First Quarter Report 2004

brembo®

Contents

Company Officers

The General Shareholders' Meeting of the Parent Company Brembo S.p.A., held on 26 April 2004, passed a resolution to appoint Alberto Tazartes to the Board of Directors; Mr. Tazartes was co-opted by the Board of Directors on 24 September 2003. The term of office for the entire Board will expire upon approval of the Financial Statements for the year ended 31 December 2004. In addition the Shareholder's meeting passed a resolution the assignment for the Audit of the Financial Statement for the year 2004-2005-2006 to PricewaterhouseCoopers S.p.A..

Board of Directors

Chairman	Alberto Bombassei (1)
Directors	Paolo Biancardi (3) Cristina Bombassei (4) Giancarlo Dallera (3) Giovanna Dossena (3) Andrea Gibellini (3) Stefano Monetini (2) Umberto Nicodano (3) Giuseppe Roma (3) Alberto Tazartes (3) Matteo Tiraboschi (4)

Board of Statutory Auditors

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

Auditing Company

PriceWaterhouseCoopers S.p.A.

Committees

Internal Control Committee	Giuseppe Roma - *Chairman* Giovanna Dossena Andrea Gibellini
Remuneration Committee	Paolo Biancardi Giancarlo Dallera Umberto Nicodano

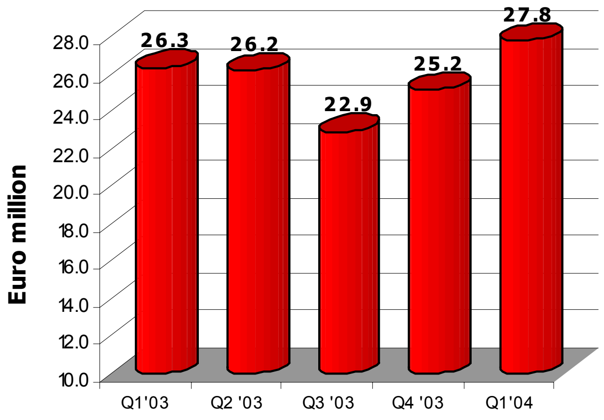
(1) The Chairman, in his capacity as Managing Director, has powers of ordinary or special management, within the limits of the law and the Articles of Association. He also holds the position of Chairman or Director in some of the Group companies.

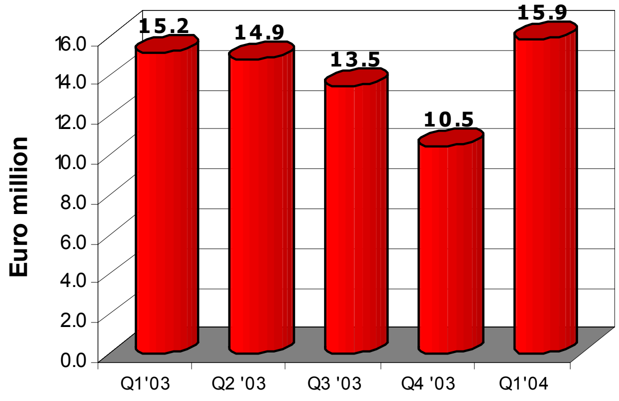
(2) This director has certain powers of ordinary management in Brembo S.p.A. He also holds the position of Chairman and Director in some of the Group companies.

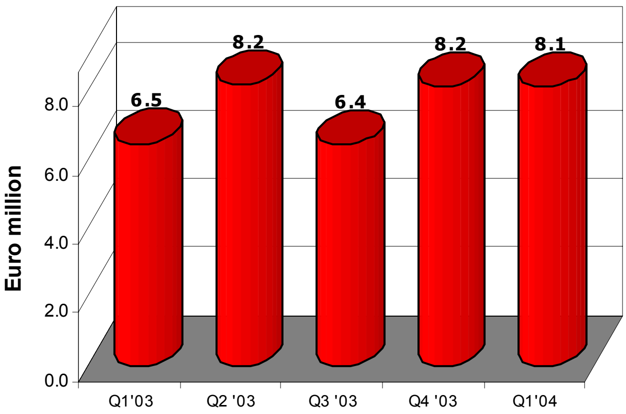
(3) Corporate Governance – Independent and non-operating directors – Borsa Italiana Regulations for STAR segment – Art. 2.2.3 paragraph 3 letter e) and f).

