ANNUAL
REPORT
2019

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brembo®

Human beings come first. With their **need** to express and **realise** themselves. And to reach their full **potential**.

Calling of the General Shareholders' Meeting

The Shareholders are convened to the Extraordinary and Ordinary Shareholders' Meeting to be held at the Company offices at Viale Europa 4 (Entry Gate 1), 24040 Stezzano (Bergamo) on **23 April 2020 at 10:30 a. m. CET in single calling**, to resolve on the following

Agenda

Extraordinary Session

1. Proposal of Amendments to the By-laws:
    1.1 Update of the By-laws in accordance with the Budget Law No. 160/2019 on gender quotas within the governing and control bodies of listed companies. Amendments to Articles 15-*bis*, 22 and 30;
    1.2 update in accordance with new Consob's guidelines on increased voting rights. Amendments to Article 6. Relevant and ensuing resolutions.

Ordinary Session

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2019, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of the Company's Financial Reports. Related and ensuing resolutions.
2. Allocation of profit for the year. Related and ensuing resolutions.
3. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2019, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in charge of Company's Financial Reports.
4. Presentation of the Consolidated Statement on Non-Financial Information of the Brembo Group for the year ended 31 December 2019 according to Legislative Decree No. 254/2016.
5. Authorisation for the buy-back and disposal of own shares. Related and ensuing resolutions.
6. Appointment of the Board of Directors:
    6.1 determination of the number its members and the duration of their term of office;
    6.2 appointment of Directors;
    6.3 appointment of the Chairman and Deputy Chairman of the Board of Directors;
    6.4 determination of total remuneration of the members of the Board of Directors for each annual term. Related and ensuing resolutions.
7. Appointment of the Board of Statutory Auditors:
    7.1 appointment of three Acting and two Alternate Auditors;
    7.2 appointment of the Chairman of the Board of Statutory Auditors;
    7.3 determination of total remuneration of the members of the Board of Statutory Auditors for each annual term.. Related and ensuing resolutions.
8. Report on the 2020 Remuneration Policy and Remuneration Paid:
    8.1 examination of the Section I, prepared pursuant to Article 123-*ter*, paragraph 3, of the Consolidated Law on Finance (TUF). Resolutions pursuant to Article 123-*ter*, paragraphs 3-*bis* and 3-*ter*, of TUF.
    8.2 examination of the Section II, drawn up pursuant to Article 123-*ter*, paragraph 4, of the Consolidated Law on Finance (TUF). Resolutions pursuant to Article 123-*ter*, paragraph 6, of TUF.

Stezzano, 9 March 2020

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

In light of the current health emergency situation, the information in this document is subject to amendments, updates and additions that, without prejudice to compliance with applicable legislation, could regard matters including, but not limited to, the place and/or time of the Shareholders' Meeting. The public will be promptly notified of any such changes.

Directors' Report on Operations 15

Letter from the Chairman

Shareholders, 2019 was a year of growing uncertainties that affected the automotive industry at the global level. On the one hand, the tariff tensions between China and the USA gave rise to conditions of extreme instability on the markets, and on the other, the automotive world remained uncertain as whether to head in the direction of carbon-neutral mobility, with the new plug-in, hybrid, and electric models, or more traditional petrol- and diesel-powered vehicles.

Notwithstanding a particularly complex global macroeconomic scenario and a quite difficult automotive market, the Company's operating results in 2019 prove that it is capable of managing its long-term strategies adequately and effectively. Despite a slight decline compared with the 2018 results, Brembo continued to outperform the average of its reference market, while succeeding in retaining good margin levels. The Group has once again demonstrated its ability to pursue its growth objectives thanks to its targeted planned investments in technology, processes, products, infrastructures and people.

Brembo Group's net consolidated revenues amounted to €2,591.7 million, down by 1.8% compared to the previous year, or by 1.3% on a like-for-like consolidation basis. EBITDA for 2019 amounted to €515.2 million, accounting for 19.9% of sales, compared to €500.9 million for 2018, or 19.0% of sales. Net profit for the year was €231.3 million, down 3.0% compared to the previous year. Net financial debt amounted to €346.2 million.

Brembo today counts on the constant efforts of over 10,800 staff — almost 234 more than in the previous year — spread across 14 countries in three continents.

With regard to the market segments in which the Group operates, car applications decreased by 3.7% due to the automotive market's severe downtrend. By contrast, all other market segments grew: motorbike applications rose by +5.7%, applications for commercial vehicles by +1.7%, and racing applications by +7.5%.

At geographical level, sales shrank by 1.1% in Italy, by 15.3% in Germany and by 1.7% in France compared to 2018, whereas a 3.2% growth was recorded in the United Kingdom.

In Asia, India rose by 12.1% and China by 2.8%, whereas Japan declined by 8.0%. Sales in North America (USA, Canada and Mexico) rose by 0.5%, whereas South America declined by 13.9% due to the discontinuation of the Buenos Aires plant, which was followed by Brembo Argentina S.A. being placed in liquidation; however, on a like-for-like consolidation basis, South America grew by 12.4%.

Results grew in the business sectors related to motorbikes, commercial vehicles and racing applications thanks to the Group's ability to continuously introducing innovative solutions, able to meet customers' increasingly demanding requirements in terms of for excellence, quality and design.

In 2019, we inaugurated our new Nanjing plant — currently the only facility producing aluminium calipers in China — and expanded our presence in India with our new Chennai plant, in addition to construct a new R&D and Testing centre in Stezzano, Italy.

Foremost among the new products launched last year is the Dyadema® caliper, the most advanced model that Brembo has ever produced for road cars. Mention should also be made of the Stylema® caliper for motorbikes, presented at the EICMA Milan Motor Show, and the 19Rcs Corsa Corta master cylinder, for which we received the Red Dot Award, one of the most important design prizes in the world.

In addition, also this year Brembo published its Consolidated Disclosure of Non-Financial Information, a detailed document that describes the Company's business model, the strategy, policies, actions implemented and results achieved by the Group in pursuing sustainable economic growth. All this has been achieved while considering the expectations of the stakeholders involved and seeking constant improvement of the environmental and social impacts generated by the business.

The recent global spread of the coronavirus has severely impacted all sectors of the global economy, requiring extraordinary interventions.

Brembo continues to monitor the development of the situation very closely. Despite the considerable difficulties caused by the unpredictable environment, its ability to innovate, combined with its best-in-class production and the day-to-day efforts of its People at customers' side, will allow Brembo to maintain its competitive and strategic position in all markets in which it operates.

Without at all underestimating what is happening in the world — aware that it will all affect the markets in which the Group is present — we look to the future with confidence. We know that, more than ever before, we can count on our values and our strengths, and in particular on the daily commitment of our People, who bring passion and professionalism to their work.

The Chairman
Alberto Bombassei

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.
During the three-year term of office, as announced in the press release issued on 3 May 2019, following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and the ensuing waiver of all related powers as of 1 July 2019, the Board of Directors held on 28 June 2019 co-opted Daniele Schillaci as Director, pursuant to Article 2386 of the Civil Code, and appointed him Chief Executive Officer, vesting him with all related powers. Subsequently, the Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment through to the end of the term of the current Board of Directors, i.e., until the approval of the 2019 Financial Statements.

Composition of the Board of Directors, Board Committees and main Governance Functions at 31 December 2019

Board of Directors

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

Board of Statutory Auditors (10)

Chairwoman	Raffaella Pagani (6)
Acting Auditors	Alfredo Malguzzi Mario Tagliaferri
Alternate Auditors	Myriam Amato (6) Marco Salvatore

Independent Auditors

EY S.p.A. (11)

Manager in Charge of the Company's Financial Reports

Andrea Pazzi (12)

Committees

Audit, Risk & Sustainability Committe (13)

Laura Cioli **(Chairwoman)**
Barbara Borra
Nicoletta Giadrossi

Remuneration & Appointments Committee

Barbara Borra **(Chairwoman**
Nicoletta Giadrossi
Umberto Nicodano

Supervisory Committee

Alessandro De Nicola **(Chairman)** (14)
Laura Cioli
Alessandra Ramorino (15)

(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, Daniele Schillaci, 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 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 the Corporate Governance Code of Brembo S.p.A. (Article 3.C.1).
(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) 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.
(7) Non-executive Director.
(8) Executive Directors.
(9) This Director also holds the position of Lead Independent Director.
(10) This Board holds the role of Internal Control & Audit Committee pursuant to Article 19 of Legislative Decree No. 39/2010.
(11) The General Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.
(12) 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.
(13) This Committee also acts as the Related Party Transactions Committee.
(14) Private practice lawyer - Senior Partner of Orrick Italian offices.
(15) Chief Internal Audit Officer.

Brembo S.p.A.

Registered offices: CURNO (BG) – Via Brembo 25
Share capital: €34,727,914.00 – Bergamo Register of Companies
Tax code and VAT Code No. 00222620163

Summary of Group Results

It bears recalling that the Group adopted the new IFRS 16 effective 1 January 2019, using the modified retrospective method, option B, without restating contracts already in place at 1 January 2019 and not applying the standard to low-value and short-term assets.

Data at 31 December 2019 include the following impacts due to the adoption of the new Standard:

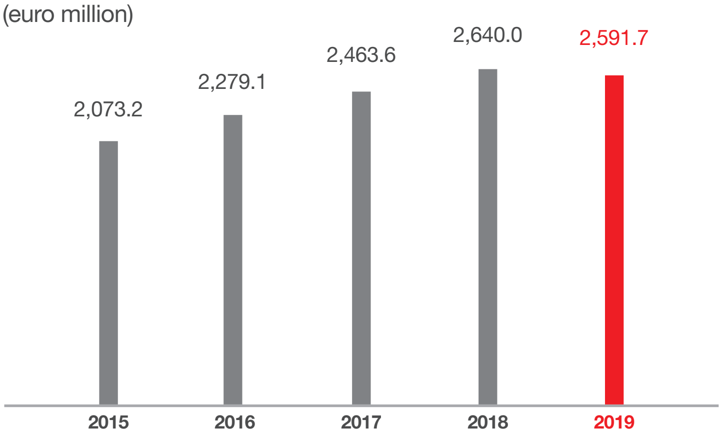
- €194.5 million increase in Net Invested Capital;
- €196.0 million increase in Net Financial Position;
- €23.7 million reversal of rental costs;
- €20.1 million increase in amortisation and depreciation;
- €5.0 million increase in interest expense.

It should also be noted that, as of 30 June 2019, Brembo decided to discontinue its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. will be placed in liquidation.

Brembo took this decision as it was impossible to boost new projects because of the sharp downtrend experienced by the Argentinian automotive sector and its quite discouraging recovery prospects. Accordingly, all main local manufacturers decided not to proceed with industrial projects nor to launch new models. Consequently, in accordance with IFRS 5, the company's asset and liability items have been reclassified to "Assets/Liabilities from discontinued operations", whereas the items of its statement of income have been reclassified to "Result from discontinued operations".

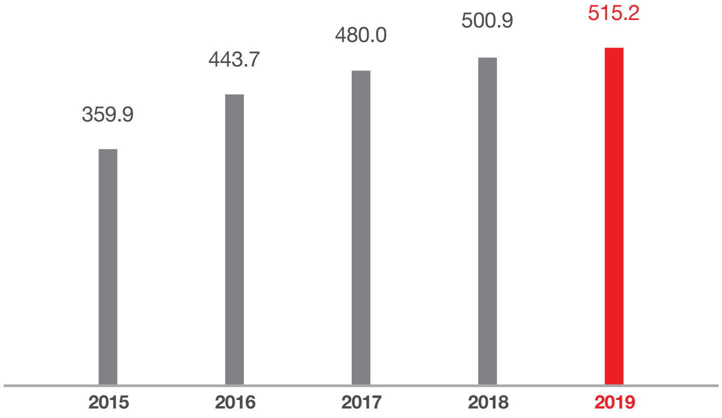
Revenue from contracts with customers

(euro million)



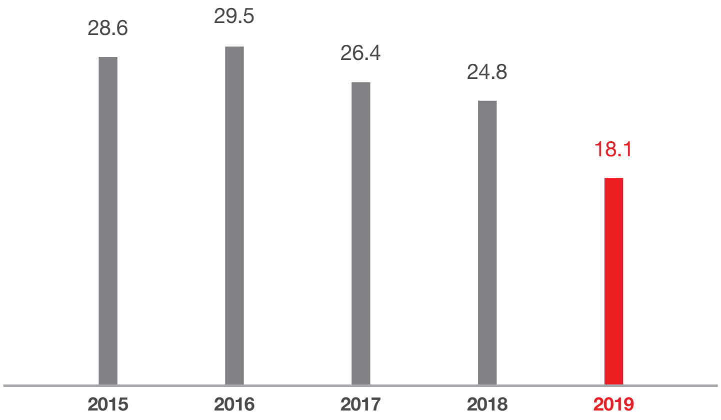
Gross operating income

(euro million)



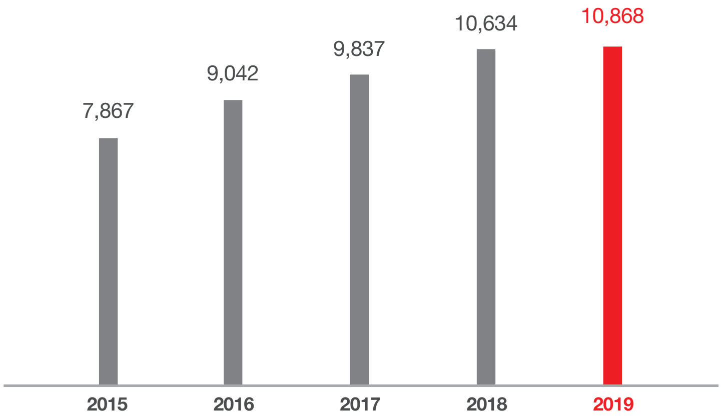
ROI

(percentage)



Personnel at end of year

(No.)



Economic results

(euro thousand)	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	% 2019/2018
Revenue from contracts with customers	2,073,246	2,279,096	2,463,620	2,640,011	2,591,670	*-1.8%*
Gross operating income	359,919	443,714	479,963	500,885	515,169	*2.9%*
% on revenue from contracts with customers	*17.4%*	*19.5%*	*19.5%*	*19.0%*	*19.9%*	
Net operating income	251,282	327,464	346,262	345,064	318,539	*-7.7%*
% on revenue from contracts with customers	*12.1%*	*14.4%*	*14.1%*	*13.1%*	*12.3%*	
Result before taxes	243,499	312,208	335,537	325,357	307,691	*-5.4%*
% on revenue from contracts with customers	*11.7%*	*13.7%*	*13.6%*	*12.3%*	*11.9%*	
Net result for the year	183,962	240,632	263,428	238,349	231,301	*-3.0%*
% on revenue from contracts with customers	*8.9%*	*10.6%*	*10.7%*	*9.0%*	*8.9%*	

Financial results

(euro thousand)	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	% 2019/2018
Net invested capital (1)	878,569	1,110,693	1,310,818	1,392,874	1,758,638	*26.3%*
Equity	687,547	882,310	1,064,437	1,228,822	1,388,015	*13.0%*
Net financial debt (1)	160,688	195,677	218,597	136,911	346,189	*152.9%*

Personnel and investments

(euro thousand)	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019	% 2019/2018
Personnel at end of year (No.)	7,867	9,042	9,837	10,634	10,868	*2.2%*
Turnover per employee	263.5	252.1	250.4	248.3	238.5	*-3.9%*
Net investments	154,103	260,751	356,241	285,575	247,336	*-13.4%*

Main ratios

	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Net operating income/Revenue from contracts with customers	12.1%	14.4%	14.1%	13.1%	12.3%
Income before taxes/Revenue from contracts with customers	11.7%	13.7%	13.6%	12.3%	11.9%
Net investments/Revenue from contracts with customers	7.4%	11.4%	14.5%	10.8%	9.5%
Net financial debt/Equity	23.4%	22.2%	20.5%	11.1%	24.9%
Adjusted net interest expense(2)/ Revenue from contracts with customers	0.6%	0.4%	0.4%	0.5%	0.6%
Adjusted net interest expense(2)/ Net operating income	4.9%	3.0%	2.7%	4.0%	4.5%
ROI	28.6%	29.5%	26.4%	24.8%	18.1%
ROE	27.0%	27.5%	25.2%	19.7%	17.3%

Notes:
ROI: Net operating income/Net invested capital x annualisation factor (days in the year/days in the reporting period).
ROE: Net income (loss) before minority interests (net of Result from discontinued operations)/ Equity x annualisation factor (days in the year/days in the reporting period).

(1) A breakdown of these items is provided in the Statement of Financial Position included in this Directors' Report on Operations.
(2) This item does not include exchange gains and losses.

1. Directors' Report on Operations

This is the true **challenge**: aiming for **objectives** that just yesterday were inconceivable, in **harmony** with humankind and the **environment**.

Brembo and the Market

Macroeconomic Context

In order to better assess Brembo's performance in 2019, 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, albeit more slowly than estimated in October. The IMF (International Monetary Fund) has estimated GDP (gross domestic product) growth of +2.9% in 2019, slightly down compared to October forecast. It has also revised GDP growth slightly downwards, in both 2020 and 2021, to +3.3% and +3.4%, respectively, or by 0.2 and 0.1 percentage points on the October estimates. According to the update to the WEO (World Economic Outlook) published in January 2020 by the IMF, the main reasons for the downwards revision of global growth are the negative effects of the uncertainty surrounding emerging market economies and various social tensions. On the other hand, "Phase One" of the trade agreement reached recently by the United States and China resulted in a more favourable estimate of Chinese growth in 2020, now expected to reach +6.0% rather than +5.8% (following on +6.1% in 2019).

In its January update the IMF also revised its growth projections downwards for the **Eurozone**, which reported +1.2% in 2019 and estimated growth of +1.3% in 2020 (0.1% below last autumn's forecast) and +1.4% in 2021. The October 2019 WEO's forecasts for France and Italy remain essentially unchanged, but have been revised downwards for 2020 for Germany, where manufacturing activity declined in late 2019, and for Spain, due to a higher-than-predicted decrease in both domestic demand and exports in 2019. In the United Kingdom, growth is expected to stabilise at 1.4% in 2020 and hold at 1.5% in 2021, unchanged from the October WEO. These growth forecasts assume an orderly departure from the European Union at the end of January, followed by a gradual transition to a new economic relationship. In the third quarter of 2019, the Euro Area's GDP reported a modest increase (+0.2%, as in the second quarter), whereas gross domestic product continued to decline, extending the period of weakness that began in early 2018. The slowdown of the Chinese economy and weakness in the European automotive industry had an impact above all on manufacturers of capital equipment and intermediate products, with a considerable influence on the Germany economy. Industrial output declined quarter-on-quarter in the fourth quarter of 2019, although signs of a recovery, albeit of a modest extent, are expected to be seen over the remainder of the forecasting period (+0.1% and +0.2% in the first and second quarters of 2020, respectively). Euro Area GDP is expected to gain limited momentum (+0.3%) in all three quarters of the forecasting period. The first signs of easing of tensions in the trade war between the United States and China, together with greater certainty regarding Brexit, could stimulate demand. Gross fixed investments, down slightly in the fourth quarter (-0.1%), are expected to amount to +0.3% and +0.4% in the first and second quarters of 2020 — a profile similar to that of industrial output. According to the details of the IMF's estimates, Italy achieved growth of +0.2% in 2019, with the growth rate forecast to be +0.5% in 2020, unchanged from the October estimates. This forecast is virtually aligned with the figure cited by the Italian government in its update to its economic and finance document (DEF), which estimates an increase in GDP of +0.1% in 2019, and +0.4% in 2020. According to the update to the DEF, which reduces the estimated average growth rate for this year by 0.3%, the slowdown in global trade is due to trade tensions between the United States and China, which continue to create uncertainty, including for Italian companies, driving a reduction in exports and investments. These headwinds are partially offset by the decrease in the price of oil and the considerable decline in government bond yields, together with a narrower spread on German Bunds, which has a favourable impact on domestic demand in Italy through the credit and wealth channel.

The IMF has reduced its growth estimates for the **United States** slightly; in 2019, US GDP stood at 2.3%, and is expected to fall to 2.0% in 2020 and then to 1.7% in 2021, due to both the decrease in investments as a result of intensifying tensions with China and the slowdown in the US manufacturing sector. Private consumption will remain the main driver of growth, buoyed by favourable financial conditions and increased household wealth. The growth expectations for the United States have also been confirmed by the European Commission, whose experts, however, foresee a possible downwards revision of growth rates due to the presence of increasing risks, such as a worsening of trade tensions and a slowdown in the job market.

The **Japanese economy** continued to recover, consolidating growth throughout the country at about 1.0% in 2019. According to the most recent update to the World Economic Outlook, the growth rate is expected to rise to 0.7% in 2020, 0.2 percentage points above the October forecast. A slowdown to around 0.5% in growth of the Japanese economy is expected in 2021. In contrast, the initial reading of the PMI (Purchasing Manager's Index) prepared by Markit/Nikkei showed a decline to 48.9 for December. The downtrend in the fourth quarter of 2019 may be ascribed to the decline in trade, lower prices and the increasing risk of deflation.

The BRIC economies (Brazil, Russia, India and China) are continuing to grow, albeit less robustly than estimated in October. The **Chinese economy** will slow due to the combined influence of tighter financial conditions and growing tensions surrounding trade tariffs. China's growth amounted to +6.1% in 2019 and to +6.0% in 2020, although the spread of the Coronavirus could result in a contraction of the Chinese market. According to the IMF's estimates, in 2020 the **Indian economy** will continue to grow, benefiting from the lower cost of oil and new tax stimulus measures. The **Russian economy** continues to recover, growing by 1.1% in 2019, with GDP growth in 2020 estimated at 1.9%. The slight growth is adversely affected by low wage growth, higher taxes and declining oil revenues. Thanks to its recent pension reform and recovery of its mining sector, **Brazil** recorded 1.2% growth in 2019. In the January update to the WEO, the growth forecast for 2020 was revised up to +2.2%.

Turning to commodities trends, in the latter part of the year the average price of oil amounted to USD 60.62 a barrel. In the last update to the WEO published in January, IMF economists revised downwards the average prices of the three oil benchmarks — UK Brent, Dubai Fateh and West Texas Intermediate (WTI) — forecasting a price of USD 58.03 a barrel at the end of 2020 and of USD 55.31 a barrel at the end of 2021.

Currency Markets

The **US dollar** began 2019 by depreciating against the euro, with the exchange rate reaching a high for the year of 1.1535 on 10 January. This was followed by a volatile period in the subsequent months, with the US currency appreciating until the end of May. The dollar then depreciated to around 1.14, after which it reversed course, appreciating sharply until 30 September, when the exchange rate reached a low for 2019 of 1.0889. The US currency then changed direction once more, reaching 1.12, where after a period of volatility in November it closed at 1.1234, near the annual average of 1.1196.

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level, the **pound sterling** opened the year under review by appreciating sharply against the euro until the end of February. Then, after a lateral phase in the range 0.85-0.87, it depreciated sharply and progressively, bringing the exchange rate to a high for the period of 0.9283 (13 August). The pound sterling went on to experience two sharp, decisive periods of appreciation, bringing the exchange rate first to 0.88-0.89 and then to the low for the period of 0.83415 (16 December). At the end of the period, the currency depreciated to 0.8508, below the average for the period (0.8773).

The **Polish zloty** began 2019 by appreciating slightly against the euro until the end of January, after which it sharply reversed direction, reaching around 4.34 the following month. The Polish currency then underwent two periods of appreciation: the first brought it to 4.28 and the second drove the rate down to the low for the year of 4.2427 (1 July). Poland's currency then depreciated sharply and decisively, bringing the rate to around the high for the period in August. After a brief period of appreciation, the currency went on to reach its highest exchange rate of the period of 4.3915 on 25 September. It then appreciated sharply over an extended period, driving the rate up to around 4.26 in early November. At the end of the year, the currency stood at 4.2568, below the yearly average rate (4.2975).

The **Czech koruna** began 2019 by appreciating sharply at around 25.55. It then depreciated until mid-February, after which it entered a volatile phase of lateral movement that concluded with a rate of 25.60-25.85 at the end of May. The Czech currency went on to appreciate sharply until mid-July, when the rate neared the low for the year. This was followed by a period of sharp, constant depreciation that drove the exchange rate to the high for the period of 25.9190 on 2 September. The currency then appreciated progressively from this value in the final months of 2019, closing at a rate around the low for the period of 25.4080, below the annual average of 25.6697.

The **Swedish krona** began 2019 by appreciating against the single currency, with the exchange rate reaching a low for the period of 10.1855 on 8 January. It then depreciated progressively, initially bringing the rate to around 10.60 and then to around 10.80. In mid-May the krona appreciated to around 10.50, where it remained until mid-July. In the following months the currency depreciated slightly, followed by a lateral phase, culminating in further depreciation, with the exchange rate reaching a high for the period of 10.9173 on 9 October. It experienced a sharp, constant appreciation at the end of the year, closing at 10.4468, below the average for the period of 10.5867.

In the East, the **Japanese yen** began the year by appreciating against the single currency, followed by progressive depreciation, driving the rate up to the high for the period of 127.3500 on 1 March. The Japanese currency then appreciated constantly, with the rate falling to the low for the period of 116.0500 on 3 September. There was further depreciation at the end of the year, bringing the currency to close at 121.9400, near the average for the period of 122.0564.

The **Chinese yuan/renminbi** began 2019 by depreciating sharply and decisively against the euro, driving the exchange rate down to a low for the period of 7.4991 on 26 April. The currency then experienced a period of depreciation, with the rate reaching 7.80, followed by a brief appreciation to around 7.60. This was followed by a sharp depreciation that drove the rate up to the high for the period of 7.9519 on 27 August. At the end of the year there was a lateral trend within the range 7.75-7.90, leading the yuan to end the year at 7.8205, above the average for the period of 7.7339.

The **Indian rupee** began the year by depreciating against the single currency, driving the exchange rate up to the high for the period of 82.1905 on 4 February. The Indian currency then depreciated sharply and decisively, bringing the rate to around 77.00 at the beginning of April, followed by a lateral phase until June within the range 77-79. It then appreciated again, driving the rate down to the low for the period of 76.2720 (1 August). After reaching this limit, it then swiftly depreciated again, driving the rate to around 80, after which it went on to appreciate once more around the end of September. In the final months of the year it depreciated slowly but constantly, leading the rupee end 2019 at 80.1870, above the average for the period of 78.8501.

In the Americas, the **Brazilian real** began 2019 by appreciating sharply against the euro, nearing 4.20 around mid-February. It then depreciated progressively and constantly until mid-May to around 4.55. This was followed by a further phase of very rapid appreciation, which brought the real to a low for the period of 4.1771 (25 July). After reaching this lower limit, the currency returned to near 4.60 around the end of August, to then move laterally within the range 4.40-4.60. Around the beginning of November it depreciated once again, driving the exchange rate up to the high for the period of 4.6915 on 26 November. At the end of the year, it appreciated to 4.5157, above the yearly average rate of 4.4135.

The **Mexican peso** began the year with the exchange rate at the high for the period of 22.3941 on 2 January. It then appreciated sharply to around 21.50. After a lateral phase until mid-March, it appreciated again, reaching around 21.20 by the end of April, followed by sharp depreciation in June to reach around 22.20. The exchange rate fluctuated sharply in the following months. Around early September there was a lateral phase around 21.40, followed by further appreciation around mid-November, and then by depreciation to around 21.60. The peso reached its lowest exchange rate for the period of 21.0016 near the end of the year, on 23 December. At the end of the year, it stood at 21.2202, largely below the yearly average rate of 21.5573.

The **Argentine peso** began the period with the exchange rate around the low for the period of 42.2498 reached on 15 January. It then depreciated constantly and progressively, as a result of financial tensions within the country, with a peak around mid-August bringing the rate to above 65.00. A brief lateral phase was then followed by further depreciation, leading the peso to end the year at the highest exchange rate of the period of 67.2749, far above the average for the period of 53.8009.

Finally, the **Russian rouble** began 2019 at the highest exchange rate of the period of 79.3589 on 2 January. It then appreciated constantly and progressively against the single currency, reaching around 70.00 at the end of July. This was followed by slight depreciation and then by immediate appreciation around the end of September. The final months of the year saw lateral movement, with the exchange rate reaching the low for the period of 68.7932 on 24 December, and then closing the year at around 69.9563, below the annual average of 72.4593.

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 14 countries on 3 continents, through its production and business sites, and employs over 10,800 people worldwide. Manufacturing plants are located in Italy, Poland (Częstochowa, Dąbrowa Górnicza, Niepołomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), 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 manufacturers 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 2019, Brembo’s consolidated net sales amounted to €2,591,670 thousand, down 1.8% compared to €2,640,011 thousand in 2018.

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

The Western European market (EU15+EFTA) closed the reporting year with vehicle registrations up by 1.2% compared to 2018. Among the main markets, a sales increase was reported by Germany (+5.0%), France (+1.9%) and Italy (+0.3%), whereas Spain and the United Kingdom showed a decline by 4.8% and 2.4%, respectively. The trend was positive in Eastern Europe (EU12), with car registrations up by 6.2% compared to 2018. In Russia, after two years reporting an uptrend, registrations of light vehicles showed a new slowdown closing 2019 with a 2.3% decrease in sales compared to the previous year.

In 2019, light vehicles sales in the United Stated dropped by 1.4% overall compared to 2018. In South America Brazil showed a positive sales performance for the second year in a row (+7.6%), whereas Argentina closed 2019 with an overall sales decline of 42.7%.

With reference to Asian markets, China closed 2019 on a negative trend, with sales of light vehicles down by 8.3% compared to 2018; nevertheless, China remained the number-one market in the world. Japan also recorded a negative trend, ending 2019 with a 1.4% decrease in sales.

Within this scenario, Brembo’s net sales of car applications in 2019 amounted to €1,943,270 thousand, accounting for 75.0% of the Group’s turnover, down by 3.7% compared to 2018.

Motorbikes

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

In Europe — where the top motorbike markets are Italy, Germany, France, Spain and the UK — registrations rose by 7.5% overall in 2019 compared to 2018. All the main markets closed 2019 with an increase over the previous year. With regard to displacements, Brembo's target (over 500cc) grew by 7.0% compared to 2018. Instead, ATVs (All Terrain Vehicles, quadricycles for recreation and work) declined by 23.0%.

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) increased by 0.8% overall in 2019 compared to 2018. ATVs alone rose by 1.8%, whereas motorbikes and scooters together rose +0.4%.

In 2019, the Japanese market, considering displacements over 50cc overall, reported a 3.5% increase compared to the previous year, whilst the Indian market (motorbikes and scooters together) declined by 14.2%. In Brazil, registrations grew by 14.6% overall compared to 2018.

Against this background, Brembo's net sales of motorbike applications amounted to €263,114 thousand in 2019, up 5.7% compared to €248,940 thousand for 2018.

Commercial and Industrial Vehicles

In 2019, the European commercial vehicles market (EU+EFTA) — Brembo's reference market — showed a 2.5% increase in registrations, thus reporting growth for the seventh year in a row.

In Europe, sales of light commercial vehicles (up to 3.5 tonnes) increased by 2.8% overall compared to 2018. All the main European markets by sales volume closed 2019 with an uptrend compared to the previous year (Germany: +6.9%; France: +4.5%; Italy: +3.4%; United Kingdom: +2.4%; Spain: +0.3%) In Eastern European countries, this segment grew by 2.8% over 2018.

In Europe, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) rose by 0.9% in 2019 compared to the previous year. Among the first five European markets by sales volume, a positive performance was reported by the United Kingdom (+9.5%), Germany (+4.2%), France (+1.5%) and Spain (+1.1%), whereas Italy declined by 7.6%. In Eastern Europe, sales of commercial vehicles over 3.5 tonnes improved by 0.9% in 2019 compared to the previous year.

In 2019, Brembo's net sales of applications in this segment amounted to €259,545 thousand, up by 1.7% compared to €255,191 thousand for 2018.

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 2019, Brembo's net sales of applications in this segment amounted to €125,473 thousand, up by 7.5% compared to €116,696 thousand for 2018.

