

BREMBO

1Q2015 Results

May 14th, 2015 – h 2.00 pm CEST

Chorus Call operator

Good afternoon, this is Chorus Call operator. Welcome to the presentation of Brembo's 1st quarter results. After the presentation there is going to be a Question and Answers session. Let me now give the floor to Dr. Matteo Tiraboschi, Brembo's Executive Deputy Chairman.

Matteo Tiraboschi

Thank you. Good afternoon everybody. Here with me there are Andrea Abbati Marescotti, Brembo's CEO, and Laura Panseri, Brembo's IR manager. Let me immediately start with our quarter's results. Slide number 2 shows that our sales grew by more than 15%, accounting for 514.3 million euros. EBITDA accounts for 85.7 million euros, meaning 16.7% of the turnover, making sure the growth is good, close to 22%. Amortizations topped 26.6 million euros, 5.2% of the turnover. This is in line with the incidence on the turnover we had in the same quarter last year. In absolute terms, growth is by 15%. Figures about EBIT are over 59 million euros, 11.5% of the turnover. Last year it accounted for 10.6% of the turnover. Financial charges are close to 0 basically because of the exchange rate effect. Last year they were negative and accounted for - 4 million euros. The tax rate is 22.1%, with an incidence of taxes by 13.1 million euros. The group's total net profit is of 45.8 million euros, meaning 8.9% of the turnover.

Slide number 3 shows how the top line of our financial statement evolved. Sales of the first quarter 2014 equaled 447 million euros. Our business contributed for 42 million euros. discounts to our customers accounted for - 2.4 million euros and a 28-million contribution. The total amount is the 514.3 million euros I mentioned before.

Slide number 4 shows how the businesses performed. Passenger cars accounted for 19% of sales, meaning 368 million euros; motor bikes accounted for 14.6%, meaning more than 54 million euros, one major impact factor being the trend of the rupee's exchange rate; commercial vehicles decreased by 6.6%, because of first equipment customers ordering more and more, and the whole sector of spares ordering less and less. The races sector increased by 12.5% as compared to the same quarter last year, meaning almost 44 million euros.

As for Brembo's markets, Italy is increasing by 7.4%. Germany by 5.7%. France, unfortunately, records a decrease by 9.3%, that is a couple of million euros as compared to last year. The UK is continuing growing by 10.7%. In India the motorbikes sector grows by 44%. Before the exchange rate it would be 19.6%. China is performing well, with an almost 34% growth. Japan is close to a 48% growth. As for Latin America, the top line is basically flat, - 0.5%, which is an excellent result in a market which is involving more and more. Mexico is growing by 16.5%. North America is growing by 38%, even though 20% is due to the effect of the exchange rate. After the exchange rate, the exact figure is 18.1%.

Slide number 7 shows how our EBITDA performed. As compared to the same quarter last year, 70.4 million euros, volumes contributed for 12.4 million euros. prices are positive, + 3.8 million euros, meaning that we recover them as compared to the top line of the financial statement. Operations are negative, - 3.1 million euros. This is due to an enlargement of Brembo's working perimeter. Exchanges rates are positive by 2.2 million euros. The total amount is an EBITDA of 85.7 million euros.

Slide number 9 shows the bottom line of our financial statement. Financial charges are - 3.5 million euros, - 0.4 million euros less than last year. The positive exchange rate is due to a mix of factors, mainly of exposed credits in USD converted into euros, providing us with a +3.5 million-euro advantage, meaning 4.3 million euros more than last year. Debts account for 2.9 million while last year they accounted for 3.4 million euros. As for this figure, let me make a couple of considerations. First of all, this means that in several subsidiaries, especially in Brazil and China, we have a cost of money which is particularly high. Moreover we have carried out a renegotiation process of our founding with the banking system which decreased the cost

of money. By the end of 2015, this figure will be close to 2.5 million euros, and in 2016 it will continue decreasing. The incidence on the turnover is of 0.7%, the same as last year.

Slide 10 shows our tax rate. We have tried to normalize our 22.1% after the extraordinary events in Poland and Czech Republic: our normalized tax rate is close to 27%.

Slide number 11 shows our financial position. We had a debt stock at the beginnings of 2015, which our EBITDA decreased by more than 85 million euros. We have invested almost 29 million euros. Money in circulation has also increased, + 51 million euros, because of the USD-Euro exchange rate. Financial charges 2.7 million euros. Other entries, including dividends by BSCCB, almost 12 million euros. The total amount is 255 million euros.

Slide 13 shows how the debt is structured. There are too many long-term debts. The dividend of May 20th next will account for 40 million euros roughly, which will balance our long term debts.