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

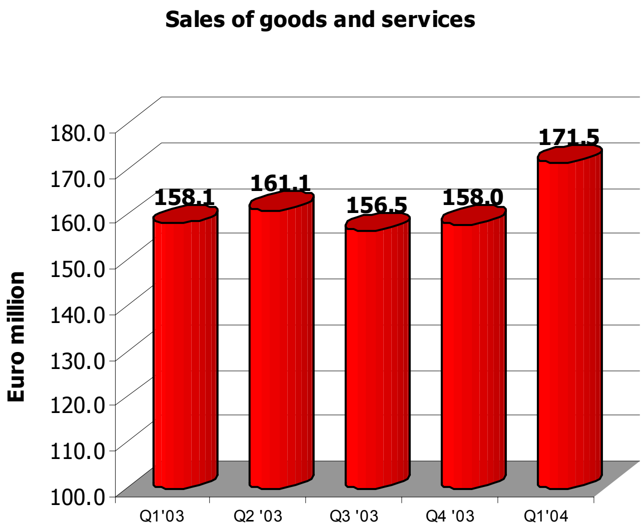
Highlights

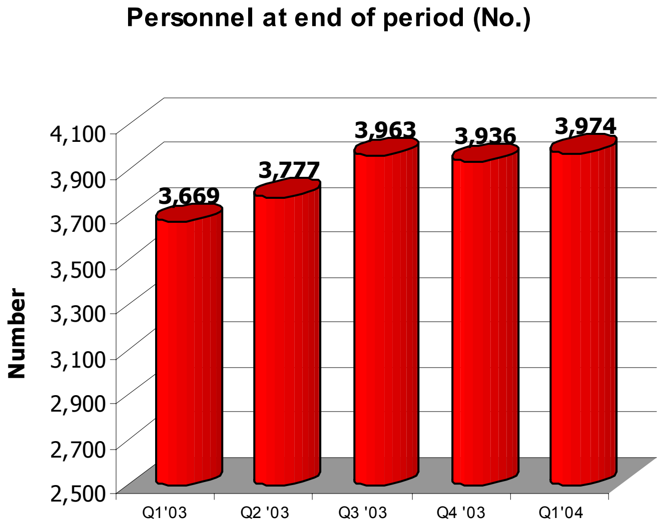


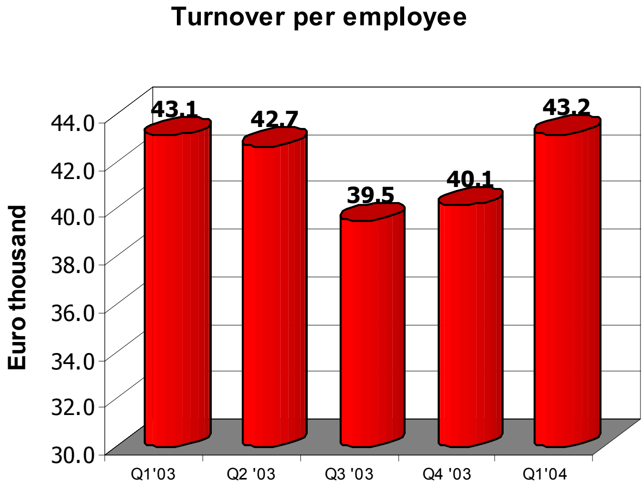




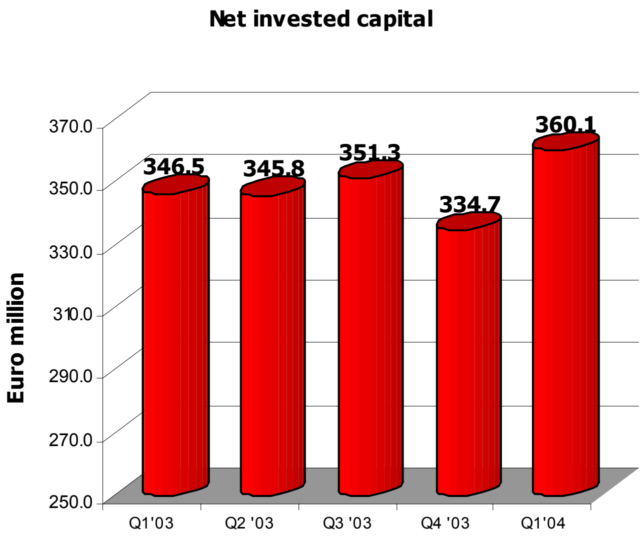
ECONOMIC RESULTS ***(Euro million)***	**A** **Q1 '03**	**Q2 '03**	**Q3 '03**	**Q4 '03**	**B** **Q1 '04**	**% B/A**
Sales of goods and services	158.1	161.1	156.5	158.0	171.5	*8.5%*
Gross operating income	26.3	26.2	22.9	25.2	27.8	*5.5%*
% of sales	*16.7%*	*16.2%*	*14.7%*	*15.9%*	*16.2%*	
Net operating income	15.2	14.9	13.5	10.5	15.9	*4.3%*
% of sales	*9.6%*	*9.2%*	*8.7%*	*6.6%*	*9.3%*	
Income before taxes	12.9	15.9	12.3	9.7	15.4	*19.2%*
% of sales	*8.2%*	*9.9%*	*7.9%*	*6.2%*	*9.0%*	
Net income	6.5	8.2	6.4	8.2	8.1	*25.5%*
% of sales	*4.1%*	*5.1%*	*4.1%*	*5.2%*	*4.7%*	