Sales Breakdown by Geographical Area and Application

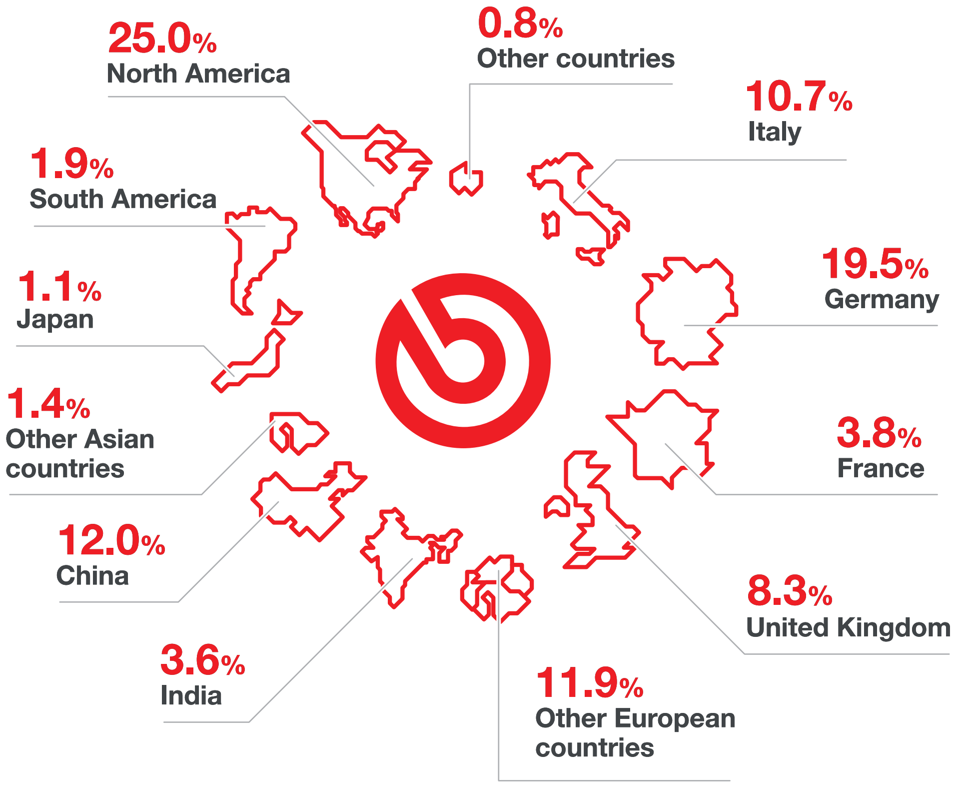
Geographical area

(euro thousand)	31.12.2019	%	31.12.2018	%	Change	%
Italy	276,973	*10.7%*	279,964	*10.6%*	(2,991)	*-1.1%*
Germany	504,623	*19.5%*	595,659	*22.5%*	(91,036)	*-15.3%*
France	97,382	*3.8%*	99,105	*3.7%*	(1,723)	*-1.7%*
United Kingdom	214,071	*8.3%*	207,336	*7.8%*	6,735	*3.2%*
Other European countries	307,244	*11.9%*	284,060	*10.8%*	23,184	*8.2%*
India	93,619	*3.6%*	83,504	*3.2%*	10,115	*12.1%*
China	312,164	*12.0%*	303,603	*11.5%*	8,561	*2.8%*
Japan	29,779	*1.1%*	32,361	*1.2%*	(2,582)	*-8.0%*
Other Asian countries	36,133	*1.4%*	38,503	*1.5%*	(2,370)	*-6.2%*
South America (Argentina and Brazil)	50,236	*1.9%*	58,354	*2.2%*	(8,118)	*-13.9%*
North America (USA, Mexico and Canada)	648,682	*25.0%*	645,247	*24.5%*	3,435	*0.5%*
Other countries	20,764	*0.8%*	12,315	*0.5%*	8,449	*68.6%*
Total	**2,591,670**	***100.0%***	**2,640,011**	***100.0%***	**(48,341)**	***-1.8%***

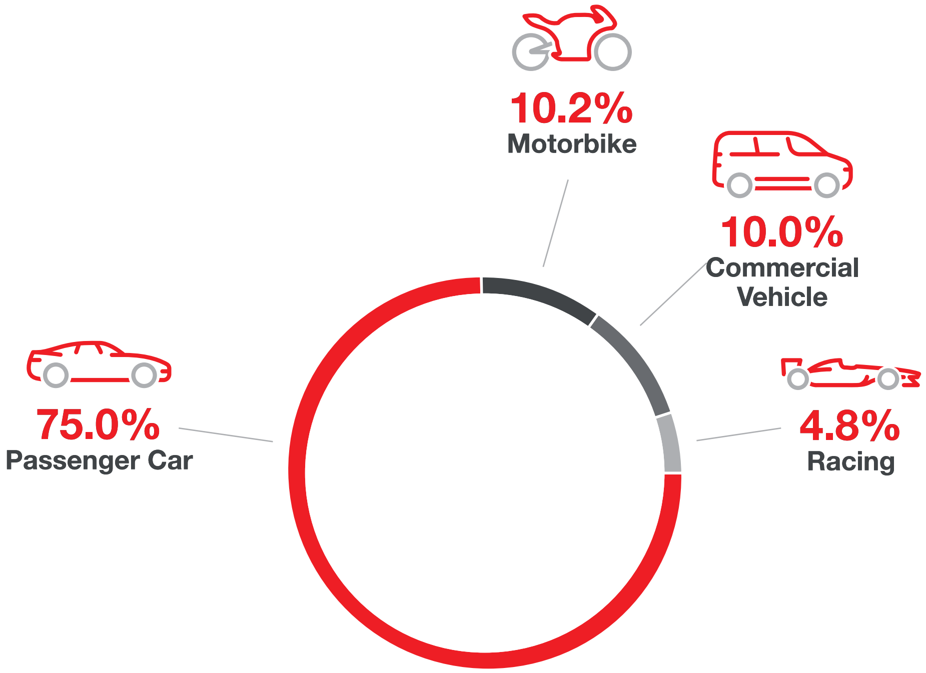
Application

(euro thousand)	31.12.2019	%	31.12.2018	%	Change	%
Passenger Car	1,943,270	*75.0%*	2,018,391	*76.5%*	(75,121)	*-3.7%*
Motorbike	263,114	*10.2%*	248,940	*9.4%*	14,174	*5.7%*
Commercial Vehicle	259,545	*10.0%*	255,191	*9.7%*	4,354	*1.7%*
Racing	125,473	*4.8%*	116,696	*4.4%*	8,777	*7.5%*
Miscellaneous	268	*0.0%*	793	*0.0%*	(525)	*-66.2%*
Total	**2,591,670**	***100.0%***	**2,640,011**	***100.0%***	**(48,341)**	***-1.8%***

Sales Breakdown by Geographical Area (percentage)



Sales Breakdown by Application (percentage)



Brembo's Consolidated Results

Consolidated Statement of Income

(euro thousand)	31.12.2019	31.12.2018	Change	%
Revenue from contracts with customers	**2,591,670**	**2,640,011**	**(48,341)**	***-1.8%***
Cost of sales, operating costs and other net charges/income (*)	(1,624,599)	(1,690,010)	65,411	*-3.9%*
Income (expense) from non-financial investments	13,794	16,190	(2,396)	*-14.8%*
Personnel expenses	(465,696)	(465,306)	(390)	*0.1%*
GROSS OPERATING INCOME	**515,169**	**500,885**	**14,284**	***2.9%***
% on revenue from contracts with customers	*19.9%*	*19.0%*		
Depreciation, amortisation and impairment losses	(196,630)	(155,821)	(40,809)	*26.2%*
NET OPERATING INCOME	**318,539**	**345,064**	**(26,525)**	***-7.7%***
% on revenue from contracts with customers	*12.3%*	*13.1%*		
Net interest income (expense) and interest income (expense) from investments	(10,848)	(19,707)	8,859	*-45.0%*
RESULT BEFORE TAXES	**307,691**	**325,357**	**(17,666)**	***-5.4%***
% on revenue from contracts with customers	*11.9%*	*12.3%*		
Taxes	(68,208)	(83,881)	15,673	*-18.7%*
Result from discontinued operations	(6,422)	0	(6,422)	*N/A*
RESULT BEFORE MINORITY INTERESTS	**233,061**	**241,476**	**(8,415)**	***-3.5%***
% on revenue from contracts with customers	*9.0%*	*9.1%*		
Minority interests	(1,760)	(3,127)	1,367	*-43.7%*
NET RESULT	**231,301**	**238,349**	**(7,048)**	***-3.0%***
% on revenue from contracts with customers	*8.9%*	*9.0%*		
Basic and diluted earnings per share (euro)	**0.71**	**0.73**		

(*) 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".

Net sales generated by Brembo in 2019 amounted to €2,591,670 thousand, down by 1.8% compared to the previous year (-1.3% before reclassification of the figures relating to the company Brembo Argentina S.A. to the item "Result from discontinued operations").

The car applications sector, which accounts for 75.0% of Group revenues, closed the year with a -3.7% decline compared to the previous year (-3.1% before the reclassification of Brembo Argentina S.A.), as a result of the light vehicle market decline. Motorbike applications and those for commercial vehicles and the racing sector reported a positive performance in 2019, with +1.7%, +5.7% and +7.5%, respectively.
At geographical level, and with specific reference to Europe, Germany declined by 15.3% compared to 2018. Among the other European countries, only the United Kingdom reported an uptrend (+3.2%), whereas Italy and France showed a decline by 1.1% and 1.7%, respectively. In North America sales remained substantially unchanged (+0.5%), while South America showed a 13.9% downtrend (a 12.4% increase on a like-for-like reclassification basis of Brembo Argentina S.A.). In the Far East, Brembo recorded a positive performance in China (+2.8%) and India (+12.1%), whereas Japan declined by 8.0% compared to the previous year.

In 2019, the **cost of sales and other net operating costs** amounted to €1,624,599 thousand, with a ratio of 62.7% to sales, slightly down compared to 64.0% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €26,647 thousand compared to €25,339 thousand for 2018.

Income (expense) from non-financial investments amounted to €13,794 thousand and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€16,190 thousand in 2018).

Personnel expenses for 2019 amounted to €465,696 thousand, with an 18.0% ratio to sales, slightly up compared to the previous year (17.6%). At 31 December 2019, workforce numbered 10,868 (10,634 at 31 December 2018).

Gross operating income for 2019 was €515,169 thousand compared to €500,885 thousand in the previous year, with a ratio to sales of 19.9% (19.0% in 2018).

Net operating income amounted to €318,539 thousand (12.3% of sales), compared to €345,064 thousand (13.1% of sales) in 2018, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €196,630 thousand, compared to depreciation, amortisation and impairment losses amounting to €155,821 thousand in 2018.

Net interest expense amounted to €11,137 thousand (€19,941 thousand in 2018) and consisted of net exchange gains of €3,209 thousand (net exchange losses of €6,202 thousand in 2018) and other net interest expense of €14,346 thousand (€13,739 thousand in 2018).

Net interest income from investments amounted to €289 thousand (€234 thousand in 2018) and was mainly attributable to the effects of valuing investments in associates using the equity method.

Result before taxes was positive at €307,691 thousand, down by 5.4% compared to €325,357 thousand for the previous year. Estimated taxation amounted to €68,208 thousand, with a tax rate of 22.2% compared to 25.8% for 2018.

The **result from discontinued operations**, negative for €6,422 thousand, was attributable to the contribution of the company Brembo Argentina S.A., reclassified to this item following the Group's decision, on 30 June 2019, on discontinuation of its industrial operations at the Buenos Aires plant, and the ensuing liquidation of the company.

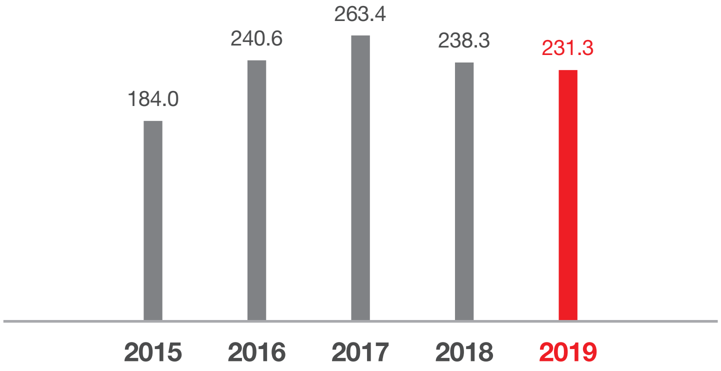
The **Group's net result** was €231,301 thousand, down 3.0% compared to €238,349 thousand for the previous year.

Statement of Financial Position

(euro thousand)	31.12.2019	31.12.2018	Change
Property, plant and equipment	1,258,800	1,041,442	217,358
Intangible assets	228,281	209,139	19,142
Net financial assets	50,227	47,754	2,473
Other receivables and non-current liabilities	58,046	62,597	(4,551)
Fixed capital	**1,595,354**	**1,360,932**	**234,422**
			17.2%
Inventories	342,203	342,037	166
Trade receivables	391,925	407,414	(15,489)
Other receivables and current assets	95,870	72,132	23,738
Current liabilities	(623,404)	(736,932)	113,528
Provisions / deferred taxes	(42,956)	(52,709)	9,753
Net working capital	**163,638**	**31,942**	**131,696**
			412.3%
Net invested capital from discontinued operations	**(354)**	**0**	**(354)**
NET INVESTED CAPITAL	**1,758,638**	**1,392,874**	**365,764**
			26.3%
Equity	**1,388,015**	**1,228,822**	**159,193**
Employees’ leaving entitlement and other personnel provisions	**25,584**	**27,141**	**(1,557)**
Medium/long-term financial debt	375,005	207,444	167,561
Short-term net financial debt	(28,816)	(70,533)	41,717
Net financial debt	**346,189**	**136,911**	**209,278**
			152.9%
Net financial debt from discontinued operations	**(1,150)**	**0**	**(1,150)**
COVERAGE	**1,758,638**	**1,392,874**	**365,764**
			26.3%

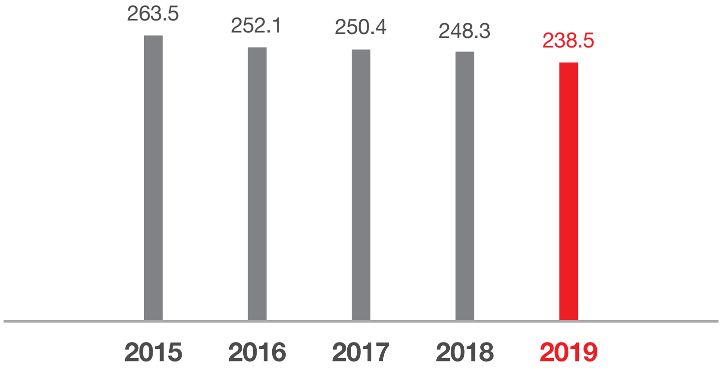
Net result

(euro million)



Turnover per employee

(euro thousand)



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 (including lease liabilities), net of cash and cash equivalents and current financial assets.

Net Invested Capital at 31 December 2019 amounted to €1,758,638 thousand, up by €365,764 thousand compared to €1,392,874 thousand at 31 December 2018.

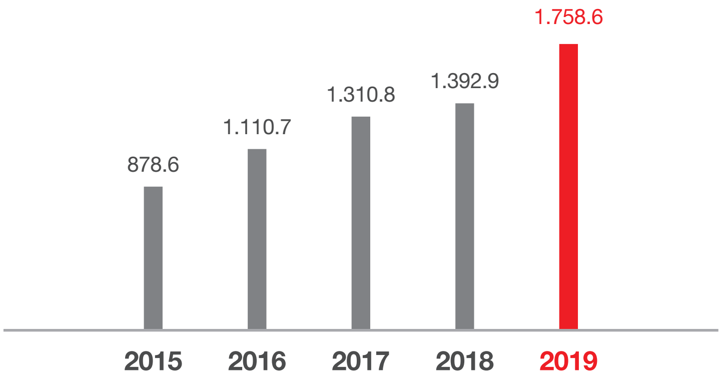
Net financial debt for 2019 amounted to €346,189 thousand compared to €136,911 thousand at 31 December 2018. Net financial debt increased by €209,278 thousand in the year, mainly due to the combined effect of the following factors:

- the positive effect of gross operating income of €515,169 thousand, with a €126,177 thousand decrease in working capital;
- net investments totalling €247,336 thousand;
- the Parent's payment of the approved dividends in the amount of €71,541 thousand;
- payment of taxes totalling €65,961 thousand;
- dividends received by the associate BSCCB S.p.A. amounting to €10,000 thousand;
- the impact arising from the application of the new IFRS 16 for €195,983 thousand.

The Explanatory Notes to the Consolidated Financial Statements provide detailed information on the financial position and its assets and liabilities items.

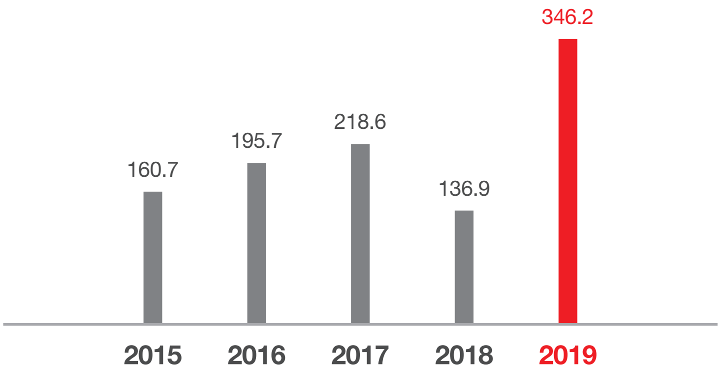
Net Invested Capital

(euro million)



Net financial debt

(euro million)



Statement of Cash Flows

(euro thousand)	31.12.2019	31.12.2018
NET FINANCIAL POSITION AT BEGINNING OF YEAR (*)	**(136,911)**	**(218,597)**
Net operating income	**318,539**	**345,064**
Depreciation, amortisation and impairment losses	196,630	155,821
Gross operating income	**515,169**	**500,885**
Investments in property, plant and equipment	(213,657)	(250,447)
of which right of use assets	*(38,165)*	*0*
Investments in intangible assets	(38,111)	(37,291)
Investments in financial assets	(131)	(1,350)
IFRS 16 Initial recognition	(177,652)	0
Disposals	4,432	2,163
Net investments	**(425,119)**	**(286,925)**
Change in inventories	(7,604)	(27,311)
Change in trade receivables	14,558	(30,666)
Change in trade payables	(90,846)	96,347
Change in other liabilities	(34,364)	6,270
Change in receivables from others and other assets	(6,884)	6,881
Translation reserve not allocated to specific items	(1,037)	2,162
Change in working capital	**(126,177)**	**53,683**
Change in provisions for employee benefits and other provisions	(2,363)	(4,975)
Operating cash flows	**(38,490)**	**262,668**
Interest income and expense	(10,541)	(19,384)
Result from discontinued operations	(6,422)	0
Current taxes paid	(65,961)	(77,602)
Dividend paid in the year to minority shareholders	(800)	(800)
Buy-back of own shares	(11,329)	0
Interest (income)/expense from investments, net of dividends received	(3,714)	(5,110)
Dividends paid in the year	(71,541)	(71,541)
Net cash flows	**(208,798)**	**88,231**
Effect of translation differences on net financial position	(480)	(6,545)
NET FINANCIAL POSITION AT END OF YEAR (*)	**(346,189)**	**(136,911)**

(*) 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, and 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 investments in property, plant, equipment and intangible assets, calculated as the sum total of increases (net of decreases) of property, plant and equipment (including the right of use assets) and intangible assets;
- Fixed Capital, Net Working 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

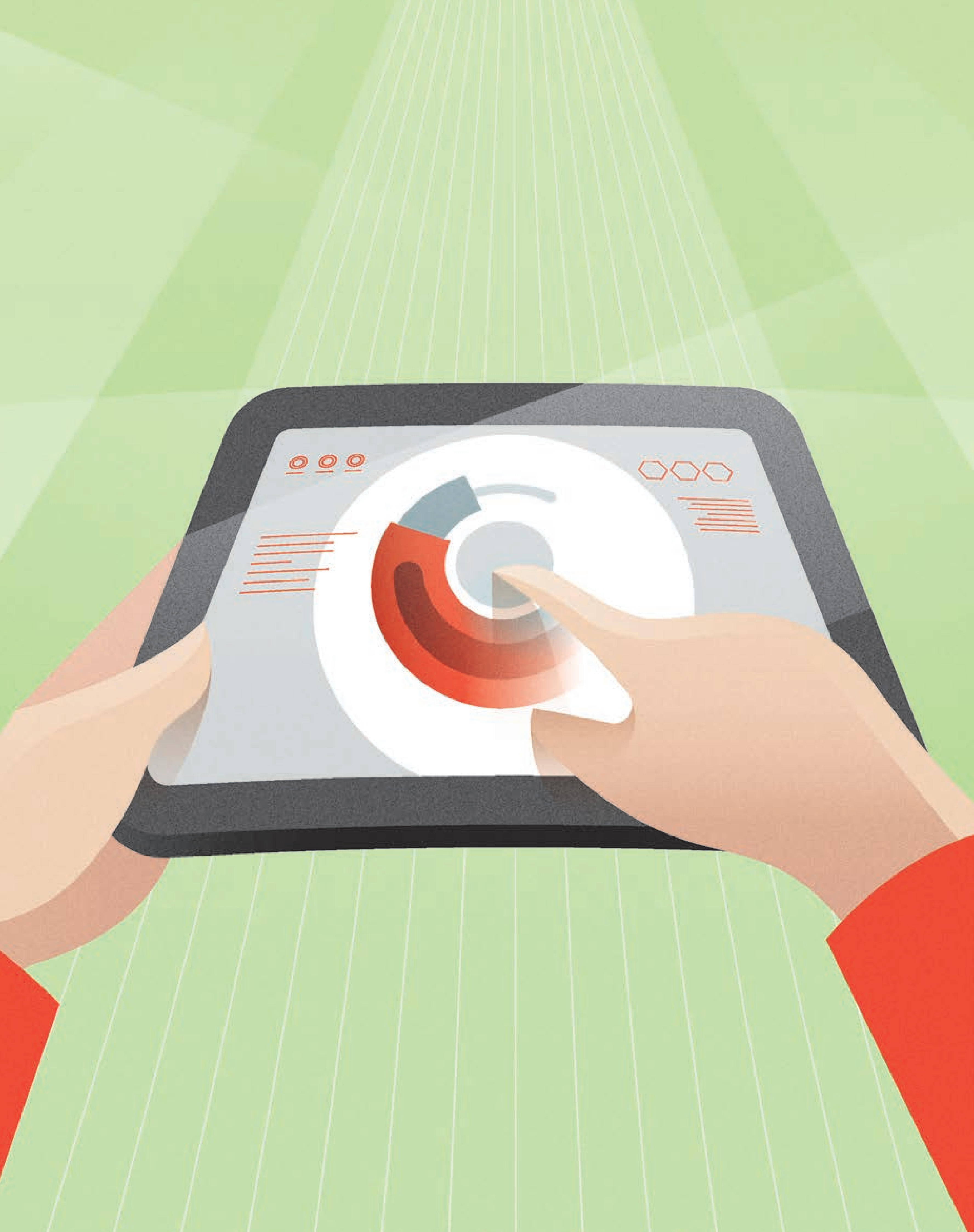
Brembo S.p.A.

- 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.**
  Dąbrowa Górnicza - 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% **Corporación 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.**
  Langfang - China
- 1.20% **Fuji Co.**
  Shizuoka
  Japan

- 100% **Brembo North America Inc.**
  Wilmington, Delaware - USA
  - 51% **Brembo México S.A. de C.V.**
- 49% **Brembo México 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

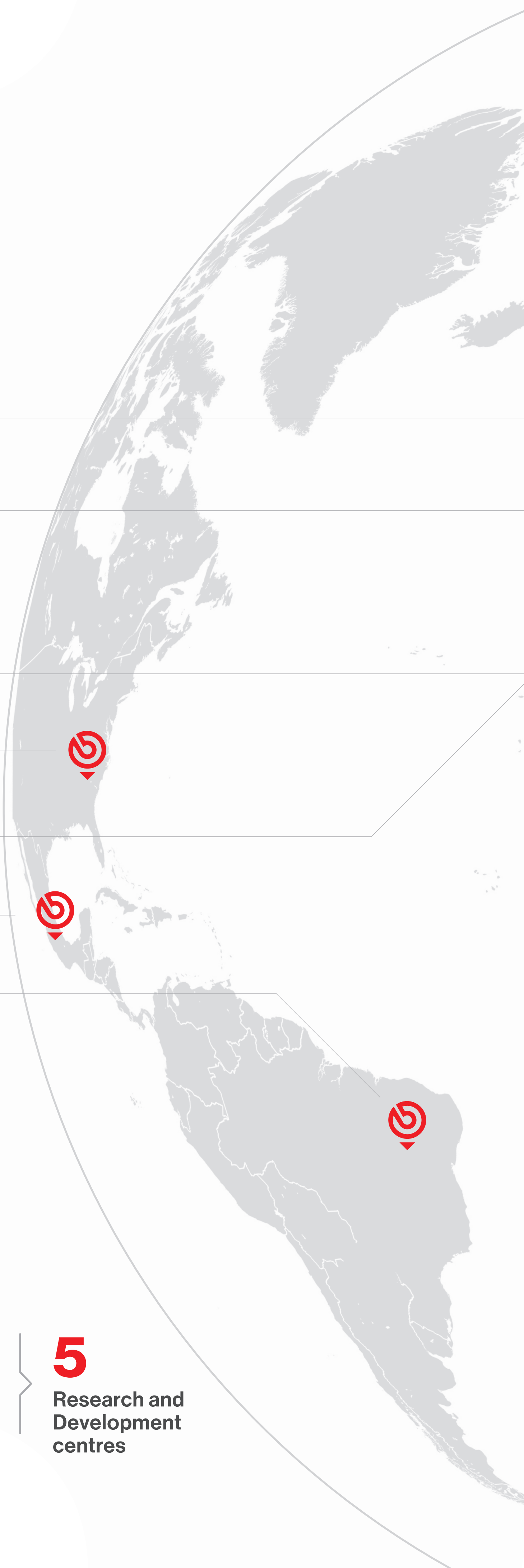
This table complies with Article 125
of Consob Resolution No. 11971 dated 14 May 1999.



Brembo Worldwide

Brembo S.p.A.'s headquarters are located in Italy, Curno (Bergamo).

●	◉		**Ap Racing Ltd.**
	◉		**Brembo Deutschland GmbH**
●	◉		**Brembo SGL Carbon Ceramic Brakes GmbH**
●	◉	○	**Brembo S.p.A.**
●	◉		**La.Cam S.r.l.**
●	◉		**Brembo SGL Carbon Ceramic Brakes S.p.A.**
		○	**Petroceramics S.p.A.**
●	◉	○	**Brembo North America Inc.**
	◉		**Corporación Upwards '98 S.A.**
●	◉		**Brembo México S.A. de C.V.**
●	◉		**Brembo do Brasil Ltda.**



14 Countries in the world

18 Manufacturing sites

5 Research and Development centres

Brembo Scandinavia A.B. ◉

Brembo Poland Spolka Zo.o. ● ◉ ○

Brembo Russia Llc. ◉

Brembo Czech S.r.o. ● ◉

Brembo Japan Co. Ltd. ◉

Brembo Brake India Pvt. Ltd. ● ◉ ○

Brembo Nanjing Brake Systems Co. Ltd. ● ◉ ○
Brembo Huilian (Langfang) Brake Systems Co. Ltd. ● ◉
Brembo Nanjing Automobile Components Co. Ltd. ● ◉
Qingdao Brembo Trading Co. Ltd. ◉

● Production sites ◉ Commercial sites ○ Research & Development centres

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)

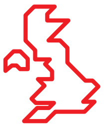
Activities: analysis, design, development, application, production, assembly and sale of braking systems, light alloy castings for various sectors, including the car and motorbike industries.

The year 2019 closed with net sales amounting to €947,709 thousand, down 1.5% compared to €961,679 thousand in 2018.
The item "Other revenues and income" amounted to €58,480 thousand in 2019 compared to €54,988 thousand in 2018, whereas capitalised development costs for the year totalled €21,087 thousand.
Gross operating income went from €181,251 thousand (18.8% of sales) in 2018 to €161,481 thousand (17.0% of sales) in 2019, whereas net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €56,902 thousand, closed at €104,579 thousand compared to €134,531 thousand for the previous year.
Net interest expense from financing activities amounted to €1,764 thousand compared to €6,634 thousand for 2018.
Income from investments amounted to €101,528 thousand and was mainly attributable to the distribution of dividends by some subsidiaries.
In the reporting year, net income amounted to €179,153 thousand, compared to €114,106 thousand in 2018.
At 31 December 2019, the workforce numbered 3,142, decreasing by 39 compared to 3,181 at the end of 2018.

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 amounted to GBP 50,129 thousand (€57,140 thousand) in 2019, compared to GBP 50,577 thousand (€57,165 thousand) in 2018. In the reporting year, net income amounted to GBP 4,860 thousand (€5,539 thousand), compared to GBP 4,701 thousand (€5,314 thousand) in 2018.
At 31 December 2019, workforce numbered 151, eleven more than at the end of 2018.

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 (Argentina). 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. It should be noted that, as of 30 June 2019, Brembo decided to discontinue its industrial operations at the Buenos Aires plant. As a result, the company will be placed in liquidation. Brembo took this decision as it was impossible to boost new projects because of the downtrend experienced by the Argentinian automotive sector and its quite discouraging recovery prospects, as well as because all main manufacturers decided not to proceed with industrial projects nor to launch new models. Discontinuation of operations led to the termination of all employment contracts and all other contracts in force at the end of the first half of the year.

The negative result of the company's ordinary operations for 2019, as well as the estimated costs associated with the discontinuation, were reclassified to the Statement of Income under "Result from discontinued operations" and amounted to €6,422 thousand.

For further information, reference should be made to Note 32 of the Explanatory Notes.

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 2019, net sales totalled INR 8,543,321 thousand (€108,349 thousand), with a net income of INR 946,937 thousand (€12,009 thousand). In 2018, net sales amounted to INR 7,868,762 thousand (€97,473 thousand), with a net income of INR 735,152 thousand (€9,107 thousand).

A 31 December 2019, workforce numbered 644.

Brembo Czech S.r.o.

Ostrava-Hrabová (Czech Republic)

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

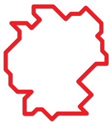
The company was formed in 2009 and started its production activity in 2011. It carries out the casting, processing and assembly of brake calipers and other aluminium components.

In 2019 net sales amounted to CZK 5,933,423 thousand (€231,145 thousand) compared to CZK 7,507,481 thousand (€292,767 thousand) in 2018, closing the year with a net loss of CZK 14,044 thousand (€547 thousand) compared to a net income of CZK 10,117 thousand (€395 thousand) in 2018.

At 31 December 2019, workforce numbered 956, 24 fewer than the previous year.

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 31 December 2019, net sales amounted to €2,045 thousand (€1,975 thousand for 2018), with a net income of €550 thousand (€501 thousand for 2018).

At 31 December 2019, workforce numbered eight, unchanged compared to the same date of the previous year.

Brembo Do Brasil Ltda.

Betim (Brazil)

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

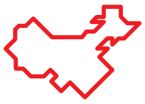
The company is headquartered in Betim, Minas Gerais, and specialises in the manufacturing and sales of car brake discs in the South American OEM market.

Net sales for 2019 amounted to BRL 216,028 thousand (€48,947 thousand) and net income to BRL 15,475 thousand (€3,506 thousand). In 2018, net sales amounted to BRL 181,506 thousand (€42,125 thousand) and net income to BRL 3,843 thousand (€892 thousand).

At 31 December 2019, workforce numbered 232, unchanged compared to 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.

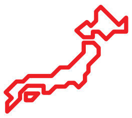
In 2016, Brembo S.p.A. acquired a 66% stake in Brembo Huilian (Langfang) Brake Systems Co. Ltd. (formerly Asimco Meilian Braking Systems (Langfang) Co. Ltd.), a Chinese company that owns a foundry and a plant for the manufacturing of cast-iron brake discs. This company supplies local car manufacturers, 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 amounted to CNY 579,113 thousand (€74,880 thousand) in 2019, compared to CNY 612,809 thousand (€78,491 thousand) in 2018. In the reporting year, net income amounted to CNY 39,781 thousand (€5,144 thousand), compared to CNY 67,979 thousand (€8,707 thousand) in 2018.

At 31 December 2019, workforce numbered 637, decreasing by 33 compared to the end of 2018.

Brembo Japan Co. Ltd.

Tokyo (Japan)



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

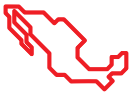
Brembo Japan Co. Ltd. is Brembo’s commercial company that handles the Japanese racing market. Through the Tokyo office, it provides primary technical support to the OEM customers in the area. It also renders services to the other Group companies operating in Japan.

Net sales amounted to JPY 708,287 thousand (€5,803 thousand) in 2019, compared to JPY 697,899 thousand (€5,352 thousand) in 2018. Net income for the reporting year was JPY 72,600 thousand (€595 thousand), compared to JPY 95,894 thousand in 2018 (€735 thousand).

At 31 December 2019, workforce numbered 18, unchanged compared to the figure at the end of 2018.

Brembo México S.A. de C.V.

Apodaca (Mexico)



Activities: casting, 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.

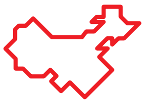
As a result of the merger with Brembo México Apodaca S.A. de C.V. in 2010, the company is now 51% owned by Brembo North America Inc. and 49% owned by Brembo S.p.A.

In 2019, net sales amounted to USD 278,760 thousand (€248,982 thousand), with a net income for the year of USD 21,019 thousand (€18,774 thousand).

In 2018, net sales amounted to USD 220,460 thousand (€186,595 thousand), with a net income of USD 3,684 thousand (€3,118 thousand).

At 31 December 2019, workforce numbered 1,067, compared to 957 at the end of 2018.

Brembo (Nanjing) Automobile Components Co. Ltd.

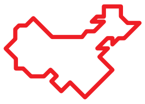


Nanjing (China)

Activities: casting, production and sale 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, assembly and sales of braking systems for cars and commercial vehicles.
At 31 December 2019, net sales amounted to CNY 769,727 thousand (€99,527 thousand), compared to CNY 579,540 thousand (€74,230 thousand) at the end of 2018.
Net income amounted to CNY 9,766 thousand (€1,263 thousand) at 31 December 2019, whereas in 2018, the company reported a net loss of CNY 22,043 thousand (€2,823 thousand).
At 31 December 2019, workforce numbered 306, compared to 303 in 2018.

Brembo Nanjing Brake Systems Co. Ltd.

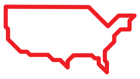


Nanjing (China)

Activities: development, casting, production and sale of OEM brake discs for cars.

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 discs for the car OEM.
At 31 December 2019, net sales amounted to CNY 1,068,896 thousand (€138,210 thousand) and net income was CNY 69,892 thousand (€9,037 thousand); in 2018, net sales amounted to CNY 1,241,966 thousand (€159,077 thousand) and net income was CNY 81,793 thousand (€10,476 thousand).
Workforce numbered 583 at 31 December 2019, compared to 632 at the end of 2018.

Brembo North America Inc.

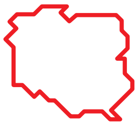


Wilmington-Delaware (USA)

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 for 2019 amounted to USD 399,220 thousand (€356,575 thousand) compared to net sales amounting to USD 490,484 thousand (€415,140 thousand) for the previous year.
Net income was USD 36,280 thousand (€32,405 thousand) at 31 December 2019, compared to net income of USD 50,134 thousand (€42,433 thousand) for 2018.
At the end of the year, workforce numbered 663, a decrease by 60 compared to the end of 2018.

Brembo Poland Spolka Zo.O.



