THINK AHEAD, TOMORROW IS NOW

BREMBO
SIX
MONTHLY
REPORT
2018

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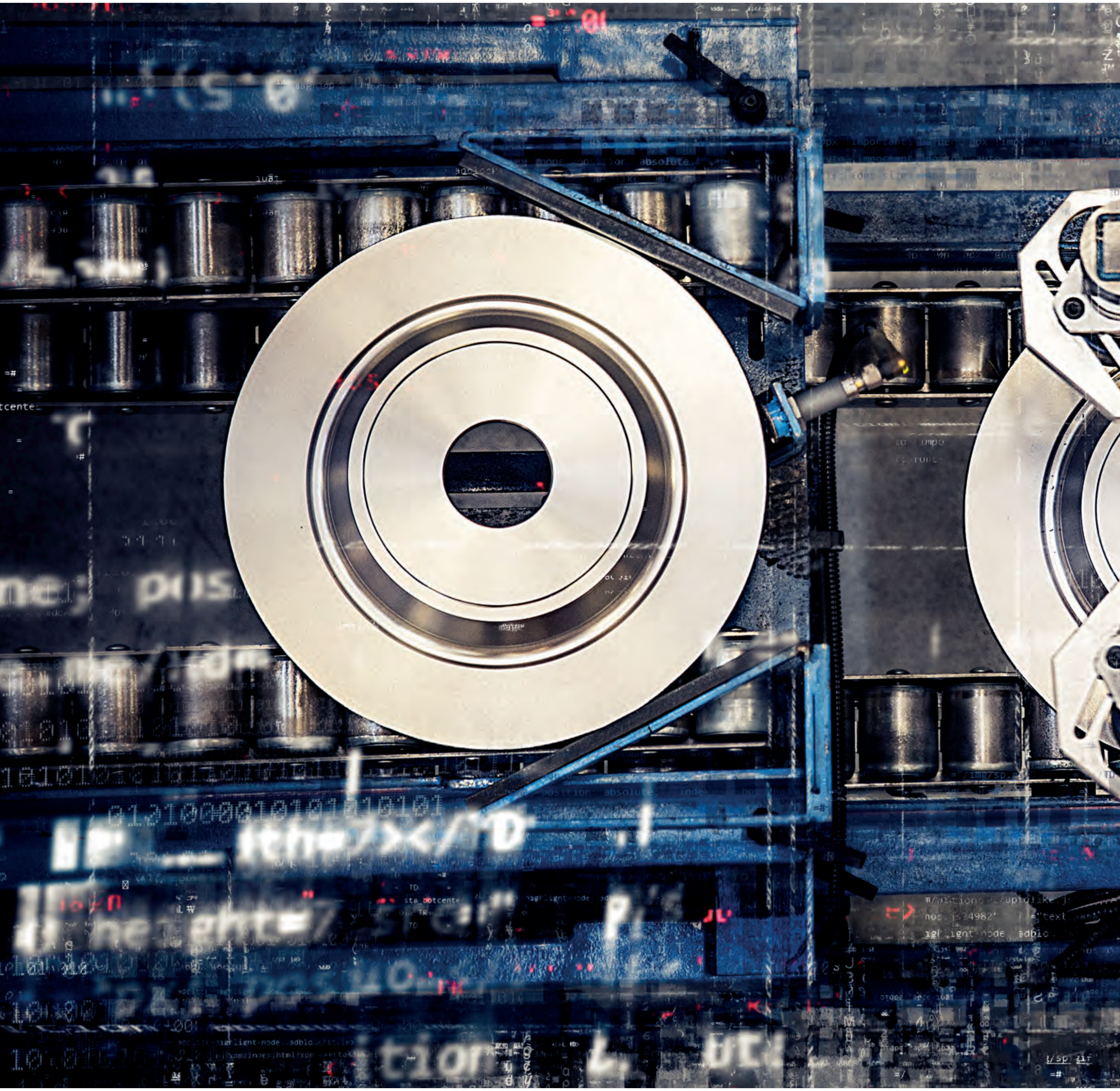
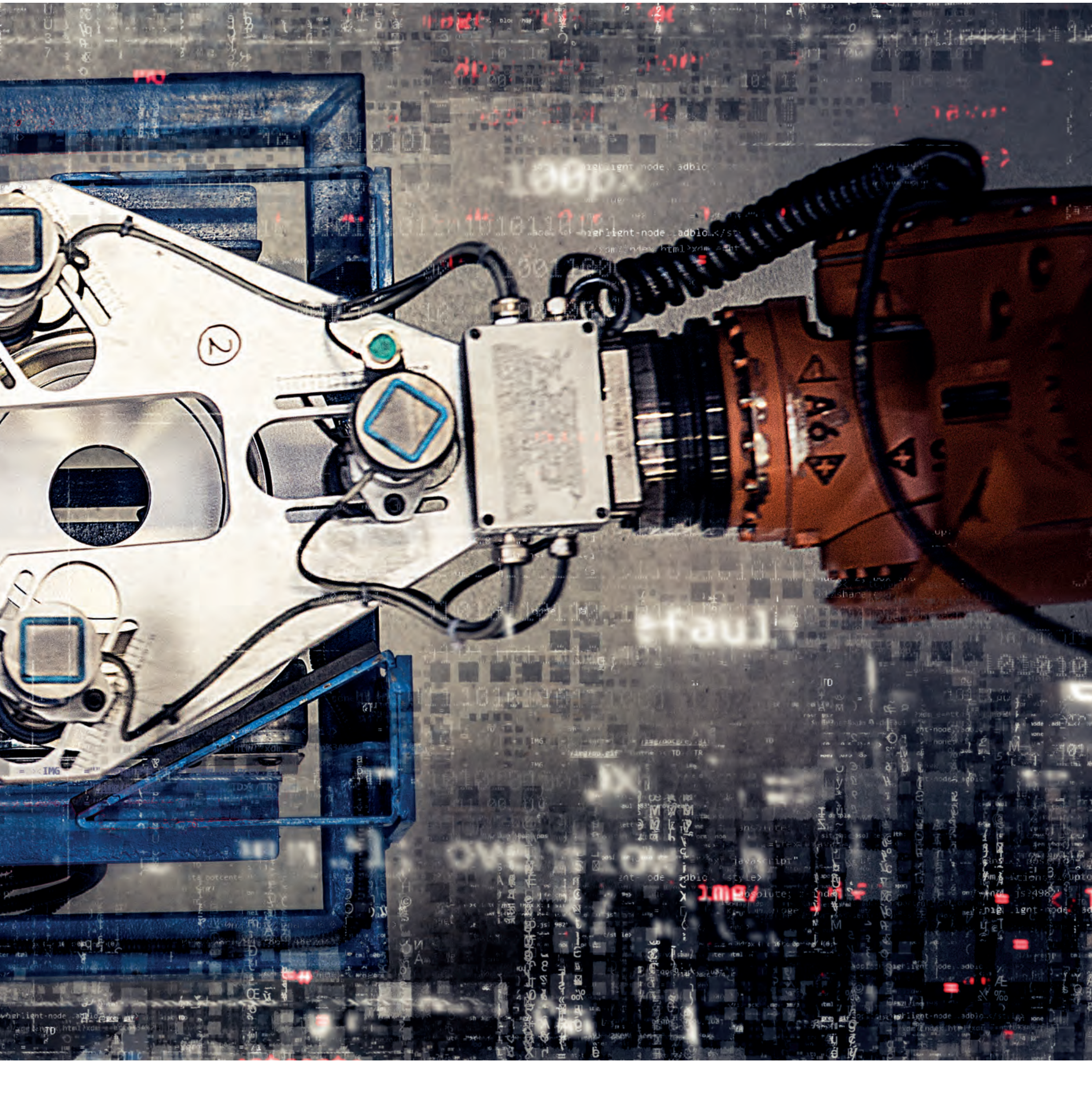
REPORT
2018





CONTENTS

COMPANY OFFICERS

The General Shareholders' Meeting of the Parent Brembo S.p.A. of 20 April 2017 confirmed the number of Board members at 11 and appointed the Board of Directors for the three-year period 2017-2019, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019.

COMPOSITION OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MAIN GOVERNANCE FUNCTIONS

BOARD OF DIRECTORS

Chairman	Alberto Bombassei (1) (9)
Executive Deputy Chairman	Matteo Tiraboschi (2) (9)
Chief Executive Officer and General Manager	Andrea Abbati Marescotti (3) (9)
Directors	Valerio Battista (4) (10) Cristina Bombassei (5) (9) Barbara Borra (4) Giovanni Canavotto (6) Laura Cioli (4) Nicoletta Giadrossi (4) (7) Umberto Nicodano (8) Gianfelice Rocca (4)

BOARD OF STATUTORY AUDITORS (11)

Chairwoman	Raffaella Pagani (7)
Acting Auditors	Alfredo Malguzzi Mario Tagliaferri
Substitute Auditors	Myriam Amato (7) Marco Salvatore

INDEPENDENT AUDITORS	EY S.p.A. (12)

MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS — Andrea Pazzi (13)

COMMITTEES

Control, Risks & Sustainability Committee (14)	Laura Cioli (Chairwoman) Barbara Borra Nicoletta Giadrossi
Remuneration & Appointments Committee	Barbara Borra (Chairwoman) Nicoletta Giadrossi Umberto Nicodano
Supervisory Committee	Alessandro De Nicola (Chairman) (15) Laura Cioli Alessandra Ramorino (16)

(1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.

(2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.

(3) The Board of Directors granted the Chief Executive Officer and General Manager special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.

(4) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of the TUF (as required by Articles 147-*ter*, paragraph 4, and 147-*quater* of TUF) and Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A. and Article 3.C.1 of the Corporate Governance Code of Brembo S.p.A.

(5) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System, as well as of Chief CSR Officer.

(6) Executive Director also holding the position of System Division Chief Operating Officer.

(7) Candidate for the position of Director proposed by a group of minority shareholders and elected by the Shareholders' Meeting/Statutory Auditor elected from a minority list.

(8) Non-executive Director.

(9) Executive Directors.

(10) This Director also holds the position of Lead Independent Director.

(11) This Board holds the role of Internal Control & Audit Committee pursuant to Article 19 of Legislative Decree No. 39/2010.

(12) The Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.

(13) Appointed by the Board of Directors on 5 March 2018, pursuant to Article 27-*bis* of the By-laws. The appointment remains valid until the expiry of the current Board of Directors' term of office, i.e., until the General Shareholders' Meeting approving the Financial Statements for the year ending 31 December 2019.

(14) This Committee also acts as the Related Party Transactions Committee.

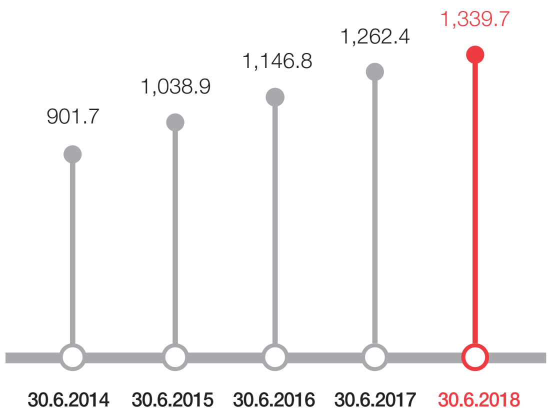
(15) Private practice lawyer - Senior Partner of Orrick Italian offices.

(16) Chief Internal Audit Officer.

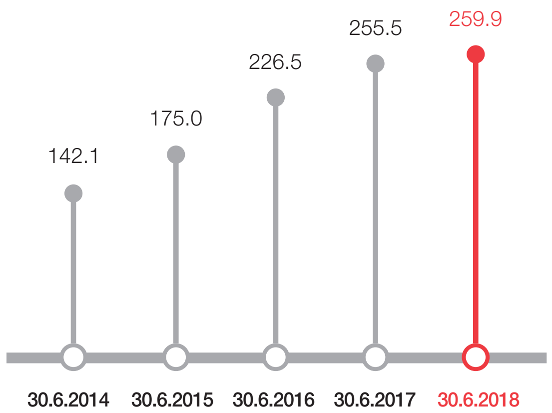
SUMMARY OF GROUP RESULTS

Following the entry into effect of IFRS 15, item "Sales of goods and services" has been replaced by item "Revenue from contracts with customers". For the impacts arising from the application of the new standard, reference is made to section "Basis of Preparation and Presentation" in the Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report.

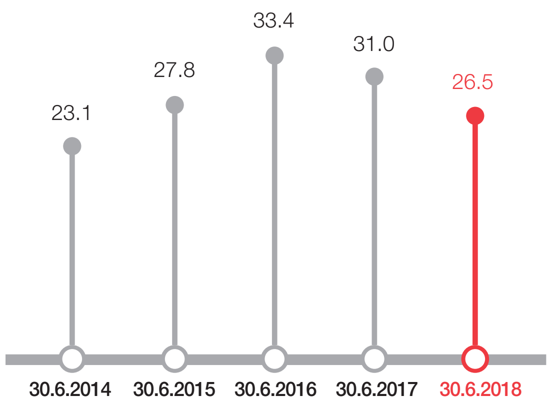
REVENUE FROM CONTRACTS WITH CUSTOMERS
(euro million)



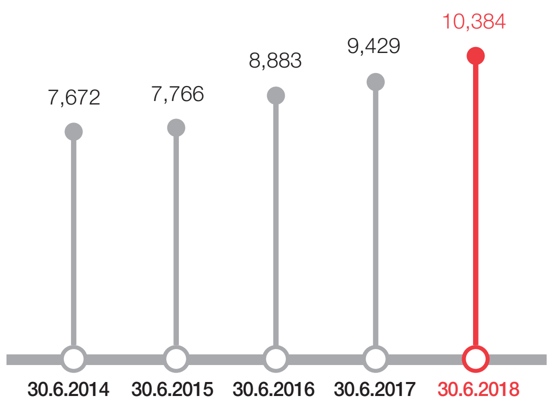
GROSS OPERATING INCOME
(euro million)



ROI
(percentage)



PERSONNEL AT END OF PERIOD
(No.)



Economic results

(euro thousand)	30.06.2014	30.06.2015	30.06.2016	30.06.2017	30.06.2018	% 2018/2017
Revenue from contracts with customers	901,697	1,038,902	1,146,838	1,262,448	1,339,687	*6.1%*
Gross operating income	142,118	174,951	226,501	255,528	259,880	*1.7%*
% on revenue from contracts with customers	*15.8%*	*16.8%*	*19.8%*	*20.2%*	*19.4%*	
Net operating income	93,495	121,311	173,339	189,497	186,105	*-1.8%*
% on revenue from contracts with customers	*10.4%*	*11.7%*	*15.1%*	*15.0%*	*13.9%*	
Result before taxes	86,982	117,844	166,018	186,477	180,609	*-3.1%*
% on revenue from contracts with customers	*9.6%*	*11.3%*	*14.5%*	*14.8%*	*13.5%*	
Net result for the period	64,004	88,969	127,079	136,688	140,113	*2.5%*
% on revenue from contracts with customers	*7.1%*	*8.6%*	*11.1%*	*10.8%*	*10.5%*	

Financial results

(euro thousand)	30.06.2014	30.06.2015	30.06.2016	30.06.2017	30.06.2018	% 2018/2017
Net invested capital (1)	816,837	879,969	1,046,967	1,232,875	1,415,082	*14.8%*
Equity	462,218	596,609	756,064	943,055	1,124,531	*19.2%*
Net financial debt (1)	325,358	249,784	259,432	259,697	263,050	*1.3%*

Personnel and investments

(euro thousand)	30.06.2014	30.06.2015	30.06.2016	30.06.2017	30.06.2018	% 2018/2017
Personnel at end of period (No.)	7,672	7,766	8,883	9,429	10,384	*10.1%*
Turnover per employee	117.5	133.8	129.1	133.9	129.0	*-3.6%*
Investments	61,068	64,051	115,573	164,167	121,956	*-25.7%*

Main ratios

	30.06.2014	30.06.2015	30.06.2016	30.06.2017	30.06.2018
Net operating income/ Revenue from contracts with customers	*10.4%*	*11.7%*	*15.1%*	*15.0%*	*13.9%*
Income before taxes/ Revenue from contracts with customers	*9.6%*	*11.3%*	*14.5%*	*14.8%*	*13.5%*
Investments/ Revenue from contracts with customers	*6.8%*	*6.2%*	*10.1%*	*13.0%*	*9.1%*
Net financial debt/Equity	*70.4%*	*41.9%*	*34.3%*	*27.5%*	*23.4%*
Adjusted net interest expense(*)/ Revenue from contracts with customers	*0.6%*	*0.7%*	*0.4%*	*0.3%*	*0.3%*
Adjusted net interest expense (*)/ Net operating income	*6.2%*	*5.7%*	*2.6%*	*2.3%*	*2.4%*
ROI (2)	*23.1%*	*27.8%*	*33.4%*	*31.0%*	*26.5%*
ROE (3)	*27.9%*	*30.6%*	*34.0%*	*29.6%*	*25.4%*

Notes:
(1) A breakdown of these items is provided in the Statement of Financial Position included in this Directors' Report on Operations.
(2) Net operating income / Net invested capital x annualisation factor (days in the year/days in the reporting period).
(3) Net income (loss) before minority interests / Equity x annualisation factor (days in the year/days in the reporting period).

(*) This item does not include exchange gains and losses.

Directors' Report on Operations

BREMBO AND THE MARKET

Macroeconomic Context

In order to properly assess Brembo's performance for the first half of 2018, as well as its outlook for the future, an analysis of the worldwide macroeconomic scenario is given here below, with particular reference to the markets in which the Group operates.

The global economy continues to grow. According to the Economic Outlook Update published by the OECD (Organization for Economic Cooperation and Development) in May 2018, global gross domestic product (GDP) for 2018 has been revised slightly upwards (+3.8%). The main reason for the revision of global growth is attributable to the global effects of the fiscal and monetary policies that are driving industrial investments and global trade. Beyond 2019, global economic growth is expected to slow gradually to +3.7%, as the result of a moderate slowdown in developed economies and stabilisation in developing countries. In its May update, the OECD also announced slight upwards revisions to its growth estimates for the United States (+2.9% in 2018 and +2.8% in 2019) and the Eurozone, which will grow by +2.2% this year and by +2.1% in 2019. In any event, U.S. trade policy and possible European and Chinese retaliation are creating uncertainty about global growth.

In the European Economic Forecast, economists at the European Commission confirm that the economic recovery is expected to continue in the Eurozone, driven by monetary policies and the effects of global trade, and predict growth of 2.3% at the end of 2018 and of 2.0% in 2019. GDP will increase in all major Eurozone countries in 2018, particularly in Spain (+2.9%), Germany (+2.3%), France (+2.0%) and Italy (+1.5%). The IHS Markit Eurozone Composite PMI rose from 54.1 in May to 54.8 in June. "An improved service sector performance helped offset an increasing drag from the manufacturing sector in June, lifting Eurozone growth off the 18-month low seen in May. With growth kicking higher in June, the surveys are commensurate with GDP rising 0.5% in the second quarter," commented Chris Williamson, Chief Business Economist at IHS Markit, adding "Business expectations are running at one-and-a-half year lows, and output continues to increase at a faster rate than incoming new orders, all of which suggests that output and employment growth could weaken again in July unless demand picks up again."

According to the IMF's forecasts, Italy is expected to grow by 1.5% in 2018, in line with the projections that the Italian government presented in its economic and finance document (DEF). GDP growth confirms that the Italian economy remains in the period of recovery that, after having intensified in 2017, continued in the first quarter of this year, with economic prospects that remain positive for 2018 and the next three years. The estimated GDP growth in 2018 of 1.5% presented in the DEF is mitigated by the downside risks characterising the international scenario. With regard to subsequent years, the DEF forecasts that the real growth rate will be 1.4% in 2019 and 1.3% in 2020. According to the study published by the Confindustria Research Centre, in the second quarter of 2018 growth amounted to +0.8%, whereas in the first quarter activity levels had remained unchanged on the fourth quarter of 2017. The thrust provided by industrial output in the second quarter of 2018 was driven by the 0.9% increase in May. Turning to the job market, the most recent figures published by the ISTAT indicate that the market will continue to grow, with employment increasing by 0.8% in 2018. At the same time, the unemployment rate will decline by 10.8%.

With reference to the United States, in its June update the Federal Reserve revised upwards its U.S.

GDP growth forecast for 2018 to 2.8% and confirmed its estimate for 2019 (+2.4%). The United States' growth expectations have been also confirmed by the European Commission, as its experts forecast a strong increase in investments by companies and private consumption, primarily stimulated and supported by tax relief. According to this economic scenario, the tax stimulus is expected to extend the expansionary phase of the economic cycle in the United States beyond 2019, potentially supported by a decline in trade tensions and the limitation of protectionist measures to a few industries and countries.

After a sound beginning to the second quarter, the Japanese economy continued to expand in June. The preliminary reading of the Purchasing Manager's Index (PMI) prepared by Markit/Nikkei showed a slight increase in June to 53.1 points from 52.8 points at the end of May, in line with the figure reported in April. The Ministry of the Economy, Trade and Industry also released positive forecasts, exceeding analysts' expectations. The indicator, which represents the weighted average performance of the main sectors of economic activity, saw increases above all by the construction sector (+2.5%) and, to a lesser extent, by the services and industrial sectors (+1% and +0.5%, respectively).

The BRICS (Brazil, Russia, India and China) continued to grow, driven by the rapid progress made by China and India. According to the OECD's estimates, the Indian economy will grow by 7.4% in 2018 and by 7.5% in 2019, whereas growth in China will be +6.7% in 2018 and +6.4% in 2019. Attention should be drawn to the Caixin manufacturing PMI, which fell to 53.1 from 53.5 in May, marking the first decline in the industry's state of health since August of last year. Exports also slowed, showing the smallest increase since 2016.

The Russian economy continues to recover, set to grow by 1.8% in 2018 and by 1.5% in 2019, in line with OECD's economists estimates in the most recent edition of their Economic Outlook. Growth is being driven by a rapid expansion in domestic demand. By contrast, the effects of tax policy will have a greater impact in the second half of the year, when public spending increases – due primarily to the football World Cup – will abate.

Brazil, which has now emerged definitively from the profound depression of 2015-2016, will continue to grow in 2018 (+2.3%) and 2019 (+2.5%). According to the official figures released by the Brazilian Institute of Geography and Statistics (IBGE), the Brazilian economy grew by 1.1% in May, and annual growth is expected to reach 2.3%.

Turning to commodities trends, the average price of oil increased gradually and significantly in the second quarter of the year to over 70 dollars a barrel. According to the figures published by the NASDAQ, the average prices of the three oil benchmarks, Brent, Dubai and West Texas Intermediate (WTI), rose by 11.9% compared to the first quarter of 2018. By the end of the year, prices are expected to increase by 22.2 percentage points on 2017.

Currency Markets

In the first half of 2018, the **U.S. dollar**, after opening the period at 1.2065 (2 January), gained ground against the euro, reaching 1.1932 (9 January), after which it once again plummeted to 1.2493 (15 February), followed by lateral movement within a range of 1.21 to 1.24 up to mid-April. After this date, the currency completely reversed course, skyrocketing to reach 1.1534 on 19 June. At the end of the period, the currency stood at 1.1658, well below the half-yearly average rate (1.210838).

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level, the **pound sterling** opened the reporting period by appreciating considerably against the euro, reaching 0.87038 on 25 January. The currency then retraced its progress, reaching 0.89513 (7 March), after which it resumed appreciation to 0.8628 (17 April). The currency depreciated throughout the rest of the period, moving laterally within the range of 0.87-0.885. At the end of the period, the currency stood at 0.88605, above the half-yearly average rate (0.879731).

After opening the quarter at 4.1633 on 2 January, the **Polish zloty** appreciated to 4.1422 (26 January), after which it moved laterally until the end of February, when it depreciated again, reaching 4.2364 on 21 March, only to retrace its progress until mid-April, returning to around its opening value. The currency then depreciated sharply and constantly, weakening to 4.3732 on 29 June. At the end of the period, the currency stood at 4.3732, above the average rate for the period (4.220039).

The **Czech koruna** opened the reporting period at 25.4940 (2 January), depreciating to 25.594 on 5 January, after which it completely reversed direction, appreciating to 25.192 (2 February). The currency then moved laterally, depreciating moderately until mid-April, after which it accelerated, depreciating more rapidly to reach the closing rate of 26.02, above the average rate for the period (25.497257).

The **Swedish krona** began the half-year at 9.8283 (2 January), where it remained until 31 January, when it reached 9.7645, after which it reversed its trend and depreciated considerably, weakening to 10.6174 on 2 May. The currency then moved laterally, while remaining below the value reached on 2 May. At the end of the period, the currency stood at 10.453, above the half-yearly average rate (10.151946).

In the Far East, the **Japanese yen** opened the period at 135.35 (2 January) and then depreciated further against the euro, reaching 137.22 on 2 February. The currency then made an about-face, appreciating against the euro once more to reach 125.88 on 29 May. The currency then depreciated once again over the remainder of the period, moving laterally around the level of 130.0. At the end of the period, the currency stood at 129.04, below the half-yearly average rate (131.610664).