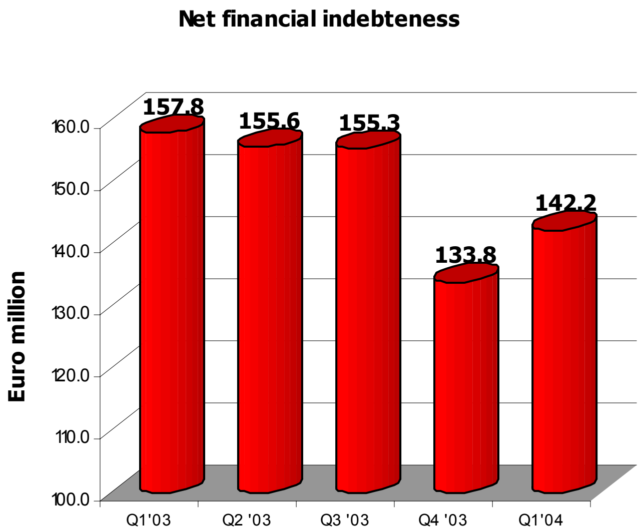


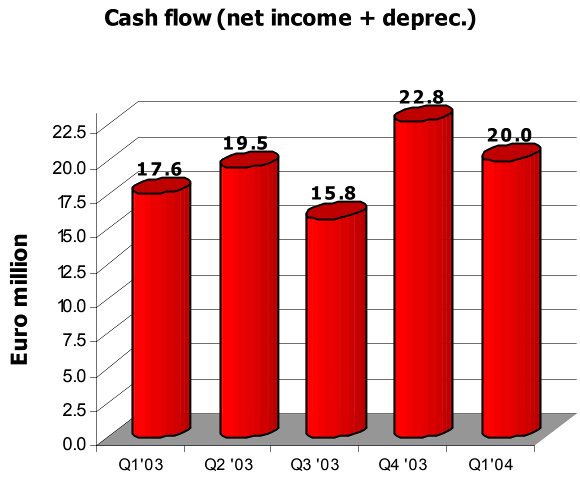




				A	B	
FINANCIAL RESULTS *(Euro million)*	**Q1 '03**	**Q2 '03**	**Q3 '03**	**Q4 '03**	**Q1 '04**	**% B/A**
Net invested capital	346.5	345.8	351.3	334.7	360.1	*7.6%*
Shareholders' equity	170.9	171.7	177.0	181.2	198.1	*9.3%*
Net financial indebteness	157.8	155.6	155.3	133.8	142.2	*6.3%*
PERSONNEL AND CAPITAL EXPENDITURE						
Personnel at end of period (No.)	3,669	3,777	3,963	3,936	3,974	*1.0%*
Turnover per employee *(Euro thousand)*	43.1	42.7	39.5	40.1	43.2	*7.5%*
Capital Expenditure *(Euro million)*	7.7	12.0	21.9	11.8	12.6	*6.8%*







	A				B	
MAIN RATIOS	**Q1 '03**	**Q2 '03**	**Q3 '03**	**Q4 '03**	**Q1 '04**	**% B/A**
Net operating income/Sales	*9.6%*	*9.2%*	*8.7%*	*6.6%*	*9.3%*	
Income before taxes/Sales	*8.2%*	*9.9%*	*7.9%*	*6.2%*	*9.0%*	
Capital Expenditure/Sales	4.9%	7.5%	14.0%	7.5%	7.3%	
Net Financial indebtedness/Shareholders' equity	*92.3%*	*90.6%*	*87.7%*	*73.8%*	*71.8%*	
Financial charges/Sales	*1.6%*	*0.9%*	*0.7%*	*0.8%*	*0.6%*	
Financial charges/Net Operating Income	*16.4%*	*9.7%*	*8.1%*	*11.6%*	*6.9%*	
R.O.I.	*16.7%*	*15.8%*	*18.4%*	*12.3%*	*16.7%*	
R.O.E.	*14.5%*	*17.8%*	*18.6%*	*18.3%*	*16.1%*	
Cash flow (Net income + deprec.+ amortis.) *(Euro million)*	17.6	19.5	15.8	22.8	20.0	*13.8%*

Consolidated Financial Statements

Consolidated Income Statement (Q1 2004)

(Euro thousand)	A Q1 '04	B Q1 '03	(A-B) CHANGE	%
Sales of goods and services	171,513	158,120	13,393	8.5%
Personnel expenses	(35,256)	(32,002)	(3,254)	10.2%
Cost of sales and operating costs	(108,473)	(99,771)	(8,702)	8.7%
Gross operating income	27,784	26,347	1,437	5.5%
% of sales	*16.2%*	*16.7%*		
Amortisation and depreciation	(10,017)	(9,424)	(593)	6.3%
Net operating income before amort. of consolid. Diff.	17,767	16,923	844	5.0%
% of sales	*10.4%*	*10.7%*		
Amortisation of consolidation difference	(1,893)	(1,703)	(190)	11.2%
Net Operating income	15,874	15,220	654	4.3%
% of sales	*9.3%*	*9.6%*		
Net financial income (charges)	(1,103)	(2,499)	1,396	-55.9%
Net non-recurring income (charges)	752	0	752	0.0%
Adjustements of financial assets value	(121)	205	(326)	-159.0%
Income before taxes	15,402	12,926	2,476	19.2%
% of sales	*9.0%*	*8.2%*		
Taxes	(6,983)	(6,401)	(582)	9.1%
Income before minority interests	8,419	6,525	1,894	29.0%
% of sales	*4.9%*	*4.1%*		
Minority interests	(290)	(47)	(243)	517.0%
Net income	8,129	6,478	1,651	25.5%
% of sales	*4.7%*	*4.1%*		
Cash flow	20,039	17,605	2,434	13.8%
% of sales	*11.7%*	*11.1%*		

