
SECOND QUARTER REPORT 2006

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COMPANY OFFICERS

The Shareholders' Meeting of the Parent Company Brembo S.p.A. held on 28 April 2006 appointed Director Giovanni Cavallini, formerly co-opted by the Board of Directors on 14 November 2005, to replace the outgoing Director Alberto Tazartes.

The Board meeting of 28 April 2006 confirmed Alberto Bombassei as Chairman and appointed Stefano Monetini as Managing Director of Brembo.

Board of Directors

Chairman	Alberto Bombassei ⁽¹⁾
Managing Director	Stefano Monetini ⁽²⁾
Directors	Paolo Biancardi ⁽³⁾
	Cristina Bombassei ⁽⁴⁾
	Giovanni Cavallini ⁽³⁾
	Giancarlo Dallerà ⁽³⁾
	Giovanna Dossena ⁽³⁾
	Andrea Gibellini ⁽³⁾
	Umberto Nicodano ⁽⁵⁾
	Giuseppe Roma ⁽³⁾
	Matteo Tiraboschi ⁽⁴⁾

Board of Statutory Auditors

Chairman	Sergio Mazzoleni
Auditors	Enrico Cervellera
	Andrea Puppo
Alternate Auditors	Mario Tagliaferri
	Giuseppe Marangi

Independent Auditors

Committees

PricewaterhouseCoopers S.p.A.

Audit Committee	Giuseppe Roma – <i>Chairman</i> Giovanna Dossena Andrea Gibellini
Remuneration Committee	Umberto Nicodano – <i>Chairman</i> Paolo Biancardi Giancarlo Dallerà
Supervisory Committee	Giovanna Dossena – <i>Chairman</i> Giuseppe Roma Umberto Simonelli

⁽¹⁾ The Chairman has powers of ordinary and special management, within the limits of the law and the Articles of Association. He also holds the position of Deputy Chairman in some of the Group companies.

⁽²⁾ This Director has certain powers of ordinary management in Brembo S.p.A. He also holds the position of Chairman and Director in some of the Group companies.

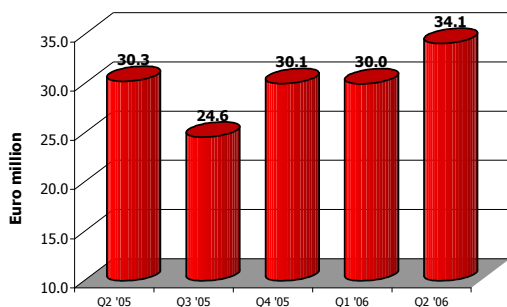
⁽³⁾ Corporate Governance — Independent and non-executive Directors – Borsa Italiana Regulations for STAR segment – Art. 2.2.3 paragraph 3 letters e) and f).

⁽⁴⁾ This Director also holds offices in some Group companies.

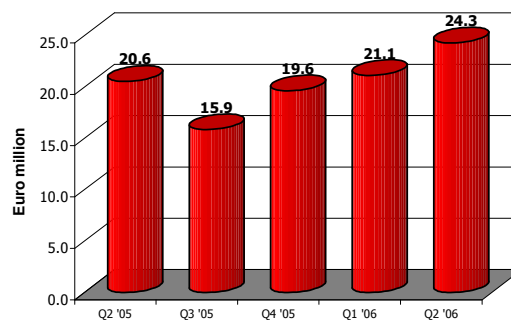
⁽⁵⁾ Non-executive Directors.

Highlights

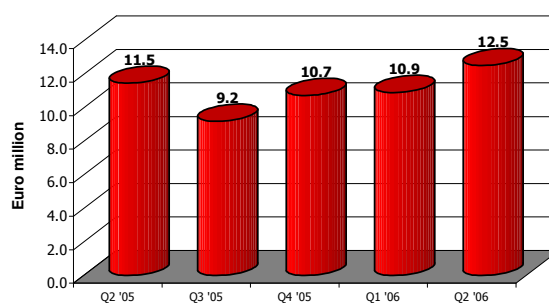
Gross operating income



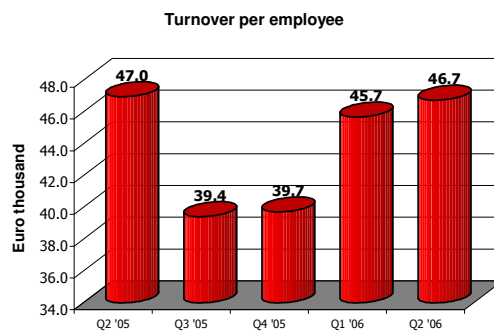
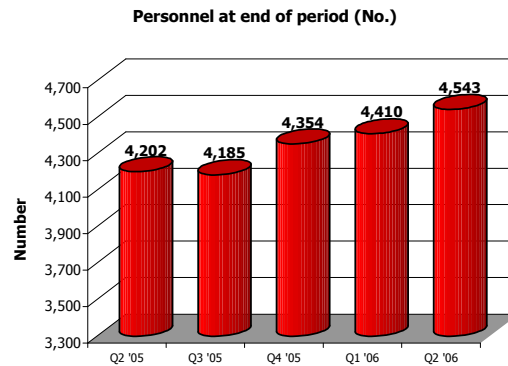
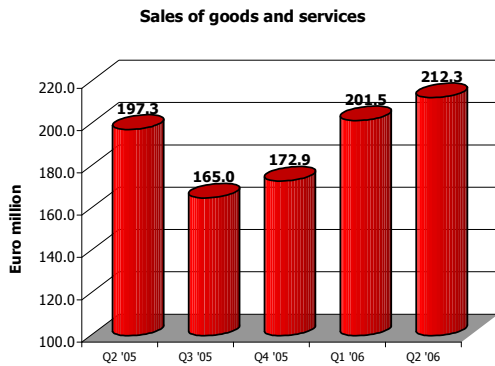
Net operating income



