

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome, and thank you for joining the Brembo Full Year 2021 Financial Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Ms. Laura Panseri, Head of IR. Please go ahead.

LAURA PANSERI: Thank you. Good afternoon, ladies and gentlemen, and thank you for joining us today to discuss Brembo Group's full year of 2021 financial results. Today's call will be hosted by Matteo Tiraboschi, Executive Chairman, and by Daniele Schillaci, CEO of Brembo. A slide presentation has been made available on our website in advance. Therefore, we suggest to go directly to the Q&A session.

During this call, we will discuss our business outlook, and we'll make forward-looking statements which are based on our predictions and expectations as of today. These comments are subject to risks and uncertainties that can cause the actual results to be materially different. I also remind you that this call is being recorded.

Having said that, we can start with the Q&A session. Thank you.

Q&A

OPERATOR: Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone. To remove yourself from the question queue, please press "*" and "2." Please pick up the receiver when asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Andrea Balloni with Mediobanca. Please go ahead.

ANDREA BALLONI: Yes, good afternoon, everybody, and thanks for taking my question. My first one is about volume trend. And on visibility as I wasn't following the recent crisis, but could you please give us an idea about car production trend you have seen so far by different geographical markets. And my second question is even more difficult, if possible. It is about margin trend. In light of 60.5% EBITDA margin you have reported in second half, what range would you assume in 2022 as of today, I mean without assuming any deterioration in the current level of pricing. And my last question is on net working capital trend. What do you expect in 2022 in light of the most recent market trend? Thank you.

DANIELE SCHILLACI: Okay, let's start with the market trend. As you can imagine today it's extremely difficult to understand the situation, but if we try to neutralize what's happening in Ukraine, the forecast for the global automotive sector for '22 was a market at around +9% over '21. In 2021 the global market ended at around 75 million cars, and the forecast for '22 was 83 million. So now, of course, with what's happening, probably the 83 million will be difficult to hold, but it all depends on how fast the situation in the eastern part of the world will be fixed.

In the other hand, if we look at our order bank to the OEMs today, it is quite solid, and for Brembo 2022 has started with a nice pace. So, if the situation is fixed rapidly, we might see a 2022, at least as good as '21 or slightly better. If the conflict lasts more than what we think, nobody knows how the situation will evolve.

Regarding the margin trends, it's true that the H2 was at around 16.5%, but that was connected with the impact of the sharp increase of raw material, logistic, and energy cost, which was particularly strong in the second half of the year and it takes time for us - on average a hysteresis of about 6

months depending on OEMs - to fully recover those increase, so we will probably see some benefit during 2022.

MATTEO TIRABOSCHI: Net working capital today is a little bit higher compared to the normal life of Brembo, historically. But we consider that to maintain this sort of extra stock is necessary to manage in the best way the situation that we are currently facing. So we closed the year at €80-€90 million above the “normal” level for Brembo, but we consider this level safe and we have planned to maintain it also for the first half of this year, at least.

ANDREA BALLONI: Yes. I have a follow-up about margin trend. Now, it is about...it is not really about margin trend, it's about pass-through of cost inflation to the main clients if...

MATTEO TIRABOSCHI: As previously said, there is a pass-through of inflation after a period of 3 to 6 months, different country by country and customer by customer. We have been working to recover the price increase as soon as possible, not only for raw material, but also for logistics cost and energy costs.

ANDREA BALLONI: Yes, that's my point. I understood that your contract are indexed to the material cost, but not to the energy cost. So what did you see so far in terms of negotiation with clients about the energy cost, is that something that has been accepted so far or you have some difficulties in passing through the cost increase in the energy...

MATTEO TIRABOSCHI: Of course it's not easy when you ask to your customer something that was not in the contract, but we are working very hard, to obtain what we deem right to obtain, and some OEMs have already accepted the energy cost.

ANDREA BALLONI: Okay. Thank you.

OPERATOR: The next question is from Monica Bosio with Intesa SanPaolo. Please go ahead, madam.