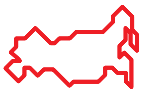
Dąbrowa-Górnicza (Poland)

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 Częstochowa 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 2,095,622 thousand (€487,634 thousand) in 2019, compared to PLN 2,137,006 thousand (€501,577 thousand) in 2018. Net income at 31 December 2019 was PLN 248,414 thousand (€57,804 thousand), compared to a net income of PLN 335,532 thousand (€78,753 thousand) for the previous year.
At the end of the year, workforce numbered 2,183, compared to 2,085 at the end of 2018.

Brembo Russia Llc.

Moscow (Russia)

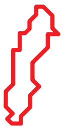


Activities: promotion of the sale of car brake discs.

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 year, the company reported net sales amounting to RUB 50,020 thousand (€690 thousand) compared to RUB 50,151 thousand (€677 thousand) in 2018; net income was RUB 10,346 thousand (€143 thousand) compared to RUB 19,219 thousand (€260 thousand) at 31 December 2018.
At the end of the year, workforce numbered three, unchanged compared to the end of 2018.

Brembo Scandinavia A.B.

Göteborg (Sweden)

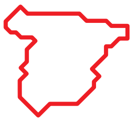


Activities: promotion of the sale of car brake discs.

The company promotes the sale of brake discs for the car sector, destined exclusively for the aftermarket.
Net sales for the reporting year amounted to SEK 10,077 thousand (€952 thousand), with a net income of SEK 5,234 thousand (€494 thousand), compared to net sales of SEK 9,423 thousand (€919 thousand) and net income of SEK 4,566 thousand (€445 thousand) for 2018.
At 31 December 2019, workforce numbered one, unchanged compared to the same date of the previous year.

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 for 2019 amounted to €28,964 thousand, compared to €29,843 thousand in 2018. Net income was €1,963 thousand, compared to €2,422 thousand in 2018.
The workforce numbered 71 at 31 December 2019, unchanged compared to the end of 2018.

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 2019, net sales, which were mainly to Brembo Group companies, amounted to €39,738 thousand compared to €44,209 thousand in 2018. Net income for 2019 was €1,693 thousand, compared to a net income of €1,414 thousand at the end of 2018.
At 31 December 2019, workforce numbered 173, compared to 180 for the previous year.

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.

Net sales for 2019 amounted to CNY 308,044 thousand (€39,831 thousand), compared to CNY 275,267 thousand (€35,257 thousand) for the previous year. Net income for the year was CNY 9,830 thousand (€1,271 thousand), down compared to CNY 10,627 thousand (€1,361 thousand) for 2018.

At 31 December 2019, workforce numbered 30, three more than at the same date of 2018.

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.

Net sales at 31 December 2019 were €54,518 thousand, compared to €55,888 thousand at 31 December 2018. Net income for the year was €24,836 thousand, compared to net income of €24,079 thousand for 2018.

Workforce numbered 150 at 31 December 2019, six more than at the end of 2018.

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 2019 amounted to €134,155 thousand, up compared to €133,606 thousand for the previous year. At 31 December 2019, net income totalled €19,640 thousand, compared to a net income of €22,973 thousand for the previous year.

At 31 December 2019, workforce numbered 390, compared to 398 at the end of 2018.

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 2019 amounted to €2,965 thousand, with a net income of €1,351 thousand. In 2018, net sales were €2,664 thousand and net income amounted to €1,080 thousand.

Investments

In 2019, 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.

Group's total net investments undertaken in 2019 amounted to €247,336 thousand, of which €172,338 thousand was invested in property, plant and equipment, €38,111 thousand in intangible assets, and €36,887 thousand in leased assets. The most significant investments were concentrated in Italy (35.7%), Poland (20.0%), Czech Republic (14.6%), North America (16.9%) and China (8.5%).

In Italy, works on the new building in Curno, which will house the new Carbon Factory, continued. 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 occupies 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. Following the conclusion of the construction work in the previous year, the first systems were installed and started up in 2019, whereas additional machines will continue to be installed in 2020 for a gradual increase in production capacity.

The other investments in property, plant and equipment made by the Group primarily related to purchases of plant, machinery and equipment to increase the level of automation of production and constantly improve the mix and quality of factories.

With regard to investments in intangible assets, development costs for 2019 amounted to €26,628 thousand, borne by the Parent and the U.S. subsidiary.

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 strongly concentrates its efforts and resources also on 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, Poland, North America, China and India.
In 2019, 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 is now used in all new development projects, providing access to a database that can be used to refine calculation results even further.
Cooperation with various entities also continued in investigating simulation methods tied to system comfort and disc fluid-dynamics, with a focus on air flow within the entire wheel-side unit.
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 — an application segment which is of particular interest to Brembo — continued with a focus on improving performance Research activities therefore intensified with several customers, also outside Europe. The applications developments related to such customers will be started and should then be finalised during the next two years with the acquisition of further market shares.
In car applications, after having worked with a major German customer to develop the concept for the light brake disc currently installed in the entire platform of core vehicles, Brembo was also selected as the supplier of this product for the next generation of vehicles within this platform. The application development phase is currently being completed for the new models, which will make their début in 2020. The introduction of light discs — which offer an up to 15% reduction in weight over a traditional disc thanks to a combination of two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) — can also be extended to applications designed for ultra-high performance vehicles by increasing disc size and, above all, by optimising disc geometry in terms of fluid dynamics efficiency.
The light disc has also been successfully developed for other important manufacturers, which are already using it in some of their new models.
Product and process development also continues for the co-cast disc to reduce mass and optimise performance, and

in particular to increase fluid dynamics efficiency and reduce operating temperatures, through a redefinition of disc drive and ventilation geometries. Following the completion of Brembo's concept approval phase for this solution, the new disc was presented to potential clients in view of the development of future applications.

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 hybrid and 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. In addition to the application developments that are underway with some of these customers, production of the first vehicles equipped with this type of disc by a German customer is set to begin in 2020.

In 2019, the Technical Development Centres at the Group's U.S. and Chinese facilities also continued to undergo upgrade, thus allowing Brembo to acquire valuable orders within local markets and increasingly act as a strategic supplier of brake discs to major global players.

Development of **motorbike** discs made from composite material for on-road use continued with the formulation of the new testing plan for the geometry identified as definitive on the basis of the successful completion of the bench performance and durability tests. The testing plan has been designed to culminate in the validation of the disc/caliper/pad concept. Content for the future of off-road components is currently being formulated for both calipers and brake and clutch master cylinders.

The new handlebar master cylinders project (the subject of two Brembo patents) is currently being revised at the request of a major customer to reduce weight and bulk on the clutch side: two additional variants have been created and the costs are now being evaluated to present the project to the customer for a second time.

On the Indian market, the project to design components in a new style entered the application phase: Brembo is designing a single-piston floating rear caliper and finalising the design of the four-piston front caliper in accordance with the family-feeling chosen for this new range of products.

In-vehicle development of the new low-vibration disc/hat concept continued.

The new entry-level caliper project has reached the second testing phase and presentation to Indian customers will be assessed in 2020.

Motorbike brake-by-wire systems have also reached the second development phase, requiring a considerable commitment to finalise new system features. This phase will be completed in the second half of 2020, when project status will be presented to the customer.

The second testing plan for high-performance discs using innovative materials is being defined. A new concept that may be adopted for the motorbike disc weight/performance issue has been identified and will be assessed in 2020.

The feeling/distance regulation system for front master cylinders will also be developed in 2020 to prepare the definitive concept to be brought to market and the planning of the second phase of development of Affida pads for motorbike applications will be formulated.

Regarding the **racing world**, the Carbon/Carbon brake system for racing applications project (F1, LMP – Le Mans Prototype, IRL – Indy Racing League, and Super-Formula) includes three distinct areas, whose activities were further ongoing in 2019 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 of the first needle punching machine for constructing preforms starting from carbon fibres and the subsequent start of operations at the new Carbon Factory plant, where nearly all the production technologies required to develop and manufacture carbon discs and pads are now available. At present, installed capacity is limited to a small monthly quantity, which, however, is sufficient to commence the manufacture of the first prototypes of the F1 2021 discs, which will be completely different to those in use today;
- development of new systems — on the basis of the F1 disc — for the other categories as well; launch of research activity relating to the architecture and fibre used in the F1 disc and pads, with pad research on mechanical, thermal and friction characteristics;

- development of new F1 systems for the 2020 season, and discs in particular.

The preparation of the 2021 F1 Tender involved all technical development areas within the Performance Group. The Tender was in fact awarded to Brembo, which was to be the supplier of the complete brake system (i.e. discs and pads, calipers, tandem cylinder and brake-by-wire) for all vehicles from 2021 on. A subsequent decision by the FIA amended the 2021 rules, annulling the results of the Tender and maintaining the current status of the technical competition and supply arrangements.

An ambitious electro-mechanical brake-by-wire project with hydraulic actuator and a safety concept based on F1 experience was launched with a major client in early 2019. The project entered the in-vehicle testing phase in early June 2019 and, after testing and implementation in the summer, was used in races on four vehicles in November.

Final negotiations are being conducted with a major customer for the introduction of the entire brake system in their upcoming GT vehicles, based on a road model.

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 computational fluid dynamics (CFD) solutions.

The new methodology based on friction mapping for brake sizing is now well established and further experimental and theoretical development of the concept moved forward in the second half of 2019.

In the MotoGP class of motorbike applications, new systems are available to all clients, including a new brake caliper ensuring amplified force and an anti-drag system. In July 2019, a new valve to reduce piston knock-off, capable of improving certain characteristics of the old valve used in the previous two years, was also brought to market.

Along the lines of the F1 initiatives, a series of new projects were confirmed with a major Italian motorbike manufacturer with its sights set on winning the global Moto GP competition. The projects will be governed by a development contract with the manufacturer and will concern new brake and clutch systems.

Moreover, the new carbon-fibre and carbon-ceramic clutch prototypes were created by the subsidiary AP Racing for 2020, also supplied exclusively to an Italian racing team. This is the fourth clutch model designed and tested by AP Racing to be placed on the market with the same client.

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 started with the dimensioning and thermal simulation of the system and ended with Brembo's new Carbo-Ceramic disc (CCMR) entering into production. After McLaren Senna, other McLaren vehicles and those of other car manufacturers will be equipped with the new CCMR disc.

The valuable partnership with several Italian universities, including the Milan Polytechnic and the University of Padua, continued in pursuit of important goals in various areas of technical development.

Mention should also be made of the collaboration with E-novia for electronic development, as well as development synergies that will allow both organisations to grow in the coming years. E-novia will bring to market an ABS brake system for bicycles based on the concept developed and patented by Brembo Performance in 2016. In addition, Brembo brought electro-mechanical systems with electronics developed by E-novia to Brembo's specifications to the racetrack in 2019.

In the Aeronautics project, Brembo (certified by the EASA as a qualified developer and designer of complete brake systems and by the Italian Civil Aviation Authority - ENAC for the manufacture of front and back wheels) is successfully completing management of several client orders, in keeping with its decision to refocus solely on its core business.

Due to the extensive experience it has gained over the years, Brembo **Friction** may now be considered a well established, stable reality, constantly focused on continuous improvement. Today's customers are demanding increasingly flexible and customised friction materials, with requests that can only be met specifically and reactively through synergistic research and development work with all other Brembo departments. Brake pads with increasingly advanced performance characteristics, paired with both carbon ceramic and cast iron discs, designed for applications with increasingly more challenging objectives, require extremely sophisticated development processes.

Once again, original equipment manufacturers are showing every confidence in Brembo Friction, whose excellence is confirmed by the most demanding car manufacturers, which choose Brembo's pads for their top-end applications. All main markets — including the European one, which is very demanding when it comes to performance, and markets that are more demanding in terms of comfort, such as the U.S. and Asia, but also the more innovative markets, such as those focusing on electric calipers — can now benefit from Brembo's know-how on Cu-free (i.e. copper-free) friction materials.

The constant drive to innovation enabled the development of friction materials for light discs with extreme thermo-mechanical durability, such as those for the German market, coated with Si-Sic (silicon-silicon carbide).

Statistical models such as DOE and Montecarlo also began to see constantly increasing use starting last year, as such models are capable of optimising friction material formulations and identifying the raw materials that most influence their chemical and physical properties.

The development of environmentally friendly friction materials with an increasingly lower environmental impact (for example, reduced emissions of greenhouse gases such as CO_2) reflects the ever-growing environmental focus of global research. Projects such as AFFIDA and LIBRA flow from Brembo's increasingly close focus on the environment.

AFFIDA, the natural extension of the COBRA project (which was part of the European Life+ project), in collaboration with the Mario Negri Institute, seeks to bring the innovative technology already developed by COBRA to the OE market. The project involves the study of cement-based materials to replace the phenolic binders commonly used in all friction materials. The new materials must perform on a par with their traditional predecessors, while also meeting the high-performance standards required by the sporting applications and limiting fine particulate emissions and environmental impact. Various car and motorbike manufacturers are asking to use AFFIDA pads when developing their new applications. The current pre-industrialisation prototype phase, involving a press created using ad-hoc technology, is already sufficient to meet the clients' demands. Through synergistic collaboration with each Brand, the process could then be further refined to ensure the product yields optimal performance and comfort. The introduction of the cement-based binder proved decisive in reducing volatile organic compound (VOC) emissions, with important positive repercussions for the environment.

The LIBRA project, which has been ongoing since 2015, eliminated the steel backing plate in brake pads, replacing it with high-performance composite materials. The advantages are clear: from a lighter pad, with the resulting reduction in the overall brake system's weight, to a shorter production process. One of the top U.S. automotive firms is currently involved in intensive development, which has resulted in increasing recognition of the competitiveness and innovation achieved by the LIBRA project, and has even decided to use these components in its parking systems. A press fully devoted to manufacturing these specific pads was installed at the end of 2019 to prepare for SOP (Start of Production) of the product and the shift to mass production. The new goal for 2020 is to transfer the innovation and technology applied to these pads, now used for parking, to rear brake pads.

2019 also saw the completion of the ECOPADS projects, which stemmed from the excellent results achieved in the previous European projects LOWBRASIS and REBRAKE and is the result of the long-standing partnership with the University of Trento and KTH of Stockholm. The goal of ECOPADS, launched in 2018, is to develop and produce traditional high-performance CU-free materials with certified reduced emissions.

With reference to the **Car and Commercial Vehicle Division**, 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.

After consolidating the technical solutions for fixed calipers, resulting in the assignment in the first half of 2019 of a share of the business relating to a platform of fully electric vehicles created by a major German manufacturer, the Group's focus shifted to the study and application of floating calipers for commercial vehicles. In 2020, the concept approval phase will be completed and products will be presented to the Group's customers.

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, application development was completed 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 DYADEMA caliper entered into production in the second half of 2019.

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 is currently underway, whereas start of production for the first vehicles will take place in late 2022.

The conquest of new market segments is being pursued also through the study of new types of brake caliper. This type of caliper includes FLEXIRA, which entered production at the end of the previous year for a major, long-standing German client, and currently is being developed with a major U.S. manufacturer.

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 the Group's customers. A major U.S. client has selected Brembo to supply a caliper with integrated electric parking for an electric vehicle; production began in the previous 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 the second half of 2019 with a major Italian manufacturer.

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. Brake-by-wire 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 the Group, 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 a constant performance over time and the car's pedal feel.

The Technical Development Centres continue to grow as planned in support of Brembo's expansion in China and the USA, in line with the acquisition of important businesses in these two markets.

Advanced R&D activities constantly monitor the evolution of vehicles, which 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-drive 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 new brake-by-wire system, whose peculiarity 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, in addition to ensuring a greater control of the vehicle dynamics also in traditional vehicles.

The functions ensured by a brake-by-wire system optimise braking energy regeneration using electric-drive motors and containment of the average wear and tear of the entire brake system, with positive effects in terms of environmental impact.

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. The first prototypes of motors designed by Brembo for its brake-by-wire actuators are being created in 2019. The project calls for the creation of a prototyping line for these motors in 2020.

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 — ended in the first quarter of 2019. This project's theme is key to the sustainability of Brembo's products.

The topic of the reduction of the emissions of transport system continues with other projects financed at the European level, such as MODALES (MOdify Drivers' behaviour to Adapt for Lower EmissionS), involving Brembo as a development partner. The goal of the MODALES project is to promote an understanding of the variability due to user (driver) behaviour and that due to vehicular emissions from powertrain, brakes and tyres. Its aim is to modify users' behaviour also through dedicated training.

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. (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 Audit, Risk & 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 Head of Risk Management, 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 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.

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[1] In this regard, reference should be made to documents published on Brembo's website in the section Company/Corporate Governance/Codes & Policies: Corporate Governance Manual, Brembo S.p.A.'s Organisational, Management and Control Model, the Brembo Group's Reference Layout for preparing accounting documents, Guidelines for the Brembo S.p.A. Internal Control and Risk Management System.

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 defining the risk categories to which attention should be drawn, Brembo has developed a model which identifies and classifies 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, Risk & 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. At least 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 top-end segments of the automotive sector and, in terms of geography, generates most of its sales in Europe, North America and China. In order to reduce 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

Brembo continues to engage in ongoing development aimed at strengthening its Sustainability Model and fulfilling its legal non-financial disclosure requirements under Legislative Decree No. 254/2016. With support from a specialised consulting firm, Brembo updated its sustainability risk assessment system, using measurement criteria in line with the Group's risk management methodology.
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. The focus on climate change risk has intensified and an in-depth analysis of the related risks is currently underway. Brembo considers the risk arising from the use of resources, such as water, with reference to all production sites, particularly those located in geographical areas marked by water scarcity; it also pays equal attention to risks linked to the pollution of waterbodies due to any contamination.

Safety in the workplace is always a priority where the relevant risks are assessed and managed by the competent functions.

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. Moreover, considering that potential risk factors exist within the supply chain, Brembo is implementing numerous 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, IT, 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

Natural or accidental events (earthquakes, fires, etc.), malicious behaviour (acts of vandalism) or malfunctioning of systems may result in damage to assets, the unavailability of production facilities and discontinuity of operation of such facilities. Brembo therefore reinforced its risk mitigation process, through the planning of loss prevention engineering based on standards recognised at an international level. 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, safety and traceability, 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 European data protection regulation (GDPR) and the national laws applicable in each EU member country. 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 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 reference to the risk of non-compliance with tax laws and regulations, or of operating in conflict with the principles or spirit of the systems in the jurisdictions in which the Group operates, in accordance with the guidelines laid down in the Global Tax Strategy and the Brembo S.p.A.'s Tax Strategy adopted in 2019, Brembo pursues the goal of proactively managing the tax risk by ensuring that such risk is timely recognised, properly measured, monitored and contained through the Tax Control Framework implemented in 2019 and fully applicable beginning in 2020.

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, Company, Corporate Governance, Corporate Governance Reports section).

Among compliance-related risks, attention should be drawn to the risk associated with breaches of national, international and industry regulations, and unethical professional behaviour in breach of the Company's ethics policy that expose it to vicarious administrative liability, in addition to undermining the Group's reputation on the market. Such risk 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 Tax Control Framework, which is a further tool for preventing offences that may give rise to administrative and criminal liability and thus reinforces Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001;
  - 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 appropriate checks or write-downs related to such risks and their economic effects.

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 credit risks. Financial risk management is the responsibility of the Parent's Treasury & Credit Department, which, together with the Group's Finance Department, evaluates the main financial transactions and related hedging policies.

Market Risk

Interest Rate Risk Management

Since the Group's financial debt is partly subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To reduce this risk, the Group has entered into several medium/long-term fixed rate loan agreements, as well as specific hedging contracts (IRS), which account — including lease liabilities — for approximately 67% 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 this risk, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly, and where advisable, forward contracts in order to reduce exchange rate risk exposure.

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2019, 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 to intrinsic risks related to the type of activities carried out by Brembo. 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 a high-standing 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.

New intuitions. New plants. In pursuit of organic, global growth. Tangible goals to be achieved quickly.

Human Resources and Organisation

To keep its organisational structure aligned with the market's needs, in 2019 the Group continued to make numerous changes to its organisation, by enhancing its central safeguards, industrial presence and local entities, while also constantly ensuring that technical product and process innovation continues to play a central role.

The main change was the new CEO joining the Group on 1 July 2019: Daniele Schillaci has over 25 years of experience in the automotive industry in roles of increasing complexity at the international level, a strong strategic vision and leadership skills honed in international environments. The new CEO will be responsible for guiding the Group towards further growth in the coming years.

In addition, at the business unit level, there were changes in the top management of the Systems Division, Motorbikes BU and Aftermarket BU, after the retirement of two of the previous Chief Operating Officers. In the Performance Group, the Project & System Engineering area was formed within the Technical Department to strengthen technical management of projects and ensure a systemic approach, thus completing a process that had already begun in the previous year. The Performance Group also established a new role, the Far East Hub Localization Project Manager, who will act as a focal point in China for the entire BU, to define and implement the Far East Hub strategy from a transversal standpoint.

The Italian plants at the Curno facility saw the creation of the Curno Site Industrial Director role and the appointment of a new Plant Manager for the Motorbikes BU, as well as the integration of the two Logistics areas of the Systems Division's facilities located in Curno and Mapello. In addition, the Sales Departments of the Discs Division and Systems Division reinforced their organisations to increase its coverage of the relevant markets.

At the Central Functions, important new roles were added and developed in 2019, including the Chief Public Affairs and Institutional Relations Officer and the Chief Business Development Officer, in addition to the Group Tax Manager. Moreover, the new Head of Risk Management joined the Group in the second half of the year. The new Chief Manufacturing Officer and Head of Lean Manufacturing, reporting to the former, also joined the Group in the first half of 2019.

Turning to the Group companies, Brembo China welcomed a new Sales Manager for both the Discs Division and the Systems Division. Finally, an international and interfunctional Project Team was created to expand the existing Ostrava facility in the Czech Republic.

In 2019, Brembo focused its efforts on designing, planning and holding training activities aimed at providing Group personnel especially with the knowledge and skills they need to be increasingly capable of anticipating industry's requests, market trends and the organisation's and people' actual needs.

There is a wide range of management and technical skills to be developed together with our staff through courses offered via a new online catalogue — a flexible, constantly updated tool designed to make it easier to identify a course dedicated to a specific skill or created for a specific professional family. The new developments include the significant innovation programme in the area of Diversity, through two different courses: one for human resource managers and the other for individual contributors. To convey the importance of harnessing the power of diversity in managing personnel and relationships between peers even more clearly, it was decided to make these courses an integral part of the programmes on Human Resource Management (for leaders) and Development of Personal Effectiveness (for staff). Our leaders also benefited from an additional training campaign dedicated to Enterprise Leadership.

The Hub for Life Long Learning was concluded in 2019. Initially created to fulfil contractual training requirements in the metalworking and mechanical engineering sector, over the three-year period 2017-2019 this important Italian initiative brought all Company personnel (offices and plants) into the classroom for 24 hours, in pursuit of reskilling, upskilling and broader ongoing training. The goal – which was achieved – was to offer broad, diversified skillsets through a series of modules and subjects of constantly increasing difficulty, tailored to each plant type. Examples include the Brembo Production System, the Industry 4.0 skillset, the follow-up on several modules of the company ERP system and planning models. The programme was rounded out by a useful and necessary refresh regarding safety and the environment. It should also be noted that the HUB for Life Long Learning training project was awarded 1st place in the "Markets and Competitiveness" area in the 5th year of the "Adriano Olivetti - Excellence in Training" award organised by AIF (Italian Trainers Association).

Among the technical and specialist training projects that continue to bring people from all over the world into the classroom, mention should be made of the Manufacturing Academy, the true Brembo Academy dedicated to manufacturing. It offers many workshops focusing in particular on digital factory topics. During 2019, the Academy launched new modules that progress hand-in-hand with research. Examples include Computer Vision and Additive Manufacturing, which were fully integrated into the Academy after the pilot programme held at the end of the year. Run by in-house trainers and supported by the expertise of university professors, the Manufacturing Academy has been designed to ensure that the Group enjoys constant virtuous exchanges with researchers and academe. The other important Brembo Academy dedicated to R&D is also forging ahead on its globalisation process. Extending to the entire braking system life cycle, including electrical components, it has been available at the Group facilities in North America, China and India for some years.

Training available in an e-learning format via the specific Brembo platform has begun to offer, in addition to institutional subjects for new recruits (Code of Ethics, Data Classification & Protection and GDPR), also new training courses designed to offer basic, practical managerial skills and is available in English. At the end of the year, the package was also launched on the global environment, offering new content to a new target groups within the company population.

Following transition in 2018 to ISO 9001:2015, which allows Brembo Academy to certify the products included in its training offerings, accreditation for training services was received in the Lombardy Region at the beginning of 2019.

Within the larger framework of the consolidated Talent Management System, worth of mention is also the further increase in the spread of the individual performance management system (in particular the Brembo Yearly Interview for white-collars), which covered 80% of Brembo's global population, in addition to the ongoing consolidation of the Succession Planning tools and processes.

brembo
academy

E-Learning

brembo
Manufacturing
Academy

R&D
Academy

Over
250,000
training hours
worldwide
(source: 2019 GRI)

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 2019, Brembo confirmed its position as a leader at the Italian and international level in the management of environmental issues. CDP (Carbon Disclosure Project) awarded an "A" score to the two Brembo questionnaires on Climate Change and Water Security. Merit for the recognition bestowed goes to the planned transition to an increasingly sustainable business model launched by the Group in recent years and consolidated in the reporting year, through a series of initiatives and projects designed to ensure the progressive involvement of all Brembo's people, the introduction of environmental and energy performance management and monitoring tools and constant minimisation of the impacts generated by production processes.

In line with the United Nations Sustainable Development Goals (SDGs), a rich programme that can be condensed into the following points was developed in 2019:

Competence and awareness

- The training programme, which initially involved Brembo's Italian personnel and will subsequently be extended to the personnel of the foreign subsidiaries, was launched in the fourth quarter. The course provides information and concepts for proper management of environmental topics, in both professional and private life.

Energy Management

- Development of the Brembo Energy Platform, a tool chosen by Brembo to offer a clear vision of the consumption data of all its plants, was completed. The platform is now ready for release to the Group's plants.

Environment and Energy Management System

- Brembo's Environment and Energy Management System is now compliant with ISO 50001 (the standard of reference of effective energy management). In December, the first pilot facility successfully passed the certification audit by the external authority, and the system will gradually be extended to all the Group's plants starting in 2020.
- Following the successful completion of the audits conducted by the certification authority, the recently constructed factories of Nanjing Systems (China) and Escobedo Cast Iron Foundry (Mexico) were included in Brembo's ISO 14001 certificate.

Circular economy

- Potential replacements of certain primary raw materials with others derived from waste recovery processes were validated and tested at one of the Group's cast iron foundries. However, the transition to an industrial phase was slowed by a change in the law that occurred during the year in Italy, relating to the end-of-waste classification.

Sustainability and energy efficiency objectives

- The 2019 objective of 2.34% — calculated as a percent reduction in energy consumption compared to the previous year achieved through improvement measures — was reached, with a final result of 4.87%. This result was also due to a series of improvement initiatives, noteworthy among which is the process optimisation system implemented at the cast iron foundries, which contributed approximately 80% of the total improvement. In addition, the share of renewable energy procured in Italy reached 75% of the total and 31% at the Group level, compared with 21% in the previous year.

Workplace Safety

Brembo's accident indicators (the frequency index and severity index), collectively considered, continued to improve in 2019, confirming recent years trend. A systematic analysis of the causes of accidents indicated that the main factors in accidents were a lack of attention and, generally, aspects of improper behaviour (71% of cases).
In particular, mention should be made of the significant improvements achieved by the Italian and Chinese plants, which over the past two years have more than halved the number of accidents, whereas four Group plants have not had any negative events for more than two years.

These results are due not only to the improvements made by individual plants, but also to the initiatives in which the entire Brembo Group was involved in 2019:

1. "Near Miss" campaign

Considerable effort was dedicated to an initiative designed to make identifying and recording near-misses more effective: the circulation of shared methods and tools and broad training at plants drove a fourfold increase in the number of events recorded in 2019 compared with 2018, with the ensuing preventive measures to eliminate potential causes of future outright accidents at the root.

2. Communication campaign

The "I AM SAFETY" campaign at the Group's plants, the spread of emotional training in the values of safety and the preparation of a booklet recounting the communication campaign distributed to the Group's employees are examples of actions taken in 2019.

3. "Melting Deck" workshop for cast iron foundries

A workshop was held at the global level, involving representatives of various functions from all the Group's cast iron foundries, to identify the greatest risks in the melting furnace area, to devise solutions to eliminate or mitigate those risks, and to standardise methods and tools for managing emergencies.

4. "Robot Line" workshop for mechanical processing

A workshop was held for the central technologies and several disc mechanical processing facilities to identify the basic criteria and safety standards (the "safety concept design") necessary to design and build future robotic production lines.

5. Performance of L.O.T.O. and ten Life Saving Behaviours audits

Audits were performed to verify the application of technical and behavioural standards relating to L.O.T.O. processes and adoption of ten life saving behaviours at production facilities.

6. Update of Management System to ISO 45001

In 2019, the process of updating the current Management System to ISO 45001 principles was implemented. The main activities in this process included:

- a training course on the ISO 45001 standard for personnel of the HS entity;
- performance of an OHSAS 18001/ISO 45001 gap analysis;
- identification of updates to be made to the Management System structure to update it to the ISO 45001 standard and the Group's organisational complexity;
- drafting of the new Group System (Worker Health and Safety Manual and Guidelines);
- application of the new Management System to three pilot plants to verify its applicability and efficacy and to identify any corrections;
- organisation of workshops to present the new System in the Group's various regions.

In first few months of 2020, the plants began to implement the new System in pursuit of new ISO 45001 compliance certifications for the System.

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 for the first time 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, Risk & Sustainability Committee, which also acts as Related Party Transactions Committee since it meets the requirements set out by the above-mentioned regulations. Said procedure was constantly updated to comply with the regulatory provisions in force from time to time, as well as with the existing practices. The procedure aims to ensure the full transparency and propriety of Related Party Transactions. The updated edition of Brembo's Related Party Transaction Procedure is available on Brembo's website (www.brembo.com, section Company, Corporate Governance, Governance Documents).

Brembo has examined and assessed the impact of Legislative Decree No. 49/2019 which transposed into Italian law the Directive EU 2017/828 (the so called "Shareholders' Rights II") on related parties and is expecting implementing regulations to be issued by Consob to implement any necessary amendments to the Procedure (reference legislation — Legislative Decree No. 49/2019, Article 1).

Detailed information on the Company's Related Party Transactions is provided in the Explanatory Notes to the Consolidated Financial Statements. 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 year with Related Parties are also discussed in Explanatory Notes to the Consolidated Financial Statements.

Further Information

Significant Events During the Year

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 18 April 2019 approved the Financial Statements for the financial year ended 31 December 2018, allocating the net income for the year amounting to €114,106 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.

On 18 April 2019, the Extraordinary Shareholders' Meeting also passed the following resolutions:

- renewal of the delegated powers (up to 18 April 2024) granted to the Board of Directors to increase the share capital in one or more tranches, excluding option rights, through payment, for a total amount of €3,472,791.40 (including any share premium), by issuing, in one or more tranches, a maximum of 33,392,225 shares with no nominal value;
- amendment to the By-laws to adopt the increased voting rights system in order to provide that double voting rights be conferred in respect of each share that has been held by the same party for a minimum period of 24 consecutive months, with effect from registration in the specific Special List to be instituted by the Company.

As announced in the press release issued on 3 May 2019, following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and the ensuing waiver of all related powers as of 1 July 2019, the Board of Directors' meeting held on 28 June 2019 co-opted Daniele Schillaci as Director, pursuant to Article 2386 of the Civil Code, and appointed him Chief Executive Officer, vesting him with all related powers. The Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment through to the end of the term of the current Board of Directors, i.e., until the approval of the 2019 Financial Statements.

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 18 April 2019 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 can be bought back and disposed of 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.

In the reporting period, Brembo bought back 1,300,000 own shares, for a total amount of €11,329 thousand, which with the 8,735,000 own shares already held represent 3.005% of the Company's share capital.

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, de-mergers, capital increase by way of contributions in kind, acquisitions and disposals.

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 six 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.

Reconciliation Statement of Brembo S.p.A.'s Equity/Result With Consolidated Equity/Result

The reconciliation of Equity and Result for the year, as reported in the Parent's Financial Statements, and the Equity and Result for the year recognised in the Consolidated Financial Statements reveals that the Group's Equity at 31 December 2019 was €739,343 thousand higher than the figure reported in the Brembo S.p.A. Financial Statements. Consolidated Net Result for the year, amounting to €231,301 thousand, was €52,148 thousand higher than that of Brembo S.p.A.

Economic results

(euro thousand)	Net income 2019	Equity at 31.12.2019	Net income 2018	Equity at 31.12.2018
Brembo S.p.A.	**179,153**	**617,820**	**114,106**	**522,267**
Consolidation adjustments:				
Equity of consolidated companies and allocation of their result	143,137	1,062,542	158,369	999,862
Goodwill and other allocated surplus	0	50,864	0	50,599
Elimination of intra-Group dividends	(97,023)	0	(42,075)	0
Book value of consolidated shareholdings	0	(407,984)	0	(401,448)
Valuation of shareholdings in associate companies/JVs measured using the equity method	3,984	19,811	5,326	16,226
Elimination of intra-Group income	(300)	(6,537)	(434)	(6,073)
Other consolidation adjustments	4,110	51,499	6,184	47,389
Equity and result for the year attributable to minority interests	(1,760)	(30,852)	(3,127)	(29,742)
Total consolidation adjustments	**52,148**	**739,343**	**124,243**	**676,813**
Group consolidated equity and result	**231,301**	**1,357,163**	**238,349**	**1,199,080**

Corporate Governance and Ownership Structure Report

Brembo S.p.A.'s Corporate Governance and Ownership Structure Report pursuant to Article 123-*bis* of the Consolidated Law on Finance presented in an individual report, separate from the Directors' Report on Operations, has been published at the same time as the latter and is available on Brembo's website (www.brembo.com, Company, Corporate Governance, Corporate Governance Reports section).