Slide number 14 shows the structure of our capital, but figures are quite self-evident. As for slide 15, it shows some interesting indicators. They are all positive: ROI is over 26%, ROE over 30%, bearing liabilities account for 41%, the debt-EBITDA ratio is below 1%, the ratio between profitability and financial charges is positively performing.

The last two slides are about the performance of our shares. As compared to our peers they grew, but they were not the fastest-growing ones. It recorded a +32% as compared to the beginnings of 2015, while during last days it decreased a little bit. If we look at indicators in slide number 17 we realize we are equaling the value of the shares in the STAR market. It performed well as compared to the other indicators we regularly use as a reference.

I am finished. Thank you.

Chorus Call operator

This is Chorus Call operator. The first question is by Monica Bosio, IMI Bank. Ms. Bosio, the floor is yours.

Monica Bosio

Hello everybody. I have my usual question about your expected target for the end of 2015. Can you confirm an impact of ramp-up costs, which would justify a margin-flat EBITDA guidance, which is not increasing as compared to 2014? My second question is about the USA. Growth was important even after the exchange rate in spite of a not so happy market trend during the first quarter. My question is: are these results all related to a growth of market shares or was there a growth even in the premium market? My third question is related to China. Can you tell us something about the premium market in China? How is it growing? Are you expecting decreases due to the GDP slowing down? Finally, commercial vehicles: can you provide us with a guidance for the end of 2015 in terms of growth?

Matteo Tiraboschi

As for the first question, I can confirm what we had already said at the last conference about data related to 2014. As for ramp-up costs they are due to investments in the USA, which cannot be quantified, because they are also influenced by the profitability of the group. We can do better, probably. However, things are going more smoothly than expected. I don't think we are maintaining such a high profitability. Maybe we can do better but I would limit to confirm what said in the last conference.

The USA are performing very well. We are growing both in terms of market share with our clients and even in terms of products our clients are looking for. We are using more aluminum in sports vehicles, which are now equipped with more quality and technology.

Monica Bosio

This means that the reference market is also enlarging?

Matteo Tiraboschi

Yes. About China, we are growing and acquiring more premium businesses, that some clients are localizing. Though the GDP in China is not increasing as expected, we are continuing performing well and have good growth opportunities. As for commercial vehicles it is hard to predict how the full year will perform. I

expect a full year which is going to be similar to 2014. I don't think it is going to be a negative year. This quarter is basically related to spares and distributors, having performed bad. There are also seasonal supply dynamics to consider that easily alter expectations.

Chorus Call operator

Next question is by Martino de Ambroggi, Equita.

Martino de Ambroggi

Good afternoon everybody. As for the top line guidance, performances were single digit, before exchange rates. In the light of what happened in the first quarter, should exchange rates remain the same, could you tell us how this guidance will evolve?

Matteo Tiraboschi

Should rates remain the same I think we are going to perform slightly better than what we have reported on, maybe a 10-11% growth. However, in the first half of the year we always perform better. Last year we grew by 20% in the first quarter.

Martino de Ambroggi

Meaning that you expect a high single digit should rates remain the same, right?

Matteo Tiraboschi

Yes.

Martino de Ambroggi

OK, thanks. My second question is the following: in the first quarter, is the influence of start-up costs related to the foundry close to zero? Is the impact more distributed along the year and the first quarter basically not influenced at all?

Matteo Tiraboschi

Yes.

Martino de Ambroggi

So, when are they going to be visible? In the second quarter or later in the year?

Matteo Tiraboschi

More probably in the second half of the year.

Martino de Ambroggi

What about CAPEX? Closer to 140 or to 150?

Matteo Tiraboschi

Closer to 140, due to efficiencies we are getting on the cost of investments.

Martino de Ambroggi

As for the market, you said that the commercial vehicles one is going to be flat for you. But what is your opinion about Europe, on the basis of the orders you are receiving? Can you also tell us something about passenger cars?

Andrea Abbati Marescotti

Commercial vehicles are slightly increasing in Europe in terms of sales. As compared to last year we have delivered slightly more products to our assemblers, while passenger cars are slightly negative because of spares, as Matteo said. For the moment being orders are coherently stable. They are performing well. The Czestochowa plant is working well. So, commercial vehicles are quite stable, as far as both OE and aftermarket are concerned. Some stocks can make results vary of around 2-3%, either more or less. Basically, the market is stable.