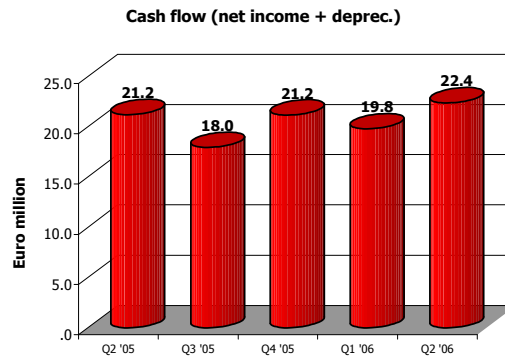
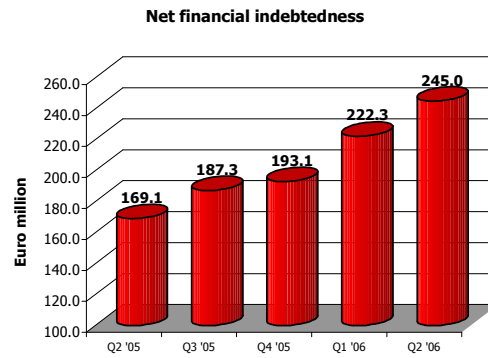
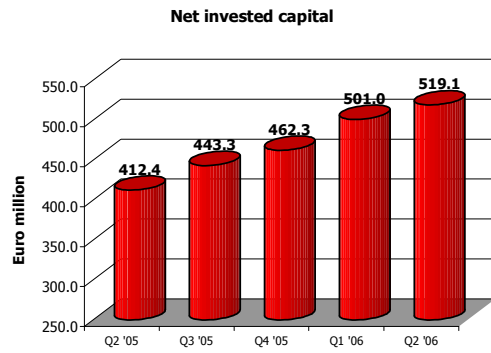
Net income



ECONOMIC RESULTS (euro million)	A				B		% B/A
	Q2 '05	Q3 '05	Q4 '05	Q1 '06	Q2 '06		
Sales of goods and services	197.3	165.0	172.9	201.5	212.3	7.6%	
Gross operating income	30.3	24.6	30.1	30.0	34.1	12.7%	
<i>% of sales</i>	15.4%	14.9%	17.4%	14.9%	16.1%		
Net operating income	20.6	15.9	19.6	21.1	24.3	18.2%	
<i>% of sales</i>	10.4%	9.6%	11.4%	10.5%	11.4%		
Income before taxes	19.2	15.2	17.5	18.5	21.5	12.0%	
<i>% of sales</i>	9.7%	9.2%	10.1%	9.2%	10.1%		
Net income	11.5	9.2	10.7	10.9	12.5	9.2%	
<i>% of sales</i>	5.8%	5.6%	6.2%	5.4%	5.9%		



				A	B	
FINANCIAL RESULTS (euro million)	Q2 '05	Q3 '05	Q4 '05	Q1 '06	Q2 '06	% B/A
Net invested capital	412.4	443.3	462.3	501.0	519.1	3.6%
Shareholders' equity	216.8	229.2	242.1	251.0	245.7	-2.1%
Net financial indebtedness	169.1	187.3	193.1	222.3	245.0	10.2%
PERSONNEL AND CAPITAL EXPENDITURE						
Personnel at end of period (No.)	4,202	4,185	4,354	4,410	4,543	3.0%
Turnover per employee (euro thousand)	47.0	39.4	39.7	45.7	46.7	2.3%
Capital Expenditure (euro million)	13.3	21.0	27.1	15.5	22.2	43.3%



MAIN RATIOS	A				B	% B/A
	Q2 '05	Q3 '05	Q4 '05	Q1 '06	Q2 '06	
Net operating income/Sales	10.4%	9.6%	11.4%	10.5%	11.4%	
Income before taxes/Sales	9.7%	9.2%	10.1%	9.2%	10.1%	
Capital Expenditure/Sales	6.8%	12.7%	15.6%	7.7%	10.5%	
Net Financial indebtedness/Shareholders' equity	78.0%	81.7%	79.8%	88.5%	99.7%	
Financial charges/Sales	0.7%	0.4%	1.2%	1.3%	1.3%	
Financial charges/Net Operating Income	6.9%	4.0%	10.4%	12.6%	11.1%	
ROI	18.3%	17.1%	16.7%	16.0%	17.2%	
ROE	19.7%	20.5%	18.3%	17.0%	19.4%	
Cash flow (Net income + deprec.+ amortis.) (Euro million)	21.2	18.0	21.2	19.8	22.4	5.5%

Consolidated Financial Statements

Consolidated Income Statement (Second Quarter 2006)

<i>(euro thousand)</i>	Q2 '06	Q2 '05	(A-B) CHANGE	%
Sales of good and services	212,338	197,309	15,029	7.6%
Other revenues and income	1,207	1,863	(656)	-35.2%
Costs for capitalised internal works	2,448	2,980	(532)	-17.9%
Cost of raw materials, consumables, goods and change in inventories	(106,528)	(100,498)	(6,030)	6.0%
Other operating costs for production	(36,353)	(35,422)	(931)	2.6%
Personnel expenses	(38,973)	(35,934)	(3,039)	8.5%
GROSS OPERATING INCOME	34,139	30,298	3,841	12.7%
<i>% of sales</i>	<i>16.1%</i>	<i>15.4%</i>		
Depreciation, amortization and other write-downs	(9,842)	(9,744)	(98)	1.0%
NET OPERATING INCOME	24,297	20,554	3,743	18.2%
<i>% of sales</i>	<i>11.4%</i>	<i>10.4%</i>		
Net financial income (charges)	(2,687)	(1,416)	(1,271)	89.8%
Net financial income (charges) from investments	(90)	79	(169)	-213.9%
INCOME BEFORE TAXES	21,520	19,217	2,303	12.0%
<i>% of sales</i>	<i>10.1%</i>	<i>9.7%</i>		
Taxes	(8,522)	(7,544)	(978)	13.0%
INCOME BEFORE MINORITY INTERESTS	12,998	11,673	1,325	11.4%
<i>% of sales</i>	<i>6.1%</i>	<i>5.9%</i>		
Minority interests	(466)	(201)	(265)	131.8%
NET INCOME (LOSS) FOR THE PERIOD	12,532	11,472	1,060	9.2%
<i>% of sales</i>	<i>5.9%</i>	<i>5.8%</i>		
Earnings per share (euro)	0.19	0.17	0.02	9.2%

Consolidated Income Statement (30 June 2006)