Consolidated Disclosure of Non-Financial Information

The Consolidated Disclosure of Non-Financial Information for 2019 pursuant to Legislative Decree No. 254/2016 presented in an individual report, separate from the Directors' Report on Operations, has been published at the same time as the latter and is available on Brembo's website (www.brembo.com, in the Sustainability, Report, Report and Presentations section).

Stezzano, 9 March 2020

On behalf of the Board of Directors

The Executive Deputy Chairman
Matteo Tiraboschi

Foreseeable Evolution

Brembo is following developments relating to the spread of the COVID-19 very closely and has taken all necessary measures to monitor, prevent and contain the pandemic at all of its locations worldwide. In the Bergamo and Brescia areas in particular — among the most severely affected by the COVID-19 pandemic, and where Brembo's Italian facilities are located — in accordance with the extraordinary measures adopted by the Italian government, and given the objective impossibility of maintaining continuity of operation (force majeure), the Company has ordered a suspension of production from 16 to 29 March, motivated by a strong sense of responsibility and in agreement with the trade unions involved.

At the global level, the effects of COVID-19 were felt exclusively in China until February, whereas Italy and Europe have been hit by the pandemic between late February and the first half of March. In China, production has gradually resumed, while Italy and Europe are recording a sharp slowdown. The Group's global presence and its diversification of products and market segments have thus far partially mitigated the effects of COVID-19 on its production at the global level.

The measures being taken by both European countries and the United States to seek to contain the spread of the epidemic are public knowledge; the effects of these measures will only become clear in the coming weeks. Given the rapid development of the phenomenon, it is difficult to make quantitative forecasts regarding the impacts of COVID-19 on the Group's operating and financial performance, but it is presumed that they will be significant in the first quarters of 2020.

The Company continues to monitor events very closely and is prepared to manage this situation with the utmost commitment and professionalism, maintaining the forward-looking perspective that has always set it apart.

Information About the Brembo S.p.A. Dividend Proposal

Brembo's Board of Directors, convened on 20 March 2020, acknowledged the significant change in the global economic scenario since the Board session of 9 March due to the spread of the COVID-19 viral pandemic.

Taking a prudent approach, in order to support the Group's financial solidity and contain future impacts on its economic and financial performance, the Board of Directors decided to submit to the General Shareholders' Meeting for its approval the following dividend proposal to distribute Brembo S.p.A.'s net income, amounting to €179,152,879.80:

- to the reserve pursuant to Article 6(2) of Italian Legislative Decree No. 38/2005 €1,125,037.09;
- the remaining amount carried forward.

Stezzano, 20 March 2020

On behalf of the Board of Directors

The Executive Deputy Chairman
Matteo Tiraboschi

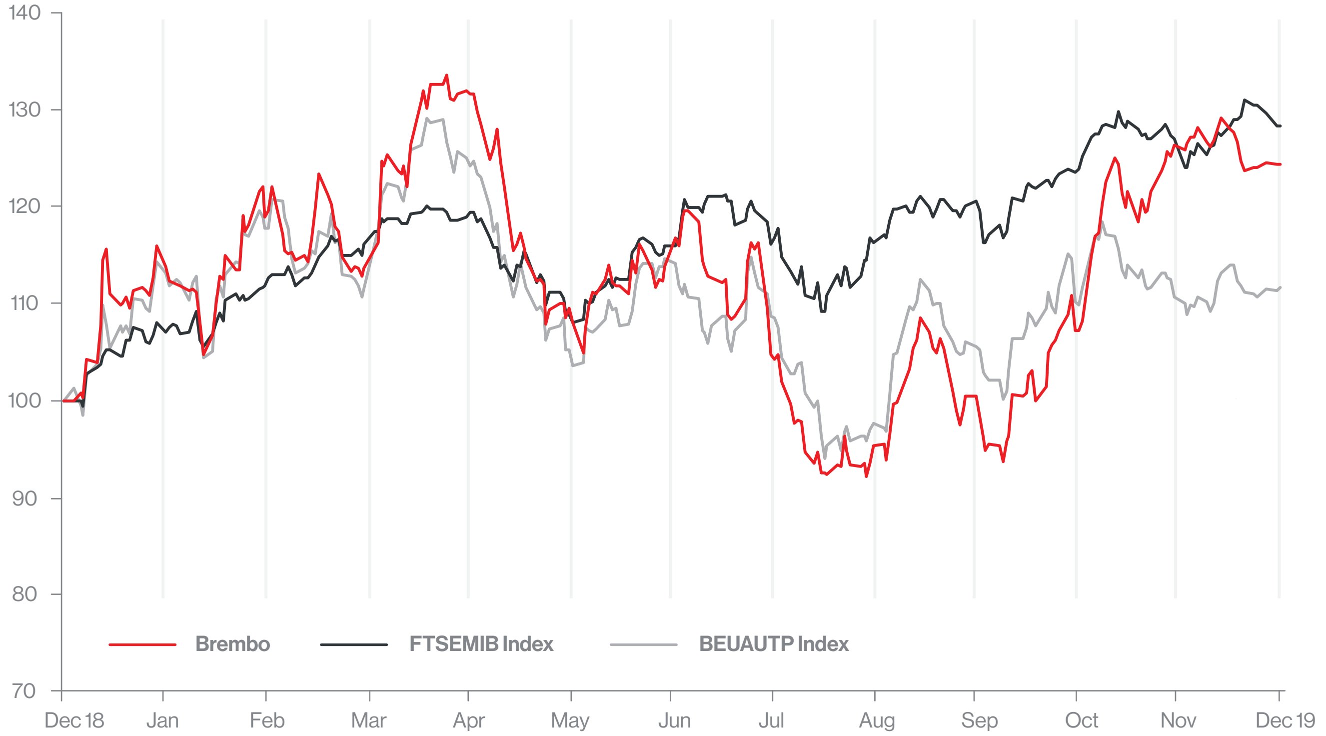
Brembo S.p.A. Stock Performance

For a listed company, the value of its stock is an important indicator of its credibility and reputation. For this reason over the past few years, the Group has paid particular attention to the brand's trust and relational capital and its competitive positioning.

The year 2019 was marked by strong uncertainty linked to higher international trading tensions, and concerns about a possible slowdown of global economic growth, all of which bore down on the automotive industry. Against this backdrop, Brembo stressed its commitment to monitoring any new developments in its industry, thus guaranteeing the strength of its fundamentals and the dynamic nature of its operations on a global level, allowing it to remain cautiously optimistic about future prospects.

Brembo's stock closed 2019 at €11.06, a 24.3% increase compared to year-start, reaching its high on 23 April (€11.88) and its low on 28 August (€8.20).

The FTSE MIB index closed the year up 28.3%, whereas the BBG EMEA Automobiles Parts index increased by 11.7%.



An overview of stock performance of Brembo S.p.A. is given below, compared with that of the previous year.

(euro thousand)	**31.12.2019**	**31.12.2018**
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 year) (euro)	438,667,185	408,160,135
Net income for the year (euro)	179,152,880	114,106,469
Trading price (euro)		
Minimum	8,20	8,84
Maximum	11,88	13,60
Year end	11,06	8,89
Market capitalisation (euro million)		
Minimum	2,738	2,952
Maximum	3,967	4,541
Year end	3,693	2,969
Gross dividend per share	0*	0.22

(*) To be approved by the Shareholders’ Meeting convened on 23 April 2020.

Further information and updates regarding stock performance and recent corporate information are provided on Brembo’s website: www.brembo.com - Investors section.
Investor Relations Manager: Laura Panseri

2. Palmares 2019

Accelerating, steering, **braking**, always pursuing new **milestones**. Environmentally **friendly** speed can count on **us**.

Palmares - Brembo Brake systems

Cars

“Open wheels” Championships

Formula 1 (calipers)	
Drivers’ Championship	
Constructors’ Championship	
Formula E	
Drivers’ Championship	Jean-Éric Vergne
Constructors’ Championship	DS Techeetah
Formula 2	
Drivers’ Championship	Nyck De Vries
Constructors’ Championship	ART Grand Prix
Formula 3	
Drivers’ Championship	Robert Schwartzman
Constructors’ Championship	Prema Theodore Racing
Super Formula	
Drivers’ Championship	Nick Cassidy
Constructors’ Championship	Vantelin Team TOM’S
FIA F3 World Cup	
Drivers’ Championship	Richard Verschoor - Art Grand Prix
Formula Student Championship	
	Unimore - Modena and Reggio Emilia University

“Covered wheels” Championships

FIA World Endurance Championship	
LMP1	Sébastien Buemi, Kazuki Nakajima, Fernando Alonso - Toyota Gazoo Racing
LMP2	Nicolas Lapierre, Pierre Thiriet, André Negrão - Signatech Alpine Matmut
GT PRO	Michael Christensen, Kévin Estre - Porsche 911 RSR
GT AM	Jörg Bergmeister, Patrick Lindsey, Egidio Perfetti - Porsche 911 RSR

Le Mans 24 Hours

LMP1	Sébastien Buemi, Kazuki Nakajima, Fernando Alonso - Toyota Gazoo Racing
LMP2	Nicolas Lapierre, Pierre Thiriet, André Negrão - Signatech Alpine Matmut
GT PRO	Alessandro Pier Guidi, James Calado, Daniel Serra - Ferrari 488 GTE Evo - AF Corse
GT AM	Jörg Bergmeister, Patrick Lindsey, Egidio Perfetti - Porsche 911 RSR

FIA GT World Cup

Drivers' Championship	Raffaele Marciello - Team GruppeM Racing

Blancpain GT World Challenge America

Drivers' Championship	Toni Vilander - R. Ferri Motorsport, Ferrari 488 GT3

IMSA WeatherTech SportsCar Championship

Classe DPI	Dane Cameron, Juan Montoya - Team Penske, Acura ARX - 05 Dpi
Classe LMP2	Matthew McMurry - PR1 Mathiasen Motorports
Classe GTLM	Earl Bamber, Laurens Vanthoor - Porsche Factory, Porsche 911RSR
Classe GT Daytona	Mario Farnbacher, Trent Hindman - Meyer Shank Racing w/ Curb - Agajanian - Acura NSX GT3

SCORE International Overall (Trophy Truck)

Drivers' Championship	Andy McMillin (McMillin Racing)

SCORE International Tecate SCORE Baja 1000

Drivers' Championship	Alan Ampudia - Ampudia Brothers Racing

Rally Championships

WRC

Constructors' Championship	Hyundai Motorsport

WTCR

Drivers' Championship	Norbert Michelisz - BRC Hyundai Racing Team

Motorbike

Motorbike Championship

MotoGP	
Drivers’ Championship	Marc Márquez - #93 Repsol Honda Team
Team Championship	Repsol Honda Team
Constructors’ Championship	Honda
Moto2 (calipers)	
Drivers’ Championship	Álex Márquez - #73 Kalex
Team Championship	Felxbox HP 40
Constructors’ Championship	Kalex
Moto3 (calipers)	
Drivers’ Championship	Lorenzo Dalla Porta - #48 Honda
Team Championship	Leopard Racing
Constructors’ Championship	Honda
FIM Moto E	
Drivers’ Championship	Matteo Ferrari
Team Championship	Trentino Gresini

SBK World Championships

WSBK World Superbike	
Drivers’ Championship	Jonathan Rea - #33 Kawasaki Racing Team
Team Championship	Kawasaki Racing Team WorldSBK
Constructors’ Championship	Kawasaki
Moto America Superbike	
Drivers’ Championship	Cameron Beaubier - Yamaha YZF-R1M

Off-Road Championships

Supercross 450	
	Cooper Webb - Red Bull KTM Factory Racing
Motocross	
MX2	Jorge Prado - Red Bull KTM Factory Racing
EMX 125	
	Mattia Guadagnini - Husqvarna Team Maddii Racing
Trial	
Trial GP and X-Trial	Toni Bou - Montesa - HRC
Rally Raid	
Dakar	Toby Price - Red Bull KTM Factory Racing
Cross-Country Rallies	
Drivers' Championship	Sam Sunderland
Constructors' Championship	KTM

Palmares - Marchesini Wheels

Motorbike

World SBK Championships

World Superbike	
Drivers' Championship	Jonathan Rea
Team Championship	Kawasaki Racing Team WorldSBK
Constructors' Championship	Kawasaki
FIM Moto E	
Drivers' Championship	Matteo Ferrari
Team Championship	Trentino Gresini

Performance that opens up to **environmental** issues while retaining all of its **appeal**. Gaining **relevance**, depth and **prestige**.

Palmares - AP Racing 2019

Cars

“Open wheels” Championships

Formula 1 (clutches)	
Drivers’ Championship	
Constructors’ Championship	
Indycar (clutches)	
Drivers’ Championship	Josef Newgarden - Penske Racing
Indy 500 (clutches)	
Drivers’ Championship	Simon Pagenaud - Penske Racing
Formula 3 (clutches)	
Drivers’ Championship	Robert Schwartzman
Constructors’ Championship	Prema Theodore Racing
NASCAR Xfinity Series	
Drivers’ Championship	Tyler Reddick - RCR

“Covered wheels” Championships

Le Mans 24 Hours	
LMP1 (clutches)	Sébastien Buemi, Kazuki Nakajima, Fernando Alonso - Toyota Gazoo Racing
LMP2 (no clutches)	Nicolas Lapierre, Pierre Thiriet, André Negrão - Signatech Alpine Matmut
GT AM (no clutches)	Jörg Bergmeister, Patrick Lindsey, Egidio Perfetti - Porsche 911 RSR
IMSA	
DPI (clutches)	Dane Cameron, Juan Montoya - Team Penske, Acura ARX - 05 Dpi
GTLM Class (no clutches)	Earl Bamber, Laurens Vanthoor - Porsche Factory - Porsche 911RSR
ELMS	
LMP2 (no clutches)	Paul Lafargue, Paul-Loup Chatin, Mémo Rojas - Idec Sport, Oreca 07 Gibson
Touring Car	
British	
Drivers’ Championship	Colin Turkington - Team BMW
Constructors’ Championship	Halfords Yuasa Racing - Honda Civic
DTM	
Drivers’ Championship (no clutches)	René Rast - Audi Sport Team Rosberg
Australian V8 Supercar	
Drivers’ Championship	Scott McLaughlin - Shell V-Power - Ford Falcon
Constructors’ Championship	Shell V-Power Racing Team - Ford Mustang
WTCR (clutches)	
Drivers’ Championship	Norbert Michelisz - BRC Hyundai Racing Team
Japanese Super GT	
500 Class (no clutches)	
Drivers’ Championship	Kazuya Oshima, Kenta Yamashita - WAKO’S 4CR LC500

3. Consolidated Financial Statements 2019

There is a type of **innovation** that springs from **sustainable** thinking, which looks to **tomorrow**, weighing it in terms of quality of **life**.

Consolidated Financial Statements at 31 December 2019

Consolidated Statement of Financial Position

Assets

(euro thousand)	Notes	31.12.2019	*of which with related parties*	31.12.2018.	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	1,064,307		1,041,337		22,970
Right of use assets	1	194,493		105		194,388
Development costs	2	87,241		73,304		13,937
Goodwill and other indefinite useful life assets	2	83,883		82,722		1,161
Other intangible assets	2	57,157		53,113		4,044
Shareholdings valued using the equity method	3	43,149		39,564		3,585
Other financial assets (including investments in other companies and derivatives)	4	7,078	*3,716*	8,190	*5,675*	(1,112)
Receivables and other non-current assets	5	12,901		2,981		9,920
Deferred tax assets	6	54,617		62,711		(8,094)
TOTAL NON-CURRENT ASSETS		**1,604,826**		**1,364,027**		**240,799**
CURRENT ASSETS						
Inventories	7	342,203	*219*	342,037	*9*	166
Trade receivables	8	391,925	*2,094*	407,414	*1,970*	(15,489)
Other receivables and current assets	9	95,870		72,132	*10*	23,738
Current financial assets and derivatives	10	1,439		307		1,132
Cash and cash equivalents	11	304,793		345,117		(40,324)
TOTAL CURRENT ASSETS		**1,136,230**		**1,167,007**		**(30,777)**
ASSETS FROM DISCONTINUED OPERATIONS		**1,435**		**0**		**1,435**
TOTAL ASSETS		**2,742,491**		**2,531,034**		**211,457**

Equity and liabilities

(euro thousand)	Notes	31.12.2019	*of which with related parties*	31.12.2018.	*of which with related parties*	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	107,325		108,784		(1,459)
Retained earnings/(losses)	12	983,809		817,219		166,590
Net result for the year	12	231,301		238,349		(7,048)
TOTAL GROUP EQUITY		**1,357,163**		**1,199,080**		**158,083**
TOTAL MINORITY INTERESTS		**30,852**		**29,742**		**1,110**
TOTAL EQUITY		**1,388,015**		**1,228,822**		**159,193**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	196,558		205,872		(9,314)
Long-term lease liabilities	13	177,283		19		177,264
Other non-current financial payables and derivatives	13	1,164		1,553		(389)
Other non-current liabilities	14	9,472	*3,782*	3,095		6,377
Non-current provisions	15	12,494		15,500		(3,006)
Provisions for employee benefits	16	25,584	*2,633*	27,141	*4,445*	(1,557)
Deferred tax liabilities	6	28,410		23,705		4,705
TOTAL NON-CURRENT LIABILITIES		**450,965**		**276,885**		**174,080**
CURRENT LIABILITIES						
Current payables to banks	13	257,655		273,328		(15,673)
Short-term lease liabilities	13	18,700		75		18,625
Other current financial payables and derivatives	13	1,061		1,488		(427)
Trade payables	17	473,996	*8,223*	566,737	*28,201*	(92,741)
Tax payables	18	6,135		6,003		132
Current provisions	15	2,052		13,504		(11,452)
Other current payables	19	143,273	*1,988*	164,192	*12,209*	(20,919)
TOTAL CURRENT LIABILITIES		**902,872**		**1,025,327**		**(122,455)**
LIABILITIES FROM DISCONTINUED OPERATIONS		**639**		**0**		**639**
TOTAL LIABILITIES		**1,354,476**		**1,302,212**		**52,264**
TOTAL EQUITY AND LIABILITIES		**2,742,491**		**2,531,034**		**211,457**

Consolidated Statement of Income

(euro thousand)	Notes	31.12.2019	*of which with related parties*	31.12.2018.	*of which with related parties*	Change
Revenue from contracts with customers	20	**2,591,670**	***406***	**2,640,011**	***471***	**(48,341)**
Other revenues and income	21	33,965	*3,972*	34,607	*3,611*	(642)
Costs for capitalised internal works	22	26,647		25,339		1,308
Raw materials, consumables and goods	23	(1,214,623)	*(53,126)*	(1,262,994)	*(93,974)*	48,371
Income (expense) from non-financial investments	24	13,794		16,190		(2,396)
Other operating costs	25	(470,588)	*(8,392)*	(486,962)	*(8,271)*	16,374
Personnel expenses	26	(465,696)	*(7,290)*	(465,306)	*(8,496)*	(390)
GROSS OPERATING INCOME		**515,169**		**500,885**		**14,284**
Depreciation, amortisation and impairment losses	27	(196,630)		(155,821)		(40,809)
NET OPERATING INCOME		**318,539**		**345,064**		**(26,525)**
Interest income	28	*48,237*		*57,963*		*(9,726)*
Interest expense	28	*(59,374)*		*(77,904)*		*18,530*
Net interest income (expense)	28	(11,137)	*68*	(19,941)	*38*	8,804
Interest income (expense) from investments	29	289		234		55
RESULT BEFORE TAXES		**307,691**		**325,357**		**(17,666)**
Taxes	30	(68,208)		(83,881)		15,673
Result from discontinued operations	32	(6,422)		0		(6,422)
RESULT BEFORE MINORITY INTERESTS		**233,061**		**241,476**		**(8,415)**
Minority interests		(1,760)		(3,127)		1,367
NET RESULT FOR THE YEAR		**231,301**		**238,349**		**(7,048)**
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	**0.71**		**0.73**		

Consolidated Statement of Comprehensive Income

(euro thousand)	31.12.2019	31.12.2018.	Change
RESULT BEFORE MINORITY INTERESTS	**233,061**	**241,476**	**(8,415)**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:			
Effect of actuarial income/(loss) on defined benefit plans	100	(494)	594
Tax effect	81	70	11
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method	(399)	(62)	(337)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**(218)**	**(486)**	**268**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:			
Effect of hedge accounting (cash flow hedge) of derivatives	(225)	0	(225)
Tax effect	54	0	54
Change in translation adjustment reserve	10,191	(4,264)	14,455
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**10,020**	**(4,264)**	**14,284**
COMPREHENSIVE RESULT FOR THE YEAR	**242,863**	**236,726**	**6,137**
Of which attributable to:			
- Minority Interests	*1,910*	*2,917*	*(1,007)*
- the Group	*240,953*	*233,809*	*7,144*

Consolidated Statement of Cash Flows

(euro thousand)	31.12.2019	31.12.2018
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**195,871**	**155,973**
Result before taxes	**307,691**	**325,357**
Depreciation, amortisation/impairment losses	196,630	155,821
Capital gains/losses	(2,157)	(3,319)
Income/expense from investments, net of dividends received	(3,984)	(5,326)
Financial portion of provisions for defined benefits and payables for personnel	577	539
Long-term provisions for employee benefits	2,502	2,628
Other provisions net of utilisations	(52)	(3,315)
Result from discontinued operations	(6,422)	0
Cash flows generated by operating activities	**494,785**	**472,385**
Current taxes paid	(65,961)	(77,602)
Uses of long-term provisions for employee benefits	(4,813)	(4,288)
(Increase) reduction in current assets:		
inventories	(7,604)	(27,311)
financial assets	(5)	(55)
trade receivables	14,558	(30,666)
receivables from others and other assets	(6,306)	6,925
Increase (reduction) in current liabilities:		
trade payables	(90,846)	96,347
payables to others and other liabilities	(26,374)	9,225
Translation differences on current assets	(814)	2,630
Net cash flows from/(for) operating activities	**306,620**	**447,590**

(euro thousand)	31.12.2019	31.12.2018
Investments in:		
property, plant and equipment	(213,657)	(250,447)
of which right of use assets	*(38,165)*	*0*
intangible assets	(38,111)	(37,291)
financial assets (shareholdings)	(131)	(1,350)
Price for disposal or reimbursement value of fixed assets	6,589	5,482
Net cash flows from/(for) investing activities	**(245,310)**	**(283,606)**
Dividends paid in the year	(71,541)	(71,541)
Buy-back of own shares	(11,329)	0
Dividend paid to minority shareholders in the year	(800)	(800)
Change in fair value of derivatives	(1,920)	814
New lease agreements	38,167	0
Reimbursement of lease liabilities	(24,436)	0
Loans and financing granted by banks and other financial institutions in the year	103,518	7,864
Repayment of long-term loans and other financing	(120,205)	(56,555)
Net cash flows from/(for) financing activities	**(88,546)**	**(120,218)**
Total cash flows	**(27,236)**	**43,766**
Translation differences on cash and cash equivalents	(76)	(3,868)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**168,559**	**195,871**

Consolidated Statement of Changes in Equity

		Other reserves		
	Share capital	Reserves	Treasury shares	Retained earnings (losses)
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				(424)
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method				(62)
Change in translation adjustment reserve		(4,054)		
Net result for the year				
Balance at 1 January 2019	**34,728**	**122,260**	**(13,476)**	**817,219**
Allocation of profit for the previous year				166,808
Payment of dividends				
Buy-back of own shares			(11,329)	
Components of comprehensive income:				
Effect of actuarial income/(loss) on defined benefit plans				181
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method				(399)
Effect of hedge accounting (cash flow hedge) of derivatives		(171)		
Change in translation adjustment reserve		10,041		
Net result for the year				
Balance at 31 December 2019	**34,728**	**132,130**	**(24,805)**	**983,809**

Net result for the year	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
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)
	(424)			0	(424)
	(62)			0	(62)
	(4,054)		(210)	(210)	(4,264)
238,349	238,349	3,127		3,127	241,476
238,349	**1,199,080**	**3,127**	**26,615**	**29,742**	**1,228,822**
(166,808)	0	(3,127)	3,127	0	0
(71,541)	(71,541)		(800)	(800)	(72,341)
	(11,329)			0	(11,329)
	181			0	181
	(399)			0	(399)
	(171)			0	(171)
	10,041		150	150	10,191
231,301	231,301	1,760		1,760	233,061
231,301	**1,357,163**	**1,760**	**29,092**	**30,852**	**1,388,015**

Explanatory Notes to the Consolidated Financial Statements at 31 December 2019

Brembo's Activities

In the vehicle industry components sector, the 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 light commercial and heavy industrial vehicles, motorbikes and racing competitions.
Manufacturing plants are located in Italy, Poland (Częstochowa, Dąbrowa Górnicza, Niepołomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), 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 Consolidated Financial Statements

Introduction

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2019 have been prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2019, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations. IFRS means all international accounting standards and all interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).
The Consolidated Financial Statements include the Consolidated Statement of Financial Position, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and these Explanatory Notes, in accordance with IFRS requirements.
On 9 March 2020, the Board of Directors approved the Consolidated Annual 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 Consolidated Financial Statements were prepared on the basis of draft Financial Statements for the year ended 31 December 2019, prepared by the Boards of Directors, or, when available, of Financial Statements approved at the Shareholders' Meetings of the relevant consolidated companies, appropriately adjusted to align them with Group classification criteria and accounting standards.
The Consolidated Financial Statements have 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 administrative period and the closing date for preparing the Consolidated Financial Statements correspond to the ones for the Financial Statements of the Parent and all the consolidated companies. The Consolidated Financial Statements are 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.

The Consolidated Financial Statements provide comparison figures for the previous year. When applying an accounting standard or retroactively recognising an adjustment, or reclassifying financial statement items, the Group includes an additional column showing the Statement of Financial Position for the first comparison year.

The Group made the following choices in relation to the presentation of the Financial Statements:

- for the Consolidated Statement of Financial Position, there is separate disclosure of the current and non-current assets and the current and non-current liabilities. Current assets, which include cash and cash equivalents, are those assets which will be realised, sold or consumed within the Group's normal operating cycle; current liabilities are obligations that will be liquidated within the Group's normal operating cycle or within twelve months of the close of the accounting period;
- in the Consolidated Statement of Income, expense and income items are stated based on their nature;
- the Consolidated Statement of Comprehensive Income has been reported in a separate statement;
- for the Consolidated Statement of Cash Flows, the indirect method was used, as indicated in IAS 7.

The Financial Statements presented herein comply with Consob resolution No. 15519 of 27 July 2006.

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. 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 (including the estimate of any tax liabilities associated with tax litigation, underway or that is likely to occur), impairment of non-financial assets and the actuarial assumptions used in the valuation of defined benefit plans. Other estimates relate to provisions for contingencies, product warranties, inventory obsolescence, useful lives of certain assets, the designation of lease contracts and the determination of the fair value of financial instruments, including derivatives.

In particular, the following items should be noted:

- Capitalisation of development costs: the initial capitalisation is based on management's judgment about the technical and economic feasibility of the project, usually when the project has reached a certain phase of the development plan. The project's expected future cash flows, the discount rates to be applied and the periods in which expected benefits will be generated are taken into consideration to determine the amounts to be capitalised. Further information is given in Note 2 of these Explanatory Notes;
- Recognition of taxes: deferred tax assets are recognised for all unused tax losses, to the extent that it is considered probable that there will be sufficient future taxable profit against which the loss can be utilised. Deferred tax liabilities for taxes on non-distributed profits of subsidiaries, associates or joint ventures are not recognised to the extent that it is considered probable that they will not be distributed in the foreseeable future. Therefore, management has to make a significant estimate to determine the amount of deferred tax assets that can be recognised and deferred tax liabilities that it is possible not to recognise, based on the amount of future taxable profit, when it will be achieved and tax planning strategies. In light of the wide range of international commercial relations, the long-term nature and the complexity of current contractual agreements, any differences between actual results and formulated hypothesis, or future changes of those assumptions, may require future adjustments to previously recognised income taxes and expenses. Further information is given in Note 6 of these Explanatory Notes;
- Impairment of non-financial assets: an impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. Value in use is calculated according to a discounted cash flow model. Recoverable amount is highly dependant on the discount rate used in the discounted cash flow model, the expected future cash flows and the growth rate used for extrapolation. The key assumptions used to determine the recoverable amounts of the various cash-generating units, including a sensitivity analysis, are described in detail in Note 2 hereto;
- Actuarial assumptions used in the measurement of defined benefit plans: the cost of defined benefit pension plans and other post-employment medical care and the present value of the defined benefit obligation are determined according to an actuarial assessment. The actuarial assessment requires the use of various assumptions, which may differ from actual future developments. Such assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, such estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. Further information is given in Note 16 of these Explanatory Notes.

Change in Accounting Standards and Disclosures

The valuation and measurement criteria used are based on IFRS in force as of 31 December 2019 and endorsed by the European Union.
The Group applied IFRS 16 and IFRIC 23 for the first time. The impact and nature of the changes occurred following the adoption of these new accounting standards are illustrated below.

IFRS 16 — *Leases*

IFRS 16 was published in January 2016 and replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to recognise all lease contracts in the financial statements on the basis of a single accounting model similar to that used to recognise finance leases that were governed by IAS 17. The standard provides for two exemptions for lessees' recognition of lease contracts: low-value assets (e.g., personal computers) and short-term lease contracts (e.g., lease terms of 12 months or less). On the lease contract start date, the lessee will recognise a liability for payments of rental fees specified in the lease contract and an asset representing the right to use the underlying asset for the period of the contract. Lessees will have to recognise separately the interest paid on the lease liability and amortisation of the right to use the asset. Lessees will also have to re-measure the lease liability when certain events happen (e.g., a change in lease contract conditions or 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 lease 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 entered into force for years started 1 January 2019 or thereafter with full retrospective or modified application. The Group has applied the new standard using the modified retrospective method, option B, without restating contracts already in place at 1 January 2019 and not applying the standard to low-value and short-term assets.
The details of the impacts of the application of the new Standard are presented in the section of these Notes entitled “Analysis of individual items”.

IFRIC 23 — *Uncertainty Over Income Tax Treatment*

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity must recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. When there is uncertainty over income tax treatments, this Interpretation addresses: a) whether an entity considers uncertain tax treatments separately or jointly; b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and d) how an entity considers changes in facts and circumstances. This interpretation had no impact on the Group's statement of income and financial position results.

The following new standards and amendments entered into force on 1 January 2019 and had no impacts on the Group's Consolidated Financial Statements:

- Amendments to IFRS 9 - *Prepayment Features with Negative Compensation;*
- Amendments to IAS 28 - *Long-term Interests in Associates and Joint Ventures;*
- Amendments to IAS 19 - *Plan Amendment, Curtailment or Settlement;*

- Annual IFRS Improvement Process:
  - IFRS 3 - Business Combinations - *Previously Held Interests in a Joint Operation;*
  - IFRS 11 - *Joint Arrangements - Previously Held Interests in a Joint Operation;*
  - IAS 12 - *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity;*
  - IAS 23 - *Borrowing Costs - Borrowing Costs Eligible for Capitalisation.*

Other standards and amendments, not yet endorsed at the reporting date, are listed 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
IFRS 17 - *Insurance Contracts* (issued in May 2017)	NO	1 January 2021
Amendments to IFRS 3 - *Business Combination* (issued in October 2018)	NO	1 January 2020
Amendments to IAS 1 - *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	NO	not defined

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.

Consolidation Criteria

The Consolidated Financial Statements include the Financial Statements of the Parent, Brembo S.p.A., at 31 December 2019, and the Financial Statements of the companies controlled by Brembo S.p.A. pursuant to IFRS 10. Control arises when the Group is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to influence those returns through its power over the said investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to exert power over the investee to influence the amount of the investor’s returns.

It is generally presumed that the majority of voting rights confers control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:
- contractual agreements with other vote-holders;
- rights under contractual agreements;
- the Group’s actual and potential voting rights.

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the three factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control. The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group obtains control until the date the Group no longer controls the company.

Income (loss) for the year and other comprehensive income components are allocated to the shareholders of the Parent and minority interests, even if this results in a negative balance for the minority interests. Where necessary, the appropriate adjustments are applied to the financial statements of subsidiaries, so as to ensure compliance with the Group's accounting policies. All intra-group assets and liabilities, equity, revenues, costs and cash flows relating to transactions between Group entities are completely eliminated during the consolidation process.
Changes in percent interests in a subsidiary that do not entail a loss of control are recognised at equity.
If the Group loses control of a subsidiary, it eliminates the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognised in the Statement of Income. The residual interest, if any, is measured at fair value.

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. No corporate transactions impacting the Group consolidation area were performed in 2019.
On 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. will be placed in liquidation. Pursuant to IFRS 5, the company's assets and liabilities have been reclassified to "Assets/Liabilities from discontinued operations", whereas its statement of income items have been reclassified to "Result from discontinued operations".

Accounting Standards and Valuation Criteria

Business Combinations and Goodwill

Business combinations (established after the date of transition to IFRS) are accounted for using the purchase accounting method envisaged by IFRS 3.
The value of the entity included in the business combination is the sum of the fair value of the assets acquired and liabilities assumed, including contingent liabilities.
The cost of a business combination is identified as the fair value, at the date control is obtained, of the assets acquired, liabilities assumed and equity instruments issued for the purposes of the combination. That cost is then compared with the fair value of the identifiable assets, liabilities and contingent liabilities upon acquisition. Any excess of cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities upon acquisition is recognised as goodwill. Any negative differences are charged directly to the Statement of Income. If the initial cost of a business combination can only be determined provisionally, adjustments to the initial provisional values must be made within twelve months of the acquisition date. Minority interests are recognised on the basis of the fair value of the net assets acquired. If a business combination involves more than one transaction, with successive share purchases, each transaction is treated separately using the cost of the transaction and fair value information on the assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any differences. When control of a company is obtained through a subsequent share purchase, the previously held interests are accounted for based on the fair value of identifiable assets, liabilities and contingent liabilities at the date control is acquired.

The acquiree measures contingent consideration at fair value at acquisition date. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IFRS 9, must be recognised in profit or loss or in Other Comprehensive Income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the relevant IFRS. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and its subsequent settlement is recognised in equity.

