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THIRD QUARTER REPORT 2006

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## **C**ompany Officers

### **B**oard of Directors

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

### **B**oard of Statutory Auditors

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

### **I**ndependent Auditors **C**ommittees

PricewaterhouseCoopers S.p.A.

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

(1) The Chairman has powers of ordinary and extraordinary administration, within the limits of the law and the By-laws. He also holds the position of Deputy Chairman in some of the Group companies.

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

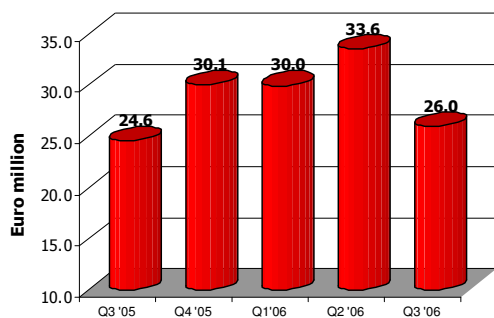
(3) Corporate Governance — Independent and non-executive Directors — Borsa Italiana Regulations for STAR segment – Art. 2.2.3 paragraph 3 letters e) and f).

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

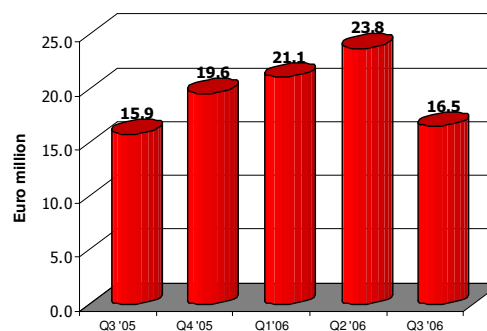
(5) Non-executive Directors.

## Highlights

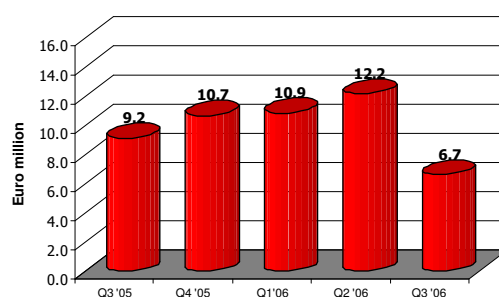
Gross operating income



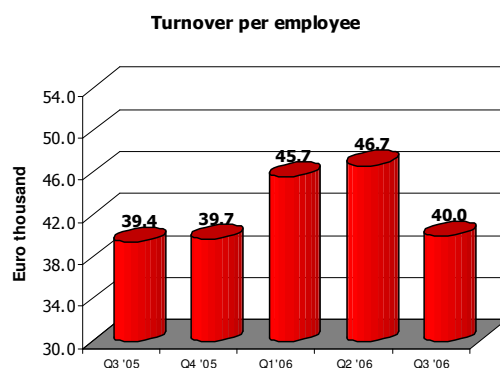
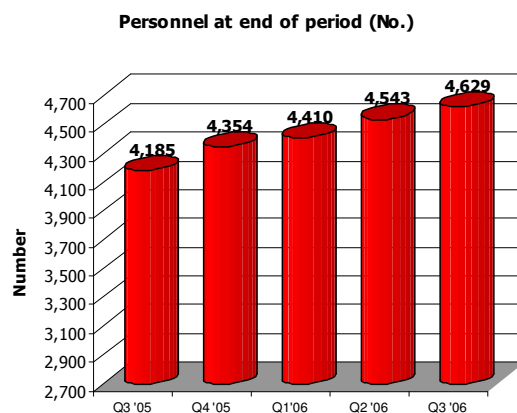
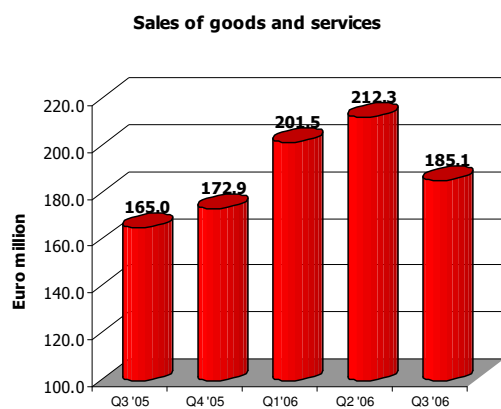
Net operating income



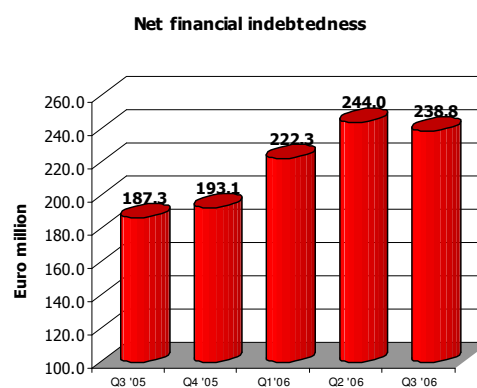
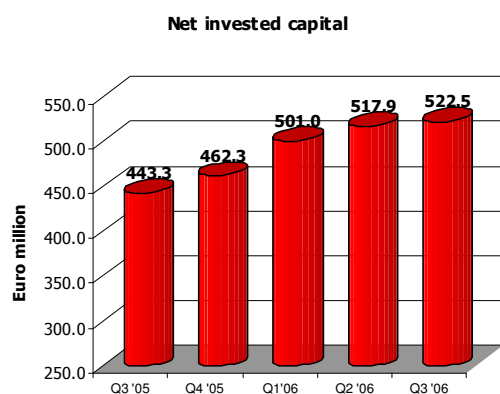
Net income



