

PRINCIPLES, SOURCES AND COMPANY MACROSTRUCTURE

PRINCIPLES

Brembo's System of Corporate Governance was implemented also in financial year 2005, fully complying with the provisions of "Corporate Governance of Listed Companies" (so called Preda Code) and those required for listing with the STAR segment.

Brembo bases its conduct on rigorous principles, including transparency, compliance to rules, ethics, and responsibility. This provides a basis for and protects the company's intangible capital, which primarily consists of its brand, its reputation and the set of values shared by employees and collaborators that guides the actions of a socially responsible company.

With this objective, Brembo has further fine tuned its Corporate Governance model (the basic principles of which are established in the related Manual), expanded on topics relating to ethics, and voluntarily adheres to the principles of corporate social responsibility.

In 2005, the company's participation in the competition for the National Award for Social Responsibility promoted by the Ministry of Labour and Social Politics provided an important opportunity to promote the project aimed at increasing awareness and spreading information about these topics. Brembo was awarded first prize for the "Large Enterprises" category. The activity will continue over the course of 2006.

The report, which has been published in Brembo's website (www.brembo.com, in the "Investor Relations & Financial Info" section), was submitted to Borsa Italiana (the Italian Stock Exchange).

SOURCES (UPDATED 31 DECEMBER 2005)

1) Corporate Governance Manual (which fully replaces and supplements the Brembo Code of Corporate Governance), the third edition of which was approved by the Board of Directors on 12 May 2005.

The fundamental parts of the manual include:

- a) The current version of the Corporate By-laws, approved by the Extraordinary Shareholders' Meeting of 26 April 2004;
- b) Instructions governing the Board of Directors of Brembo S.p.A., drawn up by the Legal and Corporate Affairs Department on 23 March 2005.
- c) Rules for the Remuneration Committee, approved by the Remuneration Committee on 21 February 2001;
- d) Rules for the Audit Committee, approved by the Audit Committee on 15 March 2005;
- e) Instructions Governing Regulatory Requirements for Disclosing Transactions with Related Parties, approved by the Board of Directors on 14 October 2002 and subsequently amended with the resolution passed by the Board of Directors on 13 May 2003.
- f) Instructions Governing the Shareholders' Meeting of Brembo S.p.A., drawn up by the Legal and Corporate Affairs Department on 28 February 2005.
- g) Regulations of the Shareholders' Meetings, approved by the General Shareholders' Meeting held on 3 May 2000;

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- h) Appointment of the Investor Relator (resolution passed by the Board of Directors on 12 November 2004);
 - i) Handling of Price-Sensitive Information and Disclosure of Documents and Information, approved by the Board of Directors on 17 March 2005;
 - 2) Delegation of powers of Brembo S.p.A. approved by the Board of Directors on 14 November 2005, as subsequently amended.
 - 3) Code of Conduct regarding Internal Dealing, approved by the Board of Directors on 19 December 2002 and subsequently amended with the resolution passed by the Board of Directors on 13 February 2004;
 - 4) Code of Ethics of Brembo S.p.A., approved by the Board of Directors on 11 November 2002 and distributed to all Group employees.
 - 5) Guidelines for Information to the Market, acknowledged by the Board of Directors on 11 November 2002.
 - 6) Regulations for the Implementation of Legislative Decree No. 58 of 24 February 1998, on regulations for Issuers, adopted by CONSOB, as amended with resolution No. 15232 of 29 November 2005;
 - 7) Law No. 262/2005 "Provisions for the protection of savings and the regulation of financial markets";
 - 8) Law 62/2005 acknowledging EEC directives on Market Abuse;
 - 9) Organisational, Management and Control Model approved by the Board of Directors of 11 February 2005, supplemented by the resolution passed by the Board of Directors on 29 July 2005.

The above-mentioned documents are available at Brembo Legal & Corporate Department and on the corporate website at "www.brembo.com" in the new Corporate Governance section. Any additional information can be requested from the Company's Investor Relations Office (ir@brembo.it).

CORPORATE MACROSTRUCTURE

The Brembo macrostructure is outlined in the By-laws in the version approved by the Extraordinary Shareholders' Meeting of 26 April 2004 acknowledging the changes deriving from the reform of corporate law and opting to maintain the so-called Traditional Corporate Governance Model. A study of the specific rules introduced by the Savings Law was initiated in order to align Brembo's Governance with the new obligations set forth in such law.

