

ILLUSTRATIVE REPORT OF THE BOARD OF DIRECTORS, PURSUANT TO ARTICLE 125-TER OF CONSOLIDATED LAW ON FINANCE, AND CONCERNING THE FOURTH ITEM ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING OF BREMBO S.P.A., CALLED ON 21 APRIL 2016 (FIRST CALL) AND, IF NECESSARY, ON 22 APRIL 2016 (SECOND CALL)

4. Authorisation for the buy-back and disposal of own shares. Relevant and ensuing resolutions.

Shareholders,

With reference to the fourth item on the Agenda, this reports — prepared in accordance with Article 73 of the Rules for Issuers and the Attachment 3A, Table 4, thereof — illustrates and invites you to approve the proposal submitted by the Board of Directors of Brembo S.p.A. (hereinafter “Brembo” or “Company”) concerning the authorisation for the buy-back and possible subsequent disposal of own shares, whether already held by the Company or acquired, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code.

Foreword

Firstly, the Board of Directors wishes to recall that, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, as well as Article 132 of TUF, the Shareholders' Meeting held on 23 April 2015 approved the buy back, in one or more tranches, of up to a maximum of 1,600,000 own ordinary shares for a minimum price of €0.52 each and a maximum price of €40.00 each, for a term of 18 months, commencing on the date of the aforementioned Meeting (and therefore ending on 23 October 2016). The said authorisation envisages the disposal of treasury shares acquired for the following corporate purposes:

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

With reference to this authorisation, Brembo has not carried out any buy-back or disposal of own shares.

The Board of Directors deems that the reasons which led to ask the Shareholders' Meeting to authorise the buy-back and disposal of treasury shares are still valid.

In light of all the above and in view of the expiry term (23 October 2016) of the authorisation to buy back and dispose of own shares, and in order to allow the Company to retain its right to buy back and dispose of the same, the Board of Directors deems it appropriate to submit to the Shareholders' Meeting the proposal for a new authorisation, with a same term of 18 months, commencing on the date of the relevant resolution and upon prior revocation of the previous authorisation, which was not implemented.

A short description is provided below of the terms and methods for the buy-back and disposal of the Company's own shares that the Board of Directors is submitting for authorisation to the Ordinary Shareholders' Meeting called on 21 April 2016.

1) Purposes for which the authorisation to buy back and dispose of own shares is required.

As mentioned above, the term of the authorisation to buy back and dispose of own shares passed by the Shareholders' Meeting on 23 April 2015 will expire within a few months. Therefore, the Board of Directors deems it useful and appropriate to submit to you, the Shareholders, the proposal to issue a new authorisation to buy back and dispose of own shares, in accordance with applicable laws and as specified in further detail below, with prior revocation of the previous authorisation passed on 23 April 2015, which was not implemented.

In the Company's interest, pursuant to Articles 2357 and 2357-ter of the Italian Civil Code, as well as Article 132 of TUF, the aforementioned authorisation aims at:

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

The request for authorisation concerns the Board of Directors' right to perform several and subsequent buy-back and sale transactions (or other disposal transactions) of own shares on a revolving basis, including of portions of the maximum authorised number of the own shares, so as to ensure that the number of own shares to be acquired and those already held by the Company never exceeds the limits provided for by law or the Shareholders' authorisation.

2) Maximum number, category and nominal value of the shares referred to in the authorisation.

The Company's share capital amounts to €34,727,914 (including 1,747,000 treasury shares in portfolio) and is composed of 66,784,450 ordinary shares with a nominal value of €0.52 each.

Under the said authorisation, the Board of Directors is entitled to buy back and/or dispose of, in one or more tranches, up to a maximum of 1,600,000 own shares which, together with the treasury shares in portfolio at the date of the Ordinary Shareholders' Meeting called to resolve upon the aforementioned authorisation, represent 5.01% of the Company's share capital. Taking account also of the shares held by subsidiaries, this percentage remains well under the limit of 20% of share capital as per Article 2357, paragraph 3, of the Italian Civil Code.

The buy-back and disposal of own shares shall be executed in compliance with Article 5 of EC Regulation No. 2273/2003, if applicable, and as detailed in point 6 below.

3) Useful information to duly assess compliance with Article 2357 of the Italian Civil Code.