The **Chinese yuan/renminbi** opened the half-year at 7.8338 (2 January) and then alternated between periods of depreciation and appreciation, reaching 7.9261 on 15 February and 7.7285 on 28 February, respectively. The currency then appreciated sharply during the rest of the period, reaching 7.4174 on 29 May. It reversed course again for the remainder of the period, depreciating once more to around 7.7. At the end of the period, the currency stood at 7.717, above the average rate for the period (7.70996).

The **Indian rupee** opened the half-year at 76,6005 (2 January) and then appreciated to 76.0215 (9 January). The currency then depreciated markedly and uninterruptedly against the euro, weakening to 81.6095 on 25 April. It reversed course for the rest of the period, appreciating considerably to around 79.0. At the end of the period, the currency stood at 79.813, above the average rate for the period (79.512308).

In the Americas, the **Brazilian real** began the reporting period by appreciating to 3.8571 (9 January) and then depreciated constantly and significantly to 4.5872 (7 June). At the end of the period, the currency stood at 4.4876, above the half-yearly average rate (4.141332).

The **Mexican peso** began the half-year at 23.5534 (2 January), moving laterally within a range of 22.8 to 23.5, after which it appreciated to 22.179 on 5 April. The currency then gradually reversed course for the rest of the period, weakening to 24.3141 on 13 June, followed by rapid appreciation to the average for the half-year. At the end of the period, the currency stood at 22.8817, below the half-yearly average rate (23.080234).

The **Argentine peso** opened the half-year by appreciating against the euro, reaching 22.124 on 3 January, to then reverse the trend and constantly lose ground. From mid-April on, depreciation exacerbated even further reaching 32.7048 on 29 June. At the end of the period, the currency stood at 32.7048, well above the average rate for the period (26.025119).

Finally, the **Russian rouble** began the reporting period by appreciating against the euro, reaching 68.0535 on 9 January. The currency then reversed course, gradually losing ground. This trend accelerated abruptly, bringing the currency to the level of 80.0075 by 11 April, over a period of three days. The currency then gradually regained ground for the rest of the period to around 73.0. At the end of the period, it stood at 73.1582, above the average rate for the period (71.980214).

Group Activities and Reference Market

Brembo is the world leader and acknowledged innovator of the brake disc technology for automotive vehicles. It currently operates in 15 countries on 3 continents, through its production and business sites, and employs over 10,000 people worldwide. Manufacturing plants are located in Italy, Poland (Czestochowa, Dabrowa Górnicza, Niepolomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), Argentina (Buenos Aires), China (Nanjing, Langfang), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

Brembo's reference market is represented by the most important manufacturers of cars, motorbikes, commercial vehicles and racing cars and motorbikes. Constant focus on innovation, as well as technological and process development — factors that have always been fundamental to Brembo's philosophy — have earned the Group a strong international leadership position in the research, design and production of high-performance braking systems for a wide range of road and racing vehicles. Brembo operates in both the original equipment market and the aftermarket. Brembo's range of products for car and commercial vehicle applications includes brake discs, brake calipers, the side-wheel module and, increasingly often, the complete braking system, including integrated engineering services. All of these back the development of new models produced by vehicle manufacturers. In addition to brake discs and brake calipers, motorbike manufactures are also offered brake master cylinders, light-alloy wheels and complete braking systems. In the car aftermarket, Brembo offers in particular brake discs, in addition to pads, drums, brake shoes, drum-brake kits and hydraulic components: a vast and reliable range of products allows the company to meet the needs of nearly all European vehicles.

In the first half of 2018, Brembo's consolidated net sales amounted to €1,339,687 thousand, up by 6.1% compared to the same period of 2017 (€1,262,448 thousand).

Information on the performance of the individual applications and their related markets — as available to the Company — is provided under the following headings.

Passenger Cars

During the first five months of 2018, the global light vehicle market showed a 3.3% increase in sales, mainly thanks to the Chinese and South American markets.

Western Europe (EU15+EFTA) closed the first five months of 2018 with a +1.4% increase in car registrations compared to the same period of 2017. Three of the five major European markets contributed to sales growth (Germany: +2.6%; France: +3.5%; Spain: +10.6%), whereas Italy and the United Kingdom reported a decline of 0.3% and 6.8%, respectively. The trend was also positive in Eastern Europe (EU12), with a 11.6% increase in car registrations.

In Russia as well, registrations of light vehicles continued to show positive signs: in the period from January to May 2018, sales rose by 20.0% compared to the same period of the previous year.

In the United States, the first five months of the year closed with positive results. Sales of light vehicles increased by 1.3% overall compared to the same period of 2017. The Brazilian and Argentine markets continued to show signs of recovery and closed the first five months of 2018 with sales up by 16.5% overall.

In Asian markets, China closed the first five months of 2018 on a positive note with light vehicle sales up +5.1% compared to the same period of 2017, remaining the number-one market in the world. On the contrary, Japan reported a negative performance, with sales down by 1.1% for the first five months of the year.

Within this scenario, Brembo's net sales of car applications in the first half of 2018 amounted to €1,020,709 thousand, accounting for 76.2% of the Group's turnover, up by 6.9% compared to the same period of 2017 (€954,613 thousand).

Motorbikes

Europe, the United States and Japan are Brembo's three most important markets in the motorbike sector.

In Europe, the top motorbike markets in terms of registrations are: Italy, Germany, France, Spain and the United Kingdom. In the first five months of the year, sales of motorbikes and scooters in Italy rose by 7.4% (+1.0% considering motorbikes with displacements over 500cc alone) compared to the same period of 2017. Spain also reported positive results, whereas the United Kingdom, Germany and France remained stable overall.

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) declined by 3.5% in the first quarter of 2018 compared to the same period of 2017. ATVs alone decreased by 0.7%, while motorbikes and scooters together dropped by 4.6%.

In the first five months of the year, the Japanese market, considering displacements over 50cc overall, reported a 3.9% decrease (motorbikes with displacements over 125cc alone dropped by 6.1%).

The Indian market (motorbikes and scooters together) grew by 19.5% in the first five months of 2018.

In Brazil, registrations grew by 7.7% in the first five months of the year.

Brembo's net sales of motorbike applications in the first half of 2018 amounted to €129,831 thousand, increasing by 2.7% over the same period of 2017 (€126,382 thousand).

Commercial and Industrial Vehicles

In the first five months of 2018, the European commercial vehicles market (EU+EFTA) — Brembo's reference market — showed a 4.1% increase in registrations compared to the same period of 2017.

In detail, sales of light commercial vehicles (up to 3.5 tonnes) in Europe increased by 4.3% overall. Among the first five European markets by sales volume, a positive performance compared to the first five months of the previous year was reported by Italy (+1.1%), Germany (+4.8%), Spain (+11.7%) and France (+5.3%). The United Kingdom was the only country closing the first five months of the year with a negative performance, down 1.4%. In Eastern European countries, this segment grew by 8.9% compared to the same period of 2017.

Similarly, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) improved in Europe in the first five months of 2018, up 3.6% compared to the same period of 2017. Among the first five European markets by sales volume, sharp growth was reported particularly in Italy (+15.0%), followed by Spain (+9.2%) and France (+7.9%), whereas Germany and the United Kingdom declined (-1.6% and -8.6%, respectively). In Eastern Europe, sales of commercial vehicles over 3.5 tonnes grew by 11.2% compared to the same period of the previous year.

In the first half of 2018, Brembo's net sales of applications in this segment amounted to €126,342 thousand, up 10.5% compared to €114,295 thousand for the same period of 2017.

Racing

In the racing sector, where Brembo has maintained undisputed supremacy for years, the Group operates through three leading brands: Brembo Racing, braking systems for race cars and motorbikes; AP Racing, braking systems and clutches for race cars; Marchesini, magnesium and aluminium wheels for racing motorbikes.

In the first half of 2018, Brembo's net sales of applications in this segment amounted to €62,593 thousand, down 6.6% compared to €67,016 thousand for the first half of 2017.

SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

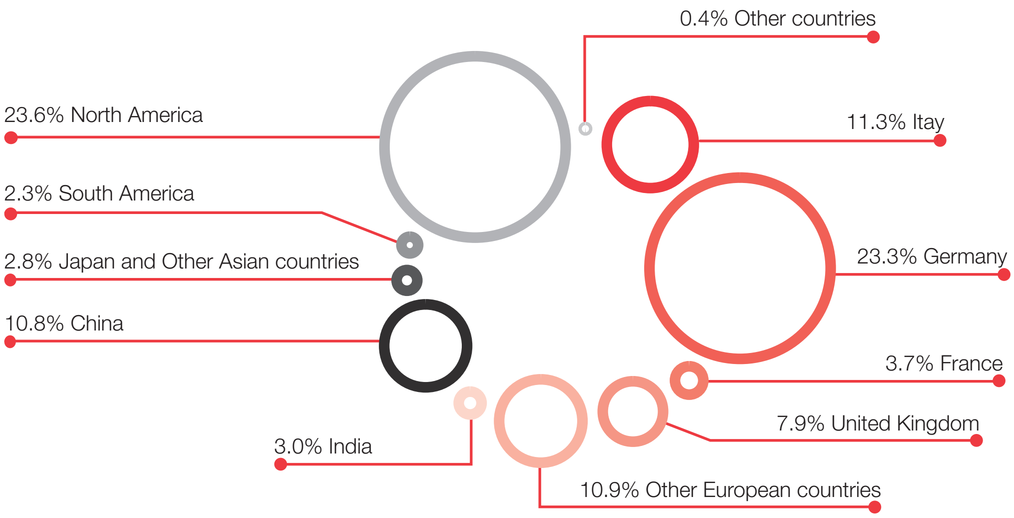
GEOGRAPHICAL AREA

(euro thousand)	30.06.2018	%	30.06.2017	%	Change	%
Italy	151,934	*11.3%*	156,970	*12.4%*	(5,036)	*-3.2%*
Germany	312,152	*23.3%*	281,176	*22.3%*	30,976	*11.0%*
France	49,511	*3.7%*	41,013	*3.2%*	8,498	*20.7%*
United Kingdom	105,403	*7.9%*	98,696	*7.8%*	6,707	*6.8%*
Other European countries	145,495	*10.9%*	115,534	*9.2%*	29,961	*25.9%*
India	39,941	*3.0%*	35,240	*2.8%*	4,701	*13.3%*
China	144,775	*10.8%*	125,358	*9.9%*	19,417	*15.5%*
Japan	14,882	*1.1%*	17,100	*1.4%*	(2,218)	*-13.0%*
Other Asian countries	22,222	*1.7%*	9,441	*0.7%*	12,781	*135.4%*
South America (Argentina and Brazil)	31,023	*2.3%*	33,153	*2.6%*	(2,130)	*-6.4%*
North America (USA, Mexico and Canada)	316,624	*23.6%*	338,851	*26.8%*	(22,227)	*-6.6%*
Other countries	5,725	*0.4%*	9,916	*0.9%*	(4,191)	*-42.3%*
Total	**1,339,687**	***100.0%***	**1,262,448**	**100.0%**	**77,239**	***6.1%***

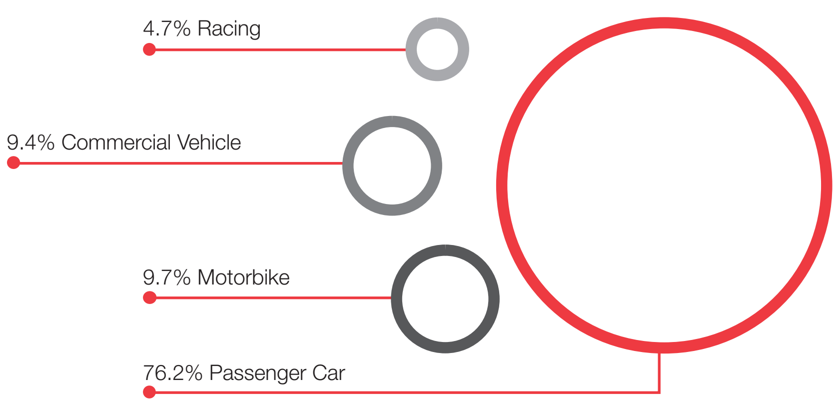
APPLICATION

(euro thousand)	30.06.2018	%	30.06.2017	%	Change	%
Passenger Car	1,020,709	*76.2%*	954,613	*75.6%*	66,096	*6.9%*
Motorbike	129,831	*9.7%*	126,382	*10.0%*	3,449	*2.7%*
Commercial Vehicle	126,342	*9.4%*	114,295	*9.1%*	12,047	*10.5%*
Racing	62,593	*4.7%*	67,016	*5.3%*	(4,423)	*-6.6%*
Miscellaneous	212	*0.0%*	142	*0.0%*	70	*49.3%*
Total	**1,339,687**	***100.0%***	**1,262,448**	***100.0%***	**77,239**	**6.1%**

SALES BREAKDOWN BY GEOGRAPHICAL AREA
(percentage)



SALES BREAKDOWN BY APPLICATION
(percentage)



BREMBO'S CONSOLIDATED RESULTS

Statement of Income

(euro thousand)	30.06.2018	30.06.2017	Change	%
Revenue from contracts with customers	**1,339,687**	**1,262,448**	**77,239**	**6.1%**
Cost of sales, operating costs and other net charges/income*	(852,154)	(797,311)	(54,843)	6.9%
Income (expense) from non-financial investments	8,456	6,157	2,299	37.3%
Personnel expenses	(236,109)	(215,766)	(20,343)	9.4%
GROSS OPERATING INCOME	**259,880**	**255,528**	**4,352**	**1.7%**
% on revenue from contracts with customers	*19.4%*	*20.2%*		
Depreciation, amortisation and impairment losses	(73,775)	(66,031)	(7,744)	11.7%
NET OPERATING INCOME	**186,105**	**189,497**	**(3,392)**	**-1.8%**
% on revenue from contracts with customers	*13.9%*	*15.0%*		
Net interest income (expense) and interest income (expense) from investments	(5,496)	(3,020)	(2,476)	82.0%
RESULT BEFORE TAXES	**180,609**	**186,477**	**(5,868)**	**-3.1%**
% on revenue from contracts with customers	*13.5%*	*14.8%*		
Taxes	(38,982)	(47,962)	8,980	-18.7%
RESULT BEFORE MINORITY INTERESTS	**141,627**	**138,515**	**3,112**	**2.2%**
% on revenue from contracts with customers	*10.6%*	*11.0%*		
Minority interests	(1,514)	(1,827)	313	-17.1%
NET RESULT	**140,113**	**136,688**	**3,425**	**2.5%**
% on revenue from contracts with customers	*10.5%*	*10.8%*		
Basic and diluted earnings per share (euro)	**0.43**	**0.42**		

* The item is obtained by adding the following items of the Consolidated Statement of Income: "Other revenues and income", "Costs for capitalised internal works", "Raw materials, consumables and goods" and "Other operating costs".

Confirming the sales uptrend also for the first half of 2018, the Group recorded a positive sales performance. At 30 June 2018, revenue from contracts with customers amounted to €1,339,687 thousand, up by 6.1% compared to the same period of 2017.

Nearly all applications contributed to revenue growth. Car applications, which accounted for 76.2% of Group's sales, closed the reporting period with a 6.9% increase. A very positive performance was also reported by the applications for commercial vehicles (+10.5%), followed by the motorbike segment (+2.7%), whereas the racing segment declined by 6.6%.

At geographical level, and with specific reference to Europe, Germany grew by 11.0% compared to the first half of 2017. Among the other European countries, France stood out with a positive +20.7%, followed by the United Kingdom (+6.8%), whereas Italy closed with a 3.2% decline. In North America (USA, Mexico and Canada), sales decreased (-6.6%, or +3.4% on a like-for-like exchange rate basis), as did in South America, where they reported a 6.4%

decline. In the Far East, Brembo recorded an uptrend in China (+15.5%) and India (+13.3%), whereas the Japanese market dropped by 13.0%.

During the half-year, the **cost of sales, operating costs and other net charges/income** amounted to €852,154 thousand, with a ratio of 63.6% to sales, essentially in line with the 63.2% figure for the first half of 2017. Within this item, development costs capitalised under intangible assets amounted to €12,600 thousand compared to €12,928 thousand in the first half of 2017.

Income (expense) from non-financial investments amounted to €8,456 thousand and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€6,157 thousand in the first half of 2017).

Personnel expenses amounted to €236,109 thousand, with a 17.6% ratio to sales, slightly increasing compared to the first half of the previous year (17.1%). At 30 June 2018, workforce numbered 10,384 (9,837 at 31 December 2017 and 9,429 at 30 June 2017); the average workforce in the period amounted to 10,168 (9,256 for the first half of 2017).

Gross operating income for the first half of the year was €259,880 thousand compared to €255,528 thousand for the first half of 2017, with a ratio to sales of 19.4% (20.2% for the same period of 2017).

Net operating income amounted to €186,105 thousand (13.9% of sales), after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €73,775 thousand compared to €189,497 thousand (15.0% of sales) for the first half of 2017, after depreciation, amortisation and impairment losses amounting to €66,031 thousand.

Net interest expense amounted to €5,617 thousand (€3,146 thousand in the first half of 2017) and consisted of net exchange losses of €1,180 thousand (net exchange gains of €1,129 thousand in the first half of 2017) and interest expense of €4,437 thousand (€4,275 thousand in the first half of 2017).

Net interest income from investments, which amounted to €121 thousand (€126 thousand in the first half of 2017), was attributable to the effects of valuing investments in associates using the equity method.

Result before taxes was positive at €180,609 thousand compared to €186,477 thousand in the first half of 2017. Based on tax rates applicable for the year under current tax regulations, estimated taxation amounted to €38,982 thousand, with a tax rate of 21.6% compared to 25.7% for the same period of the previous year. The decline in the Group's tax rate was primarily due to the reduction in the tax rate applicable to the profits of the subsidiary Brembo North America Inc. following the entry into effect of the new tax reform.

The Group's net result for the reporting period amounted to €140,113 thousand, up 2.5% compared to €136,688 thousand for the first half of 2017.

Statement of Financial Position

(euro thousand)		30.06.2018	31.12.2017	Change
	Property, plant and equipment	967,675	933,774	33,901
	Intangible assets	203,615	194,585	9,030
	Net financial assets	44,959	41,069	3,890
	Other receivables and non-current liabilities	65,735	41,723	24,012
(a)	*Fixed capital*	*1,281,984*	*1,211,151*	*70,833*
				5.8%
	Inventories	367,817	311,116	56,701
	Trade receivables	476,514	375,719	100,795
	Other receivables and current assets	80,343	80,455	(112)
	Current liabilities	(726,378)	(601,050)	(125,328)
	Provisions / deferred taxes	(65,198)	(66,573)	1,375
(b)	*Net working capital*	*133,098*	*99,667*	*33,431*
				33.5%
(c)	**NET INVESTED CAPITAL (a)+(b)**	**1,415,082**	**1,310,818**	**104,264**
				8.0%
(d)	*Equity*	*1,124,531*	*1,064,437*	*60,094*
(e)	*Employees' leaving entitlement and other personnel provisions*	*27,501*	*27,784*	*(283)*
	Medium/long-term financial debt	274,451	321,658	(47,207)
	Short-term net financial debt	(11,401)	(103,061)	91,660
(f)	*Net financial debt*	*263,050*	*218,597*	*44,453*
				20.3%
(g)	**COVERAGE (d)+(e)+(f)**	**1,415,082**	**1,310,818**	**104,264**
				8.0%

The Group's Statement of Financial Position reflects reclassifications of consolidated accounting statements, as described in the following pages. In detail:

- "Net financial assets" include the following items: "Investments" and "Other financial assets";
- the item "Other receivables and non-current liabilities" is made up of the following items: "Receivables and other non-current assets", "Deferred tax assets" and "Other non-current liabilities";
- "Net financial debt" includes current and non-current payables to banks and other financial liabilities, net of cash and cash equivalents and current financial assets.

Net Invested Capital at the end of the period amounted to €1,415,082 thousand, up by €104,264 thousand compared to €1,310,818 thousand at 31 December 2017.

Net financial debt at 30 June 2018 amounted to €263,050 thousand compared to €218,597 thousand at 31 December 2017. Said item increased by €44,453 thousand in the period, mainly due to the following factors:

- the positive effect of gross operating income of €259,880 thousand, with a €77,831 thousand decrease in working capital;
- net investments in property, plant, equipment and intangible assets totalling €120,829 thousand;
- the Parent's payment of the approved dividends in May, in the amount of €71,541 thousand;
- payment of taxes totalling €24,618 thousand;
- dividends received by the associate BSCCB S.p.A. amounting to €6,000 thousand.

The Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report provide detailed information on the financial position and its assets and liabilities items.

Statement of Cash Flows

(euro thousand)	30.06.2018	30.06.2017
Net financial position at beginning of period (*)	**(218,597)**	**(195,677)**
Net operating income	**186,105**	**189,497**
Depreciation, amortisation and impairment losses	73,775	66,031
Gross operating income	**259,880**	**255,528**
Investments in property, plant and equipment	(102,860)	(145,194)
Investments in intangible assets	(19,096)	(18,973)
Investments in financial assets	(1,350)	0
Disposals	1,127	2,670
Net investments	**(122,179)**	**(161,497)**
Change in inventories	(61,582)	(31,901)
Change in trade receivables	(100,579)	(65,793)
Change in trade payables	93,750	33,624
Change in other liabilities	2,822	2,319
Change in receivables from others and other assets	(12,961)	(15,407)
Translation reserve not allocated to specific items	719	(5,933)
Change in working capital	**(77,831)**	**(83,091)**
Change in provisions for employee benefits and other provisions	7,033	18,692
Operating cash flows	**66,903**	**29,632**
Interest income and expense	(5,332)	(2,834)
Current taxes paid	(24,618)	(35,392)
Dividend paid in the period to minority shareholders	(800)	0
Interest (income)/expense from investments, net of dividends received	(2,376)	(117)
Dividends paid in the period	(71,541)	(65,037)
Net cash flows	**(37,764)**	**(73,748)**
Effect of translation differences on net financial position	(6,689)	9,728
Net financial position at end of period (*)	**(263,050)**	**(259,697)**

(*) See Note 13 of the Explanatory Notes to the Consolidated Financial Statements for a reconciliation with financial statements data.

Alternative Performance Measures

Brembo's Directors have identified some alternative performance measures ("APMs") in the previous paragraphs, in order to provide a better understanding of the Brembo Group's operating and financial performance. These indicators are also tools that help the Directors to identify operating trends and take decisions about investments, allocation of resources and other operating decisions.

The following points enable a correct interpretation of the above-mentioned APMs:

1. these indicators are constructed starting from the Group's historical data only and are not indicative of the Group's future performance;
2. the APMs are not laid down by the IFRS and are not subject to audit, although they are taken from the Group's Consolidated Financial Statements;
3. the APMs must not be considered to replace the indicators provided for by the IFRS;
4. the APMs are to be read together with the Group's financial information, taken from the Brembo Group's Consolidated Financial Statements;
5. the definitions used by the Group may not match those adopted by other companies/groups, therefore they are not comparable, since they are not derived from reference accounting standards;
6. the APMs used by the Group are applied on an ongoing basis and are consistently defined and represented for all the periods for which financial information is included in these Financial Statements.

The APMs indicated below have been selected and represented in the Directors' Report on Operations since the Group maintains that:

- Net Financial Debt, combined with other indicators such as Investments/Revenue from contracts with customers, Net Financial Debt/Equity, Net interest expense (less exchange gains or losses)/ Revenue from contracts with customers and Net interest expense (less exchange gains or losses)/ Net operating income, allow a better assessment of the overall level of debt, capital solidity and debt payment capacity;
- Net Working Capital, Fixed Capital and Net Invested Capital allow a better assessment of both the ability to meet short-term trade commitments through current trade assets, and the consistency between the structure of the use and that of the sources of financing over time;
- Gross Operating Income (EBITDA) and Net Operating Income (EBIT), combined with other relative profitability indicators, allow changes in operating performance to be illustrated and provide useful information on the Group's capacity to sustain the debt; these indicators are also commonly used by analysts and investors in the sector to which the Group belongs, to evaluate company performance.

GROUP STRUCTURE

BREMBO S.P.A.