ECONOMIC RESULTS (euro million)	A				B	% B/A
	Q3 '05	Q4 '05	Q1 '06	Q2 '06	Q3 '06	
Sales of goods and services	165.0	172.9	201.5	212.3	185.1	12.2%
Gross operating income	24.6	30.1	30.0	33.6	26.0	5.7%
<i>% of sales</i>	14.9%	17.4%	14.9%	15.8%	14.0%	
Net operating income	15.9	19.6	21.1	23.8	16.5	4.3%
<i>% of sales</i>	9.6%	11.4%	10.5%	11.2%	8.9%	
Income before taxes	15.2	17.5	18.5	21.0	11.7	-23.2%
<i>% of sales</i>	9.2%	10.1%	9.2%	9.9%	6.3%	
Net income	9.2	10.7	10.9	12.2	6.7	-27.7%
<i>% of sales</i>	5.6%	6.2%	5.4%	5.8%	3.6%	



	<b>A</b>				<b>B</b>	<b>% B/A</b>
	<b>Q3 '05</b>	<b>Q4 '05</b>	<b>Q1 '06</b>	<b>Q2 '06</b>	<b>Q3 '06</b>	
<b>FINANCIAL RESULTS (euro million)</b>						
Net invested capital	443.3	462.3	501.0	517.9	522.5	17.9%
Shareholders' equity	229.2	242.1	251.0	245.4	254.9	11.2%
Net financial indebtedness	187.3	193.1	222.3	244.0	238.8	27.5%
<b>PERSONNEL AND CAPITAL EXPENDITURE</b>						
Personnel at end of period (No.)	4,185	4,354	4,410	4,543	4,629	10.6%
Turnover per employee (euro thousand)	39.4	39.7	45.7	46.7	40.0	1.4%
Capital Expenditure (euro million)	21.0	27.1	15.5	22.2	16.1	-23.4%



**MAIN RATIOS**

	Q3 '05	Q4 '05	Q1 '06	Q2 '06	Q3 '06
Net operating income/Sales	9.6%	11.4%	10.5%	11.2%	8.9%
Income before taxes/Sales	9.2%	10.1%	9.2%	9.9%	6.3%
Capital Expenditure/Sales	12.7%	15.6%	7.7%	10.5%	8.7%
Net Financial indebtedness/Shareholders' equity	81.7%	79.8%	88.5%	99.4%	93.7%
Financial charges/Sales	0.4%	1.2%	1.3%	1.3%	2.7%
Financial charges/Net Operating Income	4.0%	10.4%	12.6%	11.3%	29.8%
ROI	17.1%	16.7%	16.0%	16.9%	15.1%
ROE	20.5%	18.3%	17.0%	19.0%	12.8%

## Consolidated Financial Statements

### Consolidated Income Statement (Third Quarter 2006)

<i>(euro thousand)</i>	A Q3 '06	B Q3 '05	(A-B) CHANGE	%
<b>Sales of good and services</b>	<b>185,107</b>	<b>164,985</b>	<b>20,122</b>	<b>12.2%</b>
Other revenues and income	2,177	2,965	(788)	-26.6%
Costs for capitalised internal works	1,972	1,371	601	43.8%
Cost of raw materials, consumables, goods and change in inventories	(86,290)	(77,562)	(8,728)	11.3%
Other operating costs for production	(40,770)	(33,750)	(7,020)	20.8%
Personnel expenses	(36,191)	(33,395)	(2,796)	8.4%
<b>GROSS OPERATING INCOME</b>	<b>26,005</b>	<b>24,614</b>	<b>1,391</b>	<b>5.7%</b>
<i>% of sales</i>	<i>14.0%</i>	<i>14.9%</i>		
Depreciation, amortization and other write-downs	(9,459)	(8,748)	(711)	8.1%
<b>NET OPERATING INCOME</b>	<b>16,546</b>	<b>15,866</b>	<b>680</b>	<b>4.3%</b>
<i>% of sales</i>	<i>8.9%</i>	<i>9.6%</i>		
Net financial income (charges)	(4,926)	(632)	(4,294)	679.4%
Net financial income (charges) from investments	57	(36)	93	-258.3%
<b>INCOME BEFORE TAXES</b>	<b>11,677</b>	<b>15,198</b>	<b>(3,521)</b>	<b>-23.2%</b>
<i>% of sales</i>	<i>6.3%</i>	<i>9.2%</i>		
Taxes	(4,875)	(5,367)	492	-9.2%
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>6,802</b>	<b>9,831</b>	<b>(3,029)</b>	<b>-30.8%</b>
<i>% of sales</i>	<i>3.7%</i>	<i>6.0%</i>		
Minority interests	(146)	(625)	479	-76.6%
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>6,656</b>	<b>9,206</b>	<b>(2,550)</b>	<b>-27.7%</b>
<i>% of sales</i>	<i>3.6%</i>	<i>5.6%</i>		
<b>Earnings per share (euro)</b>	<b>0.10</b>	<b>0.14</b>		

