenario and current geopolitical tensions, we can look to the current year with the knowledge that we embarked on a solid strategic journey, moving in the direction of constant innovation of our solutions, digitalisation and sustainable development.

In 2021, net consolidated revenues amounted to €2,777.6 million, up 25.8% compared to the previous year (+26.2% on a like-for-like exchange rate basis) and 7.2% compared to 2019. Following the acquisition of the Danish SBS Friction, effective 1 January 2021, and of the Spanish J.Juan, effective 1 November 2021, the consolidation scope changed. On a like-for-like consolidation basis, the increase was 24.5%. On a like-for-like exchange rate and consolidation basis, revenues rose by 25.0% compared to the previous year.
Operating in 15 countries on three continents with 23 production sites, six commercial offices and seven research and development centres, at 31 December 2021 Brembo had a workforce of 12,225, 1,186 more than in the previous year, of whom 106 of SBS Friction and 570 of J.Juan.
At geographical level, all the markets in which we operate grew in 2021 compared to the previous year. Sales increased by 31.1% in Italy, 24.6% in Germany, 15.1% in France and 17.7% in the United Kingdom. As far as non-EU countries are concerned, India rose by 28.2% (+32.4% on a like-for-like exchange rate basis), China by 28.8% (+25.2% on a like-for-like exchange rate basis), and Japan by +12.1% (+11.1% on a like-for-like exchange rate basis). South America grew by 22.0% (+31.2% on a like-for-like exchange rate basis) and North America (USA, Canada and Mexico) rose by 25.2% (+29.1% on a like-for-like exchange rate basis).
As for the different market segments in which Brembo operates, car applications increased by 22.1%, motorbike applications by 55.2% (+42.6% on a like-for-like consolidation basis) and commercial vehicles by 26.3%, whereas the racing sector — where we continue to play a central role in the world's most important championships each weekend — grew by 22.7%.
The entire automotive industry is undergoing a process of rapid evolution and transformation. From vehicle electrification to their digitalisation, Brembo is a leader in research into artificial intelligence, advanced software and data analysis. This results in the creation of products that are increasingly less "metallic" and increasingly dense with electronics and IT content.

These are the foundations that led Brembo to develop its revolutionary intelligent braking system, Sensify: a cutting-edge solution that calibrates braking on each wheel, further increasing safety and reducing emissions. With its launch on the market planned in early 2024, Sensify is an extremely concrete application of artificial intelligence and digital technology. It is a breakthrough for brake systems, much like that of ABS in the 1990s, and will presumably become a solution of reference for the Company.

The new smart braking system Sensify, the opening of the first Brembo Inspiration Lab in California marked by an approach to innovation that looks to the future without limits and the acquisitions of SBS Friction and J.Juan, which round out the range of high-tech brake systems in the strategic two-wheel market, reflect Brembo's position of global leadership.
Thanks to an increasingly close integration between products and services, Brembo continues to pursue its mission to be a Solution Provider, in order to support its partners in rising to the challenges and grasping the opportunities presented by a rapidly transforming automotive industry.
In a context in which artificial intelligence, advanced software and big data play a decisive role, we are also looking closely to the world of video games and e-sports — sectors in which to develop innovative solutions and win over new enthusiasts among the very young by positioning the Brembo brand in digital competitions.
As every year, Brembo is once again

publishing its Consolidated Disclosure of Non-Financial Information. The document illustrates in detail Brembo's business model, its strategies and policies, as well as the actions implemented and the results achieved, in pursuing its sustainable economic growth, while taking account of the expectations of the stakeholders involved and seeking constant improvement of the environmental and social impacts of its activities.

Brembo reiterates its commitment to the environment by setting highly concrete goals — first of all, achieving carbon neutrality by 2040. This is an ambitious challenge to which for many years the Company has been committed in various areas, particulalry in the reduction of emissions and the responsible management of natural and energy resources.

The first months of 2022 were more than positive in terms of volumes and full utilisation of production capacity. We are also paying close attention to the developments of the Russia-Ukraine crisis. The direct impact on Brembo is modest, as it has no production sites in the area and the exposure to local customers is limited, nonetheless we are closely monitoring commodity supplies and production costs.

Building on our skills and sustained by the values that have been supporting us daily for over 60 years, we are convinced that we can continue to lead the technological transformation for which the automotive industry is preparing. We can't but look with confidence to the increasingly green and connected future that awaits us.

The Executive Chairman
Matteo Tiraboschi

Matteo Tiraboschi, Executive Chairman of Brembo, on the left, with Alberto Bombassei, Chairman Emeritus of the Company.

Turning Energy into Inspiration

Brembo's strategic vision

To learn more

Electrification, autonomous driving, digitalisation and sustainability are macro-trends that are transforming the automotive world and are at the centre of the strategies of the market's main players.
For Brembo, the time has come to open up new horizons and grasp the challenges posed by the great changes taking place. The Group has decided to embark on a path, based on its strategic vision "Turning Energy into Inspiration" and its mission of becoming a Solution provider. "Turning Energy into Inspiration" is the result of Brembo's unique experience in braking systems, acquired during sixty years of history lived in a competitive and ever-changing context. Becoming an authoritative Solution provider is the mission that aims to a high value-added integration of products and services so as to anticipate the new mobility paradigms.
The path that Brembo has outlined for its future rests on three pillars: Digital, Global and Cool Brand.
In 2021, the Group is committed to translating its new corporate purpose into practice through these three strategic pillars, engaging around a hundred individuals of various origins and background in ambitious and challenging projects.

Digital The world has entered the era of data-centric artificial intelligence applications. The ability to analyse and manage data is a crucial skill for continuing to grow and create innovation. Brembo's new strategic vision provides for the widespread dissemination of a solid data culture within the Group, with the goal of becoming an innovative Company that develops increasingly digital solutions.

Global With 23 production sites, 6 sales offices and 7 R&D centres in 15 countries throughout the world, Brembo is an international Group that pursues an innovation-driven globalisation process. Its strategic vision's objective is twofold: creating new centres of excellence for software, data science and artificial intelligence expertise in the main countries in which it operates, and bringing the Group's innovation even closer to its customers.

Cool Brand Brembo targets the new generations in particular, who look at the automotive sector from points of view that are different from the past. The goal is to become a reference brand for them and inspire them with the same passion that has driven the Company since its beginning. Thanks to its leadership in motorsport and high-performance, reduced-emissions technological solutions, Brembo intends to increasingly become a byword for unparalleled driving experience.
At the heart of its new strategic vision, there is also a commitment to sustainability: a priority that Brembo has always pursued in all its activities, products and processes and in its relationship with employees, supply chains and territories.

Company Officers

Chairman Emeritus [1]

Chairman Emeritus	Alberto Bombassei

Board of Directors [2]

Executive Chairman	Matteo Tiraboschi
Chief Executive Officer	Daniele Schillaci
Directors	Valerio Battista [3] [8] Cristina Bombassei [4] Laura Cioli [3] Nicoletta Giadrossi [3] [5] Elisabetta Magistretti [3] Umberto Nicodano [6] Elizabeth M. Robinson [3] Gianfelice Rocca [3] Roberto Vavassori [7]

Board of Statutory Auditors [9]

Chairwoman	Raffaella Pagani [5]
Acting Auditors	Mario Tagliaferri Paola Tagliavini
Alternate Auditors	Myriam Amato [5] Stefania Serina

Independent Auditors

EY S.p.A. [10]

Manager in Charge of the Company's Financial Reports

Andrea Pazzi [11]

Committees

Audit, Risk & Sustainability Committee [12]

Laura Cioli **(Chairwoman)**
Nicoletta Giadrossi
Elisabetta Magistretti

Remuneration & Appointments Committee

Nicoletta Giadrossi **(Chairwoman)**
Laura Cioli
Elizabeth M. Robinson

Supervisory Committee

Giovanni Canavotto **(Chairman)** [13]
Elisabetta Magistretti
Alessandra Ramorino [14]

(1) Appointed for an indefinite period.
(2) In office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.
(3) Non-Executive and Independent Directors.
(4) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System, as well as of Chief CSR Officer.
(5) Director/Statutory Auditor elected from a minority list.
(6) Non-executive Director.
(7) Executive Director.
(8) This Director also holds the position of Lead Independent Director.
(9) In office until the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022. This Board holds the role of Internal Control & Audit Committee pursuant to Article 19 of Legislative Decree No. 39/2010.
(10) The General Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.
11) The appointment remains valid until the expiry of the current Board of Directors' term of office, i.e., until the General Shareholders' Meeting approving the Financial Statements for the year ending 31 December 2022.
(12) This Committee also acts as the Related Party Transactions Committee.
(13) External Advisor.
(14) Chief Internal Audit Officer.

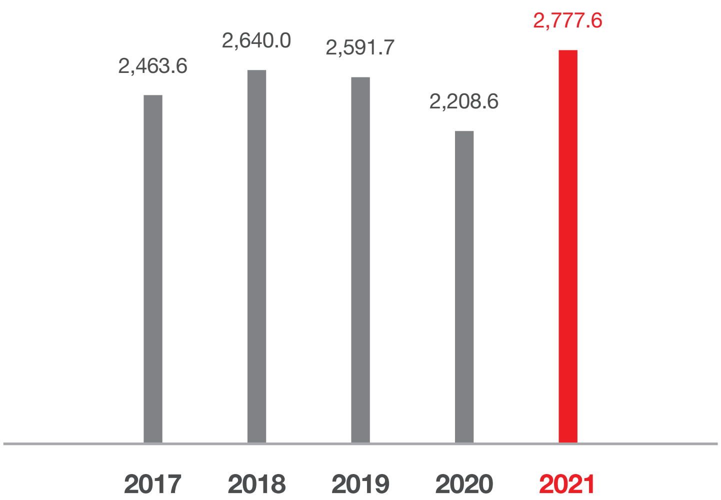
Brembo S.p.A.

Registered offices: CURNO (BG) – Via Brembo 25
Share capital: €34,727,914.00 – Bergamo Register of Companies
Tax code and VAT Code No. 00222620163

Summary of Group Results

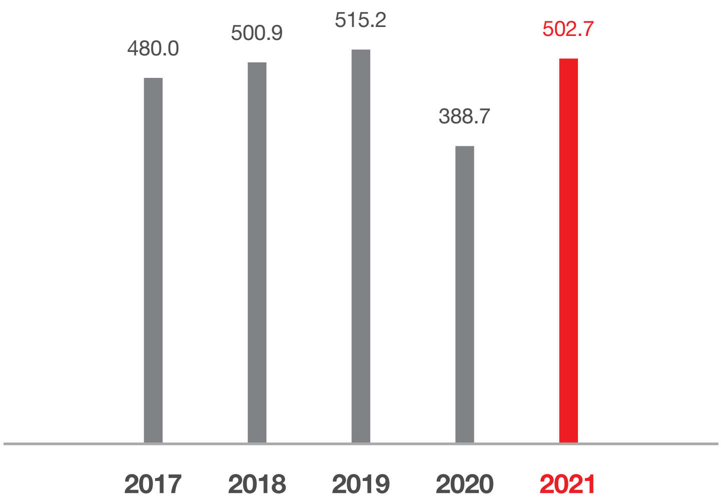
Revenue from contracts with customers

(euro million)



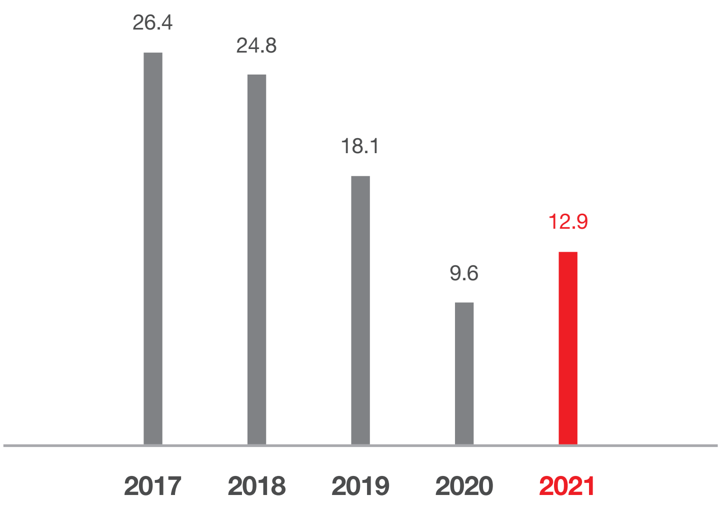
Gross operating income

(euro million)



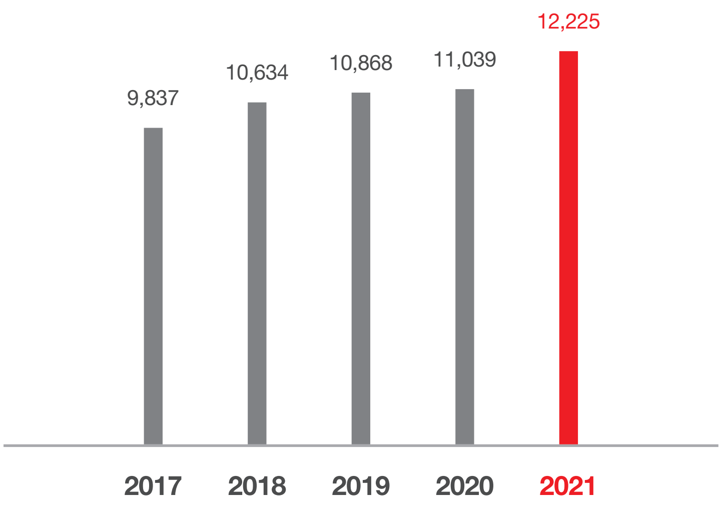
ROI

(percentage)



Personnel at end of year

(No.)



Economic results

(euro thousand)	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	% 2021/2020
Revenue from contracts with customers	2,463,620	2,640,011	2,591,670	2,208,639	2,777,556	*25.8%*
Gross operating income	479,963	500,885	515,169	388,685	502,696	*29.3%*
% on revenue from contracts with customers	*19.5%*	*19.0%*	*19.9%*	*17.6%*	*18.1%*	
Net operating income	346,262	345,064	318,539	181,135	287,981	*59.0%*
% on revenue from contracts with customers	*14.1%*	*13.1%*	*12.3%*	*8.2%*	*10.4%*	
Result before taxes	335,537	325,357	307,691	156,044	286,791	*83.8%*
% on revenue from contracts with customers	*13.6%*	*12.3%*	*11.9%*	*7.1%*	*10.3%*	
Net result for the year	263,428	238,349	231,301	136,533	215,537	*57.9%*
% on revenue from contracts with customers	*10.7%*	*9.0%*	*8.9%*	*6.2%*	*7.8%*	

Financial results

(euro thousand)	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	% 2021/2020
Net invested capital (1)	1,310,818	1,392,874	1,758,638	1,891,493	2,231,294	*18.0%*
Equity	1,064,437	1,228,822	1,388,015	1,481,041	1,796,120	*21.3%*
Net financial debt (1)	218,597	136,911	346,189	384,677	411,837	*7.1%*

Personnel and investments

(euro thousand)	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021	% 2021/2020
Personnel at end of year (No.)	9,837	10,634	10,868	11,039	12,225	*10.7%*
Turnover per employee	250.4	248.3	238.5	200.1	227.2	*13.6%*
Net investments	356,241	285,575	247,336	187,815	236,175	*25.7%*

Main ratios

	31.12.2017	31.12.2018	31.12.2019	31.12.2020	31.12.2021
Net operating income/Revenue from contracts with customers	14.1%	13.1%	12.3%	8.2%	10.4%
Income before taxes/Revenue from contracts with customers	13.6%	12.3%	11.9%	7.1%	10.3%
Net investments/Revenue from contracts with customers	14.5%	10.8%	9.5%	8.5%	8.5%
Net financial debt/Equity	20.5%	11.1%	24.9%	26.0%	22.9%
Adjusted net interest expense(*)/Revenue from contracts with customers	0.4%	0.5%	0.6%	0.8%	0.3%
Adjusted net interest expense (*)/Net operating income	2.7%	4.0%	4.5%	9.4%	3.4%
ROI	26.4%	24.8%	18.1%	9.6%	12.9%
ROE	25.2%	19.7%	17.3%	9.3%	12.0%

Notes:
ROI: Net operating income (rolling 12 months)/Net invested capital
ROE: Net income (loss) before minority interests (rolling 12 months) (net of Result from discontinued operations)/Equity.

(*) This item does not include exchange gains and losses.
(1) It bears recalling that the Group adopted the new IFRS 16 effective 1 January 2019.

A new sensibility.

Sustainable mobility is the present and future. In a changing world, evolution takes the form of surprising ideas and unexplored horizons for a revolutionary new sensibility.

ANNUAL FINANCIAL REPORT 2021

1. Directors' Report on Operations

Brembo and the Market

Macroeconomic Context

To correctly assess Brembo's performance in 2021, it is essential to consider the world macroeconomic scenario, specifically for the markets in which the Group operates.

In a context dominated by uncertainty, through the WEO (World Economic Outlook), its publication of reference for evaluating the evolution of the global economy, the IMF (International Monetary Fund) revised global economy upward for both 2022 and 2023. Nonetheless, the global economy entered 2022 in a weaker position than previously expected. As the new Omicron Covid-19 variant spread, countries reimposed mobility restrictions. Rising energy prices and supply disruptions resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects. Global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022 — lower than previously forecast in the October WEO — largely reflecting forecast markdowns in the two largest economies. In China, pandemic-induced disruptions related to the zero-tolerance Covid-19 policy and protracted financial stress among property developers have induced a 0.8 percentage-point downgrade. Global growth is expected to slow to 3.8% in 2023. Although this is 0.2 percentage point higher than in the previous forecast, the upgrade largely reflects a mechanical pickup after current drags on growth dissipate in the second half of 2022. The forecast is conditional on adverse health outcomes declining to low levels in most countries by end-2022, assuming vaccination rates improve worldwide and therapies become more effective. Elevated inflation is expected to persist for longer than envisioned in the October WEO, with ongoing supply chain disruptions and high energy prices continuing in 2022.

With regard to the **Eurozone**, the January update forecast a 2021 recovery at +5.2%. The IMF revised its growth estimates for 2021 in Germany, France and Spain. Germany's economy is expected to grow by 2.7% in 2021 and by 3.8% in 2022. Growth is instead expected to drop to 2.5% in 2023. France's GDP is estimated to grow by 6.7% in 2021, to then reach +3.5% in 2022 and +1.8% in 2023. According to the IMF, Spain's GDP is forecast to grow by 4.9% in 2021, 5.8% in 2022, and +3.8% in 2023. The IMF expects a recovery of the UK economy in 2021 and 2022, with a growth of +7.2% and +4.7%, respectively, followed by a decline of growth to +2.3% again in 2023. Economic indicators point to a weakening of economic prospects in the Eurozone. The economic sentiment indicator marks a further decline in confidence (from 116.6 to 114.5) for the second consecutive month, attributable to concerns relating to the continuation of the pandemic. The manufacturing PMI fell from 58.4 to 58.0 in December 2021 and that for services from 55.9 to 53.1, confirming a slowdown in activity in a context marked by energy and supply chain tensions. Worldwide, employment remains below pre-pandemic levels, reflecting a mix of negative outputs: concerns among workers of infections in the workplace in high-contact occupations, childcare constraints, changes in the demand for labour with increased automation in some sectors, replacement income through redundancy schemes or unemployment benefits that help to amortise lost income or job-search frictions. The Federal Reserve began to end its expansionary measures and this is reflected on rates and spreads in the Eurozone, although the ECB is keeping its policy unchanged: the BTP rose to 1.22% in January (from 0.97%), albeit remaining low and without consequences for the cost of credit (1.1% for companies).

After a smaller-than-expected decline in 2020, when GDP fell by 8.9%, the **Italian economy** grew by 6.2% in 2021. The IMF revised downwards its growth estimates for Italy's GDP, among others, for 2022, forecasting GDP growth of +3.8%, a decrease of 0.4 percentage points on the October outlook. The forecasts for 2023 were improved to 2.2%, 0.6 percentage points higher than the previous outlook. Investments in Italy slowed already in the third quarter of 2021 (+1.6% compared to +2.4% in the second quarter). For the fourth quarter, companies' opinions of investment conditions decreased (balance from +24.4 to +6.7), whereas expectations regarding economic conditions declined in the first quarter of 2022. They are held back by both low margins, eroded by commodities, and the very uncertain environment, despite the boost provided by the NRRP and incentives, above all in the construction sector.

In the **United States**, the 2021 figures were moderately positive, with a 5.6% increase. The increase in US GDP is expected to amount to 4% in 2022, weighed down by the US government 's difficulties in obtaining approval of the Build Back Better plan, the early end of the Federal Reserve's accommodating monetary policy and the supply shortage. In December 2021, the Federal Reserve cut its GDP growth forecast for the 2022-2023 period (-0.5%, cumulative). On the other hand, 2021 ended with an unexpected decline in industrial production (-0.1%), confirming the slowdown after the summer peak, a trend that can also be seen from the decline in the manufacturing PMI (57.7 in January from 58.3), manufacturing ISM index (57.5 from 61.1) and other local indicators. In December, retail sales declined (-1.9%), even though unemployment returned to near pre-pandemic levels (3.9%). Consumer confidence also fell (Michigan index at 68.8, down from 70.6).

In **Japan**, the IMF estimates a growth of 1.6% in 2022, due in this case as well to the boost ensured by the budget measures introduced at the end of the year. In the second half of 2022, Japan's economy is expected to report its most robust recovery in decades, buoyed by the gradual easing of the pressures exerted by the Covid-19 pandemic. This is the scenario also forecast by the economists consulted by Japan's Centre for Economic Research, who estimate that the world's number-three economy will grow by 3.3% in the next fiscal year, to then decline again to +1.8% in 2023.

During a panel to present the Global Economic Outlook at the World Economic Forum, the IMF's managing director Kristalina Georgieva said that the growth slowdown of the **Chinese economy** is having an impact on the world at large. Another important fact is the political tension between China and the US, a key obstacle destined to persist under the administration of President Joe Biden. Despite the pandemic that began in Wuhan two years ago, China was the only major economy that did not experience recession in 2020 with 2.3% growth according to the IMF, rising to 8.1% in 2021. However, in the two-year period 2022-2023 growth is expected to decline sharply to +4.8% in 2022, to then recover slightly to 5.2% in 2023.

Mention should be made of the IMF's revision of its growth estimates for the **Indian economy**, which after marking -7.3% in 2020, resumed growth, reaching +9% in 2021 and 2022, with a slight slowdown in 2023 (+7.1%). In 2021, the **Russian economy** also recovered from the crisis (+4.5%) compared to its 2020 levels (-2.7%). However, the IMF's experts forecast a further decline in 2022-2023, for which they estimate +2.8% and +2.1%, respectively. **Brazil** ended 2021 with 4.7% economic growth, although the forecasts weakened for 2022-2023 (0.3% and 1.6%, respectively).

Fossil fuel prices nearly doubled over the last year, driving up energy costs and causing higher inflation, above all in Europe (simple average of the prices of UK Brent, Dubai Fateh and West Texas Intermediate crude oil of $69.07 a barrel in 2021, with a forecast of $77.31 in 2022 and of $71.29 in 2023).

Currency Markets

In 2021, the **US dollar** opened the period reaching a high of 1.2338 on 6 January. Subsequently, the currency entered a phase of prolonged appreciation, falling under 1.18 at the end of March. It then depreciated back above 1.22 near the end of May. Subsequently, the currency once again reversed course to appreciate markedly to reach 1.1206 (24 November), the low for the period. At the end of 2021, the US dollar depreciated slightly, closing the year at 1.1326, below the average for the period of 1.1835.

Turning to the currencies of the other main markets in which Brembo operates at the industrial and commercial level, the **pound sterling** began 2021 by reaching its peak for the period at 0.9064 (6 January) to then enter a phase of very sharp appreciation that brought it to around 0.85 near the end of March. After depreciating slightly, the currency then moved within a lateral channel, to appreciate markedly near the end of September, reaching a low for the period of 0.8392 (22 November). At the end of the year, the currency had a significant volatile phase, closing at 0.8403, below the average for the period of 0.8600.

The **Polish zloty** opened the period at around 4.55 to then depreciate sharply in the first quarter of 2021, bringing the rate at above 4.65 near the end of March. The currency then appreciated sharply, reaching a low for the period of 4.4520 (3 June). Subsequently, the currency depreciated constantly, alternating with some brief phases of appreciation, culminating in the high for the period of 4.7119 on 23 November. In December, the Polish zloty appreciated again, closing at 4.5969, above the average for the period of 4.5640.

The **Czech koruna** opened the reporting period with a phase of appreciation that brought it below 25.8. The currency then depreciated sharply, reaching the high for the period of 26.4170 (8 March). The currency then appreciated markedly to below 25.4 around mid-June. Afterwards, it moved laterally within a range of 25.40-25.80, followed by further appreciation to below 25.20 in early November. At the end of the year, the currency depreciated, followed immediately by sharp appreciation, which brought it to the low for the period of 24.8580 (31 December). The average for the period was 25.6468.

The **Swedish krona** began the period below 10.10 and, after a brief lateral phase, appreciated slightly near the end of February. The currency then depreciated markedly, followed by a lateral phase and further depreciation, which brought it to over 10.30 around mid-August. The krona then appreciated markedly to the low for the year of 9.8973 (2 November). At the end of 2021, it underwent further sharp depreciation to the high for the year of 10.3315 (21 December), to close at 10.2503, in line with the average for the period of 10.1448.

The **Danish krone** opened the period at around 7.4380 to then depreciate slightly. Subsequently, it appreciated, bringing the rate below 7.4370 near mid-February. After a long lateral movement that lasted several months, the currency depreciated slightly near early July. It then immediately reversed its trend, reaching its low of the period on 20 September (7.4359). In the fourth quarter of 2021, the krone depreciated to the high for the period of 7.4413 (8 October). At the end of the year, the trend was reversed, leading it to close at 7.4364, in line with the average for the period of 7.4371.

In the East, the **Japanese yen** began the period by appreciating to a low for the period of 125.1800 on 18 January. The currency then reversed course, depreciating strongly and constantly to a high for the period of 134.0500 (1 June). Subsequently, the currency reversed course, appreciating constantly to under 128.00 near mid-August. The currency then depreciated again to above 133.00, followed by further appreciation around the end of the year to close at 130.3800, slightly above the average for the period of 129.8575.

The **Chinese yuan/renminbi** opened 2021 at its high for the period of 7.9653 on 6 January. The currency then underwent constant, prolonged appreciation — a trend that continued throughout the entire reporting period. The currency then reached a low for the period of 7.1600 (24 November) to end the year with a slight depreciation to 7.1947, below the average for the period of 7.6340.

The **Indian rupee** opened the reporting period at around 90.00, to then appreciate sharply, bringing the rate below 86.00 at the end of March. It then reversed course sharply and decisively, reaching a high for the period of 90.5955 (21

April). The currency then appreciated slowly but constantly throughout the remainder of the period, reaching a low for the period of 83.4390 (24 November). At year-end, the rupee depreciated slightly, closing at 84.2292, below the average for the period of 87.4861.

In the Americas, the **Brazilian real** opened the period at around 6.40 to then depreciate to a high of 6.9553 (9 March). The currency then sharply reversed course, with a sharp, extended appreciation, driving the rate to a low for the period of 5.8635 (25 June). Afterwards, the real depreciated to above 6.60 around the end of October, followed by further appreciation. At year-end, the currency depreciated slightly, reaching a closing rate of 6.3101, compared to an average for the period of 6.3813.

The **Mexican peso** opened 2021 by appreciating slightly to below 24, to then reverse direction and reach a high for the period of 25.5759 (8 March). Subsequently, the currency appreciated again to below 24 at the end of March. The currency then entered a lateral phase, followed by slight appreciation, which brought it below 23.50 around early July. The currency then moved in a lateral phase once more to end the year with depreciation, followed by sharp appreciation, leading it to close at 23.1438, below the average for the period of 23.9903.

The **Russian rouble** began 2021 by appreciating slightly, but then reversed direction, driving the rate to a high for the period of 92.3842 on 28 January. The rouble then appreciated sharply to below 87 near mid-March, to then reversing course to above 92 around mid-April. In the latter phases of the reporting period, the currency entered an extended period of appreciation, reaching a low of 80.6417 (26 October). Near the end of the year, the currency depreciated bringing the rate to end the year at 85.3004, with an average for the period of 87.2321.

Group Activities and Reference Market

Brembo is the world leader and acknowledged innovator of the brake disc technology for automotive vehicles. It currently operates in 15 countries on 3 continents, through its production and business sites, and employs over 12,000 people worldwide. Manufacturing plants are located in Italy, Poland (Częstochowa, Dąbrowa Górnicza, Niepołomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Denmark (Svendborg), Spain (Barcelona), Mexico (Apodaca and Escobedo), Brazil (Betim), China (Nanjing, Langfang, Jiaxing), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities. Brembo's reference market is represented by the most important manufacturers of cars, motorbikes, commercial vehicles and racing cars and motorbikes. Constant focus on innovation, as well as technological and process development — factors that have always been fundamental to Brembo's philosophy — have earned the Group a strong international leadership position in the research, design and production of high-performance braking systems for a wide range of road and racing vehicles. Brembo operates in both the original equipment market and the aftermarket. Brembo's range of products for car and commercial vehicle applications includes brake discs, brake calipers, the side-wheel module and, increasingly often, the complete braking system, including integrated engineering services. All of these back the development of new models produced by vehicle manufacturers. In addition to brake discs and brake calipers, motorbike manufacturers are also offered brake master cylinders, light-alloy wheels, brake hoses and complete braking systems. In the car aftermarket, Brembo offers in particular brake discs, in addition to pads, drums, brake shoes, drum-brake kits and hydraulic components: a vast and reliable range of products that allows the Company to meet the needs of nearly all European vehicles.

In 2021, Brembo's consolidated net sales amounted to €2,777,556 thousand, up 25.8% compared to €2,208,639 thousand in 2020.

Information on the performance of the individual applications and their related markets — as available to the Company — is provided under the following headings.

Passenger Cars

The global light vehicle market closed 2021 with an overall 4.6% increase in sales compared to 2020, mainly driven by the growth in the Chinese and U.S. markets.

The Western European market (EU14+EFTA+United Kingdom) reported a 1.5% decline in car registrations compared to 2020. All the main markets closed the year on a positive note, with the exception of Germany (-10.1%): +5.5% in Italy, +0.5% in France, +1.0% in Spain, and +1.0% in the UK. The trend was also positive in Eastern Europe (EU12), with car registrations up 1.5% compared to 2020. In Russia, light vehicle registrations closed 2021 with a 4.3% increase in sales compared to the previous year.

In 2021, light vehicles sales in the United Stated grew by 2.8% overall compared to 2020. Sales of light vehicles in Brazil and Argentina also grew by 2.4% overall.

With reference to Asian markets, China closed 2021 on a positive note, with sales of light vehicles at +4.3% compared to 2020, thus remaining the number-one market in the world. By contrast, Japan recorded a negative trend, ending 2021 with a 3.1% decrease in sales.

Within this scenario, Brembo's net sales of car applications in 2021 amounted to €2,022,225 thousand, accounting for 72.8% of the Group's turnover, up by 22.1% compared to 2020.

Motorbikes

Europe, the United States and Japan are Brembo's three most important markets in the motorbike sector.
In 2021, the five main European countries witnessed a 7.8% increase in registrations compared to 2020, with Italy reporting the strongest growth at +23.6%, followed by the United Kingdom at +10.2%, France at +8.5% and Spain at +8.0%, while Germany decreased by 9.7%.
In 2021, in the United States registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) declined by 0.6% overall compared to 2020. The overall decline was attributable to ATV registrations (down 18.6% compared to 2020), while motorbikes and scooters together closed the year at +9.1%.
In 2021, the Japanese market (considering displacements above 50cc overall) showed a 22.0% increase compared to the previous year, whilst the Indian market (motorbikes and scooters together) rose by 2.0%. In Brazil, registrations grew by 26.4% overall compared to 2020.
In this context, Brembo's net sales of motorbike applications amounted to €330,618 thousand in 2021, up 55.2% (42.6% on a like-for-like consolidation basis) compared to €212,983 thousand for 2020.

Commercial and Industrial Vehicles

In 2021, the European commercial vehicles market (EU+EFTA) — Brembo's reference market — showed a 9.6% increase in registrations.
In the reporting period, sales of light commercial vehicles (up to 3.5 tonnes) in Europe increased by 8.5% compared to 2020, with a different performance by sales volume in the main markets: Germany and Spain declined by 4.0% and 0.8%, respectively, while Italy and France grew by 7.5% and 14.7%, respectively.
In Europe, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) increased by 16.8% in 2021 compared to the previous year. Among the first four European markets by sales volume, a positive performance was reported by Germany (+5.6%), France (+5.5%), Italy (+22.3%) and Spain (+8.1%). In Eastern European countries, sales of commercial vehicles over 3.5 tonnes declined by 32.8% compared to the previous year.
In 2021, Brembo's net sales of applications in this segment amounted to €293,933 thousand, up 26.3% compared to €232,759 thousand for 2020.

Racing

In the racing sector, where Brembo has maintained undisputed supremacy for years, the Group operates through three leading brands: Brembo Racing, braking systems for race cars and motorbikes; AP Racing, braking systems and clutches for race cars; Marchesini, magnesium and aluminium wheels for racing motorbikes.
In 2021, Brembo's net sales of applications in this segment amounted to €130,750 thousand, up by 22.7% compared to €106,604 thousand for 2020.

Sales Breakdown by Geographical Area and Application

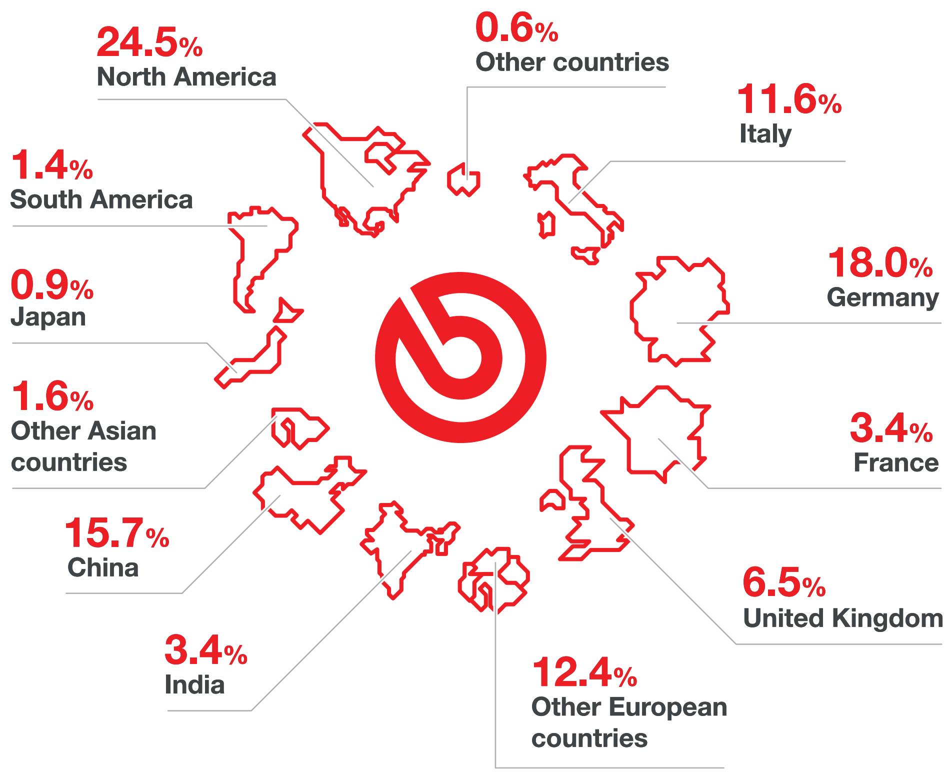
Geographical area

(euro thousand)	31.12.2021	%	31.12.2020	%	Change	%
Italy	321,144	11.6%	244,932	11.1%	76,212	31.1%
Germany	499,512	18.0%	400,738	18.2%	98,774	24.6%
France	94,332	3.4%	81,963	3.7%	12,369	15.1%
United Kingdom	181,732	6.5%	154,396	7.0%	27,336	17.7%
Other European countries	344,050	12.4%	272,193	12.3%	71,857	26.4%
India	93,401	3.4%	72,880	3.3%	20,521	28.2%
China	435,755	15.7%	338,447	15.3%	97,308	28.8%
Japan	26,044	0.9%	23,237	1.1%	2,807	12.1%
Other Asian countries	45,346	1.6%	30,723	1.4%	14,623	47.6%
South America (Argentina and Brazil)	39,033	1.4%	31,983	1.4%	7,050	22.0%
North America (USA, Mexico and Canada)	679,666	24.5%	542,729	24.5%	136,937	25.2%
Other countries	17,541	0.6%	14,418	0.7%	3,123	21.7%
Total	**2,777,556**	**100.0%**	**2,208,639**	**100.0%**	**568,917**	**25.8%**

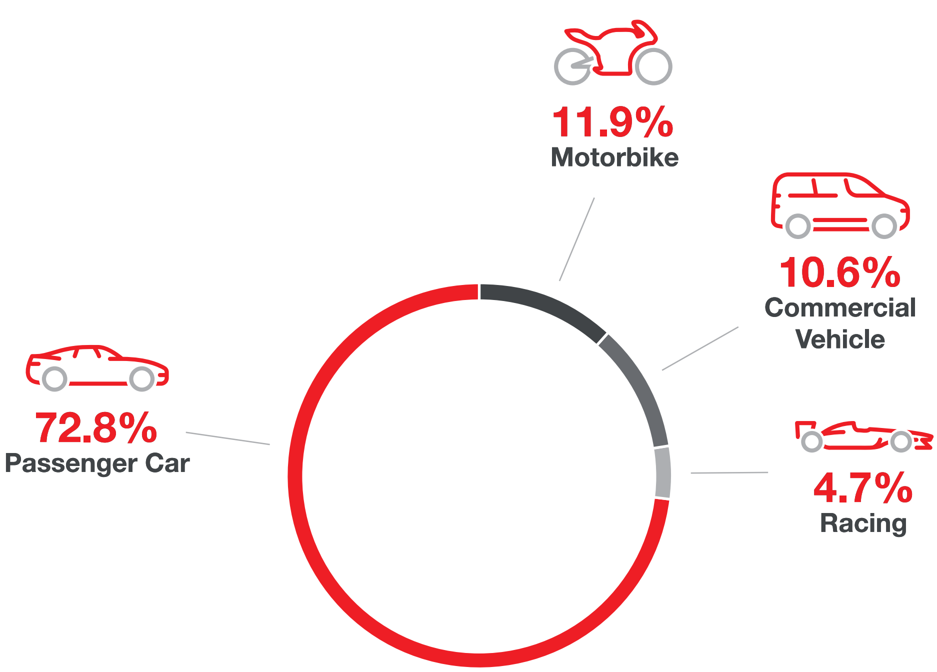
Application

(euro thousand)	31.12.2021	%	31.12.2020	%	Change	%
Passenger Car	2,022,225	72.8%	1,655,696	75.1%	366,529	22.1%
Motorbike	330,618	11.9%	212,983	9.6%	117,635	55.2%
Commercial Vehicle	293,933	10.6%	232,759	10.5%	61,174	26.3%
Racing	130,750	4.7%	106,604	4.8%	24,146	22.7%
Miscellaneous	30	0.0%	597	0.0%	(567)	-95.0%
Total	**2,777,556**	**100.0%**	**2,208,639**	**100.0%**	**568,917**	**25.8%**

Sales Breakdown by Geographical Area



Sales Breakdown by Application



Brembo's Consolidated Results

Consolidated Statement of Income

(euro thousand)	31.12.2021	31.12.2020	Change	%
Revenue from contracts with customers	**2,777,556**	**2,208,639**	**568,917**	***25.8%***
Cost of sales, operating costs and other net charges/income (*)	(1,783,561)	(1,405,317)	(378,244)	*26.9%*
Income (expense) from non-financial investments	15,318	10,392	4,926	*47.4%*
Personnel expenses	(506,617)	(425,029)	(81,588)	*19.2%*
GROSS OPERATING INCOME	**502,696**	**388,685**	**114,011**	***29.3%***
% on revenue from contracts with customers	*18.1%*	*17.6%*		
Depreciation, amortisation and impairment losses	(214,715)	(207,550)	(7,165)	*3.5%*
NET OPERATING INCOME	**287,981**	**181,135**	**106,846**	***59.0%***
% on revenue from contracts with customers	*10.4%*	*8.2%*		
Net interest income (expense) and interest income (expense) from investments	(1,190)	(25,091)	23,901	*-95.3%*
RESULT BEFORE TAXES	**286,791**	**156,044**	**130,747**	***83.8%***
% on revenue from contracts with customers	*10.3%*	*7.1%*		
Taxes	(70,752)	(17,802)	(52,950)	*297.4%*
Result from discontinued operations	(153)	(304)	151	*-49.7%*
RESULT BEFORE MINORITY INTERESTS	**215,886**	**137,938**	**77,948**	***56.5%***
% on revenue from contracts with customers	*7.8%*	*6.2%*		
Minority interests	(349)	(1,405)	1,056	*-75.2%*
NET RESULT	**215,537**	**136,533**	**79,004**	***57.9%***
% on revenue from contracts with customers	*7.8%*	*6.2%*		
BASIC AND DILUTED EARNINGS PER SHARE (euro)	**0.67**	**0.42**		

(*) The item is obtained by adding the following items of the Consolidated Statement of Income: "Other revenues and income", "Costs for capitalised internal works", "Raw materials, consumables and goods" and "Other operating costs".

In 2021, Brembo's net sales amounted to €2,777,556 thousand, marking a 25.8% increase compared to 2020, partly arising from the rebound effect compared to the previous year, which had been impacted by the Covid-19 pandemic. On a like-for-like consolidation basis — thus excluding the contribution of SBS Friction A/S and the J.Juan Group from the results for 2021 — the Group's sales grew by 24.5%.

The car applications sector, which accounted for 72.8% of the Group's sales, closed 2021 with a +22.1% increase compared to the previous year. Similarly, all other applications sharply recovered compared to 2020: applications for commercial vehicles closed at +26.3%, motorbike applications at +55.2% (+42.6% on a like-for-like consolidation basis), and racing applications at +22.7%.
At geographical level, and with specific reference to Europe, Germany reported a 24.6% growth compared to 2020. The other European countries also reported positive results, with France up by 15.1%, Italy by 31.1% and the United Kingdom by 17.7%. Sales also rose by 25.2% in North America and by 22.0% in South America. In the Far East, China increased by 28.8% compared to 2020. Results grew also in India (+28.2%) and Japan (+12.1%).

In 2021, the **cost of sales and other net operating costs** amounted to €1,783,561 thousand, with a 64.2% ratio to sales, up compared to 63.6% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €23,189 thousand compared to €22,573 thousand for 2020.

Income (expense) from non-financial investments amounted to €15,318 thousand and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€10,392 thousand in 2020).

Personnel expenses for 2021 amounted to €506,617 thousand, with a 18.2% ratio to sales, down compared to the previous year (19.2%). At 31 December 2021, workforce numbered 12,225 (11,039 at 31 December 2020).

Gross operating income for 2021 was €502,696 thousand compared to €388,685 thousand in the previous year, with an 18.1% ratio to sales (17.6% in 2020).

Net operating income amounted to €287,981 thousand (10.4% of sales), compared to €181,135 thousand (8.2% of sales) in 2020, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €214,715 thousand, compared to depreciation, amortisation and impairment losses amounting to €207,550 thousand in 2020.

Net interest expense amounted to €5,218 thousand (€25,212 thousand in 2020) and consisted of net exchange gains of €4,439 thousand (net exchange losses of €8,118 thousand in 2020) and other net interest expense of €9,657 thousand (€17,094 thousand in 2020).

