

Brembo S.p.A.

“Nine Months 2015 Financial Results Presentation Conference Call”

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MODERATORS: MATTEO TIRABOSCHI, EXECUTIVE DEPUTY CHAIRMAN

OPERATOR:

Good afternoon. This is the Chorus Call Conference operator. Welcome and thank you for joining the Brembo Nine Months 2015 Financial Results Presentation Conference Call. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Mr. Matteo Tiraboschi, Executive Deputy Chairman of Brembo. Please go ahead, sir.

MATTEO TIRABOSCHI: Good afternoon to everybody. Thanks to you for joining us today for the comments about our first nine months. We can go quickly through the presentation that you can find on our website. We can start from Slide #2 where we have Q3 results: sales are increasing about 16.3% compared to last year. The total amount of sales is at €510 million. EBITDA is 18%, close to €92 million. D&A relatively exactly the same number of last year, 5.6%, total amount is at €28.8 million. EBIT 12.4%, a good increase compared to last year and is €63.1 million. Financial charge is 0.4% on the sales, €2.3 million and we have an important tax rate close to 29%. Net result is over €43 million, 8.5% of total revenues.

Move to the next Slide #3, we can see the nine months results of Brembo Group. The sales are positive compared to the same period of last year, more than 15%. Total amount of sales is €1,550 million. EBITDA is more than 17%, €266.8 million. D&A, relatively less compared to last year are 5.3% on the sales, in million are at €82.5. EBIT close to 12%, its €184.4 million. Financial charges are more or less half compared to last year, €5.67 million. And the tax rate of the period is just a little bit more than 25%. The net result is more than €132 million. It means 8.5% on the revenues.

Moving ahead, we can see the bridge for the revenues starting from the sales of the same period of last year. The business is positive for close to

€148 million, prices, the discount that we have in our contact with our customer are negative, just a little bit more than €13 million, exchange rate that is the translation of the result of some Brembo subsidiary is about €84 million, Scope is negative for near €10 million and in this case its Sabelt that we sold last May. The total sales is €1,550 million.

Move to the next slide where we can see our business, how it's going. Revenues by application, we can see that passenger cars is performing quite well, in the quarter its positive for 20.2% in nine months for 19%. Motorcycle, plus 9.3% in the quarter, plus 10.6% in the nine months, also commercial vehicles are quite positive in the quarter, plus 16.5%, 17.8% in nine months. Racing is negative in the quarter, 16.7% and positive in nine months, plus 1.2%. But just to remember that Sabelt was in this account and the like-for-like the performance of racing is quite positive, plus 10% in the quarter, close to 12% on nine months.

Slide #6 the business by area, more or less all the area where Brembo was involved in the business are positive except South America that is a real disaster not just for revenues, but also for the margin. North America is the first market for Brembo; it has increased quite well, more than 33% in a month. Obviously the exchange rate is helping us very much, with the same exchange rate of last year the growth was just a little bit more than 13%. Italy is flattish, Germany is performing very well, also the Asia is performing good, India and also in this case exchange rate is helping us, China quite good and the same in Japan.

Go ahead to Slide #7, but directly to Slide #8 where there is EBITDA Bridge, we can see how the volumes and mix of the business is a positive contributor for our numbers. More than €47.4 million, price is positive, we recovered all the discounts that we gave to our customer that we had seen before, close to €11 million. Operation is negative for close to €10

million, it's the consequence of the growth of the Company. Exchange rate is positive for €9.3 million; it's exactly the consequence that what we have seen on the first line of the profit and loss is the translation of the performance of our subsidiary, especially Brembo North America. Scope, it means Sabelt that was negative. We had a positive impact for €1.3 billion. The total amount of EBITDA is €266.8 million.

Financial charge, Slide #10, here there are no particular comments, there are just some positive exchange rate for €4 million that is accountability issue, the cost of debt is more or less the same as last year, and 2.3% last year it was at 2.7%. Tax rate, no more comments about it.

What I think is quite important is Slide #12, net financial position, where we can see the stock of debt that we had at 1st of January, more than €270 million, the EBITDA was absolutely positive, we have investment close to €95 million. Net working capital is negative for close €56 million, M&A is positive for more than €12 million, dividend, we pay dividends in may, also in July an extraordinary dividend, total amount is €52 million, financial charges and tax et cetera for more than €43 million and other issue (ph) for more or less €20 million. We closed the period with net a financial position at little bit more than €215 million.

The structure of our debt, we can jump directly to Slide #14, you can see that all our debt, more than all our debt, 105% is long-term and the short-term is negative for 5%.

Just some information about the main ratios that we had in Slide #16. ROI is I think very positive and we can see the growth in the last three years and the period is around 28%. ROE is more than 28%, the gearing is 35.2%, and also the ratio of net debt on EBITDA is less 1...0.6, also the other indicators I think are quite positive.