In addition:

- At 31 December 2005, the company issued 66,784,450 ordinary shares, each with voting rights. The company Nuova FourB S.r.l. (with registered offices in Bergamo) holds 39,026,796 shares, corresponding to 58.4% of total Share Capital. However, pursuant to Art. 2497-bis of the Italian Civil Code, this company plays no role in the management and coordination of Brembo S.p.A.
- It is specified that Brembo S.p.A. directs, coordinates, and controls its subsidiaries either directly or through Brembo International S.A.
- The Company complies with Art. 2497-bis of the Italian Civil Code, with reference to companies directed and coordinated by Brembo S.p.A.
- There are no syndicate agreements or other Shareholder agreements.
- The Board of Directors holds exclusive responsibility for the extraordinary and ordinary operations of the Company, with

the exception of the responsibilities that are reserved for the Shareholders' Meeting, in accordance with Italian laws and the Company By-laws.

- There are no situations that diverge from the provisions of the Preda Code. The Company has ensured the compliant establishment and due operation of the Corporate Boards, the Audit Committee and the Remuneration Committee. Instead, no Nominations Committee was established, due to the fact that candidates for the office of Company Director are nominated by the Shareholders' Meeting. Furthermore, the Supervisory Committee was set up on 30 July 2004.

IMPLEMENTATION OF CORPORATE GOVERNANCE

GENERAL SHAREHOLDERS' MEETING AND RELATIONS WITH SHAREHOLDERS AND INSTITUTIONAL INVESTORS

The Shareholders' Meeting held on 29 April 2005 approved the Annual Financial Statements of Brembo S.p.A. for the year ended 31 December 2004, which include the Directors' Report on Operations, the Statutory Auditors' Report and the Independent Auditors' Report.

The following items were also covered at the Shareholders' Meeting: presentation of the Consolidated Financial Statements; renewal of the appointments of the Board of Directors and Board of Auditors; renewal of the plan for acquiring and selling the company's own shares; and reduction of Share Capital pursuant to Article 2445 of the Italian Civil Code through cancellation of the company's own shares.

Investor relations and the disclosure of price-sensitive information are governed by a special section of Brembo's Corporate Governance Manual, which incorporates the main contents of the Guidelines for Information to the Market published by Borsa Italiana.

More in detail, in compliance with the procedure for handling reserved and price-sensitive information, the company is committed to prepare a report for the financial community. This report will be characterised by timeliness, continuity and consistency, and will comply with the principles of correctness, transparency, and equal access to information.

All information of an economic or financial nature is promptly disclosed, also on the company's website (www.brembo.com, "Investor Relations & Financial Info" section).

In 2005, the company held more than 170 meetings with its institutional investors and financial analysts by participating in ten roadshows in foreign markets, including London, Paris, Frankfurt, Zurich, Geneva and Brussels.

Particular attention is also placed on private shareholders, who are mailed a quarterly newsletter containing the latest results and updates on the company's performance.

In the beginning of 2003, the company established a Code of Conduct on Internal Dealing that governs all purchase and sale transactions involving Brembo's financial instruments made by persons who, as insiders and by virtue of their role, have regular access to inside information. In compliance with this Code, three reports were prepared by relevant persons during the course of 2005. The reports are available on the company's website.

The person responsible for Investor Relations is Corrado Orsi (Tel. +39.035.605.884; e-mail address: IR@brembo.it), Chief Financial Officer of Brembo S.p.A., working closely with the Managing Director.

BOARD OF DIRECTORS

The Board of Directors of Brembo S.p.A., appointed by the Shareholders' Meeting held on 29 April 2005 and in office until the Shareholders' Meeting approving the 2007 Financial Statements (at 31 December 2005) is composed of eleven Directors, four of whom executive Directors (Alberto Bombassei, Cristina Bombassei, Stefano Monetini, Matteo Tiraboschi), six non-executive and Independent Directors (Paolo Biancardi, Giancarlo Dallera, Giovanna Dossena, Andrea Gibellini, Giuseppe Roma e Giovanni Cavallini) and one non-executive Director (Umberto Nicodano).

Following the resignation of Director Alberto Tazartes, at the meeting of the Board of Directors of 14 November 2005, Giovanni Cavallini was co-opted as a non-executive and Independent Director pursuant to Article 2385 of the Italian Civil Code. The Incoming Director will remain in office until the Shareholders' Meeting that is held to approve the 2005 Financial Statements; at that time, a new Director will be appointed pursuant to law.