Net interest income from investments, which amounted to €4,028 thousand (€121 thousand in 2020), was chiefly attributable to the effects of valuing investments in associates using the equity method and dividends received by investees not included in the consolidation area.

Result before taxes was positive at €286,791 thousand, up 83.8% compared to €156,044 thousand for the previous year. Estimated taxes amounted to €70,752 thousand, with a tax rate of 24.7% (11.4% in 2020), chiefly due to the Patent Box relief measure.

The **result from discontinued operations**, negative for €153 thousand, was attributable to the contribution of the company Brembo Argentina S.A. in dissolution and winding up procedure, reclassified to this item following the Group's decision, taken in June 2019, to discontinue its industrial operations at the Buenos Aires plant.

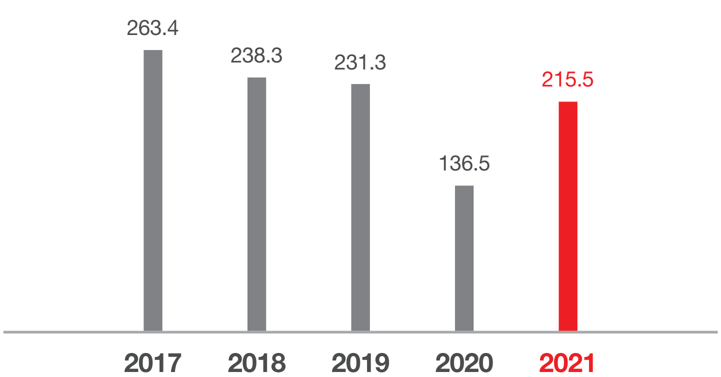
The **Group's net result** was €215,537 thousand (7.8% of sales), up 57.9% compared to €136,533 thousand for the previous year (6.2% of sales).

Statement of Financial Position

(euro thousand)	31.12.2021	31.12.2020	Change
Property, plant and equipment	1,274,733	1,183,280	91,453
Intangible assets	297,319	219,567	77,752
Financial assets/liabilities	365,352	261,210	104,142
Other receivables and non-current liabilities	92,845	80,082	12,763
Fixed capital	**2,030,249**	**1,744,139**	**286,110**
			16.4%
Inventories	482,924	354,887	128,037
Trade receivables	468,222	385,439	82,783
Other receivables and current assets	136,162	119,315	16,847
Current liabilities	(802,011)	(640,924)	(161,087)
Provisions/deferred taxes	(84,144)	(71,286)	(12,858)
Hedging assets/liabilities	(29)	0	(29)
Net working capital	**201,124**	**147,431**	**53,693**
			36.4%
Net invested capital from discontinued operations	**(79)**	**(77)**	**(2)**
NET INVESTED CAPITAL	**2,231,294**	**1,891,493**	**339,801**
			18.0%
Equity	**1,796,120**	**1,481,041**	**315,079**
Employees' leaving entitlement and other personnel provisions	**23,992**	**26,567**	**(2,575)**
Medium/long-term financial debt	721,639	736,588	(14,949)
Short-term net financial debt	(309,802)	(351,911)	42,109
Net financial debt	**411,837**	**384,677**	**27,160**
			7.1%
Net financial debt from discontinued operations	**(655)**	**(792)**	**137**
COVERAGE	**2,231,294**	**1,891,493**	**339,801**
			18.0%

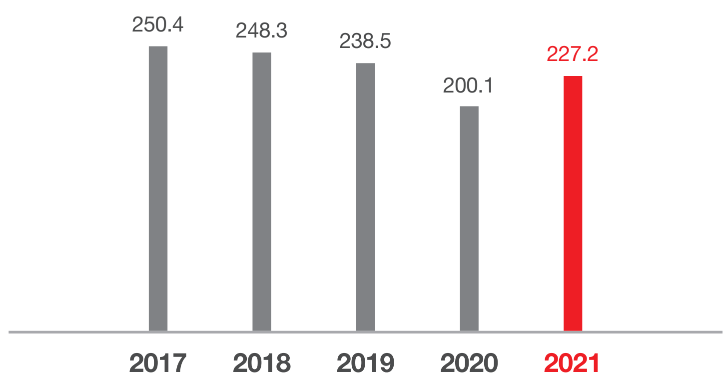
Net result

(euro million)



Turnover per employee

(euro thousand)



The Group's Statement of Financial Position reflects reclassifications of consolidated accounting statements, as described in the following pages. In detail:

- "Financial assets/liabilities" include the following items: "Investments" and "Other financial assets";
- the item "Other receivables and non-current liabilities" is made up of the following items: "Receivables and other non-current assets", "Deferred tax assets" and "Other non-current liabilities";
- "Net financial debt" includes current and non-current payables to banks and other financial liabilities (including lease liabilities), net of cash and cash equivalents and current financial assets.

Net Invested Capital at 31 December 2021 amounted to €2,231,294 thousand, up by €339,801 thousand compared to €1,891,493 thousand at 31 December 2020.

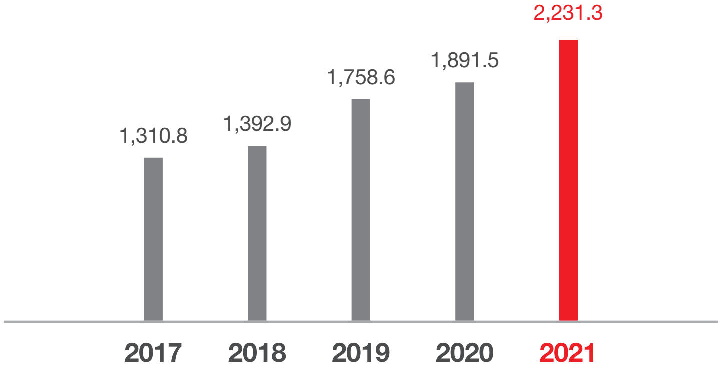
Net financial debt for 2021 amounted to €411,837 thousand compared to €384,677 thousand at 31 December 2020. Net financial debt increased by €27,160 thousand in the year, mainly due to the combined effect of the following factors:

- the positive effect of gross operating income of €502,696 thousand, with a €28,820 thousand decrease in working capital;
- net investments totalling €236,175 thousand;
- payment of taxes totalling €63,625 thousand;
- the Parent's payment of the approved dividends in the amount of €71,132 thousand;
- dividends received by the associate BSCCB S.p.A. totalling €15,000 thousand and by investees not included in the consolidation area amounting to €3,826 thousand;
- payment of the €39,028 thousand consideration for the acquisition of a 100% stake in SBS Friction A/S, including the net financial position acquired;
- payment of the €77,880 thousand consideration for the acquisition of a 100% stake in the J.Juan Group, including the net financial position acquired.

The Explanatory Notes to the Consolidated Financial Statements provide detailed information on the financial position and its assets and liabilities items.

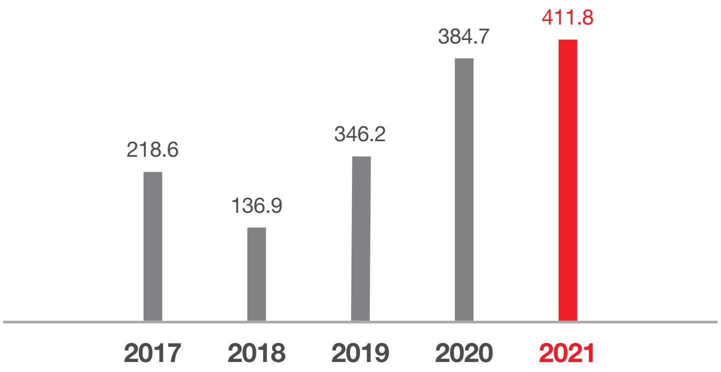
Net Invested Capital

(euro million)



Net financial debt

(euro million)



Statement of Cash Flows

(euro thousand)	31.12.2021	31.12.2020
NET FINANCIAL POSITION AT BEGINNING OF YEAR (*)	**(384,677)**	**(346,189)**
Net operating income	**287,981**	**181,135**
Depreciation, amortisation and impairment losses	214,715	207,550
Gross operating income	**502,696**	**388,685**
Investments in property, plant and equipment	(210,248)	(162,052)
of which right of use assets	*(26,407)*	*(37,755)*
Investments in intangible assets	(31,789)	(28,273)
Investments in financial assets	(168)	(182,862)
Disposals	5,862	2,510
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of the net financial position	(116,908)	0
Net investments	**(353,251)**	**(370,677)**
Change in inventories	(108,167)	(23,913)
Change in trade receivables	(57,760)	4,387
Change in trade payables	99,173	910
Change in other liabilities	19,836	10,028
Change in receivables from others and other assets	(4,371)	(10,857)
Translation reserve not allocated to specific items	22,468	(16,379)
Change in working capital	**(28,820)**	**(35,824)**
Change in provisions for employee benefits and other provisions	3,498	46,461
Operating cash flows	**124,123**	**28,645**
Interest income and expense	(991)	(24,794)
Result from discontinued operations	(153)	(304)
Current taxes paid	(63,625)	(48,873)
Dividend paid in the year to minority shareholders	(640)	(640)
Interest (income)/expense from investments, net of dividends received	(298)	(303)
Dividends paid in the year	(71,132)	0
Net cash flows	**(12,717)**	**(46,269)**
Effect of translation differences on net financial position	(14,443)	7,781
NET FINANCIAL POSITION AT END OF YEAR (*)	**(411,837)**	**(384,677)**

(*) See Note 13 of the Explanatory Notes to the Consolidated Financial Statements for a reconciliation with financial statements data.

Alternative Performance Measures

Brembo's Directors have identified some alternative performance measures ("APMs") in the previous paragraphs, in order to provide a better understanding of the Brembo Group's operating and financial performance. These indicators are also tools that help the Directors to identify operating trends and take decisions about investments, allocation of resources and other operating decisions.

The following points enable a correct interpretation of the above-mentioned APMs:

1. these indicators are constructed starting from the Group's historical data only and are not indicative of the Group's future performance;
2. the APMs are not laid down by the IFRS and are not subject to audit, although they are taken from the Group's Consolidated Financial Statements;
3. the APMs must not be considered to replace the indicators provided for by the IFRS;
4. the APMs are to be read together with the Group's financial information, taken from the Brembo Group's Consolidated Financial Statements;
5. the definitions used by the Group may not match those adopted by other companies/groups, and therefore they are not comparable, since they are not derived from reference accounting standards;
6. the APMs used by the Group are applied on an ongoing basis and are consistently defined and represented for all the periods for which financial information is included in these Financial Statements.

The APMs indicated below have been selected and represented in the Directors' Report on Operations since the Group deems that:

- Net Financial Debt, combined with other indicators such as Investments/Revenue from contracts with customers, Net Financial Debt/Equity, Net interest expense (less exchange gains or losses)/Revenue from contracts with customers and Net interest expense (less exchange gains or losses)/Net operating income, allow a better assessment of the overall level of debt, capital solidity and debt payment capacity;
- Fixed Capital — and thus net investments in property, plant, equipment and intangible assets, calculated as the sum total of increases (net of decreases) of property, plant and equipment (including the right of use assets) and intangible assets — Net Working Capital, and Net Invested Capital allow a better assessment of both the ability to meet short-term trade commitments through current trade assets, and the consistency between the structure of the use and that of the sources of financing over time;
- Gross Operating Income (EBITDA) and Net Operating Income (EBIT), combined with other relative profitability indicators, allow changes in operating performance to be illustrated and provide useful information on the Group's capacity to sustain the debt; these indicators are also commonly used by analysts and investors in the sector to which the Group belongs, to evaluate company performance.

Group Structure

brembo
Brembo S.p.A.

- 100% **Ap Racing Ltd.** Coventry, UK
- 100% **Brembo Czech S.r.o.** Ostrava-Hrabová, Czech Republic
- 100% **Brembo Deutschland GmbH** Leinfelden-Echterdingen - Germany
- 100% **Brembo Poland Spolka Zo.o.** Dąbrowa Górnicza - Poland
- 100% **Brembo Scandinavia A.B.** Göteborg, Sweden
- 100% **Brembo Russia Llc.** Moscow, Russia
- 100% **La.Cam (Lavorazioni Camune) S.r.l.** Stezzano - Italy
- 100% **J.Juan S.A.U.** Barcelona, Spain
  - 100% **J.Juan Brake Systems S.A.U.** Barcelona - Spain
  - 100% **Montajes y Acabados S.L.U.** Barcelona - Spain
  - 100% **Jiaxing Ciju Control Systems Co. Ltd.** Jiaxing - China
- 68% **Corporación Upwards 98 S.A.** Zaragoza - Spain
- 60% **SBS Friction A/S** Svendborg, Denmark (40% held by Brembo Brake India Pvt. Ltd.)
- 50% **Brembo SGL Carbon Ceramic Brakes S.p.A.** Stezzano - Italy
  - 100% **Brembo SGL Carbon Ceramic Brakes GmbH** Meitingen - Germany
- 20% **Infibra Technologies S.r.l.** Pisa, Italy
- 20% **Petroceramics S.p.A.** Milan, Italy
- 10% **International Sport Automobile S.A.R.L.** Levallois Perret - France
- 4.78% **Pirelli & C. S.p.A.** Milan, Italy
- 3.27% **E-Novia S.p.A.** Milan, Italy

- 100% **Brembo Japan Co. Ltd.** Tokyo, Japan
- 100% **Qingdao Brembo Trading Co. Ltd.** Qingdao - China
- 100% **Brembo Nanjing Brake Systems Co. Ltd.** Nanjing - China
- 99.99% **Brembo Brake India Pvt. Ltd.** Pune - India
  - 40% **Brembo (Nanjing) Automobile Components Co. Ltd.**
  - 40% **SBS Friction A/S**
- 60% **Brembo (Nanjing) Automobile Components Co. Ltd.** Nanjing - China
- 66% **Brembo Huilian (Langfang) Brake Systems Co. Ltd.** Langfang - China
- 1.20% **Fuji Co.** Shizuoka, Japan

- 100% **Brembo Inspiration Lab Corp.** Wilmington, Delaware - USA
- 100% **Brembo North America Inc.** Wilmington, Delaware - USA
  - 51% **Brembo México S.A. de C.V.**
- 49% **Brembo México S.A. de C.V.** Apodaca - Mexico
- 99.99% **Brembo Do Brasil Ltda.** Betim - Brazil
  - 1.38% **Brembo Argentina S.A.**
- 98.62% **Brembo Argentina S.A.** Buenos Aires - Argentina *in dissolution and winding up procedure*

This table complies with Article 125 of Consob Resolution No. 11971 dated 14 May 1999.

Brembo Worldwide

Brembo S.p.A.'s headquarters are located in Italy, Curno (Bergamo).

Ap Racing Ltd.

Brembo Deutschland GmbH
Brembo SGL Carbon Ceramic Brakes GmbH

Brembo S.p.A.
La.Cam S.r.l.
Brembo SGL Carbon Ceramic Brakes S.p.A.
Petroceramics S.p.A.
Infibra Technologies S.r.l.

Brembo North America Inc.
Brembo Inspiration Lab Corp.

J.Juan Group – Spain
Corporación Upwards '98 S.A.

Brembo México S.A. de C.V.

Brembo do Brasil Ltda.

15 Countries in the world

23 Manufacturing sites

7 Research and Development centres


SBS Friction A/S
Brembo Scandinavia A.B.
Brembo Poland Spolka Zo.o.
Brembo Russia Llc.
Brembo Czech S.r.o.
Brembo Japan Co. Ltd.
Brembo Brake India Pvt. Ltd.
Brembo Nanjing Brake Systems Co. Ltd.
Brembo Huilian (Langfang) Brake Systems Co. Ltd.
Brembo Nanjing Automobile Components Co. Ltd.
J.Juan Group – China
Qingdao Brembo Trading Co. Ltd.
Production sites
Commercial sites
Research & Development centres

Performance of Brembo Companies

The following figures were taken from the accounting situations and/or draft financial statements prepared by the companies in accordance with IAS/IFRS and approved by the respective Boards of Directors.

Brembo S.p.A.
Curno (Italy)

Activities: analysis, design, development, application, production, assembly and sale of braking systems, light alloy castings for various sectors, including the car and motorbike industries.

The year 2021 closed with net sales amounting to €1,021,345 thousand, up 25.3% compared to €815,087 thousand in 2020. The item "Other revenues and income" amounted to €41,250 thousand in 2021 compared to €43,243 thousand in 2020, whereas capitalised development costs for the year totalled €18,621 thousand.
Gross operating income went from €102,293 thousand (12.5% of sales) in 2020 to €153,089 thousand (15.0% of sales) in 2021, whereas net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €64,107 thousand, closed at €88,981 thousand compared to €37,980 thousand for the previous year.
Net interest expense from financing activities amounted to €1,084 thousand compared to €9,137 thousand for 2020. Income from investments amounted to €48,539 thousand and was mainly attributable to the distribution of dividends by some subsidiaries.
In the reporting year, net income amounted to €111,229 thousand, compared to €85,505 thousand in 2020.
At 31 December 2021, workforce numbered 3,101, increasing by 60 compared to 3,041 at the end of 2020.

Companies Consolidated on a Line-by-Line Basis

AP Racing Ltd.
Coventry (United Kingdom)

Activities: production and sale of braking systems and clutches for road and racing vehicles.

AP Racing is the market leader in the production of brakes and clutches for racing cars and motorbikes.
The company designs, assembles and sells cutting-edge, high-tech products throughout the world for the main F1, GT, Touring and Rally teams. It also produces and sells original equipment brakes and clutches for prestige car manufacturers.
Net sales amounted to GBP 43,485 thousand (€50,564 thousand) in 2021, compared to GBP 35,609 thousand (€40,046 thousand) in 2020. In the reporting year, net income amounted to GBP 3,631 thousand (€4,222 thousand), compared to GBP 1,808 thousand (€2,033 thousand) in 2020.
At 31 December 2021, workforce numbered 143, four more than at the end of 2020.

Brembo Brake India Pvt. Ltd.

Pune (India)

Activities: development, production and sale of braking systems for motorbikes.

The company is based in Pune, India, and was originally set up in 2006 as a joint venture held in equal stakes by Brembo S.p.A. and the Indian company Bosch Chassis Systems India Ltd. Since 2008, the company has been wholly owned by Brembo S.p.A.

In 2021, net sales totalled INR 10,227,621 thousand (€116,906 thousand), with a net income of INR 1,039,048 thousand (€11,877 thousand). In 2020, net sales had amounted to INR 7,153,315 thousand (€84,575 thousand), with a net income of INR 602,703 thousand (€7,126 thousand).

At 31 December 2021, workforce numbered 963, compared to 821 in the previous year.

Brembo Deutschland GmbH

Leinfelden – Echterdingen (Germany)

Activities: purchase and resale of vehicles, technical and sales services, as well as promotion of the sale of car brake discs.

The company, which is 100% owned by Brembo S.p.A., was formed in 2007. It specialises in buying cars for tests and encouraging and simplifying communications between Brembo and its German customers in the various phases of project planning and management. It also promotes the sale of brake discs for the car aftermarket only.

At 31 December 2021, net sales amounted to €2,418 thousand (€2,157 thousand for 2020), with a net income of €777 thousand (€707 thousand for 2020).

At 31 December 2021, workforce numbered nine, increasing by one compared to the same date of the previous year.

Brembo Czech S.r.o.

Ostrava-Hrabová (Czech Republic)

Activities: casting, production and sale of braking systems for cars.

The company was formed in 2009 and started its production activity in 2011. It carries out the casting, processing and assembly of brake calipers and other aluminium components.

In 2021, net sales amounted to CZK 5,317,719 thousand (€207,344 thousand) compared to CZK 4,629,197 thousand (€174,981 thousand) in 2020, closing the year with a net loss of CZK 241,845 thousand (€9,430 thousand) compared to a net loss of CZK 366,421 thousand (€13,851 thousand) in 2020.

At 31 December 2021, workforce numbered 975, 36 fewer than the previous year.

Brembo Do Brasil Ltda.

Betim (Brazil)

Activities: production and sale of brake discs for the original equipment market.

The company is headquartered in Betim, Minas Gerais, and specialises in the manufacturing and sales of car brake discs in the South American OE market.

Net sales for 2021 amounted to BRL 231,602 thousand (€36,294 thousand), with a net income of BRL 18,668 thousand (€2,925 thousand). In 2020, net sales had amounted to BRL 180,649 thousand (€30,670 thousand), with a net loss of BRL 155 thousand (€26 thousand).

At 31 December 2021, workforce numbered 203, compared to 221 at the same date of the previous year.

Brembo Huilian (Langfang) Brake Systems Co. Ltd.

Langfang (China)

Activities: casting, production and sale of brake discs for the original equipment market.

In 2016, Brembo S.p.A. acquired a 66% stake in Brembo Huilian (Langfang) Brake Systems Co. Ltd. (formerly Asimco Meilian Braking Systems (Langfang) Co. Ltd.), a Chinese company that owns a foundry and a plant for the manufacturing of cast-iron brake discs. This company supplies local car manufacturers, mainly including joint ventures among Chinese firms and European and U.S. top players. The remaining 34% of the share capital continued to be owned by the public company Langfang Assets Operation Co. Ltd., controlled by the Municipality of Langfang. The consideration for the transaction amounted to CNY 580,060 thousand (approximately €79.6 million).
Net sales amounted to CNY 549,155 thousand (€71,935 thousand) in 2021, compared to CNY 579,890 thousand (€73,676 thousand) in 2020. In the reporting year, net income amounted to CNY 8,277 thousand (€1,084 thousand), compared to CNY 34,332 thousand (€4,362 thousand) in 2020.
At 31 December 2021, workforce numbered 534, decreasing by 70 compared to the end of 2020.

Brembo Inspiration Lab Corp.

Wilmington, Delaware (USA)

Activities: strengthening expertise in software development, data science and artificial intelligence.

In 2021, Brembo established the company Inspiration Lab Corp. with registered office in Wilmington (Delaware, USA) and share capital of USD 300 thousand. The company is based in the Silicon Valley, California (USA), and is the first centre of excellence opened by Brembo.
At 31 December 2021, the company did not generate revenues and closed the year with a net loss of USD 66 thousand (€55 thousand). At year-end, the company had no employees.

Brembo Japan Co. Ltd.

Tokyo (Japan)

Activities: sale of braking systems for the racing sector and original equipment for cars.

Brembo Japan Co. Ltd. is Brembo’s commercial company that handles the Japanese racing market. Through the Tokyo office, it provides primary technical support to the OEM customers in the area. It also renders services to the other Group companies operating in Japan.
Net sales amounted to JPY 774,361 thousand (€5,963 thousand) in 2021, compared to JPY 653,520 thousand (€5,367 thousand) in 2020. Net income for the reporting year was JPY 76,211 thousand (€587 thousand), compared to JPY 54,514 thousand (€448 thousand) in 2020.
At 31 December 2021, workforce numbered 21, three more than at the end of 2020.

Brembo México S.A. de C.V.

Apodaca (Mexico)

Activities: casting, production and sale of car brake discs for original equipment and the aftermarket; casting, production and sale of braking systems for cars and commercial vehicles.

As a result of the merger with Brembo México Apodaca S.A. de C.V. in 2010, the company is now 51% owned by Brembo North America Inc. and 49% owned by Brembo S.p.A.
In 2021, net sales amounted to USD 386,330 thousand (€326,423 thousand), with a net income for the year of USD 20,289 thousand (€17,143 thousand).
In 2020, net sales had amounted to USD 279,426 thousand (€244,835 thousand), with a net income of USD 19,561 thousand (€17,140 thousand).
At 31 December 2021, workforce numbered 1,516, compared to 1,202 at the end of 2020.

Brembo (Nanjing) Automobile Components Co. Ltd.

Nanjing (China)

Activities: casting, production and sale of braking systems for cars and commercial vehicles.

The company, which is 60% owned by Brembo S.p.A. and 40% owned by Brembo Brake India PVT. Ltd., was set up in April 2016 and carries out casting, processing, assembly and sales of braking systems for cars and commercial vehicles.
At 31 December 2021, net sales amounted to CNY 1,374,148 thousand (€180,003 thousand), compared to CNY 906,627 thousand (€115,188 thousand) at the end of 2020.
Net income at 31 December 2021 was CNY 174,786 thousand (€22,896 thousand), compared to net income of CNY 51,902 thousand (€6,594 thousand) in 2020.
At 31 December 2021, workforce numbered 430, compared to 359 in 2020.

Brembo Nanjing Brake Systems Co. Ltd.

Nanjing (China)

Activities: development, casting, production and sale of OEM brake discs for cars.

The company, a joint venture between Brembo S.p.A. and the Chinese group Nanjing Automobile Corp., was formed in 2001. Brembo Group acquired control over the company in 2008. In 2013, Brembo Group acquired full control from the Chinese partner Donghua Automotive Industrial Co. Ltd.
On 1 July 2017, the merger of Brembo Nanjing Foundry Co. Ltd. into Brembo Nanjing Brake Systems Co. Ltd. became effective. The transaction aimed at developing an integrated industrial hub, including foundry and manufacture of brake discs for the car OEM.
At 31 December 2021, net sales amounted to CNY 1,177,783 thousand (€154,281 thousand) and net income was CNY 119,518 thousand (€15,656 thousand); in 2020, net sales had amounted to CNY 1,048,864 thousand (€133,260 thousand), with net income of CNY 115,870 thousand (€14,721 thousand).
At 31 December 2021, workforce numbered 576, compared to 550 at the end of 2020.

Brembo North America Inc.

Wilmington, Delaware (USA)

Activities: development, casting, production and sale of brake discs for car original equipment and the aftermarket, and braking systems for cars, motorbikes and the racing sector.

Brembo North America Inc. is based in Homer, Michigan. It produces and sells OEM and aftermarket brake discs, as well as high-performance car braking systems. At the facility in Plymouth (Michigan), a Research and Development Centre develops new material and design solutions and distributes them on the US market.
Net sales for 2021 amounted to USD 370,348 thousand (€312,919 thousand) compared to net sales amounting to USD 300,020 thousand (€262,880 thousand) for the previous year.
Net income was USD 14,299 thousand (€12,081 thousand) at 31 December 2021, compared to net income of USD 16,371 thousand (€14,344 thousand) for 2020.
At the end of the year, workforce numbered 645, a decrease by 29 compared to the end of 2020.

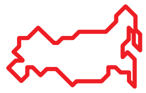
Brembo Poland Spolka Zo.O.

Dąbrowa-Górnicza (Poland)

Activities: development, casting, production and sale of brake discs and braking systems for cars and commercial vehicles.

The company produces OEM braking systems for cars and commercial vehicles in the Częstochowa plant. In the Dąbrowa-Górnicza plant, it has a foundry for the production of cast-iron discs destined for use in its own production plant or by other Group companies. The Niepołomice plant processes steel disc hats to be assembled onto the light discs manufactured at the Group's plants located in China, the United States, and in the Dąbrowa-Górnicza plant as well.
Net sales amounted to PLN 2,215,650 thousand (€485,458 thousand) in 2021, compared to PLN 1,744,060 thousand (€392,526 thousand) in 2020. Net income at 31 December 2021 was PLN 232,719 thousand (€50,990 thousand), compared to a net income of PLN 150,941 thousand (€33,971 thousand) for the previous year.
At the end of the year, workforce numbered 2,165, compared to 2,124 at the end of 2020.

Brembo Russia Llc.

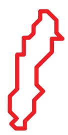


Moscow (Russia)

Activities: promotion of the sale of car brake discs.

Founded in July 2014, the Moscow-based company is wholly owned by Brembo S.p.A. It deals with promoting the sale of car brake discs for the aftermarket only.
Net sales for 2021 amounted to RUB 85,710 thousand (€983 thousand) compared to RUB 62,396 thousand (€755 thousand) in 2020; net income was RUB 25,435 thousand (€292 thousand) compared to RUB 19,193 thousand (€232 thousand) at 31 December 2020.
At the end of the year, workforce numbered three, unchanged compared to the end of 2020.

Brembo Scandinavia A.B.

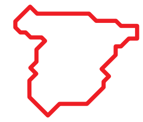


Göteborg (Sweden)

Activities: promotion of the sale of car brake discs.

The company promotes the sale of brake discs for the car sector, destined exclusively for the aftermarket.
Net sales for the reporting year amounted to SEK 9,802 thousand (€966 thousand), with a net income of SEK 4,727 thousand (€466 thousand), compared to net sales of SEK 10,088 thousand (€962 thousand) and net income of SEK 5,399 thousand (€515 thousand) for 2020.
At 31 December 2021, workforce numbered two, unchanged compared to the same date of the previous year.

Corporación Upwards ‘98 S.A.

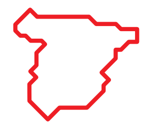


Zaragoza (Spain)

Activities: sale of brake discs and drums for cars, distribution of the brake shoe kits and pads.

The company carries out sales activities exclusively for the aftermarket.
Net sales for 2021 amounted to €30,262 thousand, compared to €23,318 thousand in 2020. Net income was €1,980 thousand, compared to €1,673 thousand in 2020.
At 31 December 2021, workforce numbered 65, four fewer than at the end of 2020.

J.Juan Group



Barcelona (Spain)

Activities: development, production and sale of braking systems for motorbikes.

On 28 April 2021, Brembo signed an agreement for the acquisition of a 100% stake in the J.Juan Group, a Spanish company specialising in the development and production of motorbike braking systems. Founded in 1965, J.Juan is based in Gavà (Barcelona) and has three plants in Spain and one in China, manufacturing especially brake hoses. On 4 November 2021, Brembo finalised the acquisition of J.Juan, with a total outlay for the transaction of €73 million, paid using available liquidity and subject to the usual adjustment mechanisms applicable to similar transactions that will be completed by the end of the first quarter of 2022.
In the last two months of 2021, the J.Juan Group’s net sales amounted to €11,032 thousand and net income was €497 thousand.
At 31 December 2021, the J.Juan Group’s workforce numbered 570.

La.Cam (Lavorazioni Camune) S.r.l.

Stezzano (Italy)

Activities: precision mechanical processing, lathe work, mechanical component production and similar activities, on its own account or on behalf of third parties.

The company was incorporated by Brembo S.p.A. in 2010. In the same year, it leased from an important Group's supplier two companies specialising in processing aluminium, steel and cast-iron pistons for brake calipers intended for use in the car, motorbike and industrial vehicle sectors, and in the production of other types of components, including small high-precision metallic parts and bridges for car brake calipers, as well as aluminium caliper supports for the motorbike sector, chiefly produced for the Brembo Group. In 2012, La.Cam. acquired the business units of both companies.

In 2021, net sales, which were mainly to Brembo Group companies, amounted to €41,419 thousand compared to €32,722 thousand in 2020.

Net income for 2021 was €2,791 thousand, compared to a net income of €1,251 thousand at the end of 2020.

At 31 December 2021, workforce numbered 161, compared to 163 for the previous year.

Qingdao Brembo Trading Co. Ltd.

Qingdao (China)

Activities: logistics and marketing activities in the economic and technological development hub of Qingdao.

Formed in 2009 and fully controlled by Brembo S.p.A., the company carries out logistics and marketing activities within the Qingdao technological hub for the aftermarket only.

Net sales for 2021 amounted to CNY 355,449 thousand (€46,561 thousand), compared to CNY 278,115 thousand (€35,335 thousand) for the previous year. Net income for the year was CNY 15,786 thousand (€2,068 thousand), up compared to CNY 14,172 thousand (€1,801 thousand) for 2020.

At 31 December 2021, workforce numbered 37, seven more than at the same date of 2020.

SBS Friction A/S

Svendborg (Denmark)

Activities: development, production and sale of brake pads for motorbikes.

On 7 January 2021, Brembo acquired SBS Friction A/S, a Danish company based in Svendborg, Denmark, that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million).

In 2021, net sales amounted to DKK 159,452 thousand (€21,440 thousand) and net income was DKK 6,177 thousand (€831 thousand).

At 31 December 2021, workforce numbered 106.

Companies Valued Using the Equity Method

Brembo SGL Carbon Ceramic Brakes S.p.A.

Stezzano (Italy)

Activities: design, development, production and sale of carbon ceramic brake discs.

As a result of the joint venture agreements finalised in 2009 between Brembo and SGL Group, the company is 50% owned by Brembo S.p.A. and in turn controls 100% of the German company Brembo SGL Carbon Ceramic Brakes GmbH. Both companies carry out design, development, production and sale of braking systems in general, and particularly of OEM carbon ceramic brake discs for top-performance cars, as well as research and development activities concerning new materials and applications.
Net sales at 31 December 2021 were €60,787 thousand, compared to €41,696 thousand at 31 December 2020. Net income for the year was €27,007 thousand, compared to net income of €24,896 thousand for 2020.
At 31 December 2021, workforce numbered 161, ten more than at the end of 2020.

Brembo SGL Carbon Ceramic Brakes GmbH

Meitingen (Germany)

Activities: design, development, production and sale of carbon ceramic brake discs.

The company was formed in 2001. In 2009, in executing the joint venture agreement between Brembo and SGL Group, Brembo SGL Carbon Ceramic Brakes S.p.A. acquired 100% of the company.
Net sales for 2021 amounted to €150,484 thousand, compared to €128,476 thousand for the previous year. At 31 December 2021, net income totalled €24,827 thousand, compared to a net income of €16,671 thousand for the previous year.
At 31 December 2021, workforce numbered 411, compared to 392 at the end of 2020.

Petroceramics S.p.A.

Milan (Italy)

Activities: research and development of innovative technologies for the production of technical and advanced ceramic materials, geomaterial processing and rock mass characterisation.

Brembo S.p.A. acquired 20% of this company by subscribing a capital increase in 2006.
Net sales for 2021 amounted to €2,324 thousand, with a net income of €632 thousand, compared to net sales of €1,944 thousand and net income of €552 thousand in 2020.

Infibra Technologies S.r.l.

Milan (Italy)

Activities: development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems and photonic subsystems for sensing and communications.

On 5 February 2020, Brembo acquired a 20% stake in Infibra Technologies S.r.l. for a consideration of €800 thousand. The agreement with the current shareholders envisages Brembo’s right to exercise a call option on the remaining 80% interest in the second half of 2024.
Net sales for 2021 amounted to €566 thousand, with a net income of €2 thousand. In 2020, net sales had been €225 thousand, with a net loss of €44 thousand.

Investments

Following the 2020 slowdown due to the lockdowns implemented in various countries to combat the effects of the Covid-19 pandemic, in 2021 Brembo's investment management policy continued in line with the guidelines followed to date, with the aim of strengthening the Group's presence not only in Italy, but also at the international level.

Group's total net investments undertaken in 2021 at all operations amounted to €236,175 thousand, of which €180,018 thousand was invested in property, plant and equipment, €29,988 thousand in intangible assets, and €26,169 thousand in leased assets. The most significant investments were concentrated in Italy (30.6%), North America (32.2%), China (14.1%) and Poland (9.8%).

In Italy, works on the new building in Curno, which houses the Carbon Factory, continued. The building has been designed in view of progressively verticalising — within a single production facility adjacent to Brembo's current hub — the entire development and production process for raw components used in carbon-fibre discs and pads for racing applications and for high-performance road vehicles. The new building occupies an area of approximately 7,000 square metres, in addition to the 10,000 square metres of green space, parking and logistics and storage areas planned as part of the project. After having installed and started up the first systems in the previous years, additional machines continued to be installed in 2021 for a gradual increase in production capacity, reaching full operation in 2022.

To meet the need for new manufacturing spaces, at the end of 2020 Brembo Czech entered into a new operating lease for a building (designated O23) of approximately 22,000 square meters in the same business park where the current production facility is located. The RoU (Right of Use) recognised, calculated over a period of 15 years, had a value of approximately €25 million. Painting, pad printing and assembly of fixed aluminium calipers will be gradually transferred to the new building, as well as storage of semi-finished and finished products, in addition to a part dedicated to office space.

The other investments in property, plant and equipment made by the Group primarily related to purchases of plant, machinery and equipment to increase the level of production automation and constantly improve the mix and quality of factories.

With regard to investments in intangible assets, development costs for 2021 amounted to €21,463 thousand (9.1% of the Group's total investments).

Research and Development

Innovation, sustainability and the mobility of the future. Brembo has always been committed to researching and developing cutting-edge technological solutions that not only stand out for their focus on performance, comfort and style, but are also aimed at preserving the environment.

The vehicles of the future are increasingly oriented towards the green model, electrification, overall efficiency and reduced emissions. We are focused on an integrated, complementary brake system in which caliper, disc, pad, suspension and control unit are in synergy with our new vision of mobility, where technology and the environment can coexist in constant equilibrium.

For many years, Brembo has been conducting specific research on mechatronic products, which are increasingly widespread in the automotive sector, thus developing skills that for some time have been applied to systems such as electric parking brakes systems and Sensify™, the latter presented in October 2021.

After an initial phase of pure research, Brembo is beginning to offer increasingly green products on the market, with a particular focus on carbon neutrality and improvement of the environmental impact of products in use. Since the market requires constantly shorter time to market, the Group strongly concentrates its efforts and resources on implementing cutting-edge simulation methods, in which new virtual reality and augmented reality technologies are increasingly applied, in addition to designing uniform development processes at Brembo's Technical Centres based in Italy, Poland, Denmark, Spain, North America, China and India.

In 2021, R&D activities mainly focused on the following aspects.

In the area of **brake discs for cars and commercial vehicles,** at the end of 2020 Brembo presented its Greentive® disc, the result of the experience it has acquired in the field of brake systems, and particularly of the know-how and expertise gained through the European LowBraSys project.

The Greentive® disc is characterised by an innovative coating applied to the cast-iron braking ring, which ensures very low wear and tear, extends disc life and, combined with the dedicated friction material, also reduces particulate emissions during braking, and hence the impact on the environment. Another distinctive quality of Greentive® is its high resistance to corrosion which, in addition to maintaining unchanged the aesthetics of the disc in different situations, is particularly appreciated for the new generations of electric vehicles, characterised by different use of the brake system.

In 2021, application development was intensified with a major German manufacturer for the supply of the Greentive® disc paired with brake pads developed specifically by Brembo Friction for high-performance applications, in particular for the premium and luxury segment vehicles. Production is set to begin in 2022, while the development phase continued in parallel with other major car manufacturers.

The Greentive® disc encompasses cutting-edge technological solutions and is merely the first step in Brembo's product roadmap for brake discs in pursuit of environmental sustainability, with increasingly green products. The release in the coming years of a European legislation that will regulate the emissions of fine particles from braking systems helps to further strengthen Brembo's activity in the research, development and testing of other solutions to be applied to cast iron discs through the study of materials, technologies and surface treatments in collaboration with European research centres and suppliers. Of fundamental importance is Brembo Friction's concurrent development of brake pads specifically designed for these new disc types and hence capable of significantly contributing to ensuring the entire brake system's performance and emissions goals are met.

Particular attention is also being devoted to the new needs of hybrid and electric vehicles, which use regenerative braking and thus introduce new requirements for brake discs, especially with regard to criticalities relating to disc resistance to corrosion.

In light of the Company's specific focus on the industrialisation phase, the in-depth study of the application processes for these unconventional new brake disc technologies is also very important, as it ensures high quality standards even on high production volumes.

All these new solutions, which aim to reduce environmental impact and improve aesthetics and corrosion resistance, are meeting with strong interest among Brembo's main clients. In particular, the development phases with major car manufacturers will continue in 2022, while production of discs that will adopt one of these technologies is set to begin for a major electrical vehicle manufacturer in Europe.

According to precise guidelines applied throughout the automotive sector and all of Brembo's development activities, considerable attention is also paid to new solutions that are able to reduce disc weight, as a lower weight translates into lower vehicle fuel consumption, and consequently a smaller environmental impact (reduced CO_2 emissions). This is an aspect that has become even more important due to the entry into force of the new European Regulation setting the new emissions limits for manufacturers.

In car applications, after having worked with a major German customer to develop the concept for the light brake disc currently installed in its entire platform of core vehicles, Brembo will also supply this product for the next generation of vehicles within the same platform, for which the application development phase was completed and the entire range of new models — some of which are fully electric — is being launched.

The light disc — which enables a reduction in weight of up to 15% compared to a conventional disc due to the combination of two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) — has also been successfully developed for other major automotive manufacturers, which are already using it in some of their models. The light disc continued to attract the interest of other customers, not only in Europe, including new players who have entered the electric vehicle market.

Work on discs for heavy commercial vehicles — an application segment which is of particular interest to Brembo — continued with a focus on improving performance and reducing weight. Activities therefore intensified with several customers, also outside Europe. The applications developments related to such customers are underway and should be finalised during the next two years. The acquisition of new businesses with major European customers will enable the Group to further increase its market share in this specific segment.

The development of street **motorbike** discs made with new materials and new surface treatments continued. In particular, prototypes have been launched for the "lightweight" metal disc, and the coated disc is being tested. Both products are currently in the process of concept validation.

For the new product range developed for the Indian market, the four-piston front caliper and the handlebar master cylinder were added; their design was defined and validations are underway for the first assemblies with components obtained through permanent mould casting, processed and assembled following a prototype process. In addition to its uniform design, the new product range has been conceived to be able to be customised according to the needs of motorbike manufacturers.

The process of developing motorbike by-wire technology continues. Assembly of the second demonstrator was concluded, implementing all the progress made in developing the first. Software development of the second demonstrator is ongoing and will be completed by June 2022. In the meantime, design activity on the brake unit and electric rear calliper components continued, in view of entering mass production.

Design strategy activity is taking concrete form focusing on formulating the style of all motorbike products and rationalising the current product portfolio. Definition of the product specification of the new top-of-the-line front fixed calliper is nearing conclusion, and design-to-cost activity will begin in early 2022.

Brembo's commitment to increasing its presence in the scooter market has taken concrete form with the launch of six different projects for two important customers, with design work to take place in Italy and manufacturing in India.

The search for new markets in the field of high performance two-wheelers also continued: benchmarking has been carried out with currently mass-produced products thanks to which a product specification and a potential market have been defined. The design activity is continuing in order to have the first prototypes available by May 2022.

Two innovation projects relating to simulation and methodologies are also in progress. One is aimed at developing a tool for design (thermomechanical analysis) and simulation of the quenching process for motorbike steel discs, whereas the other is intended to connect and automate the greatest possible number of design phases for the various motorbike products. The former is expected to be completed by the first quarter of 2022, whereas the latter is expected to continue until early 2023.

The content and timing of the motorbike roadmap has been revised in accordance with the Group's vision, focusing on the three following targets: low emissions, high performance and best driving experience. Updates were made taking into account the constant improvement of existing products, development of new concepts for products in the range and creation of new technologies and products not currently in the portfolio.

Regarding the **racing** world, the carbon/carbon brake system for racing applications project (F1, LMP – Le Mans Prototype, IRL – Indy Racing League and Super-Formula) continued to focus on three development areas:

- production of both carbon/carbon discs and pads, which use a new material conceived for 2022 Formula 1, and discs already under production for other categories;
- development of new systems — on the basis of the F1 disc — for the other categories as well and launch of new research activity relating to the architecture and fibre used in the F1 discs and pads, with pad research on mechanical, thermal and friction characteristics;
- development of new carbon ceramic discs for extreme road applications for both cars and motorbikes.

Carbon/carbon and carbon ceramic racing brake systems continued to be tested by a Brembo's development partner in Germany, with the goal of quantifying their emissions. In the area of carbon ceramic discs destined for road applications, mass production of the Lamborghini with CCMR carbon ceramic brakes was launched. This vehicle, which offers racing-like performance, will be in production for around two years.

Moreover, the testing approval process was completed both internally and by the customer on a new CCMR braking system conceived for vehicles with extreme racing-like performance. The vehicle will enter production in the first months of 2022.

The innovative 48V electro-mechanical brake-by-wire project with hydraulic actuator and a safety concept based on F1 experience, carried out with a top team in a major World Motorsport Championship, became a well-established activity.