- 100% **AP RACING LTD.** Coventry UK
- 100% **BREMBO CZECH S.R.O.** Ostrava-Hrabová Czech Republic
- 100% **BREMBO DEUTSCHLAND GMBH** Leinfelden-Echterdingen - Germany
- 100% **BREMBO POLAND SPOLKA ZO.O.** Dabrowa Gornicza - Poland
- 100% **BREMBO SCANDINAVIA A.B.** Göteborg Sweden
- 100% **BREMBO RUSSIA LLC.** Moscow Russia
- 100% **LA.CAM (LAVORAZIONI CAMUNE) S.R.L.** Stezzano - Italy
- 68% **CORPORACION UPWARDS 98 S.A.** Zaragoza - Spain
- 50% **BREMBO SGL CARBON CERAMIC BRAKES S.P.A.** Stezzano - Italy
  - 100% **BREMBO SGL CARBON CERAMIC BRAKES GMBH** Meitingen - Germany
- 30% **INNOVA TECNOLOGIE S.R.L.** In liquidazione Almenno San Bartolomeo - Italy
- 20% **PETROCERAMICS S.P.A.** Milan Italy
- 10% **INTERNATIONAL SPORT AUTOMOBILE S.A.R.L.** Levallois Perret - France
- 3.29% **E-NOVIA S.P.A.** Milan Italy
- 100% **BREMBO JAPAN CO. LTD.** Tokyo Japan
- 100% **QINGDAO BREMBO TRADING CO. LTD.** Qingdao - China
- 100% **BREMBO NANJING BRAKE SYSTEMS CO. LTD.** Nanjing - China
- 99.99% **BREMBO BRAKE INDIA PVT. LTD.** Pune - India
  - 40% **BREMBO (NANJING) AUTOMOBILE COMPONENTS CO. LTD.**
- 60% **BREMBO (NANJING) AUTOMOBILE COMPONENTS CO. LTD.** Nanjing - China
- 66% **BREMBO HUILIAN (LANGFANG) BRAKE SYSTEMS CO. LTD. (ex Asimco)** Langfang - China
- 1.20% **FUJI CO.** Shizuoka Japan
- 100% **BREMBO NORTH AMERICA INC.** Wilmington, Delaware - USA
  - 51% **BREMBO MEXICO S.A. DE C.V.**
- 49% **BREMBO MEXICO S.A. DE C.V.** Apodaca - Mexico
- 99.99% **BREMBO DO BRASIL LTDA.** Betim Brazil
  - 1.38% **BREMBO ARGENTINA S.A.**
- 98.62% **BREMBO ARGENTINA S.A.** Buenos Aires - Argentina

This table complies with Article 125 of Consob Resolution No. 11971 dated 14 May 1999.

PERFORMANCE OF BREMBO COMPANIES

The following figures were taken from the accounting situations and/or draft financial statements prepared by the companies in accordance with IAS/IFRS and approved by the respective Boards of Directors.

BREMBO S.P.A.

CURNO (ITALY)

Activities: analysis, design, development, application, production, assembly and sale of braking systems, light alloy castings for various sectors, including the car and motorbike industries.

The first half of 2018 closed with revenue from contracts with customers of €490,009 thousand compared to €474,463 thousand for the first half of 2017. The item "Other revenues and income" amounted to €24,242 thousand compared to €22,058 thousand for the same period of 2017, whereas capitalised development costs in the half-year totalled €10,498 thousand compared to €10,869 for the same period of the previous year.

Gross operating income amounted to €82,377 thousand (16.8% of sales) compared to €86,518 thousand (18.2% of sales) in the first half of 2017, whereas net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €22,280 thousand, closed at €60,097 thousand compared to €67,164 thousand for the same period of the previous year.

Net interest expense from financing activities amounted to €1,437 thousand, compared to €1,770 thousand for the first half of 2017. Income from investments amounted to €22,065 thousand and was mainly attributable to the distribution of dividends by some subsidiaries. In addition, a provision for current taxes and deferred tax assets and liabilities was made in the amount of €17,185 thousand.

In the reporting period, net income amounted to €63,540 thousand, compared to €95,073 thousand for the same period of 2017.

At 30 June 2018, the workforce numbered 3,157, increasing by 104 compared to 3,053 at the end of the first half of 2017.

Companies Consolidated on a Line-by-Line Basis

AP RACING LTD.

COVENTRY (UNITED KINGDOM)

Activities: production and sale of braking systems and clutches for road and racing vehicles.

AP Racing is the market leader in the production of brakes and clutches for racing cars and motorbikes.

The company designs, assembles and sells cutting-edge, high-tech products throughout the world for the main F1, GT, Touring and Rally teams. It also produces and sells original equipment brakes and clutches for prestige car manufacturers.

Net sales for the first half of 2018 amounted to GBP 26,626 thousand (€30,266 thousand) compared to GBP 26,870 thousand (€31,242 thousand) in the first half of 2017. In the reporting period, net income amounted to GBP 3,012 thousand (€3,424 thousand), compared to GBP 2,864 thousand (€3,330 thousand) in the same period of 2017.

At 30 June 2018, the workforce numbered 142, three more than at the end of June 2017.

BREMBO ARGENTINA S.A.
BUENOS AIRES (ARGENTINA)

Activities: production and sale of brake discs for the original equipment market.

In 2011, Brembo acquired a 75% stake in the company based in Buenos Aires. Under the agreement, Brembo exercised an option right on the remaining 25% in 2013; therefore, the company is currently fully owned by the Brembo Group.

Net sales for the period amounted to ARS 181,599 thousand (€6,978 thousand), with a net loss of ARS 73,893 thousand (€2,839 thousand); in the first half of 2017, it reported net sales of ARS 179,444 thousand (€10,591 thousand) and a net loss of ARS 22,369 thousand (€1,320 thousand).

The workforce numbered 89 at 30 June 2018, 21 fewer than at 30 June 2017.

BREMBO BRAKE INDIA PVT. LTD.
PUNE (INDIA)

Activities: development, production and sale of braking systems for motorbikes.

The company is based in Pune, India, and was originally set up in 2006 as a joint venture held in equal stakes by Brembo S.p.A. and the Indian company Bosch Chassis Systems India Ltd. Since 2008, the company has been wholly owned by Brembo S.p.A.

In the first half of 2018, net sales amounted to INR 3,656,187 thousand (€45,983 thousand), with a net income of INR 305,168 thousand (€3,838 thousand). In the same period of 2017, net sales totalled INR 2,864,238 thousand (€40,271 thousand), with a net income of INR 239,215 thousand (€3,363 thousand).

The workforce numbered 324 at 30 June 2018, compared to 290 at the end of the first half of 2017.

BREMBO CZECH S.R.O.
OSTRAVA-HRABOVÁ (CZECH REPUBLIC)

Activities: casting, production and sale of braking systems for cars.

The company was formed in 2009 and started its production activity in 2011. It carries out the casting, processing and assembly of brake calipers and other aluminium components.

In the first half of 2018, net sales amounted to CZK 4,099,355 thousand (€160,776 thousand) compared to CZK 3,770,550 thousand (€140,760 thousand) in the first half of 2017. Net income for the reporting period was CZK 75,097 thousand (€2,945 thousand) compared to a net income of CZK 171,686 thousand (€6,409 thousand) for the first half of 2017.

The workforce numbered 1,046 at 30 June 2018, increasing by 105 compared to the same period of 2017.

BREMBO DEUTSCHLAND GMBH
LEINFELDEN – ECHTERDINGEN (GERMANY)

Activities: purchase and resale of vehicles, technical and sales services, as well as promotion of the sale of car brake discs.

The company, which is 100% owned by Brembo S.p.A., was formed in 2007. It specialises in buying cars for tests and encouraging and simplifying communications between Brembo and its German customers in the various phases of project planning and management. It also promotes the sale of brake discs for the car aftermarket only.

At 30 June 2018, net sales amounted to €1,062 thousand (€1,024 thousand for the first half of 2017), with a net income of €393 thousand, compared to €341 thousand in the first half of 2017.

Its workforce numbered eight.

BREMBO DO BRASIL LTDA.
BETIM (BRAZIL)

Activities: production and sale of brake discs for the original equipment market.

The company is headquartered in Betim, Minas Gerais, and specialises in the manufacturing and sales of car brake discs in the South American OEM market.

Net sales for the first half of 2018 amounted to BRL 93,704 thousand (€22,627 thousand), with a net income of BRL 2,557 thousand (€617 thousand). In the same period of 2017, net sales amounted to BRL 73,513 thousand (€21,374 thousand), with a net loss of BRL 7,275 thousand (€2,115 thousand).

The workforce at 30 June 2018 numbered 229, compared to 234 at the same date of the previous year.

BREMBO HUILIAN (LANGFANG) BRAKE SYSTEMS CO. LTD.
LANGFANG (CHINA)

Activities: casting, production and sale of brake discs for the original equipment market.

In 2016, Brembo S.p.A. acquired a 66% stake in Brembo Huilian (Langfang) Brake Systems Co. Ltd. (formerly Asimco Meilian Braking Systems (Langfang) Co. Ltd.), a Chinese company that owns a foundry and a plant for the manufacturing of cast-iron brake discs. This company supplies local car manufacturers, mainly including joint ventures among Chinese firms and European and U.S. top players. The remaining 34% of the share capital continued to be owned by the public company Langfang Assets Operation Co. Ltd., controlled by the Municipality of Langfang. The consideration for the transaction amounted to CNY 580,060 thousand (approximately €79.6 million).

Net sales for the first half of 2018 amounted to CNY 307,095 thousand (€39,831 thousand) and net income to CNY 33,394 thousand (€4,331 thousand). In the first half of 2017, net sales amounted to CNY 265,982 thousand (€35,742 thousand) and net income was CNY 37,920 thousand (€5,096 thousand).

At 30 June 2018, the workforce numbered 675, compared to 677 for the first half of 2017.

BREMBO JAPAN CO. LTD.
TOKYO (JAPAN)

Activities: sale of braking systems for the racing sector and original equipment for cars.

Brembo Japan Co. Ltd. is Brembo's commercial company that handles the Japanese racing market. Through the Tokyo office, it provides primary technical support to the OEM customers in the area. It also renders services to the other Brembo Group companies operating in Japan.

Net sales for the first half of 2018 amounted to JPY 347,652 thousand (€2,642 thousand), up compared to JPY 303,583 thousand (€2,495 thousand) for the first half of 2017. Net income for the reporting period was JPY 60,674 thousand (€461 thousand), compared to JPY 43,620 thousand (€359 thousand) in the first half of 2017.

At 30 June 2018, the workforce totalled 16 employees, unchanged compared to the first half of 2017.

BREMBO MÉXICO S.A. DE C.V.
APODACA (MEXICO)

Activities: production and sale of car brake discs for original equipment and the aftermarket; casting, production and sale of braking systems for cars and commercial vehicles.

As a result of the merger with Brembo México Apodaca S.A. de C.V. in 2010, the company is now 51% owned by Brembo North America Inc. and 49% owned by Brembo S.p.A.

In the first half of 2018, net sales amounted to USD 97,929 thousand (€80,877 thousand), with a net income for the period totalling USD 2,049 thousand (€1,692 thousand). In the first half of 2017, net sales amounted to USD 75,777 thousand (€70,000 thousand), with a net income for the period totalling USD 4,458 thousand (€4,118 thousand).

The workforce numbered 836 at 30 June 2018, increasing compared to 611 at the same date of the previous year.

BREMBO (NANJING) AUTOMOBILE COMPONENTS CO. LTD.

NANJING (CHINA)

Activities: casting, processing and assembly of braking systems for cars and commercial vehicles.

The company, which is 60% owned by Brembo S.p.A. and 40% owned by Brembo Brake India Pvt. Ltd., was set up in April 2016 and carries out casting, processing and assembly of braking systems for cars and commercial vehicles.

Net sales amounted to CNY 201,122 thousand (€26,086 thousand), with a net loss of CNY 21,867 thousand (€2,836 thousand); in the first half of 2017, the company reported no sales and a net loss of CNY 7,954 thousand (€1,069 thousand).

At 30 June 2018, the workforce numbered 280, compared to 77 at the same date of the previous year.

BREMBO NANJING BRAKE SYSTEMS CO. LTD.

NANJING (CHINA)

Activities: development, production and sale of OEM brake discs for cars and braking systems for cars and commercial vehicles.

The company, a joint venture between Brembo S.p.A. and the Chinese group Nanjing Automobile Corp., was formed in 2001. Brembo Group acquired control over the company in 2008. In 2013, Brembo Group acquired full control from the Chinese partner Donghua Automotive Industrial Co. Ltd.

On 1 July 2017, the merger of Brembo Nanjing Foundry Co. Ltd. into Brembo Nanjing Brake Systems Co. Ltd. became effective. The transaction aimed at developing an integrated industrial hub, including foundry and manufacture of brake calipers and discs for the car and commercial vehicle markets.

At 30 June 2018, net sales amounted to CNY 658,889 thousand (€85,460 thousand), with a net income of CNY 34,972 thousand (€4,536 thousand). In the first half of 2017, net sales of Brembo Nanjing Brake Systems Co. Ltd. alone amounted to CNY 604,041 thousand (€81,169 thousand), with a net loss of CNY 9,124 thousand (€1,226 thousand).

At 30 June 2018, the workforce numbered 592, compared to 572 at the end of the first half of 2017 (including the workforce of the merged company).

BREMBO NORTH AMERICA INC.

WILMINGTON, DELAWARE (USA)

Activities: development, casting, production and sale of brake discs for car original equipment and the aftermarket, and braking systems for cars, motorbikes and the racing sector.

Brembo North America Inc. is based in Homer, Michigan. It produces and sells OEM and aftermarket brake discs, as well as high-performance car braking systems. In 2010, a Research and Development Centre was opened at the facility in Plymouth (Michigan) to develop and market new solutions in terms of materials and designs for the U.S. market.

Net sales amounted to USD 268,352 thousand (€221,625 thousand); in the same period of the previous year, the company reported net sales amounting to USD 256,661 thousand (€237,095 thousand). Net income was USD 32,392 thousand (€26,752 thousand) at 30 June 2018 compared to USD 19,620 thousand (€18,124 thousand) in the first half of 2017.

At the end of the period, the workforce numbered 728, an increase of 56 compared to the end of the first half of 2017.

BREMBO POLAND SPOLKA ZO.O.

DABROWA GÓRNICZA (POLAND)

Activities: development, casting, production and sale of brake discs and braking systems for cars and commercial vehicles.

The company produces OEM braking systems for cars and commercial vehicles in the Czestochowa plant. In the Dabrowa-Górnicza plant, it has a foundry for the production of cast-iron discs destined for use in its own production plant or by other Group companies. The Niepolomice plant processes steel disc hats to be assembled onto the light discs manufactured at the Group's plants located in China, the United States, and in the Dabrowa-Górnicza plant as well.

Net sales amounted to PLN 1,069,733 thousand (€253,489 thousand) in the first half of 2018 compared to PLN 922,447 thousand (€216,107 thousand) in the first half of 2017. Net income at 30 June 2018 amounted to PLN 194,813 thousand (€46,164 thousand) compared to net income of PLN 180,003 thousand (€42,170 thousand) for the same period of the previous year.

At the end of the period, the workforce numbered 1,975, increasing compared to 1,738 at the end of the first half of 2017.

BREMBO RUSSIA LLC.
MOSCOW (RUSSIA)

Activities: promotion of the sale of car brake discs.

Founded in July 2014, the Moscow-based company is wholly owned by Brembo S.p.A. It deals with promoting the sale of car brake discs for the aftermarket only.

In the first half of 2018, net sales amounted to RUB 29,876 thousand (€415 thousand) and net income was RUB 16,010 thousand (€222 thousand); in the first half of 2017, net sales amounted to RUB 21,748 thousand (€347 thousand) and net income was RUB 10,973 thousand (€175 thousand).

At 30 June 2018, the workforce numbered 2, unchanged compared to the same period of the previous year.

BREMBO SCANDINAVIA A.B.
GÖTEBORG (SWEDEN)

Activities: promotion of the sale of car brake discs.

The company promotes the sale of brake discs for the car sector, destined exclusively for the aftermarket.

Net sales for the period amounted to SEK 4,725 thousand (€465 thousand), with a net income of SEK 2,277 thousand (€224 thousand), compared to net sales of SEK 2,328 thousand (€243 thousand) and net loss of SEK 1,683 thousand (€175 thousand) for the first half of 2017.

At 30 June 2018, the workforce numbered one.

CORPORACIÓN UPWARDS '98 S.A.
ZARAGOZA (SPAIN)

Activities: sale of brake discs and drums for cars, distribution of the brake shoe kits and pads.

The company carries out sales activities exclusively for the aftermarket.

Net sales amounted to €15,721 thousand in the first half of 2018, compared to €15,397 thousand in the first half of 2017. Net income was €1,109 thousand, compared to €1,127 thousand for the first six months of 2017.

The workforce numbered 73 at 30 June 2018, three less compared to the end of June 2017.

LA.CAM (LAVORAZIONI CAMUNE) S.R.L.
STEZZANO (ITALY)

Activities: precision mechanical processing, lathe work, mechanical component production and similar activities, on its own account or on behalf of third parties.

The company was incorporated by Brembo S.p.A.in 2010. In the same year, it leased from an important Group's supplier two companies specialising in processing aluminium, steel and cast-iron pistons for brake calipers intended for use in the car, motorbike and industrial vehicle sectors, and in the production of other types of components, including small high-precision metallic parts and bridges for car brake calipers, as well as aluminium caliper supports for the motorbike sector, chiefly produced for the Brembo Group. In 2012, La.Cam. acquired the business units of both companies.

In the first half of 2018, net sales amounted to €24,432 thousand and were almost entirely to Brembo Group companies. Net income totalled €1,060 thousand. In the same period of the previous year, net sales were €21,186 thousand, with a net income of €1,255 thousand.

The workforce numbered 183 at 30 June 2018, compared to 187 at 30 June 2017.

QINGDAO BREMBO TRADING CO. LTD.
QINGDAO (CHINA)

Activities: logistics and marketing activities in the economic and technological development hub of Qingdao.

Formed in 2009 and fully controlled by Brembo S.p.A., the company carries out logistics and marketing activities within the Qingdao technological hub for the aftermarket only.

In the first half of 2018, net sales amounted to CNY 134,745 thousand (€17,477 thousand), compared to CNY 130,661 thousand (€17,558 thousand) for the same period of the previous year. The company closed the first half of the year with a net income of CNY 5,704 thousand (€740 thousand), compared to a net income of CNY 6,214 thousand (€835 thousand) in the first half of 2017.

At 30 June 2018, the workforce numbered 28, two more than at the same date of 2017.

Companies Valued Using the Equity Method

BREMBO SGL CARBON CERAMIC BRAKES S.P.A.
STEZZANO (ITALY)

Activities: design, development, production and sale of carbon ceramic brake discs.

As a result of the joint venture agreements finalised in 2009 between Brembo and SGL Group, the company is 50% owned by Brembo S.p.A. and in turn controls 100% of the German company Brembo SGL Carbon Ceramic Brakes GmbH. Both companies carry out design, development, production and sale of braking systems in general, and particularly of OEM carbon ceramic brake discs for top-performance cars, as well as research and development activities concerning new materials and applications.

At 30 June 2018, net sales amounted to €28,780 thousand, compared to €29,568 thousand for the same period of 2017. Net income for the reporting period was €19,646 thousand compared to a net income of €20,167 thousand for the first half of 2017.

The workforce numbered 143 at 30 June 2018, increasing by 9 compared to the same date of the previous year.

BREMBO SGL CARBON CERAMIC BRAKES GMBH
MEITINGEN (GERMANY)

Activities: design, development, production and sale of carbon ceramic brake discs.

The company was formed in 2001. In 2009, in executing the joint venture agreement between Brembo and SGL Group, Brembo SGL Carbon Ceramic Brakes S.p.A. acquired 100% of the company.

Net sales for the first half of 2018 amounted to €68,459 thousand, compared to €50,823 thousand for the same period of the previous year. At 30 June 2018, net income was €12,287 thousand, compared to €7,325 thousand for the same period of the previous year.

The workforce numbered 366 at 30 June 2018, increasing by 37 compared to the same date of the previous year.

PETROCERAMICS S.P.A.
MILAN (ITALY)

Activities: research and development of innovative technologies for the production of technical and advanced ceramic materials, geomaterial processing and rock mass characterisation.

Brembo S.p.A. acquired 20% of this company by subscribing a capital increase in 2006.

Net sales for the first half of 2018 totalled €1,371 thousand, compared to €1,337 thousand for the same period of the previous year. The company closed the reporting period with a net income of €514 thousand, compared to €580 thousand for the same period of 2017.

INVESTMENTS

In the first half of 2018, Brembo's investment management policy continued to develop along the lines that have been followed until today, aiming to strengthen the Group's presence both in Italy and, above all, internationally. The most significant investments were concentrated in Italy (31.2%), Poland (23.6%), North America (22.0%) and China (15.6%).

In Italy, on 13 February 2018 Chairman Alberto Bombassei laid the first brick of the building in Curno that will house the new Carbon Factory. The new building has been designed in view of progressively verticalising — within a single production facility adjacent to Brembo's current hub — the entire development, processing and production process for raw components used in carbon-fibre discs and pads for racing applications. Brembo's Carbon Factory will produce semi-finished carbon-carbon discs and pads — to be distinguished from the carbon-ceramic discs intended for high-performance street vehicles manufactured in Stezzano (Italy) and Germany — for equipping the cars and motorbikes used by the racing teams in all major motor competitions, starting with F1 and MotoGP. The building will occupy an area of approximately 7,000 square metres, in addition to the 10,000 square metres of green space, parking and logistics and storage areas planned as part of the project. Construction is expected to be completed by the end of 2018 and full operation to be reached by the end of 2019.

Other investments in Italy were directed primarily at purchases of plant, machinery and equipment to increase the production automation level, as well as €10,498 thousand spent on development costs.

As part of its strategy of consolidation and development at the global level, Brembo continued to invest in North America, its preferred industrial hub for expanding on the North American market. In Escobedo (Mexico), in an area adjoining the new plant for processing and assembling brake calipers, construction work for another cast-iron foundry has already reached an advanced stage; it will extend over 25,000 square metres and, when fully operational, it will have a casting capacity of approximately 100,000 tonnes a year. The products manufactured in the new plant will be destined to leading European, American and Asian OEMs with production plants in Mexico. Total investment, to be completed in 2018, will amount to €85 million.

Again as part of its international expansion strategy, Brembo is investing about €100 million over the three-year period between 2016 and 2018 to build a new aluminium caliper production complex in Nanjing, China, close to the existing plant. The new production hub, which will be cutting-edge in terms of process integration and automation, will cover an area of about 40 thousand square metres, will have a casting capacity of more than 15 thousand tonnes and a production capacity of more than 2 million pieces a year, including calipers and spindles. The products manufactured in the new plant will be destined to leading European, American and Asian OEMs with production plants in China. In Langfang (China), the Brembo Huilian (Langfang) Brake Systems Co. Ltd. disc plant continued its programme of replacing processing machinery and refurbishing foundry lines, which will be completed in 2018.

In Eastern Europe, Brembo was about to complete its plan to expand the production hub in Dabrowa Górnicza (Poland), launched in 2016. This plan calls for the construction of a third foundry line and new mechanical processing lines extending over an indoor area of additional 22,000 square metres. This new facility, which will entail an increase in casting capacity of 100,000 tonnes a year, will produce both “grey” cast iron (used for brake discs) and “spheroidal” cast iron (used for calipers intended for light commercial vehicles), in response to the constant increase in demand for brake discs and floating calipers in Europe.

Group’s total investments undertaken in the first half of 2018 at all operations amounted to €121,956 thousand, of which €102,860 thousand was invested in property, plant and equipment and €19,096 thousand in intangible assets.

RESEARCH AND DEVELOPMENT

The developments in transport vehicles inform Brembo's R&D activity, which has always focused on designing the best brake system for the vehicles of tomorrow. The main themes of today's vehicle trends are the switch to electric, autonomous driving capability, reduced emissions and environmental impact, connectivity and overall affordability. Each component of the brake system — from calipers to discs, from pads to suspensions, all the way to control units — complements the others in the optimisation of the braking function, which Brembo constantly seeks to perfect, not only in terms of pure performance, but also of comfort, duration, aesthetics and environmental sustainability.

Since 2000, Brembo has been conducting specific research on mechatronic products, which are increasingly widespread in the automotive sector, thus honing skills that have now been applied to systems such as electric parking brakes and brake-by-wire systems for years. Since the market requires constantly shorter time to market, the Group is also strongly committed to implementing cutting-edge simulation methods, in which new virtual reality and augmented reality technologies are increasingly applied, in addition to designing uniform development processes at Brembo's Technical Centres based in Italy, North America, China, India and Poland.

In the first half of 2018, R&D activities mainly focused on the following aspects.

With regard to **cast-iron discs**, the simulation method was consolidated, so as to be able to identify more accurate parameters capable of improving the comfort level offered by a brake system, as early as the design phase.

This methodology, which is the result of the cooperation with various partners, is now used in all new development projects, providing access to a database that can be used to refine calculation results even further. In addition, work continued on disc fluid-dynamic calculation methods, which focus on air flow within the entire wheel-side unit.

In the first half of the year research was continued on shock and thermal fatigue resistance of cast-iron brake discs launched in partnership with an Italian University to further study the types and distribution of disc stress and deformation during operation.

At the same time, efforts to improve cast-iron disc products and processes are moving forward, and the resulting improvements will be incorporated into normal application development for the world's major vehicle manufacturers. According to precise guidelines applied throughout the automotive sector and all of Brembo's development activities, considerable attention is paid to new solutions that are able to reduce disc weight, as a lower weight translates into lower vehicle fuel consumption, and consequently a smaller environmental impact (reduced CO_2 emissions).

Work on discs for heavy commercial vehicles continued to focus on improving performance in this application segment, which is of particular interest to Brembo, and discussions intensified with customers, also outside Europe, with regard to the new developments which could be finalised this year. The study of patented technical solutions permitted a significant reduction of mass and improvements in brake disc performance.