Consolidated Balance Sheet

(Euro thousand)	A 31/03/04	B 31/12/03	C 31/03/03	A-B CHANGE	A-C CHANGE
Tangible and intangible fixed assets	211,470	209,327	205,143	2,143	6,327
Financial fixed assets	27,150	27,287	35,333	(137)	(8,183)
(a) Total net fixed assets	238,620	236,614	240,476	2,006	(1,856)
				0.8%	*(0.8%)*
Inventories	112,515	109,896	101,109	2,619	11,406
Current assets	189,325	167,342	172,220	21,983	17,105
Current liabilities	(173,706)	(173,203)	(155,268)	(503)	(18,438)
Provision for contingencies and other charges	(6,639)	(5,978)	(12,040)	(661)	5,401
(b) Net working capital	121,495	98,057	106,021	23,438	15,474
				23.9%	*14.6%*
(c) NET INVESTED CAPITAL (a)+(b)	360,115	334,671	346,497	25,444	13,618
				7.6%	*3.9%*
(d) Shareholders' equity	198,104	181,240	170,938	16,864	27,166
(e) Employees' leaving entitlement	19,777	19,622	17,757	155	2,020
Net medium and long-term financial indebtedness	78,224	81,752	88,445	(3,528)	(10,221)
Net short-term financial indebtedness	64,010	52,057	69,357	11,953	(5,347)
(f) Net financial indebtedness	142,234	133,809	157,802	8,425	(15,568)
				6.3%	*(9.9%)*
(g) COVER (d)+(e)+(f)	360,115	334,671	346,497	25,444	13,618
				7.6%	*3.9%*

Cash-Flow Statement

(Euro thousand)	period ended 31/03/04	31/12/03
Net financial indebtedness at beginning of period	**(133,809)**	**(154,862)**
Income for the period	8,419	30,203
Amortisation and depreciation	11,910	46,451
Gains/losses from disposal of fixed assets and other provisions	1,954	267
Net working capital generated by operations	**22,283**	**76,921**
Use of empoloyees' leaving entitlement and pension funds	(968)	(2,883)
(Increase) reduction in current assets:		
inventories	(3,028)	(9,038)
receivables, prepayments and accrued income	(22,568)	(11,973)
Increase (reduction) in current liabilities:		
payables, accruals and deferred income	503	21,748
translation differences on working capital	960	(8,110)
Cash-flow from (for) operating activities	**(2,818)**	**66,665**
Investiments in fixed assets	(12,574)	(53,606)
Price for disposal, or reimbursement value of fixed assets	1,730	12,347
Cash-flow from (for) investiments	**(10,844)**	**(41,259)**
Cash-flow from (for) changes to Shareholder's equity	**5,465**	**(7,224)**
Total cash-flow	**(8,197)**	**18,182**
Translation difference on net indebtedness	(228)	2,871
Net financial indebtedness at end of period	**(142,234)**	**(133,809)**

Net Financial Position

(Euro thousand)	31/03/04 Due within one year	31/03/04 Due after one year	31/03/04 TOTAL	31/12/03 Due within one year	31/12/03 Due after one year	31/12/03 TOTAL	31/03/03 Due within one year	31/03/03 Due after one year	31/03/03 TOTAL
Financial receivables:									
Bank and postal accounts	27,339		27,339	33,305		33,305	27,789		27,789
Cash-in-hand and cash equivalents	57		57	54		54	51		51
Total	**27,396**	**0**	**27,396**	**33,359**	**0**	**33,359**	**27,840**	**0**	**27,840**
Financial payables:									
Ordinary current accounts and advance	41,612		41,612	30,916		30,916	31,405		31,405
Loans	49,794	78,224	128,018	54,500	81,752	136,252	65,792	88,445	154,237
Total	**91,406**	**78,224**	**169,630**	**85,416**	**81,752**	**167,168**	**97,197**	**88,445**	**185,642**
Net financial indebtedness	**64,010**	**78,224**	**142,234**	**52,057**	**81,752**	**133,809**	**69,357**	**88,445**	**157,802**

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 and subsequent amendments).

The consolidated financial statements have been drawn up in compliance with regulations governing company accounts, applying the accounting principles utilised when drafting the consolidated annual report, to which you are referred, and using the reclassified statements in line with those given in the Report on Operations.

Moreover, it is noted that:

- 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 inventory for Brembo SpA was evaluated by applying the cost at 31 December 2003 to the accounting results of goods in stock at 31 March 2004, given that there were no significant variations in industrial costs, despite the significant fluctuations in the costs of raw materials;
- 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 the notes are given as thousands of Euro.

Consolidation Area

The financial statements for Q1 2004 include financial statements of Brembo SpA, the Parent Company, and the financial statements of operating companies that Brembo SpA directly or indirectly controls as per Art. 2359 of the Italian Civil Code.

The consolidation area has changed with respect to 31 March 2003 due to the inclusion of Bibielle SpA brake discs producer, which was fully consolidated, the transfer of affiliate AIBC IH, South Africa company car parts producer manly for local market, and the inclusion of Brembo Ceramic Brake System S.p.A (BCBS), a newly established joint venture with DaimlerChrysler. The inclusion of this JV has also changed the consolidation area with respect to 31 December 2003.

With respect to the same quarter last year, the acquisition of the entire stake in Bibielle SpA and Brembo North America, which occurred in Q4 2003, generated a change in equity and income attributable to minority interests. These transactions also generated economic and equity effects with respect to the consolidated results for Q1, which are detailed in the Notes.