With regard to further brake-by-wire developments, activities relating to the braking system of the upcoming FE GEN 3 vehicle have begun; in this case, Brembo will supply the entire brake system and front brake-by-wire starting with the 2023 season.

Another application of a system including brake-by-wire involves the upcoming prototypes for Le Mans designated LMH, for which Brembo has been assigned the role of supplier of the whole brake system, inclusive of carbon discs and brake by wire.

It should be noted that Brembo's supply of brake-by-wire systems in the racing world now extends to three markets: Formula 1 (since 2014), Formula E (since 2018 with one client and since 2023 with all clients) and LMH prototype categories since 2023 with at least one team (project already assigned in 2022).

Brake-by-wire systems for racing are characterised by the same safety concept that allows an extremely rapid switch to traditional pedal braking, performed by the driver if there is a fault on the brake-by-wire system.

The entire racing car design team was committed to defining and designing the 2022 F1 brake systems, which, due to the new regulations, will be completely different and for which the use of a new internally developed carbon/carbon material is planned.

In the 2022 season, an F1 team will launch a new caliper concept with embedded sensors for both axles following the positive feedback during use on the track in several testing sessions conducted in late 2020.

The new caliper with embedded sensors, combined with electronics installed on the vehicle, will allow braking torque to be continuously measured.

As regards the simulation field, testing is continuing of new calculation methodologies for the structural part and thermal properties of the disc, for the thermoelastic and fatigue calculation, as well as for integrating the calculation within the customer wheel unit — in other words, mechanical and thermal calculations with computational fluid dynamics (CFD) solutions.

Continuing with an internal project of constant fine-tuning on testing benches and in simulations that began some years ago, several testing and simulation methods were refined and further enhanced. Advanced integration of testing and calculation has made it possible, for several years now, to use various sensors obtained through the calculation model and/or models obtained from the database.

In the MotoGP class of motorbike applications, new systems are fully available to all clients, including a brake caliper ensuring amplified force and an anti-drag system. In line with the F1 initiatives, new projects were confirmed with a major Italian motorbike manufacturer. The projects will be governed by a development contract with the manufacturer and will concern new brake, clutch and wheels systems.

The debut on the track of the new 2020 MotoGP caliper,

designed with the best available simulations, was a success, so that it was soon confirmed by all the teams for the 2021 season. Major disc developments will also be tested in view of the 2022 world championships.
Mid-way through the previous season a new carbon disc was introduced for Moto GP, characterised by fins enabling swifter heat dissipation.

After more than ten years, **Brembo Friction** confirmed its role as a strategic partner for pairing Brembo pads with callipers and discs.
Once again, the market is showing every confidence in Brembo Friction, whose excellence is confirmed by the most demanding car manufacturers, which — in constant search for increasingly flexible, personalised and environmentally friendly friction materials — choose Brembo's pads for their top-end applications.
Brake pads paired with an increasingly varied range of discs, made from cast iron and carbon-ceramic, with and without surface treatments, that offer higher performance and are designed for applications with increasingly green objectives: these are the new demands of a market that is focused on the needs of electric vehicles and constant legislative environmental requirements. Moreover, the ongoing innovative drive has made it possible to develop specific friction materials also for electric calipers.
The development of friction materials with increasingly lower emissions, combined with a focus on recyclable, low-environmental impact raw materials and reduced greenhouse gas production, reflects the green drive of global research. Once again, Brembo is at the forefront in anticipating new legislation and studying the different environmental impacts through preventative analysis of laws and regulations, including those in effect in the countries where the product will then be marketed. Brembo looks to a future in which the Life Cycle Assessment methodology will also be extended to all products and processes, a study that allows the potential impacts on the environment and human health to be quantified, in terms of consumption of resources and carbon dioxide emissions.
Projects such as AFFIDA and LIBRA flow from Brembo's increasingly close focus on the environment.
AFFIDA, the natural extension of the COBRA project (which was part of the European Life+ project), in collaboration with the Mario Negri Institute, seeks to bring to the OE market the innovative technology of inorganic binders, having a key role in reducing volatile organic compound (VOC) emissions, with important positive repercussions for the environment. The new materials are able to perform on a par with their traditional predecessors, while also meeting the high-performance standards required by the most challenging sporting applications and guaranteeing low fine particulate emissions and a lower consumption of resources. The innovative production technology, which is completely different from the traditional one, has already successfully completed the prototype pre-industrialisation phase, thanks to a press created with ad-hoc technology, and the specific improvement activity as regards NVH (Noise Vibration Harshness) was launched.
The LIBRA project, which has been ongoing since 2015, eliminated the steel backing plate in brake pads, replacing it with high-performance composite materials. Research of new raw materials and technologies continued in order to obtain both a lighter pad, with the resulting reduction in the overall brake system's weight, and a shorter production process. In this case as well, an innovative press fully devoted to manufacturing these pads was installed as soon as the end of 2019 to prepare for mass production of the product. A new short-term goal is to transfer the innovation and technology develop thanks to this project, and currently applied to parking brakes, to rear brake pads.
To this end, Brembo Friction also avails of statistical models capable of optimising friction material formulations and identifying the raw materials that most influence their chemical and physical properties.
Moreover, the advanced technology in the automotive field has paved the way for the development of a new brake pad concept with embedded sensors that aims to make the braking system increasingly integrated within new vehicles. Thanks to the use of specific sensors embedded in the friction material, the tests that confirmed that real-time measurement of braking torque is possible continued. At the same time, the industrialisation process of this new brake pad concept has been launched.
Technical and industrial collaboration with the Japanese partner Showa Denko (former Hitachi Chemical) both to develop new materials and manufacture Brembo products in China, Mexico and Japan, continued.
The acquisition of SBS Friction A/S — a company that develops and manufactures brake pads from sintered and organic materials — will make it possible to expand the product range and further reinforce Brembo's knowledge of and leadership in the motorbike sector.

With regard to **Car and Commercial Vehicle Systems**, all products are developed in accordance with the Group's vision and pursue three guidelines: having increasingly low emissions while offering high performance and the best driving experience. The main example of this focus is Sensify™, the revolutionary new brake system introduced in October of this year.

Sensify™ is a digital brake ecosystem in which artificial intelligence, software and sensors manage the braking of each wheel independently.

The application development and industrialisation phases for Sensify™ are still ongoing, whereas launch into production with the first manufacturers will take place in 2024.

In keeping with the strategic priorities that Brembo has set for itself, the promotional phase for Sensify™ is fully underway for both Group clients and new players entering the electric vehicles market.

With reference to other mechatronic developments, the promotional phase continued for electric parking brakes, in various configurations, for both cars and commercial vehicles up to 7.5 tonnes.

Mechatronics — by now an application discipline and no longer merely advanced research — is becoming increasingly important to the Group. Sensify™ and the electric parking brakes will account for a considerable share of Brembo's revenues in the second half of this decade.

With the Sensify™ ecosystem, individual components undergo important changes: the addition of sensors to the brake calliper becomes fundamental and the resulting data collection leads to evolution of the entire brake system. The latter can be calibrated to the actual use of the vehicle, with the consequent benefits in terms of weight. Within this framework, a project to equip brake calipers with sensors is in progress and approval is expected to be received by 2025.

With regard to the three guidelines identified for each product under development, the one referring to low emissions, i.e., aimed at reducing vehicle consumption and the resulting CO_2 and fine particulate emissions through braking systems, is pursued by Brembo by adopting methods designed to minimise caliper mass, while maintaining performance, and reducing residual torque by formulating new characteristics of coupling between seals and pistons, in addition to optimising a pad sliding system based on a new concept.

In keeping with the low-emission guideline, approval of an alloy using completely recycled aluminium is also currently pending. Production of fixed calipers using recycled aluminium is expected to begin in 2025 with a major European manufacturer.

The product and process improvement work is constantly ongoing in the same way as the search for solutions to reduce mass, optimise performance and improve styling. Two examples of this continuous improvement aimed at providing state-of-the-art solutions for the high-performance market are the Dyadema™ caliper, designed with the goal of considerably reducing track operating temperatures, and the Flexira™ caliper, developed to meet the needs of several new market segments.

In keeping with this vision, development continued for Brembo's patented Semi-Solid Metal Casting (BSSM) technology, which maintains equal performance while enabling a reduction in weight of 5 to 10% in relation to caliper geometry. Concept approval is currently underway, whereas validation of the small-series production process is expected by the end of 2022

The development of friction materials also pursues low emissions and high performance objectives. In the case of the former, materials paired with coated discs are being developed, whereas in the case of the latter the materials under development are paired with all types of carbon ceramic discs.

The ongoing evolution of simulation methodologies is focused on aspects linked to brake system comfort and caliper functionality. Brembo's objective is to develop the simulation capacity for the entire brake system, including the friction material. From this standpoint, the ability to rely on the know-how and installed capacity within the Brembo Friction project represents a strength for the Group, which can position itself as a supplier of complete brake system. On the other hand, the development of a methodology for simulating caliper functionality is aimed at establishing, during the design stage, the caliper characteristics that influence a constant performance over time and the car's pedal feel.

Digitalisation of the Brembo product life cycle is ensured by the **Product Development Methods** function that, with the GBUs (Global Business Units) and GCFs (Global Central Functions), provides methodological, operational and legal support for managing data and project flows.

Product Development Methods support and guide the GBUs/GCFs in adopting PLM (Product Lifecycle Management) throughout the phases of product development, seeking to combine the data from the various departments (digital thread) unambiguously and indissolubly, ensuring that it is traceable and distributing it securely to all internal stakeholders.

PLM is used to share design documents, development phases, base technical specifications and CAD drawings used for

numerical simulations: the simultaneous sharing of information through PLM favours collaborative product development, with the consequent reduction in project development times.
The state of the art of simulation of products and physical processes is constantly monitored — through dialogue with qualified suppliers and participation in conferences and university research projects — both to update the company's technological and methodological content and to realise virtual models that are increasingly representative of the reality that they seek to reproduce (Digital Twin), thus rendering them more efficient and predictive.
To this end, particular emphasis is placed on "simulation process automation", which translates the routine manual operations performed by simulation analysts into automatic digital flows, with the goal of condensing into procedures the know-how gained in implementing simulations, reducing errors relating to manual performance of such simulations and also making them available to a broader audience.
On the basis of the know-how consolidated during the previous three years, the global Data Science and HPC (High Performance Computing) team continued its five-year upgrade process, which focused on a broadening of the resources dedicated to achieving the Company's digital transformation through the application of artificial intelligence and machine learning to big data. At present, the team can also rely on a new operating unit: the Brembo Inspiration Lab, a Centre of Excellence in Silicon Valley, California. This includes the processes of:

- developing mobile technologies for gathering data from multiple internal and external sources;
- assembling, analysing and enriching big data through virtual sensoring;
- developing inferential and predictive models;
- industrial application of artificial intelligence, with a particular focus on product quality;
- digital automation techniques for office and production processes;
- development and engineering of software tools that implement the algorithms and solutions described above;
- development of apps for mobile devices (smartphones) and the related APIs;
- construction of a patent portfolio for certifying know-how.

Acting as a competence centre for all GBUs and GCFs, the team operates within a multi-disciplinary Digital Lab that brings together the expertise of Data Scientists, Big Data Engineers, Domain Experts and Project Managers, developed and constantly renewed through an intense internal training programme to ensure the spread of "Data Culture" according to Brembo.

Advanced R&D activities constantly monitor the evolution of vehicles, in line with key general trends: electrification, advanced driver assistance systems (ADASs), autonomous driving, low environmental impact, and connectivity. The high level of integration will bring the brake system into dialogue with other vehicle systems, such as electric-drive motors and new suspension/steering concepts. Such integration will allow for increased active safety and the optimisation of functions, such as regenerative braking.
Brembo is continuing to develop and refine the Sensify™ system, whose peculiarity lies in its "decentralised" architecture, in which each wheel side has its own electromechanical actuator for generating and controlling the required braking force. This evolution will lead Sensify™ to be increasingly integrated into the vehicle system in accordance with the development of its architecture.
Mechatronics and system integration entail the development of new components for Brembo's products, including sensors, mechanisms and electric motors. Brembo therefore coordinated a group of companies based in the Lombardy region within the framework of the funded project "Inproves", with the aim of creating brushless motors based on permanent magnets offering very high levels of performance, specifically designed for the brakes of the future. The project was officially concluded in May 2021, with a view to extend the activities performed to specific future projects for Brembo.
In addition, Brembo continued to conduct R&D activities in cooperation with international universities and research centres with the aim of constantly seeking out new solutions to apply to brake discs and calipers, in terms of new materials, innovative technologies and mechanical and electronic components. The need to reduce product weight is leading the research function to evaluate the use of unconventional materials, such as technopolymers or reinforced light metal alloys, to produce structural components.
Another initiative in this area is Brembo's investment in Infibra Technologies, a spin-off of the academic institution Sant'Anna - School of Advanced Studies of Pisa, specialised in developing photonic sensors through the use of fibre-optics as the sensor element.
After the LowBraSys project funded by the European Union

as part of its Horizon 2020 programme with the aim of proving that fine particle emissions can be reduced, work continued with other projects financed at the European level, such as MODALES (MOdify Drivers’ behaviour to Adapt for Lower EmissionS), involving Brembo as a development partner. The goal of the MODALES project is to promote an understanding of the variability due to user (driver) behaviour and that due to vehicular emissions from powertrain, brakes and tyres. Its aim is to modify users’ behaviour also through dedicated training. Within the framework of the Horizon 2020 programme as well, Brembo is also participating in the European consortium that is developing the funded project EVC1000. The goal of this project is to demonstrate the technological feasibility of a completely electric vehicle with a range of more than 1,000 km per charge, where Brembo’s contribution is to provide a further refinement of the Sensify™ system.

Risk Management Policy

Effective risk management is a key factor in maintaining the Group's value over time. In this regard, within the framework of its Corporate Governance system, Brembo defined an Internal Control and Risk Management System (ICRMS) consistent and compliant with the provisions of Article 6 of the "Internal Control and Risk Management System" of the Corporate Governance Code (2020 edition), the adoption of which was approved by Brembo's Board of Directors on 17 December 2021 and, more generally, with national and international best practices.

This system represents the set of organisational structures, rules and procedures that allows the main business risks within the Group to be identified, measured, managed and monitored, while helping the Company to be run in a manner that is sound, correct and consistent with the objectives defined by the Board of Directors, and favouring the adoption of informed decisions consistent with the risk profile, as well as dissemination of a proper understanding of risks, lawfulness and corporate values.

The Board of Directors is tasked with defining the general guidelines of the ICRMS, so that the main risks pertaining to Brembo S.p.A. and Group subsidiaries are properly identified, as well as adequately measured, managed and monitored. It shall also set criteria to ensure that such risks are compatible with sound and proper management of the Company. The Board of Directors is aware that the control processes cannot provide absolute assurances that the company objectives will be achieved and the intrinsic risks of business prevented. However, it believes that the ICRMS may reduce and mitigate the likelihood and impact of risk events associated with wrong decisions, human error, fraud, violations of laws, regulations and company procedures, as well as unexpected events. The ICRMS is therefore subject to regular examination and controls, taking account of developments in the Company's operations and reference context, as well as national and international best practices.

The Board of Directors has identified the other main corporate committees/functions relevant for risk management purposes, by defining their respective duties and responsibilities within the ICRMS scope. More specifically:

- the Audit, Risk & Sustainability Committee, tasked with supporting the Board of Directors on internal control, risk management and sustainability issues;
- the Executive Director in charge of the Internal Control and Risk Management System, tasked with identifying the main corporate risks by executing risk management guidelines and verifying their adequacy;
- the Managerial Risk Committee responsible for identifying and weighing the macro-risks and working with the system parties to mitigate them;
- the Head of Risk Management, tasked with ensuring, together with the management, that the main risks relating to Brembo and its subsidiaries are correctly identified, adequately measured, managed, monitored, and integrated within a corporate governance system consistent with the strategic objectives.

Risks are monitored at meetings held on at least a monthly basis, where results, opportunities and risks are analysed for each business unit and geographical area in which Brembo operates. The meetings also focus on determining the actions required to mitigate any risks. Brembo's general risk-management policies and the bodies charged with risk evaluation and monitoring are included in the Corporate Governance Code (approved on 17 December 2021), the "Policies for the implementation of the Internal Control and Risk Management System" (in its latest edition issued at year-end 2021), the Risk Management Procedure, the Organisational, Management and Control Model (as per Legislative Decree No. 231/2001) and in the reference layout for preparing accounting documents (as per Article 154-*bis* of TUF), to which the reader is referred. In particular, the new Policies for the implementation of the Internal Control and Risk Management System identify the overall design of Brembo's Internal Control and Risk Management System, taking into account the changes made to Brembo's Corporate Governance Manual, the evolution of Brembo's organisational structure with new second-tier and first-tier control roles, the new company strategy and sustainability goals, changes in the legislative and regulatory framework, as well as international best practices adopted by Brembo.

The Executive Director in charge of the Internal Control and Risk Management System fully enforces the risk management guidelines based on principles of prevention, cost effectiveness and ongoing improvement, as approved by the Board of Directors. In order to provide the organisation with the instruments for defining the risk categories to which attention should be drawn, Brembo has developed a model which identifies and classifies risk classes by type, based on the managerial level or corporate function from which they originate or that is responsible for monitoring and managing them.
The Internal Audit function evaluates the effectiveness and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the Executive Chairman, the Chief Executive Officer[1], the Board of Statutory Auditors, the Audit, Risk & Sustainability Committee and the Supervisory Committee of Brembo S.p.A. with reference to specific risks connected with compliance with Legislative Decree No. 231/2001. At least on an annual basis, it also reports to the Board of Directors.

The first-tier family risks based on the risk management policy are:

a. External risks;
b. Strategic risks;
c. Operating risks;
d. Financial risks.

1 Until the General Shareholders' Meeting on 17 December 2021, the governance structure provided for three top management positions, i.e., the Chairman, the Executive Deputy Chairman and the Chief Executive Officer.

Brembo's top risks for each of the above-mentioned risk families are discussed below. The order in which they are discussed does not imply classification in terms of probability of occurrence or possible impact.

External risks

Country risk

Based on its international footprint, Brembo is exposed to the country risk, which is however mitigated by the adoption of a policy of business diversification by product and geographical area, so that the risk can be balanced at Group level.
In addition, Brembo constantly monitors the development of political, financial and security risks associated with the countries in which the general political and economic climate and tax system could prove unstable in the future, also in light of possible Covid-19-related economic effects, so as to take any measures suited to mitigating the potential risks.

Covid-19 risk

Brembo has been following developments relating to the spread of the pandemic very closely since its outbreak, establishing a dedicated task force and promptly adopting the necessary measures to prevent, monitor and contain the virus at all of its locations worldwide, with the aim of protecting the health of employees and contractors (rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, blood tests, hygiene rules and social distancing, remote working, etc.).
The Safety Officers and top managers organise periodical calls to analyse and monitor the implementation, application and efficacy of the measures taken in relation with the provisions issued by the competent authorities from time to time and the pandemic evolution in the different countries where the Group's operating sites are located.
The Audit, Risk & Sustainability Committee, the Board of Statutory Auditors and the Supervisory Committee are kept promptly informed of company management and the epidemiological emergency, and all measures have always been checked and verified in order to ensure operational continuity and people protection.

Risks Associated with the Evolution of Macroeconomic Conditions and Demand

In 2021, the automotive industry — like other sectors — suffered the effects of the global microchip shortage, which forced most OEMs to slow the production of certain car models, reduce the volumes of vehicles produced and, in some cases, plan temporary plant closures. Although Brembo does not have any directly affected products, in the second half of 2021 it was indirectly impacted by these OEMs' operational difficulties, which are expected to extend in 2022 as well. Accordingly, Brembo set up an internal task force to monitor the market and predict possible future developments. In light of the market segments targeted by Brembo, the risk is to be regarded as modest with reference to the automotive industry benchmark.

Strategic Risks

Innovation

Brembo is exposed to risks associated with the evolution of technology, in other words, the risk that competing products will be developed that are technically superior because they are built based on innovative technologies. In order to maintain its competitive edge, Brembo invests sizeable resources in R&D, conducting applied and basic research on both existing and newly applied technologies, such as those associated with digital innovation, in addition to mechatronics. For additional information, see the "Research and Development" section in this Directors' Report on Operations. Product and process innovations — those currently being used, as well as those that may be used for production in the future — are patented to protect the Group's technological leadership. A specific function (called IPR – Intellectual Property Rights) within the Legal and Corporate Department is responsible for managing patents and, more generally, all aspects associated with protecting the Group's intellectual property.

Market

Brembo targets the top-end segments of the automotive sector and, in terms of geographical areas, generates most of its sales in Europe, North America and China. In order to reduce the risk of segment/market saturation in the countries where it operates, the Group has long ago implemented a strategy aimed at diversifying into other geographical areas and is gradually broadening its product range, also by focusing on the mid-premium segment. In addition, the Group is also developing solutions for its customers, in line with its new corporate mission statement.

Investments

Investments in certain countries may be influenced by major modifications of the local regulatory framework, which could result in changes in the economic conditions existing at the time of the investment. For this reason, before investing in foreign countries, Brembo assesses the country risk carefully in the short, medium and long term. In general, M&A activities are accurately coordinated in all their aspects in order to mitigate any investment risks.

Corporate Social Responsibility

Brembo continues to engage in ongoing development aimed at strengthening its Sustainability Model and fulfilling its legal non-financial disclosure requirements under Legislative Decree No. 254/2016 and periodically updates its ESG risk assessment system, using measurement criteria in line with the Group's risk assessment and management methodology.

Through specially created working teams, Brembo monitors and manages the achievement of the objectives and compliance with the requirements set by the reference legislation or established on a voluntary basis in relation to the increasing orientation of civil society and end consumers towards the development of products and industrial processes with a lower environmental impact (e.g., carbon neutrality objective). The focus on the theme of the climate change risk has increased. With the support of a specialised consulting firm, Brembo has developed a project designed to assess the impacts of this type of risks. Brembo considers the risk arising from the use of resources, such as water, with reference to all production sites, particularly those located in geographical areas marked by water scarcity. It also pays equal attention to risks linked to the pollution of waterbodies due to any contamination.

Safety in the workplace is a priority where the relevant risks are assessed and managed by the competent functions.

In addition, Brembo's supply chain is becoming more and more globalised and strategic; therefore, suppliers are required to operate in accordance with the sustainability standards identified by the Group. Moreover, considering that potential risk factors exist within the supply chain, Brembo implements numerous measures aimed at all its suppliers, both in Italy and abroad, to promote the safeguard of the environment and ensure appropriate working conditions with a view to continuous improvement.

Operating Risks

The main operating risks inherent in the nature of the business are associated with the supply chain, the unavailability of production facilities, product marketing, IT, issues involving health, job safety and the environment and, to a lesser extent, the regulatory framework of the countries in which the Group operates.

Supply Chain

The main risks associated with the supply chain include dependence on single suppliers, which in the event of disruption of the relevant supply relationships could jeopardise the production process and the ability to fill orders for clients in a timely manner. To mitigate this risk, the Purchasing Department identifies alternate suppliers to ensure the availability of critical materials (supplier risk management programme).

The supplier monitoring process has been reinforced, particularly as regards their financial solidity and the availability of production capacity even in the face of sudden demand fluctuations — aspects that, since the beginning of the pandemic emergency, have taken on growing importance.

In 2021, the unprecedented price increases in commodities and utilities were partially neutralised by the passing such increases on to sales prices and partially mitigated through price-setting in late 2020, in addition to the solutions indicated in the section on commodities risk.

New risks relating to logistics and associated with continuity and the cost of transporting raw materials and finished products also emerged 2021. Brembo is mitigating these risks through a strategy of diversifying the methods of transport and operators of reference, in addition to constantly monitoring them.

Business Interruption

Natural or accidental events (e.g., earthquakes or fires), malicious behaviour (e.g., acts of vandalism) or malfunctioning of systems may result in damage to assets, the unavailability of production facilities and discontinuity of operation of such facilities. Brembo therefore reinforced its risk mitigation process, through the planning of loss prevention engineering based on standards recognised at an international level. The aim of this process was to eliminate risk factors in terms of probability of occurrence and to implement protective measures aimed at limiting the impact of this risk, thereby constantly enhancing the current operating continuity levels of the Group's production facilities.

Product Quality

Brembo considers the risk relating to the marketing of its products, in terms of their quality, safety and traceability, to be of fundamental importance. The Group has always been committed to mitigating this risk through robust quality controls. As part of this process, it has instituted a worldwide Supplier Quality Assurance function, specifically dedicated to quality control of components that do not meet Brembo's quality standards, in addition to constantly optimising its Failure Mode & Effect Analysis (FMEA).

Information Technology

Brembo attaches much importance to the operating continuity of its IT systems. In this regard, it has implemented risk mitigation measures aimed at guaranteeing network connectivity and data availability and security, while also ensuring compliance with the European data protection regulation (GDPR) and the national laws applicable in each EU member country. These issues are growing in importance also in light of the start of the Group's smart factory (Industry 4.0) process and the implementation of the strategic pillars associated with the new corporate mission.

As of 2020, the Group's three Italian companies have been certified according to the ISO 27001 international standard, which sets the requirements and defines the methods for proper, secure management of information within the Company. In 2022, the standard will also be implemented at the Group's foreign subsidiaries, starting in North America, Poland, and the Czech Republic.

Environment, Safety and Health

The Group's primary risks relating to health, job safety and the environment can be of the following types:

- inadequate protection of employee health and safety, which can lead to serious accidents or work-related illnesses;
- environmental pollution resulting from sources such as uncontrolled emissions, inadequate waste disposal or the spreading of dangerous substances onto the ground;
- partial or non-compliance with laws and regulations governing the sector, also in light of the changing legal framework of some countries.

The occurrence of these events could result in criminal penalties or pecuniary fines against Brembo, the entity of which could be material in the case of sanctions related to Legislative Decree No. 231/01. Brembo manages this type of risk by carrying out ongoing and systematic evaluations of its exposure to specific risks and reducing or eliminating those considered unacceptable. This procedure is organised within a Management System that covers job health and safety, as well as environmental aspects, and that is compliant with the international ISO 14001 and ISO 45001 standards and certified by an independent body.

In summary, although accidents and mistakes can happen, the Group has implemented systematic rules and management procedures that allow it to minimise the number of accidents, as well as the impact they may have. A clear-cut assignment of responsibility at all levels, the presence of independent internal control bodies that report to the Company's highest officers and the application of the highest international management standards are the best way to guarantee the Company's commitment to health, job safety and the environment.

Legal & Compliance

Brembo is exposed to risks arising from the failure to rapidly comply with changing laws and new regulations in the sectors and markets in which it operates. To mitigate this risk, each compliance function stays abreast of the relevant legal and regulatory developments, with the assistance of outside consultants, where necessary, through a constant process of legal and regulatory updates and research.

With reference to the risk of non-compliance with tax laws and regulations, or of operating in conflict with the principles or spirit of the systems in the jurisdictions in which the Group operates, in accordance with the guidelines laid down in the Global Tax Strategy and the Brembo S.p.A.'s Tax Strategy adopted in 2019, Brembo pursues the goal of proactively managing the tax risk by ensuring that such risk is timely recognised, properly measured, monitored and contained through the Tax Control Framework.

With regard to compliance risk on issues related to workers' health and safety and environmental protection, and in light of the complexity and lack of clarity of the applicable laws and regulations, and the uncertain and often lengthy period of time needed to obtain the necessary authorisations and patents, the Group relies on specific functions, such as the Health & Safety function and the Energy & Environment Department (see section "Operating Risks – Environment, Safety and Health"), tasked with handling the related complexities.

In the area of personal data processing compliance risk, the Group is supported by the Data Protection Officer and other dedicated functions, such as the Privacy Supervisory Board and the Privacy Reference Persons identified in sensitive company areas.

Among compliance-related risks, attention should be drawn to the risk associated with breaches of national, international and industry regulations, and unethical professional behaviour in breach of the Company's ethics policy that expose it to vicarious administrative liability, in addition to undermining the Group's reputation on the market.

The mitigating measures taken by the Group are regarded as sufficient to significantly reduce its exposure to cases of risk and are aimed at ensuring the global spread of a culture of compliance through the establishment of specific principles of ethics and conduct, in addition to constant monitoring of legal changes. For further details, reference should be made to Brembo's Corporate Governance and Ownership Structure Report available on Brembo's website (www.brembo.com, section Company, Corporate Governance, Corporate Governance Reports), specifically to the paragraph relating to the 231 Model and other compliance tools.

The application of the provisions and preventive measures continued constantly and successfully, due in part to the training activity carried out and the progressive monitoring conducted within the framework of ordinary legal activities.

With reference to litigation, the Legal & Corporate Affairs Department periodically monitors the progress of existing and potential litigations and determines the strategy to be applied and the most appropriate steps to take in managing them, involving specific corporate functions, when needed. The Administration and Finance Department is responsible for the appropriate checks or write-downs related to such risks and their economic effects.

Planning and Reporting

The same ERP (Enterprise Resource Planning) software has been implemented at nearly all Group companies in order to prepare accurate and reliable financial reporting for the Group, while also improving the Internal Control and Risk Management System and the quality, timeliness and comparability of the data provided by the various consolidated companies.

Financial Risks

In conducting its business, the Brembo Group is exposed to various financial risks, including market, commodities, liquidity and credit risks. Financial risk management is the responsibility of the Parent's Treasury & Credit Department, which, together with the Group's Finance Department, evaluates the main financial transactions and related hedging policies.

Market Risk

Interest rate risk management

Since the Group's financial debt is partly subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To reduce this risk, the Group has entered into several medium/long-term fixed rate loan agreements, as well as specific hedging contracts (IRS), which account — including lease liabilities — for approximately 56% of gross financial position. The objective is to eliminate the variability of the borrowing costs associated with a portion of debt and benefit from fixed rates. The Group's Central Treasury & Credit Department constantly monitors rate trends in order to evaluate in advance the need for any changes to the financial indebtedness structure.

Exchange rate risk management

Since Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate this risk, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly, and where advisable, forward contracts in order to reduce exchange rate risk exposure.

Commodity Risk

Through a dedicated task force, the Brembo Group closely analyses and monitors the course of the risk associated with fluctuations in the prices of raw materials and commodities. In the first half of 2021, Brembo Poland Spolka Zo.O. undertook a specific financial transaction to hedge against the risk of fluctuation in the price of electricity, while in the second half of 2021 La.Cam S.r.l. implemented a financial hedge aimed at mitigating fluctuation in aluminium price.
Moreover, it bears recalling that fixed prices are set in supply contracts with certain commodities suppliers for a given period of time and that the contracts in place with the main customers also provide for automatic periodic indexing on the basis of commodities prices. Both these approaches mitigate the risk of fluctuations in commodities prices.

Liquidity Risk

Liquidity risk can arise from Brembo's inability to obtain the financial resources necessary to guarantee its operation. The Central Treasury & Credit Department implements the main measures indicated below in order to minimise such risk:

- it constantly assesses financial requirements to ensure that appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
- it obtains adequate credit lines;
- it optimises liquidity, where feasible, through cash-pooling arrangements;
- it ensures that the composition of net financial debt is adequate for the investments carried out;
- it ensures a proper balance between short- and medium-/long-term debt.

Credit Risk

Credit risk is the risk that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk arises, in particular, in relation to trade receivables. In this sense, it should be noted that the parties with whom Brembo has commercial dealings are primarily leading car and motorbike makers with a high credit standing. The current macroeconomic context has made continuous credit monitoring increasingly important, so that situations where there is a risk of insolvency or late payment with respect to contractual terms can be anticipated.

Risk Management Process: Risk Financing

Following on from the above mitigation measures, and in order to minimise the volatility and financial impact of any detrimental event, under its Risk Management Policy, Brembo has provided for the residual risks to be transferred to the insurance market, where insurable.

Brembo's changing needs through the years have been specifically reflected in its insurance coverage, which has been optimised to decrease the Company's exposure to intrinsic risks related to the type of activities carried out by Brembo. Thanks to international programmes, all Brembo Group companies are currently covered against the following key strategic risks: property all risks, general liability, general product liability, product recall and environmental responsibility. Additional coverage has been arranged locally based on the specific requirements of local legislation or collective labour contracts and/or corporate agreements or regulations.

Insurance analysis and transfer of the risks to which the Group is exposed are conducted in collaboration with a high-standing insurance broker, which supports this process with its international organisation and is responsible for the compliance and management of Group insurance programmes at global level.

Digital transformation.

At the company's core, a constant flow of data
to continue our journey and go far.
A new way of managing projects and processes.
Collecting, analysing and interpreting to anticipate
the future, instinctively.

Human Resources and Organisation

In 2021, Brembo's organisational structure, HR processes and talent development continued to evolve to anticipate market needs and ensure the achievement of challenging business objective relating to the transformation of the automotive industry.

To maintain Brembo's role as a great innovator capable of winning leading positions and competitive advantage in the rapidly changing automotive industry, numerous changes were made in 2021, starting with a new configuration of several strategic organisational areas.

To ensure the development of and proper focus on two of Brembo's highly strategic areas – Digital & Innovation, on the one hand, and Research & Development, on the other – in February 2021 the GCF (Global Central Function) was divided into two separate areas of responsibility: the Digital & Innovation GCF and the Research & Development GCF, both of which report to the CEO. Whereas the Digital & Innovation GCF focuses on data science, data engineering, artificial intelligence, product development methods and centres of excellence worldwide, the Research & Development GCF manages and develops projects in the areas of product innovation, electronic and mechatronic systems, R&D laboratories and materials, product development process virtualisation systems and testing and validation.

The ICT GCF also implemented a new IT Operating Model aligned with the company strategy and supporting the Group's digital transformation journey, which translates into a new organisational structure.

In December 2021, Brembo's Shareholders' Meeting approved the role of the Chairman Emeritus, naming Matteo Tiraboschi Chairman of the Board of Directors and Alberto Bombassei Chairman Emeritus of Brembo S.p.A., while keeping the role of Daniele Schillaci as CEO unchanged. On the basis of the delegated powers granted by the Board of Directors, the Corporate Social Responsibility, Public Affairs & Institutional Relations, Communication, Internal Audit and Real Estate Development GCFs report to Executive Chairman Matteo Tiraboschi, in addition to those previously reporting to him. The GBUs, GCFs and Geographical Areas falling under the responsibility of the CEO remain unchanged.

Among the GBUs (Global Business Units), a Motorbike Operations area was created in June 2021 in response to the increasing size and complexity of industrial operations in the motorbike business due to the acquisition of the Danish company SBS Friction A/S and the Spanish Group J.Juan.

In 2021, the Group was committed to translating its corporate purpose into practice through three strategic pillars — Digital, Global and Cool Brand —, engaging over a hundred individuals of various professional origins and background in ambitious and challenging projects. Starting in March, a new talent development initiative focusing on younger generations named "Gen Z Forum" involved around twenty employees from generations Z and Y from various geographical areas in developing creative ideas to contribute to building the Brembo of tomorrow.

2021 also saw the launch of the Skill Factory global development project for various company populations with critical know-how regarding Commercial, Technical and Platform Management issues. This development path is preceded by an individual assessment focusing on the mindset aspects and the technical skills critical for the role. Over 160 Group people were assessed and many of them, after obtaining the related feedback, have already begun a development and training path. Another initiative launched at the end of the previous year was the 2021 Global Climate Survey, which involved all Group personnel, with an increase in participation compared to the previous 2017 survey.

2021 confirmed Brembo's commitment to continuing with training investment and organising various training initiatives with an increasingly inclusive and global approach in favour of transversal enrichment and greater collaboration between Group companies.

One of the global training projects directly related to the Company's mission was the cascading relating to Sensify™, the new intelligent braking system that combines Brembo's traditional product portfolio with digitalisation and artificial intelligence. This was an online training event initially dedicated to strategic people and organisational areas and conducted by a team of staff who worked on developing the new technology. From 2022, this programme will be open to all Group staff, by self-enrolment, while staff in the technical areas will have access to the Sensify™ seminars organised on two levels of increasing difficulty, included in the R&D Academy. Other processes that tie in with Brembo's cascading purpose were designed and implemented throughout 2021 to develop a Brembo mindset in people based on four dimensions: openness, digital-ready, data-driven and solution-oriented. One example is the "Culture of Data" programme, managed by an international pool of in-house teachers trained with the support of Brembo Data Scientists, and useful for increasing the spread of the data culture to support corporate decision-making processes. Another success story was the training programme on Artificial Intelligence and Machine Learning that serves to develop innovative and strategic skills also through the use of AI and its multiple related tools. In technical training, the Knowledge Management course continued, along with certification of colleagues with critical know-how, ensuring the transfer of this knowledge within the Group through internal classes, participation in interfunctional project groups and preparation of manuals. Again in technical training, mention should also be made of the launch of the Cast Iron Foundry Seminar, open to the entire Group. The seminar is managed by teachers from the company Academy and is part of the Manufacturing Academy.

Environment, Safety and Health

Brembo's commitment to environmental sustainability and safety continues to be an increasingly strategic and essential factor for developing the Group's business.

Environment and Energy

2021 was characterised by the constant increase in requests from all stakeholders for information on environmental impacts. These stakeholders included customers, with many of whom joint activities have been launched to identify solutions capable of reducing the environmental impact, first and foremost the impact of climate change. The areas of discussion and collaboration with customers concerned many areas including energy efficiency, renewable energy supply, circular economy and, more generally, all those aimed at achieving a reduction in the environmental impact of products from a life cycle perspective. The Brembo Group proved to be ready and prepared to respond in a concrete manner to the growing demands in the ESG (Environmental, Social and Governance) field, with particular regard to environmental issues, which have become fundamental and essential elements of the business. The roadmap aimed at pursuing "Environmental and Energy Excellence" was defined several years ago, with the ultimate goal of achieving the lowest technologically achievable environmental impact. In terms of external recognition, for the fourth consecutive year the Brembo Group was awarded a double A for the CDP (Carbon Disclosure Project) Climate Change and Water Security programmes.

The Brembo Group has confirmed its ambition of achieving carbon emission neutrality by 2040. To this end, a plan has been drawn up, laying out the lines of action and the reduction of the three emission targets, as defined in the GHG Protocol. For example, the actions cover energy efficiency, the progressive use of biofuels, increased use of renewable energy (up to 54% in 2021 compared to 44% in 2020), the use of raw materials of secondary origin and the replacement of production facilities with other next-generation, lower impact facilities.

The main areas of focus with regard to environmental issues for 2021 are set out below. For further details please refer to the Disclosure of Non-Financial Information.

Energy Management: following the connection of all the Group's facilities to the platform for monitoring energy consumption (Brembo Energy Platform), use of the platform continued to be enhanced, including monitoring of other types of consumption such as natural gas, compressed air and water. This enhancement was planned in order to allow the plants to maintain and improve their environmental and energy performances within the framework of a journey towards environmental excellence. The update plans consist of multi-year programmes also based on the priority of monitoring the vectors with the greatest impacts.
After the slowdown suffered as a result of the pandemic in 2020, the plan to extend the ISO 50001 certification regarding energy management resumed at full pace. During 2021, the plants in Sellero (Italy) and the cast iron foundries in Homer (USA) and Escobedo (Mexico) were certified.
In the reporting year, new energy generation systems were installed in the form of photovoltaic panels at the facility in Pune (India). In addition, the process of installing additional energy generation capacity at the plants Mapello and Curno (Italy) began and is set to conclude in 2022.

Life Cycle Assessment: in accordance with the plan launched in the first half of 2021, a study was begun to understand the environmental impact throughout the life cycle of three product families within the Discs GBU. The study, conducted with the support of external professionals, involved the cast iron foundries and related mechanical processing located in Italy, Poland, China, the United States and Mexico. The goal was both to identify the areas of environmental impact and compare Brembo facilities with one another so as to define an internal benchmark to which to refer to determine the necessary improvements in environmental impacts. The study is expected to be completed by the first quarter of 2022.

Circular Economy: one of the main ongoing actions in the area of the circular economy is the recovery of materials previously sent for disposal to the cast-iron melting furnaces at the Mapello plant, where the experimental phase designed to demonstrate the possible recovery of spent alkaline batteries to replace melting additives of primary origin, without worsening the environmental impact, was successfully concluded. At the reporting date, the plant had received favourable opinions from public entities; these acts definitively authorise the use of this technology on an industrial scale. Another area of work in the circular economy was assessing the possible replacement of aluminium of primary origin with that from the recovery chain for the production of brake callipers. The project — already presented to the main clients — could enable a significant decrease in the CO_2 emissions currently generated by the phases of extraction and refinement of primary aluminium.
Thanks to collaboration with major universities, research entities and trade associations, the first initiatives are being pursued for the use of biofuels from the recovery of waste or scrap from other production processes, which could find application at Brembo, for example, in melting processes.

Sustainability and energy efficiency goals: in 2021, sustainability and energy efficiency goals were once again set at the beginning of the year in order to pursue the Group's medium- and long-term objectives, established in accordance with the instructions given in the 2015 Paris Agreement on climate. Both the goals have been attained: the sustainability goal, calculated as a percent reduction in CO_2 emissions with respect to the 2020 emissions achieved through improvement projects, which had been set at 19%, reached a final 24% result; the energy efficiency objective, calculated as a percent reduction in energy consumption compared to 2020 achieved through improvement measures, which had been set at 2.77%, reached a final 3% result.

Workplace Safety

The year 2021 ended with the best result of all time in terms of both the frequency index and severity index for the Group's accidents, which has improved constantly since 2019, despite a 20% increase in total hours worked compared to 2020.
As in the previous year, no accidents sustained by personnel operating at Brembo facilities caused permanent injuries and 18 facilities had zero injuries.

The most complex aspect to be managed in 2021 remained the Covid-19 pandemic. The activities and initiatives aimed at preventing and containing its spread throughout the Group's facilities may be summed up in a constant focus on the evolution of the pandemic situation in each country where Brembo operates, the resulting updates to existing protocols, circulation to workers of practices to be applied in the workplace and constant audit activity. To this end, in response to the series of pandemic waves that occurred in 2021, updates were applied to the protocols containing the measures for combating and containing Covid-19, applicable to both Brembo staff and external individuals who access the facilities (delivery of FFP2 face masks and checking of Green Passes as required by law).

The monitoring and supervision plan to ensure constant verification of compliance with and application of the measures contained in the protocols also continued. This activity involved the entire company organisation, from Plant Managers to site Health & Safety Managers to the corporate HS Department. In 2021, the latter, with support from the local HS Departments, conducted 761 audits, recording a 97.1% compliance with protocols.

In 2021, alongside management of the pandemic, the Group's workplace health and safety activities continued. In detail:

ISO 45001 Certification

The certification of all sites was confirmed for 2021 through special maintenance audits carried out by a third party, which revealed no significant non-conformities.

WCM

As part of the World Class Manufacturing programme, the Safety pillar was also launched as a priority in 2021 at five pilot plants (in Italy and Poland). The activities carried out included the project's Kick Off, the creation and initial training of teams, identification of model areas and of the first improvement activities. The activity is due to continue with the project being gradually extended to the other Group sites with the final goal of involving 100% of Brembo sites.

Ergonomics

The aim of the project is to anticipate the ergonomic analyses of production processes in their design phase so as to:

- facilitate line modifications before their construction;
- prevent the risks associated with the manual handling of loads and inappropriate postures.

Numerous construction sites were started to test this methodology, in Production and in Technologies, both on existing lines and on lines in the design phase in order to be able to trial the use of the method and evaluate its effectiveness.

Safe Behaviour Project

Since 60% of accidents within the Group are due to unsafe behaviour, a percentage that goes as high as 80% in labour intensive areas (assembly and mechanical processing), a project which aims to identify and correct behaviours that have caused recurring accidents was launched. The project's strength lies with the involvement of site prevention personnel, team leaders, department and shift heads both as observers of the behaviours themselves and as "trainers" for the correct behaviours to follow.