With reference to the buy-back limit, the Board of Directors recalls that, pursuant to Article 2357, paragraph 1, of the Italian Civil Code, the buy-back of own shares shall be carried out within the limits of distributable profits and unrestricted reserves, as per the latest approved Financial Statements, and therefore, in this case, the Financial Statements for the year ended 31 December 2014, without prejudice to the limits due to non-distributability arose thereafter and throughout to the date of the relevant resolution. The 2014 Financial Statements showed the following reserves:

PROFIT RESERVES	
Legal reserve	6,945,584
Extraordinary reserve	5,002,881
Taxed accelerated depreciation reserve	556,823
First Time Adoption (FTA)	9,737,121
Reserve as per Article 6, paragraph 2, of Legislative Decree No. 38/2005	296,905
Hedging reserve	-49,176
Merger surplus	9,061,857
Retained earnings	34,657,526
TOTAL	66,209,521
CAPITAL RESERVES	

Premium reserve	26,650,263
Revaluation reserves	12,966,123
Own shares reserve	61,475,897
Reserve for own shares already in portfolio	-13,475,897
Reserve as per Law No. 46/82	98,348
TOTAL	87,714,734

It should also be noted that in 2015, the following movements were reported:

- the allocation of net income for 2014 increased retained earnings by €16,437,190;
- following the revocation of and concurrent new authorisation for the buy-back of own shares granted by the General Shareholders' Meeting of 23 April 2015, the extraordinary reserve decreased by €5,002,881 and retained earnings decreased by €10,997,119;
- the hedging reserve was reduced to zero, decreasing by €49,176 compared to the previous year as a result of the unwinding of a derivative contract (IRS - interest rate swap);
- the reserve Other comprehensive profits and losses changed by €654,030 (profit) due to the IAS 19-compliant valuation of employees' leaving entitlement (TFR).

It should be noted that the revaluation reserve of €12,966,123 has not been included in the calculations for the purpose of the current resolution, because it is not eligible for uses other than allocation to capital or special reserves without undertaking a capital reduction procedure pursuant to Article 2445 of the Italian Civil Code. It should also be noted that the Reserve re. Article 6, paragraph 2, of Legislative Decree 38/2005 has not been included for the purpose of the current resolution, since it is not eligible for distribution due to the constraints imposed by financial reporting rules in accordance with IFRS/IAS. It should be remarked that the assets recognised in the aforementioned financial statements include development costs. In this regard, it may be observed that, for the purpose of the calculation of distributable profits and available reserves according to the most recent approved financial statements, it must be considered that, pursuant to Article 2426, paragraph 1(5), of the Italian Civil Code, dividends may only be distributed if there are available reserves sufficient to cover the amounts of start-up, research, development and advertising costs not subject to amortisation. It follows that such reserves are restricted up to the total amount of such costs, net of any amortisation and write-downs, which amounted to €39,614,818 at 31 December 2015. Furthermore:

- the Company's subsidiaries do not hold any shares of the parent company;
- buy-back and disposal transactions will be undertaken in accordance with applicable provisions of law and will be accounted for in accordance with applicable accounting standards.

In the Financial Statements at 31 December 2014, approved by the Shareholders' Meeting held on 23 April 2015, the following unrestricted reserves were reported:

PROFIT RESERVES	
Extraordinary reserve	5,002,881
Taxed accelerated depreciation reserve	556,823
First Time Adoption (FTA)	9,737,121
Merger surplus	9,061,857
Retained earnings	34,657,526
TOTAL	59,016,208

CAPITAL RESERVES	
Premium reserve	26,650,263
Reserve as per Law No. 46/82	98,348
TOTAL	26,748,611

The following table shows the movements for 2015, and identifies the unrestricted reserves to be used to buy back own shares at 31 December 2015, as per the draft Financial Statements that you are invited to approve.

TOTAL UNRESTRICTED RESERVES AT 31 DECEMBER 2014	85,764,819
Increase in retained earnings due to resolution of 23 April 2015 authorising allocation of undistributed 2014 net profit	16,437,190
Increase in other comprehensive income (IAS 19)	654,030
Increase in restricted portion of the own shares reserve , from extraordinary reserve and retained earnings, due to resolution authorising the buy-back of own shares as of 23 April 2015	-16,000,000
Release to the extraordinary reserve of part of the own shares reserve due to revocation of unexecuted resolution of the General Shareholders' Meeting of 23 April 2015	64,000,000
Development costs not subject to amortisation at 31 December 2015	-39,614,818
TOTAL UNRESTRICTED RESERVES FOR BUYING BACK OWN SHARES AT 31 DECEMBER 2015	111,241,221

In order to set the maximum expenditure limit for buying back own shares, it is hereby proposed that, in case of approval of the proposal by the Shareholders' Meeting, an amount of € 96,000,000 to be withdrawn from the Extraordinary reserve is allocated to the buy-back of own shares (the total restriction on the Reserves for own shares already in portfolio of €13,475,897 and for the buy-back of other own shares in the amount of €96,000,000 would therefore be €109,475,897).