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

Net revenues, which came to €171,513 in the quarter of reference, increased by €13,393 or +8.5% compared to the same period of 2003.
The inclusion of Bibielle Spa and BCBS in the consolidation area affected consolidated revenues in the amount of €3,259, i.e. the revenues of the companies for the quarter of reference net of intra-group items. Therefore, in a constant consolidation area, the revenue increase would have amounted to 6.4%. During the first quarter, the increase in sales was generated mainly by applications for top-range cars, commercial vehicles, and the discs for the aftermarket. Development was concentrated mainly in Europe (Italy and France) and in the United States, though limited by the negative currency effect due to the depreciation of the dollar against the euro; this effect was observed again in Q1 2004. The racing and motorbike sectors also contributed to the development of consolidated revenues, albeit to a lesser extent.
The continuous and steady growth of Brembo highlights the fact that it is affected by cyclic market changes to a relatively limited extent.

Personnel expenses for Q1 2004 amounted to €35,256, a 20.6% ratio to sales in line with the end of the previous year With respect to the same period of the previous year, labour costs were affected by the portion of the three-year incentive plan for the Group's top management that accrued during the quarter. Employees on the payroll at 31 March 2004 numbered 3,974, including 155 employees of Bibielle S.p.A. and 39 of BCBS (3,669 employees at 31 March 2003 and 3,936 at 31 December 2003). One third of the total employees of the Group operate with the divisions and companies abroad.
The ratio of the cost of sales and other operating costs to revenues was 63,2% for the first quarter 2004, compared to 63.1% for the same period in 2003, confirming the levels of efficiency achieved in Q4 2003.

Gross operating income amounted to €27,784 (16.2% of sales) and compares to €26,347 for Q1 2003 (16.7% of sales), registering an increase of €1,437, in proportion to the growth in sales volumes, the inclusion of Bibielle S.p.A. in the consolidation area and efficiencies attained in the logistics and production areas against constant increases in the market prices of the main raw materials, which were reflected in pressure on the purchase price for raw materials also for Brembo. The company has accrued amounts connected with the risk caused by financial difficulties of some customers.

Net operating income amounted to €15,874, compared to €15,220 reported for Q1 2003, after amortisation and depreciation of tangible and intangible fixed assets for €11,910, compared to amortisation and depreciation for Q1 2003 amounting to €11,127. Higher amortisation and depreciation can be attributed to larger investments made during the period compared to 2003 (including the new aluminium smelting plant). This can also be attributed to the effects arising from the write-ups taken on several asset categories at the end of 2003.

Total financial charges amounted to €1,103, represented by the net positive translation differences for €77 (a negative amount of €1,021 for Q1 2003) and by net financial charges for €1,180 (€1,478 for Q1 2003). The decrease, compared to the same period of the previous year, is primarily due to a reduction in interest rates and better efficiency of the financial instruments used and the reduction of the Group's net indebtedness.

Income before taxes amounted to €15,402 with a ratio to sales of 9.0%, compared to €12,926 for Q1 2003 with a ratio of 8.2%. Of this increase, €752 is due to capital gains from the transfer of property that is no longer used for production purposes by the Spanish subsidiary.

Expected taxes due, calculated on the basis of the tax rates applicable for the period under current fiscal regulations amounted to €6,983 (€6,401 in Q1 2003), of which €477 for deferred taxes. The ratio of income taxes for the year was 45.3% including deferred taxes.

Overall net profit for the period amounted to €8,129, after deducting minority interests of €290. Compared to the same period 2003, profit increased by 25%, while the ratio to net sales increased from 4.1% to 4.7%.

Cash flow (net profit + amortisation and depreciation) for Q1 2004 closed at €20,039, with an increase compared with €17,605 over the 2003 figure.

Net invested capital at the end of the period amounted to €360,115. At 31 December 2003, it amounted to €334,671 and at 31 March 2003 it was reported as €346,497. The net increase compared to year-end 2003 was due to:

- investments made in tangible and intangible fixed assets (investments for the quarter totalled €12,574, including net investments made by the new JV, BCBS, for €4,649);
- the increase in net working capital as a result of the increased volumes in terms of sales revenues for the first quarter, marking an increase of €13,514 compared to the figure of €157,999 for Q4 2003.