LOTO (Lockout-Tagout)

In 2021, Brembo completed the periodic annual audit of the application of LOTO procedures in all plants. This work gave rise to improvement plans where non-conformities had been detected.

Related Party Transactions

In compliance with Consob Regulation adopted with Resolution No. 17221 of 12 March 2010, as amended, Brembo S.p.A. adopted the Related Party Transactions Procedure.

The procedure was approved for the first time by the Board of Directors of Brembo S.p.A. during the meeting held on 12 November 2010, after receiving the favourable opinion of the Audit, Risk & Sustainability Committee, which also acts as Related Party Transactions Committee since it meets the requirements set out by the above-mentioned regulations. Said procedure was constantly updated to comply with the regulatory provisions in force from time to time, as well as with the existing practices. The procedure aims to ensure the full transparency and propriety of Related Party Transactions.

On 10 May 2021, the Board of Directors — after receiving the favourable opinion of the Audit, Risk & Sustainability Committee, which also acts as Related Party Transactions Committee and passed this resolution at the presence of all its members — approved unanimously the new Related Party Transaction Procedure, aligned with the new provisions regarding related party transactions adopted by Consob with Resolution No. 21624 of 10 December 2020. The new Procedure, effective 1 July 2021, was published on the Company's website (www.brembo.com, section Company, Corporate Governance, Governance Documents).

Detailed information on the Company's Related Party Transactions is provided in the Explanatory Notes to the Consolidated Financial Statements. During the reporting period, no atypical or unusual transactions were carried out with Related Parties. Furthermore, commercial transactions with Related Parties, also other than the Group companies, were carried out at fair market conditions. The financing transactions undertaken during the year with Related Parties are also discussed in Explanatory Notes to the Consolidated Financial Statements.

Further Information

Impacts of the Covid-19 pandemic on the Consolidated Financial Statements at 31 December 2021

Brembo constantly follows developments relating to the spread of the Covid-19 pandemic at all its sites worldwide, promptly adopting all necessary measures to prevent, monitor and contain the virus, with the aim of protecting the health of employees and contractors, such as extended remote working, rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, hygiene rules, social distancing, control of green passes where required.

In 2021, all the Group's plants operated at normal capacity, except for Brembo Nanjing Brake Systems Co. Ltd. due to the lockdown period in China (30 July-26 August).

Significant Events During the Year

On 7 January 2021, Brembo completed the acquisition of SBS Friction A/S, a Danish company based in Svendborg, Denmark, that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million), paid using available cash.

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 22 April 2021 approved the Financial Statements for the financial year ended 31 December 2020, allocating net income for the year amounting to €85,505,062.96 as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 for each of the outstanding ordinary share, excluding own shares;
- the remaining amount carried forward.

On 28 April 2021, Brembo signed an agreement for the acquisition of a 100% stake in the J.Juan Group, a Spanish company specialising in the development and production of motorbike braking systems. Founded in 1965, J.Juan is based in Gavà (Barcelona) and has three plants in Spain and one in China, manufacturing especially brake hoses, a strategic component for the braking system's safety that will complement the current range of Brembo products for motorbikes. The acquisition of J.Juan enables the Group to complete its range of solutions for the motorbike braking system and to expand its brand family for the growing motorbike sector. On 4 November 2021, Brembo finalised the acquisition of J.Juan, with a total outlay for the transaction of €73 million, paid using available liquidity and subject to the usual adjustment mechanisms applicable to similar transactions that will be completed by the end of the first quarter of 2022.

Brembo established the company Inspiration Lab Corp. with registered office in Wilmington (Delaware, USA) and share capital of USD 300 thousand. The company is based in the Silicon Valley, California (USA), and is the first centre of excellence opened by Brembo.

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 22 April 2021 passed a new plan for the buy-back and sale of own shares with the following objectives:

- undertaking any investments, directly or through intermediaries, including aimed at containing abnormal movements in stock prices, stabilising stock trading and prices, supporting the liquidity of Company's stock on the market, so as to foster the regular conduct of trading beyond normal fluctuations related to market performance, without prejudice in any case to compliance with applicable statutory provisions;
- carrying out, in accordance with the Company's strategic guidelines, share capital transactions or other transactions which make it necessary or appropriate to swap or transfer share packages through exchange, contribution, or any other available methods;
- buying back own shares as a medium-/long-term investment.

The maximum number of shares that may be purchased is 8,000,000 that, with the 10,035,000 own shares already held (3.005% of share capital), represents 5.401% of the Company's share capital.

Own shares can be bought back up to a maximum of €144 million:

- at a minimum price which must be no lower than the closing price of the shares during the trading session on the day before each transaction is undertaken, reduced by 10%;
- at a maximum price which must be no greater than the closing price of the shares during the trading session on the day before each transaction is undertaken, increased by 10%.

With reference to the disposal of own shares, the Board of Directors will define, from time to time, in accordance with applicable legislation and/or allowed market practices, the criteria to set the relevant consideration and/or methods, terms and conditions to use own shares in portfolio, taking due account of the realisation methods applied, the price trend of the stock in the period before the transaction and the best interest of the Company.

The authorisation to buy back own shares is valid for a period of 18 months from the date of the resolution by the General Shareholders' Meeting.
Brembo has neither bought nor sold own shares in 2021.

Opt-out from the Obligations to Publish Disclosure Documents

The Company has adopted the opt-out system envisaged by Article 70, paragraph 8, and Article 71, paragraph 1-*bis*, of the Rules for Issuers (Board's Resolution dated 17 December 2012), thus opting out from the obligation to publish the required disclosure documents in the case of significant mergers, de-mergers, capital increase by way of contributions in kind, acquisitions and disposals.

Subsidiaries Formed Under and Governed by the Law of Countries Not Belonging to the European Union – Obligations Under Articles 36 and 39 of Market Regulations

In accordance with the requirements of Articles 36 and 39 of the Market Regulations (adopted with Consob Resolution No. 16191 of 29 October 2007 and amended with Resolution No. 16530 of 25 June 2008), Brembo Group identified six subsidiaries based in four countries not belonging to the European Union that are of significant importance, as defined under paragraph 2 of the same Article 36, and therefore fall within the scope of application of the Regulations.
Brembo Group believes that its current administrative, accounting and reporting systems are adequate to ensure that the Parent's management and auditing firm receive any information regarding Statement of Income, Statement of Financial Position and Cash Flow figures, as necessary for preparing the consolidated financial statements.

For all companies included in the consolidation area, the Parent Brembo S.p.A. already has a copy of the By-laws and the composition and powers of the Corporate Bodies.

Reconciliation Statement of Brembo S.p.A.'s Equity/Result with Consolidated Equity/Result

The reconciliation of Equity and Result for the year, as reported in the Parent's Financial Statements, and the Equity and Result for the year recognised in the Consolidated Financial Statements shows that the Group's Equity at 31 December 2021 was €909,515 thousand higher than the figure reported in the Brembo S.p.A. Financial Statements. Consolidated Net Result for the year, amounting to €215,537 thousand, was €104,308 thousand higher than that of Brembo S.p.A.

Economic results

(euro thousand)	Net income 2021	Equity at 31.12.2021	Net income 2020	Equity at 31.12.2020
Brembo S.p.A.	**111,229**	**853,081**	**85,505**	**729,806**
Consolidation adjustments:				
Equity of consolidated companies and allocation of their result	137,488	1,340,112	90,922	1,042,657
Goodwill and other allocated surplus	0	75,719	0	49,026
Elimination of intra-Group dividends	(30,374)	0	(38,807)	0
Book value of consolidated shareholdings	0	(535,435)	0	(405,834)
Valuation of shareholdings in associate companies/JVs measured using the equity method	498	21,112	414	19,809
Elimination of intra-Group income	(1,753)	(8,298)	220	(5,606)
Other consolidation adjustments	(1,202)	49,829	(316)	51,183
Equity and result for the year attributable to minority interests	(349)	(33,524)	(1,405)	(30,982)
Total consolidation adjustments	**104,308**	**909,515**	**51,028**	**720,253**
Group consolidated equity and result	**215,537**	**1,762,596**	**136,533**	**1,450,059**

Significant Events After 31 December 2021

Following the resignation of Laura Cioli, serving as Independent Director, Chairwoman of the Audit, Risk & Sustainability Committee and member of the Remuneration & Appointments Committee, on 3 March 2022 the Board of Directors of Brembo S.p.A., after having heard the recommendations and guidelines of the Remuneration & Appointments Committee, co-opted Manuela Soffientini as new Independent Director, member of the Audit, Risk & Sustainability Committee and of the Remuneration & Appointments Committee (the Director's resume is available on the Company's website: Governing Boards and Committees | Brembo - Official website). In addition, Independent Director Elisabetta Magistretti was appointed Chairwoman of the Audit, Risk & Sustainability Committee.

No other significant events occurred after the end of the year and up to 3 March 2022.

Foreseeable Evolution

The first months of 2022 reported positive results in terms of volumes and full utilisation of production capacity. Brembo is paying close attention to the developments of the Russia-Ukraine crisis. The direct impact on the Group is modest, as it has no production sites in the area and the exposure to local customers is limited, nonetheless the Group is closely monitoring commodity supplies and production costs.

Corporate Governance and Ownership Structure Report

Brembo S.p.A.'s Corporate Governance and Ownership Structure Report pursuant to Article 123-*bis* of the Consolidated Law on Finance presented in an individual report, separate from the Directors' Report on Operations, has been published at the same time as the latter and is available on Brembo's website (www.brembo.com, Company, Corporate Governance, Corporate Governance Reports section).

Consolidated Disclosure of Non-Financial Information (NFI)

The Consolidated Disclosure of Non-Financial Information for 2021 pursuant to Legislative Decree No. 254/2016 presented in an individual report, separate from the Directors' Report on Operations, has been published at the same time as the latter and is available on Brembo's website (www.brembo.com, in the Sustainability, Report, Report and Presentations section).

Information About the Brembo S.p.A. Dividend Proposal

To conclude the description of the performance of the Brembo Group for the year ended 31 December 2021, based also on the examination of our Report concerning the Consolidated Financial Statements of the Brembo Group and the separate Financial Statements of Brembo S.p.A., in which we outlined the guidelines and operations, we submit for your approval our proposal for distributing Brembo S.p.A.'s net income amounting to €111,228,545.97, as follows:

- to the Shareholders, a gross ordinary dividend of €0.27 per ordinary share outstanding, excluding own shares (payment as of 25 May 2022, ex-coupon date 23 May 2022, and record date 24 May 2022);
- the remaining amount carried forward.

Stezzano, 3 March 2022

On behalf of the Board of Directors

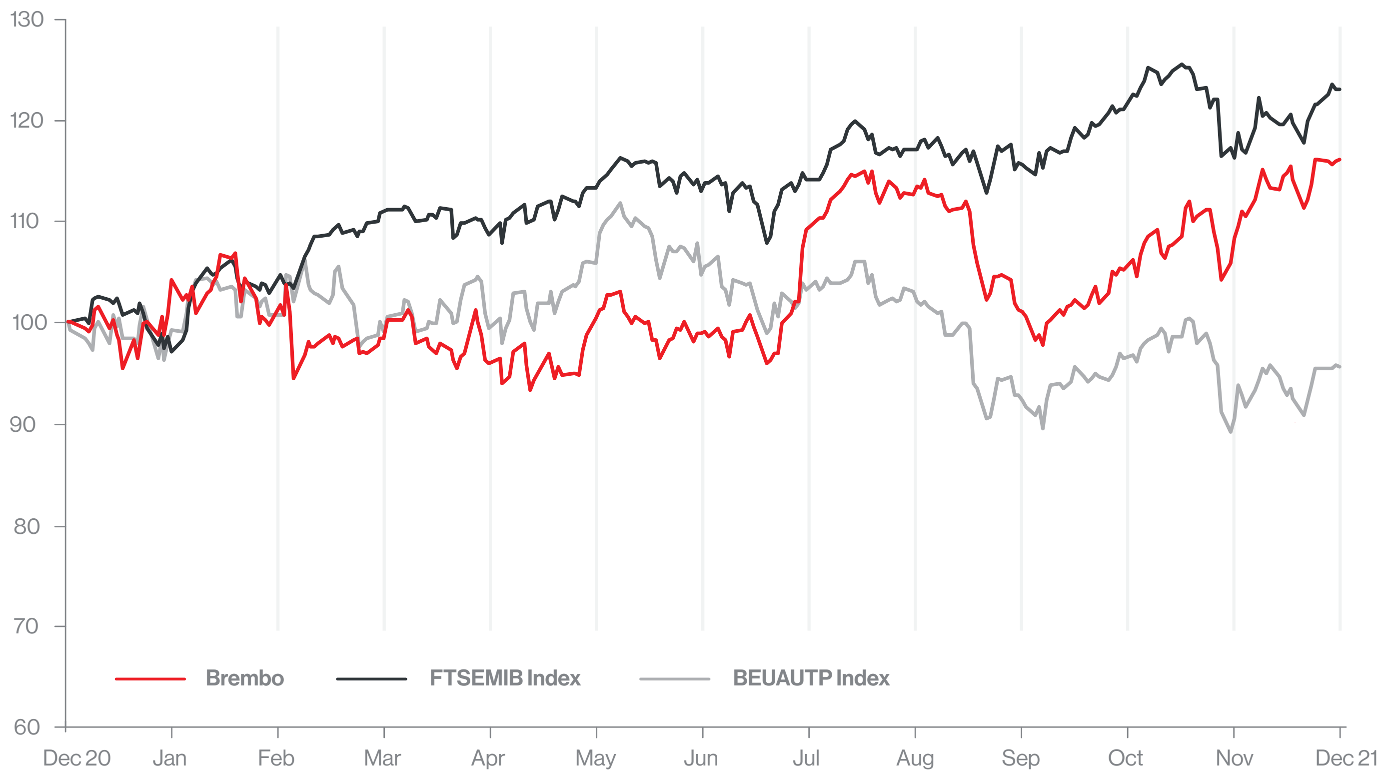
The Executive Chairman
Matteo Tiraboschi

Brembo S.p.A. Stock Performance

Brembo's stock closed 2021 at €12.53, a 16.0% increase compared to year-start, reaching its high on 23 and 30 December (€12.53) and its low on 12 May (€10.08).

The FTSE MIB index closed the year up 23.0%, whereas the BBG EMEA Automobiles Parts index declined by 4.4%.
In 2021, the global economic performance continued to be impacted by the Covid-19 pandemic, although the focus was more on price dynamics and aggregate demand trend.

Following a strong recovery in global production in several sectors, general inflation peaked at the end of 2021, with significant price increases for numerous commodities, also due to widespread shortages.



An overview of stock performance of Brembo S.p.A. is given below, compared with that of the previous year.

(euro thousand)	31.12.2021	31.12.2020
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	333,922,250	333,922,250
Equity (excluding net income for the year) (euro)	741,852,236	644,300,524
Net income for the year (euro)	111,228,546	85,505,063
Trading price (euro)		
Minimum	10.08	5.91
Maximum	12.53	11.21
Year-end	12.53	10.80
Market capitalisation (euro million)		
Minimum	3,366	1,973
Maximum	4,184	3,743
Year-end	4,184	3,606
Gross dividend per share	0.27 (*)	0.22

(*) To be approved by the Shareholders' Meeting convened on 21 April 2022.

Further information and updates regarding stock performance and recent corporate information are provided on Brembo's website: www.brembo.com - Investors section.
Investor Relations Manager: Laura Panseri

Loving a challenge.

The thrill of adrenaline makes the goal seem nearer
as we give it our all to overcome adversity.
Supremacy of technology and ideas
to continue to innovate, grow and win.

2. Palmares 2021

Palmares - Brembo Brake Systems

Cars

"Open wheels" Championships

Formula 1 (calipers)	
Drivers' championship	Max Verstappen
Constructors' championship	Mercedes AMG Petronas team
Formula E	
Drivers' championship	Nick De Vries
Team championship	Mercedes EQ Formula E Team
Formula 2 (calipers and master cylinders)	
Drivers' championship	Oscar Piastri
Constructors' championship	Prema Racing
Formula 3	
Drivers' championship	Dennis Hauger
Team championship	Trident
Super Formula	
Drivers' championship	Tomoki Nojiri - Team Mugen

"Covered wheels" Championships

FIA World Endurance Championship - WEC	
LMP2 (calipers)	Frijns, Von Habsburg, Milesi - Team WRT Oreca 07 Gibson
GT AM	Nielsen, Perrodo, Rovera - AF Corse 488 GTE Evo
GT PRO	Calado, Pier Guidi - AF Corse 488 GTE Evo
FIA GT World Challenge Europe	
Endurance Cup	Alessandro Pier Guidi, Come Ledogar, Nicklas Nielsen- Iron Lynx
Nascar Cup Series	
Drivers' championship	Kyle Larson
Constructors' championship	Chevrolet

IMSA WeatherTech Sportscar Championship	
Classe Dpi (calipers)	Derani, Nasr - Wheelen Engineering Racing, Cadillac DPi-VR
Classe LMP2 (calipers)	Keating, Jensen - PR1 Mathiasen Motorsports, Oreca 07
Classe LMP3	Gar Robinson - Riley Motosports, Ligier JS P320
Classe GTD (discs)	Vanthoor, Robichon, Pfaff Motorsports, Porsche 911 GT3 R
Idemitsu Mazda MX-5 Cup Championship (discs and calipers)	
	Gresham Wagner
Fanatec GT World Challenge - GT America - Masters Class / Driver Championship (discs)	
	Wright Motorsports - Charlie Luck
Fanatec GT World Challenge (America)	
	Wright Motorsports - Fred Poordad / Jan Heylen
SCORE Off Road Series Trophy Truck Champion	
	Rob MacCachren
ARCA Menards East Series	
	Sammy Smith - Enginelce - Toyota
ARCA Menards West Series	
	Jesse Love - NAPA Auto Parts - Toyota
Nascar Camping World Truck Series	
	Ben Rhodes - ThorSport Racing - Toyota
Nascar Xfinity Series	
	Daniel Hemric - Joe Gibbs Racing - Toyota
Southern Super Series	
	Jake Garcia
Michelin Pilot Championship - TCR Drivers' Championship	
	Bryan Herta Autosport Hyundai Veloster N TCR
	Taylor Hagler - Michael Lewis

Rally Championships

Dakar Rally	
	Peterhansel, Boulanger - Mini John Cooper Works, X-Raid

Motorbikes

Motorbike Championships

MotoGP	
Drivers' championship	Fabio Quartararo
Team championship	Ducati Lenovo Team
Constructors' championship	Ducati
Moto2	
Drivers' championship	Remy Gardner
Team championship	Red Bull KTM Ajo
Constructors' championship	Kalex
Moto3	
Drivers' championship	Pedro Acosta
Team championship	Red Bull KTM Ajo
Constructors' championship	KTM
FIM MotoE World Cup	
Drivers' championship	Jordi Torres
World Superbike - WSBK	
Drivers' championship	Toprak Razgatlioglu
Team championship	Pata Yamaha with Brixx World SBK
Constructors' championship	Yamaha
Campionato EWC	
Team championship	Yoshimura SERT Motul
Moto America Superbike	
Drivers' championship	Jake Gagne - Yamaha YZF-R1M

Off-road Championships

Motocross	
MXGP	Jeffrey Herlings - Red Bull KTM Factory Racing
Enduro	
E1	Andrea Verona - Gas Gas
E2	Josep Garcia - KTM
Hard Enduro	Billy Bolt- Husqvarna
Trial GP and X-Trial (master cylinders)	
	Toni Bou - Montesa - Team Honda Repsol

Marchesini Wheels

Motorbikes

World SBK Championships

World Superbike - WSBK	
Drivers' championship	Toprak Razgatlioglu
Team championship	Pata Yamaha with Brixx World SBK
Constructors' championship	Yamaha
Moto3	
Drivers' championship	Pedro Acosta
Team championship	Red Bull KTM Ajo
Constructors' championship	KTM
FIM MotoE World Cup	
Drivers' championship	Jordi Torres

AP Racing

Cars

“Open wheels” Championships

Formula 1 (clutches)	
Constructors’ championship	Mercedes AMG Petronas team
Formula 3 (clutches)	
Drivers’ championship	Dennis Hauger
Team championship	Trident
IndyCar (clutches)	
Drivers’ championship	Alex Palou - Chip Ganassi Racing
Indianapolis 500 (clutches)	
Drivers	Hélio Castroneves - Meyer Shank Racing

“Covered wheels” Championships

FIA World Endurance Championship - WEC	
LMP1 (clutches)	Lopez, Conway, Kobayashi - Toyota Gazoo Racing
LMP2 (discs)	Frijns, Von Hansburg, Milesi - Team WRT - Oreca
IMSA WeatherTech Sportscar Championship	
Classe Dpi (discs and clutches)	Derani, Nasr - Wheelen Engineering Racing, Cadillac DPi-VR
Classe LMP2 (discs)	Keating, Jensen - PR1 Mathiasen Motorsports, Oreca 07
Classe LMP3 (clutches)	Gar Robinson - Riley Motosports, Ligier JS P320
Classe GTD (calipers)	Vanthoor, Robichon, Pfaff Motorsports, Porsche 911 GT3 R
British Touring Car Championship (calipers and clutches)	
Drivers’ championship	Ash Sutton - Laser Tools Racing, Infiniti Q50
Team championship	Laser Tools Racing
Australia Supercars Championship (calipers and clutches)	
Drivers’ championship	Shane Van Gisbergen - Red Bull Ampol Racing - Holden Commodore ZB
Team championship	Red Bull Ampol Racing-Holden Commodore
WTCR (calipers and clutches)	
Drivers’ championship	Yann Ehrlacher - Cyan Racing Lynk & Co
Team championship	Cyan Racing Lynk & Co
Japanese Super GT	
Classe GT500 (calipers and discs)	
Drivers’ championship	Sekiguchi, Tsuboi - TGR Team au Tom’s GR Supra
Classe GT300 (calipers and clutches)	
Drivers’ championship and Team	Iguchi, Yamauchi - R&D Sport Subaru BRZ
WRC (clutches)	
Drivers’ championship	Sébastien Ogier

J.Juan

Cars

Rally Championships

FIA World Cup For Cross-Country Rallies	
T4 (calipers)	
Drivers’ championship	Austin Jones
Team championship	South Racing
FIA World Cup For Cross-Country Bajas	
T3 (calipers)	
Drivers’ championship	Dania Saud Akeel
T4 (calipers)	
Drivers’ championship	Alexandre Re
Team championship	South Racing
Dakar Rally	
SSV -T4 (calipers)	
Drivers	Francisco López Contardo
Team	South Racing
Lightweight vehicle (calipers)	
Drivers	Josef Machacek
Team	Buggyra Racing
Score Baja 1.000 California	
Pro UTV Forced Induction (calipers)	
Drivers	Phil Blurton
Team	CanAm
Best In The Desert - BITD	
UTV Rally (calipers)	
Drivers’ championship	Jack Olliges
UTV uni (calipers)	
Drivers’ championship	Michael Isom

Braktec by J.Juan

Motorbikes

Off-road Championships

Trial des Nations (calipers and hoses)	
Drivers' championship	Toni Bou - Montesa, Adam Raga – TRRS, Jaime Busto - Vertigo
Women's Trial des Nations (calipers and hoses)	
Drivers' championship	Laia Sanz - GASGAS, Berta Abellan - Vertigo, Sandra Gomez -TRRS
Trial GP (calipers and hoses)	
Drivers' championship	Toni Bou
Team championship	Montesa - Team Honda Repsol
Women`s Trial GP (calipers and hoses)	
Drivers' championship	Laia Sanz
Team championship	Gas Gas Racing
Trial 2 (calipers and hoses)	
Drivers' championship	Toby Martyn
Team championship	TRRS
Trial 125 (calipers and hoses)	
Drivers' championship	Jack Dance
Team championship	Gas Gas
X Trial GP (calipers and hoses)	
Drivers' championship	Toni Bou
Team championship	Montesa - Team Honda Repsol

SBS Friction

Motorbikes

World Supersport Championships

World Supersport 600	
Drivers' championship	Dominique Aegerter
Team championship	Ten Kate Racing Yamaha
World Supersport 300	
Drivers' championship	Adrian Huertas
Team championship	MtM Kawasaki

ANNUAL FINANCIAL REPORT 2021

Thinking solutions.

Values and expertise, changes and connections: it is natural to foresee our partners' needs. Dominating the world of ideas: the answer anticipates the question and the solution the request.

3. Consolidated Financial Statements 2021

Consolidated Financial Statements at 31 December 2021

Consolidated Statement of Financial Position

Assets

(euro thousand)	Notes	31.12.2021	*of which with related parties*	31.12.2020	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	1,047,259		975,824		71,435
Right of use assets	1	227,474		207,456		20,018
Development costs	2	101,129		92,292		8,837
Goodwill and other indefinite useful life assets	2	118,775		79,882		38,893
Other intangible assets	2	77,415		47,393		30,022
Shareholdings valued using the equity method	3	45,100		43,947		1,153
Other financial assets (including investments in other companies and derivatives)	4	320,252		217,263	*2,716*	102,989
Receivables and other non-current assets	5	23,218		18,242		4,976
Deferred tax assets	6	71,649		76,731		(5,082)
TOTAL NON-CURRENT ASSETS		**2,032,271**		**1,759,030**		**273,241**
CURRENT ASSETS						
Inventories	7	482,924	*13*	354,887		128,037
Trade receivables	8	468,222	*1,232*	385,439	*1,775*	82,783
Other receivables and current assets	9	136,162		119,315		16,847
Current financial assets and derivatives	10	5,592		1,938		3,654
Cash and cash equivalents	11	557,463		551,282		6,181
TOTAL CURRENT ASSETS		**1,650,363**		**1,412,861**		**237,502**
ASSETS FROM DISCONTINUED OPERATIONS		**655**		**855**		**(200)**
TOTAL ASSETS		**3,683,289**		**3,172,746**		**510,543**

Equity and liabilities

(euro thousand)	Notes	31.12.2021	*of which with related parties*	31.12.2020	*of which with related parties*	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	124,093		37,428		86,665
Retained earnings/(losses)	12	1,388,238		1,241,370		146,868
Net result for the year	12	215,537		136,533		79,004
TOTAL GROUP EQUITY		**1,762,596**		**1,450,059**		**312,537**
TOTAL MINORITY INTERESTS		**33,524**		**30,982**		**2,542**
TOTAL EQUITY		**1,796,120**		**1,481,041**		**315,079**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	516,182		548,220		(32,038)
Long-term lease liabilities	13	202,340		187,415		14,925
Other non-current financial payables and derivatives	13	3,117		953		2,164
Other non-current liabilities	14	2,022		14,891	*5,147*	(12,869)
Non-current provisions	15	44,995		42,990		2,005
Provisions for employee benefits	16	23,992	*1,424*	26,567	*4,292*	(2,575)
Deferred tax liabilities	6	38,189		26,421		11,768
TOTAL NON-CURRENT LIABILITIES		**830,837**		**847,457**		**(16,620)**
CURRENT LIABILITIES						
Current payables to banks	13	225,286		175,998		49,288
Short-term lease liabilities	13	24,236		21,473		2,763
Other current financial payables and derivatives	13	3,760		3,838		(78)
Trade payables	17	590,830	*11,529*	474,906	*9,289*	115,924
Tax payables	18	12,959		7,405		5,554
Current provisions	15	960		1,875		(915)
Other current liabilities	19	198,222	*14,699*	158,613	*2,825*	39,609
TOTAL CURRENT LIABILITIES		**1,056,253**		**844,108**		**212,145**
LIABILITIES FROM DISCONTINUED OPERATIONS		**79**		**140**		**(61)**
TOTAL LIABILITIES		**1,887,169**		**1,691,705**		**195,464**
TOTAL EQUITY AND LIABILITIES		**3,683,289**		**3,172,746**		**510,543**

Consolidated Statement of Income

(euro thousand)	Notes	31.12.2021	*of which with related parties*	31.12.2020	*of which with related parties*	Change
Revenue from contracts with customers	20	**2,777,556**	***329***	**2,208,639**	***227***	**568,917**
Other revenues and income	21	23,544	*3,443*	23,478	*3,418*	66
Costs for capitalised internal works	22	23,189		22,573		616
Raw materials, consumables and goods	23	(1,310,330)	*(45,196)*	(1,024,961)	*(30,826)*	(285,369)
Income (expense) from non-financial investments	24	15,318		10,392		4,926
Other operating costs	25	(519,964)	*(11,968)*	(426,407)	*(10,805)*	(93,557)
Personnel expenses	26	(506,617)	*(7,328)*	(425,029)	*(4,834)*	(81,588)
GROSS OPERATING INCOME		**502,696**		**388,685**		**114,011**
Depreciation, amortisation and impairment losses	27	(214,715)		(207,550)		(7,165)
NET OPERATING INCOME		**287,981**		**181,135**		**106,846**
Interest income	*28*	*67,937*		*34,062*		*33,875*
Interest expense	*28*	*(73,155)*		*(59,274)*		*(13,881)*
Net interest income (expense)	28	(5,218)	*(18)*	(25,212)	*21*	19,994
Interest income (expense) from investments	29	4,028	*3,822*	121		3,907
RESULT BEFORE TAXES		**286,791**		**156,044**		**130,747**
Taxes	30	(70,752)		(17,802)		(52,950)
Result from discontinued operations	32	(153)		(304)		151
RESULT BEFORE MINORITY INTERESTS		**215,886**		**137,938**		**77,948**
Minority interests		(349)		(1,405)		1,056
NET RESULT FOR THE YEAR		**215,537**		**136,533**		**79,004**
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	**0.67**		**0.42**		

Consolidated Statement of Comprehensive Income

(euro thousand)	31.12.2021	31.12.2020	Change
RESULT BEFORE MINORITY INTERESTS	**215,886**	**137,938**	**77,948**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:			
Effect of actuarial income/(loss) on defined benefit plans	2,027	(3,260)	5,287
Tax effect	(293)	711	(1,004)
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method	668	(415)	1,083
Fair value measurement of investments	80,022	29,819	50,203
Tax effect	(961)	(358)	(603)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**81,463**	**26,497**	**55,569**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year			
Effect of hedge accounting (cash flow hedge) of derivatives	30,372	(3,293)	33,665
Tax effect	(1,427)	790	(2,217)
Change in translation adjustment reserve	60,692	(68,266)	128,958
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**89,637**	**(70,769)**	**160,406**
COMPREHENSIVE RESULT FOR THE YEAR	**386,986**	**93,666**	**293,923**
Of which attributable to:			
- Minority Interests	*3,182*	*770*	*2,412*
- the Group	*383,804*	*92,896*	*290,908*

Consolidated Statement of Cash Flows

(euro thousand)	31.12.2021	31.12.2020
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**445,230**	**168,559**
Result before taxes	**286,791**	**156,044**
Depreciation, amortisation/impairment losses	214,715	207,550
Capital gains/losses	8	(1,695)
Income/expense from investments, net of dividends received	(497)	(413)
Financial portion of provisions for defined benefits and payables for personnel	398	407
Long-term provisions for employee benefits	2,741	2,423
Other provisions net of utilisations	4,981	48,618
Result from discontinued operations	(153)	(304)
Cash flows generated by operating activities	**508,984**	**412,630**
Current taxes paid	(63,625)	(48,873)
Uses of long-term provisions for employee benefits	(4,224)	(4,580)
(Increase) reduction in current assets:		
inventories	(108,167)	(23,913)
financial assets	(439)	136
trade receivables	(57,760)	4,387
receivables from others and other assets	150	(9,175)
Increase (reduction) in current liabilities:		
trade payables	99,173	910
payables to others and other liabilities	27,172	18,382
Translation differences on current assets	12,549	(16,503)
Net cash flows from/(for) operating activities	**413,813**	**333,401**

(euro thousand)	31.12.2021	31.12.2020
Investments in:		
property, plant and equipment	(210,248)	(162,052)
of which right of use assets	*(26,407)*	*(37,755)*
intangible assets	(31,789)	(28,273)
financial assets	(168)	(182,862)
Price for disposal or reimbursement value of fixed assets	5,854	4,205
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of the relevant cash and cash equivalents	(97,722)	0
Net cash flows from/(for) investing activities	**(334,073)**	**(368,982)**
Dividends paid in the year	(71,132)	0
Dividend paid to minority shareholders in the year	(640)	(640)
Change in fair value of derivatives	1,491	648
New lease agreements	24,938	35,616
Reimbursement of lease liabilities	(29,021)	(24,826)
Loans and financing granted by banks and other financial institutions in the year	101,226	425,000
Repayment of long-term loans and other financing	(83,161)	(122,492)
Net cash flows from/(for) financing activities	**(56,299)**	**313,306**
Total cash flows	**23,441**	**277,725**
Translation differences on cash and cash equivalents	3,277	(1,054)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**471,948**	**445,230**

Consolidated Statement of Changes in Equity

	Share capital	Other reserves	Retained earnings (losses)	Net result for the year	Group equity	Equity of Minority Interests	Equity
Balance at 1 January 2020	**34,728**	**107,325**	**983,809**	**231,301**	**1,357,163**	**30,852**	**1,388,015**
Allocation of profit for the previous year		1,125	230,176	(231,301)	**0**	**0**	**0**
Payment of dividends					**0**	**(640)**	**(640)**
Reclassification		(888)	888		**0**	**0**	**0**
Components of comprehensive income:							
Effect of actuarial income/(loss) on defined benefit plans			(2,549)		**(2,549)**	**0**	**(2,549)**
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method			(415)		**(415)**	**0**	**(415)**
Fair value measurement of investments			29,461		**29,461**	**0**	**29,461**
Effect of hedge accounting (cash flow hedge) of derivatives		(2,503)			**(2,503)**	**0**	**(2,503)**
Change in translation adjustment reserve		(67,631)			**(67,631)**	**(635)**	**(68,266)**
Net result for the year				136,533	**136,533**	**1,405**	**137,938**
Balance at 1 January 2021	**34,728**	**37,428**	**1,241,370**	**136,533**	**1,450,059**	**30,982**	**1,481,041**
Allocation of profit for the previous year			65,278	(65,278)	**0**	**0**	**0**
Payment of dividends				(71,255)	**(71,255)**	**(640)**	**(71,895)**
Other changes			(12)		**(12)**	**0**	**(12)**
Reclassification		(139)	139		**0**	**0**	**0**
Components of comprehensive income:							
Effect of actuarial income/(loss) on defined benefit plans			1,734		**1,734**	**0**	**1,734**
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method			668		**668**	**0**	**668**
Fair value measurement of investments			79,061		**79,061**	**0**	**79,061**
Effect of hedge accounting (cash flow hedge) of derivatives		28,945			**28,945**	**0**	**28,945**
Change in translation adjustment reserve		57,859			**57,859**	**2,833**	**60,692**
Net result for the year				215,537	**215,537**	**349**	**215,886**
Balance at 31 December 2021	**34,728**	**124,093**	**1,388,238**	**215,537**	**1,762,596**	**33,524**	**1,796,120**

ANNUAL FINANCIAL REPORT 2021

Explanatory Notes to the Consolidated Financial Statements at 31 December 2021

Brembo's Activities

In the vehicle industry components sector, the Brembo Group is active in the research, design, production, assembly and sale of disc braking systems, wheels and light alloy and metal casting, in addition to mechanical processes in general.
The extensive product range consists of high-performance brake calipers, brake discs, wheel-side modules, complete braking systems and integrated engineering services, supporting the development of new models placed on the market by vehicle manufacturers. Brembo's products and services are used in the automotive industry, for light commercial and heavy industrial vehicles, motorbikes and racing competitions.
Manufacturing plants are located in Italy, Poland (Częstochowa, Dąbrowa Górnicza, Niepołomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Denmark (Svendborg), Spain (Barcelona), Mexico (Apodaca and Escobedo), Brazil (Betim), China (Nanjing, Langfang, Jiaxing), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

Form and Content of the Consolidated Financial Statements

Introduction

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2021 have been prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2021, issued by the International Accounting Standard Board (IASB) and adopted pursuant to Italian and EU regulations applicable from time to time, including Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018 (hereafter "ESEF Regulation").
IFRS means all international accounting standards and all interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).
The Consolidated Financial Statements include the Consolidated Statement of Financial Position, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and these Explanatory Notes, in accordance with IFRS requirements.
On 3 March 2022, the Board of Directors approved the Consolidated Financial Statements and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.

Basis of Preparation and Presentation

The Consolidated Financial Statements were prepared on the basis of draft Financial Statements for the year ended 31 December 2021, prepared by the Boards of Directors, or, when available, of Financial Statements approved at the Shareholders' Meetings of the relevant consolidated companies, appropriately adjusted to align them with Group classification criteria and accounting standards.
The Consolidated Financial Statements have been prepared in accordance with the general principle of providing a true and fair presentation of the Group's assets and liabilities, financial position, statement of income results and cash flows, based on the following general assumptions: going concern, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting and comparative information.
The administrative period and the closing date for preparing the Consolidated Financial Statements correspond to the ones for the Financial Statements of the Parent and all the consolidated companies. The Consolidated Financial Statements are presented in euro, which is the functional currency of the Parent, Brembo S.p.A., and all amounts are rounded to the nearest thousand unless otherwise indicated.

The Consolidated Financial Statements provide comparison figures for the previous year. When applying an accounting standard or retroactively recognising an adjustment, or reclassifying financial statement items, the Group includes an additional column showing the Statement of Financial Position for the first comparison year.

The Group made the following choices in relation to the presentation of the Financial Statements:
- for the Consolidated Statement of Financial Position, there is separate disclosure of the current and non-current assets and the current and non-current liabilities. Current assets, which include cash and cash equivalents, are those assets that will be realised, sold or consumed in the Group's normal operating cycle. Current liabilities are obligations that will be liquidated within the Group's normal operating cycle or within twelve months of the close of the accounting period;
- in the Consolidated Statement of Income, expense and income items are stated based on their nature;
- the Consolidated Statement of Comprehensive Income has been reported in a separate statement;
- for the Consolidated Statement of Cash Flows, the indirect method was used, as indicated in IAS 7.

The Financial Statements presented herein comply with Consob resolution No. 15519 of 27 July 2006.

Discretionary Valuations and Significant Accounting Estimates

Preparing financial statements in compliance with the applicable accounting standards requires management to make estimates that may have a significant effect on the items reported in the accounts. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances and given the information available at the reporting date. Actual results may differ from these estimates. Estimates and associated assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which such estimates are revised. Management's decisions that have a significant impact on the financial statements and estimates, and have a significant risk of material adjustments to the book value of assets and liabilities in the next accounting period, are discussed in the notes to the individual financial statement entries.

The main estimates are used to recognise the capitalisation of development costs, recognition of taxes (including the estimate of any tax liabilities associated with tax litigation, underway or that is likely to occur), impairment of non-financial assets and the actuarial assumptions used in the valuation of defined benefit plans. Other estimates relate to provisions for contingencies, product warranties, inventory obsolescence, useful lives of certain assets, the designation of lease contracts and the determination of the fair value of financial instruments, including derivatives.

In particular, the following items should be noted:

- Capitalisation of development costs: the initial capitalisation is based on management's judgment about the technical and economic feasibility of the project, usually when the project has reached a certain phase of the development plan. The project's expected future cash flows, the discount rates to be applied and the periods in which expected benefits will be generated are taken into consideration to determine the amounts to be capitalised. Further information is given in Note 2 of these Explanatory Notes;
- Recognition of taxes: deferred tax assets are recognised for all unused tax losses, to the extent that it is considered probable that there will be sufficient future taxable profit against which the tax losses can be utilised. Deferred tax liabilities for taxes on non-distributed profits of subsidiaries, associates or joint ventures are not recognised to the extent that it is considered probable that they will not be distributed in the foreseeable future. Therefore management has to make a significant estimate to determine the amount of deferred tax assets that can be recognised and deferred tax liabilities that it is possible not to recognise, based on the amount of future taxable profit, when it will be achieved and tax planning strategies. The wide range of international commercial relations, the long-term nature and the complexity of current contractual agreements, any differences between actual results and formulated hypothesis, or future changes of those assumptions, may require future adjustments to previously recognised income taxes and expenses. Further information is given in Note 6 of these Explanatory Notes;
- Impairment of non-financial assets: an impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. Value in use is calculated according to a discounted cash flow model. Recoverable amount is highly dependant on the discount rate used in the discounted cash flow model, the expected future cash flows and the growth rate used for extrapolation. The key assumptions used to determine the recoverable amounts of the various cash-generating units, including a sensitivity analysis, are described in detail in Note 2 hereto;
- Actuarial assumptions used in the measurement of defined benefit plans: the cost of defined benefit pension plans and other post-employment medical care and the present value of the defined benefit obligation are determined according to an actuarial assessment. The actuarial assessment requires the use of various assumptions, which may differ from actual future developments. Such assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, such estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. Further information is given in Note 16 of these Explanatory Notes.

Change in Accounting Standards and Disclosures

The valuation and measurement criteria used are based on the IFRS in force as of 31 December 2021 and endorsed by the European Union.

Interest Rate Benchmark Reform—Phase 2 **(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)**
The amendments include the temporary reduction of the requirements relating to the effects on financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative risk-free rate (RFR).

The amendments include the following practical expedients:

- considering contractual changes or changes in cash flows that are directly required by the reform to be changes in a variable interest rate equivalent to a market interest rate movement;
- allowing the changes required by the IBOR reform to be made within the framework of designation of a hedge and hedging documentation without the hedging relationship having to be discontinued;
- providing entities with a temporary reduction of separate identification requirements when a RFR is designated as hedging a component of risk.

These amendments did not have any impact on the Group's Consolidated Financial Statements. The Group intends to use these practical expedients in the future periods in which they are applicable.

Amendment to IFRS 16 – *Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*

On 28 May 2020, the IASB issued an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements of IFRS 16 relating to the accounting effects of contract modifications for rent concessions granted by lessors as a direct consequence of the Covid-19 epidemic. The amendment introduces a practical expedient according to which a lessee may choose not to account for rent concessions as if they were lease modifications. A lessee that chooses to adopt this practical expedient accounts for such concessions as if they were not contract modifications within the scope of IFRS 16. As for the previous year, the Group used this practical expedient at Brembo México S.A. de C.V. with regard to a property lease contract for a total amount of €91 thousand.

Amendments to IFRS 4 – *Insurance Contracts* – Deferral of IFRS 9 (issued on 25 June 2020)

The entry into force of this standard had no impact on the Group.

Other standards, interpretations or amendments, endorsed or not yet endorsed, and not yet entered into force at the reporting date, are listed in the following table:

Description	Endorsed at the reporting date	Expected date of entry into force
Amendments to IFRS 3 – *Business Combinations*; IAS 16 – *Property, Plant and Equipment*; IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets*; and Annual Improvements 2018-2020 (all issued on 14 May 2020)	YES	1 January 2022
IFRS 17 – *Insurance Contracts* (issued on 18 May 2017), including Amendments to IFRS 17 (issued on 25 June 2020)	YES	1 January 2023
Amendments to IAS 1: – *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting Policies* (issued on 12 February 2021)	NO	1 January 2023
Amendments to IAS 1: – *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date* (issued on 23 January 2020 and 15 July 2020, respectively)	NO	1 January 2023
Amendments to IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates (issued on 12 February 2021)	NO	1 January 2023
Amendments to IAS 12 – *Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (issued on 7 May 2021)	NO	1 January 2023
Amendments to IFRS 17 – *Insurance contracts:* Initial Application of IFRS 17 and IFRS 9 – *Comparative Information* (issued on 9 December 2021)	NO	1 January 2023

The Group did not opt for early adoption of new standards, interpretations or amendments that have been issued but have not entered into force yet.