<i>(euro thousand)</i>	C 30.06.2006	D 30.06.2005	(C-D) CHANGE	%
Sales of good and services	413,817	373,687	40,130	10.7%
Other revenues and income	1,892	2,790	(898)	-32.2%
Costs for capitalised internal works	5,224	5,227	(3)	-0.1%
Cost of raw materials, consumables, goods and change in inventories	(205,568)	(185,304)	(20,264)	10.9%
Other operating costs for production	(71,980)	(68,124)	(3,856)	5.7%
Personnel expenses	(79,220)	(71,177)	(8,043)	11.3%
GROSS OPERATING INCOME	64,165	57,099	7,066	12.4%
<i>% of sales</i>	<i>15.5%</i>	<i>15.3%</i>		
Depreciation, amortization and other write-downs	(18,723)	(19,238)	515	-2.7%
NET OPERATING INCOME	45,442	37,861	7,581	20.0%
<i>% of sales</i>	<i>11.0%</i>	<i>10.1%</i>		
Net financial income (charges)	(5,352)	(3,653)	(1,699)	46.5%
Net financial income (charges) from investments	(69)	(159)	90	-56.6%
INCOME BEFORE TAXES	40,021	34,049	5,972	17.5%
<i>% of sales</i>	<i>9.7%</i>	<i>9.1%</i>		
Taxes	(15,774)	(13,245)	(2,529)	19.1%
INCOME BEFORE MINORITY INTERESTS	24,247	20,804	3,443	16.5%
<i>% of sales</i>	<i>5.9%</i>	<i>5.6%</i>		
Minority interests	(795)	(244)	(551)	225.8%
NET INCOME (LOSS) FOR THE PERIOD	23,452	20,560	2,892	14.1%
<i>% of sales</i>	<i>5.7%</i>	<i>5.5%</i>		
Earnings per share (euro)	0.35	0.31	0.04	14.1%

Consolidated Balance Sheet

<i>(euro thousand)</i>	A	B	C	A-B	A-C
	30.06.2006	31.12.2005	31.03.2006	CHANGE	CHANGE
ASSETS					
NON-CURRENT ASSETS					
Property, plant, equipment and other equipment	269,827	274,503	276,722	(4,676)	(6,895)
Development costs	21,945	18,336	20,617	3,609	1,328
Goodwill and other undefined useful life assets	14,998	15,146	14,905	(148)	93
Other intangible assets	5,429	5,675	5,202	(246)	227
Investments accounted for using the equity method	14,636	8,534	15,026	6,102	(390)
Other financial assets (investments in other companies and derivatives)	5,959	4,638	5,576	1,321	383
Other non-current assets	1,648	2,166	1,973	(518)	(325)
Deferred tax assets	3,106	2,711	2,663	395	443
TOTAL NON-CURRENT ASSETS	337,548	331,709	342,684	5,839	(5,136)
				<i>1.8%</i>	<i>(1.5%)</i>
CURRENT ASSETS					
Inventories	144,551	142,818	145,759	1,733	(1,208)
Trade receivables and receivables from other Group companies	200,391	153,083	188,468	47,308	11,923
Other receivables and current assets	45,194	39,557	37,554	5,637	7,640
Financial current assets and derivatives	9,141	11,059	9,901	(1,918)	(760)
Cash and cash equivalents	33,243	32,200	33,732	1,043	(489)
TOTAL CURRENT ASSETS	432,520	378,717	415,414	53,803	17,106
				<i>14.2%</i>	<i>4.1%</i>
NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	12,592	0	0	12,592	12,592
				<i>0.0%</i>	<i>0.0%</i>
TOTAL ASSETS	782,660	710,426	758,098	72,234	24,562
EQUITY AND LIABILITIES					
GROUP EQUITY					
Share capital	34,728	34,728	34,728	0	0
Other reserves	102,844	115,168	120,778	(12,324)	(17,934)
Retained earnings	72,779	39,830	72,720	32,949	59
Profit / (loss) for the period	23,452	40,511	10,920	(17,059)	12,532
TOTAL GROUP EQUITY	233,803	230,237	239,146	3,566	(5,343)
				<i>1.5%</i>	<i>(2.2%)</i>
MINORITY INTERESTS	11,889	11,826	11,877	63	12
				<i>0.5%</i>	<i>0.1%</i>
TOTAL EQUITY	245,692	242,063	251,023	3,629	(5,331)
NON-CURRENT LIABILITIES					
Non-current payables to banks	33,179	37,716	38,799	(4,537)	(5,620)
Other non-current financial payables	70,183	71,594	70,974	(1,411)	(791)
Other non-current payables	7,180	8,656	6,769	(1,476)	411
Provisions for contingencies and charges	3,417	3,025	3,229	392	188
Long term provisions for employee benefits	28,409	27,151	27,702	1,258	707
Deferred tax liabilities	17,741	16,172	17,022	1,569	719
TOTAL NON-CURRENT LIABILITIES	160,109	164,314	164,495	(4,205)	(4,386)
				<i>(2.6%)</i>	<i>(2.7%)</i>
CURRENT LIABILITIES					
Current payables to banks	173,021	112,892	144,576	60,129	28,445
Other current financial payables	3,299	3,226	3,302	73	(3)
Trade payables and payables to other Group companies	149,530	150,978	153,020	(1,448)	(3,490)
Tax payables	6,172	2,088	4,509	4,084	1,663
Other current payables	44,837	34,865	37,173	9,972	7,664
TOTAL CURRENT LIABILITIES	376,859	304,049	342,580	72,810	34,279
				<i>23.9%</i>	<i>10.0%</i>
TOTAL EQUITY AND LIABILITIES	782,660	710,426	758,098	72,234	24,562