Goodwill is initially recognised at cost, as the difference of the aggregate of the value of the consideration transferred and the amount attributed to minority interests compared to net identifiable assets acquired and liabilities assumed by the Group. If the consideration is lower than fair value of net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Equity Investments in Associates and Joint Ventures

An associate is a company over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without exercising control or joint control over the investee.

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimous consent of all parties sharing control.

Considerations used to determine significant influence or joint control are similar to those required to determine control of subsidiaries.

The Group's equity investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an equity investment in an associate or a joint venture is initially recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the investee's profit or loss realised after the acquisition date. The goodwill related to the associate or joint venture is included in the carrying amount of the investment and is not tested separately for impairment.

The Statement of Income reflects the Group's share of the profits or losses of the associate or joint venture. All changes in Other Comprehensive Income relating to such investees have been presented in the Group's Statement of Comprehensive Income. In addition, when an associate or a joint venture recognises a change directly in equity, the Group recognises its share of that change, where applicable, in its Statement of Changes in Equity. Unrealised gains and losses on transactions between the Group and associates or joint ventures are eliminated in proportion to the interest held in the associates or joint ventures.

The aggregate share of the net result of associates and joint ventures attributable to the Group is recognised in the Statement of Income and represents the income or loss after taxes and the amounts attributable to the other shareholders of the associate or joint venture.

The financial statements of associates and joint ventures are prepared at the same reporting date as the Group's

Financial Statements. Where necessary, such financial statements are adjusted to bring them into line with the Group's accounting standards.

Once the equity method has been applied, at each reporting date the Group assesses whether there is objective evidence that the investments in the associates or joint ventures have become impaired. In such cases, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate or joint venture and the carrying amount of the investment in its financial statements, and then accounts for that difference in the Statement of Income.

When significant influence over an associate or joint control of a joint venture is lost, the Group measures and recognises the residual investment at fair value. The difference between the carrying amount of the investment at the date significant influence or joint control is lost and the fair value of the residual investment and consideration received is recognised in the Statement of Income.

Conversion of Items Denominated in Foreign Currencies

Conversion of the Financial Statements of Foreign Companies

The financial statements of the Group Companies included in the Consolidated Financial Statements are denominated in the currency used in the primary market in which they operate (functional currency). The Group Consolidated Financial Statements are denominated in euro, which is the functional currency of the Parent Brembo S.p.A.

At year end, the assets and liabilities of subsidiaries, associate companies and joint ventures whose functional currency is not the euro are translated into the currency used to prepare the consolidated Group accounts at the exchange rate prevailing at that date. Statement of Income items are translated at the average exchange rate for the period (as it is considered to represent the average of the exchange rates prevailing on the dates of the individual transactions). The differences arising from the translation of initial equity at end-of-period exchange rates and the differences arising as a result of the different method used for translating the result for the period are recognised under a specific heading of equity. If consolidated foreign companies are subsequently sold, accumulated conversion differences are recognised in the Statement of Income.

The following table shows the exchange rates used in the translation of financial statements denominated in currencies other than the Group's functional currency (euro).

Euro against other currencies	31.12.2019.	2019 average	31.12.2018.	2018 average
U.S. Dollar	1.123400	1.119598	1.145000	1.181490
Japanese Yen	121.940000	122.056369	125.850000	130.409562
Swedish Krona	10.446800	10.586660	10.254800	10.256743
Polish Zloty	4.256800	4.297528	4.301400	4.260575
Czech Koruna	25.408000	25.669748	25.724000	25.643155
Mexican Peso	21.220200	21.557279	22.492100	22.716019
Pound Sterling	0.850800	0.877307	0.894530	0.884747
Brazil Real	4.515700	4.413542	4.444000	4.308730
Indian Rupee	80.187000	78.850143	79.729800	80.727734
Argentine Peso	67.274900	53.800925	43.159300	32.908882
Chinese Renminbi	7.820500	7.733878	7.875100	7.807350
Russian Rouble	69.956300	72.459337	79.715300	74.055072

Transactions in Currencies Other than the Functional Currency

Transactions in currencies other than the functional currency are initially converted into the functional currency using the exchange rate prevailing at the date of the transaction. At the closing date of the accounting period, monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at that date. Exchange differences arising from such translation are recognised in the Statement of Income.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are carried at cost are translated using the exchange rate prevailing at the transaction date, while those carried at fair value are translated using the exchange rate prevailing on the date the fair value is determined.

Property, Plant, Equipment and Other Equipment

Recognition and measurement

Property, plant, equipment and other equipment are recognised at cost, net of the related accumulated depreciation and any impairment loss. The cost includes the purchase or production price and direct costs incurred for bringing the asset to the location and condition necessary for it to be capable of being operated; interest expense is also included, where applicable under IAS 23.

Subsequent to initial recognition, the asset continues to be carried at cost and depreciated based on its remaining useful life net of any impairment in value, taking into account any residual value.

Land, including land linked to buildings, is recognised separately and is not depreciated since it is regarded as having an indefinite useful life.

Subsequent costs

Costs for improvements and transformations that increase the value of assets (i.e., they result in probable future economic rewards that can be reliably measured) are recognised in the assets section of the Statements of Financial

Position as increases to the assets in question or as separate assets. Costs are written off in the year in which they are incurred, where they relate to maintenance or repair and do not lead to any significant and measurable increase in productive capacity or in the useful life of the relevant asset.

Depreciation

Depreciation represents the economic and technical loss of value of the asset and is charged from when the asset is available for use; it is calculated using the straight-line method based on the rate considered representative of the useful life of the asset.

The range of expected useful lives of property, plant and equipment used for calculating depreciation is reported below:

Category	Useful life
Land	Indefinite
Buildings	10 - 35 years
Plant and machinery	5 - 20 years
Industrial and commercial equipment	2.5 - 10 years
Other assets	4 - 10 years

The residual values, useful lives and depreciation methods applied to property, plant and equipment are reviewed at the end of each year and prospectively corrected, where appropriate. Useful lives are unchanged compared to the previous year.

Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to recognise all lease contracts in the financial statements on the basis of a single accounting model similar to that used to recognise finance leases that were governed by IAS 17. The lessee recognises a liability for payments of rental fees specified in the lease contract and an asset representing the right to use the underlying asset for the period of the contract. Lessees must recognise separately the interest paid on the lease liability and amortisation of the right to use the asset. Lessees must also re-measure the lease liability when certain events happen (e.g., a change in lease contract conditions or a change in future lease payments caused by a change in an index or rate used to determine those payments). The lessee generally recognises the re-measured amount of the lease liability as an adjustment to the right to use the asset.

Leasehold improvements

Improvements to third-party assets that can be considered fixed assets are capitalised to the appropriate asset category and depreciated over the shorter of their useful life or the lease term.

Development Costs and Other Intangible Assets

The Group recognises intangible assets when the following conditions are met:

- the asset is identifiable, or separable, or can be separated or removed from the entity;
- the asset is controlled by the Group, meaning that the company has the power to obtain future economic rewards from the asset;
- it is probable that the Group will enjoy future rewards attributable to the asset.

Intangible assets are initially measured at cost; subsequent to initial recognition, they are carried at cost less amortisation (except for goodwill and other intangible assets with indefinite useful lives), which is calculated using the straight-line method (beginning on the date the assets are available for use) over their useful lives, and net of any impairment losses, taking into account any residual value. The useful life of assets is reviewed periodically.

An intangible asset generated in the development phase of an internal project is recognised as asset if the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and the ability to use or sell it;
- how the intangible asset will generate probable future economic rewards;
- the availability of adequate resources to complete the development;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development;
- the ability to use the intangible asset generated.

Development costs are recognised in the Statement of Income. Similarly, in the case of externally acquired intangibles that qualify as research and development costs, only the costs attributable to the development phase are recognised as assets, provided that the above requirements are met.
Such costs are capitalised under “Development costs” and amortised when the development phase is concluded and the asset developed generates economic rewards. In the period in which internal development costs that can be capitalised are incurred, these costs are excluded from the Statement of Income item “Increase on internal works capitalised” and recognised in the item “Costs for capitalised internal works”.

The range of expected useful lives of intangible fixed assets used for calculating amortisation is reported below:

Category	Useful life
Development costs	3 - 5 years
Goodwill and other fixed assets with indefinite useful lives	Indefinite
Industrial patents and similar rights	5 - 10 years
Other intangible assets	3 - 5 years

The residual values, useful lives and amortisation methods applied to intangible assets are reviewed at the end of each year and prospectively corrected, where appropriate. Useful lives are unchanged compared to the previous year.

Impairment of Non-Financial Assets

Goodwill, intangible assets with an indefinite life and development costs underway are systematically tested for impairment at least once a year, and whenever there are any indications of impairment.
Property, plant and equipment, as well as intangible assets that are subject to depreciation and amortisation are tested for impairment whenever indications of impairment arise.
Write-downs correspond to the difference between the carrying value and recoverable value of the assets in question. The recoverable value is the greater of the fair value of an asset or cash-generating unit less the costs of disposal and the value in use, determined as the present value of estimated future cash flows. The value in use is

defined as the cash flows expected to arise from the use of an asset, or the sum of the cash flows in the case of more cash-generating units. The expected future cash flows are measured using the unlevered discounted cash flows method and each group of assets is discounted to the present value using the WACC method (weighted average cost of capital). If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and, as a general rule, the impairment loss is recorded in the Statement of Income. When the impairment loss of an asset (except for goodwill) is subsequently reversed, the carrying value of the asset (or cash-generating unit) is increased to the new estimate of recoverable value, without exceeding the value prior to write-down.

Inventories

Inventories of raw materials and finished products are stated at the lower of cost of acquisition or market value and the corresponding presumable net realisable value estimated from market trends.

The purchase cost includes costs incurred to bring each asset to the place it is stored. Manufacturing costs of finished products and semi-finished goods include direct costs and a portion of indirect costs that can be reasonably attributed to the products based on normal exploitation of the production capacity; interest expense is excluded. Work in progress is valued at production costs for the year, based on the progress report.

The cost of inventories of raw materials, finished goods, goods for resale and work-in-progress is calculated using the weighted mean cost method.

For raw materials, ancillaries and consumables, the presumable net realisable value corresponds to the replacement cost. For finished products and semi-finished goods, the presumable net realisable value corresponds to the estimated sales price in the ordinary course of business, less the estimated costs of completion and costs to sell.

Inventories that are obsolete or characterised by a long turnover period are written down on the basis of their possible useful life or realisable value, by creating a special provision for inventory adjustment.

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, unrestricted deposits and other treasury investments with original maturities of up to three months. A treasury investment is considered as availability, when it is instantly convertible to cash with minimal risk of any fluctuation in value and, further, it is intended to meet short-term cash requirements and is not held as an investment.

For purposes of the Statement of Cash Flows, cash balances are stated net of bank overdrafts at the end of the period.

Provisions

Provisions include certain or probable costs of a specific nature, the amount or settlement date of which could not be determined at year end. A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the present value of the expected expenditure required to settle the obligation in question. Where the Group expects some or all of the expenditure required to settle a provision to be reimbursed, such as for the case of insured risks, the reimbursement is treated as a separate asset and is recognised when, and only when, it is virtually certain that the reimbursement will be received. In this case, the expense relating to the provision is presented in the Statement of Income net of the amount recognised for the reimbursement.
Provisions are periodically updated to reflect changes in cost estimates, timing and present value, if any; revisions to estimates are recognised under the same heading of the Statement of Income under which the original provision was recognised and in the Statement of Income of the period in which the change is made. When provisions are discounted to present value, the change resulting from the passage of time or interest rate fluctuations is recognised under “Net interest income (expense)”.
Any provisions for restructuring costs are recognised when the company involved has approved a formal detailed plan and communicated it to the parties concerned.
Provisions for product warranty costs are recognised when products are sold. Initial recognition is based on historical experience. The initial estimate of the costs of warranty work is reviewed annually.

Employee Benefits

The difference between defined contribution plans, wholly unfunded defined benefit plans, wholly or partly funded defined benefit plans and other forms of long-term benefits is reported below.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a company pays contributions to an insurance company or pension fund and has no legal or constructive obligation to pay further contributions if, when the benefit right matures, the fund does not have sufficient assets to pay all benefits relating to employee service in the current or prior periods.
These contributions, which are paid for the services rendered by employees, are recognised in the same accounting period in which the services are rendered.

Defined benefit plans and other long-term benefits

Defined benefit plans are post-employment benefit plans that entail a future obligation for the company. The company assumes actuarial and investment risks in relation to the plan.
To determine the present value of its obligations relating to such plans and the related service costs, the Group uses the “Projected Unit Credit Method”.
This actuarial calculation method requires the use of unbiased and mutually compatible actuarial assumptions about demographic variables (mortality rate and employee turnover rate) and financial variables (discount rates and future increases in salary and benefits). When a defined benefit plan is wholly or partly funded by contributions paid either into a fund that is legally separate from the company or to an insurance company, any plan assets are measured at fair value. The obligation is therefore stated net of the fair value of the plan assets that will be used to directly meet such obligation.
Remeasurements, which include actuarial gains and losses, any changes in the effect of the assets ceiling (excluding net interest) and return on plan assets (excluding net interest) are recognised immediately in the Statement of Financial Position, debiting or crediting retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified through profit or loss in the following years.
Other long-term benefits refer to employee benefits other than post-employment benefits. They are accounted for in the same manner as defined benefit plans.

Own Shares

Own shares bought back are recognised at cost and are deducted from equity. No gain or loss is recognised in the Statement of Income on the purchase, sale, or cancellation of the company's own shares. The difference between the carrying amount and the consideration, in case of reissue, is recognised in the share premium reserve.

Government Grants

Government grants are recognised at fair value, when there is reasonable assurance that all necessary conditions attached to them have been satisfied and the grants will be received.
Grants received in recognition of specific expenses are recognised as liabilities and credited to the Statement of Income on a systematic basis over the periods necessary to match the grant income with the related expenditure.
Grants received for defined assets that are recognised as fixed assets are accounted for as non-current liabilities and credited to the Statement of Income in relation to the period in which depreciation or amortisation is charged for the relevant assets.

Fair Value Measurement

The Group measures financial instruments, such as derivatives, at fair value at the end of each financial period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a sale of the asset or transfer of the liability taking place:

- in the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group.

Fair value measurement takes into account the characteristics of the asset or liability being measured that market participants would consider when pricing the asset or liability, assuming that market participants act with the aim of best satisfying their economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic rewards by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
The Group uses valuation techniques appropriate to the circumstances and for which sufficient data for fair value measurement are available, thus maximising the use of observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, the fair value of which has been measured or recognised in the financial statements, are categorised based on the fair value hierarchy, as described below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - measurement techniques whereby inputs are unobservable inputs for the asset or liability.

The fair value measurement is categorised in its entirety in the hierarchy level of the lowest level input that has been used for the measurement.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether shifts have occurred between hierarchy levels and revises the categorisation (based on the lowest level input that is significant to the entire fair value measurement) at the end of each financial period.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are initially recognised at their fair value, plus ancillary costs. Upon initial recognition, financial assets are classified, depending on their nature, in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans, receivables and financial assets available for sale.

Loans and receivables (the category of greatest significance for the Group) are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. After initial recognition, such financial assets are measured at amortised cost, using the effective interest rate method, less impairment losses. Amortised cost is calculated by including any discounts, premiums or fees and/or costs, which are an integral part of the effective interest rate. The effective interest rate is recognised as interest income in the Statement of Income. Impairment losses are recognised in the Statement of Income as interest expense. This category normally includes trade and other receivables.

When accounting for financial assets measured at amortised cost, the Group first assesses whether impairment exists for each financial assets that are individually significant, and collectively for financial assets that are not individually significant. The carrying amount of an asset is reduced by recognising a write-down provision, and the amount of the loss is recognised in the Statement of Income. Loans and the associated write-down provisions are derecognised when there is no realistic prospect that they may be recovered in future and the guarantees have been enforced or transferred to the Group. If, in a subsequent year, the amount of an estimated impairment loss increases or decreases because of an event occurring after the impairment is recognised, the previously recognised impairment loss is increased or decreased by adjusting the provision.

Financial assets are removed from the Statement of Financial Position when the right to receive cash flows ceases, the Group transfers the right to receive cash flows from the asset to a third party, or the Group assumes a contractual obligation to pay them in full and without delay, and (1) it has transferred substantially all of the risks and rewards of ownership of the financial asset, or (2) it has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred the rights to receive the cash flows from an asset, or has entered into a contractual arrangement whereby it retains its contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay cash flows to one or more beneficiaries (pass-through arrangement), it evaluates the extent to which it has retained the risks and rewards of ownership.

Equity investments in other entities are measured at fair value; when the fair value cannot be reliably determined, equity investments are measured at cost adjusted for impairment.

Financial liabilities

Upon initial recognition, financial liabilities are classified among financial liabilities at fair value through profit or loss, loans and financing or derivatives designated as hedging instruments. All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs, in the cases of loans, financing and payables. The Group's financial liabilities extend to trade payables and other payables, loans and financing, including account overdrafts, guarantees issued and derivative financial instruments, as well as lease liabilities.

Loans and payables (the category of greatest significance for the Group) are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Income when the liability is extinguished, as well as through the amortisation process.

Amortised cost is calculated by including the discount or premium, as well as costs and fees, which are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among interest expense in the Statement of Income, on the basis of their classification.

Financial guarantees issued are contracts that require a payment to reimburse the holder of a debt instrument for a loss incurred by the holder due to default by the debtor on payment at the contractual due date. When the Group issues financial guarantees, the financial guarantee contracts are initially recognised as liabilities at fair value, plus the transaction costs directly attributable to issuing the guarantee. The liability is then measured at the greater of the best estimate of the outlay required to meet the guaranteed obligation at the reporting date and the initially recognised amount, less cumulative amortisation.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or discharged. Where one existing financial liability is replaced by another attributable to the same borrower with substantially different conditions, or the conditions of an existing liability are substantially modified, such exchange or modification is accounted for by derecognising the original liability and recognising a new liability, with any differences between carrying amounts recognised in the Statement of Income.

Offsetting of Financial Instruments

A financial asset and a financial liability may be set off against one another, and the net balance presented in the Statement of Financial Position, if there is a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Loans, payables and other financial and/or trade liabilities with a fixed or determinable maturity are initially recognised at fair value, net of the transaction costs. After initial recognition, these payables are evaluated using the criterion of amortised cost at the effective interest rate.

Long-term debts for which an interest rate is not specified are recognised by discounting future cash flows at market rate, if the increase in payables arises from the passage of time, with subsequent recognition of interest through profit or loss, in item "Net interest income (expense)".

Derivatives

Derivatives, including embedded derivatives separated from their host contracts, are initially recognised at fair value. Derivatives are classified as hedging instruments when the relationship between the derivative and the object of the hedge is formally documented and the degree of coverage, which is periodically checked, is high.

When hedging derivatives hedge the risk of changes in the fair values of the hedged instruments, they are recognised at fair value through profit or loss. Accordingly, the hedged instruments are adjusted to reflect changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the hedges are designated on the basis of the exposure to changes in cash flows attributable to risks that may influence profit or loss at a later date. Such risks are generally associated with a recognised asset or liability (such as future payments of variable-rate debt).

The effective portion of the change in the fair value of the part of derivative contracts designated as hedges in accordance with the requirements of IFRS 9 is recognised in the Statement of Comprehensive Income (hedging reserve). That reserve is then released to the profit or loss when the hedged transaction is recognised in Statement of Income.

By contrast, the ineffective portion of the change in fair value, along with the entire change in the fair value of derivatives not designated as hedges or that do not meet the requirements presented in IFRS 9, is recognised directly in profit or loss.

Revenue from Contracts with Customers, Other Revenues and Income

Revenue from contracts with customers is recognised in the Statement of Income for an amount that reflects the consideration to which the entity claims entitlement in exchange for transferring the control of the goods or services to the customer.

Revenues are recognised net of sales returns, discounts, allowances and taxes that are directly associated with the sale of the product or provision of the service.

Sales of goods and services are recognised at the fair value of the consideration received when the following conditions are met:

- the risks and rewards associated with ownership of the good are substantially transferred;
- the revenue amount can be measured reliably;
- it is probable that the economic rewards arising from the sale will flow to the company;
- the costs incurred or that will be incurred can be measured reliably.

Revenues on the sale of equipment and study and design services to customers may be recognised as follows:

a) recognition of the full amount in a single instalment when the risks and rewards associated are transferred, if it is assessed as a separate contract from subsequent supply;

b) recognition of the amount through an increase in sales price of the products created, over a variable period of time in relation to the number of products sold, if it is assessed as a contract to be combined with the subsequent supply (“multiple element arrangement”).

Interest Income (Expense)

Interest income/expense is recognised as interest income/expense after being measured on an accrual basis.

Income Taxes

Current tax assets and liabilities are measured as the amount that is expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to calculate that amount are those enacted, or substantially enacted, at the reporting date in the countries in which the Group operates and generates its taxable income.

Management periodically assesses the position assumed in the income tax return, where tax laws are subject to interpretation, and recognises provisions, where appropriate.

Deferred tax assets and liabilities are recognised in order to reflect the temporary differences between the value attributed to an asset/liability for tax purposes and that attributed based on the accounting standards applied at the reporting date. They are measured using the tax rates that are expected to apply in the year when the assets will be realised or the liabilities will be settled, based on prevailing tax rates or those already enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses eligible to be carried forward, to the extent it is probable that sufficient future taxable income will be available to permit the use of the deductible temporary differences, unused tax credits and unused tax losses carried forward, except for the cases of:

- the deferred tax asset related to the deductible temporary differences arises from initial recognition of an asset or liability in a transaction other than a business combination that does not affect accounting or taxable income at the time of the transaction;
- deductible temporary differences related to equity investments in subsidiaries, associates and joint ventures. In this case deferred tax assets are recognised solely to the extent it is probable that they will be reversed in the foreseeable future and there will be sufficient taxable income to permit such temporary differences to be recovered.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that there will be sufficient future taxable income to permit all or part of the credit concerned to be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent it has become probable that taxable income will be sufficient to permit such deferred tax assets to be recovered.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination that does not affect accounting or taxable income at the time of the transaction;
- reversal of the taxable temporary differences related to equity investments in subsidiaries, associates and joint ventures may be controlled, and it is probable that it will not occur in the foreseeable future.

Tax balances (current and deferred) attributable to amounts recognised directly in equity are also recognised directly in equity.

Current and deferred tax assets and liabilities are offset only when the legal right of offset exists; such amounts are recognised as receivables or payables in the Statement of Financial Position.

Dividends

Dividends are recognised when the shareholders' right to receive payment is established under local law.

The Parent recognises a liability to account for the distribution to its shareholders of cash or non-cash assets once the distribution has been appropriately authorised and is no longer at the company's discretion. Under current Italian company law, a distribution is authorised when it has been approved by the shareholders. The corresponding amount is recognised directly in equity.

Non-Current Assets Held for Sale and Discontinued Operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amount will be recovered primarily through sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value net of costs to sell. Costs to sell are incremental costs directly attributable to disposal, excluding interest expense and taxes. The conditions for classification as held for sale are only considered to be met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The actions required to complete the disposal should indicate that it is unlikely that significant changes to the disposal will be made or that the disposal will be withdrawn. Management must be committed to the disposal, the completion of which must be expected to occur within one year of the classification date. Depreciation of property, plant and equipment and amortisation of intangible assets ceases when such assets are classified as available for sale. Assets and liabilities classified as held for sale are given separately among the current items of the Statement of Financial Position. Assets held for sale are excluded from result from continuing operations and are presented through profit or loss for the year in a single item as “Income/(loss) from assets held for sale”.

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 revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in 2019 who accounted for over 10% of consolidated net revenues. None of the single car manufacturers comprising such groups exceeded this limit.

The following table shows segment information on sales of goods and services and results at 31 December 2019 and 31 December 2018:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Sales	2,646,536	2,678,684	2,244,010	2,325,955	399,347	354,231	(3,334)	(3,002)	6,513	1,500
Allowances and discounts	(41,732)	(31,749)	(3,560)	(2,733)	(38,153)	(29,012)	0	0	(19)	(4)
Net sales	**2,604,804**	**2,646,935**	**2,240,450**	**2,323,222**	**361,194**	**325,219**	**(3,334)**	**(3,002)**	**6,494**	**1,496**
Transport costs	22,469	24,153	16,787	18,470	5,668	5,680	0	0	14	3
Variable production costs	1,601,412	1,662,987	1,363,045	1,457,780	234,516	204,876	(3,334)	(3,002)	7,185	3,333
Contribution margin	**980,923**	**959,795**	**860,618**	**846,972**	**121,010**	**114,663**	**0**	**0**	**(705)**	**(1,840)**
Fixed production costs	404,167	364,861	380,224	344,449	22,084	18,876	0	0	1,859	1,536
Production gross operating income	**576,756**	**594,934**	**480,394**	**502,523**	**98,926**	**95,787**	**0**	**0**	**(2,564)**	**(3,376)**
BU personnel costs	191,729	172,858	122,047	109,134	50,152	47,647	0	0	19,530	16,077
BU gross operating income	**385,027**	**422,076**	**358,347**	**393,389**	**48,774**	**48,140**	**0**	**0**	**(22,094)**	**(19,453)**
Costs for Central Functions	104,225	93,735	76,926	69,844	12,278	11,707	0	0	15,021	12,184
OPERATING INCOME (LOSS)	**280,802**	**328,341**	**281,421**	**323,545**	**36,496**	**36,433**	**0**	**0**	**(37,115)**	**(31,637)**
Extraordinary costs and revenues	30,198	19,864	0	0	0	0	0	0	30,198	19,864
Financial costs and revenues	(12,994)	(20,772)	0	0	0	0	0	0	(12,994)	(20,772)
Income (expense) from investments	14,064	16,406	0	0	0	0	0	0	14,064	16,406
Non-operating costs and revenues	(10,801)	(18,482)	0	0	0	0	0	0	(10,801)	(18,482)
Result before taxes	**301,269**	**325,357**	**281,421**	**323,545**	**36,496**	**36,433**	**0**	**0**	**(16,648)**	**(34,621)**
Taxes	(68,208)	(83,881)	0	0	0	0	0	0	(68,208)	(83,881)
Result before minority interests	**233,061**	**241,476**	**281,421**	**323,545**	**36,496**	**36,433**	**0**	**0**	**(84,856)**	**(118,502)**
Minority interests	(1,760)	(3,127)	0	0	0	0	0	0	(1,760)	(3,127)
NET RESULT	**231,301**	**238,349**	**281,421**	**323,545**	**36,496**	**36,433**	**0**	**0**	**(86,616)**	**(121,629)**

A reconciliation between the annual Consolidated Financial Statements and the above information is provided below:

(euro thousand)	31.12.2019	31.12.2018
REVENUE FROM CONTRACTS WITH CUSTOMERS	**2,591,670**	**2,640,011**
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(15,127)	(17,577)
Differences between internal and statutory reports relating to developments activities	11,525	18,151
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	2,592	3,807
Effect of adjustment of transactions among consolidated companies	(25)	138
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	3,606	2,149
Reclassification of Brembo Argentina’s revenues	6,302	0
Other	4,261	256
NET SALES	**2,604,804**	**2,646,935**

(euro thousand)	31.12.2019	31.12.2018
NET OPERATING INCOME	**318,539**	**345,064**
Differences between internal and statutory reports relating to developments activities	(2,286)	6,460
Other differences between internal and statutory reports	163	(264)
Income (expense) from non-financial investments	(13,794)	(16,190)
Claim compensation and subsidies	(16,824)	(7,648)
Capital gains/losses on disposal of assets (in the segment report they are included in “Non-operating costs and revenues”)	(629)	(364)
Different classification of banking expenses (in the segment report it is included in "Financial costs and revenues")	791	850
Reclassification of Brembo Argentina	(5,337)	0
Other	179	433
OPERATING RESULT	**280,802**	**328,341**

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

Statement of Financial Position data at 31 December 2019 and 31 December 2018 are provided in the tables below:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Property, plant and equipment	1,258,800	1,041,442	1,156,099	980,727	69,931	38,927	5	5	32,765	21,783
Intangible assets	141,040	135,835	116,272	111,952	18,374	17,988	0	0	6,394	5,895
Financial assets and other non-current assets/liabilities	65,145	71,060	443	0	0	0	0	0	64,702	71,060
(a) Total fixed assets	**1,464,985**	**1,248,337**	**1,272,814**	**1,092,679**	**88,305**	**56,915**	**5**	**5**	**103,861**	**98,738**
Inventories	342,254	341,797	254,803	255,337	92,241	86,460	0	0	(4,790)	0
Current assets	495,826	483,653	353,795	363,674	44,827	53,081	(15,312)	(15,152)	112,516	82,050
Current liabilities	(631,815)	(740,799)	(416,045)	(503,325)	(87,489)	(89,245)	15,312	15,152	(143,593)	(163,381)
Provisions for contingencies and charges and other provisions	(33,699)	(41,982)	0	0	0	0	0	0	(33,699)	(41,982)
(b) Net working capital	**172,566**	**42,669**	**192,553**	**115,686**	**49,579**	**50,296**	**0**	**0**	**(69,566)**	**(123,313)**
NET INVESTED OPERATING CAPITAL (a+b)	**1,637,551**	**1,291,006**	**1,465,367**	**1,208,365**	**137,884**	**107,211**	**5**	**5**	**34,295**	**(24,575)**
Extraordinary components	121,087	101,868	53	53	0	0	0	(4)	121,034	101,819
NET INVESTED CAPITAL	**1,758,638**	**1,392,874**	**1,465,420**	**1,208,418**	**137,884**	**107,211**	**5**	**1**	**155,329**	**77,244**
Group equity	1,357,163	1,199,080	0	0	0	0	0	0	1,357,163	1,199,080
Minority interests	30,852	29,742	0	0	0	0	0	0	30,852	29,742
(d) Equity	**1,388,015**	**1,228,822**	**0**	**0**	**0**	**0**	**0**	**0**	**1,388,015**	**1,228,822**
(e) Provisions for employee benefits	**25,584**	**27,141**	**0**	**0**	**0**	**0**	**0**	**0**	**25,584**	**27,141**
Medium/long-term financial debt	375,005	207,444	0	0	0	0	0	0	375,005	207,444
Short-term financial debt	(29,966)	(70,533)	0	0	0	0	0	0	(29,966)	(70,533)
(f) Net financial debt	**345,039**	**136,911**	**0**	**0**	**0**	**0**	**0**	**0**	**345,039**	**136,911**
(g) COVERAGE (d)+(e)+(f)	**1,758,638**	**1,392,874**	**0**	**0**	**0**	**0**	**0**	**0**	**1,758,638**	**1,392,874**

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

- intangible assets mainly consist of development costs;
- financial assets are not allocated; they mainly refer to the value of shareholdings in associates, joint ventures and other companies;
- current assets and liabilities mainly consist of 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.

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.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices resulting from shifts in exchange rates, interest rates and equity security prices.

Interest Rate Risk

Interest rate risk applies to variable-rate financial instruments recognised in the Statement of Financial Position (particularly short-term bank loans, other loans, leases, bonds, etc.) that are not hedged by other financial instruments.

In order to fix the financial burden relating to a part of its debt, Brembo has primarily entered into fixed-rate financing contracts. However, the company continues to be exposed to interest-rate risk due to the fluctuation of variable rates.

A sensitivity analysis was performed to analyse the effects of a change in interest rates of +/- 50 base points compared to the rates at 31 December 2019 and 31 December 2018, with other variables held constant. The potential impacts were calculated on the variable-rate financial liabilities at 31 December 2019. The aforementioned change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €683 thousand (€879 thousand at 31 December 2018), gross of the tax effect.

The average weekly gross financial debt was used to provide the most reliable information possible.

Exchange Rate Risk

Brembo deals in international markets with currencies other than the euro and is therefore exposed to exchange rate risk.

To mitigate this risk, Brembo 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, in order to offset any unbalances; currency forward contracts are also used to hedge this risk category.

A sensitivity analysis is provided below to illustrate the effects on pre-tax result arising on a positive (negative) change in exchange rates.

Starting with the exposures at the end of 2019 and 2018, a change calculated as the standard deviation of the exchange rate with respect to the average exchange rate was applied to the average exchange rates for 2019 and 2018 to measure exchange rate volatility.