## Consolidated Income Statement (30 September 2006)

<i>(euro thousand)</i>	C 30.09.2006	D 30.09.2005	(C-D) CHANGE	%
<b>Sales of good and services</b>	<b>598,905</b>	<b>538,672</b>	<b>60,233</b>	<b>11.2%</b>
Other revenues and income	4,485	5,755	(1,270)	-22.1%
Costs for capitalised internal works	7,196	6,598	598	9.1%
Cost of raw materials, consumables, goods and change in inventories	(291,778)	(262,866)	(28,912)	11.0%
Other operating costs for production	(113,397)	(101,876)	(11,521)	11.3%
Personnel expenses	(115,731)	(104,571)	(11,160)	10.7%
<b>GROSS OPERATING INCOME</b>	<b>89,680</b>	<b>81,712</b>	<b>7,968</b>	<b>9.8%</b>
<i>% of sales</i>	<i>15.0%</i>	<i>15.2%</i>		
Depreciation, amortization and other write-downs	(28,182)	(27,986)	(196)	0.7%
<b>NET OPERATING INCOME</b>	<b>61,498</b>	<b>53,726</b>	<b>7,772</b>	<b>14.5%</b>
<i>% of sales</i>	<i>10.3%</i>	<i>10.0%</i>		
Net financial income (charges)	(10,278)	(4,286)	(5,992)	139.8%
Net financial income (charges) from investments	(12)	(195)	183	-93.8%
<b>INCOME BEFORE TAXES</b>	<b>51,208</b>	<b>49,245</b>	<b>1,963</b>	<b>4.0%</b>
<i>% of sales</i>	<i>8.6%</i>	<i>9.1%</i>		
Taxes	(20,452)	(18,610)	(1,842)	9.9%
<b>INCOME BEFORE MINORITY INTERESTS</b>	<b>30,756</b>	<b>30,635</b>	<b>121</b>	<b>0.4%</b>
<i>% of sales</i>	<i>5.1%</i>	<i>5.7%</i>		
Minority interests	(942)	(869)	(73)	8.4%
<b>NET INCOME (LOSS) FOR THE PERIOD</b>	<b>29,814</b>	<b>29,766</b>	<b>48</b>	<b>0.2%</b>
<i>% of sales</i>	<i>5.0%</i>	<i>5.5%</i>		
<b>Earnings per share (euro)</b>	<b>0.45</b>	<b>0.45</b>		

## Consolidated Balance Sheet

<i>(euro thousand)</i>	A 30.09.2006	B 31.12.2005	C 30.06.2006	A-B CHANGE	A-C CHANGE
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant, equipment and other equipment	275,975	274,503	269,827	1,472	6,148
Development costs	23,226	18,336	21,945	4,890	1,281
Goodwill and other undefined useful life assets	15,316	15,146	14,998	170	318
Other intangible assets	5,407	5,675	5,429	(268)	(22)
Investments accounted for using the equity method	14,542	8,534	14,636	6,008	(94)
Other financial assets (investments in other companies and derivatives)	5,348	4,638	6,012	710	(664)
Other non-current assets	1,630	2,166	1,649	(536)	(19)
Deferred tax assets	5,118	2,711	2,958	2,407	2,160
<b>TOTAL NON-CURRENT ASSETS</b>	<b>346,562</b>	<b>331,709</b>	<b>337,454</b>	<b>14,853</b>	<b>9,108</b>
				<i>4.5%</i>	<i>2.7%</i>
<b>CURRENT ASSETS</b>					
Inventories	151,176	142,818	144,551	8,358	6,625
Trade receivables and receivables from other Group companies	180,133	153,083	200,571	27,050	(20,438)
Other receivables and current assets	51,265	39,557	43,723	11,708	7,542
Financial current assets and derivatives	10,177	11,059	9,088	(882)	1,089
Cash and cash equivalents	42,158	32,200	33,231	9,958	8,927
<b>TOTAL CURRENT ASSETS</b>	<b>434,909</b>	<b>378,717</b>	<b>431,164</b>	<b>56,192</b>	<b>3,745</b>
				<i>14.8%</i>	<i>0.9%</i>
<b>NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	<b>12,593</b>	<b>0</b>	<b>12,593</b>	<b>12,593</b>	<b>0</b>
				<i>0.0%</i>	<i>0.0%</i>
<b>TOTAL ASSETS</b>	<b>794,064</b>	<b>710,426</b>	<b>781,211</b>	<b>83,638</b>	<b>12,853</b>
<b>EQUITY AND LIABILITIES</b>					
<b>GROUP EQUITY</b>					
Share capital	34,728	34,728	34,728	0	0
Other reserves	105,784	115,168	102,642	(9,384)	3,142
Retained earnings	72,307	39,830	72,996	32,477	(689)
Profit / (loss) for the period	29,814	40,511	23,158	(10,697)	6,656
<b>TOTAL GROUP EQUITY</b>	<b>242,633</b>	<b>230,237</b>	<b>233,524</b>	<b>12,396</b>	<b>9,109</b>
				<i>5.4%</i>	<i>3.9%</i>
<b>MINORITY INTERESTS</b>	<b>12,220</b>	<b>11,826</b>	<b>11,893</b>	<b>394</b>	<b>327</b>
				<i>3.3%</i>	<i>2.7%</i>
<b>TOTAL EQUITY</b>	<b>254,853</b>	<b>242,063</b>	<b>245,417</b>	<b>12,790</b>	<b>9,436</b>
<b>NON-CURRENT LIABILITIES</b>					
Non-current payables to banks	31,387	37,716	33,179	(6,329)	(1,792)
Other non-current financial payables	69,350	71,594	70,182	(2,244)	(832)
Other non-current payables	7,854	8,656	7,403	(802)	451
Provisions for contingencies and charges	3,607	3,025	3,569	582	38
Long term provisions for employee benefits	28,909	27,151	28,409	1,758	500
Deferred tax liabilities	19,166	16,172	17,467	2,994	1,699
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>160,273</b>	<b>164,314</b>	<b>160,209</b>	<b>(4,041)</b>	<b>64</b>
				<i>(2.5%)</i>	<i>0.0%</i>
<b>CURRENT LIABILITIES</b>					
Current payables to banks	175,012	112,892	172,016	62,120	2,996
Other current financial payables	6,256	3,226	3,323	3,030	2,933
Trade payables and payables to other Group companies	146,554	150,978	150,720	(4,424)	(4,166)
Tax payables	8,086	2,088	5,019	5,998	3,067
Other current payables	43,030	34,865	44,507	8,165	(1,477)
<b>TOTAL CURRENT LIABILITIES</b>	<b>378,938</b>	<b>304,049</b>	<b>375,585</b>	<b>74,889</b>	<b>3,353</b>
				<i>24.6%</i>	<i>0.9%</i>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>794,064</b>	<b>710,426</b>	<b>781,211</b>	<b>83,638</b>	<b>12,853</b>