Cash-Flow Statement

<i>(euro thousand)</i>	period ended		
	30.06.2006	2Q 2006	31.12.2005
Cash and cash equivalent at beginning of period	(55,087)	(87,068)	(50,145)
Net income for the period before taxes	40,021	21,520	66,741
Depreciation, amortisation/Write-downs	18,723	9,842	38,513
Gains/Losses from disposal of fixed assets	(120)	(60)	(2,431)
Write-ups/Write-downs of shareholdings and other write-ups	69	90	311
Financial portion of funds relating to payables for personnel	223	(32)	880
Long-term provisions for employee benefits	2,146	890	4,103
Other provisions net of utilisations	2,470	2,523	1,857
Net working capital generated by operations	63,532	34,773	109,974
Paid current taxes	(14,703)	(8,161)	(20,092)
Uses to long-term provisions for employee benefits	(1,058)	(178)	(2,672)
<i>(Increase) reduction in current assets:</i>			
inventories	(3,479)	(91)	(25,989)
financial assets	1,994	907	(9,949)
trade receivables	(47,182)	(11,999)	(3,720)
other receivables	(5,638)	(7,651)	(12,224)
<i>Increase (reduction) in current liabilities:</i>			
trade payables and payables to other Group companies	(1,448)	(3,489)	12,905
payables to others and other liabilities	12,580	9,739	2,113
Translation differences on current assets	(2,553)	(2,132)	5,545
Cash flow from (for) operating activities	2,045	11,718	55,891
<i>Investments in:</i>			
intangible assets	(6,170)	(3,310)	(13,796)
property, plant and equipment	(31,530)	(18,892)	(82,025)
financial fixed assets - shareholdings	(6,665)	(1)	0
Cost price for disposal, or reimbursement value, of fixed assets	1,206	1,094	3,811
Cash flow from (for) investments	(43,159)	(21,109)	(92,010)
Dividends paid in the period	(14,025)	(14,025)	(12,021)
Reserve liberation after payment of substitute tax	0	0	(540)
Other variations	0	0	24
Variation in equity net of minority interests	0	0	(44)
Loans and financing granted by banks and other financial institutions in the period	3,831	1,004	71,559
Repayment of long-term loans	(10,264)	(7,179)	(27,801)
Cash flow from (for) financing activities	(20,458)	(20,200)	31,177
Total cash flow	(61,572)	(29,591)	(4,942)
Cash and cash equivalent at the end of period	(116,659)	(116,659)	(55,087)

Net Financial Position

<i>(Euro thousand)</i>	30.06.2006			31.12.2005			31.03.2006		
	Due within one year	Due after one year	TOTAL	Due within one year	Due after one year	TOTAL	Due within one year	Due after one year	TOTAL
Financial receivables:									
Bank and postal accounts	33,176	0	33,176	32,130	0	32,130	33,657	0	33,657
Cash-in-hand and cash equivalents	67	0	67	70	0	70	75	0	75
Total	33,243	0	33,243	32,200	0	32,200	33,732	0	33,732
Financial payables:									
<i>Ordinary current accounts and advances</i>	149,903	0	149,903	87,285	0	87,285	120,800	0	120,800
<i>Loans</i>	26,418	103,340	129,758	28,764	109,263	138,027	27,077	109,750	136,827
Total	176,321	103,340	279,661	116,049	109,263	225,312	147,877	109,750	257,627
Derivative instruments:									
<i>positive derivatives</i>	52	1,376	1,428	153	0	153	658	992	1,650
<i>negative derivatives</i>	0	21	21	68	47	115	0	23	23
Total	52	1,355	1,407	85	-47	38	658	969	1,627
Net financial indebtedness	143,026	101,985	245,011	83,764	109,310	193,074	113,487	108,781	222,268

Explanatory Notes to the Financial Statements

Accounting Principles and Valuation Criteria

The Quarterly Report was drawn up in compliance with Art. 82 of the "Regulations containing the provisions for implementing Legislative Decree 58 dated 24 February 1998 on issuing parties" (Consob Resolution No. 11971 of 14 May 1999).

The consolidated financial statements presented in this Report were prepared based on the regulations governing corporate financial statements, using the accounting principles adopted in drawing up the consolidated financial statements for the year underway. In particular, they are in accordance with the requirements specified in Annex 3D of the above-mentioned Regulations (refer to this Annex for additional information). This Report includes the balance sheet, the income statement, the cash flow statement and the explanatory notes.

Reference is made to the 2005 Consolidated Financial Statements for the relevant international accounting standards and principles adopted by the Group when preparing the above-mentioned financial statements.

Moreover, it is noted that:

- Segment reporting: the segment is a distinctly identifiable part of the business subject to different risks and benefits from those of the other segments. The primary information for Brembo is by sector of activity, the "Automotive components" sector being that in which the company operates exclusively. Economical, financial and capital indicators of the sector as defined above are those that can be deduced from the Consolidated Financial Statements.
- In cases where it has not been possible to obtain invoices from suppliers for services and consultancy rendered, we have made a reasonable estimate of the associated costs in accordance with the progress of the relative contracted projects;
- the value of inventories has been calculated for Brembo S.p.A. by applying the cost of inventories as at 31 May 2006 to the inventory accounting results as at 30 June 2006;
- current and deferred taxes have been calculated according to the expected tax rate applicable for this period in the individual countries;
- the amounts reported below and commented on in these notes are given as thousands of Euro.

Consolidation Area

The financial statements for the second quarter of 2006 include financial statements of Brembo SpA, the Parent Company, and the financial statements of operating companies which Brembo SpA directly or indirectly controls as per Art. 2359 of the Italian Civil Code.

The consolidation area has changed compared to 30 June 2005 as a result of the agreement signed on 3 August 2005 to establish a new production company in China (Brembo China Brake Systems Co. Ltd.). The Joint Venture comprises Brembo S.p.A. with a 60% interest and Simest S.p.A. and the Venture Capital Fund for China with a 40% interest (15% and 25% respectively). The company started its investment activity during the last quarter of 2005 but was not yet operational at the end of the quarter in question. It has, however, been consolidated.

Moreover, on 16 December 2005 Brembo Participation B.V. acquired the remaining 10% stake in Brembo Japan Co. Ltd., bringing its stake to 100%. The company had already been consolidated using the line-by-line method.

The consolidation area has not changed compared to 31 March 2006.

Notes on the Most Significant Changes in Items of the Consolidated Financial Statements

Net revenues amounted to €212,338 in the second quarter, up 7.6% compared to the same period in 2005. The figures are consistent in the two years, since the changes made in the consolidation area have had no impact on revenues.