Consolidation Criteria

The Consolidated Financial Statements include the Financial Statements of the Parent, Brembo S.p.A., at 31 December 2021, and the Financial Statements of the companies controlled by Brembo S.p.A. pursuant to IFRS 10. Control arises when the Group is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to influence those returns through its power over the said investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to exert power over the investee to influence the amount of the investor's returns.

It is generally presumed that the majority of voting rights confers control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:
- contractual agreements with other vote-holders;
- rights under contractual agreements;
- the Group's actual and potential voting rights.

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the three factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control. The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group obtains control until the date the Group no longer controls the company.

Income (loss) for the year and other comprehensive income components are allocated to the shareholders of the Parent and minority interests, even if this results in a negative balance for the minority interests. Where necessary, the appropriate adjustments are applied to the financial statements of subsidiaries, so as to ensure compliance with the Group's accounting policies. All intra-group assets and liabilities, equity, revenues, costs and cash flows relating to transactions between Group entities are completely eliminated during the consolidation process.

Changes in percent interests in a subsidiary that do not entail a loss of control are recognised at equity.

If the Group loses control of a subsidiary, it eliminates the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognised in the Statement of Income. The residual interest, if any, is measured at fair value.

Consolidation Area

The list of consolidated subsidiaries, associates and joint ventures that are accounted for using the equity method, along with information regarding their registered offices and the percentage of capital held, is included in the paragraph "Information About the Group" of these Explanatory Notes. The following corporate transactions impacting the Group's consolidation area were performed in 2021.
- On 7 January 2021, Brembo acquired a 100% stake in SBS Friction A/S, a company based in Svendborg, Denmark. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million), paid using available cash.

- Brembo established the company Inspiration Lab Corp. with registered office in Wilmington (Delaware, USA) and share capital of USD 300 thousand. The company is based in the Silicon Valley, California (USA), and is the first centre of excellence opened by Brembo.
- Following the agreement signed on 28 April 2021, on 4 November 2021 Brembo completed the acquisition of a 100% stake in the J.Juan Group, a Spanish company specialising in the development and production of motorbike braking systems. Founded in 1965, J.Juan is based in Gavà (Barcelona) and has three plants in Spain and one in China, manufacturing especially brake hoses, a strategic component for the braking system's safety that will complement the current range of Brembo products for motorbikes. The acquisition of J.Juan enables the Group to complete its range of solutions for the motorbike braking system and to expand its brand family for the growing motorbike sector. The total outlay for the transaction was €73 million, paid using available liquidity and subject to the usual adjustment mechanisms applicable to similar transactions that will be completed by the end of the first quarter of 2022.

It should be recalled that on 30 June 2019 Brembo discontinued its industrial operations at the Buenos Aires plant and placed the subsidiary Brembo Argentina S.A. in liquidation. Therefore, pursuant to IFRS 5 the company's assets and liabilities have been reclassified to "Assets/Liabilities from discontinued operations", whereas its statement of income items have been reclassified to "Result from discontinued operations".

Accounting Standards and Valuation Criteria

Business Combinations and Goodwill

Business combinations (established after the date of transition to IFRS) are accounted for using the purchase accounting method envisaged by IFRS 3.
The value of the entity included in the business combination is the sum of the fair value of the assets acquired and liabilities assumed, including contingent liabilities.
The cost of a business combination is identified as the fair value, at the date control is obtained, of the assets acquired, liabilities assumed and equity instruments issued for the purposes of the combination. That cost is then compared with the fair value of the identifiable assets, liabilities and contingent liabilities upon acquisition. Any positive difference between the cost of the acquisition and the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities upon acquisition is recognised as goodwill. Any negative differences are charged directly to the Statement of Income. If the initial cost of a business combination can only be determined provisionally, adjustments to the initial provisional values must be made within twelve months of the acquisition date. Minority interests are recognised on the basis of the fair value of the net assets acquired. If a business combination involves more than one transaction, with successive share purchases, each transaction is treated separately using the cost of the transaction and fair value information on the assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any differences. When control of a company is obtained through a subsequent share purchase, the previously held interests are accounted for based on the fair value of identifiable assets, liabilities and contingent liabilities at the date control is acquired.

The acquiree measures contingent consideration at fair value at the acquisition date. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IFRS 9, must be recognised in profit or loss or in Other Comprehensive Income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the relevant IFRS. If the contingent consideration is classified as an equity instrument, its value is not remeasured and its subsequent settlement is recognised in equity.

Goodwill is initially recognised at cost, as the difference of the aggregate of the value of the consideration transferred and the amount attributed to minority interests compared to net identifiable assets acquired and liabilities assumed by the Group. If the consideration is lower than the fair value of net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Equity Investments in Associates and Joint Ventures

An associate is a company over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without exercising control or joint control over the investee.
A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of all parties sharing control.
Considerations used to determine significant influence or joint control are similar to those required to determine control of subsidiaries.

The Group's equity investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an equity investment in an associate or a joint venture is initially recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the investee's profit or loss realised after the acquisition date. The goodwill related to the associate or joint venture is included in the carrying amount of the equity investment and is not tested separately for impairment.

The Statement of Income reflects the Group's share of the profits or losses of the associate or joint venture. All changes in Other Comprehensive Income relating to such investees have been presented in the Group's Statement of Comprehensive Income. In addition, when an associate or a joint venture recognises a change directly in equity, the Group recognises its share of that change, where applicable, in its Statement of Changes in Equity. Unrealised gains and losses on transactions between the Group and associates or joint ventures are eliminated in proportion to the interest held in the associates or joint ventures.

The aggregate share of the net result of associates and joint ventures attributable to the Group is recognised in the Statement of Income and represents the income or loss after taxes and the amounts attributable to the other shareholders of the associate or joint venture.

The financial statements of associates and joint ventures are prepared at the same reporting date as the Group's Financial Statements. Where necessary, such financial statements are adjusted to bring them into line with the Group's accounting standards.

Once the equity method has been applied, at each reporting date the Group assesses whether there is objective evidence that the equity investments in the associates or joint ventures have become impaired. In such cases, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate or joint venture and the carrying amount of the equity investment in its financial statements, and then accounts for that difference in the Statement of Income.

When significant influence over an associate or joint control of a joint venture is lost, the Group measures and recognises the residual equity investment at fair value. The difference between the carrying amount of the equity investment at the date significant influence or joint control is lost and the fair value of the residual equity investment and consideration received is recognised in profit or loss.

Shareholdings in other companies

Shareholdings in other companies are classified and measured at fair values through other comprehensive income (OCI), as better described in the section "Financial Instruments – Financial Assets" below.

Conversion of Items Denominated in Foreign Currencies

Conversion of the Financial Statements of foreign companies

The financial statements of the Group Companies included in the Consolidated Financial Statements are denominated in the currency used in the primary market in which they operate (functional currency). The Group's Consolidated Financial Statements are denominated in euro, which is the functional currency of the Parent Brembo S.p.A.

At year end, the assets and liabilities of subsidiaries, associates and joint ventures with a functional currency other than the euro are translated into the currency used to prepare the consolidated Group accounts at the exchange rate prevailing at that date. Statement of Income items are translated at the average exchange rate for the period (as it is considered to represent the average of the exchange rates prevailing on the dates of the individual transactions). The differences arising from the translation of initial equity at end-of-period exchange rates and the differences arising as a result of the different method used for translating the result for the period are recognised under a specific heading of equity. If consolidated foreign companies are subsequently sold, accumulated conversion differences are recognised in the Statement of Income.

The following table shows the exchange rates used in the translation of financial statements denominated in currencies other than the Group's functional currency (euro).

Euro against other currencies	31.12.2021	2021 average	31.12.2020	2020 average
U.S. Dollar	1.132600	1.183527	1.227100	1.141282
Japanese Yen	130.380000	129.857464	126.490000	121.775447
Swedish Krona	10.250300	10.144849	10.034300	10.488130
Danish Krone	7.436400	7.437050	7.440900	7.454393
Polish Zloty	4.596900	4.564036	4.559700	4.443177
Czech Koruna	24.858000	25.646809	26.242000	26.455446
Mexican Peso	23.143800	23.990296	24.416000	24.511767
Pound Sterling	0.840280	0.860004	0.899030	0.889215
Brazilian Real	6.310100	6.381339	6.373500	5.890010
Indian Rupee	84.229200	87.486086	89.660500	84.579539
Argentine Peso	116.362200	112.333438	103.249400	80.756116
Chinese Renminbi	7.194700	7.634023	8.022500	7.870837
Russian Rouble	85.300400	87.232057	91.467100	82.645446

Transactions in currencies other than the functional currency

Transactions in currencies other than the functional currency are initially converted into the functional currency using the exchange rate prevailing at the date of the transaction. At the closing date of the accounting period, monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at that date. Exchange differences arising from such translation are recognised in the Statement of Income.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are carried at cost are translated using the exchange rate prevailing at the transaction date, while those carried at fair value are translated using the exchange rate prevailing on the date the fair value is determined.

Property, Plant, Equipment and Other Equipment

Recognition and measurement

Property, plant, equipment and other equipment are recognised at cost, net of the related accumulated depreciation and any impairment loss. The cost includes the purchase or production price and direct costs incurred for bringing the asset to the location and condition necessary for it to be capable of being operated; interest expense is also included, where applicable under IAS 23.

Subsequent to initial recognition, the asset continues to be carried at cost and depreciated based on its remaining useful life net of any impairment in value, taking into account any residual value.
Land, including land linked to buildings, is recognised separately and is not depreciated since it is regarded as having an indefinite useful life.

Subsequent costs

Costs for improvements and transformations that increase the value of assets (i.e., they result in probable future economic rewards that can be reliably measured) are recognised in the assets section of the Statements of Financial Position as increases to the assets in question or as separate assets. Costs are recognised in the year in which they are incurred, where they relate to maintenance or repair and do not lead to any significant and measurable increase in productive capacity or in the useful life of the relevant asset.

Depreciation

Depreciation represents the economic and technical loss of value of the asset and is charged from when the asset is available for use; it is calculated using the straight-line method based on the rate considered representative of the estimated useful life of the asset.

The range of expected useful lives of property, plant and equipment used for calculating depreciation is reported below:

Category	Useful life
Land	Indefinite
Buildings	10-35 years
Plant and machinery	5-20 years
Industrial and commercial equipment	2.5-10 years
Other assets	4-10 years

The residual values, useful lives and depreciation methods applied to property, plant and equipment are reviewed at the end of each year and prospectively corrected, where appropriate. Useful lives are unchanged compared to the previous year.

Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to recognise all lease contracts in the financial statements on the basis of a single accounting model similar to that used to recognise finance leases that were governed by IAS 17. The lessee recognises a liability for payments of rental fees specified in the lease contract and an asset representing the right to use the underlying asset for the period of the contract. Lessees must recognise separately the interest paid on the lease liability and amortisation of the right to use the asset. Lessees must also re-measure the lease liability when certain events happen (e.g., a change in lease contract conditions or a change in future lease payments caused by a change in an index or rate used to determine those payments). The lessee generally recognises the re-measured amount of the lease liability as an adjustment to the right to use the asset. The Group determines the lease term as the non-cancellable portion of the lease, together with the periods covered by the option to extend the lease, where it is reasonably certain that this option will be exercised, as well as the periods covered by the lease break option, if it is reasonably certain that this option will not be exercised.

Leasehold improvements

Improvements to third-party assets that can be considered fixed assets are capitalised to the appropriate asset category and depreciated over the shorter of their useful life or the lease term.

Development Costs and Other Intangible Assets

The Group recognises intangible assets when the following conditions are met:
- the asset is identifiable, or separable, or can be separated or removed from the entity;
- the asset is controlled by the Group, meaning that the company has the power to obtain future economic rewards from the asset;
- it is probable that the Group will enjoy future rewards attributable to the asset.

Intangible assets are initially measured at cost; subsequent to initial recognition, they are carried at cost less amortisation (except for goodwill and other intangible assets with indefinite useful lives), which is calculated using the straight-line method (beginning on the date the assets are available for use) over their useful lives, and net of any impairment losses, taking into account any residual value. The useful life of assets is reviewed periodically.

An intangible asset generated in the development phase of an internal project is recognised as asset if the Group can demonstrate:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and the ability to use or sell it;
- how the intangible asset will generate probable future economic rewards;
- the availability of adequate resources to complete the development;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development;
- the ability to use the intangible asset generated.

Research costs are recognised in the Statement of Income. Similarly, in the case of externally acquired intangibles that qualify as research and development costs, only the costs attributable to the development phase are recognised as assets, provided that the above requirements are met.
Such costs are capitalised under “Development costs” and amortised when the development phase is concluded and the asset developed generates economic rewards. In the period in which internal development costs that can be capitalised are incurred, these costs are excluded from the Statement of Income item “Increase on internal works capitalised” and recognised in the item “Costs for capitalised internal works”.

The range of expected useful lives of intangible fixed assets used for calculating amortisation is reported below:

Category	Useful life
Development costs	3-5 years
Goodwill and other fixed assets with indefinite useful lives	Indefinite
Industrial patents and similar rights	5-10 years
Other intangible assets	3-5 years

The residual values, useful lives and amortisation methods applied to intangible assets are reviewed at the end of each year and prospectively corrected, where appropriate. Useful lives are unchanged compared to the previous year.

Impairment of Non-Financial Assets

Goodwill, intangible assets with an indefinite life and development costs underway are systematically tested for impairment at least once a year, and whenever there are any indications of impairment.
Property, plant and equipment, as well as intangible assets that are subject to depreciation and amortisation are tested for impairment whenever indications of impairment arise.
Write-downs correspond to the difference between the carrying value and recoverable value of the assets in question. The recoverable value is the greater of the fair value of an asset or cash-generating unit less the costs of disposal and the value in use, determined as the present value of estimated future cash flows. The value in use is defined as the cash flows expected to arise from the use of an asset, or the sum of the cash flows in the case of more cash-generating units. The expected future cash flows are measured using the unlevered discounted cash flows method and each group of assets is discounted to the present value using the WACC method (weighted average cost of capital). If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and, as a general rule, the impairment loss is recorded in the Statement of Income. When the impairment loss of an asset (except for goodwill) is subsequently reversed, the carrying value of the asset (or cash-generating unit) is increased to the new estimate of recoverable value, without exceeding the value prior to write-down.

Inventories

Inventories of raw materials and finished products are stated at the lower of cost of acquisition or market value and the corresponding presumable net realisable value estimated from market trends.
The purchase cost includes costs incurred to bring each asset to the place it is stored. Manufacturing costs of finished products and semi-finished goods include direct costs and a portion of indirect costs that can be reasonably attributed to the products based on normal exploitation of the production capacity; interest expense is excluded. Work in progress is valued at production costs for the year, based on the progress report.
The cost of inventories of raw materials, finished goods, goods for resale and semi-finished products is calculated using the weighted mean cost method.
For raw materials, ancillaries and consumables, the presumable net realisable value corresponds to the replacement cost. For finished products and semi-finished goods, the presumable net realisable value corresponds to the estimated sales price in the ordinary course of business, less the estimated costs of completion and costs to sell. Inventories that are obsolete or characterised by a long turnover period are written down on the basis of their possible useful life or future realisable value, by creating a special provision for inventory adjustment.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, unrestricted deposits and other treasury investments with original maturities of up to three months. A treasury investment is considered as availability, when it is instantly convertible to cash with minimal risk of any fluctuation in value and, further, it is intended to meet short-term cash requirements and is not held as an investment.
For purposes of the Statement of Cash Flows, cash balances are stated net of bank overdrafts at the end of the period.

Provisions

Provisions include certain or probable costs of a specific nature, the amount or settlement date of which could not be determined at year-end. A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the present value of the expected expenditure required to settle the obligation in question. Where the Group expects some or all of the expenditure required to settle a provision to be reimbursed, such as for the case of insured risks, the reimbursement is treated as a separate asset and is recognised when, and only when, it is virtually certain that the reimbursement will be received. In this case, the expense relating to the provision is presented in the Statement of Income net of the amount recognised for the reimbursement. Provisions are periodically updated to reflect changes in cost estimates, timing and present value, if any; revisions to estimates are recognised under the same heading of the Statement of Income under which the original provision was recognised and in the Statement of Income of the period in which the change is made. When provisions are discounted to present value, the change resulting from the passage of time or interest rate fluctuations is recognised under "Net interest income (expense)".

Any provisions for restructuring costs are recognised when the company involved has approved a formal detailed plan and communicated it to the parties concerned.

A provision for costs arising from tax liabilities is recognised when the dispute to which the contingent liability refers is ongoing or likely.

Provisions for product warranty costs are recognised when products are sold. Initial recognition is based on historical experience, excluding exceptional events, for which a precise assessment is conducted. The initial estimate of the costs of warranty work is reviewed annually.

Employee Benefits

The difference between defined contribution plans, wholly unfunded defined benefit plans, wholly or partly funded defined benefit plans and other forms of long-term benefits is reported below.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a company pays contributions to an insurance company or pension fund and has no legal or constructive obligation to pay further contributions if, when the benefit right matures, the fund does not have sufficient assets to pay all benefits relating to employee service in the current or prior periods.
These contributions, which are paid for the services rendered by employees, are recognised in the same accounting period in which the services are rendered.

Defined benefit plans and other long-term benefits

Defined benefit plans are post-employment benefit plans that entail a future obligation for the company. The company assumes actuarial and investment risks in relation to the plan.

To determine the present value of its obligations relating to such plans and the related service costs, the Group uses the "Projected Unit Credit Method".
This actuarial calculation method requires the use of unbiased and mutually compatible actuarial assumptions about demographic variables (mortality rate and employee turnover rate) and financial variables (discount rates and future increases in salary and benefits). When a defined benefit plan is wholly or partly funded by contributions paid either into a fund that is legally separate from the company or to an insurance company, any plan assets are measured at fair value. The obligation is therefore stated net of the fair value of the plan assets that will be used to directly meet such obligation.
Remeasurements, which include actuarial gains and losses, any changes in the effect of the assets ceiling (excluding net interest) and return on plan assets (excluding net interest) are recognised immediately in the Statement of Financial Position, debiting or crediting retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified through profit or loss in the following years.
Other long-term benefits refer to employee benefits other than post-employment benefits. They are accounted for in the same manner as defined benefit plans.

Own Shares

Own shares bought back are recognised at cost and are deducted from equity. No gain or loss is recognised in the Statement of Income on the purchase, sale, or cancellation of the company's own shares. The difference between the carrying amount and the consideration, in case of reissue, is recognised in the share premium reserve.

Government Grants

Government grants are recognised at fair value, when there is reasonable assurance that all necessary conditions attached to them have been satisfied and the grants will be received.
Grants received in recognition of specific expenses are recognised as liabilities and credited to the Statement of Income on a systematic basis over the periods necessary to match the grant income with the related expenditure.
Grants received for defined assets that are recognised as fixed assets are accounted for as non-current liabilities and credited to the Statement of Income in relation to the period in which depreciation or amortisation is charged for the relevant assets.

Fair Value Measurement

The Group measures financial instruments, such as derivatives, at fair value at the end of each financial period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a sale of the asset or transfer of the liability taking place:
- in the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group.

Fair value measurement takes into account the characteristics of the asset or liability being measured that market participants would consider when pricing the asset or liability, assuming that market participants act with the aim of best satisfying their economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic rewards by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques appropriate to the circumstances and for which sufficient data for fair value measurement are available, thus maximising the use of significant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, the fair value of which has been measured or recognised in the financial statements, are categorised based on the fair value hierarchy, as described below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - measurement techniques whereby inputs are unobservable inputs for the asset or liability.

The fair value measurement is categorised in its entirety in the hierarchy level of the lowest level input that has been used for the measurement.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether shifts have occurred between hierarchy levels and revises the categorisation (based on the lowest level input that is significant to the entire fair value measurement) at the end of each financial period.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are initially recognised at their fair value, plus ancillary costs. Upon initial recognition, financial assets are classified, depending on their nature, in the following categories: financial assets at fair value through profit or loss or through other comprehensive income (OCI), loans, receivables and financial assets available for sale.

Loans and receivables (the category of greatest significance for the Group) are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. After initial recognition, such financial assets are measured at amortised cost, using the effective interest rate method, less impairment losses. Amortised cost is calculated by including any discounts, premiums or fees and/or costs, which are an integral part of the effective interest rate. The effective interest rate is recognised as interest income in the Statement of Income. Impairment losses are recognised in the Statement of Income as interest expense. This category normally includes trade and other receivables.

When accounting for financial assets measured at amortised cost, the Group first assesses whether impairment exists for each financial asset that is individually significant, and collectively for financial assets that are not individually significant. The carrying amount of an asset is reduced by recognising a write-down provision, and the amount of the loss is recognised in the Statement of Income. Loans and the associated write-down provisions are derecognised when there is no realistic prospect that they may be recovered in future and the guarantees have been enforced or transferred to the Group. If, in a subsequent year, the amount of an estimated impairment loss increases or decreases because of an event occurring after the impairment is recognised, the previously recognised impairment loss is increased or decreased by adjusting the provision.

Financial assets are classified and measured at fair values through OCI when they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Upon the initial recognition of investments in equity instruments, the Group may irrevocably elect to classify its equity investments as equity instruments measured at fair value through OCI where they meet the definition of an equity instrument pursuant to IAS 32 – *Financial Instruments: Presentation* and are not held for trading. The classification is determined for each instrument. Gains and losses on such financial assets are never transferred to profit or loss. Dividends are recognised as other income in profit or loss when entitlement to payment is approved, unless the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case the profits are taken to OCI. Equity instruments measured at fair value through OCI are not tested for impairment.

Financial assets are derecognised from the financial statements when the right to receive cash flows ceases, the Group transfers the right to receive cash flows from the asset to a third party, or the Group assumes a contractual obligation to pay them in full and without delay, and (1) it has transferred substantially all of the risks and rewards of ownership of the financial asset, or (2) it has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred the rights to receive the cash flows from an asset, or has entered into a contractual arrangement whereby it retains its contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay cash flows to one or more beneficiaries (pass-through arrangement), it evaluates the extent to which it has retained the risks and rewards of ownership.

Financial liabilities

Upon initial recognition, financial liabilities are classified among financial liabilities at fair value through profit or loss, loans and financing or derivatives designated as hedging instruments.

All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs in the case of loans, financing and payables. The Group's financial liabilities extend to trade payables and other payables, loans and financing, including account overdrafts, guarantees issued and derivative financial instruments, as well as lease liabilities.

Loans and payables (the category of greatest significance for the Group) are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Income when the liability is extinguished, as well as through the amortisation process.

Amortised cost is calculated by including the discount or premium, as well as costs and fees, which are an integral part of the effective interest rate. Amortisation at the effective interest rate is gradually recognised to profit or loss over the life of the loan.

Financial guarantees issued are contracts that require a payment to reimburse the holder of a debt instrument for a loss incurred by the holder due to default by the debtor on payment at the contractual due date. When the Group issues financial guarantees, the financial guarantee contracts are initially recognised as liabilities at fair value, plus the transaction costs directly attributable to issuing the guarantee. The liability is then measured at the greater of the best estimate of the outlay required to meet the guaranteed obligation at the reporting date and the initially recognised amount, less cumulative amortisation.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or discharged. Where one existing financial liability is replaced by another attributable to the same borrower with substantially different conditions, or the conditions of an existing liability are substantially modified, such exchange or modification is accounted for by derecognising the original liability and recognising a new liability, with any differences between carrying amounts recognised in the Statement of Income.

Offsetting of financial instruments

A financial asset and a financial liability may be set off against one another, and the net balance presented in the Statement of Financial Position, if there is a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis or realise the asset and settle the liability simultaneously.
Loans, payables and other financial and/or trade liabilities with a fixed or determinable maturity are initially recognised at fair value, net of the transaction costs. After initial recognition, these payables are evaluated using the criterion of amortised cost at the effective interest rate.
Long-term debts for which an interest rate is not specified are recognised by discounting future cash flows at market rate, if the increase in payables arises from the passage of time, with subsequent recognition of interest through profit or loss, in item "Net interest income (expense)".

Derivatives

Derivatives, including embedded derivatives separated from their host contracts, are initially recognised at fair value.
Derivatives are classified as hedging instruments when the relationship between the derivative and the object of the hedge is formally documented and the degree of coverage, which is periodically checked, is high.
When hedging derivatives hedge the risk of changes in the fair values of the hedged instruments, they are recognised at fair value through profit or loss. Accordingly, the hedged instruments are adjusted to reflect changes in fair value associated with the hedged risk.
When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the hedges are designated on the basis of the exposure to changes in cash flows attributable to risks that may influence profit or loss at a later date. Such risks are generally associated with a recognised asset or liability (such as future payments of variable-rate debt).
The effective portion of the change in the fair value of the part of derivative contracts designated as hedges in accordance with the requirements of IFRS 9 is recognised in the Statement of Comprehensive Income (hedging reserve). That reserve is then released to the profit or loss when the hedged transaction is recognised in the Statement of Income.
By contrast, the ineffective portion of the change in fair value, along with the entire change in the fair value of derivatives not designated as hedges or that do not meet the requirements presented in IFRS 9, is recognised directly in profit or loss.

Revenue from Contracts with Customers, Other Revenues and Income

Revenue from contracts with customers is recognised in the Statement of Income for an amount that reflects the consideration to which the entity claims entitlement in exchange for transferring the control of the goods or services to the customer.

Revenues are recognised net of sales returns, discounts, allowances and taxes that are directly associated with the sale of the product or provision of the service.

Sales of goods and services are recognised at the fair value of the consideration received when the following conditions are met:

- the control associated with ownership of the good is transferred;
- the revenue amount can be measured reliably;
- it is probable that the economic rewards arising from the sale will flow to the company;
- the costs incurred or that will be incurred can be measured reliably.

Revenues on the sale of equipment and study and design services to customers may be recognised as follows:

a) recognition of the full amount in a single instalment when the control is transferred, if it is assessed as a separate contract from subsequent supply;

b) recognition of the amount through an increase in sales price of the products created, over a variable period of time in relation to the number of products sold, if it is assessed as a contract to be combined with the subsequent supply ("multiple element arrangement").

Interest Income (Expense)

Interest income/expense is recognised after being measured on an accrual basis.

Income Taxes

Current tax assets and liabilities are measured as the amount that is expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to calculate that amount are those enacted, or substantially enacted, at the reporting date in the countries in which the Group operates and generates its taxable income. Management periodically assesses the position assumed in the income tax return, where tax laws are subject to interpretation, and recognises provisions, where appropriate.

Any differences between the calculation of taxes in the financial statements and income tax returns or amounts paid or provisioned for direct income tax disputes are presented under the item "Prior years' taxes and other tax payables".

Deferred tax assets and liabilities are recognised in order to reflect the temporary differences between the value attributed to an asset/liability for tax purposes and that attributed based on the accounting standards applied at the reporting date. They are measured using the tax rates that are expected to apply in the year when the assets will be realised or the liabilities will be settled, based on prevailing tax rates or those already enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses eligible to be carried forward, to the extent it is probable that sufficient future taxable income will be available to permit the use of the deductible temporary differences, unused tax credits and unused tax losses carried forward, except for the cases of:

- the deferred tax asset related to the deductible temporary differences arises from initial recognition of an asset or liability in a transaction other than a business combination that does not affect accounting or taxable income at the time of the transaction;

- deductible temporary differences related to equity investments in subsidiaries, associates and joint ventures. In this case deferred tax assets are recognised solely to the extent it is probable that they will be reversed in the foreseeable future and there will be sufficient taxable income to permit such temporary differences to be recovered.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that there will be sufficient future taxable income to permit all or part of the credit concerned to be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent it has become probable that taxable income will be sufficient to permit such deferred tax assets to be recovered.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination that does not affect accounting or taxable income at the time of the transaction;
- reversal of the taxable temporary differences related to equity investments in subsidiaries, associates and joint ventures may be controlled, and it is probable that it will not occur in the foreseeable future.

Tax balances (current and deferred) attributable to amounts recognised directly in equity are also recognised directly in equity.

Current and deferred tax assets and liabilities are offset only when the legal right of offset exists; such amounts are recognised as receivables or payables in the Statement of Financial Position.

Dividends

Dividends are recognised when the shareholders' right to receive payment is established under local law.

The Parent recognises a liability to account for the distribution to its shareholders of cash or non-cash assets once the distribution has been appropriately authorised and is no longer at the company's discretion. Under current Italian company law, a distribution is authorised when it has been approved by the shareholders. The corresponding amount is recognised directly in equity.

Non-Current Assets Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered primarily through sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value net of costs to sell. Costs to sell are incremental costs directly attributable to disposal, excluding interest expense and taxes. The conditions for classification as held for sale are only considered to be met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the disposal will be withdrawn. Management must be committed to the disposal, the completion of which must be expected to occur within one year of the classification date. Depreciation of property, plant and equipment and amortisation of intangible assets ceases when such assets are classified as available for sale. Assets and liabilities classified as held for sale are recognised separately among the current items of the financial statements. Assets held for sale are excluded from result from continuing operations and are presented through profit or loss for the year in a single item as “Income/(loss) from assets held for sale”.

Group Activities, Segments, Significant Transactions and Further Information

Business Combinations

SBS Friction A/S

On 7 January 2021, Brembo completed the acquisition of SBS Friction A/S, a Danish company based in Svendborg, Denmark that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million), paid using available cash.

The transaction was accounted for using the acquisition method and the Consolidated Financial Statements include the result of SBS Friction A/S as of 1 January 2021, the day conventionally designated as the acquisition date for accounting purposes only, as there were no significant changes between this date and the actual acquisition date and accounts were available on that date.

The breakdown of the acquisition date fair value of the assets and liabilities is as follows:

	Acquisition date fair value	
Net assets	**(DKK thousand)**	**(€ thousand)**
Property, plant and equipment	53,131	7,142
Intangible assets	51,583	6,934
Other receivables and non-current liabilities	16,201	2,178
Inventories	26,945	3,622
Trade receivables	26,097	3,508
Other receivables and current assets	2,157	290
Cash and cash equivalents	0	0
Trade payables	(12,881)	(1,732)
Other payables and current liabilities	(26,141)	(3,514)
Provisions/deferred taxes	(30)	(4)
Short-term financial debt	(64,104)	(8,617)
Total net assets measured at fair value	**72,958**	**9,807**
Group equity (100% of net assets)	(72,958)	(9,807)
Consideration agreed	**226,228**	**30,411**
Goodwill arising from acquisition	*153,270*	*20,604*

	Cash flows at acquisition	
Subsidiary's net cash and cash equivalents	0	0
Amount paid	(226,228)	(30,411)
Net cash flows at acquisition	**(226,228)**	**(30,411)**

Trade receivables amounted to €3.5 million and correspond to their fair value, which represents the value that is expected to be received from these receivables.

Recognised goodwill is attributable to the synergies and other economic benefits generated by the integration of commercial activities and transactions of SBS Friction A/S into the Group.
With regard to intangible assets, identified using the acquisition method, fair value was measured based on the methods commonly used for this purpose by international valuation practice (such as for example the relief from royalty for technology and trademark). The useful life of technology is estimated at 15 years, while trademark has an indefinite useful life.
Sales generated by SBS Friction A/S after the acquisition date amounted to €21,440 thousand and net income to €831 thousand.

The J.Juan Group

Following the agreement signed on 28 April 2021, on 4 November 2021 Brembo completed the acquisition of a 100% stake in the J.Juan Group, a Spanish company specialising in the development and production of motorbike braking systems. Founded in 1965, J.Juan is based in Gavà (Barcelona) and has three plants in Spain and one in China, manufacturing especially brake hoses, a strategic component for the braking system's safety that will complement the current range of Brembo products for motorbikes. The acquisition of J.Juan enables the Group to complete its range of solutions for the motorbike braking system and to expand its brand family for the growing motorbike sector. The total outlay for the transaction was €73 million, paid using available liquidity and subject to the usual adjustment mechanisms applicable to similar transactions that will be completed by the end of the first quarter of 2022.

The transaction was accounted for using the acquisition method and the Consolidated Financial Statements include the result of the J.Juan Group as of 1 November 2021, the day conventionally designated as the acquisition date for accounting purposes only, as there were no significant changes between this date and the actual acquisition date and accounts were available on that date.

It should be noted that the purchase price allocation is still provisional. It will be finalised within the terms provided for in the applicable accounting standards.

The breakdown of the acquisition date fair value of the assets and liabilities is as follows:

	Acquisition date fair value
Net assets	**(€ thousand)**
Property, plant and equipment	16,802
Intangible assets	39,646
Net financial assets	804
Other receivables and non-current liabilities	724
Inventories	21,709
Trade receivables	20,461
Other receivables and current assets	4,018
Cash and cash equivalents	5,689
Trade payables	(15,019)
Other payables and current liabilities	(2,679)
Provisions/deferred taxes	(9,341)
Medium/long-term financial debt	(19,274)
Short-term financial debt	8,705
Total net assets measured at fair value	**72,245**
Group equity (100% of net assets)	(72,245)
Consideration agreed	**73,000**
Goodwill arising from acquisition	*755*

	Cash flows at acquisition
Subsidiary's net cash and cash equivalents	5,689
Amount paid	(73,000)
Net cash flows at acquisition	**(67,311)**

Trade receivables amounted to €20.5 million and correspond to their fair value, which represents the value that is expected to be received from these receivables.

Recognised goodwill is attributable to the synergies and other economic benefits generated by the integration of commercial activities and transactions of the J.Juan Group into the Group.
With regard to intangible assets, identified using the acquisition method, fair value was measured based on the methods commonly used for this purpose by international valuation practice (such as for example the relief from royalty for technology and trademark and the multi period excess earnings method for the customer relationship). The useful life of technology and the customer relationship is estimated at 10 years, while trademark has an indefinite useful life.
In the provisional purchase price allocation process, customer relationship was valued at €21,397 thousand, technology at €4,323 thousand and trademark at €8,585 thousand.

Sales generated by the J.Juan Group after the acquisition date amounted to €11,032 thousand and net income to €497 thousand.

Segment Report

Based on the IFRS 8 definition, an operating segment is a component of an entity:
1. that engages in business activities from which it may earn revenues and incur expenses;
2. whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
3. for which discrete financial information is available.

In light of such definition, the Brembo Group's operating segments are five Divisions/Business Units: Discs, Systems, Motorbikes, Performance Group, After Market.
Each Division/Business Unit Director reports to the top management and periodically discusses with them operating activities, financial statements results, forecasts or plans.

The Group thus aggregated the operating segments as follows for the purposes of financial reporting:
1. Discs – Systems – Motorbikes
2. After market – Performance Group.

The segments that are included in each aggregate are similar in terms of:
a) the nature of products (braking systems);
b) the nature of production processes (melting process, subsequent processing for finishing and assembly);
c) the type of customers (manufacturers for Group 1 and distributors for Group 2);
d) the methods used to distribute the products (targeted to manufacturers for Group 1 and through distribution chains for Group 2);
e) the economic characteristics (gross manufacturing margin percentage for Group 1 and gross operating income for Group 2).

Transfer prices applied to transactions between segments for the exchange of goods and services are settled according to usual market conditions.

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had two customers in 2021 who accounted for over 10% of consolidated net revenues, although considering the individual car manufacturers that compose such groups, only one of them slightly exceeded this threshold.

The following table shows segment information on sales of goods and services and results at 31 December 2021 and 31 December 2020:

	Total		Discs/ Systems/Motorbikes		After Market/ Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Sales	2,825,931	2,246,775	2,351,632	1,870,112	477,826	377,048	(4,630)	(3,346)	1,103	2,961
Allowances and discounts	(51,095)	(35,831)	(4,894)	(3,082)	(46,183)	(32,760)	0	0	(18)	11
Net sales	**2,774,836**	**2,210,944**	**2,346,738**	**1,867,030**	**431,643**	**344,288**	**(4,630)**	**(3,346)**	**1,085**	**2,972**
Transport costs	23,456	18,647	15,898	12,992	7,537	5,641	0	0	21	14
Variable production costs	1,750,838	1,349,052	1,468,308	1,125,969	286,026	222,887	(4,611)	(3,346)	1,115	3,542
Contribution margin	**1,000,542**	**843,245**	**862,532**	**728,069**	**138,080**	**115,760**	**(19)**	**0**	**(51)**	**(584)**
Fixed production costs	412,982	400,882	382,401	375,223	28,325	23,334	0	0	2,256	2,325
Production gross operating income	**587,560**	**442,363**	**480,131**	**352,846**	**109,755**	**92,426**	**(19)**	**0**	**(2,307)**	**(2,909)**
BU personnel costs	194,463	166,330	117,648	104,844	54,584	43,660	(19)	0	22,250	17,826
BU gross operating income	**393,097**	**276,033**	**362,483**	**248,002**	**55,171**	**48,766**	**0**	**0**	**(24,557)**	**(20,735)**
Costs for Central Functions	119,580	102,831	82,518	69,456	12,939	11,438	0	0	24,123	21,937
OPERATING INCOME (LOSS)	**273,517**	**173,202**	**279,965**	**178,546**	**42,232**	**37,328**	**0**	**0**	**(48,680)**	**(42,672)**
Extraordinary costs and revenues	3,820	9,012	0	0	0	0	0	0	3,820	9,012
Financial costs and revenues	(2,522)	(26,323)	0	0	0	0	0	0	(2,522)	(26,323)
Income (expense) from investments	15,518	10,494	0	0	0	0	0	0	15,518	10,494
Non-operating costs and revenues	(3,695)	(10,645)	0	0	0	0	0	0	(3,695)	(10,645)
Result before taxes	**286,638**	**155,740**	**279,965**	**178,546**	**42,232**	**37,328**	**0**	**0**	**(35,559)**	**(60,134)**
Taxes	(70,752)	(17,802)	0	0	0	0	0	0	(70,752)	(17,802)
Result before minority interests	**215,886**	**137,938**	**279,965**	**178,546**	**42,232**	**37,328**	**0**	**0**	**(106,311)**	**(77,936)**
Minority interests	(349)	(1,405)	0	0	0	0	0	0	(349)	(1,405)
NET RESULT	**215,537**	**136,533**	**279,965**	**178,546**	**42,232**	**37,328**	**0**	**0**	**(106,660)**	**(79,341)**

A reconciliation between the annual Consolidated Financial Statements and the above information is provided below:

(euro thousand)	31.12.2021	31.12.2020
REVENUE FROM CONTRACTS WITH CUSTOMERS	**2,777,556**	**2,208,639**
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(18,393)	(11,094)
Differences between internal and statutory reports relating to developments activities	5,632	7,685
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	2,333	1,778
Effect of adjustment of transactions among consolidated companies	(817)	(547)
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	3,373	2,261
Other	5,152	2,222
NET SALES	**2,774,836**	**2,210,944**

(euro thousand)	31.12.2021	31.12.2020
NET OPERATING INCOME	**287,981**	**181,135**
Differences between internal and statutory reports relating to developments activities	3,861	1,554
Other differences between internal and statutory reports	(781)	5,249
Income (expense) from non-financial investments	(15,318)	(10,392)
Claim compensation and subsidies	(2,966)	(5,416)
Capital gains/losses on disposal of assets (in the segment report they are included in “Non-operating costs and revenues”)	(157)	(200)
Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	1,026	817
Reclassification of Brembo Argentina	(47)	10
Other	(82)	445
OPERATING RESULT	**273,517**	**173,202**

The breakdown of Group sales by geographic area of destination and by application is provided in the Directors’ Report on Operations.

Statement of Financial Position data at 31 December 2021 and 31 December 2020 are provided in the tables below:

	Total		Discs/ Systems/Motorbikes		After Market/ Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Property, plant and equipment	1,274,733	1,183,280	1,156,530	1,073,821	80,355	74,322	5	5	37,843	35,132
Intangible assets	196,189	127,275	170,973	103,837	19,332	17,653	0	0	5,884	5,785
Financial assets and other non-current assets/liabilities	94,815	83,570	1,871	369	0	0	0	0	92,944	83,201
(a) Total fixed assets	**1,565,737**	**1,394,125**	**1,329,374**	**1,178,027**	**99,687**	**91,975**	**5**	**5**	**136,671**	**124,118**
Inventories	482,891	354,749	369,379	260,891	112,626	92,935	0	0	886	923
Current assets	612,428	523,126	411,471	345,509	63,078	47,970	(14,415)	(16,525)	152,294	146,172
Current liabilities	(810,089)	(659,014)	(488,732)	(413,288)	(124,346)	(85,648)	14,415	16,525	(211,426)	(176,603)
Provisions for contingencies and charges and other provisions	(78,256)	(63,800)	0	(514)	0	0	0	0	(78,256)	(63,286)
(b) Net working capital	**206,974**	**155,061**	**292,118**	**192,598**	**51,358**	**55,257**	**0**	**0**	**(136,502)**	**(92,794)**
NET INVESTED OPERATING CAPITAL (a+b)	**1,772,711**	**1,549,186**	**1,621,492**	**1,370,625**	**151,045**	**147,232**	**5**	**5**	**169**	**31,324**
Extraordinary components	458,583	342,307	0	0	0	0	0	0	458,583	342,307
NET INVESTED CAPITAL	**2,231,294**	**1,891,493**	**1,621,492**	**1,370,625**	**151,045**	**147,232**	**5**	**5**	**458,752**	**373,631**
Group equity	1,762,596	1,450,059	0	0	0	0	0	0	1,762,596	1,450,059
Minority interests	33,524	30,982	0	0	0	0	0	0	33,524	30,982
(d) Equity	**1,796,120**	**1,481,041**	**0**	**0**	**0**	**0**	**0**	**0**	**1,796,120**	**1,481,041**
(e) Provisions for employee benefits	**23,992**	**26,567**	**0**	**0**	**0**	**0**	**0**	**0**	**23,992**	**26,567**
Medium/long-term financial debt	721,639	736,588	0	0	0	0	0	0	721,639	736,588
Short-term financial debt	(310,457)	(352,703)	0	0	0	0	0	0	(310,457)	(352,703)
(f) Net financial debt	**411,182**	**383,885**	**0**	**0**	**0**	**0**	**0**	**0**	**411,182**	**383,885**
(g) COVERAGE (d+e+f)	**2,231,294**	**1,891,493**	**0**	**0**	**0**	**0**	**0**	**0**	**2,231,294**	**1,891,493**

The following should be noted in regard to the non-segment data:

- intangible assets mainly consist of development costs;
- financial assets are not allocated; they mainly refer to the value of shareholdings in associates, joint ventures and other companies;
- current assets and liabilities mainly consist of trade receivables and payables;
- provisions for contingencies and charges and other provisions are not allocated.

Financial Risk Management

The Brembo Group is exposed to market, commodity, liquidity and credit risks, all of which are tied to the use of financial instruments.
Financial risk management is the responsibility of the central Treasury & Credit Department of Brembo S.p.A., which, together with the Group Finance Department, evaluates the main financial transactions and related hedging policies.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices resulting from shifts in exchange rates, interest rates and equity security prices.

Interest Rate Risk

Interest rate risk applies to variable-rate financial instruments recognised in the Statement of Financial Position (particularly short-term bank loans, other loans, leases, bonds, etc.) that are not hedged by other financial instruments.
In order to fix the financial burden relating to a part of its debt, Brembo has mainly entered into fixed-rate financing contracts and interest rate swaps. However, the Company continues to be exposed to interest-rate risk due to the fluctuation of variable rates.
A sensitivity analysis was performed to analyse the effects of a change in interest rates of +/-50 basis points compared to the rates at 31 December 2021 and 31 December 2020, with other variables held constant. The potential impacts were calculated on the variable-rate financial liabilities at 31 December 2021. The aforementioned change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,660 thousand (€1,133 thousand at 31 December 2020), gross of the tax effect.
The average weekly gross financial debt was used to provide the most reliable information possible.