## Cash Flow Statement

<i>(euro thousand)</i>	30.09.2006	30.09.2005	Q3 '06	Q3 '05
<b>Cash and cash equivalent at beginning of period</b>	<b>(55,087)</b>	<b>(50,145)</b>	<b>(116,719)</b>	<b>(67,818)</b>
<b>Net income for the period before taxes</b>	51,208	49,245	11,677	15,195
Depreciation, amortisation/Write-downs	28,182	28,092	9,459	8,746
Gains/Losses from disposal of fixed assets	(186)	(2,265)	(66)	(2,119)
Write-ups/Write-downs of shareholdings and other write-ups	13	192	(56)	33
Financial portion of funds relating to payables for personnel	557	681	50	218
Long-term provisions for employee benefits	3,158	3,139	636	1,047
Other provisions net of utilisations	4,036	1,682	1,318	379
<b>Net working capital generated by operations</b>	<b>86,968</b>	<b>80,766</b>	<b>23,018</b>	<b>23,499</b>
Paid current taxes	(6,695)	(16,067)	(855)	(5,595)
Uses to long-term provisions for employee benefits	(2,011)	(1,683)	(293)	(559)
<i>(Increase) reduction in current assets:</i>				
inventories	(11,439)	(12,773)	(7,847)	(4,439)
financial assets	1,225	(1,266)	(757)	(1,729)
trade receivables	(27,004)	(9,127)	20,342	16,271
other receivables	(19,376)	(7,273)	(9,108)	1,340
<i>Increase (reduction) in current liabilities:</i>				
trade payables and payables to other Group companies	(4,424)	(10,197)	(4,166)	(33,422)
payables to others and other liabilities	10,533	8,200	1,817	3,032
Translation differences on current assets	(987)	4,461	1,548	1,826
<b>Cash flow from (for) operating activities</b>	<b>26,790</b>	<b>35,041</b>	<b>23,699</b>	<b>224</b>
<i>Investments in:</i>				
intangible assets	(8,562)	(8,761)	(2,392)	(2,190)
property, plant and equipment	(45,256)	(59,995)	(13,726)	(18,843)
financial fixed assets - shareholdings	(6,665)	0	0	0
Cost price for disposal, or reimbursement value, of fixed assets	2,897	3,360	1,682	2,846
<b>Cash flow from (for) investments</b>	<b>(57,586)</b>	<b>(65,396)</b>	<b>(14,436)</b>	<b>(18,187)</b>
Dividends paid in the period	(14,025)	(12,021)	0	0
Reserve liberation after payment of substitute tax	0	(540)	0	(540)
Other variations	0	(257)	0	719
Loans and financing granted by banks and other financial institutions in the period	3,831	24,076	0	4,062
Repayment of long-term loans	(15,810)	(5,443)	(4,431)	6,855
<b>Cash flow from (for) financing activities</b>	<b>(26,004)</b>	<b>5,815</b>	<b>(4,431)</b>	<b>11,096</b>
<b>Total cash flow</b>	<b>(56,800)</b>	<b>(24,540)</b>	<b>4,832</b>	<b>(6,867)</b>
<b>Cash and cash equivalent at the end of period</b>	<b>(111,887)</b>	<b>(74,685)</b>	<b>(111,887)</b>	<b>(74,685)</b>