In the second quarter, the sectors that, with the respective applications, contributed most to the growth in sales, were the racing sector, as in the previous quarter, and commercial vehicles. Development again concentrated in Europe (Italy and Germany) and in America. Also in the applications for cars, sales completed with the main European manufacturers grew during the quarter, confirming the trend recorded throughout 2005 and the first quarter of 2006.

Consolidated sales generated abroad accounted for 74.5% of total sales, with the German and Italian markets representing 50% of total revenues. The contraction in the volumes of a number of Japanese producers have led to a drop in earnings in Asia.

During the quarter, the cost of sales and other net operating costs amounted to €139,226, with a ratio of 65.6% to sales, slightly up compared to 66.4% for the same period in the previous year. The higher percentage of direct and induced costs deriving from the reorganization of production sites in Italy and Poland was offset by a contraction of structural costs.

Development costs recognized as intangible assets amounted to €2,448 compared to €2,980 in the second quarter of 2005.

Personnel expenses in the second quarter of 2006 amounted to €38,973 or 18.4% of revenues, in line with the same period of the previous year. Labour costs reflected the positive impact of the efficiency the improvement plans implemented by the company, which have resulted in increased production and sales volumes on the part of the Group companies. This success was achieved despite the negative effect of non-fully operating of the new Polish foundry.

At 30 June 2006, Brembo employed 4,543 staff (4,202 staff at 30 June 2005 and 4,410 at 31 March 2006). About 40% of the Group's overall workforce are stationed at foreign subsidiaries or facilities.

In the second quarter of 2006, EBITDA amounted to €34,139 (16.1% of revenues) as against €30,298 in the second quarter of 2005 (15.4% of revenues), reflecting an increase of €3,841.

Net operating income amounted to €24,297, compared to €20,554 reported for the second quarter of 2005, after amortisation and impairment losses of tangible and intangible assets for €9,842, compared to amortisation and depreciation for the second quarter of 2005 amounting to €9,744. Offsetting the decrease in depreciation and amortisation of several multi-year expenses, amortisation and impairment losses of development costs recognised in previous years have increased, as has depreciation on plant and machinery. Depreciation on a property used for production but held for sale was suspended; the property was reclassified among non-current assets held for sale and assessed at €12,592, thus contributing to a decrease in depreciation.

Net financial charges amounted to €2,687, represented by the net negative exchange rate differences for €1,343 (a positive amount of €125 for the same quarter of 2005) and by net financial charges for €1,344

(€1,541 for the same period of 2005). Year on year, the net positive change in net financial charges is attributable on the one hand to the positive effect of the closing of a hedging financial instrument, and on the other hand to the rise in net indebtedness and the trend in interest rates, which recorded also significant increases. Exchange rate differences on items denominated in foreign currencies (mainly the euro-denominated debt of the Polish subsidiary) showed a net loss, but this is expected to be recovered in the near future through a remix of the net currency position.

For the aforementioned reasons, net financial charges worsened in terms of percentage of revenues (1.3% in 2006 compared to 0.7% in 2005).

Financial charges from investments include Brembo's share of the result for the period of the companies valued using the equity method, namely the Chinese JV Nanjing Yuejin Automotive Brake System Co. Ltd. (27.75%), the JV Brembo Ceramic Brake Systems S.p.A. (50%), Softia Srl (40%) and, as from the first quarter of 2006, the JV KBX Motorbike Products Private Ltd. (50%).

Income before taxes amounted to €21,520, with a ratio to sales of 10.1%, compared to €19,217 for the second quarter of 2005 with a ratio of 9.7%.

Expected taxes due, calculated on the basis of the tax rates applicable for the period under current fiscal regulations amounted to €8,522 (€7,544 in the second quarter of 2005), of which €360 for deferred taxes. The ratio of income taxes for the period was 39.6% including deferred taxes, and is in line with 2005 figures.

Total net income for the quarter amounted to €12,532, net of minority interests amounting to €466, or 5.9% of net revenues. Compared to the same period of the previous year, net income increased by about 9%.

Net invested capital at the end of the period amounted to €519,112. At 31 December 2005 it amounted to €462,989 and at 31 March 2006 it was €500,994.

Those items that have had a major impact on the increase in invested capital have been investments in tangible and intangible assets and the increase in current assets (primarily trade receivables) linked to the increased value of sales achieved in the second quarter of 2006 compared to the fourth quarter of 2005 and the first quarter of 2006.

The main investments of the Company include the completing of a new cast-iron foundry adjacent to the brake disc production plant in Poland, that started contributing to the company's results in the last part of the half-year.

Furthermore, the Company continues to implement the industrial plan, largely focusing on its Italian and foreign production sites. The move to the new sites in Stezzano and Mapello is scheduled for the summer.

The 3.6% rise in Net Invested Capital is therefore attributable to the following factors:

- investments, made in both tangible and intangible assets, linked in most cases to the industrial plan (totalling €22.2 million) including €2.4 million for capitalised development costs;
- increase in Net Working Capital, primarily in trade receivables, amounting to € 20.3 million. This includes €5.2 million for investments, made on behalf of third parties, for the construction of office buildings for future leasing (Stezzano facility).

Net financial indebtedness increased from €222,268 at 31 March 2006 to €245,011 at 30 June 2006. This increase is attributable to the investments included in fixed and current assets and the dividend payout of €14,025 last May.