	31.12.2019			31.12.2018		
(euro thousand)	Change %	Effect of exchange rate increase	Effect of exchange rate decrease	Change %	Effect of exchange rate increase	Effect of exchange rate decrease
EUR/CNY	1.37%	(48.3)	49.6	1.88%	(38.3)	39.7
EUR/GBP	2.36%	10.4	(10.9)	1.02%	0.2	(0.2)
EUR/JPY	2.23%	(16.1)	16.9	1.86%	38.4	(39.9)
EUR/PLN	0.78%	(5.7)	5.8	1.41%	5.7	(5.9)
EUR/SEK	1.47%	16.5	(17.0)	1.98%	6.3	(6.6)
EUR/USD	1.22%	16.9	(17.3)	3.11%	(21.8)	23.2
EUR/INR	1.50%	0.4	(0.4)	2.54%	0.0	0.0
EUR/CZK	0.49%	(0.3)	0.3	0.85%	0.5	(0.5)
EUR/CHF	1.67%	0.1	(0.1)	1.73%	0.0	0.0
EUR/RUB	2.61%	0.0	0.0	4.14%	8.5	(9.3)
PLN/CNY	1.42%	7.2	(7.4)	2.31%	12.9	(13.5)
PLN/EUR	0.77%	(73.5)	74.7	1.42%	(535.4)	550.8
PLN/GBP	2.25%	0.3	(0.3)	1.53%	0.1	(0.1)
PLN/JPY	2.62%	0.8	(0.9)	3.11%	1.2	(1.3)
PLN/USD	1.67%	(2.7)	2.8	4.42%	(19.7)	21.5
PLN/CHF	2.01%	6.5	(6.8)	2.75%	7.4	(7.8)
GBP/EUR	2.35%	39.8	(41.7)	1.02%	13.2	(13.5)
GBP/USD	2.62%	(5.8)	6.1	3.62%	5.3	(5.7)
GBP/AUD	2.13%	(0.9)	1.0	1.82%	(1.2)	1.2
USD/CNY	2.15%	(3.4)	3.5	3.90%	(1.9)	2.0
USD/EUR	1.22%	54.8	(56.2)	3.08%	(71.3)	75.8
USD/MXN	1.41%	30.8	(31.7)	3.55%	61.7	(66.2)
BRL/EUR	3.07%	15.1	(16.0)	5.74%	20.6	(23.2)
BRL/JPY	4.73%	0.0	0.0	7.01%	0.6	(0.7)
BRL/USD	4.06%	16.7	(18.1)	8.21%	(22.8)	26.9
JPY/EUR	2.23%	5.1	(5.3)	1.84%	2.7	(2.8)
JPY/USD	1.46%	0.9	(1.0)	2.10%	0.4	(0.4)
CNY/EUR	1.38%	246.2	(253.1)	1.91%	132.4	(137.5)
CNY/JPY	3.41%	4.9	(5.2)	2.49%	0.0	0.0
CNY/USD	2.15%	(100.5)	104.9	3.91%	(52.7)	57.0
INR/EUR	1.49%	(11.2)	11.6	2.50%	(0.4)	0.4
INR/JPY	2.37%	35.2	(36.9)	3.48%	34.9	(37.4)
INR/USD	1.47%	(5.2)	5.4	4.67%	(6.6)	7.3
CZK/EUR	0.49%	15.6	(15.7)	0.85%	57.2	(58.2)
CZK/GBP	2.22%	(0.5)	0.5	1.14%	(0.3)	0.3
CZK/PLN	0.53%	4.6	(4.7)	0.81%	2.5	(2.6)
CZK/USD	1.40%	(0.4)	0.4	3.89%	(15.9)	17.2
ARS/BRL	13.34%	0.0	0.0	19.15%	116.0	(171.0)
ARS/EUR	15.82%	0.0	0.0	23.31%	135.6	(218.1)
ARS/USD	16.85%	0.0	0.0	26.05%	58.3	(99.3)

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2019, 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 a company's inability to obtain the financial resources necessary to guarantee Brembo's operation.

To mitigate liquidity risk, the Treasury & Credit area:

- constantly assesses financial requirements to ensure the appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
- obtains adequate credit lines;
- ensures the appropriate composition of net financial debt, i.e., investments are financed with medium- to long-term debt (as well as with equity), and net working capital requirements are financed using short-term credit lines;
- includes the Group companies in cash pooling structures to optimise any excess liquidity of participating companies.

The following table provides information on payables, other payables and derivatives broken down by maturity. The maturities are determined based on the period from the reporting date to the expiry of the contractual obligations. The amounts shown in the table reflect undiscounted cash flows and the fair value of existing derivative liabilities. For fixed- and variable-rate financial liabilities, both principal and interest were considered for the different maturity periods; for variable-rate liabilities, the rate at 31 December 2019 plus the relevant spread was used.

(euro thousand)	Carrying value	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Non-derivative financial liabilities					
Short-term credit lines and bank overdrafts	136,234	136,234	136,234	0	0
Payables to banks (loans and bonds)	317,979	325,455	124,333	150,615	50,507
Payables to other financial institutions	1,626	1,632	466	1,148	18
Lease liabilities	195,983	195,983	18,700	62,646	114,637
Trade and other payables	483,984	483,984	483,984	0	0
Derivative financial liabilities					
Derivatives	599	599	599	0	0
Total	**1,136,405**	**1,143,887**	**764,316**	**214,409**	**165,162**

Some of the Group's loan agreements require the satisfaction of financial covenants and the obligation for the Group to meet certain financial ratio levels.

In detail, the following covenants and relevant maximum thresholds are to be complied with:

- Net financial debt/Gross operating income <3.5;
- Net financial Debt/Equity ≤1.7.

If the covenants are not met, the financial institutions can request early repayment of the relevant loan.

The values of these covenants are monitored at the end of each quarter, and at 31 December 2019 the Group had complied with the covenants in question by a considerable margin.

Management believes that currently available lines of credit, apart from the cash flow generated by current operations, will allow Brembo to meet its financial requirements arising from investing activities, working capital management, and the payment of payables at their natural maturities.

In further detail, at 31 December 2019, unused bank credit facilities were 74% (a total of €529 million in credit facilities were available).

Credit Risk

Credit risk is the risk 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 for the Group arises mainly in relation to trade receivables. Most parties with which the Group does business are leading car and motorbike manufacturers with high credit standings.

The Group evaluates the creditworthiness of all new customers using assessments from external sources and then assigns a credit limit.

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:

	31.12.2019			31.12.2018		
(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	(347)	0	0	(814)	0
Interest rate swaps	0	(252)	0	0	0	0
Embedded derivative	0	0	1,480	0	0	0
Total financial assets (liabilities) measured at fair value	**0**	**(599)**	**1,480**	**0**	**(814)**	**0**
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(325,275)	0	0	(320,669)	0
Current and non-current lease liabilities	0	(195,983)	0	0	0	0
Other current and non-current financial liabilities	0	(1,439)	0	0	(2,193)	0
Total assets (liabilities) for which fair value is indicated	**0**	**(522,697)**	**0**	**0**	**(322,862)**	**0**

Movements for the year of Level 3 were as follows:

(euro thousand)	31.12.2019
Opening value	**0**
Movements in Statement of Income	1,480
Closing value	**1,480**

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)	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Available-for-sale financial assets	**1,788**	**1,657**	**1,788**	**1,657**
Loans, receivables and financial liabilities valued at amortised costs:				
Current and non-current financial assets (excluding derivatives)	5,249	6,840	5,249	6,840
Trade receivables	391,925	407,414	391,925	407,414
Loans and receivables	57,813	51,410	57,813	51,410
Cash and cash equivalents	304,793	345,117	304,793	345,117
Current and non-current payables to banks	(454,213)	(479,200)	(461,509)	(484,246)
Current and non-current lease liabilities	(195,983)	(94)	(195,983)	(94)
Other current and non-current financial liabilities	(1,626)	(2,227)	(1,626)	(2,227)
Trade payables	(473,996)	(566,737)	(473,996)	(566,737)
Other current liabilities	(143,273)	(164,192)	(143,273)	(164,192)
Other non-current liabilities	(9,472)	(3,095)	(9,472)	(3,095)
Derivatives	**881**	**(814)**	**881**	**(814)**
Total	**(516,114)**	**(403,921)**	**(523,410)**	**(408,967)**

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;
- 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 2019, except for the dividend distribution.

Information pertaining to the fees paid to Directors and Statutory Auditors of Brembo S.p.A. and of other Group companies and additional information required is reported below:

	31.12.2019		31.12.2018	
(euro thousand)	Directors	Auditors	Directors	Auditors
Emoluments and other incentives for the office held	4,320	196	2,090	196
Participation in committees and specific tasks	155	0	155	0
Salaries and other incentives	4,956	0	6,627	0

The item “Salaries and other incentives” includes the estimate of the cost of the 2019-2021 plan reserved for the company’s top managers and accrued in 2019, 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)	31.12.2019						31.12.2018					
		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)	7,078	3,716	0	0	3,716	*52.5%*	8,190	5,675	0	0	5,675	*69.3%*
Inventories	342,203	219	0	219	0	*0.1%*	342,037	9	0	9	0	*0.0%*
Trade receivables	391,925	2,094	14	2,005	75	*0.5%*	407,414	1,970	6	1,891	73	*0.5%*
Other receivables and current assets	95,870	0	0	0	0	*0.0%*	72,132	10	10	0	0	*0.0%*
Other non-current liabilities	(9,472)	(3,782)	(3,782)	0	0	*39.9%*	(3,095)	0	0	0	0	*0.0%*
Provisions for employee benefits	(25,584)	(2,633)	(2,633)	0	0	*10.3%*	(27,141)	(4,445)	(4,445)	0	0	*16.4%*
Trade payables	(473,996)	(8,223)	(1,267)	(6,624)	(332)	*1.7%*	(566,737)	(28,201)	(4,291)	(23,592)	(318)	*5.0%*
Other current liabilities	(143,273)	(1,988)	(1,860)	(128)	0	*1.4%*	(164,192)	(12,209)	(12,082)	(127)	0	*7.4%*

	31.12.2019						31.12.2018					
		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	2,591,670	406	0	396	10	*0.0%*	2,640,011	471	1	465	5	*0.0%*
Other revenues and income	33,965	3,972	21	3,778	173	*11.7%*	34,607	3,611	20	3,420	171	*10.4%*
Raw materials, consumables and goods	(1,214,623)	(53,126)	(3)	(52,675)	(448)	*4.4%*	(1,262,994)	(93,974)	(233)	(93,342)	(399)	*7.4%*
Other operating costs	(470,588)	(8,392)	(5,383)	(1,770)	(1,239)	*1.8%*	(486,962)	(8,271)	(6,323)	(830)	(1,118)	*1.7%*
Personnel expenses	(465,696)	(7,290)	(7,284)	(6)	0	*1.6%*	(465,306)	(8,496)	(8,495)	(1)	0	*1.8%*
Net interest income (expense)	(11,137)	68	28	(1)	41	*-0.6%*	(19,941)	38	22	0	16	*-0.2%*

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

Sales of products, supply of services and the transfers 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 Automotive Components Co. Ltd., Qingdao Brembo Trading Co. Ltd. and Brembo Huilian (Langfang) Brake Systems Co. Ltd. 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.	Dąbrowa Górnicza	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 Llc.	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.	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.

Independent Auditors' Fees

Details on the fees paid to the independent audit firm and other companies within its network pursuant to Article 149-*duodecies* of the Implementation Rules of Italian Legislative Decree No. 58 of 24 February 1998 are provided below:

(euro thousand)	31.12.2019	31.12.2018
Independent Auditors' fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	225	240
- to the subsidiaries (services provided by the network)	422	401
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	81	56
- to the subsidiaries (services provided by the network)	0	5
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
- other services rendered to subsidiaries	1	5

Commitments

The Group had no commitments at the closing date of the 2019 Financial Statements.

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 2019 the company did not carry out any atypical and/or unusual transactions, as defined by the said Notice.

Government grants – Information pursuant to Article 1, paragraphs 125-129 of Law No. 124/2017

In the light of the interpretation provided by Assonime in its Circular No. 5 of 22 February 2019, the obligations to disclose and publish government grants established by Article 1, paragraphs 125-129 of Law No. 124/2017, as also governed by the subsequent Security Decree-Law (No. 113/2018) and Simplification Decree-Law (No. 135/2018), which introduced a series of disclosure and publication obligations for entities that engage in economic relations with the public administration, with effect from the 2018 financial statements, are not believed to apply in the following cases:

- subsidies, grants and economic advantages of all kinds the benefits of which are accessible to all undertakings that meet certain conditions on the basis of predetermined general criteria (for example, measures provided for in ministerial decrees aimed at specific sectors of industry and intended to finance activities relating to research and development projects);

- general measures accessible to all undertakings and that are part of the general structure of the system of reference established by the government (for example, the ACE (economic growth aid) mechanism aimed at encouraging the reinvestment of profits);
- European/international public resources;
- interprofessional funds for financing training courses, considering that the funds are financed by the beneficiary undertakings' own contributions and are required to meet specific management criteria intended to ensure transparency (for example, training courses financed by Fondimpresa).

In view of the foregoing, the Group has analysed its situation and decided to disclose in this paragraph the amount received in 2019 by way of grants from the entity Finpiemonte S.p.A. within the Piedmont Regional operational programme relating to the tender "Poli di Innovazione-Linea B. Agevolazioni per progetti di ricerca industriale e sviluppo sperimentale, riservate alle imprese mai associate ai Poli", Regional Council Decree No. 81-3819 of 4 August 2016. This amount, totalling €22 thousand, was related to the VRROBOTLINE Project, involving a virtual reality platform for training workers on a robotised line.

Significant Events After 31 December 2019

On 5 February 2020, a 20% interest was acquired in Infibra Technologies S.r.l., for a consideration of €800 thousand. The company specialises in developing, producing and marketing innovative products and services with high technological value.

No other significant events occurred after the end of 2019 and up to 9 March 2020.

Advanced **technology** designed for **innovative** production processes. Yet first, a **responsible** approach and a long-term **perspective**.

Analysis of each item

Statement of Financial Position

1. Property, Plant and Equipment

Property, Plant, Equipment and Other Equipment

The changes in property, plant and equipment 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	30,711	289,384	1,065,152	211,914	48,797	226,781	**1,872,739**
Accumulated depreciation	0	(95,446)	(630,358)	(175,259)	(35,250)	0	**(936,313)**
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**	**13,547**	**226,395**	**933,597**
Changes:							
Translation differences	308	1,182	(1,194)	(257)	(70)	847	**816**
Reclassification	0	81,362	92,084	4,576	6,873	(194,108)	**(9,213)**
Acquisitions	282	27,929	120,745	17,899	8,206	75,386	**250,447**
Disposals	0	(4)	(1,029)	(768)	(238)	(99)	**(2,138)**
Depreciation	0	(15,122)	(96,259)	(16,657)	(4,134)	0	**(132,172)**
Total changes	**590**	**95,347**	**114,347**	**4,793**	**10,637**	**(117,974)**	**107,740**
Historical cost	31,301	398,384	1,261,071	227,951	63,006	108,796	**2,090,509**
Accumulated depreciation	0	(109,663)	(711,554)	(186,503)	(38,822)	0	**(1,046,542)**
Write-down provision	0	(13)	(2,242)	0	0	(375)	**(2,630)**
Balance at 1 January 2019	**31,301**	**288,708**	**547,275**	**41,448**	**24,184**	**108,421**	**1,041,337**
Changes:							
Translation differences	161	3,338	4,783	171	189	1,365	**10,007**
Reclassification	92	10,210	63,868	6,132	2,754	(88,207)	**(5,151)**
Acquisitions	357	20,514	88,603	18,302	4,064	43,652	**175,492**
Disposals	0	(58)	(1,117)	(501)	(30)	(1,448)	**(3,154)**
Other	0	0	(651)	(29)	(3)	(1)	**(684)**
Depreciation	0	(18,309)	(110,219)	(19,243)	(5,508)	0	**(153,279)**
Impairment losses	0	0	(136)	(19)	0	(106)	**(261)**
Total changes	**610**	**15,695**	**45,131**	**4,813**	**1,466**	**(44,745)**	**22,970**
Historical cost	31,911	433,396	1,406,365	250,247	68,480	63,986	**2,254,385**
Accumulated depreciation	0	(128,980)	(811,555)	(203,968)	(42,830)	0	**(1,187,333)**
Write-down provision	0	(13)	(2,404)	(18)	0	(310)	**(2,745)**
Balance at 31 December 2019	**31,911**	**304,403**	**592,406**	**46,261**	**25,650**	**63,676**	**1,064,307**

In 2019, investments in property, plant and equipment amounted to €175,492 thousand, including €43,652 thousand in assets in course of construction.

As already noted in the Directors' Report on Operations, the Group continued its international development programme. This involved significant investments in Italy, Poland, North America and China.

Net disposals amounted to €3,154 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for 2019 amounted to €153,279 thousand (€132,172 thousand in 2018).

Right of use assets

The following table shows the movements in item "Right of use assets":

(euro thousand)	Land	Buildings	Other assets	Total
Historical cost	0	0	209	**209**
Accumulated depreciation	0	0	(32)	**(32)**
Balance at 1 January 2018	**0**	**0**	**177**	**177**
Changes:				
Translation differences	0	0	(4)	**(4)**
Depreciation	0	0	(68)	**(68)**
Total changes	**0**	**0**	**(72)**	**(72)**
Historical cost	0	0	204	**204**
Accumulated depreciation	0	0	(99)	**(99)**
Balance at 1 January 2019	**0**	**0**	**105**	**105**
Changes:				
Translation differences	0	(10)	7	**(3)**
Effect of IFRS 16 FTA	0	167,158	10,494	**177,652**
Reclassification from leased assets to property, plant and equipment	222	0	(15)	**207**
New contracts/leases for the year	483	25,116	12,566	**38,165**
Unwinding of lease contract	0	(1,465)	(20)	**(1,485)**
Other	0	0	(4)	**(4)**
Depreciation	0	(14,229)	(5,915)	**(20,144)**
Total changes	**705**	**176,570**	**17,113**	**194,388**
Historical cost	705	190,548	23,119	**214,372**
Accumulated depreciation	0	(13,978)	(5,901)	**(19,879)**
Balance at 31 December 2019	**705**	**176,570**	**17,218**	**194,493**

Note 13 provides information on the Group's financial commitment with respect to leased assets.

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

Development costs, goodwill and other intangible assets

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

	Development costs	Goodwill	Intangible assets with indefinite useful lives	Sub-total	Industrial patents and similar rights	Other intangible assets	Total other intangible assets	Total
(euro thousand)		A	B	A+B	C	D	C+D	
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	162	(111)	(4)	(115)	(11)	(228)	(239)	(192)
Reclassification	0	0	0	0	29	1,032	1,061	1,061
Acquisitions	25,467	0	0	0	4,910	6,914	11,824	37,291
Disposals	0	0	0	0	(25)	0	(25)	(25)
Amortisation	(10,323)	0	0	0	(1,249)	(8,097)	(9,346)	(19,669)
Impairment losses	(3,325)	0	0	0	(587)	0	(587)	(3,912)
Total changes	**11,981**	**(111)**	**(4)**	**(115)**	**3,067**	**(379)**	**2,688**	**14,554**
Historical cost	182,299	92,911	1,401	94,312	39,008	127,840	166,848	443,459
Accumulated amortisation	(108,607)	0	0	0	(29,737)	(82,909)	(112,646)	(221,253)
Write-down provision	(388)	(11,587)	(3)	(11,590)	(1,089)	0	(1,089)	(13,067)
Balance at 1 January 2019	**73,304**	**81,324**	**1,398**	**82,722**	**8,182**	**44,931**	**53,113**	**209,139**
Changes:								
Translation differences	144	1,158	3	1,161	3	242	245	1,550
Reclassification	0	0	0	0	18	2,867	2,885	2,885
Acquisitions	26,628	0	0	0	3,490	7,993	11,483	38,111
Other	0	0	0	0	1	(459)	(458)	(458)
Amortisation	(11,153)	0	0	0	(1,331)	(8,780)	(10,111)	(21,264)
Impairment losses	(1,682)	0	0	0	0	0	0	(1,682)
Total changes	**13,937**	**1,158**	**3**	**1,161**	**2,181**	**1,863**	**4,044**	**19,142**
Historical cost	209,139	94,665	1,404	96,069	42,542	138,436	180,978	486,186
Accumulated amortisation	(119,828)	0	0	0	(31,090)	(91,642)	(122,732)	(242,560)
Write-down provision	(2,070)	(12,183)	(3)	(12,186)	(1,089)	0	(1,089)	(15,345)
Balance at 31 December 2019	**87,241**	**82,482**	**1,401**	**83,883**	**10,363**	**46,794**	**57,157**	**228,281**

Development costs

The item "Development costs" includes costs for development, internal and external, for a gross historical cost of €209,139 thousand. During the reporting year, this item changed due to higher costs incurred in 2019 for development orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €11,153 thousand was recognised for development costs associated with products that have already entered production.

The gross amount includes development activities for projects underway totalling €46,970 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item "Costs for capitalised internal works" during the year amounted to €26,647 thousand (€25,339 thousand in 2018).

Impairment losses totalled €1,682 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)	31.12.2019	31.12.2018
Discs - Systems - Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	15,194	14,907
Brembo México S.A. de C.V. (Hayes Lemmerz)	925	907
Brembo Nanjing Brake Systems Co. Ltd.	895	889
Brembo Brake India Pvt. Ltd.	8,212	8,259
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	43,049	42,751
After Market – Performance Group:		
Corporación Upwards '98 S.A. (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	12,201	11,605
Total	**82,482**	**81,324**

The change compared to 31 December 2018 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 other cash-generating units relate to the discount rate and growth rate. Specifically, calculations used cash-flow projections for the 2020-2022 period covered by the corporate business plans. Cash flows for subsequent years were extrapolated using a prudential steady 1-1.5% medium- to long-term growth rate (1-1.5% in 2018), on a case by case basis. The Group's discount rate (Group WACC) used was 7.29% (8.54% in 2018), which reflected the current market assessments of the time value of money and the risks specific to the asset in question. The previously mentioned impairment tests did not indicate the need to recognise any impairment loss in the reporting year.

In the event of a change in the WACC from 7.29% to 7.79% and the growth rate from 1.0% to 0.5% (or from 1.5% to 1.0%), no previously unimpaired goodwill would have become impaired.

In the event of a sales volume decrease that, depending on the CGU reference market, has been estimated in the range from -5% to -20%, no previously unimpaired goodwill would have become impaired.
The changes in the WACC, growth rate and sales volumes described above are deemed reasonable. In this respect, only changes beyond reasonable levels would have resulted in 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, amounting to €371 thousand, 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. The impairment tests did not detect any impairment losses.

Other intangible assets

Acquisitions of "Other intangible assets" totalled €11,483 thousand and refer for €3,490 thousand to the filing of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting year 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. Shareholdings 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)	31.12.2018	Write-ups/ Write-downs	Dividends	Other changes	31.12.2019
Brembo Group SGL Carbon Ceramic Brakes	38,829	13,794	(10,000)	(399)	42,224
Petroceramics S.p.A.	735	270	(80)	0	925
Total	**39,564**	**14,064**	**(10,080)**	**(399)**	**43,149**

It should be noted that the impact on the Statement of Income of shareholdings valued using the equity method refers to two items: "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 following is a breakdown of the assets, liabilities, costs and revenues referring to joint ventures and associates.

Joint Ventures

	Brembo Group SGL Carbon Ceramic Brakes	
(euro thousand)	31.12.2019	31.12.2018
Revenue from contracts with customers	**179,980**	**182,114**
Other revenues and income	2,765	2,292
Costs for capitalised internal works	1,118	106
Raw materials, consumables and goods	(54,889)	(55,105)
Other operating costs	(38,715)	(39,106)
Personnel expenses	(42,344)	(40,354)
GROSS OPERATING INCOME	**47,915**	**49,947**
Depreciation, amortisation and impairment losses	(9,482)	(5,880)
NET OPERATING INCOME	**38,433**	**44,067**
Net interest income (expense)	(480)	(114)
RESULT BEFORE TAXES	**37,953**	**43,953**
Taxes	(10,478)	(11,893)
NET RESULT FOR THE YEAR	**27,476**	**32,060**
% ownership	50%	50%
Other consolidation adjustments	56	160
GROUP NET RESULT	**13,794**	**16,190**
Property, plant, equipment and other equipment	48,852	46,818
Right of use assets	17,146	0
Development costs	1,224	106
Other intangible assets	467	413
Other financial assets (including investments in other companies and derivatives)	131	131
Deferred tax assets	2,488	2,317
TOTAL NON-CURRENT ASSETS	**70,308**	**49,785**
Inventories	22,044	20,845
Trade receivables	13,226	29,337
Other receivables and current assets	6,148	5,941
Current financial assets and derivatives	1	0
Cash and cash equivalents	25,578	12,513
TOTAL CURRENT ASSETS	**66,997**	**68,636**
TOTAL ASSETS	**137,305**	**118,421**
Share capital	4,000	4,000
Other reserves	25,962	21,883
Retained earnings/(losses)	25,594	18,411
Net result for the year	27,476	32,060
TOTAL EQUITY	**83,032**	**76,354**

	Brembo Group SGL Carbon Ceramic Brakes	
(euro thousand)	31.12.2019	31.12.2018
Long-term lease liabilities	15,442	0
Other non-current liabilities	958	850
Non-current provisions	3,119	3,883
Provisions for employee benefits	5,094	3,917
TOTAL NON-CURRENT LIABILITIES	**24,613**	**8,650**
Current payables to banks	0	1,014
Short-term lease liabilities	1,971	0
Trade payables	16,065	20,206
Tax payables	3,011	4,109
Other current payables	8,613	8,088
TOTAL CURRENT LIABILITIES	**29,660**	**33,417**
TOTAL LIABILITIES	**54,273**	**42,067**
TOTAL EQUITY AND LIABILITIES	**137,305**	**118,421**
% ownership	50%	50%
Goodwill	1,033	1,033
Other consolidation adjustments	(325)	(381)
CARRYING VALUE OF GROUP SHAREHOLDING	**42,224**	**38,829**

Associates

	Petroceramics S.p.A.	
	31.12.2019	31.12.2018
Revenue from contracts with customers	2,965	2,664
NET RESULT FOR THE YEAR	**1,351**	**1,080**
% ownership	20%	20%
GROUP NET RESULT	**270**	**216**
Total current assets	4,866	3,748
Total non-current assets	493	588
Total current liabilities	523	477
Total non-current liabilities	211	184
TOTAL EQUITY	**4,625**	**3,675**
% ownership	20%	20%
CARRYING VALUE OF GROUP SHAREHOLDING	**925**	**735**

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

This item is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Shareholdings in other companies	1,788	1,657
Receivables from associates	3,716	5,676
Derivatives	712	0
Other	862	857
Total	**7,078**	**8,190**

The item “Shareholdings in other companies” mainly 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. The change of €131 thousand on 31 December 2018 is attributable to the Parent’s interest in consortium funds intended for research.

The item “Receivables from associates” includes the receivable deriving from the loan granted by Brembo S.p.A. 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 recognised for €3,716 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, and the subsequent €2,000 thousand reimbursement occurred in 2019 after the building was sold to third parties. The residual value is deemed recoverable for €1,786 thousand, whereas the remaining part is covered by a provision for risks.

The item “Derivatives” refers to the fair value of derivative assets embedded in commercial contracts with customers to cover the exchange rate risk against JPY.

“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)	31.12.2019	31.12.2018
Receivables from others	12,589	2,886
Income tax receivables	278	61
Non-income tax receivables	34	34
Total	**12,901**	**2,981**

The item “Receivables from others” mainly includes the amounts related to contributions towards clients for the acquisition of long-term exclusive supply arrangements, which were released to the Statement of Income in accordance with the supply schedule for the clients.

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 is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Deferred tax assets	54,617	62,711
Deferred tax liabilities	(28,410)	(23,705)
Total	**26,207**	**39,006**

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 year are reported in the following table:

(euro thousand)	31.12.2019	31.12.2018
Balance at beginning of year	**39,006**	**33,102**
Deferred tax liabilities generated	(5,113)	(401)
Deferred tax assets generated	21,943	18,954
Use of deferred tax assets and liabilities	(23,555)	(12,023)
Exchange rate fluctuations	191	(696)
Other movements	(6,265)	70
Balance at end of year	**26,207**	**39,006**

The nature of temporary differences that generated deferred tax assets and liabilities is detailed below:

	Assets		Liabilities		Net	
(euro thousand)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Property, plant, equipment and other equipment	16,508	15,064	23,769	22,234	(7,261)	(7,170)
Development costs	28	28	0	0	28	28
Other intangible assets	1	67	6,091	6,715	(6,090)	(6,648)
Equity shareholdings	46	0	0	0	46	0
Other financial assets	6	829	140	76	(134)	753
Trade receivables	2,925	5,667	0	21	2,925	5,646
Inventories	11,520	10,245	0	49	11,520	10,196
Other receivables and current assets	189	619	754	0	(565)	619
Financial liabilities	60	0	0	0	60	0
Other financial liabilities	747	498	0	11	747	487
Provisions	3,264	3,244	0	0	3,264	3,244
Provisions for employee benefits	5,418	10,283	1,177	1,195	4,241	9,088
Short/long-term lease liabilities	1,318	0	0	0	1,318	0
Trade payables	451	166	0	0	451	166
Cash and cash equivalents	10	160	0	0	10	160
Other liabilities	12,655	15,719	1,792	1,772	10,863	13,947
Other	7,269	7,847	4,165	1,376	3,104	6,471
Tax losses	1,680	2,019	0	0	1,680	2,019
Compensation balance	(9,478)	(9,744)	(9,478)	(9,744)	0	0
Total	**54,617**	**62,711**	**28,410**	**23,705**	**26,207**	**39,006**

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 31 December 2019, the company had used all the existing credit at 31 December 2018 besides the credit accrued in 2019.

Brembo Czech Sro. has two tax incentive plans, 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.

Brembo do Brasil Ltd. and Brembo Nanjing Automobile Components Co. Ltd. recognised deferred tax assets on their losses for the current and previous years for €925 thousand and €755 thousand, respectively, basing their assessment of the satisfaction of requirements for future recoverability of such assets on updated strategic plans.

It must be pointed out that:

- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years' tax losses (BRL 133.10 million) eligible to be unlimitedly carried forward — amounted to BRL 45.26 million;

- at 31 December 2019, deferred tax liabilities of €2,796 thousand were recognised on profits of subsidiaries, associates or joint ventures which the Group considers may be distributed in the foreseeable future;
- at 31 December 2019, the temporary differences between the parent's share of the net assets of the subsidiary, associate or investee company, including the book value of goodwill, and the value of the investment or shareholding (cost) (as indicated in §38 of IAS 12) amounted to €629 million and were considered to be permanently reinvested, since these provisions are used to fund current transactions and future business growth in those countries in which the same subsidiary resides; as a result, no deferred tax liability was recognised on the taxable portion of such differences.

7. Inventories

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

(euro thousand)	31.12.2019	31.12.2018
Raw materials	143,177	143,184
Work in progress	68,010	68,501
Finished products	110,032	105,991
Goods in transit	20,984	24,361
Total	**342,203**	**342,037**

Movements in the inventory write-down provision, determined in order to align the cost of inventories to their estimated realisable value, are reported in the following table:

(euro thousand)	31.12.2018	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	31.12.2019
Inventory write-down provision	41,272	14,248	(8,165)	353	76	47,784

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 31 December 2019, the balance of trade receivables compared to the previous year was as follows:

(euro thousand)	31.12.2019	31.12.2018
Accounts receivable from customers	389,845	405,450
Receivables from associates and joint ventures	2,080	1,964
Total	**391,925**	**407,414**

The bad debt risk is not concentrated in any one area, as the Group has a large number of clients spread across the various geographical areas in which it operates.

Accounts receivable from customers are recognised net of the provision for bad debts, which amounted to €4,448 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2018	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	31.12.2019
Provision for bad debts	4,269	1,820	(1,676)	37	(2)	4,448

Brembo Group's maximum credit risk exposure is the book value of the gross financial assets recognised in the Statement of Financial Position net of any amounts offset in accordance with IAS 32 and impairment losses recognised in accordance with IFRS 9.

Brembo has no credit insurance contracts; however, its business partners are leading car and motorbike manufacturers with high credit standing.

To express the creditworthiness of financial assets the Group has elected to distinguish between clients who are listed or not listed on the stock exchange. Listed clients are those listed on a stock market, directly or indirectly controlled by a listed company or closely connected to listed companies.

(euro thousand)	31.12.2019	31.12.2018
Listed clients	318,086	305,088
Unlisted clients	78,287	106,595
Total	**396,373**	**411,683**

The following table provides details on trade receivables that have not been adjusted for impairment, broken down by maturity.

Listed clients

(euro thousand)	31.12.2019	Write-down 2019	31.12.2018.	Write-down 2018
Current	293,047	0	285,848	0
Expired up to 30 days	7,983	0	2,585	0
Expired by 30 to 60 days	9,661	0	11,382	0
Expired by over 60 days	7,395	1,930	5,273	1,478
Total	**318,086**	**1,930**	**305,088**	**1,478**
% Ratio of expired receivables not written down to total exposure	*7,3%*		*5,8%*	
Total expired receivables, not written down	**23,109**		**17,762**	

Unlisted clients

(euro thousand)	31.12.2019	Write-down 2019	31.12.2018.	Write-down 2018
Current	69,450	30	97,388	0
Expired up to 30 days	2,346	2	2,726	0
Expired by 30 to 60 days	2,706	65	1,848	0
Expired by over 60 days	3,785	2,421	4,633	2,791
Total	**78,287**	**2,518**	**106,595**	**2,791**
% Ratio of expired receivables not written down to total exposure	*8,1%*		*6,0%*	
Total expired receivables, not written down	**6,349**		**6,416**	

Expired receivables from listed clients mainly refer to leading car manufacturers, and almost all the related repayment plans were set at the beginning of 2020.
With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2020.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Income tax receivables	50,680	23,642
Non-income tax receivables	28,256	27,281
Other receivables	16,934	21,209
Total	**95,870**	**72,132**

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 €4,610 thousand, beside the €12,536 thousand R&D tax credit calculated pursuant to Ministerial Decree dated 27 May 2015.

The item “Non-income tax receivables” primarily includes VAT receivables of subsidiaries located in Poland and China.

“Other receivables” mainly include advances paid to suppliers for goods and services, and other accrued income. The decrease compared to 31 December 2018 is chiefly attributable to the collection of insurance refund claims recognised in the previous year.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Derivatives	768	0
Security deposits	656	303
Other receivables	15	4
Total	**1,439**	**307**

The item “Derivatives” refers to the fair value of derivative assets embedded in commercial contracts with customers to cover the exchange rate risk against JPY.

11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	31.12.2019	31.12.2018
Bank and postal accounts	304,587	344,985
Cash-in-hand and cash equivalents	206	132
Total cash and cash equivalents	**304,793**	**345,117**
Payables to banks: overdrafts and foreign currency advances	(136,234)	(149,246)
Cash and cash equivalents from the Statement of Cash Flows	**168,559**	**195,871**

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 the 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 year totalled €16,009 thousand (€14,694 thousand in 2018).

12. Equity

Group consolidated equity at 31 December 2019 increased by €158,083 thousand compared to 31 December 2018. Movements are given in the relevant statement.

Share capital

The Parent's subscribed and paid up share capital amounted to €34,728 thousand at 31 December 2019. It is divided into 333,922,250 ordinary shares.

The table shows the composition of the share capital and a reconciliation of the number of shares outstanding at 31 December 2019 and 31 December 2018:

(No. of shares)	31.12.2019	31.12.2018
Ordinary shares issued	333,922,250	333,922,250
Own shares	(10,035,000)	(8,735,000)
Total shares outstanding	**323,887,250**	**325,187,250**

As part of its buy-back plan, in 2019 Brembo bought back 1,300,000 own shares, for a total amount of €11,329 thousand, which with the 8,735,000 own shares already held represent 3.005% of the Company's share capital.