## Net Financial Position

<i>(euro thousand)</i>	30.09.2006			31.12.2005			30.06.2006		
	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
<b>Financial receivables:</b>									
Bank and postal accounts	42,098	0	42,098	32,130	0	32,130	33,165	0	33,165
Cash-in-hand and cash equivalents	60	0	60	70	0	70	66	0	66
<b>Total</b>	<b>42,158</b>	<b>0</b>	<b>42,158</b>	<b>32,200</b>	<b>0</b>	<b>32,200</b>	<b>33,231</b>	<b>0</b>	<b>33,231</b>
<b>Financial payables:</b>									
Ordinary current accounts and advances	154,045	0	154,045	87,285	0	87,285	149,951	0	149,951
Loans	24,374	100,725	125,099	28,764	109,263	138,027	25,388	103,330	128,718
<b>Total</b>	<b>178,419</b>	<b>100,725</b>	<b>279,144</b>	<b>116,049</b>	<b>109,263</b>	<b>225,312</b>	<b>175,339</b>	<b>103,330</b>	<b>278,669</b>
<b>Derivative instruments:</b>									
positive derivatives	278	804	1,082	153	0	153	52	1,376	1,428
negative derivatives	2,849	12	2,861	68	47	115	0	31	31
<b>Total</b>	<b>-2,571</b>	<b>792</b>	<b>-1,779</b>	<b>85</b>	<b>-47</b>	<b>38</b>	<b>52</b>	<b>1,345</b>	<b>1,397</b>
<b>Net financial indebtedness</b>	<b>138,832</b>	<b>99,933</b>	<b>238,765</b>	<b>83,764</b>	<b>109,310</b>	<b>193,074</b>	<b>142,056</b>	<b>101,985</b>	<b>244,041</b>

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## **Explanatory Notes to the Financial Statements**

### **Accounting Principles and Valuation Criteria**

The Quarterly Report was drawn up in accordance 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 detail, they are in accordance with the requirements specified in Annex 3D of the above-mentioned Regulations (refer to Annex 3D 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 rewards from those of the other segments. The primary information for Brembo is by segment of activity, the "Automotive components" sector being that in which the company operates exclusively. Economic, financial and equity indicators of the segment 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 relevant 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 at 30 September 2006;
- current and deferred taxes have been calculated based on 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 third quarter of 2006 include the financial statements of the Parent Company Brembo S.p.A. and the financial statements of operating companies that Brembo S.p.A. directly or indirectly controls as per Art. 2359 of the Italian Civil Code.

The consolidation area changed with respect to 30 September 2005 following the conclusion of the liquidation of Brembo GmbH, which was cancelled from the Company Register of Munich on 17 August 2006. The liquidation had no impact on the Consolidated Balance Sheet or Income Statement.

On 4 July 2006, the merger by incorporation of FOMM S.p.A. into Brembo S.p.A. was finalised with enrolment in the company register of the Bergamo Chamber of Commerce. The merger did not have any effect on the consolidation area, as FOMM S.p.A. was already 100% owned by Brembo S.p.A.

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

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

Sales of goods and services amounted to €185,107 in the third quarter, up 12.2% compared to the same period in 2005. The figures are consistent in the two years, since the changes of the consolidation area have had no impact on revenues.

In the third quarter, the sectors that most contributed to the growth in sales with their respective applications were commercial vehicles and car applications. Development was concentrated mainly in Europe.

Consolidated sales generated abroad accounted for 78.0% of total sales, with Germany and Italy representing 49.5% of total revenues. The contraction in the volumes of a number of Japanese producers led to a drop in earnings in Japan. Revenues decreased also in the NAFTA area.

Other revenues and income decreased 26.6% compared to the same period of 2005, which benefited from the sale of two industrial sheds in Spain that were no longer used for production (€1,897).

During the quarter, the cost of sales and other net operating costs amounted to €122,911, with a ratio of 66.4% to sales, slightly down compared to 64.8% for the same period in the previous year. The decreased incidence is due to higher costs deriving from the reorganisation of production sites in Italy and the start-up of the new foundry in Poland.

Development costs recognised as intangible assets amounted to €1,972 compared to €1,371 in the third quarter of 2005.

Personnel expenses for the third quarter of 2006 amounted to €36,191, a 19.6% ratio to sales, slightly down compared to the same period of the previous year, which was affected by adjustments of employee contracts in Italy.

At 30 September 2006, Brembo employed 4,629 staff (4,185 staff at 30 September 2005 and 4,543 at 30 June 2006). Over 40% of the Group's overall staff works at foreign subsidiaries or facilities.

In the third quarter of 2006, gross operating income amounted to €26,005 (14.0% of revenues) as against €24,614 in the third quarter of 2005 (14.9% of revenues), reflecting an increase of €1,391.

Net operating income amounted to €16,546, compared to €15,866 reported for the third quarter of 2005, after amortisation, depreciation and impairment losses of property, plant, equipment and intangible assets for €9,459, compared to amortisation and depreciation for the third quarter of 2005 amounting to €8,748. Offsetting the decrease in depreciation and amortisation of several multi-year expenses, amortisation of development costs recognised in previous years, as well as depreciation on plant and machinery increased.

The start-up phase of the Polish foundry was completed and the depreciation period began in July.

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Depreciation expense also decreased as a result of the suspension of depreciation on a production facility held for sale (the property was reclassified among non-current assets held for sale for an overall value of €12,593).

Net financial charges were €4,926. Year on year, the net negative change in net financial charges is attributable on the one hand to the negative effect of valuation at fair value of a derivative instrument held for trading (€2,839), and on the other hand to the rise in net indebtedness and the trend in interest rates, which recorded also significant increases.

The aforementioned derivative was settled on 31 October 2006. This allowed the company to close the transaction with a profit of €0.9 million.

For the aforementioned reasons, net financial charges worsened in terms of percentage of revenues (2.7% in 2006 compared to 0.4% 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 Indian JV KBX Motorbike Products Private Ltd. (50%).

Pre-tax income amounted to €11,677, with a ratio to sales of 6.3%, compared to €15,198 for Q3 2005 with a ratio of 9.2%.