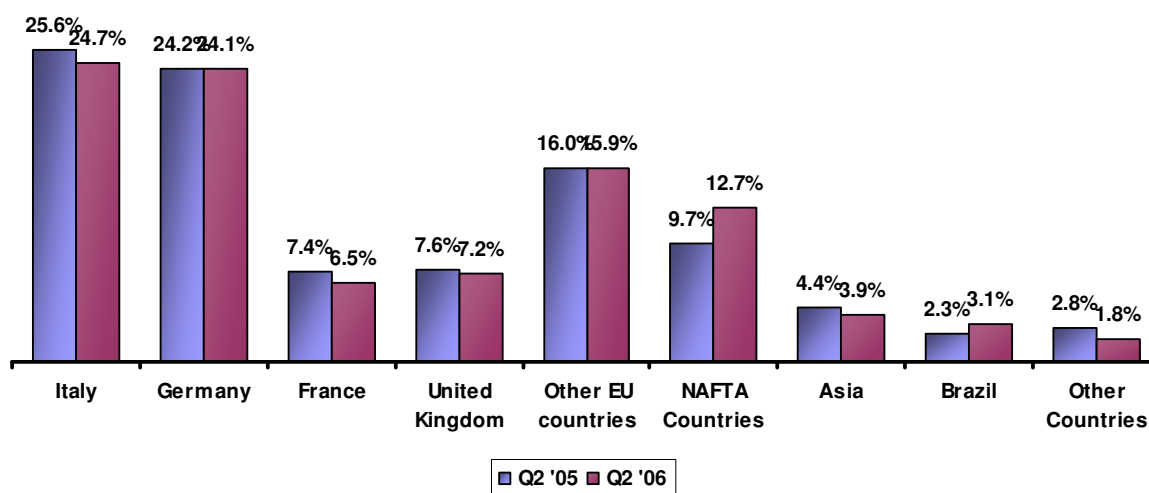
The balance of the financing structure between short and long-term debt is evenly split and the ratio of net financial debt to shareholders' equity has increased slightly compared to year-end 2005, rising from 0.8 to 0.99.

Sales Breakdown by Geographical Area and Application

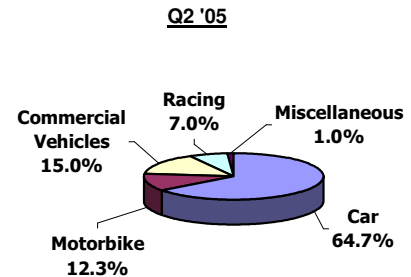
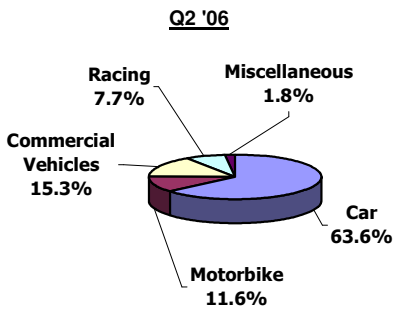
The following table shows the breakdown of gross sales for the second quarter of 2006 and the entire half-year period by geographical area and application.

GEOGRAPHICAL AREA	A		B		A-B	%
	Q2 '06	%	Q2 '05	%		
<i>(euro thousand)</i>						
Italy	53,398	24.7%	51,283	25.6%	2,115	4.1%
Germany	52,208	24.1%	48,463	24.2%	3,745	7.7%
France	14,110	6.5%	14,790	7.4%	(680)	-4.6%
United Kingdom	15,597	7.2%	15,203	7.6%	394	2.6%
Other EU countries	34,508	15.9%	32,026	16.0%	2,482	7.7%
NAFTA Countries	27,406	12.7%	19,495	9.7%	7,911	40.6%
Asia	8,511	3.9%	8,877	4.4%	(366)	-4.1%
Brazil	6,777	3.1%	4,551	2.3%	2,226	48.9%
Other Countries	4,000	1.8%	5,634	2.8%	(1,634)	-29.0%
Total	216,515	100.0%	200,322	100.0%	16,193	8.1%

The incidence of the overall turnover

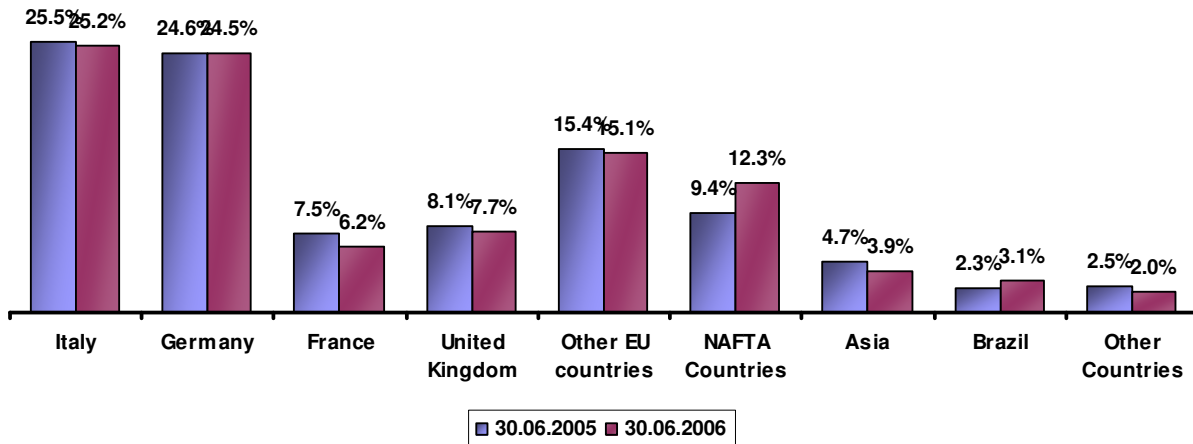


APPLICATION	A		B		A-B	%
	Q2 '06	%	Q2 '05	%		
<i>(euro thousand)</i>						
Car	137,672	63.6%	129,574	64.7%	8,098	6.2%
Motorbike	25,033	11.6%	24,566	12.3%	467	1.9%
Commercial Vehicles	33,165	15.3%	30,027	15.0%	3,138	10.5%
Racing	16,706	7.7%	14,091	7.0%	2,615	18.6%
Miscellaneous	3,939	1.8%	2,064	1.0%	1,875	90.8%
Total	216,515	100.0%	200,322	100.0%	16,193	8.1%

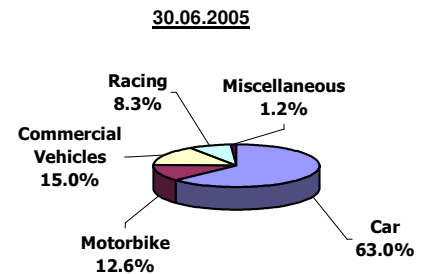
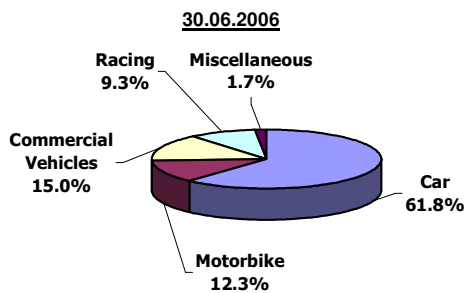