MONICA BOSIO: Good afternoon, everyone, and thanks for taking my questions. The first one is on the investment side. Can you share with us your investment commitment for the current year? I've seen that in 2021 it was a little bit higher than what initially indicated. And the second one is on aluminum, not for prices. But I was wondering, if you have some exposure in terms of purchasing for aluminum from Ukraine. And the very last is on the China. I've seen that the revenue trend in China has been quite robust. So I was wondering if you can give us some flavor on what are you expecting from China this year and if you have increased your order trend in this specific area? Thank you.

DANIELE SCHILLACI: Thank you, Monica. In China, indeed, we had an excellent 2021 and the outlook on '22 is equally excellent. Operations there are going well, order book is in line with our expectation, the market forecast, at least today of course, is in line with what we have planned in our budget, so we think that if there is no lateral impact from the Ukraine crisis to China, the situation will be fine in this part of the world.

Regarding the purchasing of aluminum, indeed, there are big aluminum players in Russia, but we had anticipated what might have happened and we have diversified our sources on aluminum. So today, thanks to this diversification, we don't see any critical situation over the next months.

MONICA BOSIO: So no scarcity...no any potential scarcity of aluminum, no scarcity for the time being.

DANIELE SCHILLACI: Yes, I confirm, on our side we don't see any critical issue on the aluminum.

MATTEO TIRABOSCHI: And we have increased the stock of aluminum also.

DANIELE SCHILLACI: Exactly, as Matteo said before, our policy that started already last year, is to buy even above our standard stock, to face any potential volatility. And I have to say that, that decision proved to be right and we are maintaining the same logic now.

Regarding the investment, we expect something around €250million this year, which slight above last year for all the reasons that you know; we have the launch of SENSIFY, we have some capacity increase in China, so the investments are in line with our growth.

MONICA BOSIO: So maybe I didn't, well...are you giving us a precise guidance in terms of investment?

MATTEO TIRABOSCHI: On the CAPEX, in a normal world, in a normal year, we have planned to invest something around €200-€250 million this year, but obviously we need to check if this is still the case, given the current geopolitical situation.

MONICA BOSIO: Yes, of course. Thank you very much.

OPERATOR: The next question is from Alexandre Raverdy with Kepler Cheuvreux. Please go ahead.

ALEXANDRE RAVERDY: Thank you very much. Good afternoon. I would have 2 questions, please. The first one regarding your growth over the markets. So you mentioned that global production should be at 9%, which is more or less in line with IHS. What kind of outperformance level do you expect for 2022 after a strong performance last year? I mean, I understand that that there is

no visibility on production, but at least if you can provide us with outperformance, it could be a bit easier for us to understand the trend?

And then the second question is about Russia and Ukraine, I mean, you mentioned you don't have any direct exposure to those countries, but I would be happy to get your thoughts on the indirect impact, because some...we have seen some of the German OEMs announcing production stoppage or maybe whether you have, I don't know Tier 2 suppliers impacted, so just really above the indirect impact. Thank you.

DANIELE SCHILLACI: Yes, Thank you for your question. I confirm to you that the impact of Russia and Ukraine is marginal for our operations, because we don't have production sites in this part of the world, and we have only some limited aftermarket sales in Russia, so not a major impact. Of course, Russia, is a market of €1.6 million unit sales per year, but if you consider the premium brands, which is our reference market, we are talking about 100,000-120,000 units, so the impact is even less for us. In the end, I must say that for our business, what's happening doesn't have any major impact. Regarding the growth of the market, you're right, IHS is forecasting something around 9%-10% versus last year. In Brembo we have always outperformed the market trends. So based on our outlook we would have been slightly above that level, but now we cannot tell you anything about this growth because, as I said at the beginning, if this issue is fixed quickly, maybe, we have the chance to end at least like in 2021, in terms of automotive market, if not we will see day-by-day how the situation will evolve. So it's very difficult to talk about growth today.

ALEXANDRE RAVERDY: Understood. Thank you very much.

DANIELE SCHILLACI: You're welcome.

OPERATOR: The next question is from Martino De Ambroggi with Equita. Please go ahead.