About the performance of the shares, that probably know much better than us, we are performing quite well compared with our peers and also compared with major index.

This is the end of my short and quick presentation to open the Q&A section. Thank you.

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Monica Bosio with Banca IMI. Please go ahead.

MONICA BOSIO: Good afternoon, everyone. Thanks for taking my questions, I would have a few questions, the first one is on the EBITDA margin on the third quarter of the 2015. I can imagine that you did not have ramp up costs related to the foundry, can you confirm and if not, when do you expect to start to account the ramp up costs related to the Mexican foundry? This is because the...at this point the full year 2015 will seem to end well above your initial indications? And the second question is related to China, excluding its not related to ASIMCO but just to the organic growth as things are, I have seen that even the third quarter the growth was a little bit less than in the first part of the year, it was a plus 12.06%, if you can comment on this and what do you expect by year-end? And the third question is on the acquisition of the ASIMCO Brake Systems, can you give us some indication on the EBITDA margin of the Company. And I can imagine that that could be lower than your current margin. And may be a timeframe during which you expect that Chinese company will be aligned to your usual EBITDA margin? Thank you very much.

MATTEO TIRABOSCHI: Thank you, Monica. I will try to go fast through the three questions. First, no, in the third quarter, there aren't costs for the ramp up of the new foundry in Mexico or in United States for the moment. I can imagine that we can have some extraordinary costs during next year, probably in the second and the third quarter, but it's quite complicated now to give you an idea of what will be the amount of these extraordinary costs.

Second question was about China, China is in a strange period, it's quite complicated to try to understand what will be the future of the business in China, particularly for automotive sector. What we expect in our account is to respect our program, that are positive not very very positive, but are positive. And about ASIMCO, for the moment we prefer not to give detail about the EBITDA, the margin and so on. And yes, the profitability is less compared to Brembo in this moment, yes.

MONICA BOSIO: Okay.

MATTEO TIRABOSCHI: But we are confident that we can manage in a good way also ASIMCO to achieve also for a ASIMCO, not exactly the same results of Brembo Group, but something that will be quite similar.

MONICA BOSIO: Okay, are you going to consolidate ASIMCO, from 2016, and if I am not wrong, according to the press release, Brembo is expecting to double the turnover of ASIMCO in two years, this means 2018, is it right?

MATTEO TIRABOSCHI: For the moment, we have not started yet to work in ASIMCO.

MONICA BOSIO: Okay.

MATTEO TIRABOSCHI: We will start probably in January and February, so what we said is what we want to do, but we need to go in the Company before to give you some

more detail or confirm what we have...what you have said, but of course, we have bought the Company because we want to grow in the business.

MONICA BOSIO: Okay, thank you very much. Thank you.

OPERATOR: The next question is from Niccolo Storer with Mediobanca.

NICCOLO STORER: Yes, good afternoon and congratulations on the results which really stand out, I have three questions for you, the first one is related to the situation on the European car market for premium vehicles manufacturers, we are seeing really strong figures in terms of registration and my question is, what is your view on the balance between sell-in and sell-out, is there the possibility that premium manufacturers are self-registering cars. So and the level of inventories that you see on the market for what concerns Europe? The second question is on growth in the US, probably we all agree on the fact that the US car market is close to peak levels. So if I look at 2016-2017 where will your growth come from, I mean are you still in the process of gaining market share versus your competitors or is this trend over. And then, you are starting to penetrate on more sophisticated products? The last question is related to the ramp up of the new investments, you said that you expect some extraordinary costs to start to kick in, in second and third quarter next year. So I was wondering if it is all proceeding according to schedule or if you are facing some unexpected delays on these two projects? Thank you.

ANDREA A. MARESCOTTI: Thanks, Niccolo. Yes, the question is clear. So European market, even if the portfolios as we declared that the fourth quarter total year of Brembo is really good, there are some premium customers, which are starting showing potential fluctuation of their demand. So it is absolutely to be taken into account that the 2016 European premium volumes could have also seasons of flat volumes. As of today, we don't see a worsening

of volumes, but we see likely flat volumes as in overall. Well, some premium players maybe making better, some premium players suffering there. But we absolutely don't assume an increase of the volumes for premium in Europe 2016.

USA 2016-2017, yes, USA, slightly at the top peak of their volume recovery after the crisis, we assume basically a normal rate of increase next year for all the major OEMs. I believe that a rate of increase between 3% and 4% can absolutely be credible for next year. But the right question is, will there be growth for Brembo and where it will come from.

We need to divide between the two major businesses for the OE market so alu calipers and Rotor/Discs. The alu calipers with investment announced in Mexico, this investment is aimed for the major portion of catching new slices of the market, which are moving from cast iron to alloy. So of course, the major portion of the sales of Escobedo investment alloy will be increase of volumes, increase of share market.