Expected taxes due, calculated on the basis of the tax rates applicable for the period under current fiscal regulations, amounted to €4,875 (€5,367 in the third quarter of 2005), of which €394 for prepaid taxes. The ratio of income taxes to revenues for the period was 41.7% including deferred taxes. The ratio was higher than that of 2005 due to the effects of the fiscal policy enacted with Legislative Decree 223/06, as well as the increased percentage impact of IRAP (regional tax on production activities) on income before taxes for Italian Companies.

Overall net income for the quarter amounted to €6,656, net of minority interests in the amount of €146, with a ratio to net revenues of 3.6%. Compared to the same period of 2005, income decreased by about 27.7% due to the aforementioned reasons.

Net Invested Capital at the end of the quarter stood at €522,527. At 31 December 2005, it amounted to €462,289 and at 30 June 2006 it was €517,867.

The amount decreased by €4,660 with respect to previous quarter.

The main investments of the Company include the completion of a new cast-iron foundry adjacent to the brake disc production plant in Poland.

Furthermore, the Company continues to implement its business plan, largely focusing on its Italian and foreign production sites.

During the quarter, the Company paid the third tranche of its investment in the newly formed company, Brembo China Brake Systems Co. Ltd. The last tranche will be paid in November.

The 0.9% rise in Net Invested Capital is therefore attributable to the following factors:

- investments in property, plant, equipment and intangible assets, mainly associated with the industrial plan of which €2.0 million were capitalised development costs;

- decrease in Net Working Capital, primarily in trade receivables amounting to €20.4 million.

Net debt decreased from €244,041 at 30 June 2006 to €238,765 at 30 September 2006.

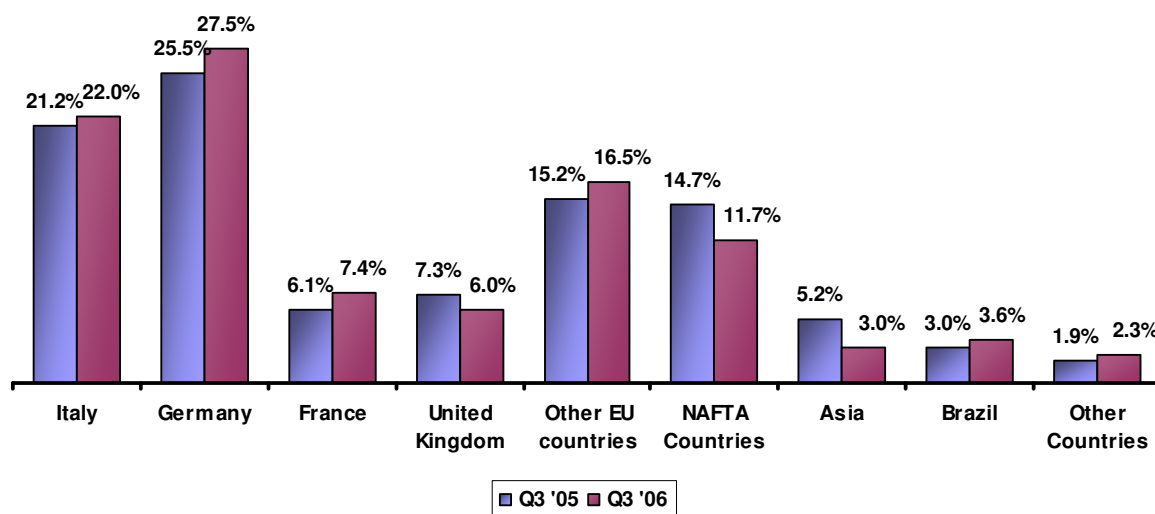
The financial structure is marked by a slight unbalanced mix of short-term and long-term maturities. The situation is considered temporary and it will be balanced in the next quarters.

### Sales Breakdown by Geographical Area and Application

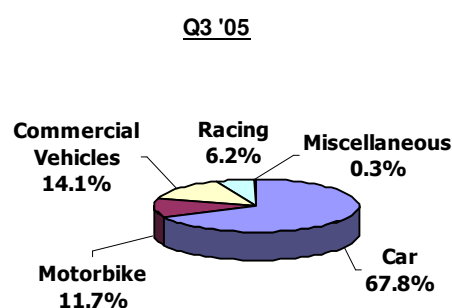
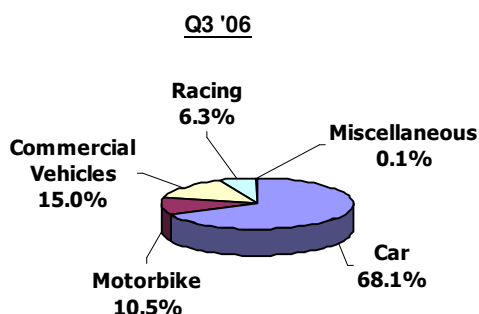
The following table shows gross sales for the third quarter of 2006 and cumulative sales for the first nine months of 2006 broken down by geographical area and application.