MARTINO DE AMBROGGI: Good afternoon, everybody. If we close our eyes and go back 10 days, so no Russia crisis, what would have been your EBITDA margin target you could have shared with us in a normal '22 year.

MATTEO TIRABOSCHI: Martino, this is not the reality, the reality is that there is a war today, so it has no sense to talk about what we were discussing 10 days ago. Now, the scenario is totally different.

MARTINO DE AMBROGGI: Matteo, I understand extremely well, but my point was to try and to understand what was your trend in a normal world in order to fix or to try to estimate what could be the impact based on our estimates on what...

MATTEO TIRABOSCHI: I am sorry, but any number I could have given you 10 days ago, doesn't make any sense today, the world has totally changed, unfortunately.

MARTINO DE AMBROGGI: Okay. That's was my first question. The second is on the real world because, as we read, some of your clients already announced production disruption due to the Russian crisis which is the real world. Are you already receiving stop delays over your production orders because of this additional disruption or not yet?

DANIELE SCHILLACI: We are having indeed some tangible input that some of our OEM - of course it's different OEM by-OEM - but some have announced some days of stop of production because of supply chain issue. So the answer is, yes, not all but some, yes.

MARTINO DE AMBROGGI: Okay. And the last question is for the future world. How are you progressing in finding a second client for SENSIFY?

DANIELE SCHILLACI: We are progressing quite well on that. We have requests from all over the world, which is good, and we are quite confident that very soon we will have not only a second client but maybe some orders also. So we are progressing very well on that.

MARTINO DE AMBROGGI: Okay. Thank you.

OPERATOR: The next question is from Renato Gargiulo with Stifel. Please go ahead.

RENATO GARGIULO: Yes, good afternoon. Well, my first question is just a confirmation. In your outlook, you are citing a full utilization of production capacity in the first part of this year. If you can confirm it and in general, on average, what is your current visibility on orders from your clients.

Then the second question is if you can add some comments or outlook for commercial vehicles and motorbikes, if you have some indications about projection for this year also, also for this segment.

The third question is on M&A, if you have any update about the opportunities in terms of potential targets, in terms of segment? Thank you.

MATTEO TIRABOSCHI: Thank you very much for your question. Regarding the capacity utilization, last year and the last half of the year, we were at an average of 80% and in the first months of this year we were travelling at 90% of capacity utilization, so quite strong. Now, of course, we will see what happens.

Regarding the motorbike market, we don't see today any major impact; if we look at the order bank of our customers in the US, in India and so on, it is still pretty stable. So I imagine that maybe there could be an impact from the Ukrainian situation, but today, we don't see any major impact on the motorbike sector. Regarding the LCV market, traditionally it is more stable than passenger car, but here is not a matter of demand, because the demand

is there, it is a matter of supply chain management. But today on the LCV we don't have see tangible sign of any disruption.

And on the M&A, we don't have any news to share, so far; as usual, we always look around to find opportunities that can strengthen our core business.

RENATO GARGIULO: If I may, just a quick follow up. Still on volumes, so if I well understood, the year has started pretty well for you in terms of volume trend. Last time you were pointing out that in the second half with the gradual the resolution, the chip shortage issue, you were expecting a strong rebound. So yourlet's say cautious tone is just related to the Ukraine crisis or are there any other risks you're seeing now?

DANIELE SCHILLACI: Let me say without the Ukraine crisis, it would have been the same trends of last year, so a really high level of capacity utilization; with the crisis now the situation is totally different. But you're right, we started the first 2 months of the year pretty well.

RENATO GARGIULO: Okay. Thank you. Thank you very much.

DANIELE SCHILLACI: You're welcome.

OPERATOR: The next question is from Gianluca Bertuzzo with Intermonte SIM. Please go ahead.

GIANLUCA BERTUZZO: Hi, good afternoon to everyone. My first question is on the market share for aluminum calipers. Can you share with us the evolution of your market share in this...for this type of product and a rough estimate of what is the penetration of this product in new car sales?