Other reserves and retained earnings/(losses)

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 18 April 2019 approved the Financial Statements for the financial year ended 31 December 2018, allocating the net income for the year amounting to €114,106 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 for each of the outstanding ordinary share, 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:

	31.12.2019			31.12.2018		
(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	136,234	0	136,234	149,246	0	149,246
- loans	121,421	196,558	317,979	124,082	205,872	329,954
Total	**257,655**	**196,558**	**454,213**	**273,328**	**205,872**	**479,200**
Lease liabilities	18,700	177,283	195,983	75	19	94
Payables to other financial institutions	462	1,164	1,626	674	1,553	2,227
Derivatives	599	0	599	814	0	814
Total	**19,761**	**178,447**	**198,208**	**1,563**	**1,572**	**3,135**

The following table provides a breakdown of “Payables to banks”:

(euro thousand)	Amount at 31.12.2018	Amount at 31.12.2019	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:					
BNL loan (€50 million)	14,275	0	0	0	0
Banca Popolare di Sondrio loan (€75 million)	74,965	56,233	24,989	31,244	0
BNL loan (€80 million)	79,927	54,967	33,333	21,634	0
Mediobanca loan (€130 million)	84,893	44,964	39,967	4,997	0
BNL loan (€100 million)	0	99,889	35	49,873	49,981
UBI loan (USD 35 million)	30,525	20,753	10,385	10,368	0
Banamex loan (USD 30 million)	26,162	22,231	8,902	13,329	0
EIB loan (€30 million, New Foundry Project)	11,431	7,620	3,810	3,810	0
Citi Nanjing loan (RMB 100 million)	7,776	11,322	0	11,322	0
Total payables to banks	**329,954**	**317,979**	**121,421**	**146,577**	**49,981**

The most significant transactions finalised in 2019 included the full disbursement of the medium-term loan of €100 million, which Brembo S.p.A. entered into with BNL at the end of the previous year.

It should also be noted that Brembo Nanjing Automobile Components Co. Ltd. used the medium-term loan granted by Citi Nanjing (for a total amount of RMB 100 million).

It should be noted that several loans require compliance with certain financial covenants. At the reporting date, all of these covenants had been met. At 31 December 2019, there was no financial debt secured by collateral.

The following table shows the structure of loans, broken down by annual interest rate and currency:

	31.12.2019			31.12.2018		
(euro thousand)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	240,551	24,749	265,300	209,671	58,047	267,718
US Dollar	0	42,983	42,983	0	56,687	56,687
Chinese Renminbi	0	11,322	11,322	0	7,776	7,776
Total	**240,551**	**79,054**	**319,605**	**209,671**	**122,510**	**332,181**

The average variable rate applicable to the Group's debt is 3.07% and the average fixed rate is 0.80%.

The Brembo Group entered into an IRS directly with the Parent, Brembo S.p.A., for a remaining notional amount of €100 million at 31 December 2019, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge).

The €225 thousand change in fair value at 31 December 2019 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

Changes in the Cash Flow Hedge Reserve are shown below, gross of tax effects:

(euro thousand)	31.12.2019
Opening value	**0**
Fair value reserve releases	334
Movements from reserve for payment/collection of differentials	(109)
Closing value	**225**

The following table shows the breakdown of "Other financial liabilities".

(euro thousand)	Amount at 31.12.2018	Amount at 31.12.2019	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Other financial liabilities:					
Payables to other financial institutions:					
Finlombarda MIUR loan	35	0	0	0	0
MIUR BBW loan	553	188	188	0	0
Libra loan	86	75	11	46	18
Ministerio Industria España	1,553	1,363	263	843	257
Total payables to other financial institutions	**2,227**	**1,626**	**462**	**889**	**275**
Lease liabilities	**94**	**195,983**	**18,700**	**62,646**	**114,637**
Total other financial liabilities	**2,321**	**197,609**	**19,162**	**63,535**	**114,912**

In measuring lease liabilities, as a whole the Brembo Group used, upon first-time application of IFRS 16, a weighted average discount rate of 2.82% (adopting the incremental borrowing rate criterion) to discount future cash flows from operating leases.

Brembo Czech S.r.o. recognised liabilities amounting to €21,956 thousand following renegotiation of a real-estate lease contract in the second half of 2019.

With regard to payments relating to optional lease renewal periods not included in the calculation of liabilities at 31 December 2019, €24,422 thousand of lease instalments, relating solely to properties and due beyond five years, were not subject to discounting. In addition, in 2019 Brembo Czech S.r.o. signed a real estate lease contract that has yet to reach inception; the related future liability has been estimated at €22,899 thousand.

Net Financial Position

The following table shows the breakdown of the net financial position at 31 December 2019 (€346,189 thousand) and at 31 December 2018 (€136,911 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

(euro thousand)		31.12.2019	31.12.2018
A	Cash	206	132
B	Other cash equivalents	304,587	344,985
C	Derivatives and securities held for trading	768	0
D	**LIQUIDITY (A+B+C)**	**305,561**	**345,117**
E	Current financial receivables	671	307
F	Current payables to banks	136,234	149,246
G	Current portion of non-current debt	121,421	124,082
H	Other current financial debts and derivatives	19,761	1,563
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**277,416**	**274,891**
J	**NET CURRENT FINANCIAL DEBT (I–E–D)**	**(28,816)**	**(70,533)**
K	Non-current payables to banks	196,558	205,872
L	Bonds issued	0	0
M	Other non-current financial debts and derivatives	178,447	1,572
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**375,005**	**207,444**
O	**NET FINANCIAL DEBT (J+N)**	**346,189**	**136,911**

The various components that gave rise to the change in net financial position during the current year 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)	31.12.2019	31.12.2018
Social security payables	1,087	0
Payables to employees	5,997	1,380
Other payables	2,388	1,715
Total	**9,472**	**3,095**

Items “Payables to employees”, “Social security payables” and “Other payables” include the liability associated with the 2019-2021 three-year incentive plan reserved for top managers, to be settled in 2022.

15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2018	Provisions	Use/Release	Exchange rate fluctuations	Other	31.12.2019
Provisions for contingencies and charges	17,185	919	(13,196)	(13)	(4)	4,891
Provision for product warranties	11,819	3,985	(5,044)	39	(1,144)	9,655
Total	**29,004**	**4,904**	**(18,240)**	**26**	**(1,148)**	**14,546**
of which short-term	***13,504***					***2,052***

Provisions totalled €14,546 thousand, including, in addition to the provision for product warranties, the supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway.

The item “Use/Release” includes the payment of €11,255 thousand relating to the decision by Brembo S.p.A. to participate in the settlement procedure with the Italian Revenue Agency for tax year 2014, for which a provision had been recognised in the previous year.

The item “Other” relates to the reduction of the obligation for risks covered by insurance policies recognised in the previous year as counter-entry to the item “Other receivables and current assets”.

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 a plan relating to Brembo Huilian (Langfang) Brake Systems Co. Ltd and reserved for approximately 70 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 31 December 2019 are given in the table below:

(euro thousand)	31.12.2018	Provisions	Use/Release	Interest expense	Exchange rate fluctuations	Other	31.12.2019
Employees’ leaving entitlement	19,104	0	(1,433)	333	0	751	18,755
Defined benefit plans and other long-term benefits	6,128	353	(769)	244	257	(851)	5,362
Defined contribution plans	1,909	2,149	(2,611)	0	20	0	1,467
Total	**27,141**	**2,502**	**(4,813)**	**577**	**277**	**(100)**	**25,584**

Defined benefit plans

	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
(euro thousand)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
A. Change in defined benefit obligation										
1. Defined benefit obligation at the end of prior year	**19,104**	**20,096**	**32,811**	**35,314**	**916**	**800**	**1,031**	**873**	**242**	**244**
2. Service cost:										
Current service cost	0	0	0	0	169	163	140	109	44	3
Past service cost	0	0	0	426	0	(17)	0	0	0	0
3. Interest expense	333	343	920	863	84	67	73	60	1	1
4. Cash flows:										
Benefit payments from plan	0	0	(1,198)	(1,651)	0	0	(13)	(1)	0	0
Benefit payments from employer	(1,433)	(1,220)	0	0	(34)	(20)	(9)	(11)	(9)	(23)
Other significant events:										
6. Remeasurements:										
Effects of changes in demographic assumptions	0	0	(313)	(211)	0	(72)	47	0	0	0
Effects of changes in financial assumptions	751	(115)	2,337	(2,301)	216	(100)	50	0	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	16	635	63	54	89	33	0	0
7. Effect of changes in foreign exchange rates	0	0	1,678	(264)	58	41	(11)	(32)	8	17
8. Defined benefit obligations at end of year	**18,755**	**19,104**	**36,251**	**32,811**	**1,472**	**916**	**1,397**	**1,031**	**286**	**242**
B. Change in fair value of plan assets										
1. Fair value of plan assets at the end of prior year	**0**	**0**	**28,587**	**31,663**	**0**	**0**	**285**	**203**	**0**	**0**
2. Financial income	0	0	810	780	0	0	24	15	0	0
3. Cash flows:										
Total employer contributions:										
- employer contributions	0	0	727	575	0	0	90	77	0	0
- employer direct benefit payments	1,438	1,221	0	0	34	20	9	11	0	0
Benefit payments from plan	0	0	(1,198)	(1,651)	0	0	(13)	(1)	0	0
Benefit payments from employer	(1,438)	(1,221)	0	0	(34)	(20)	(9)	(11)	0	0
Administrative costs on plan assets	0	0	0	0	0	0	(2)	(2)	0	0

	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
(euro thousand)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Taxes on plan assets	0	0	0	0	0	0	(1)	0		0
5. Remeasurements:										
Return on plan assets (excluding interest income)	0	0	3,260	(2,553)	0	0	(1)	0	0	0
6. Effect of changes in foreign exchange rates	0	0	1,480	(227)	0	0	(4)	(7)	0	0
7. Fair value of plan assets at end of period	**0**	**0**	**33,666**	**28,587**	**0**	**0**	**378**	**285**	**0**	**0**
E. Amounts recognised in the Statement of Financial Position										
1. Defined benefit obligation	18,755	19,104	36,251	32,811	1,472	916	1,397	1,031	286	242
2. Fair value of plan assets	0	0	33,666	28,587	0	0	378	285	0	0
3. Funded status	*18,755*	*19,104*	*2,585*	*4,224*	*1,472*	*916*	*1,019*	*746*	*286*	*242*
5. Net liability (asset)	**18,755**	**19,104**	**2,585**	**4,224**	**1,472**	**916**	**1,019**	**746**	**286**	**242**
F. Components of defined benefit cost										
1. Service cost:										
Current service cost	0	0	0	0	169	163	140	109	44	3
Past service cost	0	0	0	426	0	(17)	0	0	0	0
Total service costs	*0*	*0*	*0*	*426*	*169*	*146*	*140*	*109*	*44*	*3*
2. Net interest expense:										
Interest expense on defined benefit plans	333	343	920	863	84	67	73	60	1	1
Interest (income) on plan assets	0	0	(810)	(780)	0	0	(24)	(15)	0	0
Total net interest expense	*333*	*343*	*110*	*83*	*84*	*67*	*49*	*45*	*1*	*1*
3. Remeasurement on other long-term benefits	0	0	0	0	0	0	100	17	0	0
5. Defined benefit cost included in P&L	333	343	110	509	253	213	289	171	45	4
6. Remeasurements (recognised in Other Comprehensive Income):										
Effects of changes in demographic assumptions	0	0	(313)	(211)	0	(72)	10	0	0	0
Effects of changes in financial assumptions	751	(115)	2,337	(2,301)	216	(100)	25	0	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	16	635	63	54	53	16	0	0
Return on plan assets (excluding interest income)	0	0	(3,260)	2,553	0	0	2	2	0	0
Total remeasurements included in OCI	*751*	*(115)*	*(1,220)*	*676*	*279*	*(118)*	*90*	*18*	*0*	*0*

	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
(euro thousand)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
7. Total defined benefit cost recognised in P&L and OCI	**1,084**	**228**	**(1,110)**	**1,185**	**532**	**95**	**379**	**189**	**45**	**4**
G. Net defined benefit liability (asset) reconciliation										
1. Net defined benefit liability (asset)	19,104	20,096	4,224	3,651	916	800	746	670	242	244
2. Defined benefit cost included in P&L	333	343	110	509	253	213	289	171	45	4
3. Total remeasurements included in OCI	751	(115)	(1,220)	676	279	(118)	90	18	0	0
5. Cash flows:										
Employer contributions	0	0	(727)	(575)	0	0	(90)	(77)	0	0
Employer direct benefit payments	(1,433)	(1,220)	0	0	(34)	(20)	(9)	(11)	(9)	(23)
7. Effect of changes in foreign exchange rates	0	0	198	(37)	58	41	(7)	(25)	8	17
8. Net defined benefit liability (asset) at the end of year	**18,755**	**19,104**	**2,585**	**4,224**	**1,472**	**916**	**1,019**	**746**	**286**	**242**
H. Defined benefit obligation										
1. Defined benefit obligation by participant status										
Actives	18,755	19,104	0	0	1,472	916	1,397	1,032	0	0
Vested deferred	0	0	20,689	18,727	0	0	0	0	0	0
Retirees	0	0	15,562	14,084	0	0	0	0	0	0
Total	**18,755**	**19,104**	**36,251**	**32,811**	**1,472**	**916**	**1,397**	**1,032**	**0**	**0**
I. Plan assets										
1. Fair value of plan assets										
Cash and cash equivalents	0	0	10	8	0	0	0	0	0	0
Equity instruments	0	0	10,559	10,154	0	0	0	0	0	0
Debt instruments	0	0	5,181	4,286	0	0	0	0	0	0
Derivatives	0	0	10,194	8,502	0	0	0	0	0	0
Investment funds	0	0	7,722	5,639	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	378	286	0	0
Total	**0**	**0**	**33,666**	**28,589**	**0**	**0**	**378**	**286**	**0**	**0**
2. Fair value of assets that have quoted market prices										
Cash and cash equivalents	0	0	10	8	0	0	0	0	0	0
Equity instruments	0	0	10,559	10,154	0	0	0	0	0	0
Debt instruments	0	0	5,181	4,286	0	0	0	0	0	0
Derivatives	0	0	10,194	8,502	0	0	0	0	0	0
Investment funds	0	0	7,722	5,639	0	0	0	0	0	0
Total	**0**	**0**	**33,666**	**28,589**	**0**	**0**	**0**	**0**	**0**	**0**

	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
(euro thousand)	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
J. Significant actuarial assumptions										
Weighted-average assumptions to determine benefit obligations										
1. Discount rate	1.15%	1.80%	2.10%	2.80%	7.50%	9.00%	6.50%	7.50%	0.50%	0.50%
2. Rate of salary increase	N/A	0.00%	N/A	N/A	4.50%	4.50%	9.00%	9.50%	N/A	N/A
3. Rate of price inflation	N/A	0.00%	2.80%	3.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	1.00%	1.50%	2.90%	3.40%	3.50%	3.50%	0.00%	0.00%	2.50%	2.50%
Weighted-average assumptions to determine defined benefit cost										
1. Discount rate	1.80%	1.75%	2.80%	2.50%	9.00%	8.00%	7.50%	7.50%	0.50%	N/A
2. Rate of salary increase	N/A	0.00%	N/A	N/A	4.50%	4.50%	9.50%	9.50%	N/A	N/A
3. Rate of price inflation	N/A	0.00%	3.20%	3.30%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
4. Rate of expected salary increases	1.50%	1.50%	3.40%	3.30%	3.50%	3.50%	0.00%	0.00%	2.50%	N/A

By applying a uniform change in the discount rate by ± 25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €2.4 million compared to the base liabilities value of €58.1 million.

The average duration of the plans is 16.50 years.

17. Trade Payables

At 31 December 2019, trade payables were as follows:

(euro thousand)	31.12.2019	31.12.2018
Trade payables	467,040	542,827
Payables to associates and joint ventures	6,956	23,910
Total	**473,996**	**566,737**

18. Tax Payables

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

(euro thousand)	31.12.2019	31.12.2018
Tax payables	6,135	6,003

19. Other Current Payables

Other current payables at 31 December 2019 are given in the table below:

(euro thousand)	31.12.2019	31.12.2018
Tax payables other than current taxes	9,653	9,940
Social security payables	18,750	24,724
Payables to employees	56,089	71,101
Other payables	58,781	58,427
Total	**143,273**	**164,192**

The changes in the items “Payables to employees”, “Social security payables” and “Other payables” referred to the payment of the 2016-2018 three-year incentive plan reserved for top managers, settled in May 2019.

“Other payables” also include deferred income in the form of public grants received and released to the Statement of Income in accordance with the related amortisation plans to which they refer, in addition to deferred income amounting to €35,436 thousand (€18,151 thousand in 2018) in the form of grants received by customers 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.

Consolidated Statement of Income

20. Revenue from Contracts with Customers

The item is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Revenue from sales of brake systems	2,542,886	2,598,590
Revenue from equipment	28,327	24,888
Revenue from study and design activities	19,326	15,379
Revenue from royalties	1,131	1,154
Total	**2,591,670**	**2,640,011**

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)	31.12.2019	31.12.2018
Miscellaneous recharges	6,113	5,616
Gains on disposal of assets	2,472	4,718
Miscellaneous grants	18,549	13,130
Other revenues	6,831	11,143
Total	**33,965**	**34,607**

The item "Miscellaneous grants" includes grants for research and development projects amounting to €838 thousand and a tax credit for research and development investment of €15,927 thousand, calculated pursuant to Ministerial Decree of 27 May 2015.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the year, amounting to €26,647 thousand (€25,339 thousand in 2018).

23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Purchase of raw materials, semi-finished and finished products	1,096,899	1,146,629
Purchase of consumables	117,724	116,365
Total	**1,214,623**	**1,262,994**

24. Income (Expense) from Non-Financial Investments

Income (expense) from non-financial investments amounted to €13,794 thousand and is attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€16,190 thousand in 2018).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Transports	60,126	68,000
Maintenance, repairs and utilities	148,886	145,640
Contracted work	84,327	88,062
Rent	24,009	45,296
Other operating costs	153,240	139,964
Total	**470,588**	**486,962**

The decrease in “Rent” refers to the application of the new IFRS 16.

The item “Other operating costs” 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)	31.12.2019	31.12.2018
Wages and salaries	332,101	325,513
Social security contributions	75,098	73,734
Employees' leaving entitlement and other personnel provisions	13,799	12,462
Other costs	44,698	53,597
Total	**465,696**	**465,306**

The value of defined benefit plans is calculated were as follows:

	Managers	White-collar	Blue-collars	Total
2019 average	143	3,133	7,401	**10,677**
2018 average	138	3,012	7,235	**10,385**
Change	**5**	**121**	**166**	**292**
Total at 31 December 2019	145	3,115	7,608	**10,868**
Total at 31 December 2018	139	3,114	7,381	**10,634**
Change	**6**	**1**	**227**	**234**

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Amortisation of intangible assets:		
Development costs	11,153	10,323
Industrial patents and similar rights for original work	1,011	941
Licences, trademarks and similar rights	320	308
Other intangible assets	8,780	8,097
Total	**21,264**	**19,669**
Depreciation of property, plant and equipment:		
Buildings	18,309	15,122
Plant and machinery	110,219	96,259
Industrial and commercial equipment	19,243	16,657
Other property, plant and equipment	5,508	4,134
Right of use assets	20,144	68
Total	**173,423**	**132,240**
Impairment losses:		
Property, plant and equipment	261	0
Intangible assets	1,682	3,912
Total	**1,943**	**3,912**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**196,630**	**155,821**

Comments on impairment losses are provided in the notes to the Statement of Financial Position items.

28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	31.12.2019	31.12.2018
Exchange rate gains	45,126	55,467
Interest income from employee's leaving entitlement and other personnel provisions	833	795
Interest income	2,278	1,701
Other	0	0
Total interest income	**48,237**	**57,963**
Exchange rate losses	(41,917)	(61,669)
Interest expense from employees' leaving entitlement and other personnel provisions	(1,410)	(1,334)
Lease interest expense	(5,010)	0
Interest expense	(11,037)	(14,901)
Total interest expense	**(59,374)**	**(77,904)**
TOTAL NET INTEREST INCOME (EXPENSE)	**(11,137)**	**(19,941)**

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)	31.12.2019	31.12.2018
Current taxes	62,977	76,997
Deferred tax (assets) and liabilities	6,725	(6,530)
Prior years’ taxes and other tax payables	(1,494)	13,414
Total	**68,208**	**83,881**

The following is a reconciliation of theoretical and actual tax burden:

(euro thousand)	31.12.2019	31.12.2018
Theoretical income taxes	70,462	69,715
Prior years' taxes and other differences	5,273	17,320
Tax incentive effects	(10,788)	(10,552)
DTA adjustment effect	892	0
Unallocated DTA effect	(2,003)	(659)
Current and deferred taxes (excluding IRAP)	**63,836**	**75,824**
Current and deferred IRAP	4,372	8,057
Total	**68,208**	**83,881**

The Group's actual tax rate is 22.2%, compared with a theoretical tax rate of 24.3% (at 31 December 2018: actual tax rate was 25.8%; theoretical tax rate was 23.9%).

31. Earnings per share

Basic earnings per share were €0.71 at 31 December 2019 (€0.73 at 31 December 2018), and were calculated by dividing the net income or losses for the year attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in 2019, amounting to 324,691,266 (2018 325,187,250). Diluted earnings per share are identical to basic earnings per share inasmuch as no diluting transactions were undertaken.

32. Non-Current Assets/Liabilities Held for Sale and/or Discontinued Operations

On 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. will be placed in liquidation. Brembo took this decision as it was impossible to boost new projects because of the downtrend experienced by the Argentinian automotive sector and its quite discouraging recovery market, as well as because all main manufacturers decided not to proceed with industrial projects nor to launch new models.

Consequently, in accordance with IFRS 5, the Company's asset and liability items, net of intercompany payables, have been reclassified to "Assets/Liabilities from discontinued operations", whereas the Statement of Income items have been reclassified to "Result from discontinued operations", as shown here below.

(euro thousand)	31.12.2019
Revenue from contracts with customers	**6,302**
Other revenues and income	314
Raw materials, consumables and goods	(3,920)
Other operating costs	(1,605)
Personnel expenses	(6,214)
GROSS OPERATING INCOME	**(5,123)**
Depreciation, amortisation and impairment losses	(214)
NET OPERATING INCOME	**(5,337)**
Net interest income (expense)	(1,085)
RESULT FROM DISCONTINUED OPERATIONS	**(6,422)**
Inventories	140
Trade receivables	112
Other receivables and current assets	33
Cash and cash equivalents	1,150
TOTAL CURRENT ASSETS	**1,435**
TOTAL ASSETS	**1,435**
Non-current provisions	(23)
TOTAL NON-CURRENT LIABILITIES	**(23)**
Trade payables	(317)
Other current payables	(299)
TOTAL CURRENT LIABILITIES	**(616)**
TOTAL LIABILITIES	**(639)**

Stezzano, 9 March 2020

On behalf of the Board of Directors

The Executive Deputy Chairman
Matteo Tiraboschi

EY S.p.A.
Viale Papa Giovanni XXIII, 48
24121 Bergamo

Tel: +39 035 3592111
Fax: +39 035 3592550
ey.com

Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brembo Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.
We are independent of Brembo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
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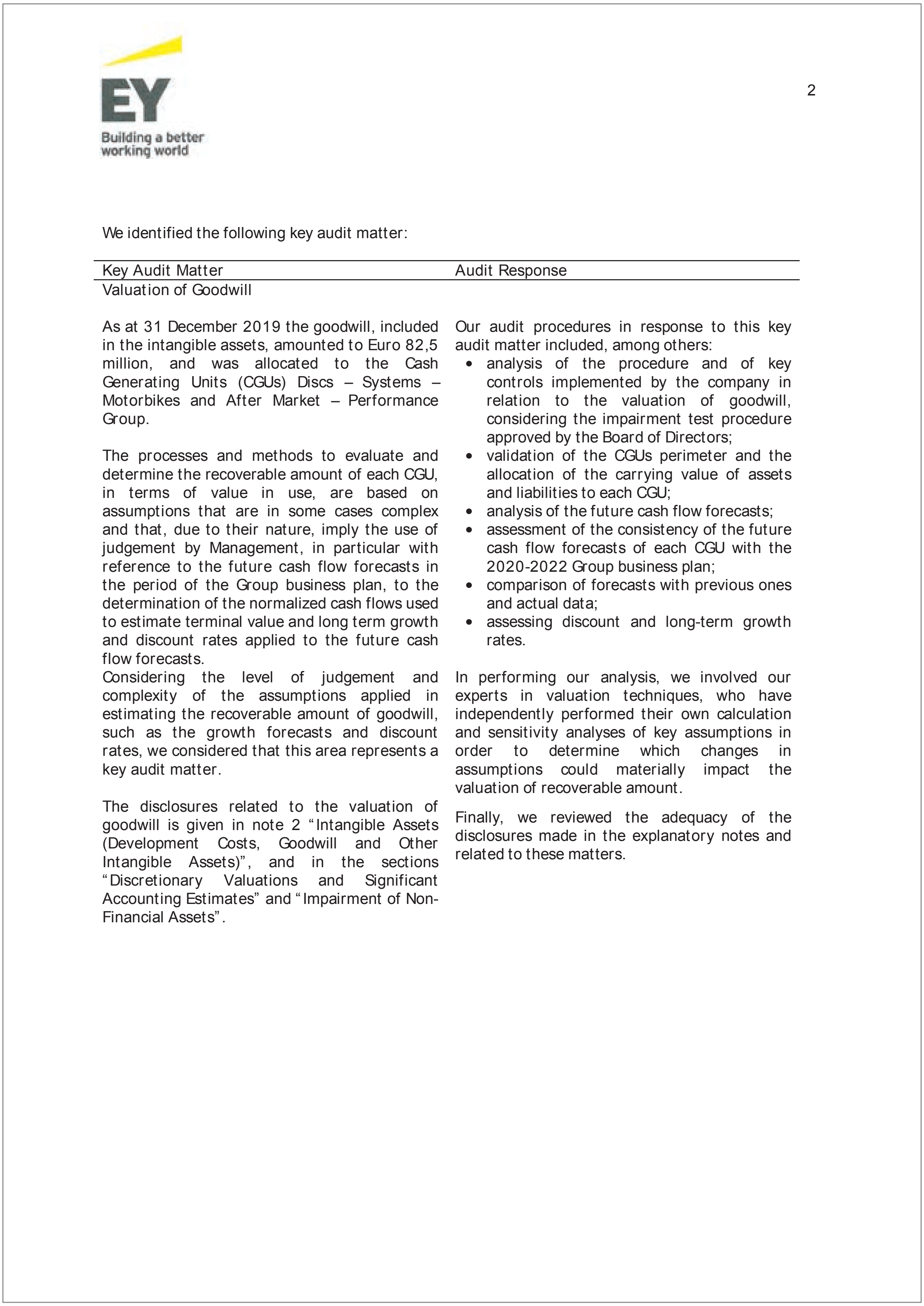
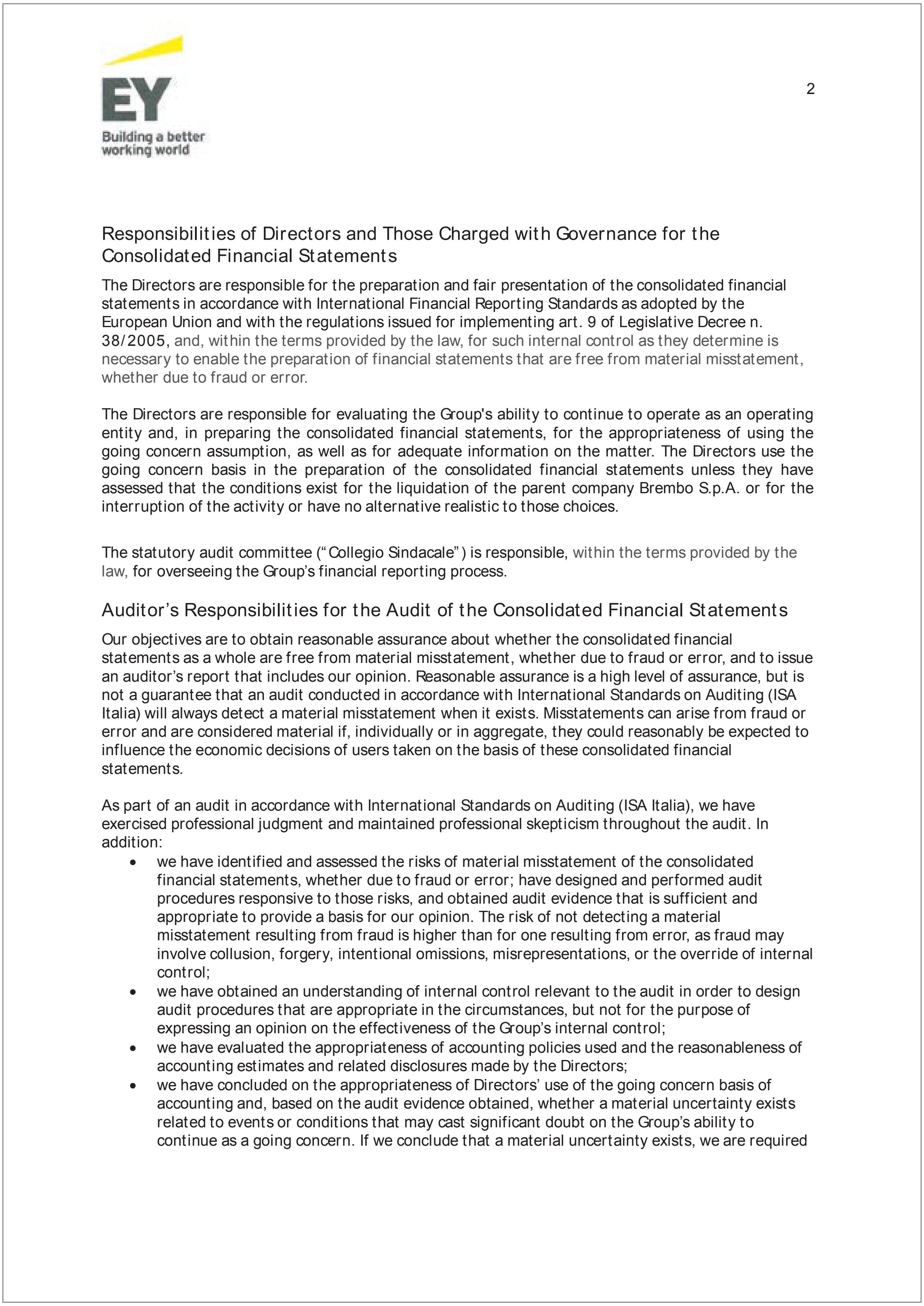


We identified the following key audit matter:

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at 31 December 2019 the goodwill, included in the intangible assets, amounted to Euro 82,5 million, and was allocated to the Cash Generating Units (CGUs) Discs – Systems – Motorbikes and After Market – Performance Group. The processes and methods to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the future cash flow forecasts in the period of the Group business plan, to the determination of the normalized cash flows used to estimate terminal value and long term growth and discount rates applied to the future cash flow forecasts.	Our audit procedures in response to this key audit matter included, among others: • analysis of the procedure and of key controls implemented by the company in relation to the valuation of goodwill, considering the impairment test procedure approved by the Board of Directors; • validation of the CGUs perimeter and the allocation of the carrying value of assets and liabilities to each CGU; • analysis of the future cash flow forecasts; • assessment of the consistency of the future cash flow forecasts of each CGU with the 2020-2022 Group business plan; • comparison of forecasts with previous ones and actual data; • assessing discount and long-term growth rates.
Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill, such as the growth forecasts and discount rates, we considered that this area represents a key audit matter.	In performing our analysis, we involved our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of key assumptions in order to determine which changes in assumptions could materially impact the valuation of recoverable amount.
The disclosures related to the valuation of goodwill is given in note 2 "Intangible Assets (Development Costs, Goodwill and Other Intangible Assets)", and in the sections "Discretionary Valuations and Significant Accounting Estimates" and "Impairment of Non-Financial Assets".	Finally, we reviewed the adequacy of the disclosures made in the explanatory notes and related to these matters.



Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for evaluating the Group's ability to continue to operate as an operating entity and, in preparing the consolidated financial statements, for the appropriateness of using the going concern assumption, as well as for adequate information on the matter. The Directors use the going concern basis in the preparation of the consolidated financial statements unless they have assessed that the conditions exist for the liquidation of the parent company Brembo S.p.A. or for the interruption of the activity or have no alternative realistic to those choices.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required

to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Brembo S.p.A., in the general meeting held on April 23, 2013, engaged us to perform the audits of the consolidated financial statements of each year ending December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Brembo S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Group as at 31 December 2019, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Brembo Group as at 31 December 2019 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Brembo Group as at 31 December 2019 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Brembo S.p.A. are responsible for the preparation of the non-financial declaration pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial declaration has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial declaration is subject to a separate compliance report signed by us.

Bergamo, 23 March 2020

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

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

Attestation of the Consolidated 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 consolidated financial statements for the period from 1 January to 31 December 2019:

- 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 Consolidated Financial Statements at 31 December 2019 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 Consolidated 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 Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of the companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

9 March 2020

Matteo Tiraboschi
Executive Deputy Chairman

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

4. Separate Financial Statements 2019

Keeping one step ahead of the **future** is embedded in Brembo's **DNA**. Like **communicating** its energy and **emotions**, engagement and **passion**.

Financial Statements of Brembo S.p.A. at 31 December 2019

Statement of Financial Position of Brembo S.p.A.