4) Term of the authorisation required.

The authorisation to buy back and dispose of own shares is required for the maximum term provided for in Article 2357, paragraph 2, of the Italian Civil Code, i.e., 18 months commencing on the date of the Resolution passed by the Shareholders' Meeting called to authorise such buy-back (specifically, should the authorisation to buy back and dispose of own shares be approved by the Meeting called on 21 April 2016, it would expire on 21 October 2017). With regard to the disposal of shares acquired, the Board of Directors proposes that the Shareholders' Meeting does not define any time limit, vesting the Board of Directors with the powers to identify the most suitable time to dispose of treasury shares.

5) Minimum and maximum purchase price.

The Board of Directors proposes that the minimum purchase price shall be no lower than the value of €0.52 and the maximum purchase price shall not exceed € 60,00. The Board of Directors views this maximum price as fair, inasmuch as it takes account of the weighted average price during the previous solar year, market multiples and the Company's prospects.

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

6) Methods to buy back and dispose of own shares.

In accordance with the exemption provided under Article 132, paragraph 3, of Legislative Decree No. 58 of 24 February 1998, it should be pointed out that the aforementioned operating conditions shall not apply, should own shares be bought from employees of the Company, of its subsidiaries or the Parent Company, who were assigned such shares as part of a stock granting plan.

Pursuant to Article 132 of TUF and Article 144-*bis*, paragraph 1 (b), of the Rules for Issuers, own shares shall be bought and disposed of on regulated markets, in one or more tranches, on a revolving basis, and according to operating conditions set out in the regulations governing the organisation and management of said markets, such as to ensure equal treatment of Shareholders and not to allow the direct pairing of purchase bids with predetermined sales bids. In detail, these transactions will be effected:

- (i) through public tender or exchange offering;
- (ii) on regulated markets, under the operating conditions set out in the regulations governing the organisation and management of said markets, provided that purchase bids are not directly paired with sales bids; and
- (iii) by granting Shareholders, in proportion to the shares held, a put option to be exercised during a period corresponding to the term of the Shareholders' authorisation for the purchase of own shares.

In detail, purchases aimed at:

- a) supporting the liquidity of Company's stock and
- b) buying back own shares to establish a reserve of shares

shall also be carried out in compliance with the provisions set forth by market regulations as per Article 180, paragraph 1 (c), of TUF.

The disposal of own shares held will be effected in the most appropriate way in the interest of the Company, including on-the-market and off-market disposal, or swaps with equity investments as part of industrial projects, or for the implementation of share-based incentive plans.

It is hereby reiterated that the buy-back of own shares is not instrumental to the reduction of Company's share capital, without prejudice to the Company's right to perform a share capital decrease should the Shareholders' Meeting approve a share capital decrease in the future, including through the cancellation of treasury shares in portfolio.

The Company shall give due notice to the public and Consob, in accordance with the terms and methods established by applicable laws and regulations.

Now therefore, in light of the foregoing, we submit for your approval the following:

Motion

"The Ordinary Shareholders' Meeting of Brembo S.p.A.:

- having regard to the resolution passed by the Ordinary Shareholders' Meeting, held on 23 April 2015 and concerning the authorisation to buy back and dispose of own shares; and
- having acknowledged the proposal submitted by the Board of Directors of Brembo S.p.A. with regard to the aforementioned authorisation to buy back and dispose of own shares;

resolves

- 1) after prior revocation of the previous authorisation passed on 23 April 2015 — which was not implemented — to authorise the buy-back and disposal, in one or more tranches, of a maximum of 1,600,000 own shares, for a term of 18 months, a purchase price ranging from € 0.52 to € 60,00 each, to be taken from unrestricted reserves and securing the amount by withdrawing from the Extraordinary reserve and retained earnings of €96,000,000 (in addition to the restriction on Reserves for own shares already in portfolio of €13,475,897, for an overall amount of the Own shares reserve of €109,475,897);
- 2) to authorise for a term of 18 months the disposal of the acquired treasury shares, in one or more tranches, granting to the Board of Directors the power to define, from time to time, all the criteria to set the relevant consideration and/or methods, terms and conditions to use own shares in portfolio, taking due account of the operating methods applied and the price trend of the stock in the period before the transaction, acting in the best interest of the Company;

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3) to grant the Chairman and Executive Vice Chairman full powers, to be exercised severally and/or delegated to third parties, to implement the Resolutions as per points (1) and (2) above, even availing of attorneys-in-fact, in accordance with applicable laws and as requested by relevant authorities.”

Stezzano, 3 March 2016

On behalf of the Board of Directors
The Chairman
(signed by Alberto Bombassei)