GEOGRAPHICAL AREA	C		D		C-D	%
	30.06.2006	%	30.06.2005	%		
<i>(euro thousand)</i>						
Italy	106,268	25.2%	96,682	25.5%	9,586	9.9%
Germany	103,053	24.5%	93,227	24.6%	9,826	10.5%
France	26,288	6.2%	28,348	7.5%	(2,060)	-7.3%
United Kingdom	32,315	7.7%	30,719	8.1%	1,596	5.2%
Other EU countries	63,717	15.1%	58,515	15.4%	5,202	8.9%
NAFTA Countries	51,675	12.3%	35,766	9.4%	15,909	44.5%
Asia	16,521	3.9%	18,023	4.7%	(1,502)	-8.3%
Brazil	12,847	3.1%	8,561	2.3%	4,286	50.1%
Other Countries	8,450	2.0%	9,650	2.5%	(1,200)	-12.4%
Total	421,134	100.0%	379,491	100.0%	41,643	11.0%

The incidence of the overall turnover



APPLICATION	C		D		C-D	%
	30.06.2006	%	30.06.2005	%		
<i>(euro thousand)</i>						
Car	260,103	61.8%	239,044	63.0%	21,059	8.8%
Motorbike	51,663	12.3%	47,633	12.6%	4,030	8.5%
Commercial Vehicles	63,077	15.0%	56,998	15.0%	6,079	10.7%
Racing	38,991	9.3%	31,446	8.3%	7,545	24.0%
Miscellaneous	7,300	1.7%	4,370	1.2%	2,930	67.0%
Total	421,134	100.0%	379,491	100.0%	41,643	11.0%



Foreseeable Evolution

Positive outlook for the months to come: the order portfolio shows a growth trend similar to what registered in the first six months of the year, with very encouraging signals from the passenger cars segment and with the aftermarket on the way to recovery.

Net financial position will start to improve during the second half-year also thanks to the sale of some buildings no longer used for production.

The industrial plan for the rationalization of brake discs production in Italy is proceeding as planned: within the first half of August the transfer of one plant to the new site in Mapello will be completed. The other factory will be completely transferred by the end of current year.

The international development programs are going on as scheduled.

Directors' Report on Operations and Significant Events

Macroeconomic Context

An understanding of the global macroeconomic situation, with particular reference to the main geo-economic areas in which Brembo operates, provides a useful framework for better interpreting the Company's performance during the period under review.

The global economy continued its sharp expansion in the first half of 2006, with signs of deceleration only in certain regions. Both the Euro zone and Japan have reached new peaks in their business cycles. The Euro zone economy grew at faster pace than expected, however a slowdown is possible in the second half of the year. But since March, a slowdown is noticeable only in the United States: after explosive growth in the first quarter, economic indicators point to a slower pace going forward.

The scenario in Italy appears rather favourable: domestic demand has been driving the recovery and consumption is rising more than expected.

Among emerging countries, China continues to grow at a fast pace, defying expectations of a slowdown.

Oil prices reached new records in the first half, with the market price of crude approaching \$75 a barrel, mostly due to tensions in the Middle East.

The recent fallback in commodity prices only partially reversed the exceptional rise registered earlier in the year. But the decline in prices was more a correction of previous speculative excesses than a reaction to any real change in mix between supply and demand. As long as growth rates remain sustained, prices are unlikely to come down.

During the quarter, Brembo's gross consolidated revenues amounted to €216,515, up by 8.1% compared to figures for the same period of the previous year.

Currency Markets

In the first half of 2006, the euro/dollar exchange rate fluctuated from lows in early January to a high in early June of 1.29, settling at 1.27 on 30 June. It is expected to consolidate at this level, but in the medium-term the US dollar could remain under pressure.

Among the currencies on the other major markets where Brembo operates, in the first half of 2006 the British pound edged down a slight 0.8% from its level at the start of the year. Amid fluctuations, the Japanese yen depreciated 4.4% and the Polish zloty 4.8%. The Brazilian real edged up 0.2%, though the performance in the two quarters was mixed, appreciating 5% in the first quarter and depreciating by almost the same amount in the second quarter. Nonetheless, the upward trend in the real, begun more than a year ago, seems by now consolidated. Despite a brief upswing in February, the Mexican peso steadily lost value, depreciating 14% in the first half. The Indian rupee was mostly stable in the first quarter, but then weakened, reaching a low of 59.68 in late May. The Chinese renminbi tracked fluctuations in the US dollar.

Operating Structure and Reference Markets

Operating structure

Today, Brembo operates in twelve countries around the world, counting on the contribution of over 4,500 employees. Brembo's operations are now conducted from 9 industrial-commercial facilities in Italy and 13 in

other countries. Manufacturing plants are located in Italy and in Spain (Zaragoza), Poland (Czestochowa and Dabrowa), United Kingdom (Coventry), Mexico (Puebla), Brazil (Betim), China (Nanjing and soon a new plant in Beijing), and India (Pune). Other companies in the UK (London), Sweden (Göteborg), the United States (Costa Mesa, California) and Japan (Tokyo) carry out distribution and sales activities. The efforts that have been made in terms of technological and process development, factors that have always been fundamental to Brembo's philosophy, have made it a leader in the research, design and production of high-performance disc braking systems for a wide range of vehicles.

The Brembo rationalisation, consolidation and development process also continued during the quarter under review. The following changes occurred during the period:

- On 28 April 2006, the Board of Directors approved the Proposal for the Merger by incorporation of the company FOMM S.p.A., which produces cast-iron brake discs, into Brembo S.p.A., which already held a 100% interest in the company, with the goal of streamlining the corporate structure and achieve management economies. The merger became effective with the merger act of 3 July 2006.
- in June, as part of the industrial plan implementation process involving its Italian plants, particularly those of the disc sector, the company signed a contract for the sale of a factory that will no longer be used in production and construction of the new site in Mapello was completed.

Reference Markets

Brembo operates on both the original-equipment market, focusing on the supply of high-performance braking systems, and in the aftermarket.