Exchange Rate Risk

Brembo deals in international markets with currencies other than the euro and is therefore exposed to exchange rate risk.
To mitigate this risk, Brembo uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly short-term financing denominated in the currency to be hedged, in order to offset any unbalances; currency forward contracts are also used to hedge this risk category.
A sensitivity analysis is provided below to illustrate the effects on pre-tax result arising on a positive (negative) change in exchange rates.
Starting with the exposures at 31 December 2021 and 2020, a change calculated as the standard deviation of the exchange rate with respect to the average exchange rate was applied to the average exchange rates for 2021 and 2020 to measure exchange rate volatility.

	31.12.2021			31.12.2020		
(euro thousand)	Change %	Effect of exchange rate increase	Effect of exchange rate decrease	Change %	Effect of exchange rate increase	Effect of exchange rate decrease
EUR/CHF	1.80%	(0.9)	0.9	0.92%	(0.2)	0.2
EUR/CNY	2.79%	(1,390.3)	1,470.2	2.27%	(35.7)	37.4
EUR/CZK	1.24%	(0.6)	0.6	2.82%	1.0	(1.1)
EUR/DKK	0.02%	(1.4)	1.4	0.16%	(51.4)	51.6
EUR/GBP	1.49%	(0.1)	0.1	2.62%	5.9	(6.2)
EUR/INR	1.75%	0.3	(0.3)	4.18%	5.4	(5.9)
EUR/JPY	1.50%	24.4	(25.1)	2.56%	(38.5)	40.6
EUR/PLN	1.13%	(41.7)	42.6	2.28%	(21.0)	22.0
EUR/RUB	3.36%	0.0	0.0	9.25%	29.0	(34.9)
EUR/SEK	0.83%	0.1	(0.1)	2.20%	26.7	(27.9)
EUR/USD	2.39%	128.7	(135.0)	3.90%	72.1	(78.0)
PLN/CNY	3.66%	8.2	(8.8)	2.96%	4.9	(5.2)
PLN/EUR	1.12%	(460.2)	470.7	2.31%	(577.8)	605.1
PLN/GBP	2.29%	0.0	0.0	1.98%	2.4	(2.5)
PLN/CZK	1.80%	0.3	(0.3)	1.08%	0.0	0.0
PLN/JPY	2.01%	0.0	0.0	3.50%	0.5	(0.5)
PLN/USD	3.34%	(24.4)	26.1	4.09%	(35.5)	38.6
PLN/CHF	2.53%	1.2	(1.3)	2.65%	(0.7)	0.7
GBP/AUD	2.10%	(0.3)	0.3	3.97%	(0.7)	0.7
GBP/EUR	1.47%	0.3	(0.3)	2.69%	14.8	(15.6)
GBP/USD	1.69%	1.6	(1.6)	3.10%	2.6	(2.8)
USD/CNY	0.75%	0.8	(0.8)	2.69%	(1.3)	1.3
USD/EUR	2.42%	159.2	(167.1)	3.88%	108.1	(116.8)
USD/MXN	2.17%	60.7	(63.4)	8.12%	89.5	(105.3)
BRL/EUR	3.53%	15.8	(16.9)	12.37%	47.7	(61.2)
BRL/GBP	3.39%	0.1	(0.2)	9.95%	0.1	(0.2)
BRL/USD	3.90%	4.1	(4.5)	10.21%	4.7	(5.7)
JPY/EUR	1.50%	5.6	(5.7)	2.58%	9.0	(9.5)
JPY/USD	2.75%	5.1	(5.3)	1.89%	0.8	(0.9)
CNY/EUR	2.86%	23.2	(24.6)	2.26%	211.8	(221.5)
CNY/CHF	1.56%	0.3	(0.3)	1.90%	11.2	(11.6)
CNY/JPY	3.20%	4.6	(4.9)	1.92%	0.6	(0.6)
CNY/USD	0.75%	(90.7)	92.1	2.75%	(36.2)	38.2
INR/EUR	1.76%	(106.6)	110.5	4.28%	(64.3)	70.0
INR/JPY	2.09%	45.0	(46.9)	3.14%	39.4	(41.9)
INR/USD	1.24%	(1.3)	1.3	2.08%	11.4	(11.9)
CZK/EUR	1.23%	68.9	(70.6)	2.87%	143.0	(151.5)
CZK/GBP	1.17%	0.0	0.0	2.16%	(0.3)	0.3
CZK/PLN	1.80%	5.1	(5.2)	1.08%	1.1	(1.1)
CZK/USD	2.01%	(62.7)	65.3	4.67%	(44.6)	49.0
DKK/GBP	1.49%	(1.1)	1.1	2.74%	0.0	0.0
DKK/JPY	1.50%	(2.1)	2.2	2.68%	0.0	0.0
DKK/SEK	0.84%	(0.1)	0.1	2.09%	0.0	0.0
DKK/USD	2.39%	(10.8)	11.4	4.03%	0.0	0.0

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. It bears recalling that fixed prices are set in supply contracts with certain commodities suppliers for a given period of time and that the contracts in place with the main customers also provide for automatic periodic indexing on the basis of the price of commodities; both these approaches thus mitigate the risk of fluctuations in commodities prices. When it was not possible to implement these mitigating measures, derivatives were entered into to hedge the risk of commodity price fluctuations, in particular for a minor portion of aluminium purchases. Moreover, in 2021 Brembo Poland Spolka Zo.o. signed a derivative (Virtual Power Purchase Agreement) in order to mitigate the risk of fluctuation in the price of electricity.

Liquidity Risk

Liquidity risk can arise from the inability to obtain the financial resources necessary to guarantee Brembo's operation.

To mitigate liquidity risk, the Treasury & Credit area:

- constantly assesses financial requirements to ensure the appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
- obtains adequate credit lines;
- ensures the appropriate composition of net financial debt, i.e., investments are financed with medium/long-term debt (as well as with equity), and net working capital requirements are financed using short-term credit lines;
- includes the Group companies in cash pooling structures to optimise any excess liquidity of participating companies.

The following table provides information on payables, other payables and derivatives broken down by maturity. The maturities are determined based on the period from the reporting date to the expiry of the contractual obligations. The amounts shown in the table reflect undiscounted cash flows and the fair value of existing derivative liabilities.

For fixed- and variable-rate financial liabilities, both principal and interest were considered for the different maturity periods; for variable-rate liabilities, the rate at 31 December 2021 plus the relevant spread was used.

(euro thousand)	Carrying value	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Non-derivative financial liabilities					
Short-term credit lines and bank overdrafts	85,515	85,515	85,515	0	0
Payables to banks (loans and bonds)	655,953	670,595	143,374	439,205	88,016
Payables to other financial institutions	3,927	4,092	791	2,703	598
Lease liabilities	226,576	226,576	24,236	73,719	128,621
Trade and other payables	607,606	607,606	607,606	0	0
Derivative financial liabilities					
Derivatives	2,950	2,950	2,950	0	0
Total	**1,582,527**	**1,597,334**	**864,472**	**515,627**	**217,235**

Some of the Group's loan agreements require the satisfaction of financial covenants and the obligation for the Group to meet certain financial ratio levels.

In detail, the following covenants and relevant maximum thresholds are to be complied with:
- Net financial debt/Gross operating income <3.5.

If the covenants are not met, the financial institutions can request early repayment of the relevant loan.
The values of these covenants are monitored at the end of each quarter, and at 31 December 2021 the Group had complied with the covenants in question by a considerable margin.

Management believes that currently available lines of credit, apart from the cash flow generated by current operations, will allow Brembo to meet its financial requirements arising from investing activities, working capital management, and the payment of payables at their natural maturities.
In further detail, at 31 December 2021, unused bank credit facilities were 85% (a total of €582.9 million in credit facilities were available).

Credit Risk

Credit risk is the risk that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk for the Group arises mainly in relation to trade receivables. Most parties with which the Group does business are leading car and motorbike manufacturers with high credit standings.
The Group evaluates the creditworthiness of all new customers using assessments from external sources and then assigns a credit limit.

Fair Value Measurement

To complete the disclosure of financial risks, the following information is provided:

a) the fair value hierarchy for the Group's assets and liabilities:

	31.12.2021			31.12.2020		
(euro thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value						
Forward contracts denominated in foreign currency	0	(1,121)	0	0	186	0
Interest rate swaps	0	2,417	0	0	(3,558)	0
Embedded derivative	0	0	130	0	0	312
Commodity derivatives	0	(29)	24,424	0	0	0
Total financial assets (liabilities) measured at fair value	**0**	**1,267**	**24,554**	**0**	**(3,372)**	**312**
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(551,510)	0	0	(620,611)	0
Current and non-current lease liabilities	0	(226,576)	0	0	(208,888)	0
Other current and non-current financial liabilities	0	(3,927)	0	0	(1,227)	0
Total assets (liabilities) for which fair value is indicated	**0**	**(782,013)**	**0**	**0**	**(830,726)**	**0**

Movements for the year of Level 3 were as follows:

(euro thousand)	31.12.2021
Opening value	**312**
Movements in Statement of Income	(182)
Closing value	**130**

b) a reconciliation between the classes of financial assets and liabilities identified in the Group's Statement of Financial Position and the types of financial assets and liabilities identified based on the requirements of IFRS 7:

	Carrying value		Fair value	
(euro thousand)	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Other financial assets	**293,859**	**214,669**	**293,859**	**214,669**
Held-to-maturity investments	**754**	**0**	**754**	**0**
Loans, receivables and financial liabilities valued at amortised costs:				
Current and non-current financial assets (excluding derivatives)	2,460	4,028	2,460	4,028
Trade receivables	468,222	385,439	468,222	385,439
Loans and receivables	87,599	66,515	87,599	66,515
Cash and cash equivalents	557,463	551,282	557,463	551,282
Current and non-current payables to banks	(741,468)	(724,218)	(762,372)	(750,144)
Current and non-current lease liabilities	(226,576)	(208,888)	(226,576)	(208,888)
Other current and non-current financial liabilities	(3,927)	(1,227)	(3,927)	(1,227)
Trade payables	(590,830)	(474,906)	(590,830)	(474,906)
Other current liabilities	(198,222)	(158,613)	(198,222)	(158,613)
Other non-current liabilities	(2,022)	(14,891)	(2,022)	(14,891)
Available-for-sale financial liabilities				
Derivatives	**25,821**	**(3,060)**	**25,821**	**(3,060)**
Total	**(326,867)**	**(363,870)**	**(347,771)**	**(389,796)**

The approach used to calculate fair value is the present value of the future cash flows expected to derive from the instrument being measured, determined by discounting the scheduled instalments at a rate equal to the forward rate curve applicable to each account payable. In detail:

- loans, payables to other lenders with a duration of more than 12 months were measured at fair value determined by applying the forward rates curve to the residual duration of the loan;
- receivables, trade payables, held-to-maturity financial assets, payables and receivables to and from banks due within 12 months were measured at their carrying amounts, inasmuch as this is believed to approximate fair values;
- the fair value of derivatives was determined on the basis of valuation techniques that take into account observable market parameters other than the prices of the financial instrument.

Related Parties

The Group carries out transactions with parents, subsidiaries, associates, joint ventures, directors, key management personnel and other related parties. The Parent Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.527% of its share capital. Brembo did not engage in dealings with its parent in 2021, except for the dividend distribution.

Information pertaining to the fees paid to Directors and Statutory Auditors of Brembo S.p.A. and of other Group companies and additional information required is reported below:

	31.12.2021		31.12.2020	
(euro thousand)	Directors	Auditors	Directors	Auditors
Emoluments and other incentives for the office held	7,200	196	6,038	196
Participation in committees and specific tasks	155	0	155	0
Salaries and other incentives	5,522	0	3,587	0

The item “Salaries and other incentives” includes the estimate of the cost of the 2019-2021 three-year plan reserved for the Company’s top managers and accrued in 2021, remuneration paid as salaries for the employee function and provisions for bonuses still to be paid.

The following table provides a summary of related party transactions with reference to balances of the Statement of Financial Position and Statement of Income:

(euro thousand)	31.12.2021						31.12.2020					
		Related Parties						Related Parties				
a) Weight of transactions or positions with related parties on items of the Statement of Financial Position	Carrying value	Total	Other*	Joint ventures	Associates	%	Carrying value	Total	Other*	Joint ventures	Associates	%
Other financial assets (including investments in other companies and derivatives)	320,252	0	0	0	0	*0.0%*	217,263	2,716	0	0	2,716	*1.3%*
Inventories	482,924	13	0	13	0	*0.0%*	354,887	0	0	0	0	*0.0%*
Trade receivables	468,222	1,232	7	1,151	74	*0.3%*	385,439	1,775	5	1,696	74	*0.5%*
Other non-current liabilities	(2,022)	0	0	0	0	*0.0%*	(14,891)	(5,147)	(5,147)	0	0	*34.6%*
Provisions for employee benefits	(23,992)	(1,424)	(1,424)	0	0	*5.9%*	(26,567)	(4,292)	(4,292)	0	0	*16.2%*
Trade payables	(590,830)	(11,529)	(3,902)	(7,597)	(30)	*2.0%*	(474,906)	(9,289)	(3,541)	(5,504)	(244)	*2.0%*
Other current liabilities	(198,222)	(14,699)	(14,572)	(127)	0	*7.4%*	(158,613)	(2,825)	(2,698)	(127)	0	*1.8%*

	31.12.2021						31.12.2020					
		Related Parties						Related Parties				
b) Weight of transactions or positions with related parties on items of the Statement of Income	Carrying value	Total	Other*	Joint ventures	Associates	%	Carrying value	Total	Other*	Joint ventures	Associates	%
Revenue from contracts with customers	2,777,556	329	0	329	0	*0.0%*	2,208,639	227	0	227	0	*0.0%*
Other revenues and income	23,544	3,443	18	3,250	175	*14.6%*	23,478	3,418	20	3,224	174	*14.6%*
Raw materials, consumables and goods	(1,310,330)	(45,196)	0	(45,188)	(8)	*3.4%*	(1,024,961)	(30,826)	(3)	(30,729)	(94)	*3.0%*
Other operating costs	(519,964)	(11,968)	(8,972)	(2,704)	(292)	*2.3%*	(426,407)	(10,805)	(7,847)	(2,143)	(815)	*2.5%*
Personnel expenses	(506,617)	(7,328)	(7,328)	0	0	*1.4%*	(425,029)	(4,834)	(4,834)	0	0	*1.1%*
Net interest income (expense)	(5,218)	(18)	(18)	0	0	*0.3%*	(25,212)	21	21	0	0	*-0.1%*
Interest income (expense) from investments	4,028	3,822	3,822	0	0	*94.9%*	121	0	0	0	0	*0.0%*

* Other related parties include key management personnel of the entity and other related parties.

Sales of products, supply of services and the transfers of fixed assets between Group companies were carried out at prices reflecting fair market conditions. The trading volumes reflect the internationalisation process aimed at constantly improving both operating and organisational standards and optimising synergies within the Company. From a financial standpoint, the subsidiaries operate independently, although some benefit from various forms of centralised financing. Since 2008, a zero-balance cash-pooling system has been effective, with Brembo S.p.A. as the pool leader. In 2013, an additional cash pooling arrangement was put in place, denominated in CNY, with Brembo Nanjing Brake Systems Co. Ltd. as pooler and Brembo Nanjing Automotive Components Co. Ltd., Qingdao Brembo Trading Co. Ltd. and Brembo Huilian (Langfang) Brake Systems Co. Ltd. as participants. The cash pooling is entirely based in China, and Citibank China is the service provider.

Information About the Group

The key figures of Group companies are commented upon in the sections of the Directors' Report on Operations "Group Structure" and "Performance of Brembo Companies".

COMPANY	HEADQUARTERS		SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES	
Brembo S.p.A.	Curno (Bergamo)	Italy	Eur	34,727,914		
AP Racing Ltd.	Coventry	United Kingdom	Gbp	135,935	100%	Brembo S.p.A.
Brembo Czech S.r.o.	Ostrava-Hrabová	Czech Republic	Czk	605,850,000	100%	Brembo S.p.A.
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany	Eur	25,000	100%	Brembo S.p.A.
Brembo Inspiration Lab Corp.	Wilmington, Delaware	USA	Usd	300,000	100%	Brembo S.p.A.
Brembo Japan Co. Ltd.	Tokyo	Japan	Jpy	11,000,000	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	492,030,169	100%	Brembo S.p.A.
Brembo North America Inc.	Wilmington, Delaware	USA	Usd	33,798,805	100%	Brembo S.p.A.
Brembo Poland Spolka Zo.o.	Dąbrowa Górnicza	Poland	Pln	144,879,500	100%	Brembo S.p.A.
Brembo Russia LLC	Moscow	Russia	Rub	1,250,000	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	Sek	4,500,000	100%	Brembo S.p.A.
J. Juan S.A.U.	Barcelona	Spain	Eur	150,260	100%	Brembo S.p.A.
La.Cam (Lavorazioni Camune) S.r.l.	Stezzano (Bergamo)	Italy	Eur	100,000	100%	Brembo S.p.A.
Qingdao Brembo Trading Co. Ltd.	Qingdao	China	Cny	1,365,700	100%	Brembo S.p.A.
Brembo Argentina S.A. *in dissolution and winding up procedure*	Buenos Aires	Argentina	Ars	62,802,000	98.62%	Brembo S.p.A.
					1.38%	Brembo do Brasil Ltda.
Brembo (Nanjing) Automobile Components Co. Ltd.	Nanjing	China	Cny	235,194,060	60%	Brembo S.p.A.
					40%	Brembo Brake India Pvt. Ltd.
SBS Friction A/S	Svendborg	Denmark	Dkk	12,001,000	60%	Brembo S.p.A.
					40%	Brembo Brake India Pvt. Ltd.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,836	49%	Brembo S.p.A.
					51%	Brembo North America Inc.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	159,136,227	99.99%	Brembo S.p.A.
Corporación Upwards '98 S.A.	Zaragoza	Spain	Eur	498,043	68%	Brembo S.p.A.
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	Langfang	China	Cny	170,549,133	66%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano (Bergamo)	Italy	Eur	4,000,000	50%	Brembo S.p.A.
Petroceramics S.p.A.	Milan	Italy	Eur	123,750	20%	Brembo S.p.A.
Infibra Technologies S.r.l.	Pisa	Italy	Eur	53,133	20%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes GmbH	Meitingen	Germany	Eur	25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.
J. Juan Brake Systems S.A.U.	Barcelona	Spain	Eur	60,000	100%	J.Juan S.A.U.
Montajes Y Acabados S.L.U.	Barcelona	Spain	Eur	3,005	100%	J.Juan S.A.U.
Jiaxing Ciju Control Systems Co. Ltd.	Jiaxing	China	Cny	16,309,640	100%	J.Juan S.A.U.

Independent Auditors’ Fees

Details on the fees paid to the independent audit firm and other companies within its network pursuant to Article 149-*duodecies* of the Implementation Rules of Italian Legislative Decree No. 58 of 24 February 1998 are provided below:

(euro thousand)	31.12.2021	31.12.2020
Independent Auditors' fees for the provision of audit services:		
to the Parent Brembo S.p.A.	225	225
to the subsidiaries (services provided by the network)	438	422
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
to the Parent Brembo S.p.A.	70	71
to the subsidiaries (services provided by the network)	3	0
Fees of entities belonging to the Independent Auditors’ network for the provision of services:		
to the Parent Brembo S.p.A.	15	0
other services rendered to subsidiaries	2	2

Commitments

The Group had no commitments at the closing date of the 2021 Financial Statements.

Position or Transactions from Atypical and/or Unusual Operations

Pursuant to Consob Notice No. 6064293 dated 28 July 2006, it is hereby specified that during 2021 the Company did not carry out any atypical and/or unusual transactions, as defined by the said Notice.

Government Grants – Information Pursuant to Article 1, Paragraphs 125-129, of Law No. 124/2017

In light of the interpretation provided by Assonime in its Circular No. 5 of 22 February 2019, the obligations to disclose and publish government grants established by Article 1, paragraphs 125-129, of Law No. 124/2017, as also governed by the subsequent Security Decree-Law (No. 113/2018) and Simplification Decree-Law (No. 135/2018), which introduced a series of disclosure and publication obligations for entities that engage in economic relations with the public administration, with effect from the 2018 financial statements, are not believed to apply in the following cases:

- subsidies, grants and economic advantages of all kinds the benefits of which are accessible to all undertakings that meet certain conditions on the basis of predetermined general criteria (e.g., measures provided for in ministerial decrees aimed at specific sectors of industry and intended to finance activities relating to research and development projects);

- general measures accessible to all undertakings and that are part of the general structure of the system of reference established by the government (e.g., the economic growth aid ACE mechanism aimed at encouraging the reinvestment of profits);
- European/international public resources;
- interprofessional funds for financing training courses, considering that the funds are financed by the beneficiary undertakings' own contributions and are required to meet specific management criteria intended to ensure transparency (e.g., training courses financed by Fondimpresa).

In view of the foregoing, the Group analysed its situation and decided to disclose in this paragraph only the amount received in 2021 by way of grants from the entity Finpiemonte S.p.A., subject to the management and coordination of the Piedmont Region, relating to the tender "Poli–Linea B" for industrial research and experimental development projects. This amount, totalling €11 thousand, related to the VRROBOTLINE Project, involving a virtual reality platform for training workers on a robotised line.

Significant Events After 31 December 2021

Following the resignation of Laura Cioli, serving as Independent Director, Chairwoman of the Audit, Risk & Sustainability Committee and member of the Remuneration & Appointments Committee, on 3 March 2022 the Board of Directors of Brembo S.p.A., having heard the recommendation and guidelines of the Remuneration & Appointments Committee, co-opted Manuela Soffientini as new Independent Director, member of the Audit, Risk & Sustainability Committee and the Remuneration & Appointments Committee (the Director's resume is available on the Company's website: Governing Boards and Committees | Brembo - Official website). In addition, Independent Director Elisabetta Magistretti was appointed Chairwoman of the Audit, Risk & Sustainability Committee.

No other significant events occurred after 31 December 2021 and up to 3 March 2022.

Green evolution.

The product becomes a sustainable solution: when experience and knowledge lead to new technologies that respect the environment, innovation is increasingly green.

Analysis of each item

Statement of Financial Position

1. Property, Plant and Equipment

Property, plant, equipment and other equipment

The changes in property, plant and equipment are shown in the table below and described in this section.

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	31,911	433,396	1,406,365	250,247	68,480	63,986	**2,254,385**
Accumulated depreciation	0	(128,980)	(811,555)	(203,968)	(42,830)	0	**(1,187,333)**
Write-down provision	0	(13)	(2,404)	(18)	0	(310)	**(2,745)**
Balance at 1 January 2020	**31,911**	**304,403**	**592,406**	**46,261**	**25,650**	**63,676**	**1,064,307**
Changes:							
Translation differences	(729)	(16,646)	(26,809)	(1,274)	(562)	(3,816)	**(49,836)**
Reclassification	268	3,092	29,382	6,033	1,549	(43,999)	**(3,675)**
Acquisitions	15	6,580	55,920	10,363	2,299	49,120	**124,297**
Disposals	0	(1)	(791)	(680)	0	(343)	**(1,815)**
Depreciation	0	(18,504)	(113,004)	(19,743)	(5,716)	0	**(156,967)**
Impairment losses	0	(5)	(434)	(7)	(13)	(28)	**(487)**
Total changes	**(446)**	**(25,484)**	**(55,736)**	**(5,308)**	**(2,443)**	**934**	**(88,483)**
Historical cost	31,465	420,847	1,417,585	259,155	71,304	64,734	**2,265,090**
Accumulated depreciation	0	(141,911)	(878,236)	(218,184)	(48,084)	0	**(1,286,415)**
Write-down provision	0	(17)	(2,679)	(18)	(13)	(124)	**(2,851)**
Balance at 1 January 2021	**31,465**	**278,919**	**536,670**	**40,953**	**23,207**	**64,610**	**975,824**
Changes:							
Translation differences	567	13,027	19,779	631	1,538	2,433	**37,975**
Change in consolidation area	278	4,685	6,403	991	419	526	**13,302**
Reclassification	0	1,138	30,613	3,867	481	(37,910)	**(1,811)**
Acquisitions	4,764	5,488	106,640	13,179	5,483	48,287	**183,841**
Disposals	0	(18)	(3,256)	(494)	(38)	(17)	**(3,823)**
Depreciation	0	(18,566)	(115,059)	(17,963)	(6,335)	0	**(157,923)**
Impairment losses	0	0	(117)	(1)	(3)	(5)	**(126)**
Total changes	**5,609**	**5,754**	**45,003**	**210**	**1,545**	**13,314**	**71,435**
Historical cost	37,074	450,345	1,625,330	278,172	83,703	78,047	**2,552,671**
Accumulated depreciation	0	(165,658)	(1,042,425)	(236,991)	(58,937)	0	**(1,504,011)**
Write-down provision	0	(14)	(1,232)	(18)	(14)	(123)	**(1,401)**
Balance at 31 December 2021	**37,074**	**284,673**	**581,673**	**41,163**	**24,752**	**77,924**	**1,047,259**

In 2021, investments made in tangible fixed assets amounted to €183,841 thousand, including €48,287 thousand on fixed assets in course of construction.
As already noted in the Directors' Report on Operations, the Group continued its development programme. This involved significant investments in Italy, Poland, North America and China.
Net disposals amounted to €3,823 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.
Total depreciation charges for 2021 amounted to €157,923 thousand (2020: €156,967 thousand).

Right of use assets

The following table shows the movements in item "Right of use assets":

(euro thousand)	Land	Buildings	Plant and machinery	Other assets	Total
Historical cost	705	190,548	0	23,119	**214,372**
Accumulated depreciation	0	(13,978)	0	(5,901)	**(19,879)**
Balance at 1 January 2020	**705**	**176,570**	**0**	**17,218**	**194,493**
Changes:					
Translation differences	(41)	(5,118)	0	(464)	**(5,623)**
New contracts/leases for the year	7	28,083	0	9,665	**37,755**
Unwinding of lease contract	0	0	0	(129)	**(129)**
Other	3,637	(477)	0	(63)	**3,097**
Depreciation	(98)	(13,958)	0	(8,081)	**(22,137)**
Total changes	**3,505**	**8,530**	**0**	**928**	**12,963**
Historical cost	4,530	212,698	0	30,524	**247,752**
Accumulated depreciation	(320)	(27,598)	0	(12,378)	**(40,296)**
Balance at 1 January 2021	**4,210**	**185,100**	**0**	**18,146**	**207,456**
Changes:					
Translation differences	401	7,617	1	372	**8,391**
Change in consolidation area	0	10,240	335	66	**10,641**
Reclassification from leased assets to property, plant and equipment	0	0	0	(21)	**(21)**
New contracts/leases for the year	0	19,257	0	7,150	**26,407**
Unwinding of lease contract	0	0	0	(217)	**(217)**
Depreciation	(91)	(16,793)	(23)	(8,276)	**(25,183)**
Total changes	**310**	**20,321**	**313**	**(926)**	**20,018**
Historical cost	4,970	249,900	441	35,461	**290,772**
Accumulated depreciation	(450)	(44,479)	(128)	(18,241)	**(63,298)**
Balance at 31 December 2021	**4,520**	**205,421**	**313**	**17,220**	**227,474**

Increases also included a €10,819 thousand change arising from the revision of the duration of Brembo México S.A. de C.V.'s lease contract relating to a building.

Note 13 provides other information on the Group's financial commitment with respect to leased assets.

2. Intangible Assets (Development Costs, Goodwill and Other Intangible Assets)

Development costs, goodwill and other intangible assets

The changes in this item are shown in the table below and described in this section.

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patents and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	**209,139**	94,665	1,404	**96,069**	42,542	138,436	**180,978**	**486,186**
Accumulated amortisation	**(119,828)**	0	0	**0**	(31,090)	(91,642)	**(122,732)**	**(242,560)**
Write-down provision	**(2,070)**	(12,183)	(3)	**(12,186)**	(1,089)	0	**(1,089)**	**(15,345)**
Balance at 1 January 2020	**87,241**	**82,482**	**1,401**	**83,883**	**10,363**	**46,794**	**57,157**	**228,281**
Changes:								
Translation differences	**(773)**	(3,991)	(10)	**(4,001)**	(17)	(1,082)	**(1,099)**	**(5,873)**
Reclassification	**0**	0	0	**0**	551	(3,140)	**(2,589)**	**(2,589)**
Acquisitions	**22,266**	0	0	**0**	1,643	4,364	**6,007**	**28,273**
Disposals	**0**	0	0	**0**	12	(578)	**(566)**	**(566)**
Amortisation	**(14,533)**	0	0	**0**	(1,482)	(9,035)	**(10,517)**	**(25,050)**
Impairment losses	**(1,909)**	0	0	**0**	(1,000)	0	**(1,000)**	**(2,909)**
Total changes	**5,051**	**(3,991)**	**(10)**	**(4,001)**	**(293)**	**(9,471)**	**(9,764)**	**(8,714)**
Historical cost	**229,986**	90,020	1,394	**91,414**	44,563	136,674	**181,237**	**502,637**
Accumulated amortisation	**(133,714)**	0	0	**0**	(32,404)	(99,351)	**(131,755)**	**(265,469)**
Write-down provision	**(3,980)**	(11,529)	(3)	**(11,532)**	(2,089)	0	**(2,089)**	**(17,601)**
Balance at 1 January 2021	**92,292**	**78,491**	**1,391**	**79,882**	**10,070**	**37,323**	**47,393**	**219,567**
Changes:								
Translation differences	**764**	7,448	42	**7,490**	(2)	2,596	**2,594**	**10,848**
Change in consolidation area	**6,227**	21,497	9,906	**31,403**	0	30,310	**30,310**	**67,940**
Reclassification	**0**	0	0	**0**	217	242	**459**	**459**
Acquisitions	**23,264**	0	0	**0**	1,473	7,052	**8,525**	**31,789**
Disposals	**(1,801)**	0	0	**0**	0	0	**0**	**(1,801)**
Amortisation	**(18,162)**	0	0	**0**	(1,638)	(9,728)	**(11,366)**	**(29,528)**
Impairment losses	**(1,455)**	0	0	**0**	(500)	0	**(500)**	**(1,955)**
Total changes	**8,837**	**28,945**	**9,948**	**38,893**	**(450)**	**30,472**	**30,022**	**77,752**
Historical cost	**262,828**	119,771	11,342	**131,113**	46,328	182,200	**228,528**	**622,469**
Accumulated amortisation	**(156,264)**	0	0	**0**	(34,119)	(114,405)	**(148,524)**	**(304,788)**
Write-down provision	**(5,435)**	(12,335)	(3)	**(12,338)**	(2,589)	0	**(2,589)**	**(20,362)**
Balance at 31 December 2021	**101,129**	**107,436**	**11,339**	**118,775**	**9,620**	**67,795**	**77,415**	**297,319**

Development costs

The item “Development costs” includes costs for development, internal and external, for a gross historical cost of €262,828 thousand. During the reporting year, this item changed due to higher costs incurred in 2021 for development orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €18,162 thousand was recognised for development costs associated with orders regarding products that have already entered production.

The gross amount includes development activities for projects underway totalling €51,185 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item “Costs for capitalised internal works” during the year amounted to €23,189 thousand (2020: €22,573 thousand).

Impairment losses totalled €1,455 thousand and are recognised in the Statement of Income under “Amortisation, depreciation and impairment losses.” Impairment losses refer to development costs incurred mainly by the Parent, Brembo S.p.A., in relation to projects that, consistent with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

The item “Goodwill” arose from business combinations and the ensuing allocation to the following GCUs:

(euro thousand)	31.12.2021	31.12.2020
Discs - Systems - Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	15,071	13,910
Brembo México S.A. de C.V. (Hayes Lemmerz)	917	847
Brembo Nanjing Brake Systems Co. Ltd.	973	872
Brembo Brake India Pvt. Ltd.	7,818	7,344
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	46,793	41,965
SBS Friction A/S	20,749	0
J.JUAN Group	755*	0
After Market – Performance Group:		
Corporación Upwards ‘98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	12,354	11,547
Total	**107,436**	**78,491**

* Provisional, pending completion of the purchase price allocation process.

The change compared to 31 December 2020 was attributable to the consideration paid for acquiring the 100% stake in SBS Friction A/S and in the J.Juan Group and recognised under goodwill, and to the change in consolidation differences.

CGUs are typically identified as the business being acquired and therefore tested for impairment. If the asset being tested for impairment refers to businesses operating in multiple business lines, it is attributed to all business lines in existence at the date of acquisition; this approach is consistent with valuations carried out at the acquisition date, which are typically based on the estimated recoverable amount of the entire investment.

The main assumptions used to determine the value in use of the cash-generating unit relate to the discount rate, the long-term growth rate and the cash flows arising on corporate business plans.

Cash flows for subsequent years were extrapolated using a prudential steady 1-1.5% medium/long-term growth rate (1-1.5% in 2020), on a case by case basis. The Group’s discount rate (Group WACC) used was 6.30% (5.58%

in 2020), which reflected the current market assessments of the time value of money and the risks specific to the asset in question. The Board of Directors of Brembo S.p.A. approved the company's business plans, 2022 budget forecasts and 2023-2025 plans.
The previously mentioned impairment tests did not indicate the need to recognise any impairment loss in the reporting year.
In the event of a change in the WACC from 6.30% to 7.30% and in the growth rate from 1.0% to 0.5% (or from 1.5% to 1.0%), no previously unimpaired goodwill would have become impaired.
In the event of a sales volume decrease that has been estimated in the range from -10% to -20%, no previously unimpaired goodwill would have become impaired.
The changes in the WACC, growth rate and sales volumes described above are deemed reasonable. In this respect, only changes beyond reasonable levels would have resulted in impairment.

Intangible assets with indefinite useful lives

This item includes €1,030 thousand related to the Villar trademark, owned by the subsidiary Corporación Upwards '98 S.A., €1,321 thousand for the SBS Friction trademark, €8,585 thousand for the J.Juan trademark and the value of the LF trademark of Brembo Huilian (Langfang) Brake Systems Co. Ltd. for the remainder.
For information concerning impairment-testing methods, reference should be made to the above notes on goodwill. The impairment tests did not detect any impairment losses.

Other intangible assets

Acquisitions recognised under "Other intangible assets" totalled €8,525 thousand and refer for €1,473 thousand to the filing of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting year associated with the development of new features regarding the new Group ERP system and the acquisition of other IT applications.
The item "Change in consolidation area", relating to the inclusion in the consolidation scope of the SBS Friction A/B and the J.Juan Group amounted to €30,310 thousand and chiefly referred to the value assigned during the purchase price allocation process to the customer relationship (€21,397 thousand for the J.Juan Group) and technology (€4,323 thousand for the J.Juan Group and €2,093 thousand for SBS Friction A/S).

3. Shareholdings Valued Using the Equity Method (Associates and Joint Ventures)

This item includes the Group's share of equity in companies that are valued using the equity method. The following table shows all relevant movements:

(euro thousand)	31.12.2020	Write-ups/ Write-downs	Dividends	Other changes	31.12.2021
Brembo Group SGL Carbon Ceramic Brakes	42,201	15,318	(15,000)	668	43,187
Petroceramics S.p.A.	955	199	(20)	(12)	1,122
Infibra	791	0	0	0	791
Total	**43,947**	**15,517**	**(15,020)**	**656**	**45,100**

It should be noted that the impact on the Statement of Income of shareholdings valued using the equity method refers to two items: "Income (expense) from non-financial investments", attributable to the effect of the valuation using the equity method of the BSCCB Group, and "Interest income (expense) from investments", attributable to the valuation of associates using the equity method.

The following is a breakdown of the assets, liabilities, costs and revenues referring to joint ventures and associates.

Joint Ventures

	Brembo Group SGL Carbon Ceramic Brakes	
(euro thousand)	31.12.2021	31.12.2020
Revenue from contracts with customers	**196,075**	**159,984**
Other revenues and income	2,427	4,240
Costs for capitalised internal works	0	1,034
Raw materials, consumables and goods	(57,143)	(49,548)
Other operating costs	(39,789)	(36,953)
Personnel expenses	(45,613)	(39,512)
GROSS OPERATING INCOME	**55,957**	**39,245**
Depreciation, amortisation and impairment losses	(13,202)	(10,650)
NET OPERATING INCOME	**42,755**	**28,595**
Net interest income (expense)	(435)	(481)
RESULT BEFORE TAXES	**42,320**	**28,114**
Taxes	(11,486)	(7,547)
NET RESULT FOR THE YEAR	**30,834**	**20,567**
% ownership	*50%*	*50%*
Other consolidation adjustments	(99)	108
GROUP NET RESULT	**15,318**	**10,392**
Property, plant, equipment and other equipment	42,659	46,076
Right of use assets	14,282	15,374
Development costs	0	2,145
Other intangible assets	308	348
Other financial assets (including investments in other companies and derivatives)	131	131
Receivables and other non-current assets	130	73
Deferred tax assets	2,642	2,853
TOTAL NON-CURRENT ASSETS	**60,152**	**67,000**
Inventories	31,028	23,864
Trade receivables	19,835	16,421
Other receivables and current assets	3,694	3,420
Cash and cash equivalents	25,537	34,436
TOTAL CURRENT ASSETS	**80,094**	**78,141**
TOTAL ASSETS	**140,246**	**145,141**

	Brembo Group SGL Carbon Ceramic Brakes	
(euro thousand)	31.12.2021	31.12.2020
Share capital	4,000	4,000
Other reserves	25,694	30,798
Retained earnings/(losses)	24,408	27,404
Net result for the year	30,834	20,567
TOTAL EQUITY	**84,936**	**82,769**
Long-term lease liabilities	12,820	13,958
Other non-current liabilities	1,360	1,116
Non-current provisions	3,412	3,180
Provisions for employee benefits	4,242	6,337
TOTAL NON-CURRENT LIABILITIES	**21,834**	**24,591**
Short-term lease liabilities	2,059	1,912
Trade payables	18,590	25,538
Tax payables	3,925	1,359
Current provisions	377	0
Other current liabilities	8,525	8,972
TOTAL CURRENT LIABILITIES	**33,476**	**37,781**
TOTAL LIABILITIES	**55,310**	**62,372**
TOTAL EQUITY AND LIABILITIES	**140,246**	**145,141**
% ownership	*50%*	*50%*
Goodwill	1,033	1,033
Other consolidation adjustments	(314)	(217)
CARRYING VALUE OF GROUP SHAREHOLDING	**43,187**	**42,201**

Associates

	Petroceramics S.p.A.		Infibra Technologies S.r.l.	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Revenue from contracts with customers	2,324	1,944	566	225
NET RESULT FOR THE YEAR	**996**	**552**	**1**	**(44)**
% ownership	*20%*	*20%*	*20%*	*20%*
GROUP NET RESULT	**199**	**110**	**0**	**(9)**
Total current assets	4,834	4,589	1,268	1,000
Total non-current assets	2,262	1,747	158	50
Total current liabilities	1,234	1,338	460	98
Total non-current liabilities	252	222	133	119
TOTAL EQUITY	**5,610**	**4,776**	**833**	**833**
% ownership	*20%*	*20%*	*20%*	*20%*
Other consolidation adjustments	0	0	624	624
CARRYING VALUE OF GROUP SHAREHOLDING	**1,122**	**955**	**791**	**791**

4. Other Financial Assets (Including Investments in Other Companies and Derivatives)

This item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Shareholdings in other companies	293,859	213,669
Receivables from associates	0	2,716
Other securities	754	0
Derivatives	24,424	152
Other	1,215	726
Total	**320,252**	**217,263**

The item "Shareholdings in other companies" includes the 10% interest in International Sport Automobile S.a.r.l., the 4.78% interest in Pirelli S.p.A., the 3.27% interest in E-Novia S.p.A. and the 1.20% interest in Fuji Co. At 31 December 2021, the measurement of the interest in Pirelli S.p.A. at fair value resulted in a €80,022 thousand increase in its value and in the Group equity compared to 31 December 2020 (due to the change in the market price of the stock from €4.433 to €6.108). In accordance with IFRS 9, this change was recognised in the Consolidated Statement of Comprehensive Income. The further change of €168 thousand on 31 December 2020 was attributable to the Parent's interest in consortium funds intended for research.

The change in the item "Receivables from associates" refers to the receivable arising from the loan granted by Brembo to Innova Tecnologie S.r.l. (the liquidation process for which was concluded during the year), 30% owned by Brembo S.p.A., of which €985 thousand was recovered, whereas the remainder was covered by a provision for risks that was used in its entirety during the year.

The item "Derivatives" refers to the fair value of derivative assets relating to a specific financial transaction hedging against the risk of fluctuation in the electricity price undertaken in 2021.

"Other" includes interest-free security deposits for utilities and car rental agreements.

5. Receivables and Other Non-Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Receivables from others	20,643	17,671
Income tax receivables	2,541	537
Non-income tax receivables	34	34
Total	**23,218**	**18,242**

The item "Receivables from others" mainly includes the amounts related to contributions towards clients for the acquisition of long-term exclusive supply arrangements, which were released to the Statement of Income in accordance with the supply schedule for the clients.

Income tax receivables mainly refer to tax credits that can be used beyond one year, granted on the purchase of new property, plant and equipment, and other tax credits for which refunds have been requested.

6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Deferred tax assets	71,649	76,731
Deferred tax liabilities	(38,189)	(26,421)
Total	**33,460**	**50,310**

Deferred tax assets and liabilities were generated mainly due to temporary differences for capital gains with deferred taxation, other income items subject to future deductions or taxation, prior years' tax losses and other consolidation adjustments.

Movements for the year are reported in the following table:

(euro thousand)	31.12.2021	31.12.2020
Balance at beginning of year	**50,310**	**26,207**
Change in consolidation area	(3,761)	0
Deferred tax liabilities generated	(3,291)	(3,625)
Deferred tax assets generated	22,338	30,052
Use of deferred tax assets and liabilities	(32,583)	(7,927)
Exchange rate fluctuations	1,106	(1,705)
Reclassification	3,241	0
Other movements	(3,900)	7,308
Balance at end of year	**33,460**	**50,310**

The nature of temporary differences that generated deferred tax assets and liabilities is detailed below:

	Assets		Liabilities		Net	
(euro thousand)	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Property, plant, equipment and other equipment	19,401	14,231	24,957	22,092	(5,556)	(7,861)
Development costs	28	28	304	0	(276)	28
Goodwill and other indefinite useful life assets	500	0	241	0	259	0
Other intangible assets	563	9,711	11,581	5,123	(11,018)	4,588
Equity shareholdings	33	32	1,318	358	(1,285)	(326)
Other financial assets	0	1,016	1,075	88	(1,075)	928
Trade receivables	3,333	3,145	0	0	3,333	3,145
Inventories	16,003	13,819	0	0	16,003	13,819
Other receivables and current assets	72	114	1,828	457	(1,756)	(343)
Financial liabilities	23	869	590	0	(567)	869
Other financial liabilities	5,042	2,483	51	0	4,991	2,483
Provisions	11,039	9,983	0	0	11,039	9,983
Provisions for employee benefits	11,082	8,192	1,176	1,176	9,906	7,016
Item of deferred tax assets Short/long-term lease liabilities	1,476	1,297	0	0	1,476	1,297
Trade payables	245	286	0	0	245	286
Cash and cash equivalents	10	10	0	0	10	10
Other liabilities	7,907	13,317	1,647	1,609	6,260	11,708
Other	1,822	6,874	5,746	4,729	(3,924)	2,145
Tax losses	5,395	535	0	0	5,395	535
Compensation balance	(12,325)	(9,211)	(12,325)	(9,211)	0	0
Total	**71,649**	**76,731**	**38,189**	**26,421**	**33,460**	**50,310**

The item “Use of deferred tax assets and liabilities” includes €9,691 thousand referring to the release of deferred tax assets recognised in 2020 in connection with the third instalment of the Patent Box relief arising from the direct exploitation of intangible assets relating to tax periods 2016, 2017, 2018 and 2019.