Bruno Salta is Secretary to the Board of Directors.

All the Directors meet the requirements of personal integrity, professionalism and respectability imposed under the Peda Code.

In 2005, the Board of Directors met eight times at the company's registered offices.

The following table provides information on the status of each Director and the dates the Board of Directors met in 2005.

STATUS OF DIRECTORS

| Name | Non-executive | Independent | Executive | Other offices |
|---------------------------------------|---------------|-------------|-----------|---------------|
| Bombassei Alberto Chairman | | | x | 9 |
| Biancardi Paolo | x | x | | 6 |
| Bombassei Cristina | | | x | 1 |
| Dallera Giancarlo | x | x | | 1 |
| Dossena Giovanna | x | x | | 2 |
| Gibellini Andrea | x | x | | 1 |
| Monetini Stefano | | | x | 3 |
| Nicodano Umberto | x | | | 5 |
| Roma Giuseppe | x | x | | 2 |
| Tiraboschi Matteo | | | x | 11 |
| Tazartes Alberto (up to 14/11/2005) | x | x | | 3 |
| Cavallini Giovanni (as of 14/11/2005) | x | x | | 2 |

MEETINGS OF THE BOARD OF DIRECTORS - 2005

| Date of meeting | % of attendance |
|-----------------|-----------------|
| 28.01.2005 | 92.8% |
| 11.02.2005 | 78.6% |
| 17.03.2005 | 71.4% |
| 29.04.2005 | 92.8% |
| 12.05.2005 | 92.8% |
| 29.07.2005 | 64.3% |
| 23.09.2005 | 92.8% |
| 14.11.2005 | 92.8% |

Each Director is informed at least 5 days before the Board Meeting about all items on the agenda. A detailed analytical report outlining the necessary elements (in descriptive and numerical terms) is sent to each Director.

In addition to the functions attributed to it by law and by the Company By-laws, the Board of Directors is also responsible for the functions envisaged by the Corporate Governance Manual approved on 12 May 2005. Thus, it is specifically responsible for analysing and sharing annual budgets and strategic plans.

During the year, the Directors' remuneration was changed in accordance with a resolution passed at the Shareholders' Meeting of 29 April 2005.

At the Shareholders' Meetings of 11 February 2005, 12 May 2005, 29 July 2005 and 14 November 2005, information was provided with regard to transactions carried out with related parties by some of Brembo S.p.A.'s Directors.

Due to their purpose, nature and amount, such transactions were not considered outside of the company's normal course of business; furthermore, they did not present any critical issues and were within the range of market values for similar operations.

D ELEGATION OF POWERS

(APPROVED BY THE BOARD OF DIRECTORS ON 14 NOVEMBER 2005)

In this regard no changes were made to what was illustrated in the 2004 Report.

The Board of Directors, which is responsible for Company operations, granted the Managing Director ordinary administrative powers as well as certain extraordinary powers, including those to buy and sell realty, represent the Company in union relations, stipulate loans and financing to be repaid within 36 months, and grant and register mortgages. Therefore, the Board retains the power to decide on the purchase and sale of shareholdings in other companies (M&A), the issuance of guarantees to third parties by Brembo S.p.A., and responsibilities regarding annual budgets and strategic plans.

The General Manager, the Business Unit Directors and other Central Directors are granted limited powers for ordinary administration in relation to the performance of their respective offices, powers and proxies regularly registered with the Company Register of Bergamo.

Information regarding the exercise of powers was submitted during the Board Meetings held on 11 February 2005, 12 May 2005, 29 July 2005, and 14 November 2005.

CHAIRMAN OF THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

The Shareholders' Meeting confirmed Alberto Bombassei as Chairman of Brembo S.p.A. for the 2005-2007 period. The Chairman is the Company's legal representative.

On 29 April 2005, the Board of Directors also appointed Alberto Bombassei as Managing Director, granting him the powers specified above.

The Chairman and Managing Director has properly carried out the responsibilities and tasks assigned to him.

AUDIT COMMITTEE AND INTERNAL CONTROL SYSTEM

The work of the Audit Committee continued in 2005. The Committee was established with the resolution passed by the Board of Directors on 21 February 2001 and was confirmed by the Board of Directors' Meeting of 29 April 2005. It is composed of non-executive Independent Directors — Giuseppe Roma (Chairman), Andrea Gibellini and Giovanna Dossena — whose role is to submit proposals and provide consultancy.