GEOGRAPHICAL AREA	A		B		A-B	%
	Q3 '06	%	Q3 '05	%		
<i>(euro thousand)</i>						
Italy	41,610	22.0%	35,603	21.2%	6,007	16.9%
Germany	52,071	27.5%	42,678	25.5%	9,393	22.0%
France	13,988	7.4%	10,170	6.1%	3,818	37.5%
United Kingdom	11,423	6.0%	12,193	7.3%	(770)	-6.3%
Other EU countries	31,241	16.5%	25,489	15.2%	5,752	22.6%
NAFTA Countries	22,151	11.7%	24,666	14.7%	(2,515)	-10.2%
Asia	5,709	3.0%	8,739	5.2%	(3,030)	-34.7%
Brazil	6,742	3.6%	4,965	3.0%	1,777	35.8%
Other Countries	4,412	2.3%	3,143	1.9%	1,269	40.4%
<b>Total</b>	<b>189,347</b>	<b>100.0%</b>	<b>167,646</b>	<b>100.0%</b>	<b>21,701</b>	<b>12.9%</b>

The incidence of the overall turnover

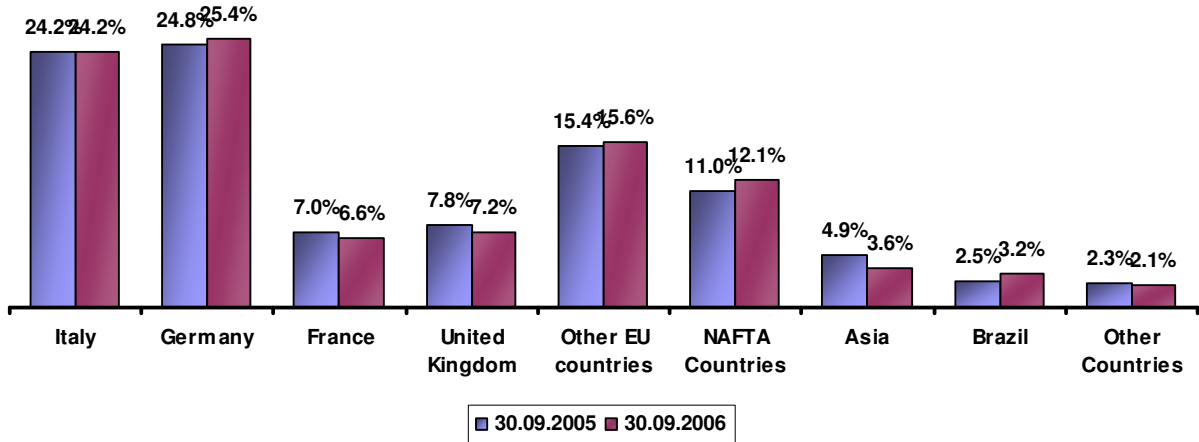


APPLICATION	A		B		A-B	%
	Q3 '06	%	Q3 '05	%		
<i>(euro thousand)</i>						
Car	128,909	68.1%	113,664	67.8%	15,245	13.4%
Motorbike	19,815	10.5%	19,645	11.7%	170	0.9%
Commercial Vehicles	28,343	15.0%	23,574	14.1%	4,769	20.2%
Racing	12,017	6.3%	10,318	6.2%	1,699	16.5%
Miscellaneous	263	0.1%	444	0.3%	(181)	-40.8%
<b>Total</b>	<b>189,347</b>	<b>100.0%</b>	<b>167,645</b>	<b>100.0%</b>	<b>21,702</b>	<b>12.9%</b>

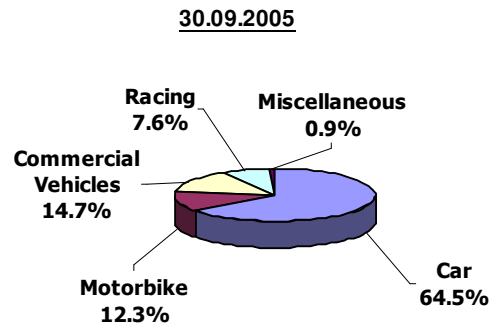
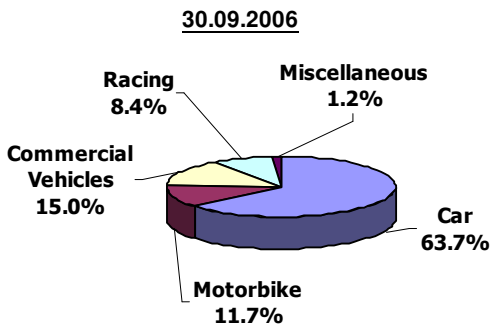


GEOGRAPHICAL AREA	C		D		C-D	%
	30.09.2006	%	30.09.2005	%		
<i>(euro thousand)</i>						
Italy	147,862	24.2%	132,285	24.2%	15,577	11.8%
Germany	155,124	25.4%	135,905	24.8%	19,219	14.1%
France	40,276	6.6%	38,518	7.0%	1,758	4.6%
United Kingdom	43,738	7.2%	42,912	7.8%	826	1.9%
Other EU countries	94,958	15.6%	84,004	15.4%	10,954	13.0%
NAFTA Countries	73,826	12.1%	60,432	11.0%	13,394	22.2%
Asia	22,228	3.6%	26,762	4.9%	(4,534)	-16.9%
Brazil	19,589	3.2%	13,526	2.5%	6,063	44.8%
Other Countries	12,862	2.1%	12,793	2.3%	69	0.5%
<b>Total</b>	<b>610,463</b>	<b>100.0%</b>	<b>547,137</b>	<b>100.0%</b>	<b>63,326</b>	<b>11.6%</b>

### The incidence of the overall turnover



APPLICATION	C		D		C-D	
	30.09.2006	%	30.09.2005	%		%
<i>(euro thousand)</i>						
Car	388,996	63.7%	352,708	64.5%	36,288	10.3%
Motorbike	71,478	11.7%	67,278	12.3%	4,200	6.2%
Commercial Vehicles	91,420	15.0%	80,572	14.7%	10,848	13.5%
Racing	51,008	8.4%	41,764	7.6%	9,244	22.1%
Miscellaneous	7,561	1.2%	4,814	0.9%	2,747	57.1%
<b>Total</b>	<b>610,463</b>	<b>100.0%</b>	<b>547,136</b>	<b>100.0%</b>	<b>63,327</b>	<b>11.6%</b>



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## **Foreseeable Evolution**

A positive month of October and the order portfolio show good perspectives of revenues and margins for the fourth quarter.