The recognition of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In particular, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. is located in a “special economic zone” and is entitled to deduct a percentage from 25% to 50% of its investments from its current taxes owed through 2026. The company had used all the existing credit at 31 December 2021.

Brembo Czech S.r.o. has two tax incentive plans, one of CZK 132.7 million (expiring in 2026) and another of CZK 63.8 million (expiring in 2029), respectively, on which the company recognised deferred tax assets of CZK 25.8 million.

The item “Tax losses” refers to deferred tax assets on losses for the year or previous years recognised by Brembo Czech Sro. (€3,635 thousand), Brembo do Brasil Ltd. (€1,120 thousand), SBS Friction A/S (€610 thousand) and Brembo Huilian (Langfang) Brake Systems Co. Ltd. (€30 thousand), considering there to be a basis for the future recoverability of the tax assets in view of updated strategic plans.

It must be pointed out that:

- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years’ tax losses (BRL 116.99 million) eligible to be unlimitedly carried forward — amounted to BRL 39.78 million;
- at 31 December 2021, deferred tax liabilities of €5,746 thousand were recognised on profits of subsidiaries, associates or joint ventures which the Group considers may be distributed in the foreseeable future;
- at 31 December 2021, the temporary differences between the Parent’s share of the net assets of the subsidiary, associate or investee company, including the book value of goodwill, and the value of the investment or shareholding (cost) (as indicated in §38 of IAS 12) amounted to €774 million and were considered to be permanently reinvested, since these provisions are used to fund current transactions and future business growth in those countries in which the same subsidiary resides; as a result, no deferred tax liability was recognised on the taxable portion of such differences.

7. Inventories

A breakdown of net inventories, which are stated net of the inventory write-down provision, is shown below:

(euro thousand)	31.12.2021	31.12.2020
Raw materials	196,685	144,669
Work in progress	93,916	66,938
Finished products	145,425	116,656
Goods in transit	46,898	26,624
Total	**482,924**	**354,887**

The change compared to 31 December 2020 was attributable both to higher volumes and the increase in the cost of raw materials, as well as, for €25,331 thousand, to the inclusion in the Group’s consolidation scope of SBS Friction A/S and the J.Juan Group.

Movements in the inventory write-down provision are reported in the following table:

(euro thousand)	31.12.2020	Provisions	Use/ Release	Exchange rate fluctuations	Reclassification	Change in consolidation area	31.12.2021
Inventory write-down provision	59,013	13,690	(9,432)	1,223	(19)	2,557	67,032

The inventory write-down provision is determined in order to align the cost of inventories to their estimated realisable value; the provision increased due to higher depreciation calculated on obsolete goods as a result of faster renewal of product ranges.

8. Trade Receivables

At 31 December 2021, the balance of trade receivables compared to the end of the previous year was as follows:

(euro thousand)	31.12.2021	31.12.2020
Accounts receivable from customers	466,997	383,669
Receivables from associates and joint ventures	1,225	1,770
Total	**468,222**	**385,439**

Trade receivables grew due to the increase in business volumes, in addition to the change in the consolidation area (€23,969 thousand).
The bad debt risk is not concentrated in any one area, as the Group has a client portfolio spread across the various geographical areas in which it operates.
It should be noted that the balance of accounts receivable from customers also included receivables from Russian customers for €1,478 thousand.

Accounts receivable from customers are recognised net of the provision for bad debts, which amounted to €5,805 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2020	Provisions	Use/Release	Exchange rate fluctuations	Change in consolidation area	31.12.2021
Provision for bad debts	6,547	1,152	(2,456)	250	312	5,805

The Brembo Group's maximum credit risk exposure is the book value of the gross financial assets recognised in the financial statements net of any amounts offset in accordance with IAS 32 and any impairment losses recognised in accordance with IFRS 9.
It bears noting that Brembo has no credit insurance contracts as its credit risk is modest since its main business partners are leading car and motorbike manufacturers with high credit standing.
To express the creditworthiness of financial assets the Group has elected to distinguish between clients who are listed or not listed on the stock exchange. Listed clients are those listed on a stock market, directly or indirectly controlled by a listed company or closely connected to listed companies.

(euro thousand)	31.12.2021	31.12.2020
Listed clients	353,734	312,908
Unlisted clients	120,293	79,078
Total	**474,027**	**391,986**

The following table provides details on trade receivables that have not been adjusted for impairment, broken down by maturity.

Listed clients

(euro thousand)	31.12.2021	Write-down 2021	31.12.2020	Write-down 2020
Current	325,761	0	293,981	0
Expired up to 30 days	5,376	0	2,900	20
Expired by 30 to 60 days	6,406	0	8,946	218
Expired by over 60 days	16,191	2,726	7,081	2,393
Total	**353,734**	**2,726**	**312,908**	**2,631**
% ratio of expired receivables not written down to total exposure	*7.1%*		*5.2%*	
Total expired receivables, not written down	**25,247**		**16,296**	

Unlisted clients

(euro thousand)	31.12.2021	Write-down 2021	31.12.2020	Write-down 2020
Current	110,305	3	70,613	0
Expired up to 30 days	3,570	0	1,416	0
Expired by 30 to 60 days	2,929	0	3,079	0
Expired by over 60 days	3,489	3,076	3,970	3,916
Total	**120,293**	**3,079**	**79,078**	**3,916**
% ratio of expired receivables not written down to total exposure	*5.7%*		*5.8%*	
Total expired receivables, not written down	**6,912**		**4,549**	

Expired receivables from listed clients, increased also due to the change in the consolidation area, mainly refer to leading car manufacturers; the related repayment plans were almost fully set at the beginning of 2022.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2022.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Income tax receivables	69,240	70,505
Non-income tax receivables	37,595	30,572
Other receivables	29,327	18,238
Total	**136,162**	**119,315**

The item “Income tax receivables” includes the receivable recognised by the Parent Company in prior years in relation to the application of an IRES refund, concerning the non-deductibility for IRAP purposes of personnel expenses, and other applications for IRES and IRAP refund totalling €954 thousand.

The item “Non-income tax receivables” primarily includes the VAT receivables of Brembo S.p.A. and of subsidiaries located in Poland and Mexico.

“Other receivables” include receivables from insurance companies related to insurance refund claims underway at the reporting date, advances paid to suppliers for goods and services, and other accrued income.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Other securities	0	1,000
Derivatives	4,347	352
Security deposits	1,186	561
Other receivables	59	25
Total	**5,592**	**1,938**

The item “Derivatives” mainly refers to the fair value at 31 December 2021 (amounting to €2,731 thousand) of an IRS entered into directly by the Parent Brembo S.p.A., for a remaining notional amount of €200 million at 31 December 2021, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirements set forth in the accounting standards relating to hedge accounting (cash flow hedge). The change in fair value compared to 31 December 2020 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.
The item also includes the fair value of derivative assets embedded in commercial contracts with customers to cover the exchange rate risk.

11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	31.12.2021	31.12.2020
Bank and postal accounts	557,336	551,163
Cash-in-hand and cash equivalents	127	119
Total cash and cash equivalents	**557,463**	**551,282**
Payables to banks: overdrafts and foreign currency advances	(85,515)	(106,052)
Cash and cash equivalents from the Statement of Cash Flows	**471,948**	**445,230**

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. It is deemed that the book value of cash and cash equivalents approximates their fair value at the reporting date.

In addition to the amount recognised in the Statement of Cash Flows, it should be noted that interest paid in the year totalled €12,411 thousand (€19,226 thousand in 2020).

12. Equity

Group consolidated equity at 31 December 2021 increased by €312,537 thousand compared to 31 December 2020. Movements are given in the relevant statement.

Share capital

The Parent's subscribed and paid up share capital amounted to €34,728 thousand at 31 December 2021. It is divided into 333,922,250 ordinary shares.

The table shows the composition of the share capital and a reconciliation of the number of shares outstanding at 31 December 2021 and 31 December 2020:

(No. of shares)	31.12.2021	31.12.2020
Ordinary shares issued	333,922,250	333,922,250
Own shares	(10,035,000)	(10,035,000)
Total shares outstanding	**323,887,250**	**323,887,250**

As part of Brembo's buy-back plan, in 2021 the Company neither purchased nor sold own shares.

Other reserves and retained earnings/(losses)

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 22 April 2021 approved the Financial Statements for the financial year ended 31 December 2020, allocating net income for the year amounting to €85,505,062.96 as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per ordinary share outstanding, excluding own shares;
- the remaining amount carried forward.

Share capital and reserves of minority interests

This item changed due to dividends paid to minority shareholders, as well as to the change in consolidation differences.

13. Financial Debt and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2021 Due within one year	31.12.2021 Due after one year	31.12.2021 Total	31.12.2020 Due within one year	31.12.2020 Due after one year	31.12.2020 Total
Payables to banks:						
- overdrafts and advances	85,515	0	85,515	106,052	0	106,052
- loans	139,771	516,182	655,953	69,946	548,220	618,166
Total	**225,286**	**516,182**	**741,468**	**175,998**	**548,220**	**724,218**
Lease liabilities	24,236	202,340	226,576	21,473	187,415	208,888
Payables to other financial institutions	810	3,117	3,927	274	953	1,227
Derivatives	2,950	0	2,950	3,564	0	3,564
Total	**27,996**	**205,457**	**233,453**	**25,311**	**188,368**	**213,679**

The following table provides a breakdown of "Payables to banks":

(euro thousand)	Amount at 31.12.2020	Amount at 31.12.2021	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:					
Banca Popolare di Sondrio loan (€75 million)	31,244	6,250	6,250	0	0
BNL loan (€80 million)	21,660	3,333	3,333	0	0
Mediobanca loan (€130 million)	4,998	0	0	0	0
BNL loan (€100 million)	99,906	99,939	15	99,924	0
BNL loan (€300 million)	299,326	299,555	99,953	124,633	74,969
Banca Popolare di Sondrio loan (€125 million)	125,057	125,076	12,632	99,945	12,499
ISP loan (€100 million)	0	99,403	0	99,403	0
Intesa Sanpaolo loan (USD 35 million)	9,503	0	0	0	0
Banamex loan (USD 30 million)	12,224	4,409	4,409	0	0
EIB loan (€30 million, New Foundry Project)	3,810	0	0	0	0
Citi Nanjing loan (RMB 100 million)	10,438	10,942	10,942	0	0
BANKINTER loan (€105 thousand)	0	27	22	5	0
BANKINTER loan (€504 thousand)	0	148	104	44	0
BANKINTER loan (€2 million)	0	1,796	499	1,297	0
BANCO SABADELL loan (€500 thousand)	0	418	123	295	0
SANTANDER loan (€2 million)	0	942	290	652	0
SANTANDER loan (€600 thousand)	0	296	121	175	0
SANTANDER 2020 loan (€2 million)	0	1,681	490	1,191	0
CAIXABANK loan (€1 million)	0	854	250	604	0
BBVA loan (€2 million)	0	884	338	546	0
Total payables to banks	**618,166**	**655,953**	**139,771**	**428,714**	**87,468**

Among the most significant transactions closed in 2021, mention should be made of a medium-term loan of €100 million issued by Intesa Sanpaolo to Brembo S.p.A.

It should be noted that several loans require compliance with certain financial covenants. At the reporting date, all of these covenants had been met. At 31 December 2021, there was no financial debt secured by collateral.

The following table shows the breakdown of “Other financial liabilities”.

(euro thousand)	Amount at 31.12.2020	Amount at 31.12.2021	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Other financial liabilities:					
Payables to other financial institutions:					
Libra loan	64	1,034	226	808	0
Tivano loan	0	110	55	55	0
Ministerio Industria España	1,163	955	263	692	0
Ministerio de Ciencia e Innovación	0	137	28	109	0
Institut Català de Finances	0	1,691	238	998	455
Total payables to other financial institutions	**1,227**	**3,927**	**810**	**2,662**	**455**
Lease liabilities	**208,888**	**226,576**	**24,236**	**73,719**	**128,621**
Total other financial liabilities	**210,115**	**230,503**	**25,046**	**76,381**	**129,076**

With regard to payments relating to optional lease renewal periods not included in the calculation of liabilities at 31 December 2021, €23,939 thousand of lease instalments, relating solely to properties and due beyond five years, were not subject to discounting.

The following table shows the structure of loans towards banks and other financial institutions, broken down by annual interest rate and currency:

	31.12.2021			31.12.2020		
(euro thousand)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	317,551	326,978	644,529	356,632	230,596	587,228
US Dollar	0	4,409	4,409	0	21,727	21,727
Chinese Renminbi	0	10,942	10,942	0	10,438	10,438
Total	**317,551**	**342,329**	**659,880**	**356,632**	**262,761**	**619,393**

The average variable rate applicable to the Group’s debt is 0.71% and the average fixed rate is 1.0%.

In addition to the fair value relating to hedging through currency and commodity forward contracts entered into by Brembo S.p.A, La.Cam S.r.l. and Corporación Upwards ‘98 S.A. (€2,636 thousand), the item “Derivatives” includes the fair value at 31 December 2021 (amounting to €314 thousand) of an IRS entered into directly by the Parent Brembo S.p.A., for a remaining notional amount of €100 million at 31 December 2021, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirements set forth in the accounting standards relating to hedge accounting (cash flow hedge). The change in fair value compared to 31 December 2020 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

At 31 December 2021, IRS derivatives had a positive fair value of €2,460 thousand, entirely recognised in a cash flow hedge reserve, gross of tax effects

Changes in the Cash Flow Hedge Reserve are shown below, gross of tax effects, are as follows:

(euro thousand)	31.12.2021
Opening value	**3,518**
Fair value reserve releases	(32,725)
Movements from reserve for payment/collection of differentials	2,353
Closing value	**(26,854)**

Net Financial Position

The following table shows the reconciliation of the net financial position at 31 December 2021 (€411,837 thousand) and at 31 December 2020 (€384,677 thousand) based on the layout prescribed by ESMA32-382-1138 Guidelines of 4 March 2021 and specified in Consob Warning Notice 5/21 of 29 April 2021:

	(euro thousand)	31.12.2021	31.12.2020
A	Cash	557,463	551,282
B	Cash equivalents	0	0
C	Other current financial assets	5,592	1,938
D	**Liquidity (A+B+C)**	**563,055**	**553,220**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	113,482	131,363
F	Current portion of non-current financial debt	139,771	69,946
G	**Current financial debt (E + F)**	**253,253**	**201,309**
H	**Net current financial debt (G - D)**	**(309,802)**	**(351,911)**
I	Non-current financial debt (excluding the current portion and debt instruments)	721,639	736,588
J	Debt instruments	0	0
K	Trade payables and other non-current payables	0	0
L	**Non-current financial debt (I + J + K)**	**721,639**	**736,588**
M	**Total financial debt (H + L)**	**411,837**	**384,677**

The various components that gave rise to the change in net financial position during the current year are presented in the Statement of Cash Flows in the Directors' Report on Operations.

14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Social security payables	0	2,236
Payables to employees	1,807	10,736
Other payables	215	1,919
Total	**2,022**	**14,891**

The changes in the items “Payables to employees”, “Social security payables” and “Other payables” primarily consisted of the reclassification to “Other current liabilities” of the liability associated with the 2019-2021 three-year incentive plan reserved for top managers, to be settled in May 2022.

15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2020	Change in consolidation area	Provisions	Use/Release	Exchange rate fluctuations	Other	31.12.2021
Provisions for contingencies and charges	11,745	2,340	3,495	(10,155)	46	6	7,477
Provision for product warranties	33,120	0	10,675	(14,528)	566	8,645	38,478
Total	**44,865**	**2,340**	**14,170**	**(24,683)**	**612**	**8,651**	**45,955**
of which short-term	***1,875***						***960***

Provisions totalled €45,955 thousand, including a provision for product warranties, which rose by €10,675 thousand for probable future costs linked to contractual warranties, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway.
The item “Use/Release” refers to the use of the €6,983 thousand provision for risks allocated in 2020 following the completion of the settlement procedure entered into with the revenue authorities relating to the greater values of the intangible assets in relations with the Group’s international subsidiaries for the years 2016 and 2017.
The item “Other” relates to the value of obligations for risks covered by insurance policies for which a pay-out is expected. Such pay-outs are recognised among “Other receivables and current assets,” whereas the amount of the obligation, net of the pay-out, is recognised among “Provisions”.

16. Provisions for Employee Benefits

Group companies provide post-employment benefits through defined contribution plans or defined benefit plans. In the case of defined contribution plans, the Group companies pay contributions to public or private insurance institutes based on legal or contractual obligations or on a voluntary basis. Once such contributions have been paid, the companies have no further payment obligations.
Defined contribution plans include a plan relating to Brembo Huilian (Langfang) Brake Systems Co. Ltd and reserved for approximately 28 early retired employees, who have guaranteed monthly payments until they reach pension age.
The employees of the UK subsidiary AP Racing Ltd. have the benefit of a corporate pension plan (AP Racing Pension Scheme), which is made up of two sections: the first is a defined contribution plan for employees hired after 1 April 2001, and the second is a defined benefit plan for those already in service at 1 April 2001 (and previously covered by the AP Group Pension Fund). The defined benefit plan is funded by employer and employee contributions made to a trustee that is legally separate from the enterprise providing benefits to its employees.
Brembo México S.A. de C.V., Brembo Japan Co. Ltd. and Brembo Brake India Pvt. Ltd. offer to their employees specific pension plans that qualify as defined benefit plans.
Unfunded defined benefit plans include also the “Employees’ leaving indemnity” provided by the Group’s Italian companies, in accordance with current applicable regulations.
The value of defined benefit plans is calculated on an actuarial basis using the “Projected Unit Credit Method”.
The item “Other personnel provisions” also refers to other employee benefits.

Liabilities at 31 December 2021 are given in the table below:

(euro thousand)	31.12.2020	Provisions	Use/Release	Interest expense	Exchange rate fluctuations	Other	31.12.2021
Employees’ leaving entitlement	18,058	0	(786)	148	0	404	17,824
Defined benefit plans and other long-term benefits	7,316	563	(1,006)	250	450	(2,431)	5,142
Defined contribution plans	1,193	2,178	(2,432)	0	87	0	1,026
Total	**26,567**	**2,741**	**(4,224)**	**398**	**537**	**(2,027)**	**23,992**

Defined benefit plans

(euro thousand)	Unfunded Plan (employee's leaving entitlement) 31.12.2021	Unfunded Plan (employee's leaving entitlement) 31.12.2020	Funded Plan (Ap Racing plan) 31.12.2021	Funded Plan (Ap Racing plan) 31.12.2020	Brembo México plan 31.12.2021	Brembo México plan 31.12.2020	Brembo Brake India plan 31.12.2021	Brembo Brake India plan 31.12.2020	Brembo Japan plan 31.12.2021	Brembo Japan plan 31.12.2020
A. Change in defined benefit obligation										
1. Defined benefit obligation at the end of prior year	**18,058**	**18,755**	**39,407**	**36,251**	**1,873**	**1,472**	**1,531**	**1,397**	**277**	**286**
2. Service cost:										
Current service cost	0	0	0	0	326	231	196	170	41	36
Past service cost	0	0	0	17	0	0	0	0	0	0
3. Interest expense	148	208	574	702	127	94	95	80	1	4
4. Cash flows:										
Benefit payments from plan	0	0	(835)	(1,794)	0	0	(14)	(11)	0	0
Benefit payments from employer	(786)	(1,547)	0	0	(45)	(27)	(22)	(19)	0	(35)
6. Remeasurements:										
Effects of changes in demographic assumptions	0	0	829	(83)	0	0	0	140	0	0
Effects of changes in financial assumptions	404	642	(494)	6,382	(230)	146	(69)	13	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(658)	(123)	164	147	(24)	(74)	0	0
7. Effect of changes in foreign exchange rates	0	0	2,738	(1,945)	116	(190)	106	(165)	(8)	(14)
8. Defined benefit obligations at end of year	**17,824**	**18,058**	**41,561**	**39,407**	**2,331**	**1,873**	**1,799**	**1,531**	**311**	**277**
B. Change in fair value of plan assets										
1. Fair value of plan assets at the end of prior year	**0**	**0**	**35,365**	**33,666**	**0**	**0**	**407**	**378**	**0**	**0**
2. Financial income	0	0	518	658	0	0	29	23	0	0
3. Cash flows:										
Total employer contributions:										
- employer contributions	0	0	810	742	0	0	63	61	0	0
- employer direct benefit payments	787	1,549	0	0	45	27	22	19	0	0
Benefit payments from plan	0	0	(835)	(1,794)	0	0	(14)	(11)	0	0
Benefit payments from employer	(787)	(1,549)	0	0	(45)	(27)	(22)	(19)	0	0
Administrative costs on plan assets	0	0	0	0	0	0	(1)	(3)	0	0
Taxes on plan assets	0	0	0	0	0	0	0	(1)	0	0

(euro thousand)	Unfunded Plan (employee's leaving entitlement) 31.12.2021	Unfunded Plan (employee's leaving entitlement) 31.12.2020	Funded Plan (Ap Racing plan) 31.12.2021	Funded Plan (Ap Racing plan) 31.12.2020	Brembo México plan 31.12.2021	Brembo México plan 31.12.2020	Brembo Brake India plan 31.12.2021	Brembo Brake India plan 31.12.2020	Brembo Japan plan 31.12.2021	Brembo Japan plan 31.12.2020
5. Remeasurements:										
Return on plan assets (excluding interest income)	0	0	1,958	3,899	0	0	1	4	0	0
6. Effect of changes in foreign exchange rates	0	0	2,530	(1,806)	0	0	29	(44)	0	0
7. Fair value of plan assets at end of year	**0**	**0**	**40,346**	**35,365**	**0**	**0**	**514**	**407**	**0**	**0**
E. Amounts recognised in the Statement of Financial Position										
1. Defined benefit obligation	17,824	18,058	41,561	39,407	2,331	1,873	1,799	1,531	311	277
2. Fair value of plan assets	0	0	40,346	35,365	0	0	514	407	0	0
3. Funded status	*17,824*	*18,058*	*1,215*	*4,042*	*2,331*	*1,873*	*1,285*	*1,124*	*311*	*277*
5. Net liability (asset)	**17,824**	**18,058**	**1,215**	**4,042**	**2,331**	**1,873**	**1,285**	**1,124**	**311**	**277**
F. Components of defined benefit cost										
1. Service cost:										
Current service cost	0	0	0	0	326	231	196	170	41	36
Past service cost	0	0	0	17	0	0	0	0	0	0
Total service costs	*0*	*0*	*0*	*17*	*326*	*231*	*196*	*170*	*41*	*36*
2. Net interest expense:										
Interest expense on defined benefit plans	148	208	574	702	127	94	95	80	1	4
Interest (income) on plan assets	0	0	(518)	(658)	0	0	(29)	(23)	0	0
Total net interest expense	*148*	*208*	*56*	*44*	*127*	*94*	*66*	*57*	*1*	*4*
3. Remeasurement on other long-term benefits	0	0	0	0	0	0	(66)	28	0	0
5. Defined benefit cost included in P&L	148	208	56	61	453	325	196	255	42	40
6. Remeasurements (recognised in Other Comprehensive Income):										
Effects of changes in demographic assumptions	0	0	829	(83)	0	0	0	40	0	0
Effects of changes in financial assumptions	404	642	(494)	6,382	(230)	146	(39)	7	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(658)	(123)	164	147	11	3	0	0
Return on plan assets (excluding interest income)	0	0	(1,958)	(3,899)	0	0	0	(2)	0	0
Total remeasurements included in OCI	*404*	*642*	*(2,281)*	*2,277*	*(66)*	*293*	*(28)*	*48*	*0*	*0*

(euro thousand)	Unfunded Plan (employee's leaving entitlement) 31.12.2021	Unfunded Plan (employee's leaving entitlement) 31.12.2020	Funded Plan (Ap Racing plan) 31.12.2021	Funded Plan (Ap Racing plan) 31.12.2020	Brembo México plan 31.12.2021	Brembo México plan 31.12.2020	Brembo Brake India plan 31.12.2021	Brembo Brake India plan 31.12.2020	Brembo Japan plan 31.12.2021	Brembo Japan plan 31.12.2020
7. Total defined benefit cost recognised in P&L and OCI	**552**	**850**	**(2,225)**	**2,338**	**387**	**618**	**168**	**303**	**42**	**40**
G. Net defined benefit liability (asset) reconciliation										
1. Net defined benefit liability (asset)	18,058	18,755	4,042	2,585	1,873	1,472	1,124	1,019	277	286
2. Defined benefit cost included in P&L	148	208	56	61	453	325	196	255	42	40
3. Total remeasurements included in OCI	404	642	(2,281)	2,277	(66)	293	(84)	48	0	0
5. Cash flows:										
Employer contributions	0	0	(810)	(742)	0	0	(63)	(61)	0	0
Employer direct benefit payments	(786)	(1,547)	0	0	(45)	(27)	(22)	(19)	0	(35)
7. Effect of changes in foreign exchange rates	0	0	208	(139)	116	(190)	134	(121)	(8)	(14)
8. Net defined benefit liability (asset) at the end of year	**17,824**	**18,058**	**1,215**	**4,042**	**2,331**	**1,873**	**1,285**	**1,121**	**311**	**277**
H. Defined benefit obligation										
1. Defined benefit obligation by participant status										
Actives	17,824	18,058	0	0	2,331	1,873	1,799	1,531	0	0
Vested deferred	0	0	21,728	23,336	0	0	0	0	0	0
Retirees	0	0	19,833	16,071	0	0	0	0	0	0
Total	**17,824**	**18,058**	**41,561**	**39,407**	**2,331**	**1,873**	**1,799**	**1,531**	**0**	**0**
I. Plan assets										
1. Fair value of plan assets										
Cash and cash equivalents	0	0	21	52	0	0	0	0	0	0
Equity instruments	0	0	13,133	10,985	0	0	0	0	0	0
Debt instruments	0	0	5,942	5,399	0	0	0	0	0	0
Derivatives	0	0	12,377	11,012	0	0	0	0	0	0
Investment funds	0	0	8,873	7,917	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	514	410	0	0
Total	**0**	**0**	**40,346**	**35,365**	**0**	**0**	**514**	**410**	**0**	**0**
2. Fair value of assets that have quoted market prices										
Cash and cash equivalents	0	0	21	52	0	0	0	0	0	0
Equity instruments	0	0	13,133	10,985	0	0	0	0	0	0
Debt instruments	0	0	5,942	5,399	0	0	0	0	0	0
Derivatives	0	0	12,377	10,811	0	0	0	0	0	0
Investment funds	0	0	8,873	7,917	0	0	0	0	0	0
Total	**0**	**0**	**40,346**	**35,164**	**0**	**0**	**0**	**0**	**0**	**0**

	Unfunded Plan (employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
(euro thousand)	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
J. Significant actuarial assumptions										
Weighted-average assumptions to determine benefit obligations										
1. Discount rate	1.15%	0.85%	1.80%	1.40%	8.00%	6.75%	6.90%	6.40%	0.50%	0.50%
2. Rate of salary increase	N/A	N/A	N/A	N/A	4.50%	4.50%	9.00%	9.00%	N/A	N/A
3. Rate of price inflation	N/A	N/A	3.30%	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	1.80%	1.00%	3.50%	3.10%	3.50%	3.50%	0.00%	0.00%	2.50%	2.50%
Weighted-average assumptions to determine defined benefit cost										
1. Discount rate	0.85%	1.15%	1.40%	2.10%	6.75%	7.50%	6.40%	6.50%	0.50%	0.50%
2. Rate of salary increase	N/A	N/A	N/A	N/A	4.50%	4.50%	9.00%	9.00%	N/A	N/A
3. Rate of price inflation	N/A	N/A	3.00%	2.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	1.00%	1.00%	3.10%	2.90%	3.50%	3.50%	0.00%	0.00%	2.50%	2.50%

By applying a uniform change in the discount rate by ± 25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €2.54 million compared to the base liabilities value of €63.7 million.

The average duration of the plans is 15.96 years.

17. Trade Payables

At 31 December 2021, trade payables were as follows:

(euro thousand)	31.12.2021	31.12.2020
Trade payables	582,763	469,158
Payables to associates and joint ventures	8,067	5,748
Total	**590,830**	**474,906**

18. Tax Payables

This item reflects the net amount due for the current taxes of the Group's companies.

(euro thousand)	31.12.2021	31.12.2020
Tax payables	12,959	7,405

19. Other Current Payables

Other current payables at 31 December 2021 are given in the table below:

(euro thousand)	31.12.2021	31.12.2020
Tax payables other than current taxes	11,956	11,207
Social security payables	24,566	20,298
Payables to employees	80,576	55,909
Other payables	81,124	71,199
Total	**198,222**	**158,613**

The changes in the items “Payables to employees”, “Social security payables” and “Other payables” primarily consisted of the reclassification to “Other non-current liabilities” of the liability associated with the 2019-2021 three-year incentive plan reserved for top managers, to be settled in May 2022.
“Other payables” also include deferred income in the form of public grants received and released to the Statement of Income in accordance with the related amortisation plans to which they refer, in addition to deferred income amounting to €48,753 thousand (€43,121 thousand at 31 December 2020) in the form of grants received by customers towards brake system development activities suspended until the conclusion of the development activity and then recognised over the useful lives of the products to which the grants refer.

ANNUAL FINANCIAL REPORT 2021

Consolidated Statement of Income

20. Revenue from Contracts with Customers

The item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Revenue from sales of brake systems	2,726,461	2,169,619
Revenue from equipment	30,051	19,356
Revenue from study and design activities	20,245	18,688
Revenue from royalties	799	976
Total	**2,777,556**	**2,208,639**

The breakdown of Group sales by geographic area of destination and by application is provided in the Directors' Report on Operations.

21. Other Revenues and Income

These are made up of:

(euro thousand)	31.12.2021	31.12.2020
Miscellaneous recharges	9,568	8,396
Gains on disposal of assets	2,294	1,725
Miscellaneous grants	3,481	6,932
Other revenues	8,201	6,425
Total	**23,544**	**23,478**

The item "Miscellaneous grants" mainly refers to grants for personnel training, research and development projects and the purchase of new capital goods.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the year, amounting to €23,189 thousand (2020: €22,573 thousand).

23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Purchase of raw materials, semi-finished and finished products	1,177,311	923,992
Purchase of consumables	133,019	100,969
Total	**1,310,330**	**1,024,961**

24. Income (Expense) from Non-Financial Investments

Income (expense) from non-financial investments amounted to €15,318 thousand and is attributable to the effects of valuing the investment in the BSCCB Group using the equity method (2020: €10,392 thousand).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Transports	80,396	53,353
Maintenance, repairs and utilities	162,854	138,867
Contracted work	102,520	77,032
Rent	21,422	20,440
Other operating costs	152,772	136,715
Total	**519,964**	**426,407**

The item “Other operating costs” mainly includes the costs of travels, quality-related costs and insurance costs, as well as fees for legal, technical and commercial consulting.

26. Personnel Expenses

Breakdown of personnel expenses is as follows:

(euro thousand)	31.12.2021	31.12.2020
Wages and salaries	353,543	307,085
Social security contributions	80,587	68,452
Employees' leaving entitlement and other personnel provisions	13,249	12,248
Other costs	59,238	37,244
Total	**506,617**	**425,029**

The average number and the year-end number of Group employees by category were as follows:

	Managers	White-collar	Blue-collars	Total
2021 average	144	3,223	8,184	**11,551**
2020 average	142	3,118	7,602	**10,862**
Change	**2**	**105**	**582**	**689**
Total at 31 December 2021	147	3,495	8,583	**12,225**
Total at 31 December 2020	140	3,111	7,788	**11,039**
Change	**7**	**384**	**795**	**1,186**

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Amortisation of intangible assets:		
Development costs	18,162	14,533
Industrial patents and similar rights for original work	1,157	1,085
Licences, trademarks and similar rights	481	397
Other intangible assets	9,728	9,035
Total	**29,528**	**25,050**
Depreciation of property, plant and equipment:		
Buildings	18,566	18,504
Plant and machinery	115,059	113,004
Industrial and commercial equipment	17,963	19,743
Other property, plant and equipment	6,335	5,716
Right of use assets	25,183	22,137
Total	**183,106**	**179,104**
Impairment losses:		
Property, plant and equipment	126	487
Intangible assets	1,955	2,909
Total	**2,081**	**3,396**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**214,715**	**207,550**

Comments on impairment losses are provided in the notes to the Statement of Financial Position items.

28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Exchange rate gains	64,349	31,948
Interest income from employee's leaving entitlement and other personnel provisions	543	689
Interest income	3,045	1,425
Total interest income	**67,937**	**34,062**
Exchange rate losses	(59,910)	(40,066)
Interest expense from employees' leaving entitlement and other personnel provisions	(941)	(1,096)
Lease interest expense	(5,117)	(4,944)
Interest expense	(7,187)	(13,168)
Total interest expense	**(73,155)**	**(59,274)**
TOTAL NET INTEREST INCOME (EXPENSE)	**(5,218)**	**(25,212)**

The items “Exchange rate gains” and “Exchange rate losses” include the effects of the management of foreign exchange hedges undertaken through forward contracts. For contracts of this type, the Company does not opt to apply hedge accounting pursuant to IFRS 9 since there is no formal designation of the hedged item and hedging instrument, in the belief that the representation of the impact of the strategy for hedging this risk on the Statement of Income and Statement of Financial Position is nonetheless assured.

29. Interest Income (Expense) from Investments

Net interest income from investments, which amounted to €4,028 thousand (€121 thousand in 2020), was attributable to the effects of valuing investments in associates using the equity method and dividends received by investees not included in the consolidation area.

30. Taxes

This item is broken down as follows:

(euro thousand)	31.12.2021	31.12.2020
Current taxes	64,312	55,755
Deferred tax (assets) and liabilities	13,536	(18,500)
Prior years’ taxes and other tax payables	(7,096)	(19,453)
Total	**70,752**	**17,802**

The following is a reconciliation of theoretical and actual tax burden:

(euro thousand)	31.12.2021	31.12.2020
Theoretical income taxes	65,710	36,457
Prior years' taxes and other differences	4,155	22,335
Tax incentive effects	(7,765)	(41,588)
DTA adjustment effect	1,510	(281)
Unallocated DTA effect	2,428	(405)
Current and deferred taxes (excluding IRAP)	**66,038**	**16,518**
Current and deferred IRAP	4,714	1,284
Total	**70,752**	**17,802**

The Group's actual tax rate is 24.7%, compared with a theoretical tax rate of 24.6% (at 31 December 2020: actual tax rate was 11.4%; theoretical tax rate was 24.2%).

31. Earnings per share

Basic earnings per share were €0.67 at 31 December 2021 (€0.42 at 31 December 2020), and were calculated by dividing the net income or loss for the year attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in 2021, amounting to 323,887,250 (2020: 323,887,250). Diluted earnings per share are identical to basic earnings per share inasmuch as no diluting transactions were undertaken.

32. Non-Current Assets/Liabilities Held for Sale and/or Discontinued Operations

On 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. was placed in liquidation. Brembo took this decision as it was impossible to boost new projects because of the downtrend experienced by the Argentinian automotive sector and its quite discouraging recovery prospects, as well as because all main manufacturers decided not to proceed with industrial projects nor to launch new models.

Consequently, in accordance with IFRS 5, the Company's asset and liability items, net of intercompany payables, were reclassified to "Assets/Liabilities from discontinued operations", whereas the Statement of Income items have been reclassified to "Result from discontinued operations", as shown here below.

(euro thousand)	31.12.2021
Revenue from contracts with customers	**0**
Other revenues and income	38
Raw materials, consumables and goods	(2)
Other operating costs	(83)
GROSS OPERATING INCOME	**(47)**
Depreciation, amortisation and impairment losses	
NET OPERATING INCOME	**(47)**
Net interest income (expense)	(106)
RESULT FROM DISCONTINUED OPERATIONS	**(153)**
Property, plant, equipment and other equipment	0
TOTAL NON-CURRENT ASSETS	**0**
Cash and cash equivalents	655
TOTAL CURRENT ASSETS	**655**
TOTAL ASSETS	**655**
Non-current provisions	(12)
TOTAL NON-CURRENT LIABILITIES	**(12)**
Trade payables	(66)
Other current liabilities	(1)
TOTAL CURRENT LIABILITIES	**(67)**
TOTAL LIABILITIES	**(79)**

Stezzano, 3 March 2022

On behalf of the Board of Directors

The Executive Chairman
Matteo Tiraboschi

Building a better working world

EY S.p.A.
Viale Papa Giovanni XXIII, 48
24121 Bergamo

Tel: +39 035 3592111
Fax: +39 035 3592550
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brembo Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Brembo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
Valuation of Goodwill As at 31 December 2021 the goodwill, included in the intangible assets, amounted to Euro 107,4 million, and was allocated to the Cash Generating Units (CGUs) Discs – Systems – Motorbikes and After Market – Performance Group. The processes and methods to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the future cash flow forecasts in the period of the Group business plan, to the determination of the normalized cash flows used to estimate terminal value and long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill, such as the growth forecasts and discount rates, we considered that this area represents a key audit matter. The disclosures related to the valuation of goodwill is given in note 2 "Intangible Assets (Development Costs, Goodwill and Other Intangible Assets)", and in the sections "Discretionary Valuations and Significant Accounting Estimates" and "Impairment of Non-Financial Assets".	Our audit procedures in response to this key audit matter included, among others: • Comprehension of the procedure implemented by the group in relation to the valuation of goodwill, considering the impairment test procedure approved by the Board of Directors; • validation of the CGUs perimeter and the allocation of the carrying value of assets and liabilities to each CGU; • analysis of the future cash flow forecasts; • assessment of the consistency of the future cash flow forecasts of each CGU with the 2022-2025 Group business plan; • comparison of forecasts with previous ones and actual data; • assessing discount and long-term growth rates. In performing our analysis, we involved our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of key assumptions in order to determine which changes in assumptions could materially impact the valuation of recoverable amount. Finally, we reviewed the adequacy of the disclosures made in the explanatory notes and related to these matters.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company Brembo S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Brembo S.p.A., in the general meeting held on 23 April 2013, engaged us to perform the audits of the financial statements for each of the years ending 31 December 2013 to 31 December 2021.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of Brembo S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Brembo S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group Brembo as at 31 December 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Brembo Group as at 31 December 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Brembo Group as at 31 December 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Brembo S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bergamo, 21 March 2022

EY S.p.A.
Signed by: Marco Malaguti, Auditor

This independent auditor’s report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

Attestation of the Consolidated Financial Statements Pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the consolidated financial statements for the period from 1 January to 31 December 2021:
   - are appropriate in relation to the company features; and
   - have been consistently applied.

2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the Consolidated Financial Statements at 31 December 2021 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.

3. The undersigned further declare that:

   3.1 the Consolidated Financial Statements:

   a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;

   b) reflect the accounting books and records; and

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

   3.2 the Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of the companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

3 March 2022

Matteo Tiraboschi
Executive Chairman

Andrea Pazzi
Manager in Charge of the Company's Financial Reports


brembo

Style and functionality.

Contemporary, sustainable design involving thought and action, intuition and inspiration. Superior aesthetics and concreteness: valuable elements for all new concepts.

4. Separate Financial Statements 2021

Financial Statements of Brembo S.p.A. at 31 December 2021

Statement of Financial Position of Brembo S.p.A.

Assets

(euro)	Notes	31.12.2021	*of which with related parties*	31.12.2020	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	204,687,308		197,939,509		6,747,799
Right of use assets	1	70,259,536		77,348,362		(7,088,826)
Development costs	2	83,472,211		80,356,225		3,115,986
Other intangible assets	2	20,748,687		20,896,405		(147,718)
Shareholdings	3	446,097,004		354,601,527		91,495,477
Other financial assets (including investments in other companies and derivatives)	4	293,889,090		216,559,608	*2,716,246*	77,329,482
Receivables and other non-current assets	5	1,146,199		352,985		793,214
Deferred tax assets	6	22,363,474		31,895,648		(9,532,174)
TOTAL NON-CURRENT ASSETS		**1,142,663,509**		**979,950,269**		**162,713,240**
CURRENT ASSETS						
Inventories	7	146,221,642		132,050,780		14,170,862
Trade receivables	8	206,008,370	*89,661,934*	184,118,357	*76,209,231*	21,890,013
Other receivables and current assets	9	58,322,492		61,226,822	*612,550*	(2,904,330)
Current financial assets and derivatives	10	161,321,690	*156,916,076*	94,867,797	*94,450,969*	66,453,893
Cash and cash equivalents	11	335,296,668		413,023,943		(77,727,275)
TOTAL CURRENT ASSETS		**907,170,862**		**885,287,699**		**21,883,163**
TOTAL ASSETS		**2,049,834,371**		**1,865,237,968**		**184,596,403**

Equity and liabilities

(euro)	Notes	31.12.2021	*of which with related parties*	31.12.2020	*of which with related parties*	Change
EQUITY						
Share capital	12	34,727,914		34,727,914		0
Other reserves	12	120,960,587		116,555,679		4,404,908
Retained earnings/(losses)	12	586,163,736		493,016,931		93,146,805
Net result for the year	12	111,228,546		85,505,063		25,723,483
TOTAL EQUITY		**853,080,783**		**729,805,587**		**123,275,196**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	511,372,788		533,706,718		(22,333,930)
Long-term lease liabilities	13	65,254,105		71,339,009		(6,084,904)
Other non-current financial payables and derivatives	13	862,806		52,325		810,481
Other non-current liabilities	14	0		11,943,535	*5,147,357*	(11,943,535)
Non-current provisions	15	32,037,287		35,328,306		(3,291,019)
Provisions for employee benefits	16	17,458,849	*209,659*	17,674,850	*49,472*	(216,001)
TOTAL NON-CURRENT LIABILITIES		**626,985,835**		**670,044,743**		**(43,058,908)**
CURRENT LIABILITIES						
Current payables to banks	13	128,908,479		104,043,113		24,865,366
Short-term lease liabilities	13	7,317,355		7,714,745		(397,390)
Other current financial payables and derivatives	13	75,415,034	*72,213,059*	47,582,951	*44,013,445*	27,832,083
Trade payables	17	225,338,634	*32,277,377*	198,866,472	*26,789,503*	26,472,162
Tax payables	18	253,178		0		253,178
Current provisions	15	40,000		1,874,932		(1,834,932)
Other current liabilities	19	132,495,073	*14,698,956*	105,305,425	*2,824,766*	27,189,648
TOTAL CURRENT LIABILITIES		**569,767,753**		**465,387,638**		**104,380,115**
TOTAL LIABILITIES		**1,196,753,588**		**1,135,432,381**		**61,321,207**
TOTAL EQUITY AND LIABILITIES		**2,049,834,371**		**1,865,237,968**		**184,596,403**

Statement of Income of Brembo S.p.A.

(euro)	Notes	31.12.2021	*of which with related parties*	31.12.2020	*of which with related parties*	Change
Revenue from contracts with customers	20	**1,021,344,799**	***169,336,287***	**815,087,373**	***121,364,630***	**206,257,426**
Other revenues and income	21	41,250,355	*35,823,934*	43,242,815	*31,141,172*	(1,992,460)
Costs for capitalised internal works	22	18,621,201		18,186,270		434,931
Raw materials, consumables and goods	23	(457,979,093)	*(107,020,547)*	(375,288,017)	*(76,760,705)*	(82,691,076)
Other operating costs	24	(228,741,416)	*(26,261,230)*	(191,908,486)	*(23,315,906)*	(36,832,930)
Personnel expenses	25	(241,406,999)	*(7,335,018)*	(207,027,139)	*(4,950,363)*	(34,379,860)
GROSS OPERATING INCOME		**153,088,847**		**102,292,816**		**50,796,031**
Depreciation, amortisation and impairment losses	26	(64,107,359)		(64,312,644)		205,285
NET OPERATING INCOME		**88,981,488**		**37,980,172**		**51,001,316**
Interest income	*27*	*16,685,345*		*11,105,941*		*5,579,404*
Interest expense	*27*	*(17,769,031)*		*(20,243,090)*		*2,474,059*
Net interest income (expense)	27	(1,083,686)	*5,342,030*	(9,137,149)	*3,172,866*	8,053,463
Interest income (expense) from investments	28	48,538,697	*48,641,903*	46,593,037	*46,550,275*	1,945,660
RESULT BEFORE TAXES		**136,436,499**		**75,436,060**		**61,000,439**
Taxes	29	(25,207,953)		10,069,003		(35,276,956)
NET RESULT FOR THE YEAR		**111,228,546**		**85,505,063**		**25,723,483**

Statement of Comprehensive Income of Brembo S.p.A.