In car applications, after having worked with Daimler to develop the concept for the light brake disc currently installed in its entire Mercedes MRA platform, Brembo was also selected as the supplier of brake discs for the entire next generation of rear-wheel-drive vehicles manufactured by the German firm (Classes C, E, S and derivatives), application development of which has continued.

The light discs, which offer a reduction in weight of up to 15% thanks to the combination of two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) and whose application studies will be completed in the next two-year period, are also meeting with interest amongst other European and U.S. clients.

The desire to consolidate in several segments of the market resulted in the launch of product and process optimisation for co-cast discs to improve performance, reduce mass and apply new innovative aesthetic solutions, the result of an activity that drew accolades at the most important industry trade fairs. The first half of 2018 saw Brembo embark on all internal activities necessary to complete Brembo's concept approval phase for this new solution, in view of its subsequent presentation to potential customers, with whom the next steps are already being planned.

In addition, work proceeded on researching, developing and testing unconventional solutions — also resulting in the filing of several patent applications — to be applied to cast-iron brake discs or the next generation of "light" discs, with a focus on the study of shapes, materials, technologies and surface treatments capable of meeting the needs of the next generation of electric vehicles and conquering new segments of the market.

These new solutions, which aim to reduce environmental impact (lower emissions of CO_2, fine particulates and wheel dust) and improve aesthetics and corrosion resistance, have met with strong interest among Brembo's main clients. Therefore, the product industrialisation phase is already being studied and will be developed into applications by the end of 2018.

The Technical Development Centres at the Group's various international facilities also continued to undergo constant upgrade, increasingly allowing Brembo to act as a strategic supplier of brake discs to major global players.

The project aimed at creating **motorbike discs** based on composite materials for on-road use was further developed. The bench test of the first prototypes gave positive results. The next step will be to revise the project to reflect the choice of using ring diameters and thicknesses closer to the potential mass production configuration; a specific friction material and a testing procedure that takes account of motorbike applications — more exposed to shocks than car applications — remain to be developed.

The innovative mid-range master cylinder concept was validated and two new application projects for brake cylinders and clutches were launched. A specific design capable of maximising the space-saving features of the new layout will thus be developed.

The application project for a rear master cylinder with integrated microswitch has reached the prototype testing phase, which is expected to be concluded in the coming months.

A new range of products continues to be studied for the Indian market in response to increasing activity by competing firms. The first stage will consist in revising the one- and two-piston floating calipers, then the four-piston fixed calipers and finally the handlebar brake master cylinders. Development of the new disc CBS/disc application continued for another Indian client.

The development phase of the H-CBS actuator for the drum/disc in a scooter configuration was postponed to the third quarter of 2018, as was the restart of development work on the innovative brake concept for high-performance motorbikes.

Experimentation work on the hat/braking ring configuration for the new low-vibration brake disc concept continued, while vehicle testing of the new entry-level caliper based on an innovative concept was launched. Main tests are expected to be completed by the second half of 2018.

A new dynamic test bench was installed at Brembo Brake India in the second quarter of 2018 and is expected to be completed in July 2018.

Preparation of the Brake by Wire Moto demonstrator continues according to plan, whereas the application of new materials to motorbike brake discs is being studied with the aim of reducing weight. Testing is expected to occur in the third quarter of 2018.

Regarding the **racing world**, the Carbon/Carbon brake system for racing applications project (F1, LMP1 – Le Mans Prototype 1, IRL – Indy Racing League, and Super-Formula) includes three distinct areas of activity that were further ongoing throughout the first half of 2018 and will continue in the years to come:

- the fine tuning of disc production (with very interesting results in qualitative terms) and the stabilisation/ improvement of Carbon/Carbon pad performance; this area of production technology development and improvement has also seen the introduction into service at the Curno plant (Bergamo) of the first needle punching machine for constructing preforms starting from carbon fibres. Once the fine tuning phase was completed, preforms dedicated to the

various categories (Superformula, Formula E and F1) made their début in early 2018;
- development of the new systems (on the basis of the F1 disc) for the other categories as well, and launch of research activities on the F1 disc's architectures and fibres;
- launch of development of the new F1 systems for the 2019 season, and discs in particular.

Specific projects are ongoing with an F1 client involving all components of the brake system. The 2019 systems are being defined with another F1 client and a common course forward is being plotted for the new brake-by-wire system, which is even more integrated than the current system.

The brake system currently consists of two separate master cylinders (and/or in some cases of a tandem cylinder) and a brake-by-wire actuator. The new system integrates the tandem master cylinder and the rear BBW system into a single structure, with a considerable reduction in weight.

As regards the simulation field, testing is continuing of new calculation methodologies for the structural part and thermal properties of the disc, for the thermoelastic and fatigue calculation, as well as for integrating the same calculation within the customer wheel unit (in other words, mechanical and thermal calculations with CFD).

In the MotoGP class of motorbike applications, new systems are now available to all clients, including a new brake caliper (amplified force, with an anti-drag system and a valve that reduces piston knock-off in the event of wobble), used only by a single team until last year.

In the superbike category, a new caliper with amplified force and anti-drag system made its competition début. Instead of a carbon/carbon structure, it uses a steel disc and traditional pads. In the coming months it will be assessed how best to adapt this caliper concept to applications for on-road replacement parts.

Finally, the subsidiary AP Racing has created new prototypes of carbon-fibre clutches for 2018, also supplied on an exclusive basis to an Italian racing team. This is the third clutch designed and tested by AP Racing to be placed on the market.

At OE development level, mention should be made of another work carried out with AP Racing on road systems dedicated to OE customers with strong sporting features. The work has started with the dimensioning and thermal simulation of the system (in the same ways as with racing cars) and will end with Brembo's new Carbo-Ceramic disc (CCMR) entering into production. The first discs from this new project were approved in early 2018 by the development team and the client, which confirmed the SOP (start of production) in the second half of 2018. The new vehicle to be equipped with this new carbon-ceramic system is the McLaren P15, also known as the McLaren Senna.

Brembo also continued its valuable partnership with several Italian universities (including the Milan Polytechnic and the University of Padua) in pursuit of important goals in various areas of technical development.

For the Aeronautics Project, Brembo has been certified by the EASA as a qualified developer and designer of complete brake systems and by the Italian Civil Aviation Authority (ENAC) to produce front and rear wheels.

The plan for this year and early 2019 is to obtain certification also for the production of the brake system. Brembo has a confirmed project with parts delivery at the end of the year.

The CS2 project (financed by Clean Sky 2) is in the execution phase, according to plan, and Brembo is bidding to supply a new system with electromechanical content to a private jet manufacturer.

Due to the extensive experience it has gained over the years, and in keeping with the company philosophy aimed at pursuing constant improvement, **Brembo Friction** may now be considered a well established, stable reality. Research and development teams work in synergy with one another and all Brembo departments to develop and supply increasingly flexible friction materials designed to adapt to clients' specific needs. This has made it possible to develop high-performance brake pads designed for applications ranging from pairing with cast-iron discs through to use with carbon-ceramic discs.

In the OE market, many of the most demanding automotive firms have chosen Brembo Friction pads for their top-of-the-line applications, recognising the product's excellence and further reaffirming their confidence in it. Cu-free materials (copper-free friction materials) are now a consolidated part of Brembo's know-how, capable of satisfying the European market — very demanding when it comes to performance — and markets that are more demanding in terms of comfort, such as the U.S. and Asia, as well as extremely innovative sectors such as electric parking brake calipers. The drive to constant technological innovation has also made it possible to design specific friction materials for pairing with very light discs with very high thermal and mechanical resistance: this is the case of the German market, which demands copper-free materials for carbon-ceramic discs coated with Si-SiC (silicon-silicon carbide).

To meet these increasingly stringent needs, in early 2018 a statistical model (DOE) was introduced to identify the main categories of materials on which to concentrate with the aim of optimising the friction material's chemical and physical properties and thus of obtaining the best response in terms of performance and comfort.

Brembo immediately adopted the growing environmental focus of global research aimed at developing and optimising systems with an increasingly lower environmental impact (for example, reduced emissions of greenhouse gases such as CO_2) in its development of innovative and environmentally friendly friction materials.

This particular focus on the environment is the source of projects such as COBRA and LIBRA. Born of an important partnership between Italcementi, Istituto Mario Negri and the consulting firm PNO Italia, the COBRA project (part of the European Life+ programme) recently concluded after completing its objective of developing a technology capable of replacing the phenolic binders, typically used in friction materials, with innovative cement-based components. During the development of this project, materials equivalent to those traditionally used were successfully formulated to meet the performance requirements imposed by racing applications — notoriously stringent in the area of friction materials. This project has met with interest from major car and motorbike brands, which are currently considering whether to adopt COBRA pads for their applications. Finally, the need for the product to comply with the client's specifications will permit further optimisation of the production process and ensure that it provides improved comfort and performance.

The LIBRA project was launched in 2015 with the aim of eliminating steel backing plates from brake pads, replacing it with a high-performance composite material. The advantages are clear: from a lighter weight for the individual piece (and the resulting decrease in weight of the brake system) to a reduction of the time needed to produce each pad. At the end of the first year of research and development, the very positive results confirmed the project's validity in terms of competitiveness and innovation.

In the previous year, a U.S. automotive giant has already requested the use of parking pads with backing plates made from a composite material, a further sign of the important, innovative nature of the LIBRA project's revolutionary technology. The first OTOP (Off Tool Off Process) production lots have been delivered to the client, therefore closing the product development phase. Finally, the automatic press to be used for mass production is expected to be installed in summer 2018, whereas the SOP is set to occur in 2019.

In early 2018 — following the excellent results achieved in the previous LowBraSys and Rebrake projects — the Ecopad project was launched in collaboration with the University of Trento and KTH of Stockholm. This new project seeks to produce pads using the new Cu-free materials capable of maintaining excellent performance along with certified reduced emissions.

With reference to **Advanced R&D**, the goal of using the braking system to help reduce vehicle consumption and resultant CO_2 emissions and particulates is being pursued through the development of new solutions.

In detail, the use of methodologies to minimise caliper mass for the same performance, the improvement of caliper functionality by defining new characteristics for the pairing of seal and piston and optimisation of a new-concept pad sliding system continue to feature among the main areas of development. On a related note, an application development is in progress and may conclude by 2018, with the award of a share of business relating to a fully electric vehicle platform created by a major German manufacturer.

The product and process improvement work is constantly ongoing in the same way as the search for solutions to reduce mass, increase performance and improve styling.

In this regard, in addition to other activities, application development is also in progress for a new caliper, specifically designed for high-performance cars, with the goal of considerably reducing track operating temperatures, and thus of increasing system performance.

The conquest of new market segments is being pursued through the study of new types of brake caliper. A first type has reached the internal Brembo concept approval stage, in addition to concept approval by a major European customer. Application development is underway and start of production by a major German client will take place in 2018. A second type of caliper has reached and passed the concept approval stage and approval for production is expected in 2018.

In 2016, Brembo had started the small-series production of a caliper produced using thixotropic aluminium alloys (i.e., at a lower temperature than casting). This process, for which Brembo has filed a patent application, is known as "BSSM" (Brembo Semi-Solid Metal casting) and offers a reduction in weight of 5 to 10%, depending on caliper geometry, without any decrease in performance. Concept approval by a major German customer is currently underway, whereas start of production for the first vehicles will take place in late 2022.

Brembo's first mechatronic products, namely various configurations of electric parking brakes, already approved in-house both for cars and commercial vehicles, are being promoted with Brembo's customers.

In detail, Brembo has been selected by a major U.S. customer to supply a caliper with integrated electric parking brake for an electric vehicle, which will enter production over the course of the year.

In commercial vehicle applications, Brembo has developed, and continues to develop, mechatronic parking solutions for vehicles up to 7.5 tonnes. The SOP for these vehicles is expected in mid-2019.

With regard to next-generation electric-drive vehicles, brake systems will change considerably in the coming years, above all as regards braking management and the interface with the vehicle. BBW systems, which Brembo has long been studying, have now reached a high level of performance and functionality. The industrialisation and planning phase for the start of production has begun and could be realised as soon as several customers confirm their interest at a contractual level.

The ongoing evolution of simulation methodologies is focused on aspects linked to brake system comfort and caliper functionality. Brembo's current objective is to develop the simulation capacity for the latest brake system component not yet simulated: friction material. From this standpoint, the ability to rely on the Brembo Friction project represents a strength for Brembo, which can position itself as a supplier of complete brake systems. On the other hand, the development of a methodology for simulating caliper functionality is aimed at establishing, during the design stage, the caliper characteristics that influence the car's pedal feel.

Vehicle evolution can be summarised in a few general trends: electrification, advanced driver assistance systems (ADASs), autonomous driving, low environmental impact, and connectivity. The high level of integration will bring the brake system into dialogue with other vehicle systems, such as electric traction motors and new suspension/steering concepts. Such integration will allow for increased active safety and the optimisation of functions, such as regenerative braking.

Brembo is continuing to develop and refine a brake-by-wire system. The peculiarity of Brembo's brake-by-wire product lies in its "decentralised" architecture, in which each wheel side has its own electromechanical actuator for generating and controlling the required braking force. This architecture is proving ideally suited to future vehicles with high-level autonomous driving capability.

Furthermore, developments involving intelligent system integration continued, particularly with electric-drive systems and the associated next-generation architecture. In this area, it is important for Brembo to participate in the EU-Live project, being carried out by a European consortium and funded by the Horizon 2020 project and to be completed by 2018. Brembo's role in this project consists of designing and realising the integration of the brake into an oscillating arm, with an electric-drive motor, intended for a four-wheel vehicle specifically designed for future urban mobility.

Mechatronics and system integration entail the development of new components for Brembo's products, including sensors, mechanisms and electric motors. Brembo is therefore coordinating a group of companies based in the Lombardy region within the framework of the funded project "Inproves", with the aim of creating brushless motors based on permanent magnets offering very high levels of performance, specifically designed for the brakes of the future.

In addition, Brembo continued to conduct R&D activities in cooperation with international universities and research centres with the aim to constantly seek out new solutions to apply to brake discs and calipers, in terms of new materials, innovative technologies and mechanical components. The need to reduce product weight is leading the research function to evaluate the use of unconventional materials, such as technopolymers or reinforced light metal alloys, to produce structural components. These partnerships also extend to methodological activities relating to development, involving the creation and use of increasingly sophisticated simulation and calculation tools.

The LOWBRASYS project — funded by the European Union as part of its Horizon 2020 programme with the aim of proving that fine particle emissions can be reduced — will continue until March 2019. This project's theme is key to the sustainability of Brembo's products, which will contribute significantly to improving everyone's quality of life.

RISK MANAGEMENT POLICY

Effective risk management is a key factor in maintaining the Group's value over time. In this regard, within the framework of its Corporate Governance system, the Group defined Brembo's Internal Control and Risk Management System (ICRMS) in compliance with the principles set out in Article 7 of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. as amended in 2015 (hereafter referred to as "Corporate Governance Code") and, more generally, with national and international best practices.

This system represents the set of organisational structures, rules and procedures that allows the main business risks within the Group to be identified, measured, managed and monitored, while helping the company to be run in a manner that is sound, correct and consistent with the objectives defined by the Board of Directors, and favouring the adoption of informed decisions consistent with the risk profile, as well as dissemination of a proper understanding of risks, lawfulness and corporate values.

The Board of Directors is tasked with defining the general guidelines of the ICRMS, so that the main risks pertaining to Brembo S.p.A. and Group subsidiaries are properly identified, as well as adequately measured, managed and monitored. It shall also set criteria to ensure that such risks are compatible with sound and proper management of the Company. The Board of Directors is aware that the control processes cannot provide absolute assurances that the company objectives will be achieved and the intrinsic risks of business prevented; however, it believes that the ICRMS may reduce and mitigate the likelihood and impact of risk events associated with wrong decisions, human error, fraud, violations of laws, regulations and company procedures, as well as unexpected events. The ICRMS is therefore subject to regular examination and controls, taking account of developments in the Company's operations and reference context, as well as national and international best practices.

The Board of Directors has identified[1] the other main corporate committees/functions relevant for risk management purposes, by defining their respective duties and responsibilities within the ICRMS scope. More specifically:

- the Control, Risks and Sustainability Committee, tasked with supporting the Board of Directors on internal control, risk management and sustainability issues;
- the Executive Director with responsibility for the Internal Control and Risk Management System, tasked with identifying the main corporate risks by executing risk management Guidelines and verifying their adequacy;
- the Managerial Risk Committee responsible for identifying and weighing the macro-risks and working with the system parties to mitigate them;
- the Risk Manager, tasked with ensuring, together with the management, that the main risks relating to Brembo and its subsidiaries are correctly identified, adequately measured, managed, monitored, and integrated within a corporate governance system consistent with the strategic objectives.

Risks are monitored at meetings held on at least a monthly basis, where results, opportunities and risks are analysed for each business unit and geographical

1 In this regard, see the following documents published on Brembo's website in Investor Relations/Corporate Governance/Principles and Codes section: Corporate Governance Manual, Organisation, Management and Control Model, the Brembo Group's Reference Layout for preparing accounting documents, Guidelines for the Risk Control and Management System.

region in which Brembo operates. The meetings also focus on determining the actions required to mitigate any risks. Brembo's general risk-management policies and the bodies charged with risk evaluation and monitoring are included in the Corporate Governance Manual, in the Risk Management Policy and Procedure, in the Organisational, Management and Control Model (as per Italian Legislative Decree No. 231/2001) and in the reference layout for preparing accounting documents (as per Article 154-*bis* of TUF), to which the reader is referred.

The Executive Director with responsibility for the Internal Control and Risk Management System fully enforces the risk management guidelines based on principles of prevention, cost effectiveness and ongoing improvement, as approved by the Board of Directors. In order to provide the organisation with the instruments for identifying and classifying the risk categories to which attention should be drawn, Brembo has developed a model which groups risk classes by type, based on the managerial level or corporate function from which they originate or that is responsible for monitoring and managing them.

The Internal Audit function evaluates the effectiveness and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the Control, Risks & Sustainability Committee and the Supervisory Committee of Brembo S.p.A. with reference to specific risks connected with compliance with Legislative Decree No. 231/2001. On an annual basis, it also reports to the Board of Directors.

The first-tier family risks based on the risk management policy are:

a. External risks;
b. Strategic risks;
c. Operating risks;
d. Financial risks.

Brembo's top risks for each of the above-mentioned risk families are discussed below. The order in which they are discussed does not imply classification in terms of probability of occurrence or possible impact.

External risks

Country risk

Based on its international footprint, Brembo is exposed to the country risk, which is however mitigated by the adoption of a policy of business diversification by product and geographical area, so that the risk can be balanced at Group level.

In addition, Brembo constantly monitors the development of political, financial and security risks associated with countries in which the general political and economic climate and tax system could prove unstable in the future, so as to take any measures suited to mitigating the potential risks.

Strategic Risks

Innovation

Brembo is exposed to risks associated with the evolution of technology, in other words, the risk that competing products will be developed that are technically superior because they are built based on innovative technologies. In order to maintain its competitive edge, Brembo invests sizeable resources in R&D, conducting applied and basic research on both existing and newly applied technologies, such as mechatronics. For additional information, see the "Research and Development" section in this Directors' Report on Operations. Product and process innovations — those currently being used, as well as those that may be used for production in the future — are patented to protect the Group's technological leadership.

Market

Brembo targets the Luxury and Premium segments of the automotive sector and, in terms of geography, generates most of its sales from mature markets (Europe, North America and Japan). In order to mitigate the risk of segment/market saturation in the countries where it operates, the Group has long ago implemented a strategy aimed at diversifying into other geographical areas and is gradually broadening its product range, also by focusing on the mid-premium segment.

Investments

Investments in certain countries may be influenced by major modifications of the local regulatory framework, which could result in changes in the economic conditions existing at the time of the investment. For this reason, before investing in foreign countries, Brembo assesses the country risk carefully in the short, medium and long term. In general, M&A activities are accurately coordinated in all their aspects in order to mitigate any investment risks.

Corporate Social Responsibility

In 2017, a risk assessment process with a focus on sustainability was launched with support from a specialised consulting firm. Specific risk assessment criteria integrated into the Group's risk management framework were defined as part of this process.

Brembo manages the risks linked to climate change, as well as the increase in regulatory requirements regarding a reduction in greenhouse gas emissions and, more generally, the growing pressure being applied by civil society and the end consumer to the development of products and industrial processes with a lower environmental impact. Brembo also considers the risk arising from the use of resources, such as water, with reference to production sites located in geographical areas where there is a potential water scarcity, as well as risks linked to the pollution of waterbodies due to any contamination.

In addition, Brembo's supply chain is becoming more and more globalised and strategic; therefore, suppliers are required to operate in accordance with the sustainability standards identified by the Group. Considering that potential risk factors exist within the supply chain, Brembo is implementing ongoing measures aimed at all its suppliers, both in Italy and abroad, to promote the safeguard of the environment and ensure appropriate working conditions with a view to continuous improvement.

Operating Risks

The main operating risks inherent in the nature of the business are associated with the supply chain, the unavailability of production facilities, product marketing, international economic conditions, issues involving health, job safety and the environment and, to a lesser extent, the regulatory framework of the countries in which the Group operates.

Supply Chain

Supply chain risk manifests as the volatility of raw material prices and dependence on strategic suppliers, which could jeopardise the company's production process and ability to fill orders from clients in a timely manner by suddenly suspending supply arrangements. To mitigate this risk, the Purchasing Department identifies alternate suppliers to ensure the availability of critical materials (supplier risk management programme). The supplier selection process, including an assessment of suppliers' financial solidity — an aspect that has taken on growing importance in the current scenario — has been reinforced. By diversifying its sources, Brembo can also reduce its risk exposure to price increases (a risk that is however partially offset by reflecting price increases in sales prices).

Business Interruption

With reference to the risk of operational downtime at production facilities and continuity of operation, the company reinforced its risk mitigation process, through the planning of loss prevention engineering on the basis of U.S. NFPA (National Fire Protection Association) standards. The aim of this process was to eliminate risk factors in terms of probability of occurrence and to implement protective measures aimed at limiting the impact of this risk, thereby constantly enhancing the current operating continuity levels of the Group's production facilities.

Product Quality

Brembo considers the risk relating to the marketing of its products, in terms of their quality and safety, to be of fundamental importance. The Group has always been committed to mitigating this risk through robust quality controls. As part of this process, it has instituted a worldwide Supplier Quality Assurance function, specifically dedicated to quality control of components that do not meet Brembo's quality standards, in addition to constantly optimising its Failure Mode & Effect Analysis (FMEA).

Information Technology

Brembo attaches much importance to the operating continuity of its IT systems. In this regard, it has implemented risk mitigation measures aimed at guaranteeing network connectivity and data availability and safety, while also ensuring compliance with the new European data protection regulation (GDPR). These issues are growing in importance in light of the start of the Group's smart factory (Industry 4.0) process.

Environment, Safety and Health

The Group's primary risks relating to health, job safety and the environment can be of the following types:

- inadequate protection of employee health and safety, which can lead to serious accidents or work-related illnesses;
- environmental pollution resulting from sources such as uncontrolled emissions, inadequate waste disposal or the spreading of dangerous substances onto the ground;
- partial or non-compliance with laws and regulations governing the sector, also in light of the changing legal framework of some countries.

The occurrence of these facts could result in substantial criminal and/or administrative penalties or pecuniary fines against Brembo. Furthermore, in particularly serious cases, the actions of public entities in charge of assessing the situation could interfere with Brembo's normal production activities, even causing production lines to halt or forcing the production facility to close. Brembo manages this type of risk by carrying out ongoing and systematic evaluations of its exposure to specific risks and reducing or eliminating those considered unacceptable. This procedure is organised within a Management System (which is compliant with international ISO 14001 and OHSAS 18001 standards and certified by an independent body) that covers job health and safety, as well as environmental aspects.

Brembo therefore implements all the activities necessary to allow it to effectively monitor and manage these aspects while scrupulously complying with applicable laws.

Some examples of activities that are currently underway include the definition (and yearly review) of:

- "Management Plans" for Safety and the Environment that define the objectives to be achieved;
- "Supervisory Plans", which list all the activities to be carried out under the laws governing the sector or regulations imposed by the Group (e.g., authorisation renewals, periodic controls, reports to public entities, etc.);
- "Audit Plans", which monitor the extent to which the System is being applied and encourage continuous improvement.

In summary, although accidents and mistakes can happen, the Group has implemented systematic rules and management procedures that allow it to minimise the number of accidents, as well as the impact they may have. A clear-cut assignment of responsibility at all levels, the presence of independent internal control bodies that report to the company's highest officers and the application of the highest international management standards are the best way to guarantee the company's commitment to health, job safety and the environment.

The internationalisation strategies and, particularly, international industrial footprint development have also highlighted the need to strengthen operational management able to operate locally and communicate effectively with the functional departments of Business Units and Central Functions, in order to improve the efficiency and effectiveness of the quality system and the capacity of production processes.

Legal & Compliance

Brembo is exposed to risks arising from the failure to rapidly comply with changing laws and new regulations in the sectors and markets in which it operates. To mitigate this risk, each compliance function stays abreast of the relevant legal and regulatory developments, with the assistance of outside consultants, where necessary, through a constant process of legal and regulatory updates and research.