The net financial position won't benefit by the building sale within the end of the current year, as previously announced, since the recent Italian tax law postponed the potential sale to next year.

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## Directors' Report on Operations and Significant Events

### Macroeconomic Context

An understanding of the global macroeconomic situation provides a useful framework for better interpreting the Company's performance during the period under review.

In the third quarter of 2006, economic indicators confirmed the beginning of a slowdown in the world economy, mainly due to the deceleration of the US economy, which grew at a significantly slower pace than in the previous quarters. Although Japan's economy slowed somewhat, no significant decelerations were recorded in the emerging Asian countries, which should continue to drive growth in the coming months.

In the euro area, the surprising growth in the summer months was only slightly hindered by September's results. The Italian economy continued the positive trend that began at the start of 2006: the GDP could reach 1.7% this year, the highest level in the past five years.

September also saw a decrease in oil prices and a stabilisation of raw materials prices.

During the quarter, Brembo's gross consolidated revenues amounted to €189,347, up by 12.9% compared to figures for the same period of the previous year.

### Currency Markets

In the past few months, yield differentials, monetary policy expectations, growth differentials and the evolution of foreign currency reserves in various countries have pointed to a new weakness of the dollar.

In the third quarter of 2006, the euro/dollar exchange rate fluctuated between 1.26 and 1.27 thus confirming the consolidation reached at the end of the six-month period.

With reference to the currencies of the other main markets in which Brembo operates, the Polish zloty, after depreciating during the first half of 2006, appreciated against the euro in the third quarter, nearing its start-of-year level. The Brazilian real and the Indian rupee remained mostly stable.

### Operating Structure and Reference Markets

#### Operating structure

Today, Brembo operates in twelve countries around the world, counting on the contribution of over 4,600 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 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.

#### Reference Markets

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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 brake discs, 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 produced 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.

During the course of the third quarter, Brembo's positive growth trend of net consolidated income continued, amounting to €189,347, a 12.9% increase compared to same period of the previous financial year (€167,646).

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

## **Applications**

### **Cars**

Brembo's performance in this sector in the third quarter of 2006, recorded a slight 1.5% increase in sales volume compared to the same period last year, consolidating the growth achieved in the first half of 2006. However, growth was not uniform on the various international markets:

- o sales on the western European market slightly decreased (-1.8%) compared to the same period of 2005, a reversal of the positive trend seen in the first half of the year.
- o the eastern European market recorded a 16.7% increase in sales in the third quarter of 2006, a strong improvement over the same period of 2005;
- o in the NAFTA area, the US automotive market recorded a further 6.0% decrease in sales compared to the same period of 2005, continuing the negative trend seen in the first half of 2006;
- o the Asian market, led by China, continued its solid expansion, with the exception of Japan, which recorded a slowdown (-3.6%);
- o In South America vehicle sales continued to grow at a strong pace, with a 13.6% increase.

In this scenario, Brembo recorded sales of braking systems and brake discs for €128,909 in the third quarter of 2006, with a 68.1% ratio to consolidated sales.

### **Motorbikes**

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

In Italy — an increasingly important market in Europe, accounting for one third of the total — cumulative sales for the first nine months of the year increased 6.2%, with motorbike sales increasing 8.4% compared to the same period in 2005 and scooter sales increasing 4.9%. The scooter segment

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confirms the significant increase in the 250cc intermediate category, which is becoming the reference market (+12%), while the top performer in the motorbike segment was the 650-750cc category.

The United States continued the positive trend seen in the first quarter, posting a 3.7% increase in cumulative sales for the first nine months compared to the same period last year.

In this climate, Brembo's gross revenues for third quarter of 2006 in this segment amounted to €19,815, slightly up compared to the same period of 2005, accounting for 10.5 % of total sales.

### **Commercial and Industrial Vehicles**

Commercial vehicle's registrations in Europe, Brembo's reference market, continued to increase in the third quarter of 2006 compared to the same period of 2005, confirming the positive trend of the first half of 2006.

In Europe, the registration of commercial vehicles up to 3.5 tonnes increased 3.8% compared to the same period of 2005, with the key markets Germany and Spain showing the best results. Sales of vehicles above 3.5 tonnes also continued the growth trend seen in the first quarter of the year, increasing by 9.5%.

Brembo's gross revenues for the third quarter amounted to €28,343, up 20.2% compared to the same period of 2005, accounting for about 15.0% of overall sales.

### **Racing Market**

Brembo is present in 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.

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 third quarter of 2006 closed with gross revenues of €12,017, a sharp increase compared to the same period in 2005 and representing 6.3% of total revenues.

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### **Further Information**

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**

No significant events occurred following the close of the third quarter of 2006.

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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