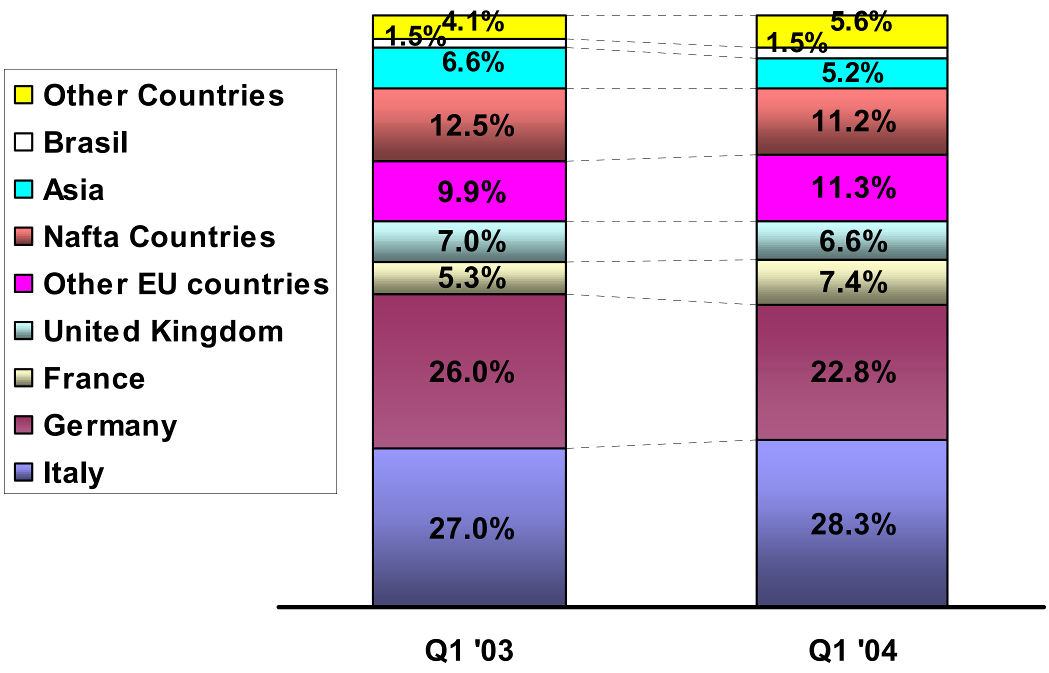
Net financial debts rose from €133,809 at 31 December 2003 to €142,234 at 31 March 2004. Compared to the same period last year, when indebtedness was €157,802, this reflects a significant reduction of €15,568. The improvement can be attributed to the good capacity to generate liquidity, also arising from the disposal of real estate in Spain against the investments that have been made.

Also at the end of Q1 2004 the situation of net financial debts was balanced in terms of composition between short-term and long-term items (55% and 45% of total debt, respectively).

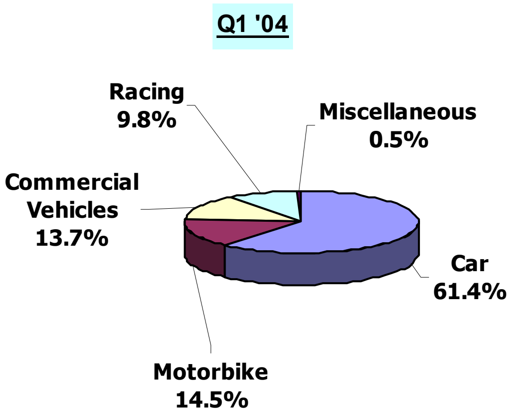
Sales Breakdown by Geographical Area and Application

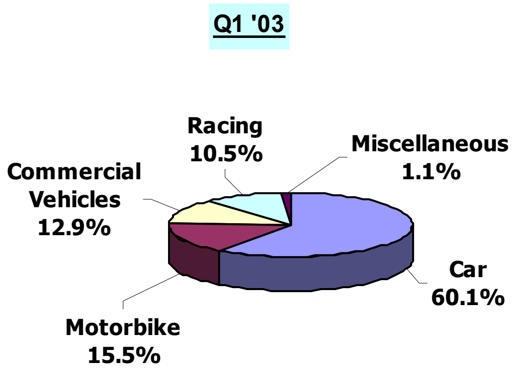
The following table shows the breakdown of gross sales for Q1 2004 by geographical area and application.

	A		B			
GEOGRAPHICAL AREA	**Q1 '04**	**%**	**Q1 '03**	**%**	**A-B**	**%**
(Euro thousand)						
Italy	49,429	28.3%	43,498	27.0%	5,931	13.6%
Germany	39,799	22.8%	42,021	26.0%	(2,222)	-5.3%
France	12,830	7.4%	8,619	5.3%	4,211	48.9%
United Kingdom	11,553	6.6%	11,325	7.0%	228	2.0%
Other EU countries	19,762	11.3%	16,007	9.9%	3,755	23.5%
Nafta Countries	19,569	11.2%	20,174	12.5%	(605)	-3.0%
Asia	9,062	5.2%	10,664	6.6%	(1,602)	-15.0%
Brasil	2,623	1.5%	2,384	1.5%	239	10.0%
Other Countries	9,741	5.6%	6,677	4.1%	3,064	45.9%
Total	**174,368**	**100.0%**	**161,369**	**100.0%**	**12,999**	**8.1%**



	A		B			
APPLICATION	**Q1 '04**	**%**	**Q1 '03**	**%**	**A-B**	**%**
(Euro thousand)						
Car	107,025	61.4%	97,003	60.1%	10,022	10.3%
Motorbike	25,338	14.5%	24,965	15.5%	373	1.5%
Commercial Vehicles	23,915	13.7%	20,749	12.9%	3,166	15.3%
Racing	17,154	9.8%	16,910	10.5%	244	1.4%
Miscellaneous	936	0.5%	1,742	1.1%	(806)	-46.3%
Total	**174,368**	**100.0%**	**161,369**	**100.0%**	**12,999**	**8.1%**





Foreseeable Evolution

Reference markets are expected to continue the trends posted during Q1 in a scenario that, on the whole, shows moderate growth in volumes compared to last year in the various geographical areas and for the different applications of company products.

The influx of orders to date for the coming months confirms the dynamics observed during the first quarter.