And second question is on brake-by-wire technology. I recently saw that the new Alfa Romeo Tonale is equipped with brake-by-wire technology which should be supplied by Continental. How comparable is that product with the one that Brembo has? Thank you.

DANIELE SCHILLACI: Regarding the aluminum calipers, we maintain our high market share, as you probably know, it is above 70%, on the premium/luxury segment, I would say almost all the high segment are now adopting the aluminum. So we keep having a very high and solid presence in that area.
Regarding SENSIFY, it is totally different than with brake-by-wire that you are mentioning. I don't want to enter into technical details here, but our product is definitely at another level in terms of artificial intelligence functionality, etc. So it has really nothing to do with it.

GIANLUCA BERTUZZO: Okay, clear. Thank you.

OPERATOR: The next question is from Anthony Dick with ODDO. Please go ahead.

ANTHONY DICK: Yes. Hi, thanks for taking my question. Just one on the raw material price impact. So I understand that you pass-through raw material cost increases. Could you tell us what impact this had on your overall top line in 2021? And what should be the price impact also in 2022? Thank you.

DANIELE SCHILLACI: As a global number, raw material energy and so on, accounted for €98 million roughly speaking, 70% of this cost has been recovered in '21, the rest will be recovered in 2022.

ANTHONY DICK: Okay. Thank you. Just correct me, that was €100 million?

DANIELE SCHILLACI: €98 million to be precise, yes.

ANTHONY DICK: €98 million, okay perfect. And saying that, prices are...I am saying prices have continued to increase and have you sort of estimated what could be the additional price impacts that you would get in 2022?

DANIELE SCHILLACI: Honestly speaking, what we had forecasted only a few weeks ago is now already old, if you take only the energy cost, in some parts of the world it's even more than doubled in a few weeks. So, it's very difficult now to give you a number. I hope, we all really hope, that by the next time we speak, for the Q1 in May, the situation will be more stable and that by then we will be able to provide a clearer picture about that.

ANTHONY DICK: Okay. Thank you.

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

GABRIELE GAMBAROVA: Yes, thanks for taking my question. I am sorry, the line is not very good, its again on raw material costs and the adjustments on prices. If I look at your Slide #4, you have €62 million benefit from increased prices in 2021. So, I was wondering if you can tell me how this number could look like in 2022 as of today, of course?

DANIELE SCHILLACI: No, problem, I will, I will repeat. For 2021, the cost increased due to the raw material accounts for €98 million, 70% was recovered in '21, and the rest is coming in '22.

Regarding 2022, as I said before, it's impossible to give the visibility for the simple reason that only in one week in some countries, the energy costs has more than doubled. We have a special taskforce, already in place since the beginning of the year, that meet every day, and it is amazing how radically the number change every day. As I said before, we really hope that by May for the Q1 session, the situation in Ukraine will definitely better, and that

we will be in a position to give you more guidance on this aspect, but today it's almost impossible.

GABRIELE GAMBAROVA: Okay. Thank you very much.

DANIELE SCHILLACI: You are welcome.

OPERATOR: The next question is a follow-up from Martino De Ambroggi with Equita. Please go ahead.

MARTINO DE AMBROGGI: Yes, hi, maybe more a suggestion than a question. In order to avoid questions on the short-term scenarios, are you maybe planning to present sooner or later a long-term Business Plan factoring in SENSIFY potential as soon as you have a pipeline, clear pipeline on new potential clients. I tell you just because someone else probably very unlucky but someone else presented it in these days, despite the geopolitical crisis that we will focus on long-term potential targets?

MATTEO TIRABOSCHI: Okay. We didn't do it in the part, and we don't plan to do it in the near future, especially in period like the present one.

MARTINO DE AMBROGGI: Okay. Thank you.

OPERATOR: Ms. Panseri, gentlemen, there are no more questions registered at this time.

LAURA PANSERI: Okay. Thank you so much for joining this event. And enjoy the rest of your day. Thank you.

DANIELE SCHILLACI: Thank you.

MATTEO TIRABOSCHI: Bye-Bye.