For the rotors, the cast iron foundry initiative is aimed at securing verticalizing two-third of our sales or something like that in USA. They don't determine an increase in business penetrations, they determine certainly an increasing competitiveness, which is very important in the moment this platforms going to review.

As for Mexico, certainly the Mexico rotor market we will be exploding, we need to understand if our position in Mexico is already round, and if we will be able to catch the increase of Mexico because in Mexico there will be increase in rotors and certainly Brembo wants to be there. To understand how we play on that with the plant that we have in Michigan or with the other alternative solutions, which is linked to the third question, which is ramp up costs, the answer is, no, there are no delays. And we

recently visited two weeks ago both the cast iron foundry in Michigan and the alloy investment in Nuevo Leon, Escobedo in Mexico. They are really maybe even ahead of schedule, they are doing really well as a fact, they are the ones in which we start really introducing stuff and people of the production is one declared by Matteo, it is natural that the major ramp up cost will start being tangible around the second quarter of 2016, absolutely as it was scheduled.

NICCOLO STORER: Thank you, Andrea.

OPERATOR: As a reminder, if you wish to register for a question, please press “*” and “1” on your telephone. The next question is from Jacopo Tagliaferri with Intermonte. Please go ahead. Mr. Tagliaferri your line is open.

JACOPO TAGLIAFERRI: Yes, good afternoon and thank you for taking my question. I would like to come back on the comment you just made about the market environment. Putting together all your comments, would make sense to say that in 2016, you may achieve a growth rate in line with your, let’s say, mid-term sustainable target of high single-digit revenue growth? And then, the second one is on the profitability you achieved in the third quarter, if you may add some comments because the performance you achieved was impressive and much higher compared to last year, but also to the order for the semester and I noticed that there is a huge leverage on personnel expenses if you may add some color on this? Thank you very much.

ANDREA A. MARESCOTTI : For the forecast of 2016 sales, we are still working on the budget, so you know that normally in third quarter we don’t give any kind of forecast on the 2016 expected volumes. You read the comments on our Chairman on the press release, certainly 2016 is a year which has to be approached with a lot of carefulness and being aware that some of our major customers could face different kinds of difficulties. We are still

completing the budget so, it is really premature to give a number, and I don't know the answer.

So for profitability, I leave it to Matteo.

MATTEO TIRABOSCHI: Thank you, Andrea. For this 18% of EBITDA in the third quarter, obviously third quarter was quite a good quarter and we have not extraordinary costs or ramp costs and so on, but we have some important costs for the Brazilian market that is going as I said before very, very bad. And obviously it's an important number, it's an important margin, but we can imagine to maintain this kind of speed for next quarter or next quarters, and also for the next year. Next year, we will have some extraordinary costs for the ramp up that affect obviously the performance of the Company.

OPERATOR: Once again, if you wish to ask a question please press "*" and "1" on your telephone. The next question is a follow-up from Monica Bosio with BANCA IMI. Please go ahead.

MONICA BOSIO: Yes, thanks. I was just wondering if you have some update as for your growth in the aerospace and defence business, if are you going to announce something by the end of the year, or if you are still in a standby phase waiting for your customers? Thank you.

ANDREA A. MARESCOTTI : Monica, we were waiting for this question. The third quarter has really signified a robust sales and very good margins. Certainly, we are at peak of our investments and that confirms in our source the certainty that that the new range of very big investment and that which you already know for the next years is well based, because we are today profiting for the highest possible saturations basically of all the assets, which were launched in

2011, 12, 13 and we are in a very good cash condition and this is the season for making the new choices and the new investments.

Our expectation is that the year, with the fourth quarter consistent with the current portfolio and also with the first quarter of last year, the year will close above 12% of growth total year, and the EBITDA very likely will close above 16% of EBITDA. And how much above, we don't know, it will really depend on how the major customers manage their December sales, because today they are still in a very positive mood, but we know them, they could really decide to close the deliveries in the mid of December with very short advice.

So the real digits, the three months of the result in 2015 will depend upon their decision or what to be delivered in December and what to be delivered in January. Certainly after this nine months, what I told you is basically consolidated.

MONICA BOSIO: Okay. And what about area of space and defence, potential agreement with some partners?

ANDREA A. MARESCOTTI : : I would readily leave this answer to Matteo.

MATTEO TIRABOSCHI: Yes, it is quite easy because there is to be honest nothing new.

And we have some business, some smaller business, but we are in the same situation of last time. I think this for us it's impossible for the moment to give disclosure about the business and the name of the customers that we have. Obviously, what we are doing for the moment is a small business. We are investing a lot in R&D; we are investing and spending a lot of money. We have some new products to try to catch more market, but the life in aerospace is quite complicated, it's quite long and we need then to be really patient... to see the real concrete number.