The Internal Audit Committee held five meetings (on 24 January 2005, 15 March 2005, 23 May 2005, 23 September 2005, 19 December 2005). During these meetings, the internal Audit activities were analysed and the correctness of procedures, the efficiency of corporate transactions, the reliability of financial information, observance of the law and the regulations, and adequate protection of corporate assets were widely monitored. The Chairman of the Board of Statutory Auditors, Sergio Mazzoleni, participated in these meetings, either directly or through a representative. The Managing Director and the Board of Directors were duly informed on the results of the activities of the Audit Committee through reports submitted by the Committee Chairman, Giuseppe Roma, and the Chairman of the Supervisory Committee, Giovanna Dossena, during the Board of Directors' meetings held on 17 March 2005 and 14 November 2005.

Internal Audits continued to be performed to ensure observance of the rules of conduct established by the Code of Conduct and to prevent risks.

As prescribed in the Internal Audit Procedure approved by the Board at the time, audits have a two-fold objective: risk prevention, and direct action to detect and eliminate irregularities.

Four operating audits were planned and carried out in the risk prevention area, of which one at a foreign office.

Within the framework of these targeted audits and based on specific reports received, a number of ethical audits approved by the Managing Director and General Manager were conducted.

These actions detected no noticeable irregularities or direct responsibility on the part of employees in the execution of their tasks. The results were included in a detailed report to the Managing Director and the General Manager.

In addition to the planned activities, other Internal Audit activities were also carried out as necessary during the year. The Internal Auditor was involved in the cross-company project "Document Classification and Archival" that involved various areas of the company in defining standards for the classification of documents, the processing of price-sensitive information and the archival of such information.

LEGISLATIVE DECREES 231/01 AND 61/02

During 2005, progress continued as planned on the activities aimed at ensuring an efficient system of Organisation, Management and Control (in accordance with the Confindustria — Italian Manufacturers' Association — Guidelines of 24 May 2004). This system is able to prevent — in compliance with the provisions of Article 6 of Legislative Decree 231/2001 — Brembo's liability for the offences referred to in Legislative Decree 231/2001 and Legislative Decree 61/2002.

Specifically, top management and all persons with supervisory roles were involved in a training plan based on the instructions contained in Legislative Decree 231/2001 and on the Organisation, Management and Control Model of Brembo S.p.A. that was approved by the Board of Directors on 11 February 2005. On 29 July 2005, the Board of Directors of Brembo S.p.A. was updated regarding the introduction of the rules on market abuse offences. The procedures are being developed according to the guidelines set by the CONSOB regulation.

Employees were informed that they could report any irregularities and/or violations of the Organisation, Management and Control Model and the Code of Ethics by sending an email to a specific address; all such emails will be forwarded to the Supervisory Committee and the Internal Control Committee.

All specific activities falling under the responsibility of the Supervisory Committee were conducted in conformity with the provisions of law. In detail:

- communication channels were established for reports; as of today, no reports have been made.
- procedures were defined for disciplinary or punitive measures.
- supplements and amendments were made to the reference model of the Supervisory Committee, with the aim of reflecting the company's current situation as accurately as possible and fulfilling internal audit as well as its own control requirements, also with regard to completing the tasks required by the relevant regulations, within the period under review. Such supplements and amendments were always formalised and appropriately publicised.

During the year, no violations of laws subject to the penalties provided for in Legislative Decree 231/2001 were reported.

REMUNERATION COMMITTEE

The Remuneration Committee, reappointed with the resolution passed by the Board of Directors on 29 April 2005, is composed of non-executive and independent Directors Paolo Biancardi and Giancarlo Dallera, and non-executive Director Umberto Nicodano. In 2005, the Committee held one meeting (on 11 February 2005).

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2005; it consists of the following members: Sergio Mazzoleni (Chairman), Enrico Cervellera (Statutory Auditor), Andrea Puppo (Statutory Auditor), Giuseppe Marangi (Alternate Auditor), Mario Tagliaferri (Alternate Auditor). All the Directors meet the requirements established by law and by the Preda Code.

In 2005, the Board of Auditors held four meetings and participated in all meetings of the Board of Directors.

PRIVACY

In accordance with the "Personal Data Protection Code" as per Legislative Decree 196 of 30 June 2003, Brembo S.p.A. has drafted and updated the prescribed "Security Planning Document" and has implemented all the measures prescribed therein. These measures were extended also to its subsidiary companies with registered offices in Italy.