With regard to compliance risk on issues related to workers' health and safety and environmental protection, and in light of the complexity and lack of clarity of the applicable laws and regulations, and the uncertain and often lengthy period of time needed to obtain the necessary authorisations and patents, the Group relies on specific functions, such as the Health & Safety function and the Energy & Environment Department (see Operating Risks - Environment, Safety and Health section), tasked with handling the related complexities.

With reference to other compliance risks, reference should be made to the Corporate Governance and Ownership Structure Report available on Brembo's website (www.brembo.com, *Investors, Corporate Governance, Corporate Governance Reports* section).

Compliance risk includes the risk that the company may incur administrative liability, which may be broken down into three levels:

1. risk arising from Legislative Decree No. 231/2001, applicable to Brembo S.p.A. and the Group's Italian companies, and the possible attribution of liability to the Parent for predicate offences committed outside Italy;
2. risk arising from local statutes concerning the liability of companies, as applicable to each subsidiary;
3. risk arising from extra-territorial statutes concerning the liability of companies (such as the FCPA and Bribery Act) applicable to both Brembo S.p.A. and its subsidiaries.

The risk deemed most significant for the Group at a theoretical level relates to the case indicated in point 2 above, for the following reasons:

- different regulations for each country, based on different legal systems, often presenting complexities and interpretative challenges;
- a lack, in other legal orders, of a system of exemption from liability similar to the one in force in Italy;
- failure by subsidiaries to provide information to, and communicate with, the Parent in a consistently timely manner;
- the strategic importance of certain local markets;
- cultural diversity and possible critical issues in the management of local personnel.

The probability that liability for offences committed outside Italy may be ascribed to the Parent is regarded as remote in light of the connection criteria set forth in the Italian Penal Code. However, it is theoretically plausible that a top manager or employee of Brembo S.p.A. might take action outside Italy in the context of his or her duties to the Parent or an international subsidiary. In the matter of corruption involving public officials, given the nature of its business, the Brembo Group does not engage in dealings with government officials, except in managing permits (such as building permits). As a result, offence-risk opportunities are considered to be very limited.

The mitigating measures taken by the Group are regarded as sufficient to significantly reduce its exposure to cases of risk and are aimed at ensuring the global spread of a culture of compliance through the establishment of specific principles of ethics and conduct, in addition to constant monitoring of legal changes, through implementation of the following:

- mapping (and periodic updates) by the Legal & Corporate Department of statutes that provide for administrative liability for companies in effect in all foreign countries in which the Group operates;
- reporting to the Country Committees of subsidiaries through a specific monitoring system on the main issues of concern in the areas of compliance, governance, legal/contracts and litigation;
- adoption and implementation (through training sessions) of a multiple-tier compliance system;
  - Brembo's Corporate & Compliance Tools (such as, for example, the Code of Ethics, the Anti-Bribery Code, the operating procedures applicable pursuant to Legislative Decree No. 231/2001, the authorisation matrices, etc.), disseminated and applied worldwide, laying down ethical and behavioural guidelines for managing stakeholder relations, including in light of the extraterritorial application of certain statutes such as the FCPA (USA) and Bribery Act (UK);
  - the launch of specific compliance programmes at the local level, so as to check the adequacy of measures aimed at preventing the commission of offences;
  - the Brembo Compliance Guidelines and Group Policies and Procedures issued by the Parent and disseminated and applied worldwide;
  - the 231 Model, prepared by the Parent pursuant to Legislative Decree No. 231/2001, from which the Brembo Compliance Guidelines disseminated throughout the Group have been drawn and that the management deems adequate and capable of effectively preventing offences.

With reference to litigation, the Legal & Corporate Department periodically monitors the progress of existing and potential litigations and determines the strategy to be applied and the most appropriate steps to take in managing them, involving specific corporate functions, when needed. The Administration and Finance Department is responsible for the recognition of the appropriate checks or impairment losses in connection with such risks and their effects on the Statement of Income.

Planning and Reporting

The same ERP (Enterprise Resource Planning) software has been implemented at nearly all Group companies in order to prepare accurate and reliable financial reporting for the Group, while also improving the Internal Control and Risk Management System and the quality, timeliness and comparability of the data provided by the various consolidated companies.

Financial Risks

In conducting its business, the Brembo Group is exposed to various financial risks, including market, commodities, liquidity and the credit risks. Financial risk management is the responsibility of the Parent's Treasury & Credit Department, which, together with the Group's CFO, evaluates the main financial transactions and related hedging policies.

Market Risk

- Interest Rate Risk Management

Since most of the Group's financial debt is subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To partially reduce this risk, the Group has entered into several medium/long-term fixed rate loan agreements accounting for approximately 42.28% of gross financial position.

The objective is to eliminate the variability of the borrowing costs associated with a portion of debt and benefit from fixed rates. The Group's Central Treasury & Credit Department constantly monitors rate trends in order to evaluate in advance the need for any changes to the financial indebtedness structure.

- Exchange Rate Risk Management

Since Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate these risks, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly short-term financing denominated in the currency to be hedged. Other hedging instruments used by the company, where advisable, include forward contracts, which are also used to offset differences between receivables and payables. This policy reduces exchange risk exposure.

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In the first half of 2018, no specific hedging transactions were undertaken. However, it should be recalled that existing contracts with major customers provide for automatic periodic adjustment on the basis of commodities prices.

Liquidity Risk

Liquidity risk can arise from Brembo's inability to obtain the financial resources necessary to guarantee its operations. The Central Treasury & Credit Department implements the main measures indicated below in order to minimise such risk:

- it constantly assesses financial requirements to ensure that appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
- it obtains adequate credit lines;
- it optimises liquidity, where feasible, through cash-pooling arrangements;
- it ensures that the composition of net financial debt is adequate for the investments carried out;
- it ensures a proper balance between short- and medium-/long-term debt.

Credit Risk

Credit risk is the probability that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk arises, in particular, in relation to trade receivables. In this sense it should be noted that the parties with whom Brembo has commercial dealings are primarily leading car and motorbike makers with a high credit standing. The current macroeconomic context has made continuous credit monitoring increasingly important, so that situations where there is a risk of insolvency or late payment can be anticipated.

Risk Management Process: Risk Financing

Following on from the above mitigation measures, and in order to minimise the volatility and financial impact of any detrimental event, under its Risk Management Policy, Brembo has provided for the residual risks to be transferred to the insurance market, provided that they are insurable.

Brembo's changing needs through the years have been specifically reflected in its insurance coverage, which has been optimised to significantly decrease the company's exposure, especially with regard to possible damages arising from the manufacturing and sale of its products. This has been achieved through risk management, aimed at identifying and analysing the most critical areas, such as the risks associated with countries whose laws are particularly detrimental for manufacturers of consumer goods.

All Brembo Group companies are currently covered against the following strategic risks: property all risks, general liability, general product liability, product recall. Additional coverage has been arranged locally based on the specific requirements of local legislation or collective labour contracts and/or corporate agreements or regulations.

Insurance analysis and transfer of the risks to which the Group is exposed are conducted in collaboration with an insurance broker, which supports this process with its international organisation and is responsible for the compliance and management of Group insurance programmes at global level.

HUMAN RESOURCES AND ORGANISATION

In the first half of 2018, the necessary corporate changes were implemented to both maintain and continually improve the organisational system, as well as to assure a balance between the Company's three main dimensions (business, functions, geographies), with the aim of ensuring the entire organisation's alignment with the business.

At the level of the Central Departments, and in particular of the Technical and Advanced R&D Department, the Testing & Validation function was restructured with a view to increasing process efficacy and focussing on resources within each segment. To achieve this goal, the areas Disc Road Testing (specifically dedicated to the Discs Division) and Applied Mechatronics Road Testing were created, with the aim of coordinating the vehicle system approval process in applications involving the use of electro-hydraulic or electro-mechanic caliper actuators.

In light of the increasingly international dimension of its business structure, and with the aim of reinforcing and structuring its various logistical processes through their integration and optimisation, at the central level the Systems Division created its own Logistics Department, which reports directly to the Division's Chief Operating Officer and Chief Manufacturing Officer. With this division, in light of the growing complexity of innovation within the market scenario, the role of Advanced Projects Planning Manager was also created with the mission of further reinforcing the organisational structures responsible for implementing company strategies relating to Advanced Projects (i.e., projects that introduce innovative technical solutions based on new technological processes).

In the case of the Discs Division, a revision of the European platforms was launched with the aim of achieving greater efficacy in developing increasingly complex projects. These platforms are responsible for handling European and global projects, from requests for quotations to development, production, monitoring of mass production and phase-out.

In addition, in developments relating to Group companies, in the first half of 2018 the Systems Division defined the Nanjing plant's organisational structure. A country HR Department was also created in China, with direct responsibility for local management of the human resources of all Chinese companies located in various areas of the country.

In Europe, a new Managing Director was appointed at AP Racing.

In the first half of 2018, training was focused on designing, planning and holding courses aimed at providing Group personnel with the skills and knowledge they need to be increasingly capable of anticipating industry's requests, market trends and the organisation's needs. These efforts resulted in the many training projects of a managerial and technical-specialist nature launched in the first half of the year.

The extensive managerial training catalogue includes courses that focus on classroom teaching of skills such as change management and systems thinking. Other ongoing courses include Knowledge Management, designed to offer our professionals and managers — identified as having critical knowledge — the tools they need to become in-house trainers, and People Management, a further level of which is currently under study, in addition to the existing three, and will focus on the Enterprise Leadership model, thereby extending the future leadership model and related tools to the Group's middle managers.

The most important project — from both a qualitative and a quantitative standpoint — is the brand-new Hub for LifeLong Learning launched in Italy. Created in response to contractual training obligations in the mechanical engineering sector, the Hub provides classroom sessions for all personnel on corporate content and subjects relating to Industry 4.0, for a total of 24 hours in 2018-2019. This formula is based in large part on ongoing training as a strategic tool for the company and its people.

The Manufacturing Academy — a full-fledged company manufacturing training school — is among the technical-specialist training projects that continue to meet with interest and draw people from all around the world into the classroom. The Academy offers a wide array of workshops revolving around the Digital Factory, constantly updated to cover new technologies and knowledge. Run by in-house trainers and supported by the expertise of university professors, with the aim of ensuring that the Group enjoys a productive exchange with the research community, the Academy has already been launched in Poland, the Czech Republic and China.

The R&D Academy, which focuses on the life cycle of brake systems, from design to approval for production, remains in high demand. It is currently developing training modules on brake discs, and in the first half of 2018, colleagues from Brembo North America attended the programme, following their counterparts from India, China and the United Kingdom in the previous years.

The two e-learning training projects for the Group's resources are the Code of Ethics and Data Classification and Projection — projects that have met with such a positive response as to trigger an expansion of the e-learning catalogue to include new offerings soon to be made available.

This first half of the year also saw the achievement of the goal of transitioning to ISO 9001-2015, which allows the Brembo Academy — the entity responsible for training — to certify its offerings.

Within the larger framework of the consolidated Talent Management System, the first half of 2018 also saw a further increase in the spread of the individual performance management system, the Brembo Yearly Interview, which now covers 74% of Brembo's global population (73% last year), in addition to the consolidation of the Performance Management and Succession Planning tools and processes.

Finally, the first half of 2018 also marked the conclusion of the periodic Engagement Survey directed at the entire Brembo Group. Launched in December 2017, its results were excellent in terms of both the response rate of 74.15% (69.10% in the previous 2014 edition) and the engagement index, which reached 77.40% (76.23% in 2014).

ENVIRONMENT, SAFETY AND HEALTH

Brembo's commitment to environmental sustainability and safety continues to be an increasingly strategic and essential factor for developing the Group's business.

Environment and Energy

In accordance with existing commitments, and in keeping with the direction given in 2017, in the first half of 2018 Brembo's Environment and Energy area launched various projects aimed at introducing all the elements needed to ensure the progressive improvement of environmental sustainability issues. A key role was played by the new Environmental Management System, which envisages the completion of the procedures and tools required to introduce, at all the Group's plants, a common method of managing environmental matters that goes even beyond the limits defined by local legislation and aims for performance in line with internal and external best practice. The new management system, which will undergo a certification audit in the first part of the second half of the year, in addition to pushing all plants to achieve excellent performances, aims to meet the expectations of all stakeholders directly or indirectly involved in or influenced by Brembo's operating activities.

With regard to the activities needed for the gradual decarbonisation of production processes, attention should be drawn to the constant efforts devoted to identifying measures aimed at improving the energy efficiency of production processes by introducing specific tools for measuring and monitoring consumption — above all within the most critical areas. In the area of power supply, Brembo is also active in the energy market to ensure the progressive introduction of renewable-source electric power, necessary to achieving its medium- and long-term objectives.

Workplace Safety

In the first half of 2018, Brembo identified the "Ten Life-Saving Behaviours" based on a series of workshops organised in all geographical areas where Brembo has its plants, with the participation of the entire company organisation. This process resulted in a list of ten safety principles that direct personnel and all visitors to Brembo facilities must adopt to ensure increasingly safe work environments. Practising all ten life-saving behaviours will also support the spread of a stronger safety culture.

THE TEN LIFE-SAVING BEHAVIOURS

- No alcohol, no drugs
- Always protect yourself with personal protective equipment (PPE)
- Always pay attention to your surroundings
- Use machines and equipment properly
- Protect yourself when working at heights and avoid falls
- Get the required permits
- Be responsible for yourself and your colleagues
- Do not by-pass safety systems
- Comply with the LOTO procedure
- Report near-misses

Let us take a closer look at the ten life-saving behaviours:

- *Always protect yourself with personal protective equipment (PPE):* sometimes all residual risks cannot be eliminated by using collective protection systems. Accordingly, we need to use PPE to protect ourselves effectively.
- *Be responsible for yourself and your colleagues:* in order to ensure the safety of our working environment, we need to be responsible while carrying out our assigned duties. Yet as team members we also need to take care of our colleagues, informing them of the risk they are running if they are operating in an unsafe manner.
- *Do not by-pass safety systems:* the shortest path is not always the best; removing a protective system and/or not following a safety procedure do not save us time; rather, they bring us closer to the next serious accident.
- *Report near-misses:* reporting all cases of near-misses is an opportunity to prevent an accident from occurring; reporting is the first step in analysing and solving the causes that may give rise to an accident.

Another preventive tool on which Brembo focused its efforts in the first half of 2018 is the spread of the best practices that have been successfully tested by one of the Group's facilities. The plant that has come up with and implemented an idea that resulted in heightened safety levels shares its insight through the company Intranet. The other facilities analyse the suggestion, and assess and plan how to implement the proposed improvement.

In addition, Brembo has begun the process that is to result in an update of the current management system in view of compliance with the new ISO 45001 standard, which will replace the current OHSAS 18001 standard in the next three years. The activities planned for the second half of 2018 may therefore be summarised as follows:

- organisation of a training course that will explore the principles and new features of the ISO 45001 standard;
- execution of a gap analysis that identifies the gaps between the management system currently in use and the upcoming system, which must be compliant with the ISO 45001 standard;
- design of the new system's structure.

RELATED PARTY TRANSACTIONS

In compliance with Consob Regulation adopted with Resolution No. 17221 of 12 March 2010, as amended, Brembo S.p.A. adopted the Related Party Transactions Procedure. The procedure was approved by the Board of Directors of Brembo S.p.A. during the meeting held on 12 November 2010, after receiving the favourable opinion of the Control, Risks & Sustainability Committee, which also acts as Related Party Transactions Committee since it meets the requirements set out by the above-mentioned regulations. The procedure aims to ensure the full transparency and propriety of Related Party Transactions and has been published in the Corporate Governance section of the Company's website.

In 2013, on the basis of a favourable opinion from the Control, Risks & Sustainability Committee, the Board of Directors unanimously resolved not to proceed with amendments to the Related Party Procedure of Brembo S.p.A., partly in light of the efficacy shown in applied practice and partly because it had already been revised in previous years. The Board thus deems already adopted both the contents of the Recommendation and the wishes expressed by Consob regarding the first revision of the procedure.

The update to the Related Party Transactions Procedure incorporating the changes relating solely to organisational matters pertaining to the Company's Administration and Finance Department was approved by resolution of the Board of Directors of 10 May 2016, and with the favourable, unanimous opinion of the Control, Risks & Sustainability Committee.

Detailed information on the Company's Related Party Transactions is provided in the Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report. During the reporting period, no atypical or unusual transactions were carried out with Related Parties. Furthermore, commercial transactions with Related Parties, also other than the Group companies, were carried out at fair market conditions. The financing transactions undertaken during the period with Related Parties are also discussed in the Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report.

FURTHER INFORMATION

Significant Events During the Six-month Period

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 20 April 2018 approved the Financial Statements for the financial year ended 31 December 2017, allocating net profit for the year amounting to €149,484 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per each ordinary share outstanding, excluding own shares (payment as of 23 May 2018, ex-coupon date 21 May 2018, and record date 22 May 2018);
- the remaining amount carried forward.

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 20 April 2018 passed a new plan for the buy-back and sale of own shares with the following objectives:

- undertaking any investments, directly or through intermediaries, 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;
- 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;
- buying back own shares as a medium-/long-term investment.

The maximum number of shares that may be purchased is 8,000,000 that, with the 8,735,000 own shares already held (2.616% of share capital), represents 5.012% of the Company's share capital.

Own shares shall be purchased and sold up to a maximum of €144 million:

- at a minimum price which must be no lower than the closing price of the shares during the trading session on the day before each transaction is undertaken, reduced by 10%;
- at a maximum price which must be no greater than the closing price of the shares during the trading session on the day before each transaction is undertaken, increased by 10%.

The authorisation to buy back own shares is valid for a period of 18 months from the date of the resolution by the General Shareholders' Meeting.

Brembo has neither bought nor sold own shares in the first half of 2018.

Subsidiaries Formed Under and Governed by the Law of Countries Not Belonging to the European Union – Obligations Under Articles 36 and 39 of Market Regulations

In accordance with the requirements of Articles 36 and 39 of the Market Regulations (adopted with Consob Resolution No. 16191 of 29 October 2007 and amended with Resolution No. 16530 of 25 June 2008), Brembo Group identified seven subsidiaries based in four countries not belonging to the European Union that are of significant importance, as defined under Paragraph 2 of the same Article 36, and therefore fall within the scope of application of the Regulations.

Brembo Group believes that its current administrative, accounting and reporting systems are adequate to ensure that the Parent's management and auditing firm receive any information regarding Statement of Income, Statement of Financial Position and Cash Flow figures, as necessary for preparing the consolidated financial statements.

For all companies included in the consolidation area, the Parent Brembo S.p.A. already has a copy of the By-laws and the composition and powers of the Corporate Bodies.

Opt-out from the Obligations to Publish Disclosure Documents

The Company has adopted the opt-out system envisaged by Article 70, paragraph 8, and Article 71, paragraph 1-*bis* of the Rules for Issuers (Board's Resolution dated 17 December 2012), thus opting out from the obligation to publish the required disclosure documents in the case of significant mergers, demergers, capital increase by way of contributions in kind, acquisitions and disposals.

SIGNIFICANT EVENTS AFTER 30 JUNE 2018

No significant events occurred after the end of the first half of the year and until 26 July 2018.

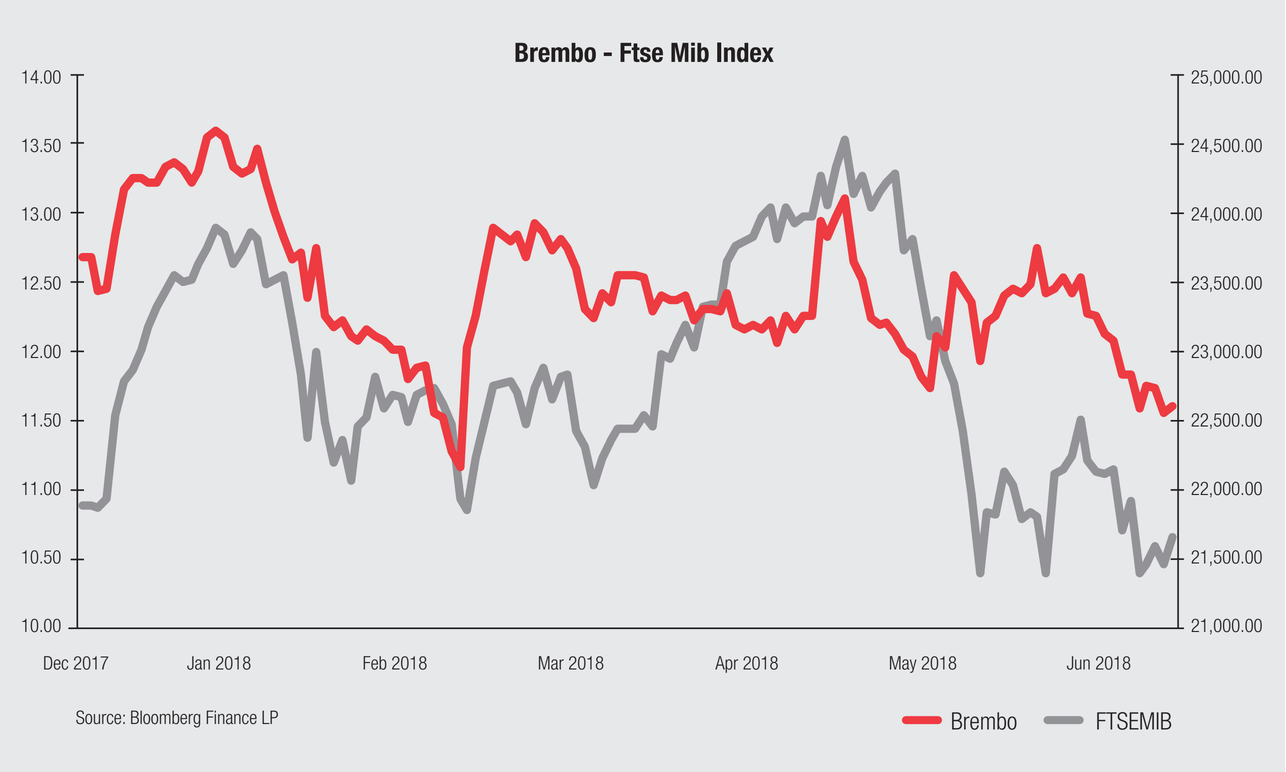
FORESEEABLE EVOLUTION

For the remainder of the year, the order backlog confirms a growth in line with that reported to date, although the currency context will continue to be rather volatile. The Company will continue to closely monitor the sales towards its main customers, as well as the evolution of the commercial and geopolitical tensions at global level.

Stezzano, 26 July 2018

On behalf of the Board of Directors
The Executive Deputy Chairman
Matteo Tiraboschi

BREMBO S.P.A. STOCK PERFORMANCE



Brembo stock closed the first half 2018 at €11.59, down 8.52% compared to the end of 2017. The stock reached a high for the period of €13.60 on 22 January and a low of €11.13 on 2 March 2018.

During the same period, the FTSE MIB index and the European index Euro Stoxx 600 closed down 1.04% and 2.38%, respectively. A 6.52% decline was also reported by the BBG EMEA Automobiles Parts index.

In the first half of 2018, some worse-than-expected economic data, concerns surrounding the Brexit negotiations and U.S. protectionism, as well as the re-emergence of Italy country risk, contributed to a heightened climate of uncertainty and volatility on financial markets.

After 30 June 2018, the Brembo stock price improved, closing at €11.99 on 12 July.

An overview of stock performance of Brembo S.p.A. at 30 June 2018 is given in the following table, compared with that at 31 December 2017.

	30.06.2018	31.12.2017
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	333,922,250	333,922,250
Equity (excluding net income for the period) (euro)	408,249,933	330,131,986
Net income for the period (euro)	63,540,453	149,484,042
Trading price (euro)		
Minimum	11.13	11.83
Maximum	13.60	15.10
Period end	11.59	12.67
Market capitalisation (euro million)		
Minimum	3,717	3,950
Maximum	4,541	5,042
Period end	3,870	4,231
Gross dividend per share	N/A	0.22 (*)

(*) Approved by the General Shareholders' Meeting of 20 April 2018.

Further information and updates regarding stock performance and recent corporate information are available on Brembo's website at www.brembo.com – *Investors* section.
Investor Relations Manager: Laura Panseri.