As far as costs are concerned, preoccupation remains for the situation of raw materials, with costs that are significantly higher than the average prices of several months ago. A plan was implemented several months ago in order to mitigate negative effects on margins reduced by external cost trend, by negotiating with the company's main customers and suppliers of raw materials in order to distribute this pressure evenly across the entire chain of value of our products.

Directors' Comments on Operations and Significant Events

Macroeconomic Context

In order to judge Brembo's performance in Q1 2004, it is vital to have an overview of the worldwide macroeconomic context, with particular reference to the markets in which the company works.

On the whole, in Q1 2004 the international economy has shown signs of recovery, despite ongoing uncertainty and tension. The situation in the Middle East, in particular, continues to present a high level of risk, and political uncertainty has put pressure on economic markets. The threat of new terrorist attacks continues to slow down recovery in terms of consumption. A livelier recovery has also been conditioned by growing pressure on production costs and the drive to increase prices, triggered by rising oil prices in relation to the performance of the American dollar and, in part, to speculation. Another key factor here is the increased cost of raw materials, which has risen significantly due to the policy of maintaining stocks as well as the greater demand by emerging countries.

In this scenario, in Q1 2004 the American economy continued its strong growth trend, with a 4.2% increase in GDP year on year. The strong euro has aided the American economy in this phase, while partially slowing down the European one.

The European Union has shown overall growth of 2.1% year on year: the United Kingdom (+2.4%) and Spain continue to be the most dynamic countries, while Germany and Italy are lagging. The countries that have recently joined the European Union have shown more dynamic performance, particularly Poland, the Czech Republic, Slovakia and Hungary.

As far as Asia is concerned, in Q1 2004 Japan's GDP rose 1.3% year on year; once again, the Chinese economy is the one that showed the most marked growth of all, and it continues to drive worldwide recovery.

Currency Markets

In general, during Q1 2004 the trends in the currency market were characterised by further average depreciation of 5.1% for the dollar against the euro, bringing the dollar's cumulative depreciation for 2003 and 2004 to approximately 25%.

In terms of the currencies of the other leading markets in which Brembo operates, a comparison of Q1 2004 to Q4 2003 shows that the Polish zloty depreciated by about 3.3% against the euro. Likewise, the Mexican peso depreciated by 3.2%, the Brazilian real by 5%, the Chinese renminbi by 5.1% and the Japanese yen by 3.5%.

Only the pound sterling has appreciated by approximately 2.5% against the euro over the last two quarters.

Operating Structure and Reference Markets

Operating Structure

Shown below are the changes that were made during the quarter to Brembo's structure.

- Brembo Ceramic Brake Systems S.p.A., the legal entity envisaged by the agreement signed with DaimlerChrysler on 4 November 2003, was established on 9 January 2004. This company, in which Brembo S.p.A. and DaimlerChrysler AG hold an equal interest, will handle the research, development and production of ceramic/carbon brake discs for top-performance cars. The venture will thus bring together the expertise and means of production that the two companies have developed independently so far. Production began in January at the plant in Stezzano (Bergamo). Brembo Ceramic Brake Systems S.p.A. has a share capital of €2 million and its equity includes a share premium of €9 million. Assets include approximately €8 million in production equipment and current assets for the remaining portion, including liquid assets, of about €2.5 million. For the current year, a turnover of approximately €9 million has been forecast, with a net loss due above all to investments in research and development. For Brembo, the importance of this initiative is technological in scope, and for the first few years it is not expected to contribute significantly to Group sales and income.
- In February 2004 Bibielle S.p.A. acquired the realty complex and production plants of Bradi S.p.A., which went bankrupt in December. The adjudication of bankruptcy moved up the original terms for the option to acquire the line of business of Bradi S.p.A., which was executed via assignment during the foreclosure sale on 27 February 2004. The sum total was established as €15.1 million, with a payment plan until 2009.
- In March, a project was started for the construction of a new cast-iron smelting plant in Poland for the production of discs for the aftermarket as well as original equipment. The planned investment totals approximately €40 million, and it is slated for completion by the end of 2006.

Today, Brembo operates in twelve countries around the world, counting on the contribution of almost 4,000 employees. Brembo's operations are now conducted from 10 industrial-commercial facilities in Italy and 12 in other countries. Manufacturing plants are located in Italy and in Spain (Saragossa and Barcelona), Poland (Czestochowa and Dabrowa), Germany (Ottobrunn), Great Britain (Coventry), Mexico (Puebla), Brazil (Belo Horizonte), and China (Nanjing), while other companies in Great Britain (London), Sweden (Gothenburg), the United States (Costa Mesa, California) and Japan (Tokyo) carry out distribution and sales activities.
The results achieved in recent years have rewarded the efforts that have been made in terms of technological and process development, factors that have always been fundamental to Brembo's philosophy and have made it a leader in the research, design and production of high-performance disc braking systems for a wide range of vehicles.

Reference Market

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

The most important manufacturers of cars, motorbikes, commercial vehicles and racing cars and motorbikes represent Brembo's reference market.

Brembo's range of products for the car application and the commercial vehicle application includes disc brakes, 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 placed on the market by vehicle manufacturers.

Manufacturers of motorbikes are also offered disc brakes, brake calipers, brake pumps, light-alloy wheels and complete braking systems.

In the car aftermarket, Brembo offers in particular a vast range of disc brakes; over a thousand product codes allow the company to meet the needs of nearly all-European vehicles.