More in detail, the company planned and carried out the necessary initiatives at the organisational, technical, and training levels.

In compliance with CONSOB Resolution No. 11971 of 14 May 1999, data on share movements by Directors, Auditors and General Managers during 2005 are given below:

| | Shares at 31.12.2004 | Shares purchased | Shares sold | Shares at 31.12.2005 | Ownership position | Ownership method |
|------------------------------------|-------------------------|---------------------|----------------|-------------------------|-----------------------|---------------------|
| Alberto Bombassei | 0 | 0 | 0 | 0 | N/a | N/a |
| Alberto Bombassei (Nuova FourB) | 39,026,796 | 0 | 0 | 39,026,796 | F | I |
| Paolo Biancardi | 0 | 0 | 0 | 0 | N/a | N/a |
| Cristina Bombassei | 56,640 | 0 | 0 | 56,640 | F | D |
| Giovanni Cavallini ⁽¹⁾ | 0 | 0 | 0 | 0 | N/a | N/a |
| Giancarlo Dallera | 0 | 0 | 0 | 0 | N/a | N/a |
| Giovanna Dossena | 0 | 0 | 0 | 0 | N/a | N/a |
| Andrea Gibellini | 0 | 0 | 0 | 0 | N/a | N/a |
| Stefano Monetini ⁽²⁾ | 28,050 | 0 | 28,050 | 0 | N/a | N/a |
| Umberto Nicodano | 0 | 0 | 0 | 0 | N/a | N/a |
| Giuseppe Roma | 6,000 | 0 | 0 | 6,000 | F | D |
| Alberto Tazartes ⁽³⁾ | 54,687 | 0 | 0 | 54,687 | F | D |
| Matteo Tiraboschi | 0 | 0 | 0 | 0 | N/a | N/a |
| Board of Statutory Auditors | | | | | | |
| Sergio Mazzoleni ⁽⁴⁾ | 17,500 | 0 | 17,500 | 0 | N/a | N/a |
| Enrico Cervellera | 0 | 0 | 0 | 0 | N/a | N/a |
| Andrea Puppo | 0 | 0 | 0 | 0 | N/a | N/a |

Legend: D = direct control
 I = indirect control (through third parties, subsidiaries or trustees)
 F = full ownership
 N/a = not applicable

⁽¹⁾ Director Alberto Tazartes resigned as of 14 November 2005. On the same date, the Board of Directors appointed the new Director Giovanni Cavallini.

⁽²⁾ He also holds the position of General Manager in Brembo S.p.A.

⁽³⁾ It is noted that SEA S.n.c., 30% held by Auditor Sergio Mazzoleni and 20% held by his spouse, holds 17,500 shares, although it is deemed that this is not relevant with reference to CONSOB resolution No. 11971 of 14 May 1999.

INFORMATION ABOUT THE BREMBO S.P.A. DIVIDEND PROPOSAL

To conclude our report regarding the Financial Statements of Brembo S.p.A. for the year ended 31 December 2005, based also on the examination of our Report and the Notes to the Financial Statements, in which we outlined the guidelines and operations, we submit for your approval our proposal for distributing the entire net income amounting to €8,419,844, as follows:

- * to the ordinary reserve, €188,340 to reach an amount equal to one fifth of the Share Capital;
- * to the Shareholders, a gross dividend of €0.21 per ordinary share outstanding at the time of dividend payout, consequently excluding own shares. The dividend will be as follows:
 - a) 58.7%, equivalent to €8,231,504, will be drawn from annual net income after deducting the amount allocated to the ordinary reserve;
 - b) 41.3%, equivalent to €5,793,231, will be drawn from the extraordinary reserve.

It is also proposed that dividends should be paid as of 11 May 2006.

Corno, 24 March 2006

BOARD OF DIRECTORS

| | |
|---------------------|----------|
| Alberto Bombassei | Chairman |
| Paolo Biancardi | Director |
| Cristina Bombassei | Director |
| Giovanni Cavallini | Director |
| Giancarlo Dall'asta | Director |
| Giovanna Dessena | Director |
| Andrea Gibellini | Director |
| Stefano Monerini | Director |
| Umberto Nicodano | Director |
| Giuseppe Roma | Director |
| Matteo Tinaboschi | Director |