Condensed Consolidated **Six Monthly Financial Report** at 30 June **2018**

CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

Consolidated Statement of Financial Position

ASSETS

(euro thousand)	Notes	30.06.2018	*of which with related parties*	31.12.2017	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	967,675		933,774		33,901
Development costs	2	67,303		61,323		5,980
Goodwill and other indefinite useful life assets	2	83,444		82,837		607
Other intangible assets	2	52,868		50,425		2,443
Investments valued using the equity method	3	36,778		34,300		2,478
Other financial assets (including investments in other companies and derivatives)	4	8,181	*5,667*	6,769	*5,659*	1,412
Receivables and other non-current assets	5	3,379		3,832		(453)
Deferred tax assets	6	65,237		57,818		7,419
TOTAL NON-CURRENT ASSETS		**1,284,865**		**1,231,078**		**53,787**
CURRENT ASSETS						
Inventories	7	367,817		311,116	*9*	56,701
Trade receivables	8	476,514	*2,486*	375,719	*1,371*	100,795
Other receivables and current assets	9	80,343	*46*	80,455	*3*	(112)
Current financial assets and derivatives	10	300		296		4
Cash and cash equivalents	11	262,754		300,830		(38,076)
TOTAL CURRENT ASSETS		**1,187,728**		**1,068,416**		**119,312**
TOTAL ASSETS		**2,472,593**		**2,299,494**		**173,099**

EQUITY AND LIABILITIES

(euro thousand)	Notes	30.06.2018	*of which with related parties*	31.12.2017	*of which with related parties*	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	102,659		112,838		(10,179)
Retained earnings/(losses)	12	818,455		625,818		192,637
Net result for the period	12	140,113		263,428		(123,315)
TOTAL GROUP EQUITY		**1,095,955**		**1,036,812**		**59,143**
TOTAL MINORITY INTERESTS		**28,576**		**27,625**		**951**
TOTAL EQUITY		**1,124,531**		**1,064,437**		**60,094**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	272,428		319,314		(46,886)
Other non-current financial payables and derivatives	13	2,023		2,344		(321)
Other non-current liabilities	14	2,881		19,927	*5,915*	(17,046)
Non-current provisions	15	38,630		39,613		(983)
Provisions for employee benefits	16	27,501	*2,904*	27,784	*3,697*	(283)
Deferred tax liabilities	6	24,329		24,716		(387)
TOTAL NON-CURRENT LIABILITIES		**367,792**		**433,698**		**(65,906)**
CURRENT LIABILITIES						
Current payables to banks	13	250,499		194,220		56,279
Other current financial payables and derivatives	13	1,154		3,845		(2,691)
Trade payables	17	564,140	*21,650*	470,390	*9,859*	93,750
Tax payables	18	14,376		9,719		4,657
Current provisions	15	2,239		2,244		(5)
Other current payables	19	147,862	*10,053*	120,941	*3,164*	26,921
TOTAL CURRENT LIABILITIES		**980,270**		**801,359**		**178,911**
TOTAL LIABILITIES		**1,348,062**		**1,235,057**		**113,005**
TOTAL EQUITY AND LIABILITIES		**2,472,593**		**2,299,494**		**173,099**

Consolidated Statement of Income

(euro thousand)	Notes	30.06.2018	*of which with related parties*	30.06.2017	*of which with related parties*	Change
Revenue from contracts with customers	20	**1,339,687**	***254***	**1,262,448**	***3,304***	**77,239**
Other revenues and income	21	13,247	*1,826*	10,739	*1,730*	2,508
Costs for capitalised internal works	22	12,600		12,928		(328)
Raw materials, consumables and goods	23	(634,701)	*(48,295)*	(607,563)	*(37,648)*	(27,138)
Income (expense) from non-financial investments	24	8,456		6,157		2,299
Other operating costs	25	(243,300)	*(3,832)*	(213,415)	*(2,956)*	(29,885)
Personnel expenses	26	(236,109)	*(4,016)*	(215,766)	*(3,279)*	(20,343)
GROSS OPERATING INCOME		**259,880**		**255,528**		**4,352**
Depreciation, amortisation and impairment losses	27	(73,775)		(66,031)		(7,744)
NET OPERATING INCOME		**186,105**		**189,497**		**(3,392)**
Interest income	28	*29,652*		*22,425*		*7,227*
Interest expense	28	*(35,269)*		*(25,571)*		*(9,698)*
Net interest income (expense)	28	(5,617)	*11*	(3,146)	*(263)*	(2,471)
Interest income (expense) from investments	29	121		126		(5)
RESULT BEFORE TAXES		**180,609**		**186,477**		**(5,868)**
Taxes	30	(38,982)		(47,962)		8,980
RESULT BEFORE MINORITY INTERESTS		**141,627**		**138,515**		**3,112**
Minority interests		(1,514)		(1,827)		313
NET RESULT FOR THE PERIOD		**140,113**		**136,688**		**3,425**
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	**0.43**		**0.42**		

Consolidated Statement of Comprehensive Income

(euro thousand)	30.06.2018	30.06.2017	Change
RESULT BEFORE MINORITY INTERESTS	**141,627**	**138,515**	**3,112**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period:			
Effect (actuarial income/loss) on defined benefit plans	915	2,097	(1,182)
Tax effect	(165)	(406)	241
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period	**750**	**1,691**	**(941)**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period:			
Change in translation adjustment reserve	(9,942)	(14,424)	4,482
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period	**(9,942)**	**(14,424)**	**4,482**
COMPREHENSIVE RESULT FOR THE PERIOD	**132,435**	**125,782**	**6,653**
Of which attributable to:			
- Minority Interests	*1,751*	*761*	*990*
- the Group	*130,684*	*125,021*	*5,663*

Consolidated Statement of Cash Flows

(euro thousand)	Notes	30.06.2018	30.06.2017
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11	**155,973**	**63,929**
Result before taxes		**180,609**	**186,477**
Depreciation, amortisation/impairment losses		73,775	66,031
Capital gains/losses		(1,450)	22
Income/expense from investments, net of dividends received		(2,478)	(233)
Financial portion of provisions for defined benefits and payables for personnel		266	302
Long-term provisions for employee benefits		2,311	467
Other provisions net of utilisations		6,652	19,825
Cash flows generated by operating activities		**259,685**	**272,891**
Current taxes paid		(24,618)	(35,392)
Uses of long-term provisions for employee benefits		(1,930)	(1,600)
(Increase) reduction in current assets:			
inventories		(61,582)	(31,901)
financial assets		(54)	38
trade receivables		(100,579)	(65,793)
receivables from others and other assets		(12,911)	(15,422)
Increase (reduction) in current liabilities:			
trade payables		93,750	33,624
payables to others and other liabilities		7,445	2,643
Translation differences on current assets		1,278	(6,437)
Net cash flows from/(for) operating activities		**160,484**	**152,651**

(euro thousand)	Notes	30.06.2018	30.06.2017
Investments in:			
intangible assets		(19,096)	(18,973)
property, plant and equipment		(102,860)	(145,194)
financial assets (investments)		(1,350)	0
Price for disposal or reimbursement value of fixed assets		2,577	2,648
Net cash flows from/(for) investing activities		**(120,729)**	**(161,519)**
Dividends paid in the period		(71,541)	(65,037)
Dividend paid to minority shareholders in the period		(800)	0
Change in fair value of derivatives		381	424
Loans and financing granted by banks and other financial institutions in the period		92	155,145
Repayment of long-term loans		(19,592)	(24,892)
Net cash flows from/(for) financing activities		**(91,460)**	**65,640**
Total cash flows		**(51,705)**	**56,772**
Translation differences on cash and cash equivalents		(5,305)	8,116
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11	**98,963**	**128,817**

Consolidated Statement of Changes in Equity

(euro thousand)	Share capital	Other reserves: Reserves	Other reserves: Treasury shares	Retained earnings (losses)
Balance at 1 January 2017	**34,728**	**149,195**	**(13,476)**	**446,834**
Allocation of profit for the previous year				175,595
Payment of dividends				
Reclassification		(138)		138
Components of comprehensive income: Effect of actuarial income/(loss) on defined benefit plans				1,691
Change in translation adjustment reserve		(13,358)		
Net result for the period				
Balance at 30 June 2017	**34,728**	**135,699**	**(13,476)**	**624,258**
Balance at 1 January 2018	**34,728**	**126,314**	**(13,476)**	**625,818**
Allocation of profit for the previous year				191,887
Payment of dividends				
Components of comprehensive income: Effect of actuarial income/(loss) on defined benefit plans				750
Change in translation adjustment reserve		(10,179)		
Net result for the period				
Balance at 30 June 2018	**34,728**	**116,135**	**(13,476)**	**818,455**

Net result for the period	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
240,632	857,913	2,363	22,034	24,397	882,310
(175,595)	0	(2,363)	2,363	0	0
(65,037)	(65,037)			0	(65,037)
	0			0	0
	1,691			0	1,691
	(13,358)		(1,066)	(1,066)	(14,424)
136,688	136,688	1,827		1,827	138,515
136,688	917,897	1,827	23,331	25,158	943,055
263,428	1,036,812	4,472	23,153	27,625	1,064,437
(191,887)	0	(4,472)	4,472	0	0
(71,541)	(71,541)		(800)	(800)	(72,341)
	750			0	750
	(10,179)		237	237	(9,942)
140,113	140,113	1,514		1,514	141,627
140,113	1,095,955	1,514	27,062	28,576	1,124,531

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED SIX MONTHLY FINANCIAL REPORT AT 30 JUNE 2018

Brembo's Activities

In the vehicle industry components sector, Brembo Group is active in the research, design, production, assembly and sale of disc braking systems, wheels and light alloy and metal casting, in addition to mechanical processes in general.

The extensive product range consists of high-performance brake calipers, brake discs, wheel-side modules, complete braking systems and integrated engineering services, supporting the development of new models placed on the market by vehicle manufacturers. Brembo's products and services are used in the automotive industry, for commercial and industrial vehicles, motorbikes and racing competitions.

Manufacturing plants are located in Italy, Poland (Czestochowa, Dabrowa Górnicza, Niepolomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), Argentina (Buenos Aires), China (Nanjing, Langfang), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

Form and Content of the Condensed Consolidated Six Monthly Financial Report at 30 June 2018

Introduction

The Condensed Consolidated Six Monthly Financial Report at 30 June 2018 has been prepared in accordance with Article 154-*ter* of Legislative Decree No. 58/98 and applicable Consob provisions, as well as the provisions of IAS 34 – *Interim Financial Reporting,* and has been subjected to a limited audit according to the criteria recommended by Consob. In further detail, the Financial Report for the period ended 30 June 2018 has been prepared in condensed form and does not contain all the information and notes required for the consolidated annual financial statements. Consequently, the Report should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2017.

The Condensed Consolidated Six Monthly Financial Report comprises the Statement of Financial Position, the Statement of Income, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, and these Explanatory Notes, in accordance with IFRS requirements; it includes the situation at 30 June 2018 of Brembo S.p.A., the Parent, and the companies controlled by Brembo S.p.A. pursuant to IFRS 10.

On 26 July 2018, the Board of Directors approved the Condensed Consolidated Six Monthly Financial Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.

Basis of Preparation and Presentation

The accounting standards, consolidation principles and measurement criteria adopted to prepare the Condensed Consolidated Six Monthly Financial Report comply with those used to prepare the Consolidated Financial Statements at 31 December 2017, to which specific reference is made.

The following standards, amendments and interpretations were applied for the first time from 1 January 2018:

IFRS 9 – *Financial Instruments*

In July 2015, the IASB issued the final version of IFRS 9 – *Financial Instruments* which supersedes IAS 39 – *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. IFRS 9 combines all aspects relating to financial instrument reporting: classification and measurement, impairment and hedge accounting. The standard is effective for the annual periods starting on 1 January 2018. With the exception of hedge accounting (which applies, except for a few cases, prospectively), the principle has to be applied retrospectively, but it is not mandatory to provide comparative information. The Group adopted the new standard from the date it entered into force.

Classification and valuation

The application of the classification and valuation requirements specified in IFRS 9 had no significant impacts on the Group's financial statements. Loans, as well as trade receivables, are held for collection on the contractual due dates and are expected to generate cash flows consisting solely of capital and interest receipts. The Group will therefore continue to measure them, in accordance with IFRS 9, at amortised cost.

Impairment losses

IFRS 9 requires the Group to record expected impairment losses for all its own obligations, loans and trade receivables, on an annual basis or based on the residual term. The Group, which adopts the simplified approach, had no significant impacts on its equity given that its trade receivables are largely due from counterparties with a high credit rating (primarily car manufacturers).

Hedge accounting

The Group maintains that all existing hedges currently designated as effective hedges will continue to qualify for hedge accounting in accordance with IFRS 9. Given that IFRS 9 does not alter the general principle whereby an entity recognises effective hedges, the Group had no significant impacts from application of the standard.

IFRS 15 – *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and it introduced a new five-step model that is applied to contracts with customers. IFRS 15 provides for revenue to be measured for an amount that reflects the consideration to which the entity claims entitlement in exchange for transferring the goods or services to the customer. The new standard, which replaced all the current requirements set out in IFRS standards on revenue recognition, was adopted by the Group starting on 1 January 2018, with modified retrospective application.

The process of assessing the effects of the new Standard led to the identification of the following general contract categories: sale of brake systems, equipment, study and design activities, and royalties.

Brake systems

The application of the new Standard had no impacts on contracts with customers in which the sale of the brake system is the sole obligation ("at a point in time"), since revenue will be recognised when control of the asset is transferred to the customer, which generally coincides with the moment of delivery (the warranties set out in the contracts are also general and not extended and, as a result, the Group expects that they will continue to be accounted for in accordance with IAS 37). The Group's order backlog also includes supply contracts, nomination letters and supply orders for brake systems that, according to commercial practice and the typical nature of the sector, effectively qualify as contracts in which the obligation is resolved over time: in this case, the Group applies the “right to invoice” expedient in calculating the portion of the contractual obligation satisfied as at the date concerned and the related revenue to be recognised in the Statement of Income.

Equipment

The Group supplies equipment sold separately from the brake systems; this becomes the full property of the customer, which acquires control over it and the capacity to use it, at the time it is delivered and invoiced.

Study and design activities

The Group recognises revenue from its own customers for contributions to development activities of brake systems that mirror the characteristics required by the customer itself. The activity requested by the customer may regard primary product development, in which case the revenue is suspended until the development process is completed and then is recognised over the useful life of the product to which the contribution refers (the time horizon is estimated at an average of five years), or the customer may request only development following primary development, in which case the revenue is recognised when control (along with the risks/rewards) is transferred to the customer, i.e., upon invoicing to the customer.

Royalties

Royalties are invoiced in accordance with contractual conditions and the related revenue is recognised on an accrual basis.

According to the Group’s analyses of this type of contract, the application of the Standard had no material impact on the Group’s equity at 31 December 2017 and 30 June 2018.

Illustrated below are accounting standards and interpretations already issued but not yet in force as at the date these financial statements were prepared. The company intends to adopt these standards on the date they enter into force.

IFRS 16 – *Leases* (not yet approved by the EU)

IFRS 16 was published in January 2016 and replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for recognising, measuring, presenting and reporting leases. It requires lessees to recognise all leasing contracts in the financial statements on the basis of a single model similar to that used to recognise finance leases in accordance with IAS 17. The standard provides for two exemptions for lessees’ recognition of leasing contracts: low-value assets (e.g., personal computers) and short-term leasing contracts (e.g., lease terms of 12 months or less). On the leasing contract start date, the lessee will recognise a liability for payments specified in the leasing contract and an asset representing the right to use the underlying asset for the period of the contract. Lessees will have to recognise separately interest paid on the leasing liability and amortisation of the right to use the asset. Lessees will also have to re-measure the leasing liability when certain events happen (e.g., a change in leasing contract conditions, a change in future lease payments caused by a change in an index or rate used to determine those payments). The lessee will generally recognise the re-measured amount of the leasing liability as an adjustment to the right to use the asset. The reporting system provided for in IFRS 16 will remain substantially unchanged for lessors who will continue to classify all leases using the same classification principle as in IAS 17, distinguishing operating leases and finance leases.

IFRS 16 will enter into force for years starting 1 January 2019 or thereafter with full retrospective or modified application. Early adoption is allowed, but not before the entity has adopted IFRS 15. The Group plans to apply the new standard from the mandatory effective date, using the modified retrospective method.

To this end, in 2017 the Group had launched a project plan broken down in different phases (requirement definition, software selection, business case identification, application tests) which will allow, at the end of 2018, to assess the effects of the application of the new Standard on Net Invested Capital and Net Financial Position.

Other standards or amendments are summarised in the following table:

Description	Endorsed at the reporting date	Expected date of entry into force
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued in September 2014)	NO	Not defined
Amendments to IFRS 2 – *Classification and Measurement of Share-based Payment Transactions* (issued in June 2016)	YES	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued in December 2016)	YES	1 January 2018
Annual Improvements to IFRS Standards 2015-2017 Cycle (issued in December 2017)	NO	1 January 2019
IFRIC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration* (issued in December 2016)	YES	1 January 2018
Amendments to IAS 40 – *Transfers of Investment Property* (issued in December 2016)	YES	1 January 2018
IAS 28 – *Investments in Associates and Joint Ventures*	NO	1 January 2019
IFRS 9 – *Prepayment Features with Negative Compensation*	YES	1 January 2019
IAS 19 – *Plan amendment, Curtailment or Settlement*	NO	1 January 2019
IFRIC 23 – *Uncertainty over Income Tax Treatment* (issued in June 2017)	NO	1 January 2019
IFRS 17 – *Insurance Contracts* (issued in May 2017)	NO	1 January 2021

The Group did not opt for early adoption of new standards, interpretations or amendments that have been issued but have not entered into force yet.

The Condensed Consolidated Six Monthly Financial Report has been prepared on the basis of the half-yearly financial statements at 30 June 2018 drawn up by the Boards of Directors of the relevant consolidated companies.

Due to the type of business, data included in the Condensed Consolidated Six Monthly Financial Report are not influenced by material seasonal or cyclical effects, compared to full year data.

The Condensed Consolidated Six Monthly Financial Report has been prepared in accordance with the general principle of providing a true and fair presentation of the Group's assets and liabilities, financial position, statement of income results and cash flows, based on the following general assumptions: going concern, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting, and comparative information.

The Condensed Consolidated Six Monthly Financial Report is presented in euro, which is the functional currency of the Parent, Brembo S.p.A., and all amounts are rounded to the nearest thousand unless otherwise indicated.

Discretionary Valuations and Significant Accounting Estimates

Preparing financial statements in compliance with the applicable accounting standards requires management to make estimates that may have a significant effect on the items reported in the accounts. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances and given the information available at the reporting date. Actual results may differ from these estimates. Estimates and associated assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which such estimates are revised. Company management's decisions that have a significant impact on the financial statements and estimates, and have a significant risk of material adjustments to the book value of assets and liabilities in the next accounting period, are discussed in the notes to the individual financial statement entries.

The main estimates are used to recognise the capitalisation of development costs, recognition of taxes, impairment of non-financial assets, the actuarial assumptions used in the valuation of defined benefit plans. Other estimates relate to provisions for contingencies, inventory obsolescence, useful lives of certain assets, the designation of lease contracts and the determination of the fair value of financial instruments, including derivatives.

It should also be noted that certain measurement processes, such as the determination of impairment for non-current assets, are typically carried out in full only during preparation of the Annual Financial Statements, when all necessary information is available, unless impairment indicators require immediate analysis. Actuarial valuations necessary to determine provisions for employee benefits are conducted in complete form when preparing the Annual Financial Statements and in simplified form when preparing this Six Monthly Financial Report.

Consolidation Area

The list of consolidated subsidiaries, associates and joint ventures that are accounted for using the equity method, along with information regarding their registered offices and the percentage of capital held, is included in the paragraph "Information About the Group" of these Explanatory Notes.

Compared to the first half of 2017 and 31 December 2017, no corporate transactions impacting the Group consolidation area were performed in the first half of 2018.

The following table shows the exchange rates used in the translation of six monthly accounting statements denominated in currencies other than the functional one (euro).

Euro against other currencies	30.06.2018	Average at June 2018	30.06.2017	Average at June 2017
U.S. Dollar	1.165800	1.210838	1.141200	1.082523
Japanese Yen	129.040000	131.610664	127.750000	121.658695
Swedish Krona	10.453000	10.151946	9.639800	9.595442
Polish Zloty	4.373200	4.220039	4.225900	4.268466
Czech Koruna	26.020000	25.497257	26.197000	26.787058
Mexican Peso	22.881700	23.080234	20.583900	21.027941
Pound Sterling	0.886050	0.879731	0.879330	0.860059
Brazil Real	4.487600	4.141332	3.760000	3.439292
Indian Rupee	79.813000	79.512308	73.744500	71.124381
Argentine Peso	32.704800	26.025119	18.885100	16.942443
Chinese Renminbi	7.717000	7.709960	7.738500	7.441741
Russian Rouble	73.158200	71.980214	67.544900	62.734877

Group Activities, Segments and Further Information

Segment Report

Based on the IFRS 8 definition, an operating segment is a component of an entity:

1. that engages in business activities from which it may earn revenues and incur expenses;
2. whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
3. for which discrete financial information is available.

In light of such definition, the Brembo Group's operating segments are five Divisions/Business Units: Discs, Systems, Motorbikes, Performance Group, After Market.
Each Division/Business Unit Director reports to the top management and periodically discusses with them operating activities, financial statements results, forecasts or plans.

The Group thus aggregated the operating segments as follows for the purposes of financial reporting:

1. Discs – Systems – Motorbikes
2. After market – Performance Group.

The segments that are included in each aggregate are similar in terms of:

a) the nature of products (braking systems);
b) the nature of production processes (melting process, subsequent processing for finishing and assembly);
c) the type of customers (manufacturers for Group 1 and distributors for Group 2);
d) the methods used to distribute the products (targeted to manufacturers for Group 1 and through distribution chains for Group 2);
e) the economic characteristics (gross manufacturing margin percentage for Group 1 and gross operating income for Group 2).

Transfer prices applied to transactions between segments for the exchange of goods and services are settled according to usual market conditions.

In light of the requirements of IFRS 8 in terms of revenue earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in the first half of 2018 who accounted for over 10% of consolidated net revenue. None of the single car manufacturers comprising such groups exceeded this limit.

The following table shows segment information on net sales and results at 30 June 2018 and 30 June 2017:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Sales	1,359,512	1,274,524	1,178,242	1,098,249	187,520	181,718	(1,645)	(1,633)	(4,605)	(3,810)
Allowances and discounts	(17,914)	(16,103)	(2,417)	(1,661)	(15,496)	(14,443)	0	0	(1)	1
Net sales	**1,341,598**	**1,258,421**	**1,175,825**	**1,096,588**	**172,024**	**167,275**	**(1,645)**	**(1,633)**	**(4,606)**	**(3,809)**
Transport costs	12,384	9,555	9,402	7,230	2,982	2,325	0	0	0	0
Variable production costs	840,119	781,722	735,342	677,519	108,481	106,968	(1,645)	(1,633)	(2,059)	(1,132)
Contribution margin	**489,095**	**467,144**	**431,081**	**411,839**	**60,561**	**57,982**	**0**	**0**	**(2,547)**	**(2,677)**
Fixed production costs	178,017	170,103	168,495	160,332	8,814	8,809	0	0	708	962
Production gross operating income	**311,078**	**297,041**	**262,586**	**251,507**	**51,747**	**49,173**	**0**	**0**	**(3,255)**	**(3,639)**
BU personnel costs	87,071	77,507	54,570	50,634	24,856	21,446	0	0	7,645	5,427
BU gross operating income	**224,007**	**219,534**	**208,016**	**200,873**	**26,891**	**27,727**	**0**	**0**	**(10,900)**	**(9,066)**
Costs for Central Functions	48,196	45,702	35,879	33,490	6,155	5,369	0	0	6,162	6,843
Operating income (loss)	**175,811**	**173,832**	**172,137**	**167,383**	**20,736**	**22,358**	**0**	**0**	**(17,062)**	**(15,909)**
Extraordinary costs and revenues	9,162	9,131	0	0	0	0	0	0	9,162	9,131
Financial costs and revenues	(6,059)	(3,676)	0	0	0	0	0	0	(6,059)	(3,676)
Income (expense) from investments	8,558	6,273	0	0	0	0	0	0	8,558	6,273
Non-operating costs and revenues	(6,863)	917	0	0	0	0	0	0	(6,863)	917
Result before taxes	**180,609**	**186,477**	**172,137**	**167,383**	**20,736**	**22,358**	**0**	**0**	**(12,264)**	**(3,264)**
Taxes	(38,982)	(47,962)	0	0	0	0	0	0	(38,982)	(47,962)
Result before minority interests	**141,627**	**138,515**	**172,137**	**167,383**	**20,736**	**22,358**	**0**	**0**	**(51,246)**	**(51,226)**
Minority interests	(1,514)	(1,827)	0	0	0	0	0	0	(1,514)	(1,827)
Net result	**140,113**	**136,688**	**172,137**	**167,383**	**20,736**	**22,358**	**0**	**0**	**(52,760)**	**(53,053)**

A reconciliation between the Consolidated Six Monthly Financial Report and the above operating information is provided below:

(euro thousand)	30.06.2018	30.06.2017
REVENUE FROM CONTRACTS WITH CUSTOMERS	**1,339,687**	**1,262,448**
– Scrap sales (in the segment report they are subtracted from "Variable production costs")	(9,368)	(7,564)
– Differences between internal and statutory reports relating to developments activities	9,784	2,267
– Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	1,643	438
– Effect of adjustment of transactions among consolidated companies	(75)	806
– Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	660	1,211
– Other	(732)	(1,185)
NET SALES	**1,341,598**	**1,258,421**

(euro thousand)	30.06.2018	30.06.2017
NET OPERATING INCOME	**186,105**	**189,497**
– Differences between internal and statutory reports relating to developments activities	3,980	(4,544)
– Other differences between internal and statutory reports	(2,152)	(3,266)
– Income (expense) from non-financial investments	(8,456)	(6,157)
– Claim compensation and subsidies	(4,278)	(2,783)
– Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	(263)	392
– Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	643	539
– Other	231	154
OPERATING RESULT	**175,811**	**173,832**

The breakdown of Group sales by geographic area of destination and by application is provided in the Directors' Report on Operations.