Brembo's reference market is represented by the most important manufacturers of cars, motorbikes, commercial vehicles and racing cars and motorbikes.

Brembo's range of products for the car application and the commercial vehicle application includes disc brakes, brake callipers, the side-wheel module and increasingly often the complete braking system, including integrated engineering services. All of these back the development of new models placed on the market by vehicle manufacturers.

Manufacturers of motorbikes are also offered brake discs, brake callipers, brake pumps, light-alloy wheels and complete braking systems.

In the car aftermarket, Brembo offers in particular a vast range of brake discs: over 1300 product codes allow the company to meet the needs of nearly all European vehicles.

In the second quarter of 2006, Brembo maintained the uptrend in consolidated gross sales that amounted to €216,515, an increase of 8.1% compared to €200,322 in the same period of 2005.

A concise summary regarding each application and the relevant markets is reported below.

Applications

Cars

Brembo's performance in this sector is tightly linked to trends in the world automobile market, which, in the first half of 2006, recorded a 4.3% increase in sales volume compared to the same period last year, consolidating the growth achieved in the first quarter 2006. However, growth was not uniform on the various international markets:

-
- o sales on the **western European** market grew a slight 1.5% compared to the year-before period. The European market was mainly driven by Italy, the second largest by size in the region, where sales increased a noticeable 7.9% compared to the first half of 2005, though the pace slackened in June. Continuing the downward trend of the last two years, sales declined 4.2% in the United Kingdom, while Spain edged down 0.1%, France was down 1.6%, and Germany increased a slight 1.4%.
 - o the eastern European market was stable, mostly in line with the trend in Western Europe.
 - o in the **NAFTA** area, the US automotive market contracted 2.4%, mainly due the reduction in incentives to buy new cars. Canada and Mexico recorded a slight 0.8% increase compared to the first half of 2005 and this trend is expected to continue to the end of the year.
 - o the **Far East** market continued to expand at a solid pace, led mostly by China where passenger cars sales jumped 54% compared to 2005. The Korean market increased 6.9%, while the Japanese market contracted slightly, though it picked up in the last months of the first-half-year.
 - o in **South America** vehicle sales continued to grow at a strong pace, reaching 10.5%, led by Brazil which in May recorded its highest level of sales in a decade.

In the quarter, Brembo's sales of car applications were remarkably higher than in the previous year. This growth arose from the increased volumes of production in progress of original equipment and new platforms during the start-up phase, whilst aftermarket sales decreased within a highly competitive market situation.

In this context, during the second quarter of 2006 Brembo recorded sales of braking systems and brake discs for €137,672, with a ratio of 63.6% to total consolidated sales.

Motorbikes

The three most important markets for Brembo in this sector today are Europe, the United States and Japan.

In Italy – an increasingly important market in Europe accounting for one third of the total (up to 66% for scooters), motorbike and scooter sales in the first half of 2006 increased +9.4% compared to the same period of 2005. The half year closed with positive results (+8.4 for motorbikes and +10.2 % for scooters), despite a sharp slowdown in June, when scooter registrations fell by over 14% and motorbike registrations decreased by almost 4%.

The 250cc scooter segment continues to grow at a fast pace, reaching 29.3%, while the top performer in the motorcycle segment was the 650-750cc category, led by supermotard, up 18.7%, and naked motorbikes, up 16.6%.

Growth on the US market continued in the first half 2006: motorcycle registrations in the above 650cc range increased 9% compared to the first half of 2005.

In this climate, Brembo's gross sales for second quarter of 2006 in this segment amounted to €25,033, slightly up compared to the same period of 2005, accounting for 11.6% of total sales.

Commercial and Industrial Vehicles

Commercial vehicle registrations in Europe, Brembo's reference market, continued to increase in the first half of 2006 after the good performance in 2005.

In Europe, the registration of commercial vehicles up to 3.5 tonnes increased 4.8% compared to the first half of 2005. All the major markets contributed significantly to this growth, led by double-digit rates in Denmark, Germany, Ireland, Italy and Sweden.

After a dip in the registration of vehicles above 3.5 tonnes in the first quarter, the trend reversed in the second half with an 11.9% increase, driven by Germany, the United Kingdom, and the Netherlands.

Brembo's second quarter gross revenues amounted to €33,165 up 10.5% compared to the same period of 2005, accounting for about 15.3% of overall sales.

Racing Market

Brembo is part of the racing sector with 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.

Once again in the first half of 2006, Brembo confirmed its technical and market leadership in car and motorbike racing in the most prestigious championships, through its business unit Brembo Racing and the subsidiaries AP Racing Ltd. and Marchesini S.p.A.

The second quarter of 2006 closed with gross revenues of €16,706, a sharp increase compared to the same period in 2005 and representing 7.7% of total revenues.

Further Information

The Shareholders' Meeting of the Parent Company Brembo S.p.A. passed the following resolutions on 28 April 2006:

In the ordinary session:

- Approval of Brembo S.p.A 2005 Annual Report;
- The distribution of a gross dividend of €0.21 per outstanding share on the dividend pay-out date, made on 11 May 2006;
- The authorisation to buy and sell up to 1.8 million own shares, to be carried out during the 18-month period after the date of the Shareholders' Meeting, at a strike price not below the par value of €0.52 and not above €10;
- The ratification, solely as regards its applicability to the Chairman, of the 2006-2008 three-year rewarding plan aimed at 35 senior managers and executive Directors and based on growth targets for sales and operating free cash-flow.

In the extraordinary session:

- Specification, in Article 4 of the Articles of Association, of the entitlement of Brembo S.p.A. to grant and/or receive financing to/from the Group companies.

With reference to the plan to acquire own shares, no own shares have been purchased. The company does not own treasury shares.

Significant Events After the Close of the Quarter

On 4 July 2006 the merger of Fomm S.p.A. into Brembo S.p.A. was finalised with enrolment in the company register of the Bergamo Chamber of Commerce.

No other significant events occurred following the close of the second quarter of 2006.

BREMBO S.p.A.

Registered offices: CURNO (Bergamo) - Via Brembo, 25

Share capital: € 34,727,914

Tax Code (VAT Code) - Bergamo Register of Companies No. 00222620163