(euro)	31.12.2021	31.12.2020	Change
NET RESULT FOR THE YEAR	**111,228,546**	**85,505,063**	**25,723,483**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:			
Effect of actuarial income/(loss) on defined benefit plans	(397,814)	(628,704)	230,890
Tax effect	95,475	150,889	(55,414)
Fair value measurement of investments	80,021,545	29,818,833	50,202,712
Tax effect	(960,259)	(357,826)	(602,433)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**78,758,947**	**28,983,192**	**49,775,755**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:			
Effect of hedge accounting (cash flow hedge) of derivatives	5,977,496	(3,293,069)	9,270,565
Tax effect	(1,434,599)	790,337	(2,224,936)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**4,542,897**	**(2,502,732)**	**7,045,629**
COMPREHENSIVE RESULT FOR THE YEAR	**194,530,390**	**111,985,523**	**82,544,867**

Statement of Cash Flows of Brembo S.p.A.

(euro)	31.12.2021	31.12.2020
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (*)	**357,464,697**	**162,812,676**
Result before taxes	**136,436,499**	**75,436,060**
Depreciation, amortisation/impairment losses	64,107,359	64,312,644
Capital gains/losses	(544,058)	(370,808)
Write-ups/Write-downs of shareholdings	105,205	(42,162)
Financial portion of provisions for payables for personnel	144,967	204,183
Other provisions net of utilisations	3,479,368	32,176,800
Cash flows generated by operating activities	**203,729,340**	**171,716,717**
Current taxes paid	(13,744,866)	(10,162,911)
Uses of long-term provisions for employee benefits	(758,781)	(1,509,304)
(Increase) reduction in current assets:		
inventories	(19,559,008)	(12,442,049)
financial assets	951,553	29,817,827
trade receivables and receivables from other Group companies	(21,222,374)	994,600
receivables from others and other assets	8,492,783	(11,061,553)
Increase (reduction) in current liabilities:		
trade payables and payables to other Group companies	26,472,162	2,005,919
payables to others and other liabilities	4,289,413	19,721,775
Net cash flows from/(for) operating activities	**188,650,222**	**189,081,021**

(euro)	31.12.2021	31.12.2020
Investments in:		
intangible assets	(25,530,206)	(23,212,865)
property, plant and equipment	(43,647,104)	(34,017,926)
right of use assets	(1,422,945)	(4,858,977)
financial assets (investments)	(91,663,912)	(212,680,461)
Price for disposal, or reimbursement value of fixed tangible and intangible assets	3,974,581	622,832
Net cash flows from/(for) investing activities	**(158,289,586)**	**(274,147,397)**
Dividends paid in the year	(71,255,195)	0
Loans to Group companies and amounts payable to companies participating in the centralised treasury system	(34,265,493)	(41,264,577)
Change in fair value valuation of derivatives	1,502,736	81,462
New lease agreements	1,585,370	4,095,768
Reimbursement of lease liabilities	(9,568,603)	(9,658,893)
Loans and financing granted by banks and other financial institutions in the year	101,226,088	425,000,000
Repayment of long-term loans and other liabilities	(48,478,924)	(98,535,363)
Net cash flows from/(for) financing activities	**(59,254,021)**	**279,718,397**
Total cash flows	**(28,893,385)**	**194,652,021**
CASH AND CASH EQUIVALENTS AT END OF YEAR (*)	**328,571,312**	**357,464,697**

(*) See Note 11 of the Explanatory Notes to the Separate Financial Statements for a reconciliation with financial statements data.

Statement of Changes in Equity of Brembo S.p.A.

		Other reserves				
(euro)	Share capital	Reserves	Treasury shares	Retained earnings (losses)	Net result for the year	Equity
Balance at 1 January 2020	**34,727,914**	**143,625,695**	**(24,804,426)**	**285,118,001**	**179,152,880**	**617,820,064**
Allocation of profit for the previous year		1,125,037		178,027,843	(179,152,880)	**0**
Reclassification (*)		(887,895)		887,895		**0**
Components of comprehensive income:						
Effect of actuarial income/(loss) on defined benefit plans				(477,815)		**(477,815)**
Effect of hedge accounting (cash flow hedge) of derivatives		(2,502,732)				**(2,502,732)**
Fair value measurement of investments				29,461,007		**29,461,007**
Net result for the year					85,505,063	**85,505,063**
Balance at 1 January 2021	**34,727,914**	**141,360,105**	**(24,804,426)**	**493,016,931**	**85,505,063**	**729,805,587**
Allocation of profit for the previous year				14,249,868	(14,249,868)	**0**
Payment of dividends					(71,255,195)	**(71,255,195)**
Reclassification (*)		(137,989)		137,989		**0**
Rounding				1		**1**
Components of comprehensive income:						
Effect of actuarial income/(loss) on defined benefit plans				(302,339)		**(302,339)**
Effect of hedge accounting (cash flow hedge) of derivatives		4,542,897				**4,542,897**
Fair value measurement of investments				79,061,286		**79,061,286**
Net result for the year					111,228,546	**111,228,546**
Balance at 31 December 2021	**34,727,914**	**145,765,013**	**(24,804,426)**	**586,163,736**	**111,228,546**	**853,080,783**

(*) A portion of the restricted reserve Re. Article 6, paragraph 2, of Legislative Decree No. 38/2005 was reclassified under retained earnings, since it is no longer subject to non-distributability.

ANNUAL FINANCIAL REPORT 2021

A global equilibrium.

A constantly changing multicultural metamorphosis: ideas and visions from different worlds intertwine to generate solutions addressed to increasingly specific, complex markets.

ANNUAL FINANCIAL REPORT 2021

Statutory Auditors' Report

Statutory Auditors' Report to the Shareholders' Meeting of Brembo S.p.A. called to approve the Financial Statements for the year ended 31 December 2021, pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998

Shareholders,

In this Report, drafted pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance, hereinafter "TUF") and in accordance with the recommendations made by Consob in Communication No. DEM/1025564 of 6 April 2001, as further updated, the Board of Statutory Auditors relates the activity carried out during the year ended 31 December 2021 and until the date of this writing, in compliance with applicable legislation and also taking account of the Principles of Conduct for Boards of Statutory Auditors of Listed Companies recommended by the Italian National Board of Certified Accountants and Auditors (CNDCEC).

Composition and functioning of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the reporting date was appointed by the Shareholders' Meeting of Brembo S.p.A. (hereinafter "Brembo") held on 23 April 2020 and is made up as follows[1]:

- Acting Auditors: Raffaella Pagani (Chairwoman), Mario Tagliaferri, and Paola Tagliavini;
- Alternate Auditors: Myriam Amato and Stefania Serina.

The term of the Board of Statutory Auditors is set to end with the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.

Pursuant to Article 144-*quinquiesdecies* of the Rules for Issuers, the list of offices held by members of the Board of Statutory Auditors at the companies set out in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, has been published by Consob on its website (www.consob.it). It bears remarking that Article 144-*quaterdecies* of the Rules for Issuers (Disclosure obligations to Consob) provides that those holding the office of member of the control body of just one issuer are not subject to the disclosure obligations imposed by that same Article and in this case are not included in the lists published by Consob. The Company discloses the main offices held by members of its Board of Statutory Auditors in its Corporate Governance and Ownership Structure Report. In this document, the Board of Statutory Auditors also certifies that it has verified that all of its members have complied with the aforementioned Consob regulations on the "limits to the cumulation of offices".

With regard to the applicable Principle of Conduct for Boards of Statutory Auditors of Listed Companies recommended by the Italian National Board of Certified Accountants and Auditors (CNDCEC), and specifically the provision Q.1.1 on self-assessment by the board of statutory auditors (a periodic internal assessment process regarding whether members continue to meet eligibility requirements and the propriety and efficacy of the board's

1 The appointment was based on the two lists filed respectively by the majority shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding about 2.27836 % of the share capital, overall).

functioning), it is acknowledged that the Board of Statutory Auditors delivered its specific report to the Board of Directors, which examined it in its meeting held on 3 March 2022. In accordance with applicable legislation, the Board of Statutory Auditors' analyses of this kind were focused exclusively on verifying the composition of the control body within the framework of the annual self-assessment by company bodies. The findings of the most recent verification, on the basis of the Statutory Auditors' individual declarations, are presented in the 2021 Corporate Governance and Ownership Structure Report. The requirements of independence, as provided for in Article 148, paragraph 3, of TUF and Brembo's Corporate Governance Code (updated and approved by the Board of Directors on 17 December 2021, hereafter "Brembo's CGC", which is based on the Corporate Governance Code – 2020 edition, hereafter "2020 CGC"), integrity and professionalism pursuant to Article 148, paragraph 4, of TUF and the aforementioned limits to the cumulation of offices were verified. In addition to such verification, in accordance with current best practices, the Board of Statutory Auditors also took into account the following self-assessment elements: the ongoing professional development of its members; the conduct of meetings; participation frequency, duration and methods; time committed; trust and collaboration between members; and the flow of information between the statutory auditors. Under its responsibility, the Board of Statutory Auditors concluded that it had not identified deficiencies relating to the fitness of its members or the adequate composition and functioning of the Board.

The Board of Statutory Auditors fulfilled the supervisory duties mandated by Article 2403 of the Italian Civil Code and Article 149 of TUF, in addition to performing the supervisory functions required by Article 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016 (in effect from 5 August 2016), in its role as Internal Control & Audit Committee, supervising compliance with the principles of proper administration and, in particular, the suitability of the organisational, administrative and accounting structures adopted by the Company and the concrete functioning thereof, in addition to the actual implementation of the corporate governance rules set forth by relevant applicable regulations. The Board of Statutory Auditors also monitored the independence of the Independent Auditors in charge of auditing the accounts.

The information necessary to fulfil the above-mentioned supervisory duties was obtained through both frequent meetings with the heads of the competent corporate entities, and in particular the control functions, and participation in meetings of the Board of Directors and in meetings of the Governance Committees formed in accordance with the 2020 CGC, fully adopted by Brembo. Reference is made to the Audit, Risk & Sustainability Committee (ARSC) — which also acts as Related Party Transactions Committee (hereafter also RPT Committee) and fulfils the duties set out in the Related Party Transactions Procedure adopted by the Company pursuant to Article 4 of Consob Regulation as per Resolution No. 17221 of 12 March 2010 and lastly amended by Resolution No. 21624 of 10 December 2020 (in implementation of Legislative Decree No. 49/2019 transposing the SHRD - Directive EU No. 2017/828) — and to the Remuneration & Appointments Committee, as well as to the Supervisory Committee set up in accordance with Legislative Decree No. 231/2001.

In 2021, the Board of Statutory Auditors:

- held 10 meetings and attended all the Shareholders' Meetings (2 meetings) and the meetings of the Board of Directors (8 meetings), as well as the meetings of the Audit, Risk & Sustainability Committee, also in its capacity as the Related Party Transactions Committee (7 meetings), and, through the Chairman of the Board of Statutory Auditors, the meetings of the Remuneration & Appointments Committee (4 meetings). The meetings of the Board of Statutory Auditors lasted about 3 hours on average;
- in most cases, held its meetings on the same day as those of the Audit, Risks & Sustainability Committee and the Supervisory Committee, including a section on matters discussed jointly, in order to facilitate the exchange of information between parties with significant duties relating to internal controls, and to make the best use of the related company personnel;

- participated in the sessions of the Audit, Risk & Sustainability Committee, in its capacity as Related Party Transactions Committee, and jointly examined the issues discussed;
- met regularly and exchanged information with the representatives of the independent auditors EY S.p.A.;
- also participated in the follow-ups organised by the Company for induction purposes within the framework of meetings of the Board of Directors or its Committees (as illustrated in the 2021 Corporate Governance and Ownership Structure Report), focused on various issues, such as the performance of the automotive market, the Succession Plan & Talent Management Process, the analysis of the voting evolution on the Reports on Remuneration Policy and the related trends, and the process of standardising non-financial reporting (new taxonomies), in addition to the examination of new laws and regulations such as the amendments to the RPT Regulation and Legislative Decree No. 231. The sessions were conducted by the executive functions of reference for the various topics.

Pursuant to Article 153 of TUF and Article 2429, paragraph 2, of the Italian Civil Code, and in accordance with Consob recommendations, as well as based on the main information obtained in the course of the Board's performance of its duties, the following information is reported:

Supervisory activity with regard to compliance with the law, the By-laws and the Corporate Governance Code

1. Based on available information, the Board of Statutory Auditors did not detect any violations of the law or By-laws, or outwardly imprudent or risky transactions, or transactions that entail a potential conflict of interest or are in contrast with the resolutions taken by the Shareholders' Meeting, or such as to jeopardise the integrity of the Company's assets or its ability to continue to operate as a going concern.
2. The Board of Statutory Auditors constantly received from Directors, during the above-mentioned meetings, exhaustive and detailed information on business performance and foreseeable outlook, operations carried out and the most significant economic, financial and capital transactions performed by the Company and/or its subsidiaries, as well as the status of activities and strategic projects underway, also in light of the Covid-19 health emergency, on which the Board of Statutory Auditors has no particular observations to report.
3. Since the beginning of the pandemic emergency, the Board of Statutory Auditors has always been informed promptly of the Company's management of the epidemiological emergency and of all the measures and initiatives taken and implemented in order to ensure business continuity and protect people, in full compliance with the provisions issued from time to time by the competent authorities, such as:
   - the preparation of extraordinary measures to combat the virus and protect the health of its employees and contractors;
   - the constant monitoring of impacts on the business, with a particular focus on the supply chain;
   - keeping daily and constructive collaboration relationships with all its customers and suppliers worldwide.
4. The Board of Statutory Auditors supervised, receiving regular information from the Secretary of the Board of Directors, the procedure for Withdrawal and Option Right Offer and Pre-emption Right Offer launched following the amendment of Article 4 of the By-laws (Purpose), in addition to providing a conformity opinion on the process adopted by the Company to determine the value of the shares for the right of withdrawal of shareholders pursuant to Article 2437-*ter* of the Italian Civil Code.
5. During the year, information was provided on the increased voting right pursuant to Article 6 of the By-laws, as amended by the Shareholders' Meeting on 18 April 2019.

6. The Board of Statutory Auditors also supervised the modification of the organisational structure announced on 16 November 2021 and approved by the Shareholders' Meeting on 17 December 2021, which resolved on: (i) the introduction of the new Article 17-*bis* of the By-laws, which calls for the introduction of the role of the Chairman Emeritus; (ii) the possibility to set up a Strategic Steering Committee with advisory functions towards the Board of Directors; (iii) the appointment of Alberto Bombassei as Chairman Emeritus; and (iv) and the appointment of Matteo Tiraboschi as the Company's Executive Chairman.
7. The Board of Statutory Auditors supervised the process of adopting the 2020 CGC and was informed of the methods of concrete implementation of the recommendations provided for in the 2020 CGC through the adoption of a Brembo's CGC (approved by the Board of Directors on 17 December 2021), which incorporates them in full, except for some indications found not to be compatible with Brembo's current governance model. The concrete application of the principles and recommendations of the 2020 CGC and the related deviations are illustrated in detail in the Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-*bis* of TUF, approved by the Board of Directors on 3 March 2022 and published on the corporate website.
8. The Board of Statutory Auditors also verified that, in accordance with the recommendations of the 2020 CGC, the Company adopted the Brembo's Shareholder Engagement Policy, approved by the Board of Directors on 17 December 2021, thus providing a policy governing the roles, responsibilities and procedures for engaging in dialogue between the Company and its current and/or potential shareholders and/or investors, or with their representatives and advisors for voting matters. The full version of the Policy is available on the Company's website[2].
9. The Company has long adopted the changes introduced by Law No. 160 of 27 December 2019 (2020 Budget Law) and its subsequent amendments, regarding the minimum representation quotas for the less represented gender in the corporate bodies of listed companies, and adapted the By-laws accordingly during the Shareholders' Meeting of 23 April 2020. As a result of the foregoing, the Board of Statutory Auditors acknowledged that the composition of the corporate bodies appointed by that Shareholders' Meeting is compliant with the current statutory and regulatory provisions.
10. It should be noted that diversity policies and criteria for the corporate bodies envisaged by Brembo's CGC are illustrated in paragraphs 4.4 and 11.3 of the 2021 Corporate Governance and Ownership Structure Report. The assessment as to whether the current Board of Directors met the above criteria was performed both within the framework of the Board Performance Evaluation process and during the session of the Board of Directors held on 3 March 2022, in consultation with the Remuneration & Appointments Committee at its meeting on 17 February 2022. The assessment confirmed that the size and composition of the Board of Directors were adequate and sufficient to allow it to discharge its duties effectively. The Board of Statutory Auditors verified that the assessment criteria and procedures adopted by the Board of Directors to evaluate the ongoing satisfaction of requirements by its members had been properly applied and acknowledged the declarations rendered. The findings of this process are described in the 2021 Corporate Governance and Ownership Structure Report drafted in accordance with Article 123-*bis* of TUF.
11. Acknowledging the assessments made by the Appointments Committee at its meeting of 17 February 2022 regarding the professional profile of the candidate to be co-opted as a new Independent Director and the favourable opinion given, at the session of the Board of Directors of 3 March 2022 the Board approved the appointment by co-option onto the Board of Directors, pursuant to Article 2386 of the Italian Civil Code, of Manuela Soffientini to replace Laura Cioli, who had resigned.

2 www. brembo.com, section Company, Corporate Governance, Governance Documents.

12. On its meeting of 20 January 2022, the Board of Statutory Auditors was also informed of the findings of the assessments conducted jointly with the Lead Independent Director and the Independent Directors regarding the recommendations presented in the Ninth Annual Report of the Corporate Governance Committee on the application of the Borsa Italiana Corporate Governance Code (see paragraph 16 of the 2020 Corporate Governance and Ownership Structure Report) during the Board meeting of 19 January 2022. These assessments confirmed a good level of implementation of the Code and particularly of the above-mentioned recommendations.
13. The Board of Statutory Auditors was also informed of the findings of the 2021 Board Performance Evaluation. The activity, in concert with the Remuneration & Appointments Committee, was coordinated by the Lead Independent Director with support from Brembo's Legal & Corporate Affairs Department, to ensure continuity of the ongoing three-year process that began in 2020 (for the 2020-2022 term). The results confirmed the highly positive outcome reported in 2020 and a very high level of overall appreciation of operational and organisational functioning, in substantial compliance with the 2020 CGC and Italian and international best practice.

Supervisory activity on compliance with the principles of sound management and the adequacy of the organisational structure

1. During its periodic audits, the Board of Statutory Auditors met with the Manager in charge of the Company's financial reports[3], the Internal Audit Department and representatives of the Independent Auditors[4], to obtain information on the activities carried out and auditing plans. No relevant data or information have emerged that need to be highlighted herein.
2. The Board of Statutory Auditors, the Audit, Risk & Sustainability Committee (also in its role as Related Party Transactions Committee) and the Supervisory Committee also constantly and promptly exchanged information material to the performance of their respective tasks.
3. The Board of Statutory Auditors obtained knowledge of and, within its remittance, supervised:
   – the adequacy, suitability and functioning of the organisational structure of the Company and Group, including by collecting information from the heads of company functions;
   – the adequacy and functioning of the internal control system and administrative and accounting system, and the reliability of the latter in properly reporting operating events, in accordance with the principles of sound management, by obtaining information from the heads of the responsible functions and the Independent Auditors appointed to conduct auditing and by reviewing the company documents.

   With regard to the foregoing, the Board of Statutory Auditors has no particular remarks to relate.
4. Moreover, the Board of Statutory Auditors also verified the adequacy of instructions issued by the Company to its subsidiaries, as provided for by Article 114, paragraph 2, of TUF.

3 On the basis of a non-binding opinion from the Board of Statutory Auditors, on 23 April 2020 the Board of Directors confirmed Chief Administration & Finance Officer Andrea Pazzi in his role as Manager in charge of the Company's financial reports. The assignment is set to expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.

4 With regard to the audit appointment, it should be noted that, upon reasoned proposal submitted by the Board of Statutory Auditors, the Shareholders' Meeting of 23 April 2013 appointed the audit firm EY S.p.A. as Independent Auditors for the years 2013 to 2021.

Particularly significant transactions – Atypical or unusual transactions – Intra-group or related-party transactions

1. In 2021, the Company did not carry out any unusual or atypical transactions with third parties or related parties, nor any intra-group transactions or transactions that could have a significant impact on the Company's operating, capital or financial situation.
2. Among the particularly significant transactions which were reported to the Board of Statutory Auditors in 2021, also with regard to the process of integration at Group level, the following should be noted:
   – in January 2021, Brembo S.p.A. acquired a 100% interest in the capital of SBS Friction A/S, a Danish company that develops and manufactures brake pads for motorbikes using eco-friendly sintered organic materials. The enterprise value of the transaction was 300 million Danish krone, equivalent to approximately €40.3 million;
   – on 4 November 2021, Brembo S.p.A. completed the acquisition, approved by the Board of Directors, of a 100% stake in J.Juan, a Spanish company specialising in the development and production of motorbike braking systems. Founded in 1965, J.Juan is based in Gavà (Barcelona) and has three plants in Spain and one in China, manufacturing especially brake hoses, a strategic component for the braking system's safety that will complement the current range of Brembo products for motorbikes.
3. On the basis of the changes introduced by Consob Resolution No. 21624 of 10 December 2020 (in implementation of Legislative Decree No. 49/2019 transposing the SHRD - Directive EU No. 2017/828), the Company updated its Related Party Transactions Procedure. The Procedure, as amended, became effective on 1 July 2021 (as provided for by Consob Resolution No. 21624 of 10 December 2020). The main amendments to the Procedure include:
   – update of the definitions of "related party" per the new IASs/IFRSs;
   – introduction of the definition of "Directors Involved in a Transaction";
   – introduction of differentiated criteria for identifying low value transactions (on the basis of the nature of the counterparty);
   – prior reporting to the Audit, Risk & Sustainability Committee (which at Brembo also acts as the RPT Committee) for ordinary highly significant transactions (by the same Consob reporting deadline);
   – ex-post reporting (on a quarterly basis) to the Audit, Risk & Sustainability Committee on the following types of Transactions:
     - low value transactions;
     - ordinary transactions (whether highly or moderately significant).

   It should be noted that such reporting was already in place at Brembo and the practice in question was therefore formalised in accordance with the new Consob Resolution.
4. In addition, following the inquiries conducted, the Company deemed it appropriate to establish the "Framework Resolutions" mechanism already provided for in the original RPT Regulation, the provisions of which were not changed by Consob Resolution No. 21624 of 10 December 2020 (in implementation of Legislative Decree No. 49/2019 transposing the SHRD - Directive EU No. 2017/828).
5. The Board of Statutory Auditors verified that the Audit, Risk & Sustainability Committee, in its capacity as Related Party Transactions Committee, was regularly updated regarding:
   – the list of Brembo's Related Parties;
   – Transactions with Related Parties not subject to application of the procedural regimes provided for by Brembo's Procedure for Low Value and Highly Significant Transactions.

6. With regard to ordinary intra-group transactions or related party transactions carried out in the period, about which the Company provided specific and detailed information in its interim financial reports (and in the Notes to the Group's Consolidated Financial Statements), the Board of Statutory Auditors acknowledged that such transactions were carried out in accordance with the above mentioned Related Party Transactions Procedure and, as regard these transactions' consistency and compliance with Company's interests, no critical issues arose.
7. With reference to the own shares buy-back programme authorised by the General Shareholders' Meeting on 22 April 2021, as at the date of approval of this Report, the Company has not yet launched the plan. The Company holds 10,035,000 own shares representing 3.005% of share capital.

Supervision of the financial reporting process, the non-financial disclosure process, the efficacy of internal control systems, internal auditing and risk management, the statutory auditing of the annual and consolidated accounts

1. With reference to the financial reporting process, the Board of Statutory Auditors verified the constant updating at Group level of the set of administrative and accounting rules and procedures, aimed at controlling the process of preparation and disclosure of the financial reports and information (of the Parent and consolidated), which are deemed suitable for the issuing of attestations pursuant to Article 154 of Legislative Decree No. 58/1998. The actual application and reliability of accounting and administrative procedures were verified by the Manager in charge of the Company's financial reports, also relying on the competent internal structures (the Internal Audit function), through a monitoring plan that covered both the control and governance environment and the key controls at the level of the relevant processes.
2. With regard to the preparation of the Separate and Consolidated Financial Statements for the year ended 31 December 2021, the Board of Statutory Auditors acknowledges that the Board of Directors approved — independently and prior to the approval of the said Financial Statements for the year ended 31 December 2021 (see Bank of Italy-Consob-ISVAP Document, jointly issued on 3 March 2010) — the compliance of the impairment testing procedure with the provisions of IAS 36, following the analysis of the same in concert with the Audit, Risk & Sustainability Committee and the Board of Statutory Auditors. Information and the findings of the assessment process conducted are provided in the Explanatory Notes to the Financial Statements.
3. The Board of Statutory Auditors also reported that, in application of European Commission Delegated Regulation No. 2019/815 (ESEF Regulation), transposing Directive 2013/50/EU, which with effect from 1 January 2021 requires listed issuers to prepare their annual financial reports (AFRs) in the European Single Electronic Format (ESEF), the Company completed the project to implement the requirements of the ESEF Regulation for 2021. The Consolidated Annual Financial Report of Brembo S.p.A. at 31 December 2021 has therefore been prepared in XHTML format, marking some information from the IFRS consolidated financial statements with Inline XBRL specifications. With effect from 1 January 2022, the application of XBRL markup will also be extended to the Notes to the Consolidated Financial Statements.
4. During the periodic assessments, the Board of Statutory Auditors constantly received reports on the financial situation and the use of loans granted by banks.
5. With regard to the provisions of Article 36, paragraph 1, of the Markets Regulation (Consob Resolution No. 16191 of 20 October 2007 and Article 15, paragraph 1, of that same Regulation, as amended by Consob Resolution No. 20249 of 28 December 2017, in effect from 3 January 2018), which apply to subsidiaries

identified by the Company as relevant to the financial reporting control system, the Board of Statutory Auditors determined that the information flows from non-EU subsidiaries identified in accordance with the above provisions were adequate to provide the Company and Independent Auditors regularly with the statement of income, financial position and cash flow information required to prepare the Consolidated Financial Statements and permit the auditing of the annual and interim accounts. In detail, as of 31 December 2021, the companies to which such regulations apply are the subsidiaries indicated by Brembo as being significant for the control system of the financial reporting process.

6. The Board of Statutory Auditors oversaw the adequacy and functioning of the Internal Control and Risk Management System by attending meetings of the Audit, Risk & Sustainability Committee, attending meetings with the Risk Management Function, with the Legal Function for compliance matters, obtaining information from the Manager in charge of the internal control and risk management system, from other business Functions, representatives of the Independent Auditors and the Supervisory Committee. The Board of Statutory Auditors also had regular meetings with the Head of Group Internal Audit, from whom it obtained information on the state of implementation of the Audit Plan for the year, the results of the checks carried out and remedial activities implemented and planned, as well as on related follow-up activities.
7. The Board of Statutory Auditors met on several occasions with the Head of Risk Management, with whom it examined the policies for covering insurable risks. It examined the 2021 Risk Report (ERM and ESG risks) on 4 February 2022.
8. On the basis of the reviews carried out and the information received, the Internal Control & Risk Management System has been found to be adequate as a whole and suited to preventing risks and to ensuring effective application of the rules of corporate conduct. The System's organisational structure also ensures coordination of the various parties and functions involved, including through constant exchange of information between the various participants.
9. The Board of Statutory Auditors supervised the process of monitoring the system implemented by Brembo S.p.A. and the Group's European companies for the purpose of ensure compliance with Regulation (EU) No. 2016/279 on the protection of personal data (GDPR), met the DPO and received a copy of the DPO's Annual Report to the Board of Directors.
10. The Board of Statutory Auditors oversaw the adequacy of the administrative-accounting system through meetings with the Chief Administration and Finance Officer and the Manager in charge of the Company's financial reports and with the Independent Auditors EY S.p.A., also in order to exchange data and information, while also analysing the procedure adopted for impairment testing purposes.
11. The Board of Statutory Auditors was constantly updated by the Chief Administration and Finance Officer and the Group's Tax Manager on tax issues, as well as on the progress and status of implementation of the "Tax Control Framework", also through the related Annual Report it received.
12. With the aim of identifying specific risks and monitoring the improvement plans launched by the management, during the meetings with the Company's top managers the Board of Statutory Auditors conducted some inquiries into specific issues including:
    - the Company's new IT strategy (closely tied to its vision and mission), digital transformation projects and cyber security activities;
    - the new "Products Regulations" function, which is responsible for developing and consolidating skills related to the management of mandatory requirements, ensuring compliance with new product requirements;
    - the risks relating to the Quality function, with a focus on recalls and the related action plans and update of 231 protocols relating to product development and industrialisation processes, implemented in the light of

mechatronic projects, for which specific additional activities relating to the development of such systems were introduced;
- Supply Chain Risk Management and update on the results of internal audits and improvement actions;
- projects underway for supply chain sustainability (with a focus on environmental aspects);
- results of the environmental audits received, emerging issues and environmental due diligence activities;
- carbon neutrality projects;
- workplace safety issues, with a focus on areas of residual risk and any ongoing projects developed by the Company.

13. The Board of Statutory Auditors oversaw the constant updating of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01 (hereafter “231 Model”) and its functioning, as well as its fitness and efficacy in preventing liability in relation to predicate offences, through attendance at Supervisory Committee meetings. The results of these activities are described in detail in the Supervisory Committee’s periodic reports to the Board of Directors. In general terms, the Supervisory Committee confirmed the framework of the 231 Model, based on a structured, organic system of control procedures and activities designed to prevent and monitor the risk of commission of the Legislative Decree No. 231/2001 predicate offences.
14. It should be noted that the Model pursuant to Legislative Decree No. 23/2001 and the related protocols were updated in 2021, also taking into account the Confindustria Guidelines issued in July 2021.
15. With regard to the obligation to draft the Disclosure of Non-Financial Information pursuant to Legislative Decree No. 254/2016, the Board of Statutory Auditors was regularly informed by the Chief CSR Officer of the materiality analysis process carried out by the Company to define areas of non-financial information of a social and environmental nature deemed material to the Group — which in 2021 also involved external stakeholders (customers, suppliers, trade associations and insurance companies, as well as non-executive members of the Board of Directors and the Statutory Auditors) — and the process of collecting and validating data at a worldwide level in order to prepare the said Disclosure.

It bears noting that the aforementioned audit activities did not identify any omissions, censurable conduct or irregularities that would need to be reported in this document. The Internal Audit, the Legal Function, HSE, the Risk Management and the Supervisory Committee, which the Board of Statutory Auditors met regularly, have not reported any particular critical issues falling within their respective remits. The Annual Corporate Governance and Ownership Structure Report did not highlight any criticalities that need to be reported in this document.

Remuneration of Directors and key management personnel

1. The Board of Statutory Auditors also determined the adequacy of merit and procedural indications adopted by the Remuneration & Appointments Committee to define and implement medium/long-term remuneration policies. Furthermore, it expressed a favourable opinion on the annual and three-year monetary incentive policies for the Governing Body, Executive Directors and Top Managers for 2021.
   The main aspects of the short- and long-term remuneration policies for 2022, approved by the Board of Directors during the meeting held on 3 March 2022, having heard the opinion of the Remuneration & Appointments Committee and the Board of Statutory Auditors, are illustrated in the 2022 Report on Remuneration Policy and Remuneration Paid — prepared in accordance with Article 123-*ter* of TUF and available on Brembo’s website — the first section of which will be submitted to the attention and binding vote of the General Shareholders’ Meeting on 21 April 2022.

2. It should be noted that, as of 2017, a clawback clause has been included in both the short-term incentive system (MBO) and the new long-term incentive system as of the 2022-2024 LTIP, in accordance with the 2020 CGC; the clause allows the Company to request the partial or total refund of the variable components of remuneration (or to withhold deferred components of remuneration) that had been granted based on data and information which subsequently proved to be manifestly incorrect or resulting from cases of fraudulent behaviour or gross negligence on the part of the beneficiaries.

Supervision of the disclosure process regarding the independence of the Independent Auditors, with regard in particular to the provision of non-auditing services

1. The Board of Statutory Auditors met periodically with representatives of the Independent Auditors, EY S.p.A., and constantly received information concerning their work and audit plans, and the progress and results thereof. No relevant data and/or aspects deserving of mention herein were brought to light in connection with the matters in the purview of the Board of Statutory Auditors.
2. The Board of Statutory Auditors supervised compliance with the rules of procedure governing the preparation and publication of the Consolidated Financial Statements pursuant to Article 41 of Legislative Decree No. 127 of 4 April 1991 and Article 154-*ter* of TUF.
3. Today, 21 March 2022, EY S.p.A. issued the reports required by Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No. 537/2014, in which it expressed an “unmodified opinion” of the Company’s Separate and Consolidated Financial Statements for the year ended 31 December 2021.
   With regard to the paragraph concerning the “key aspects of the audit”, the Independent Auditors considered the measurement of investments, in respect of the Separate Financial Statements, and the measurement of goodwill, in respect of the Consolidated Financial Statements, to constitute material issues.
   Pursuant to Article 14, paragraph 2(e), of Legislative Decree No. 39/2010, the Independent Auditors also believe that the Directors’ Report on Operations and the information contained in the Corporate Governance and Ownership Structure Report set out in Article 123-*bis*, paragraph 4, of TUF are consistent with the Company’s Separate Financial Statements and Consolidated Financial Statements for the year ended 31 December 2021.
4. On that same date, the Independent Auditors also provided the Company’s Board of Statutory Auditors with the additional report required by Article 11 of Regulation (EU) No. 537/2014 pursuant to Article 19 of Legislative Decree No. 39/2010. As stated in the opinion on the Financial Statements, this report addresses certain matters, without contradicting the opinions in question. It bears mentioning here that, in addition to the significant matters identified as “key aspects of the audit” in the aforementioned reports on the Separate and Consolidated Financial Statements, the Independent Auditors emphasise other significant, but not material risks, such as those relating to taxes and the issue of revenue recognition. The said report does not identify material deficiencies in the internal control system applicable to the financial reporting process of which the heads of governance activities need to be informed. In the section “Other matters” – as required by the recent Consob Warning Notice of 18 March 2022 – visibility was given to the risks relating to the conflict in Ukraine and the related impacts. The Independent Auditors concluded that the events in question are to be regarded as “non-adjusting events after the reporting period” and hence not to be taken into account in the estimates and measurements incorporated into the Financial Statements for the year ended 31 December 2021.
5. The Board of Statutory Auditors will report to the Board of Directors on the significant matters indicated in the Independent Auditors’ Report pursuant to Articles 14 and 16 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016, without seeing the need to accompany the report with its own observations.

The Board of Statutory Auditors notes that it regularly and duly monitors the ongoing improvement of the financial reporting process and that this additional report is a summary of elements already shared over time and already submitted to the Board of Directors.
It should be recalled that the report in question also complements the Independent Auditors' statement of independence pursuant to Article 6, paragraph (2)(a), of Regulation (EU) No. 537/2014.
The Board of Statutory Auditors also acknowledged the Transparency Report drafted by the Independent Auditors and published on its website pursuant to Article 18 of Legislative Decree No. No. 39/2010.

6. On 21 March 2022, the Independent Auditors also issued an ad-hoc report confirming the preparation of the Disclosure of Non-Financial Information and certification of compliance (limited assurance review), expressing an unqualified opinion.

7. The Board of Statutory Auditors monitored the independence of the Independent Auditors pursuant to Article 19 of Legislative Decree No. 39/2010 and verified the nature and extent of the assignments received from Brembo and the Group companies (based in Italy or abroad, both EU and non-EU) concerning services other than independent auditing, as described in the Notes to the Consolidated Financial Statements, pursuant to Article 149-*duodecies* of the Rules for Issuers on the disclosure of fees. A table summarising the tasks assigned to EY S.p.A. is set out below:

AUDIT SERVICES

(euro thousand)	31.12.2021	31.12.2020
Independent Auditors' fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	225	225
- to the subsidiaries (services provided by the network)	438	422
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	70	71
- to the subsidiaries (services provided by the network)	3	0
Independent Auditors' fees for the provision of other services:		
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
- to the Parent Brembo S.p.A.	15	0
- other services rendered to subsidiaries	2	2

The Board of Statutory Auditors deemed the fees for such non-auditing services (which never included those prohibited by Article 5, paragraph 1, of Regulation (EU) No. 537/2014) to be appropriate to the scope and complexity of the work carried out, and hence compatible with the auditing mandate, in the absence of any anomalies impacting on the Independent Auditors' independence criteria.
The Board of Statutory Auditors also verified that the incoming Independent Auditors, Deloitte & Touche S.p.A., appointed by the Shareholders' Meeting on 22 April 2021, did not hold any auditing assignments prohibited under Article 5.1(e), of Regulation (EU) No. 537/2014.

Further activity by the Board of Statutory Auditors: opinions and observations and information requested by Consob

1. The Board of Statutory Auditors issued the opinions or expressed the observations required by applicable legislation on remuneration policies, as laid down in the 2022 Report on the Remuneration Policy and Remuneration Paid, with regard to the Executive Chairman, Chief Executive Officer and the Group's managers.
2. The Board of Statutory Auditors acknowledges that in the course of its activities, and on the basis of the information obtained, it did not identify any omissions, censurable conduct, irregularities or other material facts that would need to be reported to the Authorities or mentioned in this Report; nor were any complaints pursuant to Article 2408 of the Italian Civil Code or other similar reports received.
3. The Board of Statutory Auditors also recalls that it issued, on 3 March 2021, a compliance opinion regarding the process followed by the Company to determine the value of the shares to allow the shareholders to exercise the right of withdrawal, pursuant to Article 2437-*ter* of the Italian Civil Code, following the proposal, formulated by the Board of Directors at the ordinary and extraordinary Shareholders' Meeting held on 22 April 2021, to amend Article 4 of the By-laws, entitled "Purpose".

Assessment of the impacts of the Covid-19

2021 continued to be impacted by the Covid-19 pandemic from the economic and social point of view.
Brembo has been following developments relating to the spread of the pandemic very closely since its outbreak, establishing a dedicated task force and promptly adopting necessary measures to prevent, monitor and contain the virus at all of its locations worldwide, with the aim of protecting the health of employees and contractors (rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, blood tests, hygiene rules and social distancing, remote working, etc.).
The Safety Officers and top managers continue to organise, still today, periodical calls to analyse and monitor the implementation, application and efficacy of the measures taken in relation with the provisions issued by the competent authorities from time to time and the pandemic evolution in the different countries where the Group's operating sites are located.
The Audit, Risk & Sustainability Committee, the Board of Statutory Auditors and Supervisory Committee have always been kept promptly informed of company management and the epidemiological emergency and all measures have always been checked and verified in order to ensure operational continuity and people protection.
The Illustrative Report to the Financial Statements for the year ended 31 December 2021 provides details of the measures adopted to protect the Company's stakeholders during the Covid-19 emergency at all its sites worldwide, promptly adopting all necessary measures to prevent, monitor and contain the virus, with the aim of protecting the health of employees and contractors, such as extended remote working, rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, hygiene rules, social distancing, control of green passes where required.
It should be noted that in 2021 all the Group's plants operated at normal capacity, except for Brembo Nanjing Brake Systems Co. Ltd. due to the lockdown period in China (30 July-26 August).
The Board of Statutory Auditors has verified that in the 2021 Anna Report the Directors, in accordance with Consob and ESMA (European Securities and Markets Authority) recommendations, included the information set out above.
In view of the forthcoming publication of this report, the Board of Statutory Auditors discussed with the Independent Auditors regarding the fair value measurement of company assets and liabilities as at the date of

the 2021 Annual Financial Report, in accordance with IFRS 13, having regard to the aforementioned unusual situation that has emerged; the Board of Statutory Auditors did not acquire any information requiring disclosure in this report.
As for the annual Shareholders' Meeting called for 21 April 2022, the Board of Statutory Auditors reports that Decree Law No. 18 of 17 March 2020 ("Cura Italia"), amended by Law No. 27 of 24 April 2020 (as most recently extended under Decree Law No. 228 of 31 December 2021 ("Milleproroghe"), authorises the holding "behind closed doors" of ordinary and extraordinary shareholders' meetings, allowing companies to make provision in the notices of calling, also by way of derogation from the provisions of the By-laws, for the use of those tools — such as voting by correspondence, electronic voting, attending meetings using telecommunication media, the designated representative — that allow attendance at meetings and expression of voting rights without the need for shareholders to be physically present in a single place.

In this regard, the Board of Statutory Auditors will act in close coordination with the Board of Directors to ensure that the Shareholders' Meeting may be held in an orderly fashion, and the rights of the shareholders be regularly exercised, in accordance with the above provisions.

Proposals for the Shareholders' Meeting regarding the Financial Statements for the year ended 31 December 2021 and allocation of the profit for the year

Having acknowledged the Financial Statements for the year ended 31 December 2021, the Board of Statutory Auditors, taking account of the specific duties assigned to the Independent Auditors relating to the auditing of the accounts and verification that the Financial Statements are reliable, has no objections to the approval of the Financial Statements or to the Board of Directors' motion regarding the distribution of an (ordinary) gross dividend of €0.27 per (ordinary) share outstanding and the carrying forward of the residual ascertained profit for the year.

In addition, as previously reported, the approval of the Financial Statements for the year ended 31 December 2021 will mark the end of the term of the statutory auditing assignment granted to EY S.p.A. for the nine-year period 2013-2021. In line with the recommendation made by the Board of Statutory Auditors pursuant to Articles 13, paragraph 1, and 17, paragraph 1, of Legislative Decree No. 135 of 17 July 2016 and Article 16 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014, the Shareholders' Meeting of Brembo S.p.A. of 22 April 2021 granted the statutory auditing assignment for the years 2022-2030 to Deloitte & Touche S.p.A.

Milan, 21 March 2022

THE BOARD OF STATUTORY AUDITORS

Raffaella Pagani (Chairwoman)

Mario Tagliaferri (Acting Auditor)

Paola Tagliavini (Acting Auditor)

Attestation of the Financial Statements of Brembo S.p.A. Pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the financial statements for the period from 1 January to 31 December 2021:
   - are appropriate in relation to the company features; and
   - have been consistently applied.

2. The assessment of the appropriateness of the administrative and accounting procedures used in preparing the Financial Statements at 31 December 2021 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.

3. The undersigned further declare that:

   3.1 the Financial Statements:

   a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;

   b) reflect the accounting books and records; and

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

   3.2 the Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

3 March 2022

Matteo Tiraboschi
Executive Chairman

Andrea Pazzi
Manager in Charge of the Company's Financial Reports

BREMBO S.p.A.
Headquarters c/o Parco Scientifico Tecnologico Kilometro Rosso
Viale Europa, 2 - 24040 Stezzano (BG) Italy
Tel. +39 035 605.2111 - www.brembo.com
E-mail: press@brembo.it - ir@brembo.it

Editorial Consultancy: Lemon Comunicazione (Bergamo)
Art work: PoliedroStudio srl (Telgate, Bergamo)
Typeset: Secograf (San Giuliano Milanese, Milano)
Translation: Koinè (Trieste)

brembo.com