The following table shows segment statement of financial position and cash flow data at 30 June 2018 and 31 December 2017:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Property, plant and equipment	967,675	933,774	916,330	888,880	32,903	30,834	5	5	18,437	14,055
Intangible assets	136,311	133,262	110,181	109,938	19,236	18,629	0	0	6,894	4,695
Financial assets and other non-current assets/liabilities	73,916	48,641	0	0	0	0	0	0	73,916	48,641
(a) Total fixed assets	**1,177,902**	**1,115,677**	**1,026,511**	**998,818**	**52,139**	**49,463**	**5**	**5**	**99,247**	**67,391**
Inventories	367,738	311,096	282,234	231,351	85,504	79,745	0	0	0	0
Current assets	562,273	459,221	416,917	346,095	76,023	49,594	(8,482)	(50,801)	77,815	114,333
Current liabilities	(731,714)	(604,227)	(493,300)	(483,005)	(92,796)	(69,311)	8,482	50,801	(154,100)	(102,712)
Provisions for contingencies and charges and other provisions	(54,197)	(53,844)	0	0	0	0	0	0	(54,197)	(53,844)
(b) Net working capital	**144,100**	**112,246**	**205,851**	**94,441**	**68,731**	**60,028**	**0**	**0**	**(130,482)**	**(42,223)**
NET INVESTED OPERATING CAPITAL (a+b)	**1,322,002**	**1,227,923**	**1,232,362**	**1,093,259**	**120,870**	**109,491**	**5**	**5**	**(31,235)**	**25,168**
Extraordinary components	93,080	82,895	53	53	0	0	(4)	17,762	93,031	65,080
NET INVESTED CAPITAL	**1,415,082**	**1,310,818**	**1,232,415**	**1,093,312**	**120,870**	**109,491**	**1**	**17,767**	**61,796**	**90,248**
Group equity	1,095,955	1,036,812	0	0	0	0	0	0	1,095,955	1,036,812
Minority interests	28,576	27,625	0	0	0	0	0	0	28,576	27,625
(d) Equity	**1,124,531**	**1,064,437**	**0**	**0**	**0**	**0**	**0**	**0**	**1,124,531**	**1,064,437**
(e) Provisions for employee benefits	**27,501**	**27,784**	**0**	**0**	**0**	**0**	**0**	**0**	**27,501**	**27,784**
Medium/long-term financial debt	274,451	321,658	0	0	0	0	0	0	274,451	321,658
Short-term financial debt	(11,401)	(103,061)	0	0	0	0	0	0	(11,401)	(103,061)
(f) Net financial debt	**263,050**	**218,597**	**0**	**0**	**0**	**0**	**0**	**0**	**263,050**	**218,597**
(g) COVERAGE (d+e+f)	**1,415,082**	**1,310,818**	**0**	**0**	**0**	**0**	**0**	**0**	**1,415,082**	**1,310,818**

The following should be noted in regard to the non-segment data:

- intangible assets mainly consist of development costs;
- financial assets mainly consist of the value of investments;
- current assets and liabilities mainly include trade receivables and payables;
- provisions for contingencies and charges and other provisions are not allocated.

Financial Risk Management

The Brembo Group is exposed to market, commodity, liquidity and credit risk, all of which are tied to the use of financial instruments. For a description of each type of risk, the reader is referred to the Consolidated Financial Statements for the year ended 31 December 2017, as no significant changes have occurred in the reporting period.

Financial risk management is the responsibility of the central Treasury & Credit Department of Brembo S.p.A., which, together with the Finance Department, evaluates the main financial transactions and related hedging policies.

Fair Value Measurement

To complete the disclosure of financial risks, the following information is provided:

a) the fair value hierarchy for the Group's assets and liabilities:

	30.06.2018			31.12.2017		
(euro thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value						
Forward contracts denominated in foreign currency	0	(381)	0	0	0	0
Interest rate swaps	0	0	0	0	0	0
Embedded derivative	0	0	0	0	0	0
Total financial assets (liabilities) measured at fair value	**0**	**(381)**	**0**	**0**	**0**	**0**
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(364,732)	0	0	(363,458)	0
Other current and non-current financial liabilities	0	(2,667)	0	0	(2,740)	0
Total assets (liabilities) for which fair value is indicated	**0**	**(367,398)**	**0**	**0**	**(366,198)**	**0**

b) a reconciliation between the classes of financial assets and liabilities identified in the Group's Statement of Financial Position and the types of financial assets and liabilities identified based on the requirements of IFRS 7:

	Carrying value		Fair value	
(euro thousand)	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Available-for-sale financial assets	**1,657**	**307**	**1,657**	**307**
Loans, receivables and financial liabilities valued at amortised cost:				
Current and non-current financial assets (excluding derivatives)	6,824	6,758	6,824	6,758
Trade receivables	476,514	375,719	476,514	375,719
Loans and receivables	75,041	62,171	75,041	62,171
Cash and cash equivalents	262,754	300,830	262,754	300,830
Current and non-current payables to banks	(522,927)	(513,534)	(528,523)	(519,524)
Other current and non-current financial liabilities	(2,796)	(6,189)	(2,796)	(6,189)
Trade payables	(564,140)	(470,390)	(564,140)	(470,390)
Other current liabilities	(147,862)	(120,941)	(147,862)	(120,941)
Other non-current liabilities	(2,881)	(19,927)	(2,881)	(19,927)
Derivatives	**(381)**	**0**	**(381)**	**0**
Total	**(418,197)**	**(385,196)**	**(423,793)**	**(391,186)**

The approach used to calculate fair value is the present value of the future cash flows expected to derive from the instrument being measured, determined by discounting the scheduled instalments at a rate equal to the forward rate curve applicable to each account payable. In detail:

– loans, payables to other lenders and intercompany loans with a duration of more than 12 months were measured at fair value determined by applying the forward rates curve to the residual duration of the loan;
– receivables, trade payables, held-to-maturity financial assets, payables and receivables to and from banks due within 12 months were measured at their carrying amounts, inasmuch as this is believed to approximate fair values;
– finance leases were valued at cost, as they are outside the scope of IAS 39;
– the fair value of derivatives was determined on the basis of valuation techniques that take into account market parameters other than the prices of the financial instrument.

Related Parties

The Group carries out transactions with parents, subsidiaries, associates, joint ventures, directors, key management personnel and other related parties. The Parent Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.523% of its share capital. Brembo did not engage in dealings with its parent in the first half of 2018, except for the dividend distribution.

Information pertaining to the fees paid to Directors, Statutory Auditors and General Manager (position held by the Chief Executive Officer) of Brembo S.p.A. and of other Group companies and additional information required is reported below:

	30.06.2018		30.06.2017	
(euro thousand)	Directors	Auditors	Directors	Auditors
Compensation for the office held	1,045	98	1,075	105
Participation in committees and specific tasks	78	0	89	0
Salaries and other incentives	2,931	0	2,361	0

The item “Salaries and other incentives” includes the estimate of the cost of the 2016-2018 plan reserved for the Company’s top managers and accrued in the reporting period, remuneration paid as salaries for the employee function and provisions for bonuses still to be paid.

The following table provides a summary of related party transactions with reference to balances of the Statement of Financial Position and Statement of Income:

(euro thousand)	30.06. 2018						31.12.2017					
		RELATED PARTIES						RELATED PARTIES				
a) Weight of transactions or positions with related parties on items of the Statement of Financial Position	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**
Other financial assets (including investments in other companies and derivatives)	8,181	5,667	0	0	5,667	*69.3%*	6,769	5,659	0	0	5,659	*83.6%*
Inventories	367,817	0	0	0	0	*0.0%*	311,116	9	0	9	0	*0.0%*
Trade receivables	476,514	2,486	7	2,396	83	*0.5%*	375,719	1,371	13	1,290	68	*0.4%*
Other receivables and current assets	80,343	46	46	0	0	*0.1%*	80,455	3	3	0	0	*0.0%*
Other non-current liabilities	(2,881)	0	0	0	0	*0.0%*	(19,927)	(5,915)	(5,915)	0	0	*29.7%*
Provisions for employee benefits	(27,501)	(2,904)	(2,904)	0	0	*10.6%*	(27,784)	(3,697)	(3,697)	0	0	*13.3%*
Trade payables	(564,140)	(21,650)	(3,337)	(17,669)	(644)	*3.8%*	(470,390)	(9,859)	(4,740)	(4,626)	(493)	*2.1%*
Other current payables	(147,862)	(10,053)	(9,926)	(127)	0	*6.8%*	(120,941)	(3,164)	(3,037)	(127)	0	*2.6%*

	30.06.2018						30.06.2017					
		RELATED PARTIES						RELATED PARTIES				
b) Weight of transactions or positions with related parties on items of the Statement of Income	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**
Revenue from contracts with customers	1,339,687	254	1	250	3	*0.0%*	1,262,448	3,304	3,049	252	3	*0.3%*
Other revenues and income	13,247	1,826	12	1,731	83	*13.8%*	10,739	1,730	23	1,639	68	*16.1%*
Raw materials, consumables and goods	(634,701)	(48,295)	(141)	(47,912)	(242)	*7.6%*	(607,563)	(37,648)	(24)	(37,286)	(338)	*6.2%*
Other operating costs	(243,300)	(3,832)	(3,059)	(260)	(513)	*1.6%*	(213,415)	(2,956)	(2,301)	(181)	(474)	*1.4%*
Personnel expenses	(236,109)	(4,016)	(4,016)	0	0	*1.7%*	(215,766)	(3,279)	(3,279)	0	0	*1.5%*
Net interest income (expense)	(5,617)	11	4	(1)	8	*-0.2%*	(3,146)	(263)	(265)	(1)	3	*8.4%*

* Other related parties include key management personnel of the entity and other related parties.

Sales of products, supply of services and the transfer of fixed assets between Group companies were carried out at prices reflecting fair market conditions. The trading volumes reflect the internationalisation process aimed at constantly improving both operating and organisational standards and optimising synergies within the company. From a financial standpoint, the subsidiaries operate independently, although some benefit from various forms of centralised financing. Since 2008, a zero-balance cash-pooling system has been effective, with Brembo S.p.A. as the pool leader. In 2013, an additional cash pooling arrangement was put in place, denominated in CNY, with Brembo Nanjing Brake Systems Co. Ltd. as pooler and Brembo Nanjing Automobile Components Co. Ltd., Qingdao Brembo Trading Co. Ltd. and Brembo Huilian (Langfang) Brake Systems Co. Ltd. (formerly Asimco) as participants. The cash pooling is entirely based in China, and Citibank China is the service provider.

Information About the Group

The key figures of Group companies are commented upon in the sections of the Directors' Report on Operations "Group Structure" and "Performance of Brembo Companies".

COMPANY	HEADQUARTERS		SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES	
Brembo S.p.A.	Curno (Bergamo)	Italy	Eur	34,727,914		
AP Racing Ltd.	Coventry	United Kingdom	Gbp	135,935	100%	Brembo S.p.A.
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany	Eur	25,000	100%	Brembo S.p.A.
Brembo North America Inc.	Wilmington, Delaware	USA	Usd	33,798,805	100%	Brembo S.p.A.
Brembo Czech S.r.o.	Ostrava-Hrabová	Czech Republic	Czk	605,850,000	100%	Brembo S.p.A.
La.Cam (Lavorazioni Camune) S.r.l.	Stezzano (Bergamo)	Italy	Eur	100,000	100%	Brembo S.p.A.
Qingdao Brembo Trading Co. Ltd.	Qingdao	China	Cny	1,365,700	100%	Brembo S.p.A.
Brembo Japan Co. Ltd.	Tokyo	Japan	Jpy	11,000,000	100%	Brembo S.p.A.
Brembo Poland Spolka Zo.o.	Dabrowa Górnizca	Poland	Pln	144,879,500	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	Sek	4,500,000	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	492,030,169	100%	Brembo S.p.A.
Brembo Russia L.L.C.	Moscow	Russia	Rub	1,250,000	100%	Brembo S.p.A.
Brembo Argentina S.A.	Buenos Aires	Argentina	Ars	62,802,000	98.62%	Brembo S.p.A.
					1.38%	Brembo do Brasil Ltda.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,836	49%	Brembo S.p.A.
					51%	Brembo North America Inc.
Brembo (Nanjing) Automobile Components Co. Ltd.	Nanjing	China	Cny	235,194,060	60%	Brembo S.p.A.
					40%	Brembo Brake India Pvt. Ltd.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	159,136,227	99.99%	Brembo S.p.A.
Corporación Upwards '98 S.A.	Zaragoza	Spain	Eur	498,043	68%	Brembo S.p.A.
Brembo Huilian (Langfang) Brake Systems Co. Ltd. (formerly Asimco)	Langfang	China	Cny	170,549,133	66%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano (Bergamo)	Italy	Eur	4,000,000	50%	Brembo S.p.A.
Petroceramics S.p.A.	Milan	Italy	Eur	123,750	20%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes GmbH	Meitingen	Germany	Eur	25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.

Commitments

The Group had no commitments at 30 June 2018.

Position or Transactions from Atypical and/or Unusual Operations

Pursuant to Consob Notice No. 6064293 dated 28 July 2006, it is hereby specified that during the first half of 2018 the Company did not carry out any atypical and/or unusual transactions, as defined by the said Notice.

Significant Events After 30 June 2018

No other significant events occurred after the end of the first half of 2018 and up to 26 July 2018.

ANALYSIS OF EACH ITEM

STATEMENT OF FINANCIAL POSITION

1. Property, Plant, Equipment and Other Equipment

The changes in this item are shown in the table below and described in this section.

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	27,730	285,872	977,772	192,684	43,304	75,117	**1,602,479**
Accumulated depreciation	0	(82,799)	(572,277)	(162,600)	(34,815)	0	**(852,491)**
Write-down provision	0	(351)	(2,428)	0	0	(277)	**(3,056)**
Balance at 1 January 2017	**27,730**	**202,722**	**403,067**	**30,084**	**8,489**	**74,840**	**746,932**
Changes:							
Translation differences	(305)	(4,436)	(7,363)	45	(239)	(2,000)	**(14,298)**
Reclassification	2	2,092	21,214	3,113	3,546	(30,124)	**(157)**
Acquisitions	1	1,123	22,539	5,587	1,443	114,501	**145,194**
Disposals	0	(25)	(2,116)	(329)	(10)	0	**(2,480)**
Depreciation	0	(6,517)	(39,641)	(7,242)	(1,467)	0	**(54,867)**
Impairment losses	0	(288)	(35)	0	0	0	**(323)**
Total changes	**(302)**	**(8,051)**	**(5,402)**	**1,174**	**3,273**	**82,377**	**73,069**
Historical cost	27,428	284,491	998,877	200,671	46,611	157,506	**1,715,584**
Accumulated depreciation	0	(89,198)	(598,916)	(169,413)	(34,849)	0	**(892,376)**
Write-down provision	0	(622)	(2,296)	0	0	(289)	**(3,207)**
Balance at 30 June 2017	**27,428**	**194,671**	**397,665**	**31,258**	**11,762**	**157,217**	**820,001**
Historical cost	30,711	289,384	1,065,152	211,914	49,006	226,781	**1,872,948**
Accumulated depreciation	0	(95,446)	(630,358)	(175,259)	(35,282)	0	**(936,345)**
Write-down provision	0	(577)	(1,866)	0	0	(386)	**(2,829)**
Balance at 1 January 2018	**30,711**	**193,361**	**432,928**	**36,655**	**13,724**	**226,395**	**933,774**
Changes:							
Translation differences	153	(735)	(3,350)	(380)	24	(260)	**(4,548)**
Reclassification	0	60,427	34,854	3,907	1,691	(101,736)	**(857)**
Acquisitions	9	11,220	37,216	5,845	2,439	46,131	**102,860**
Disposals	0	(1)	(607)	(410)	(96)	0	**(1,114)**
Depreciation	0	(7,078)	(45,303)	(8,151)	(1,908)	0	**(62,440)**
Total changes	**162**	**63,833**	**22,810**	**811**	**2,150**	**(55,865)**	**33,901**
Historical cost	30,873	358,368	1,119,657	217,237	52,943	170,899	**1,949,977**
Accumulated depreciation	0	(101,161)	(661,687)	(179,771)	(37,069)	0	**(979,688)**
Write-down provision	0	(13)	(2,232)	0	0	(369)	**(2,614)**
Balance at 30 June 2018	**30,873**	**257,194**	**455,738**	**37,466**	**15,874**	**170,530**	**967,675**

In the first half of 2018, investments were made in tangible fixed assets amounting to €102,860 thousand, including €46,131 thousand on fixed assets in progress. As already noted in the Report on Operations, the Group continued its international development programme. This involved significant investments in production plants, machinery and equipment in North America, Poland, China, as well as in Italy.

Net disposals amounted to €1,114 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for the first half of 2018 amounted to €62,440 thousand (€54,867 thousand at 30 June 2017).

Note 13 provides information on the Group's financial commitment with respect to assets purchased under finance leases.

2. Intangible Assets (Development Costs, Goodwill and Other Intangible Assets)

Changes in intangible assets are shown in the table below and described in this section.

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patents and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	**137,593**	99,560	1,429	**100,989**	31,267	116,557	**147,824**	**386,406**
Accumulated amortisation	**(87,881)**	0	0	**0**	(27,403)	(67,859)	**(95,262)**	**(183,143)**
Write-down provision	**(388)**	(12,106)	(3)	**(12,109)**	(503)	0	**(503)**	**(13,000)**
Balance at 1 January 2017	**49,324**	**87,454**	**1,426**	**88,880**	**3,361**	**48,698**	**52,059**	**190,263**
Changes:								
Translation differences	**(186)**	(4,437)	(21)	**(4,458)**	14	(2,034)	**(2,020)**	**(6,664)**
Reclassification	**0**	0	0	**0**	107	(9)	**98**	**98**
Acquisitions	**12,822**	0	0	**0**	1,989	4,162	**6,151**	**18,973**
Disposals	**0**	0	0	**0**	(7)	(183)	**(190)**	**(190)**
Amortisation	**(5,213)**	0	0	**0**	(550)	(4,174)	**(4,724)**	**(9,937)**
Impairment losses	**(905)**	0	0	**0**	1	0	**1**	**(904)**
Total changes	**6,518**	**(4,437)**	**(21)**	**(4,458)**	**1,554**	**(2,238)**	**(684)**	**1,376**
Historical cost	**149,200**	94,805	1,408	**96,213**	33,411	117,791	**151,202**	**396,615**
Accumulated amortisation	**(92,970)**	0	0	**0**	(27,994)	(71,331)	**(99,325)**	**(192,295)**
Write-down provision	**(388)**	(11,788)	(3)	**(11,791)**	(502)	0	**(502)**	**(12,681)**
Balance at 30 June 2017	**55,842**	**83,017**	**1,405**	**84,422**	**4,915**	**46,460**	**51,375**	**191,639**
Historical cost	**159,845**	93,118	1,404	**94,522**	34,167	120,134	**154,301**	**408,668**
Accumulated amortisation	**(98,134)**	0	0	**0**	(28,550)	(74,824)	**(103,374)**	**(201,508)**
Write-down provision	**(388)**	(11,683)	(2)	**(11,685)**	(502)	0	**(502)**	**(12,575)**
Balance at 1 January 2018	**61,323**	**81,435**	**1,402**	**82,837**	**5,115**	**45,310**	**50,425**	**194,585**
Changes:								
Translation differences	**96**	603	4	**607**	(17)	353	**336**	**1,039**
Reclassification	**0**	0	0	**0**	23	220	**243**	**243**
Acquisitions	**12,681**	0	0	**0**	1,144	5,271	**6,415**	**19,096**
Disposals	**0**	0	0	**0**	(13)	0	**(13)**	**(13)**
Amortisation	**(5,228)**	0	0	**0**	(599)	(3,939)	**(4,538)**	**(9,766)**
Impairment losses	**(1,569)**	0	0	**0**	0	0	**0**	**(1,569)**
Total changes	**5,980**	**603**	**4**	**607**	**538**	**1,905**	**2,443**	**9,030**
Historical cost	**171,146**	93,736	1,409	**95,145**	35,214	126,125	**161,339**	**427,630**
Accumulated amortisation	**(103,455)**	0	0	**0**	(29,059)	(78,910)	**(107,969)**	**(211,424)**
Write-down provision	**(388)**	(11,698)	(3)	**(11,701)**	(502)	0	**(502)**	**(12,591)**
Balance at 30 June 2018	**67,303**	**82,038**	**1,406**	**83,444**	**5,653**	**47,215**	**52,868**	**203,615**

Development costs

The item "Development costs" includes internal and external costs for development, for a gross historical cost of €171,146 thousand. During the reporting period, this item changed due to higher costs incurred in the first half of 2018 for development orders received both during the half-year period and in previous periods, for which additional development costs were incurred for €12,681 thousand; amortisation amounting to €5,228 thousand was recognised for development costs associated with products that have already entered into production.

The gross amount includes development activities for projects underway totalling €40,497 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item "Costs for capitalised internal works" in the reporting period amounted to €12,600 thousand (€12,928 thousand in the first half of 2017).

Impairment losses totalled €1,569 thousand and are recognised in the Statement of Income under "Amortisation, depreciation and impairment losses." Impairment losses refer to development costs incurred mainly by the Parent, Brembo S.p.A., in relation to projects that, consistent with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

The item "Goodwill" arose from the following business combinations:

(euro thousand)	30.06.2018	31.12.2017
Discs – Systems – Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	14,642	14,233
Brembo México S.A. de C.V. (Hayes Lemmerz)	891	866
Brembo Nanjing Brake Systems Co. Ltd.	907	897
Brembo Brake India Pvt. Ltd.	8,250	8,596
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	43,627	43,138
After Market – Performance Group:		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	11,715	11,699
Total	**82,038**	**81,435**

The change compared to 31 December 2017 was attributable to the change in consolidation differences.

CGUs are typically identified as the business being acquired and therefore tested for impairment. If the asset being tested for impairment refers to businesses operating in multiple business lines, it is attributed to all business lines in existence at the date of acquisition; this approach is consistent with valuations carried out at the acquisition date, which are typically based on the estimated recoverable amount of the entire investment.

The main assumptions used to determine the value in use of the cash-generating unit relate to the discount rate, the long-term growth rate and the cash flows arising on corporate business plans. When preparing the Condensed Consolidated Six Monthly Financial Report, impairment tests are conducted on the values of recognised goodwill whenever impairment indicators are detected. As part of this process, the performance of the various CGUs was assessed by comparing their results with the forecasts in the company's business plan and updating the estimate of the Group's WACC to 7.8% (8.0% in 2017).

In light of the income statement results at 30 June 2018 and the cash flows arising on the plan approved by the BoD on 23 March 2018, an impairment test was performed solely on the net assets of the subsidiary Brembo Argentina S.A., although no goodwill had been allocated to the company; the test identified no need for any impairment.

Intangible assets with indefinite useful lives

This item includes €1,030 thousand related to the Villar trademark, owned by the subsidiary Corporación Upwards '98 S.A., and for the remaining part the value of the trademark LF of Brembo Huilian (Langfang) Brake Systems Co. Ltd.

For information concerning impairment-testing methods, the reader is referred to the above discussion relating to goodwill.

Other intangible assets

Acquisitions of "Other intangible assets" totalled €6,415 thousand and refer for €1,144 thousand to the filing of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting period associated with the development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group and the acquisition of other IT applications.

3. Investments Valued Using the Equity Method (Associates and Joint Ventures)

This item includes the Group's share of equity in companies that are valued using the equity method. The following table shows all relevant movements:

(euro thousand)	31.12.2017	Write-ups/ Write-downs	Dividends	30.06.2018
Brembo SGL Carbon Ceramic Brakes Group	33,701	8,456	(6,000)	36,157
Petroceramics S.r.l.	599	102	(80)	621
Total	**34,300**	**8,558**	**(6,080)**	**36,778**

It should be noted that the impact on the Statement of Income of investments valued using the equity method regards two items: "Interest income (expense) from non-financial investments", attributable to the effect of the valuation using the equity method of the BSCCB Group, and "Interest income (expense) from investments", attributable to the valuation of associates using the equity method.

The investment in Brembo SGL Carbon Ceramic Brakes S.p.A. was written up by €8,456 thousand, mainly to account for net income for the period.

4. Other Financial Assets (Including Investments in Other Companies and Derivatives)

This item is broken down as follows:

(euro thousand)	30.06.2018	31.12.2017
Investments in other companies	1,657	307
Receivables from associates	5,667	5,659
Other	857	803
Total	**8,181**	**6,769**

The item "Investments in other companies" includes the 10% interest in International Sport Automobile S.a.r.l., the 1.20% interest in Fuji Co., and the 3.29% interest in E-novia S.p.A. (2.38% at 31 December 2017), to which the €1,350 thousand increase refers.