In Q1 2004, despite uncertainty on the evolution of the economic cycle, Brembo has continued the positive growth trend of gross consolidated income that amounted to €174,368, an increase of approximately 8% compared to same period of the previous financial year.

Applications

Cars

During the first quarter of 2004, vehicle sales worldwide sent out positive signals, aided by the revitalised performance of the two predominant markets, the United States and Western Europe, thanks also to increasing vehicle registrations in more dynamic countries like Spain and the United Kingdom. Canada and South Korea are weak areas, due to an economic situation that has not yet stabilised, while the Japanese and South American markets remain static. Aggregate growth compared to last year was 3.9%.

United States – Vehicle sales returned to growth levels of +3.6%. The year 2004 started off better than 2003, although sales still seem to be weak considering that this economy is growing by more than 4% per annum.

Western Europe – The contribution to growth made by several minor countries is decisive at +3.6%, with particular reference to Belgium, Ireland, Greece, Norway and Portugal. Germany and France show small signs of improvement, the Spanish market has reinforced its position despite the terrorist attacks in Madrid, and the market in the United Kingdom continues to perform at excellent levels. In Italy, the results for March are reassuring, although the Italian economy remains weak.

Asia and the Pacific – Aggregate sales have not changed: the Japanese market has risen slightly and the Korean one has dropped off sharply. The seesawing Japanese market is aided by an economic upswing, although greater consumer trust is necessary. Australian sales have continued to grow for more than a year.

South America – The South American market is a multifaceted one. Though sales in Brazil have dropped after the positive performance of 2003, in Argentina the market continues to expand at a fast pace, rising again after the financial crisis of 2002.

Brembo's reference market was only partially affected by this trend. However, turnovers were affected by the unfavourable exchange rate between euro and dollar, which penalised exports to some countries.

In Q1 2004 sales of original-equipment applications have increased compared to the same period in 2003. The growth determined by a favourable change in the mix of requests from customers has been offset by the performance of the original-equipment disc market, which closed the quarter down slightly compared to last year.
In this scenario, Brembo recorded sales of braking systems and brake discs for €107,025 in Q1 2004, with a ratio to consolidated sales of 61.4%.

Motorbikes

The first quarter of 2004 showed a partial recovery in sales volumes, favoured by the introduction of new models and an appealing start of the spring season in Southern Europe. The segments benefiting from this recovery were scooters, including maxi-scooters, as well as motorcycles. This growth was particularly accentuated in France and Italy, where total registrations of scooters and motorcycles increased by 14%. This growth benefited major manufacturers, particularly the Japanese companies. Note must also be made of the difficulties announced by a major Italian manufacturer.
On this positively evolving scenario, motorcycle applications closed Q1 2004 with a turnover that rose by about 2% compared to the same period in 2003, equivalent to €25,338 with a ratio to total turnover of 14.5%.

Commercial and Industrial Vehicles

In Q1 2004 the positive market trend for the commercial vehicle sector confirmed the performance observed last year, connected with economic trends and favoured by the introduction of new and stricter environmental regulations that have led to renewal of the fleet in circulation. Growth was more significant in emerging countries – particularly Brazil – and in the United States, whereas Europe is trailing in this recovery.
The period-end figure for Brembo's gross revenues for the first 3 months of the year amounted to €23,915, thus reflecting an increase (+15%) compared to the same period in 2003, thanks to maintained sales volumes in equipped vehicles.

Racing market

Through its business unit Brembo Racing and subsidiaries AP Racing Ltd and Marchesini Srl, in Q1 2004 Brembo again confirmed its technical and market leadership in car and motorcycle racing during the most prestigious championships. Q1 2004 closed with consolidated gross revenues of €17,154, with an increase compared to Q1 2003.

Further Information

During the quarter, no own shares were purchased. Therefore, at 31 March 2004, the company held 3,056,000 Brembo SpA shares for a total nominal value of €1,589,120 (4.38% of capital) and for a total price of €16.4 million. The average book value is €5.36.

Significant Events After the Close of the Quarter

The General Shareholders' Meeting of Parent Company Brembo was held on April 26, 2004 and passed the following resolutions.
During the General Meeting:

- approval of Brembo SpA Annual Report 2003, which showed a net profit of €19,046 and a shareholders' equity amounting to €142,996;
- distribution of a dividend of €0.13 gross per each outstanding share with payment date as of May 6, 2004;
- the appointment of Alberto Tazartes to the Board of Directors, in place of Eraldo Giovanni Bianchessi;
- approval of the proposal to appoint PricewaterhouseCoopers S.p.A. to audit the Parent Company and consolidated annual reports, and half-year reports for the three-year period of 2004-2005-2006;
- authorisation to acquire 2.2 million own shares within 18 months from the date of the General Shareholders' Meeting, at a purchase minimum cost equivalent to the par value of €0.52 and a maximum cost of €7.00. At 31 March, the company held 3.06 million shares for an overall nominal value of €1.59 million;
- approval of the work of the Board of Directors regarding the three-year incentive plan for executive directors and the Group's top management.

During the Extraordinary Meeting:

- adoption of the new text for the Articles of Association pursuant to the provisions of Legislative Decree No. 6 of 17/1/2003.

No other significant events occurred following the close of Q1 2004.