In the meantime, we are looking also for some non-organic growth in aerospace, but also on this front it's not so easy to catch a Company that is, I would say is in line with the Brembo D&A. So it's quite complicated exercise that we are trying to do.

MONICA BOSIO: Okay. Got it. Thank you very much. Thank you.

MATTEO TIRABOSCHI: Thank you.

OPERATOR: The next question is from Gabriele Gambarova with Banca Akros. Please go ahead.

GABRIELE GAMBAROVA: Yes, it regards the tax rate in Q3 basically, it was pretty high and I was wondering if you can give us an indication for the whole year 2015 and maybe possibly even on the following years in terms of tax rate? And then, something on CAPEX, you said in the past that they may come in at €150 million roughly €140, 150. Can you confirm this number, and possibly if you could give me any indication on 2016 in terms of CAPEX and that's it from me?

MATTEO TIRABOSCHI: Starting from the last question, for this year we imagine that the total CAPEX will be around €150 million more or less. So it means that in the last quarter, we invest something like €60 million probably for the new foundry. Next year, I can imagine more or less at the same number for the investment, plus the cost of the acquisition of ASIMCO. So it means that we will close to €250 millions more or less.

Coming back to the first question about the tax rate it's quite complicated to have a very precise tax rate during the quarter. In this quarter, we don't have any positive effect from Poland from Czech Republic. We prefer to don't put any good news in this quarter, but probably we will have for the full year. In the meantime, in Italy, we are performing very, very well, and the negative consequence of this point is that the taxation in Italy is

quite high compared with the other country where Brembo is involved in the business. It is more or less the answer to your question about the tax rate in the third quarter.

GABRIELE GAMBAROVA: Yes, and regarding the coming years is possible to block?

COMPANY REPRESENTATIVE: The tax rate?

GABRIELE GAMBAROVA: Yes.

COMPANY REPRESENTATIVE: It's really quite complicated. You know, that in Italy and Brazil is very, very complicated to have a correct view of the future, but what I can try to tell you is something around 25%, 26%.

GABRIELE GAMBAROVA: Okay. Thank you.

COMPANY REPRESENTATIVE: Thanks.

OPERATOR: The next question is from Niccolo Storer with Mediobanca. Please go ahead.

NICCOLO STORER: Yes, I've got another question. The first one is related to your strong cash generation and your M&A opportunities. Do you think that...I mean are you looking also at other opportunities which are not clearly the aerospace? I am thinking about for instance the joint venture created by Autoliv and Nissin on the brakes and on the brake control business. Would you be interested in entering this kind of business, and I didn't get what you said about your full year expectation, was the 16% EBITDA margin, Andrea you were talking about before, refer to the full year or the fourth quarter? Thank you.

MATTEO TIRABOSCHI: I'll try to answer for Andrea about the 16%: it is for the full year.

NICCOLO STORER: Okay.

MATTEO TIRABOSCHI: And the joint venture it's quite complicated. We are a strange company; to find a partner, to work together, with the same idea that we have, and with the same D&A that we have is not so easy. So we prefer to go in acquisition and to manage the company to go in joint venture and to share the strategy of the Company for us it's not so easy. We tried to first to work in joint venture but in the end we bought the with the Company, and if you look at our geography we have more or less 100% in all the Company where we are, except the joint venture that we have with SGL in Germany for ceramic discs. So in my opinion the characteristics of Brembo is more for an acquisition that not something like I will say before Autolive and so on...

NICCOLO STORER: Okay, thank you. If I may, very last question related to the impact of the Volkswagen scandal. I mean are you seeing some pressure by some of your clients namely maybe Audi or Porsche on pricing so far? Thank you.

ANDREA MARESCOTTI: The answer would be likely more complete in one month, they are started making moves, not Porsche. Let's talk about Volkswagen Audi. Volkswagen Audi is starting making moves, we are of course to stay the further possible, for our understanding there is no space for any kind of negotiation, so on the base of contract there is no space for any kind of negotiation. Of course, there are new businesses in the world they could try to leverage, the awarding of on new businesses with some discount, and we will do our best to contain this only on the perimeter of the new businesses. So the answer is, yes, we will try, but we will try to do our best and not to conceive anything tangible, as in the past we were able to

do it, so our commitment is still to try and deliver at the same time the results.

In the third quarter actually the specific amount of sales to Audi Volkswagen was marginally lower than expected. So we started seeing some suffering in the orders booked of Audi Volkswagen, Porsche was very gorgeous but Audi Volkswagen suffered a little. So there will be some tangible impact in 2016, we expect more on the verge of volumes than on the verge of profitability of prices. But of course, we will be in the green in the next two months.

NICCOLO STORER: Thank you.

OPERATOR: Gentlemen, do you perhaps have any closing comments?

MATTEO TIRABOSCHI: Thank you very much to everybody for your time and for your attention.
Thanks a lot. Bye-bye.