The item “Receivables from associates” includes the receivable deriving from the loan granted by Brembo to Innova Tecnologie S.r.l. in liquidazione, in which Brembo S.p.A. holds a 30% interest. The loan, the nominal amount of which is €9 million, was recognized for €5,667 thousand following the settlement agreement reached in 2016 with the majority shareholder of Innova Tecnologie S.r.l. in liquidazione, Impresa Fratelli Rota Nodari S.p.A., and Innova Tecnologie S.r.l. in liquidazione.

According to this agreement, the residual portion of this loan is to be paid following the sale to third parties of the property owned by Innova Tecnologie S.r.l. in liquidazione in an amount equal to the company’s net assets at the end of the liquidation procedure, without prejudice to the majority shareholder’s liability for any deficit up to the maximum amount already agreed between the parties. Although including the receivable among “Non-current assets”, it is deemed that there are no elements hindering the recovery of the residual value.

“Other” includes interest-free security deposits for utilities and car rental agreements.

5. Receivables and Other Non-Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2018	31.12.2017
Receivables from others	3,272	3,762
Income tax receivables	74	37
Non-income tax receivables	33	33
Total	**3,379**	**3,832**

The item “Receivables from others” mainly includes the amount related to contributions towards a client for the acquisition of a ten-year exclusive supply arrangement, which was released to the Statement of Income in accordance with the supply schedule for the client, which began in late 2014.

Income tax receivables mostly refer to applications for tax refunds.

6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 30 June 2018 is broken down as follows:

(euro thousand)	30.06.2018	31.12.2017
Deferred tax assets	65,237	57,818
Deferred tax liabilities	(24,329)	(24,716)
Total	**40,908**	**33,102**

Deferred tax assets and liabilities were generated mainly due to temporary differences for capital gains with deferred taxation, other income items subject to future deductions or taxation, prior years’ tax losses and other consolidation adjustments.

Movements for the period are reported in the following table:

(euro thousand)	30.06.2018	30.06.2017
Balance at beginning of period	**33,102**	**26,069**
Deferred tax liabilities generated	137	(1,119)
Deferred tax assets generated	10,947	11,621
Use of deferred tax assets and liabilities	(2,052)	(2,393)
Exchange rate fluctuations	(1,061)	1,894
Other movements	(165)	(406)
Balance at end of period	**40,908**	**35,666**

The recognition of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In particular, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. is located in a "special economic zone" and is entitled to deduct a percentage from 25% to 50% of its investments from its current taxes owed through 2026. At 30 June 2018, the company had used all the existing credit at 31 December 2017 besides the credit accrued in the first half of 2018.

Brembo Czech S.r.o. has three tax incentive plans, one of CZK 49.5 million (expiring in 2018), one of CZK 132.6 million (expiring in 2021) and another of CZK 63.78 million (expiring in 2029), on which the company recognised deferred tax assets equivalent to the total value that is expected to be recovered.

In addition, it should be noted that:

- unrecognised deferred tax assets of Brembo Argentina Ltda. — calculated on prior years' tax losses and tax losses for the reporting period (ARS 201.15 million), eligible to be carried out for 5 years — amounted to ARS 70.40 million;
- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years' tax losses (BRL 110.18 million), eligible to be unlimitedly carried forward — amounted to BRL 37.78 million;
- at 30 June 2018, deferred tax liabilities of €1,370 thousand were recognised on profits of subsidiaries, associates or joint ventures which the Group considers may be distributed in the foreseeable future.

7. Inventories

A breakdown of net inventories, which are stated net of the inventory write-down provision, is shown below:

(euro thousand)	30.06.2018	31.12.2017
Raw materials	148,629	131,668
Work in progress	78,229	63,419
Finished products	118,471	93,587
Goods in transit	22,488	22,442
Total	**367,817**	**311,116**

The change reported was mainly due to the increase in the Group's business volumes.

Movements in the inventory write-down provision are reported in the following table:

(euro thousand)	31.12.2017	Provisions	Use/ Release	Exchange rate fluctuations	Reclassifications	30.06.2018
Inventory write-down provision	44,882	7,803	(2,746)	(175)	(509)	49,255

The inventory write-down provision is determined in order to align the cost of inventories to their estimated realisable value; the provision increased due to higher depreciation calculated on obsolete goods as a result of faster renewal of product ranges.

8. Trade Receivables

At 30 June 2018, the balance of trade receivables compared to the balance at the end of the previous year was as follows:

(euro thousand)	30.06.2018	31.12.2017
Accounts receivable from customers	474,035	374,361
Receivables from associates and joint ventures	2,479	1,358
Total	**476,514**	**375,719**

The increase in trade receivables is mainly related to the growth in business volumes and the seasonal nature of sales.

The bad-debt risk is not concentrated in any one area, as the Company has a large number of customers spread across the various geographical areas in which it operates. In this regard, the customer risk profile is substantially similar to that identified and valued in the previous year.

Accounts receivable from customers are recognised net of the provision for bad debts, which amounted to €5,089 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2017	Provisions	Use/ Release	Exchange rate fluctuations	Reclassifications	30.06.2018
Provision for bad debts	5,298	237	(460)	8	6	5,089

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2018	31.12.2017
Income tax receivables	8,607	22,079
Non-income tax receivables	30,960	26,493
Other receivables	40,776	31,883
Total	**80,343**	**80,455**

The item “Income tax receivables” includes the receivable recognised by the Parent in prior years in relation to the application of an IRES refund, concerning the non-deductibility for IRAP purposes of personnel expenses, and other applications for IRES and IRAP refund totalling €4,948 thousand, besides the €3,043 thousand R&D tax credit calculated pursuant to Ministerial Decree dated 27 May 2015.

The item “Non-income tax receivables” includes mainly VAT receivables of the subsidiaries located in Poland, Mexico and China associated with the significant purchases for the investments made in the reporting period.

“Other receivables” include receivables from insurance companies related to insurance refund claims underway at the reporting date, advances paid to suppliers for goods and services, and other accrued income.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2018	31.12.2017
Security deposits	297	294
Other receivables	3	2
Total	**300**	**296**

11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	30.06.2018	31.12.2017
Bank and postal accounts	262,601	300,664
Cash-in-hand and cash equivalents	153	166
Total cash and cash equivalents	**262,754**	**300,830**
Payables to banks: overdrafts and foreign currency advances	(163,791)	(144,857)
Cash and cash equivalents from the Statement of Cash Flows	**98,963**	**155,973**

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. It is deemed that the book value of cash and cash equivalents approximates their fair value at the reporting date.

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the half year totalled €3,762 thousand (€3,872 thousand at 30 June 2017).

12. Equity

Group consolidated equity at 30 June 2018 increased by €59,143 thousand compared to 31 December 2017. Movements are given in the relevant statement within the Condensed Consolidated Six Monthly Financial Report.

Share capital

The subscribed and paid up share capital amounted to €34,728 thousand at 30 June 2018. It is divided into 333,922,250 ordinary shares.

The table below shows the composition of the share capital and the number of shares outstanding at 31 December 2017 and 30 June 2018:

(No. of shares)	30.06.2018	31.12.2017
Ordinary shares issued	333,922,250	333,922,250
Own shares	(8,735,000)	(8,735,000)
Total shares outstanding	**325,187,250**	**325,187,250**

As part of Brembo's buy-back plan, the company neither purchased nor sold own shares in the first half of 2018.

Other Reserves and Retained Earnings/(Losses)

The General Shareholders' Meeting of the Parent, Brembo S.p.A., held on 20 April 2018 approved the Financial Statements for the financial year ended 31 December 2017, allocating the net income for the year amounting to €149,484 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per ordinary share outstanding, excluding own shares;
- the remaining amount carried forward.

Share Capital and Reserves of Minority Interests

This item changed due to dividends paid to minority shareholders, as well as to the change in consolidation differences.

13. Financial Debt and Derivatives

This item is broken down as follows:

	30.06.2018			31.12.2017		
(euro thousand)	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Payables to banks:						
– overdrafts and advances	163,791	0	163,791	144,857	0	144,857
– loans	86,708	272,428	359,136	49,363	319,314	368,677
Total	**250,499**	**272,428**	**522,927**	**194,220**	**319,314**	**513,534**
Payables to other financial institutions	773	2,023	2,796	3,845	2,344	6,189
Derivatives	381	0	381	0	0	0
Total	**1,154**	**2,023**	**3,177**	**3,845**	**2,344**	**6,189**

The following table provides details on loans and amounts due to other financial institutions:

(euro thousand)	Original amount	Amount at 31.12.2017	Amount at 30.06.2018	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:						
BNL loan (€50 million)	50,000	28,529	21,405	14,286	7,119	0
Banca Popolare di Sondrio loan (€75 million)	75,000	74,945	74,954	6,231	68,723	0
BNL loan (€80 million)	80,000	79,879	79,901	8,334	71,567	0
Mediobanca loan (€130 million)	130,000	104,799	104,847	40,004	64,843	0
Unicredit NY loan (USD 40.3 million)	37,101	11,209	5,770	5,770	0	0
UBI loan (USD 35 million)	29,835	29,120	29,973	5,004	24,969	0
Banamex loan (USD 30 million)	25,778	24,955	25,681	0	25,681	0
EIB loan (€30 million, New Foundry Project)	30,000	15,241	13,336	3,810	9,526	0
Citi Nanjing loan (RMB 200 million)	26,684	0	3,269	3,269	0	0
Total payables to banks	**484,398**	**368,677**	**359,136**	**86,708**	**272,428**	**0**
Payables to other financial institutions:						
Finlombarda MIUR loan	275	101	68	68	0	0
MIUR BBW loan	2,443	903	728	358	370	0
Soft loan as per Ministerial Decree 28905	845	845	0	0	0	0
Libra loan	1,312	0	92	11	81	0
Ministerio Industria España	3,237	1,735	1,780	264	1,516	0
Langfang municipality loan	7,558	2,435	0	0	0	0
Payables for leases	207	170	128	72	56	0
Total payables to other financial institutions	**15,877**	**6,189**	**2,796**	**773**	**2,023**	**0**
TOTAL	**500,275**	**374,866**	**361,932**	**87,481**	**274,451**	**0**

Among the major transactions finalised in the first half of 2018, mention should be made that Brembo (Nanjing) Automobile Components Co. Ltd. finalised a medium-term loan with Citibank (China) Co. Ltd. Nanjing Branch for RMB 200 million.

It should be noted that several loans require compliance with certain financial covenants. At the end of the reporting period, all of these covenants had been met. At 30 June 2018, there was no financial debt secured by collateral.

The following table provides a breakdown of the Group's debt from financial leases. Instalments are given by principal and interest due.

(euro thousand)	30.06.2018 Instalment	30.06.2018 Interest	30.06.2018 Principal	31.12.2017 Instalment	31.12.2017 Interest	31.12.2017 Principal
Within 1 year	75	3	72	78	4	74
Between 1 and 5 years	56	0	56	98	2	96
Beyond 5 years	0	0	0	0	0	0
Total	**131**	**3**	**128**	**176**	**6**	**170**

The Group has outstanding commercial lease agreements for several of its production facilities and its headquarters. The company has concluded that all significant risks and rewards typical of the ownership of the assets have not been transferred to the Group on the basis of the contractual terms and conditions (e.g., the contractual terms do not cover most of the economic life of the commercial property, or the present value of the minimum lease instalment does not essentially correspond to the fair value of the asset). It follows that these contracts were accounted for as operating leases according to the current version of IAS 17.

The following table provides a breakdown of operating lease instalments:

(euro thousand)	30.06.2018	31.12.2017
Within 1 year	26,736	26,613
Between 1 and 5 years	73,609	77,109
Beyond 5 years	82,505	85,311
Total	**182,850**	**189,033**

The following table shows the structure of debt towards other financial institutions and loans, broken down by annual interest rate and currency at 30 June 2018:

	30.06.2018			31.12.2017		
(euro thousand)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	222,452	74,683	297,135	223,315	83,691	307,006
US Dollar	0	61,424	61,424	0	65,284	65,284
Polish Zloty	104	0	104	141	0	141
Chinese Renminbi	0	3,269	3,269	2,435	0	2,435
Total	**222,556**	**139,376**	**361,932**	**225,891**	**148,975**	**374,866**

The average variable rate applicable to the Group's debt is 2.23% and the average fixed rate is 0.68%.

Net Financial Position

The following table shows the reconciliation of the net financial position at 30 June 2018 (€263,050 thousand) and at 31 December 2017 (€218,597 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006:

(euro thousand)		30.06.2018	31.12.2017
A	Cash	153	166
B	Other cash equivalents	262,601	300,664
C	Derivatives and securities held for trading	0	0
D	**LIQUIDITY (A+B+C)**	**262,754**	**300,830**
E	Current financial receivables	300	296
F	Current payables to banks	163,791	144,857
G	Current portion of non-current debt	86,708	49,363
H	Other current financial debts and derivatives	1,154	3,845
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**251,653**	**198,065**
J	**NET CURRENT FINANCIAL DEBT (I–E–D)**	**(11,401)**	**(103,061)**
K	Non-current payables to banks	272,428	319,314
L	Bonds issued	0	0
M	Other non-current financial debts and derivatives	2,023	2,344
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**274,451**	**321,658**
O	**NET FINANCIAL DEBT (J+N)**	**263,050**	**218,597**

The various components that gave rise to the change in net financial position during the reporting period are presented in the Statement of Cash Flows in the Directors' Report on Operations.

14. Other Non-Current Liabilities

This item is broken down as follows:

(euro thousand)	30.06.2018	31.12.2017
Social security payables	0	3,402
Payables to employees	1,410	15,449
Other payables	1,471	1,076
Total	**2,881**	**19,927**

The changes in the items “Payables to employees”, “Social security payables” and “Other payables” primarily consisted of the reclassification to “Other current liabilities” of the liability associated with the 2016-2018 three-year incentive plan reserved for top managers, to be settled in 2019.

15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2017	Provisions	Use/ Release	Exchange rate fluctuations	Reclassifications	30.06.2018
Provisions for contingencies and charges	11,881	2,292	(273)	(158)	11	13,753
Provision for product warranties	29,976	727	(3,544)	(43)	0	27,116
Total	**41,857**	**3,019**	**(3,817)**	**(201)**	**11**	**40,869**
of which short-term	***2,244***					***2,239***

Provisions totalled €40,869 thousand, including product warranties, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway.

16. Provisions for Employee Benefits

Group companies provide post-employment benefits through defined contribution plans or defined benefit plans.

In the case of defined contribution plans, the Group companies pay contributions to public or private insurance institutes based on legal or contractual obligations or on a voluntary basis. Once such contributions have been paid, the companies have no further payment obligations.

Defined contribution plans include that of Brembo Huilian (Langfang) Brake Systems (Langfang) Co. Ltd. that covers approximately 1,000 retired employees and about 100 early retired employees, who have guaranteed monthly payments until they reach pension age.

The employees of the UK subsidiary AP Racing Ltd. have the benefit of a corporate pension plan (AP Racing Pension Scheme), which is made up of two sections: the first is a defined contribution plan for employees hired after 1 April 2001, and the second is a defined benefit plan for those already in service at 1 April 2001 (and previously covered by the AP Group Pension Fund). The defined benefit plan is funded by employer and employee contributions made to a trustee that is legally separate from the enterprise providing benefits to its employees.

Brembo Mexico S.A. de C.V., Brembo Japan Co. Ltd. and Brembo Brake India Pvt. Ltd. offer to their employees specific pension plans that qualify as defined benefit plans.

Unfunded defined benefit plans include also the “Employees’ leaving indemnity” provided by the Group’s Italian companies, in accordance with current applicable regulations.

The value of defined benefit plans is calculated on an actuarial basis using the “Projected Unit Credit Method”. The item “Other employee provisions” also refers to other employee benefits.

Liabilities at 30 June 2018 are given in the table below:

(euro thousand)	31.12.2017	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Actuarial income (loss)	30.06.2018
Employees’ leaving indemnity	20,096	0	(490)	171	0	(230)	19,547
Defined benefit plans and other long-term benefits	5,322	180	(314)	95	(23)	(685)	4,575
Defined contribution plans	2,366	2,131	(1,126)	0	8	0	3,379
Total	**27,784**	**2,311**	**(1,930)**	**266**	**(15)**	**(915)**	**27,501**

17. Trade Payables

At 30 June 2018, trade payables were as follows:

(euro thousand)	30.06.2018	31.12.2017
Trade payables	545,827	465,271
Payables to associates and joint ventures	18,313	5,119
Total	**564,140**	**470,390**

The increase in this item was mainly related to the increase in investments and the expansion of the ordinary operating activities in the period.

18. Tax Payables

This item includes the net amount due for the current taxes of the Group's companies.

(euro thousand)	30.06.2018	31.12.2017
Tax payables	14,376	9,719

19. Other Current Payables

Other current payables at 30 June 2018 are given in the table below:

(euro thousand)	30.06.2018	31.12.2017
Tax payables other than current taxes	11,754	11,646
Social security payables	21,627	17,893
Payables to employees	63,646	48,369
Other payables	50,835	43,033
Total	**147,862**	**120,941**

The items "Payables to employees", "Social security payables" and "Other payables" include the reclassification from "Other non-current liabilities" of the liability for the 2016-2018 three-year incentive plan reserved for top managers, to be settled in 2019.

"Other payables" also include deferred income in the form of a public grant received by Brembo Poland Spolka Zo.o. released to the Statement of Income in accordance with the related amortisation plans to which it refers, in addition to deferred income in the form of grants towards brake system development activities suspended until the conclusion of the development activity and then recognised over the useful lives of the products to which the grants refer.

STATEMENT OF INCOME

20. Revenue from Contracts with Customers

As illustrated in section "Basis of Preparation and Presentation", the Group has applied the new IFRS 15 to the contracts that had not yet been completed as at 1 January 2018, using the modified retrospective method. Since the application of the new Standard had no impact on the Group's equity at 31 December 2017, the disclosure of disaggregated revenue is given here below, compared with data of the previous year, when IAS 18 was applied.

(euro thousand)	30.06.2018	30.06.2017
Revenue from sales of brake systems	1,324,112	1,242,579
Revenue from equipment	8,846	12,100
Revenue from study and design activities	6,049	7,005
Revenue from royalties	680	764
Total	**1,339,687**	**1,262,448**

The breakdown of Group sales by geographic area of destination and by application is provided in the Directors' Report on Operations.

21. Other Revenues and Income

These are made up of:

(euro thousand)	30.06.2018	30.06.2017
Miscellaneous recharges	2,695	3,205
Gains on disposal of assets	1,576	1,755
Miscellaneous grants	6,570	4,042
Other revenues	2,406	1,737
Total	**13,247**	**10,739**

The item "Miscellaneous grants" includes grants in the amount of €1,239 thousand issued by the State of Michigan to the subsidiary Brembo North America Inc. aimed at hiring resources for the new cast-iron foundry, as well as grants for research and development projects amounting to €855 thousand and a tax credit for research and development investment of €3,043 thousand, as already discussed in Note 9.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the period, amounting to €12,600 thousand (€12,928 thousand in the first half of 2017).

23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	30.06.2018	30.06.2017
Purchase of raw materials, semi-finished and finished products	576,801	557,212
Purchase of consumables	57,900	50,351
Total	**634,701**	**607,563**

24. Income (Expense) from Non-Financial Investments

Income (expense) from non-financial investments amounted to €8,456 thousand and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€6,157 thousand in the first half of 2017).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	30.06.2018	30.06.2017
Transports	35,444	27,137
Maintenance, repairs and utilities	70,465	57,769
Contracted work	46,511	44,688
Rent	22,315	19,977
Other operating costs	68,565	63,844
Total	**243,300**	**213,415**

This item mainly includes the costs of travels, quality-related costs, insurance costs, as well as fees for legal, technical and commercial consulting.

26. Personnel Expenses

Breakdown of personnel expenses is as follows:

(euro thousand)	30.06.2018	30.06.2017
Wages and salaries	163,159	154,544
Social security contributions	37,009	32,365
Employees' leaving indemnity and other personnel provisions	7,522	6,149
Other costs	28,419	22,708
Total	**236,109**	**215,766**

The average number and the period-end number of Group employees by category were as follows:

	Managers	White-collars	Blue-collars	Total
H1 2018: average	138	2,945	7,085	10,168
H1 2017: average	128	2,777	6,351	**9,256**
Change	**10**	**168**	**734**	**912**
Total at 30.06.2018	139	2,985	7,260	**10,384**
Total at 30.06.2017	130	2,814	6,485	**9,429**
Change	**9**	**171**	**775**	**955**

Workforce increased by 955, as a result of the recruitment activities in Italy, North America, China and Eastern Europe to sustain the Group's growth.

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	30.06.2018	30.06.2017
Amortisation of intangible assets:		
Development costs	5,228	5,213
Industrial patents and similar rights for original work	454	427
Licences, trademarks and similar rights	145	123
Other intangible assets	3,939	4,174
Total	**9,766**	**9,937**
Depreciation of property, plant and equipment:		
Buildings	7,078	6,517
Plant and machinery	45,303	39,641
Industrial and commercial equipment	8,151	7,242
Other property, plant and equipment	1,836	1,435
Other leased property, plant and equipment	72	32
Total	**62,440**	**54,867**
Impairment losses:		
Property, plant and equipment	0	323
Intangible assets	1,569	904
Total	**1,569**	**1,227**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**73,775**	**66,031**

28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	30.06.2018	30.06.2017
Exchange rate gains	28,382	20,834
Interest income from employees' leaving indemnity and other personnel provisions	404	403
Interest income	866	1,188
Total interest income	**29,652**	**22,425**
Exchange rate losses	(29,562)	(19,705)
Interest expense from employees' leaving indemnity and other personnel provisions	(670)	(705)
Interest expense	(5,037)	(5,161)
Total interest expense	**(35,269)**	**(25,571)**
TOTAL NET INTEREST INCOME (EXPENSE)	**(5,617)**	**(3,146)**

29. Interest Income (Expense) from Investments

An analysis of the item is provided in the comment on the Statement of Financial Position item presented in Note 3 of these Explanatory Notes.

30. Taxes

This item is broken down as follows:

(euro thousand)	30.06.2018	30.06.2017
Current taxes	48,209	53,640
Deferred tax (assets) and liabilities	(9,032)	(8,109)
Prior years' taxes and other tax payables	(195)	2,431
Total	**38,982**	**47,962**

The Group's tax rate was 21.6% (20.2% at 31 December 2017 and 25.7% at 30 June 2017).

In 2017, Brembo S.p.A. was subject to a tax audit relating to direct taxes and VAT by the Italian Revenue Agency for the years 2012, 2013 and 2014.

Following this audit, on 19 December 2017 an assessment notice was served for the year 2012, setting out irregularities relating to the transfer prices applied to intra-group transactions. The same irregularities are included in the allegations relating to 2013 and 2014, for which assessment notices have yet to be received.

Supported in its view by its tax advisors, the Company deems the risk of an unfavourable outcome to be low and that there are significant, valid counter-arguments to the allegations presented by the Italian Revenue Agency. In this regard, on 17 May 2018, the Company filed with the tax commission a petition concerning the year 2012 and is considering whether to begin amicable procedures for the avoidance of double taxation in accordance with international treaties.

31. Earnings per Share

Basic earnings per share were €0.43 at 30 June 2018 (€0.42 at 30 June 2017) and were calculated by dividing the net income or losses for the period attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in the first half of 2018, amounting to 325,187,250 (325,187,250 in the first half of 2017). Diluted earnings per share are identical to basic earnings per share inasmuch as no share capital transactions were undertaken in the reporting period.

Stezzano, 26 July 2018

On behalf of the Board of Directors
Executive Deputy Chairman
Matteo Tiraboschi

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Review report on the condensed consolidated six monthly financial statements

(Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Introduction

We have reviewed the condensed consolidated six monthly financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows and the related explanatory notes of Brembo S.p.A. and its subsidiaries (the "Brembo Group") as of 30 June 2018. The Directors of Brembo S.p.A. are responsible for the preparation of the condensed consolidated six monthly financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated six monthly financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of condensed consolidated six monthly financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated six monthly financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated six monthly financial statements of Brembo Group as of 30 June 2018 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bergamo, 26 July 2018

EY S.p.A.
Signed by: Claudio Ferigo, Partner

This report has been translated into the English language solely for the convenience of international readers

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Attestation of the Condensed Six Monthly Financial Statements Pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive deputy Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the Condensed Six Monthly Financial Statements for the period from 1 January 2018 to 30 June 2018:
   - are appropriate in relation to the company features; and
   - have been consistently applied.
2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the Condensed Six Monthly Financial Statements at 30 June 2018 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.
3. The undersigned further declare that:

   3.1 the Condensed Six Monthly Financial Statements:

   a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;

   b) reflect the accounting books and records; and

   c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

   3.2 The interim Report on Operations includes a reliable analysis of the significant events that occurred during the first six months of the financial year and the impact of such events on the Company's Condensed Six Monthly Financial Statements, along with a description of the main risks and uncertainties for the remaining six months of the year.
   Furthermore, the interim Report on Operations contains a reliable analysis of significant related party transactions.

Stezzano, 26 July 2018

Matteo Tiraboschi
Executive deputy Chairman

Andrea Pazzi
Manager in Charge of the Company's Financial Reports

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