Concerning Latin America, Brazil is suffering from a pathological long-term crisis in the automotive sector. Current sales are decreasing by 18-20% in the first consolidated 4 months, as compared to the same period

last year. As compared to two years ago they decreased by 40-50%. Market analysts of the automotive sector predict an increase by some percentage points in the next 3 years. This means that the market is going to be depressed in the medium term. Consequently, we have to restructure costs. The delta of costs is to be under control in those countries where inflation is quite high. All stakeholders in the automotive sector are performing bad, our main objective being the balance. Argentina is also suffering from a high inflation, but the automotive market there is so small that we are able to manage it. The real problem is Brazil.

Chorus Call operator

Next question is by Niccolò Storer, Mediobanca.

Niccolò Storer

Concerning Brazil, again, what was the driver of your performance? It was excellent if we consider the market as a whole there. More specifically, in terms of market share, was its increase due to an effect of prices having raised? Secondly, how was this quarter influenced by figures related to the joint venture you have started writing above the EBITDA line? Is it a recurrent factor? My third question is about deadlines related to your debt. You have said your debts are long-term debts. Can you tell us how they are structured in terms of maturity?

Andrea Abbati Marescotti

In 2015 we have started creating two platforms we have won in 2011, 2012, and 2013, meaning the period we decided to build our second platform. We had won many new orders, some of them coming from clients close to Sao Paulo. This means that the market share XXXX four platforms (Nissan, Ford, Renault, Mitsubishi) are influenced by the market trend. Moreover there are problems in absorbing fixed costs forcing you to “castle”.

Matteo Tiraboschi

Concerning BSCCB, the correct number related to EBITDA is 1.3 million euros, in line with that of last year. However, dividends circulated as cash flow for 7 million euros roughly. This has helped, of course. As for maturity of our debt, it is around 3.5 years. However, if we continue renegotiating our funding, maturity is going to be around 4-4.5 years.

Chorus Call operator

Next question is by Emanuele Isella, Fidentiis.

Emanuele Isella

I have a question about your debt in terms of cash flow in the first quarter. You said money in circulation was absorbed much less than last year. Do you expect figures are going to be better as compared to last year, or are things going to be normalized?

Matteo Tiraboschi

We are quite normalized in terms of money in circulation. Usually, money in circulation at the end of the full year is inferior, because of the fact that December is a month during which less invoiced are recorded. Having said that, money in circulation in this first quarter is more or less the same as last year, in line with what we expect for 2015.

Chorus Call operator

Next question is by Gabriele Gambarova, Banca Akros.

Gabriele Gambarova

My first question is about your net financial position related to the full year. Secondly, in the first quarter you have operated without start-up costs, a 100% saturation and an EBITDA margin of 16.7%. In this ideal context, do you think that 16.7% is the best EBITDA margin you can expect or do you think it can even be better? Finally, as for the M&A, are there any updates?

Matteo Tiraboschi

As for the M&A there are no updates. Nothing concrete is still there. We are very careful.

Concerning your second question, it is not exactly true that the picture is excellent. As Andrea previously said, in Latin America we are struggling both in terms of sales and of profitability. We have made an investment in a wrong moment and we are paying for it in the balance sheet. Consequently I don't think that this 16.7% is the best possible margin in the ideal world. I think we can grow even more. However, decisions are to be taken. If we are going to decide to reduce investments in R&D, we are going to have more margins. In fact we are doing the opposite: we are investing more in R&D than in the recent past. By doing so, we are trying to boost the development of future products. We have just finished making important industrial investments. Of course we are going to continue investing but in the next phase we are going to focus more on R&D and on understanding the future automotive market trends for Brembo.

As for the NFP/EBITDA ratio, 0.9-1 is more or less the final figure on the full year.

Chorus Call operator

Next question is by Renato Gargiulo, Banca Aletti.

Renato Gargiulo

Can you tell us more about the productive capacity of plants in Poland and Czech Republic? And, do you have updates about the 2017 investments plan?

Matteo Tiraboschi

We are particularly concerned by foundries saturation. For the moment being all foundries are well saturated. Should a foundry not be used, it would be closed for some days. We can still absorb more volumes by increasing the number of days worked, though the average number of working days is particularly high everywhere. Currently the foundry capacity is fully exploited almost everywhere. For the moment being foundries are well saturated in Poland, Czech Republic, Italy, US and Mexico. China is increasing a lot and even India is performing well. The only plants that suffer from a lack of orders are the three Latin American plants. Concerning investments, to build a cast iron foundry or an aluminum foundry

it takes a year and a half. Since we have started building the foundations, plans are the ones which have been confirmed.

Chorus Call operator

Dr. Tiraboschi, there are no more questions.

Matteo Tiraboschi

I thank you all. Have a good evening.