Assets

(euro)	Notes	31.12.2019	*of which with related parties*	31.12.2018	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	200,522,506		184,903,798		15,618,708
Right of use assets	1	81,123,084		0		81,123,084
Development costs	2	75,663,349		66,030,656		9,632,693
Other intangible assets	2	23,268,225		21,490,612		1,777,613
Shareholdings	3	353,801,527		353,801,527		0
Other financial assets (including investments in other companies and derivatives)	4	6,239,006	*3,716,246*	7,344,635	*5,674,980*	(1,105,629)
Receivables and other non-current assets	5	90,169		95,151		(4,982)
Deferred tax assets	6	11,027,377		15,722,119		(4,694,742)
TOTAL NON-CURRENT ASSETS		**751,735,243**		**649,388,498**		**102,346,745**
CURRENT ASSETS						
Inventories	7	125,749,917		121,964,714		3,785,203
Trade receivables	8	184,940,636	*82,381,161*	220,923,957	*99,336,716*	(35,983,321)
Other receivables and current assets	9	43,498,073		26,875,368	*10,328*	16,622,705
Current financial assets and derivatives	10	49,816,260	*48,983,909*	40,395,848	*40,331,293*	9,420,412
Cash and cash equivalents	11	164,699,131		174,530,546		(9,831,415)
TOTAL CURRENT ASSETS		**568,704,017**		**584,690,433**		**(15,986,416)**
TOTAL ASSETS		**1,320,439,260**		**1,234,078,931**		**86,360,329**

Equity and liabilities

(euro)	Notes	31.12.2019	*of which with related parties*	31.12.2018	*of which with related parties*	Change
EQUITY						
Share capital	12	34,727,914		34,727,914		0
Other reserves	12	118,821,269		130,320,422		(11,499,153)
Retained earnings/(losses)	12	285,118,001		243,111,799		42,006,202
Net result for the year	12	179,152,880		114,106,469		65,046,411
TOTAL EQUITY		**617,820,064**		**522,266,604**		**95,553,460**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	157,729,012		156,119,643		1,609,369
Long-term lease liabilities	13	75,116,819		0		75,116,819
Other non-current financial payables and derivatives	13	63,699		262,691		(198,992)
Other non-current liabilities	14	5,527,162	*2,150,935*	0		5,527,162
Non-current provisions	15	6,905,297		8,660,886		(1,755,589)
Provisions for employee benefits	16	18,351,267	*48,863*	18,673,520	*221,073*	(322,253)
TOTAL NON-CURRENT LIABILITIES		**263,693,256**		**183,716,740**		**79,976,516**
CURRENT LIABILITIES						
Current payables to banks	13	100,210,375		103,095,976		(2,885,601)
Short-term lease liabilities	13	6,956,780		0		6,956,780
Other current financial payables and derivatives	13	40,609,071	*39,810,962*	87,776,017	*86,551,162*	(47,166,946)
Trade payables	17	196,860,553	*25,581,441*	212,056,519	*28,570,447*	(15,195,966)
Tax payables	18	0		452,477		(452,477)
Current provisions	15	2,051,900		13,503,822		(11,451,922)
Other current payables	19	92,237,261	*1,987,322*	111,210,776	*11,926,287*	(18,973,515)
TOTAL CURRENT LIABILITIES		**438,925,940**		**528,095,587**		**(89,169,647)**
TOTAL LIABILITIES		**702,619,196**		**711,812,327**		**(9,193,131)**
TOTAL EQUITY AND LIABILITIES		**1,320,439,260**		**1,234,078,931**		**86,360,329**

Statement of Income of Brembo S.p.A.

(euro)	Notes	31.12.2019	*of which with related parties*	31.12.2018	*of which with related parties*	Change
Revenue from contracts with customers	20	**947,708,941**	***156,734,871***	**961,679,047**	***181,291,145***	**(13,970,106)**
Other revenues and income	21	58,480,135	*36,783,640*	54,987,824	*35,795,344*	3,492,311
Costs for capitalised internal works	22	21,086,691		21,325,318		(238,627)
Raw materials, consumables and goods	23	(432,684,933)	*(113,957,633)*	(417,933,987)	*(107,045,020)*	(14,750,946)
Other operating costs	24	(207,629,215)	*(21,380,017)*	(206,965,137)	*(18,113,039)*	(664,078)
Personnel expenses	25	(225,480,873)	*(7,290,448)*	(231,842,043)	*(8,507,625)*	6,361,170
GROSS OPERATING INCOME		**161,480,746**		**181,251,022**		**(19,770,276)**
Depreciation, amortisation and impairment losses	26	(56,901,847)		(46,720,080)		(10,181,767)
NET OPERATING INCOME		**104,578,899**		**134,530,942**		**(29,952,043)**
Interest income	*27*	*7,983,900*		*4,780,233*		*3,203,667*
Interest expense	*27*	*(9,748,393)*		*(11,414,442)*		*1,666,049*
Net interest income (expense)	27	(1,764,493)	*2,051,429*	(6,634,209)	*2,403,898*	4,869,716
Interest income (expense) from investments	28	101,527,660	*108,346,140*	46,024,065	*52,204,065*	55,503,595
RESULT BEFORE TAXES		**204,342,066**		**173,920,798**		**30,421,268**
Taxes	29	(25,189,186)		(59,814,329)		34,625,143
NET RESULT FOR THE YEAR		**179,152,880**		**114,106,469**		**65,046,411**

Statement of Comprehensive Income of Brembo S.p.A.

(euro)	31.12.2019	31.12.2018	Change
NET RESULT FOR THE YEAR	**179,152,880**	**114,106,469**	**65,046,411**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:			
Effect (actuarial income/loss) on defined benefit plans	(735,621)	112,240	(847,861)
Tax effect	176,549	(26,938)	203,487
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**(559,072)**	**85,302**	**(644,374)**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:			
Effect of hedge accounting (cash flow hedge) of derivatives	(224,504)	0	(224,504)
Tax effect	53,881	0	53,881
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**(170,623)**	**0**	**(170,623)**
COMPREHENSIVE RESULT FOR THE YEAR	**178,423,185**	**114,191,771**	**64,231,414**

Statement of Cash Flows of Brembo S.p.A.

(euro)	31.12.2019	31.12.2018
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (*)	**169,374,616**	**148,138,167**
Result before taxes	**204,342,066**	**173,920,798**
Depreciation, amortisation/impairment losses	56,901,847	46,720,080
Capital gains/losses	(436,269)	(937,108)
Write-ups/Write-downs of shareholdings	6,818,480	6,180,000
Financial portion of provisions for payables for personnel	326,251	335,520
Other provisions net of utilisations	(600,217)	(8,191,897)
Cash flows generated by operating activities	**267,352,158**	**218,027,393**
Current taxes paid	(24,391,951)	(37,996,430)
Uses of long-term provisions for employee benefits	(1,384,125)	(1,213,563)
(Increase) reduction in current assets:		
inventories	(6,849,877)	(6,862,665)
financial assets	45,700	0
trade receivables and receivables from other Group companies	36,020,297	(42,224,391)
receivables from others and other assets	(14,086,540)	(1,371,332)
Increase (reduction) in current liabilities:		
trade payables and payables to other Group companies	(15,195,966)	38,227,167
payables to others and other liabilities	(19,080,848)	19,613,521
Net cash flows from/(for) operating activities	**222,428,848**	**186,199,700**

(euro)	31.12.2019	31.12.2018
Investments in:		
intangible assets	(29,801,177)	(32,741,144)
property, plant and equipment	(48,938,257)	(51,579,029)
right of use assets	(6,000,083)	0
financial assets (investments)	(6,530,849)	(8,991,395)
Price for disposal, or reimbursement value of fixed tangible and intangible assets	2,308,095	2,789,290
Net cash flows from/(for) investing activities	**(88,962,271)**	**(90,522,278)**
Dividends paid in the year	(71,541,195)	(71,541,195)
Loans to Group companies and amounts payable to companies participating in the centralised treasury system	(55,392,816)	31,777,188
Change in fair value valuation of derivatives	(1,207,655)	814,397
New lease agreements	6,000,083	0
Reimbursement of lease liabilities	(8,096,754)	0
Buy-back of own shares	(11,328,529)	0
Loans and financing granted by banks and other financial institutions in the year	100,000,000	91,741
Repayment of long-term loans and other liabilities	(98,461,651)	(35,583,104)
Net cash flows from/(for) financing activities	**(140,028,517)**	**(74,440,973)**
Total cash flows	**(6,561,940)**	**21,236,449**
CASH AND CASH EQUIVALENTS AT END OF YEAR (*)	**162,812,676**	**169,374,616**

(*) See Note 11 of the Explanatory Notes to the Separate Financial Statements for a reconciliation with financial statements data.

Statement of Changes in Equity of Brembo S.p.A.

		Other reserves				
(euro)	Share capital	Reserves	Treasury shares	Retained earnings (losses)	Net result for the year	Equity
Balance at 1 January 2018	**34,727,914**	**143,796,319**	**(13,475,897)**	**165,083,650**	**149,484,042**	**479,616,028**
Allocation of profit for the previous year				77,942,847	(77,942,847)	**0**
Payment of dividends					(71,541,195)	**(71,541,195)**
Components of comprehensive income:						
Effect of actuarial income/(loss) on defined benefit plans				85,302		**85,302**
Net result for the year					114,106,469	**114,106,469**
Balance at 1 January 2019	**34,727,914**	**143,796,319**	**(13,475,897)**	**243,111,799**	**114,106,469**	**522,266,604**
Allocation of profit for the previous year				42,565,274	(42,565,274)	**0**
Payment of dividends					(71,541,195)	**(71,541,195)**
Buy-back of own shares			(11,328,529)			**(11,328,529)**
Rounding		(1)				**(1)**
Components of comprehensive income:						
Effect of actuarial income/(loss) on defined benefit plans				(559,072)		**(559,072)**
Effect of hedge accounting (cash flow hedge) of derivatives		(170,623)				**(170,623)**
Net result for the year					179,152,880	**179,152,880**
Balance at 31 December 2019	**34,727,914**	**143,625,695**	**(24,804,426)**	**285,118,001**	**179,152,880**	**617,820,064**

It is **solidity**, based on expertise and **skill**, that leads to **excellence**. And to being **Brembo**.

Statutory Auditors’ Report

Statutory Auditors’ Report to the Shareholders’ Meeting of Brembo S.p.A. called to approve the Financial Statements for the year ended 31 December 2019, pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998

Shareholders,

In this Report, drafted pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance, hereinafter “TUF”) and in accordance with the recommendations made by Consob in Communication No. DEM/1025564 of 6 April 2001, as updated, the Board of Statutory Auditors relates the activity carried out during the year ended 31 December 2019 and until the date of this writing, in compliance with applicable legislation and also taking account of the Principles of Conduct for Boards of Statutory Auditors recommended by the Italian National Board of Certified Accountants and Auditors (CNDCEC).

Composition and functioning of the Board of Statutory Auditors

Firstly, we would like to recall that the Board of Statutory Auditors appointed on 20 April 2017 by the General Shareholders’ Meeting of Brembo S.p.A. (hereinafter “Brembo”) and in office until the General Shareholders’ Meeting called on 23 April 2020 to approve the Financial Statements for the year ending 31 December 2019, is made up as follows[1]:

- Acting Auditors: Raffaella Pagani (Chairwoman), Alfredo Malguzzi, Mario Tagliaferri;
- Alternate Auditors: Myriam Amato, Marco Salvatore.

Pursuant to Article 144-*quinquiesdecies* of the Rules for Issuers, the list of offices held by members of the Board of Statutory Auditors at the companies set out in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, has been published by Consob on its website (www.consob.it). It bears remarking that Article 144-*quaterdecies* of the Rules for Issuers (Disclosure obligations to Consob) provides that those holding the office of member of the control body of just one issuer are not subject to the disclosure obligations imposed by that same Article and in this case are not included in the lists published by Consob. The Company discloses the main offices held by members of its Board of Statutory Auditors in its Corporate Governance and Ownership Structure Report. In this document, the Board of Statutory Auditors also certifies that it has verified that all of its members have complied with the aforementioned Consob regulations on the “limits to the cumulation of offices”.

With regard to the applicable rules of conduct for Boards of Statutory Auditors recommended by Italy’s National Council of Chartered Accountants and Accounting Experts (CNDCEC), and specifically the new provision Q.1.1 on self-assessment by the board of statutory auditors (a periodic internal assessment process regarding whether members continue to meet eligibility requirements and the propriety and efficacy of the board’s functioning), it is acknowledged that the Board of Statutory Auditors has delivered its specific report to the Board of Directors, which examined it in its meeting held on 9 March 2020. In accordance with applicable legislation, the Board of

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[1] The appointment was based on the two lists filed respectively by the majority shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding about 0.523 % of the share capital, overall).

Statutory Auditors' analyses of this kind were focused on verifying the composition of the control body within the framework of the annual self-assessment by company bodies. The findings of the most recent verification, on the basis of the Statutory Auditors' individual declarations, are presented in the 2019 Corporate Governance and Ownership Structure Report. The requirements of independence, as provided for in Article 148, paragraph 3, of TUF and Brembo's Corporate Governance Code, which is based on the Corporate Governance Code of Borsa Italiana S.p.A., integrity and professionalism pursuant to paragraph 4 of Article 148 of TUF and the aforementioned limit on offices were verified. In addition to such verification, in accordance with current best practices, this year the Board of Statutory Auditors also took into account the following self-assessment elements: the ongoing professional development of its members, the conduct of meetings, participation frequency, duration and methods, time available, trust and collaboration between members, and the flow of information between the statutory auditors. Under its responsibility, the Board of Statutory Auditors concluded that it had not identified deficiencies relating to the fitness of its members or the adequate composition and functioning of the Board.

In accordance with principle Q.1.6 ("Remuneration") of the above-mentioned Rules of Conduct, in view of the natural expiry of its term of office, the Board of Statutory Auditors presented a specific report to the Board of Directors (which it acknowledged during its aforementioned session of 9 March 2020) to allow the directors to reach their best assessment of the end of the term of office, in order to formulate a proposal for the remuneration of the incoming Board of Statutory Auditors to be submitted to the annual Shareholders' Meeting.

The Board of Statutory Auditors fulfilled the supervisory duties mandated by Article 2403 of the Italian Civil Code and Article 149 of TUF, in addition to performing the supervisory functions required by Article 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016 (in effect from 5 August 2016), in its role as Internal Control & Audit Committee, supervising compliance with the principles of proper administration and, in particular, the suitability of the organisational, administrative and accounting structures adopted by the Company and the concrete functioning thereof, in addition to the actual implementation of the corporate governance rules set forth by relevant applicable regulations. The Board of Statutory Auditors also monitored the independence of the Independent Auditors in charge of auditing the accounts.

The information necessary to fulfil the above-mentioned supervisory duties was obtained through both frequent meetings with the heads of the competent corporate entities, and in particular its control functions, and participation by the Statutory Auditors in meetings of the Board of Directors, in meetings of the Board committees formed in accordance with the Borsa Italiana Corporate Governance Code, fully adopted by Brembo (the Control, Risks & Sustainability Committee — which also acts as Related Party Transactions Committee and fulfils the duties set out in the Related Party Transactions Procedure adopted by the Committee pursuant to Article 4 of the Consob Regulation adopted by Resolution No. 17221 of 12 March 2010 and amended by Resolution No. 17389 of 23 June 2010 — and the Remuneration & Appointments Committee), as well as in meetings of the Supervisory Committee formed in accordance with Legislative Decree No. 231/2001.

The Board of Statutory Auditors:

- held 10 meetings in 2019 and attended the General Shareholders' Meeting, all meetings of the Board of Directors (10 meetings of the Board of Directors and 2 General Shareholders' Meetigs), the meetings of the Audit, Risks & Sustainability Committee (7 meetings) and, through its Chairwoman, the meetings of the Remuneration & Appointments Committee (4 meetings); the meetings of the Board of Statutory Auditors had an average duration of approximately 3.5 hours;
- in most cases held its meetings on the same day as those of the Audit, Risks & Sustainability Committee and the Supervisory Board, including a section on matters discussed jointly, in order to facilitate the exchange of information between parties with significant duties relating to internal controls and to make the best use of the related company personnel;

- also participated in the induction programme sessions carried out as part of the Board of Directors' meetings and focussing on in-depth information on the Company's strategic market positioning and the new trends concerning products, production and development processes, and digital transformation of the automotive sector. The sessions were held by the executive functions relevant to the various issues.

Pursuant to Article 153 of TUF and Article 2429, paragraph 2, of the Italian Civil Code, and in accordance with Consob recommendations and based on the main information obtained in the course of the Board's performance of its duties, the following information is reported:

Supervisory activity with regard to compliance with the law, the By-laws and the Corporate Governance Code

1. Based on available information, the Board of Statutory Auditors did not detect any violations of the law or By-laws, or outwardly imprudent or risky transactions, or transactions that entail a potential conflict of interest or are in contrast with the resolutions taken by the Shareholders' Meeting, or such as to jeopardise the integrity of the Company's assets or its ability to continue to operate as a going concern;
2. the Board of Statutory Auditors constantly received from Directors, during the above-mentioned meetings, exhaustive and detailed information on business performance and foreseeable outlook, operations carried out and the most significant economic, financial and capital transactions performed by the Company and/or its subsidiaries, as well as the status of activities and strategic projects underway, on which the Board of Statutory Auditors has no particular observations to report;
3. the Board of Statutory Auditors oversaw the implementation methods of recommendations provided for by the Corporate Governance Code for Listed Companies issued by Borsa Italiana, which the Company has adopted. It also verified the compliance of Brembo's corporate governance system with the recommendations of the above-mentioned Code. Detailed information on such compliance is provided in the annual Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-*bis* of TUF, approved by the Board of Directors on 9 March 2020 and published on the corporate website;
4. the Board of Statutory Auditors emphasises that the Company has acknowledged the changes introduced by Law No. 160 of 27 December 2019 (the 2020 Budget Law) and subsequent corrections regarding the minimum quotas for the less represented gender on the governing bodies of listed companies. Accordingly, these changes have been taken into account in the proposals formulated by the outgoing Board of Directors for the renewal of Brembo's boards set to take place at the Shareholders' Meeting called for 23 April 2020;
5. gender diversity policy criteria for the governing bodies envisaged by Brembo's Corporate Governance Code are illustrated in paragraphs 4.4 and 13.2 of the 2019 Corporate Governance and Ownership Structure Report. The assessment as to whether the current Board of Directors met the above criteria was performed both within the framework of the Board Performance Evaluation process and during the session of the Board of Directors held on 9 March 2020, in consultation with the Remuneration & Appointments Committee at its meeting on 3 March 2020. The assessment confirmed that the size and composition of the Board of Directors were adequate and sufficient to allow it to discharge its duties effectively. The Board of Statutory Auditors verified that the assessment criteria and procedures adopted by the Board of Directors to evaluate the ongoing satisfaction of requirements by its members had been properly applied and acknowledged the various declarations rendered. The findings of this process are described in the Corporate Governance and Ownership Structure Report drafted in accordance with Article 123-*bis* of TUF;

6. the Board of Statutory Auditors was also informed of the findings of the assessments conducted jointly with the Lead Independent Director and the Independent Directors regarding the recommendations presented in the Seventh Annual Report of the Corporate Governance Committee on the application of the Borsa Italiana Corporate Governance Code (see paragraph 18 of the 2019 Corporate Governance and Ownership Structure Report); the Board of Statutory Auditors also acknowledged a good level of implementation of the Code and particularly of the above-mentioned recommendations;
7. the Board of Statutory Auditors was also informed of the findings of the Board Performance Evaluation 2019 conducted by a high-standing independent advisor, within the framework of which the Board of Statutory Auditors was also interviewed. In short, the results indicated full satisfaction with and appreciation of the size, composition and functioning of Brembo's Board of Directors and of Board Committees.

Supervisory activity on compliance with the principles of sound management and the adequacy of the organisational structure

1. During its periodic audits, the Board of Statutory Auditors met with the Manager in charge of the Company's financial reports[2], the Internal Audit Director and representatives of the Independent Auditors[3], to obtain information on the activities carried out and auditing plans. No relevant data or information have emerged that need to be highlighted herein.
   The Board of Statutory Auditors and the Audit, Risks & Sustainability Committee and the Supervisory Committee also constantly and promptly exchanged information material to the performance of their respective tasks;
2. the Board of Statutory Auditors obtained knowledge of and, within its remittance, supervised:
   - the adequacy, suitability and functioning of the organisational structure of the Company and Group, including by collecting information from the heads of company functions; the Board of Statutory Auditors has no particular remarks to relate on this subject;
   - the adequacy and functioning of the internal control system and administrative and accounting system, and the reliability of the latter in properly reporting operating events, in accordance with the principles of sound management, by obtaining information from the heads of the responsible functions and the Independent Auditors appointed to conduct auditing and by reviewing company documents; it has no particular remarks to relate on this subject;
   - the adequacy of instructions issued by the Company to its subsidiaries, as provided for by Article 114, paragraph 2, of TUF;
3. the Board of Statutory Auditors was also involved, through a member, in the inquiry into the functioning of internal audit activity conducted by an independent advisor of appropriate standing according to a quality assessment method.

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[2] On 5 March 2019, the Board of Directors appointed Andrea Pazzi, already holding the position of Chief Administration and Finance Officer of Brembo S.p.A., Brembo's Manager in charge of the Company's financial reports, with effect for the purposes of the certification required in respect of the Company's separate and consolidated financial statements for the year ended 31 December 2017 and until the end of the current Board of Directors' term of office.

[3] With regard to the audit appointment, it should be noted that, upon reasoned proposal submitted by the Board of Statutory Auditors, the Shareholders' Meeting of 23 April 2013 appointed the audit firm EY S.p.A. as Independent Auditors for the years 2013 to 2021.

Particularly significant transactions - Atypical or unusual transactions - Intra-group or related-party transactions

1. In 2019, the Company did not carry out any unusual or atypical transactions with third parties, intra-group companies or related parties, nor any transaction that could have a significant impact on the Company's operating, capital or financial situation. With regard to ordinary intra-group transactions or related party transactions carried out in the period, about which the Company provided specific and detailed information in its interim financial reports (and in the Notes to the Group's Consolidated Financial Statements), the Board of Statutory Auditors acknowledges that such transactions were carried out in accordance with the Related Party Transactions Procedure adopted on 12 November 2010 (latest update: 9 May 2019), pursuant to Consob Regulation adopted with Resolution No. 17221 of 12 March 2010, amended through Resolution No. 17389 of 23 June 2010). As regard these transactions' consistency and compliance with Company's interests, no critical issues arose;

2. turning to transactions with related parties during the period not of an ordinary nature, but nonetheless of "lesser importance", as defined in the relevant Procedure, the Board of Statutory Auditors has been duly informed of:
   - the formulation of the economic packages for the severance of the Chief Executive Officer previously in service and the new Chief Executive Officer, examined at the meeting of 3 May 2019 by the Audit, Risks and Sustainability Committee, which, as mentioned, also acts as Related Party Transactions Committee, and the Remuneration and Appointments Committee, for the issue of an opinion on the suitability and fairness of the related conditions, in view of examination and approval by the session of the Board of Directors held on 3 May 2019;
   - the modifications to the economic package for the Executive Deputy Chairman and the overall remuneration of the Board of Directors, examined at the 21 June meetings of the Audit, Risks and Sustainability Committee, in its capacity as Related Party Transactions Committee, and the Remuneration and Appointments Committee, as well as by the Board of Statutory Auditors itself, for an opinion on the suitability and fairness of the related conditions and an opinion in view of examination and approval by the Shareholders' Meeting, respectively;
   - settlement agreements reached between Brembo Group companies and Termigas Group companies (in composition with creditors), prior to the formalisation of irrevocable proposals, to be submitted for the prior approval of the competent authorities responsible for the Termigas composition with creditors procedure, examined at the meetings on 21 June and 26 July 2020 by the Audit, Risks and Sustainability Committee and the Board of Statutory Auditors for the issue of an opinion on the suitability and fairness of the related conditions, in view of examination and approval by the Board of Directors;

3. with reference to the Related Party Transactions Procedure, we point out that, on 9 May 2019, the Board of Directors, having heard the favourable opinion of the Audit, Risks & Sustainability Committee, approved the update to the aforesaid Procedure with the aim of incorporating the changes relating solely to organisational matters pertaining to the Company's Administration & Finance Department — as the Procedure was already in line with application practice. At the same time, the "threshold" for determining Low Value transactions was confirmed (€250,000.-) and the Significance Indices for the identification of Highly Significant Related Party Transactions based on the figures of the 2018 Consolidated Financial Statements approved by the General Shareholders' Meeting of 18 April 2019 were updated;

4. as part of the own shares buy-back programme authorised by the General Shareholders' Meeting on 18 April 2019, the start of which was announced on 30 July 2019, Brembo purchased own shares in July, August and September through an appointed intermediary (from 31 July 2019 to 4 September 2019) for a total of

1,300,000 own shares at an average price of € 8.71425, thus exceeding the 3% significance threshold (notice of this was sent to CONSOB within the time limits and in the manner specified in regulatory provisions in force).

Supervision of the financial reporting process, the non-financial disclosure process, the efficacy of internal control systems, internal auditing and risk management, the statutory auditing of the annual and consolidated accounts

1. With reference to the financial reporting process, the Board of Statutory Auditors verified the constant updating at Group level of the set of administrative and accounting rules and procedures, aimed at controlling the process of preparation and disclosure of the financial reports and information (of the Parent and consolidated), which are deemed suitable for the issuing of attestations pursuant to Article 154 of Legislative Decree No. 58/1998. The actual application and reliability of accounting and administrative procedures have been verified by the Manager in charge of the Company's financial reports, also relying on the competent internal structures (the Internal Audit function), through a monitoring plan that covered both the control and governance environment and the key controls at the level of the relevant processes. Supervision of the proper functioning of the model to ensure compliance with Law No. 262/2005 is assured by a series of self-assessments carried out by individual process owners, in conjunction with analyses conducted by the Group's Audit function.
2. With regard to the preparation of the Separate and Consolidated Financial Statements for the year ended 31 December 2019, the Board of Statutory Auditors acknowledges that the Board of Directors approved — independently of and prior to the approval of the said financial statements for the year ended 31 December 2019 (cf.: Bank of Italy-Consob-ISVAP Document, jointly issued on 3 March 2010) — the compliance of the impairment testing procedure with the provisions of the international accounting standard IAS 36, following the circulation thereof to the Audit, Risks & Sustainability Committee and the Board of Statutory Auditors. Information and the findings of the assessment process conducted are provided in the Explanatory Notes to the financial statements.
3. During the periodic assessments, the Board of Statutory Auditors constantly received reports on the financial situation and the use of loans granted by banks. During the year, the governing body also passed resolutions for the discontinuation of business operations and subsequent placement in liquidation, with the necessary financial support from the holding company, of Brembo Argentina S.A. and on the issue of parent guarantees for the granting of lines of credit to the Group's Chinese companies.
4. With regard to the provisions of Article 36, paragraph 1, of the Markets Regulation (Consob Resolution No. 16191 of 20 October 2007 and Article 15, paragraph 1, of that same Regulation, as amended by Consob Resolution No. 20249 of 28 December 2017, in effect from 3 January 2018), which apply to subsidiaries identified by the Company as relevant to the financial reporting control system, the Board of Statutory Auditors determined that the information flows from non-EU subsidiaries identified in accordance with the above provisions were adequate to provide the Company and Independent Auditors regularly with the statement of income, financial position and cash flow information required to prepare the Consolidated Financial Statements and permit the auditing of the annual and interim accounts. In detail, as of 31 December 2019, the Companies to which such regulations apply are the subsidiaries indicated by Brembo as being significant for the control system and financial reporting purposes.

5. the Board of Statutory Auditors and the Audit, Risks & Sustainability Committee (on certain occasions and as a function of specific subject matter, through meetings held jointly) assessed and controlled the adequacy of the Risk Management System through:
   - quarterly meetings with the Internal Audit Director, aimed at receiving information about:
     i. the results of the 2019 audits performed to identify and assess the main risks, check of the Internal Control System, compliance with the laws, corporate procedures and processes, as well as the progress of the implementation of the relevant improvement plans;
     ii. an analysis of reports of violations of laws, procedures and regulations received and/or identified in the course of ethics audits;
     iii. The 2020 Audit Plan and the related budget;
     iv. the project regarding the Quality Assurance Review of the Internal Audit Function and the related certification;
   - periodic meetings with the Head of Risk Management to acquire information on:
     i. the monitoring of enterprise risk management activities and the integration process regarding the Environmental Social Governance (ESG) factors;
     ii. the update of Brembo's Risk Report and the related action/mitigation plans periodically proposed by the management, and the new insurance coverages for the Brembo Group, with insights on renewals on Property and Liability insurance programmes.

6. On the basis of the reviews carried out and the information received, the Internal Control & Risk Management System has been found to be adequate as a whole and suited to preventing risks and to ensuring effective application of the rules of corporate conduct. The System's organisational structure also ensures coordination of the various parties and functions involved, including through constant exchange of information between the various participants. Accordingly, there are no remarks to be submitted to the Shareholders' Meeting.

7. The Board of Statutory Auditors supervised the process of monitoring the system implemented by Brembo S.p.A. and the Group's European companies for the purpose of ensure compliance with Regulation (EU) No. 2016/279 on the protection of personal data (GDPR) and received a copy of the DPO's Annual Report to the Board of Directors.

8. The Board of Statutory Auditors was constantly updated by the Chief Administration and Finance Officer and the Group's Tax Manager on tax issues, as well as on the progress and status of implementation of the "Tax Control Framework".

9. The Board of Statutory Officers also met with the Chief Information Technologies Officer for the IT 27001 System Certification project.

10. The Chairwoman of the Board of Statutory Auditors was invited to attend several meetings of the Supervisory Board as per Legislative Decree No. 231/2001, so as to constantly assess the updating processes of the Organisation, Management and Control Model pursuant to the aforementioned Decree (hereinafter also "231 Model"), its functioning, suitability and effectiveness in preventing all liability in connection with the offences punishable under the said Legislative Decree through implementation of the appropriate procedures and preventative measures. The results of these activities are described in detail in the Supervisory Board's periodic reports to the Board of Directors. In general terms, the Supervisory Body confirmed the overall framework of the 231 Model, based on a structured, organic system of control procedures and activities designed to prevent and monitor the risk of commission of the Legislative Decree No. 231/2001 predicate offences. The system is constantly updated, including in light of the legislative changes introduced in 2019, and that the assurance/monitoring activities performed by the 231 Risk Assessment Internal Audit functions; the internal measures aimed at dissemination and training relating to 231 Model continued on an ongoing basis.

11. With regard to the obligation to draft the Disclosure of Non-Financial Information pursuant to Legislative Decree No. 254/2016, the Board of Statutory Auditors was regularly informed by the Chief CSR Officer of the materiality analysis process carried out by the Company to define areas of non-financial information of a social and environmental nature deemed material to the Group — which in 2019 also involved external stakeholders (a group of clients and suppliers) — and the process of collecting and validating data at a worldwide level in order to prepare the said Disclosure. It should be recalled that, in accordance with Consob Warning Notice No. 1 of 28 February 2019, following the amendment to the law introduced by Legislative Decree No. 145/2018, the Disclosure of Non-Financial Information describes, *inter alia*, the management methods for the identified risks.

Remuneration of Directors and key management personnel

1. The Board of Statutory Auditors also determined the adequacy of merit and procedural indications adopted by the Remuneration & Appointments Committee to define and implement medium/long-term remuneration policies. Furthermore, it expressed a favourable opinion on the annual and three-year monetary incentive policies for the Governing Body, Executive Directors and Top Managers for 2019.

2. The following modifications were examined and approved by the Board of Directors in 2019, with a favourable opinion from the Audit, Risks and Sustainability Committee in its role as Related Party Transactions Committee and from the Remuneration and Appointments Committee, and from the Board of Statutory Auditors: the severance package for the Chief Executive Officer in office at the time (Andrea Abbati Marescotti), the contents of the remuneration package for the new Chief Executive Officer, the modifications to the compensation package for the Executive Deputy Chairman and the modification of the overall compensation of the Board of Directors, approved by the Shareholders' Meeting on 29 April 2019. These modifications were thus incorporated into the 2020 Remuneration Policies included in the 2020 Remuneration and Compensation Report.

3. The Company analysed the impacts in 2019 of the changes introduced by Legislative Decree No. 49 of 10 May 2019, which transposes into Italian law Directive (EU) No 2017/828 ("Shareholders' Rights II"), and in particular the modifications introduced with regard to the remuneration of directors (amendment of Article 123-*ter* of TUF) and the regulations issued by CONSOB on the changes to Annex 3A, Scheme 7-*bis*, to the Rules for Issuers, applicable with effect from the Shareholders' Meetings for the approval of financial statements for years beginning on or after 1 January 2019 (statutory reference to Legislative Decree No. 49/2019, Article 3), in order to integrate these changes into the remuneration policies submitted to the Shareholders' Meeting convened for 23 April 2020.

4. The main aspects of the new short- and long-term remuneration policies for 2020, approved by the Board of Directors during the meeting held on 9 March 2020, having heard the opinion of the Remuneration & Appointments Committee and the Board of Statutory Auditors, are illustrated in the 2020 Report on Remuneration Policy and Remuneration Paid — prepared in accordance with Article 123-*ter* of TUF and available on Brembo's website — the first section of which will be submitted to the attention and binding vote of the General Shareholders' Meeting on 23 April 2020.

5. It should be noted that, as of 2017, a clawback clause has been included in both the short-term incentive system (MBO) and the new long-term incentive system , in accordance with the Corporate Governance Code (Article 6.C.1(f)); the clause allows the Company to request the partial or total refund of the variable components of remuneration (or to withhold deferred components of remuneration) that had been granted based on data and information which subsequently proved to be manifestly incorrect or resulting from cases of fraudulent behaviour or gross negligence on the part of the beneficiaries.

Supervision of the disclosure process regarding the independence of the Independent Auditors, with regard in particular to the provision of non-auditing services

1. The Board of Statutory Auditors met periodically with representatives of the Independent Auditors, EY S.p.A., and constantly received information concerning their work and audit plans, and the progress and results thereof. No relevant data and/or aspects deserving of mention herein were brought to light.

2. The Board of Statutory Auditors supervised compliance with the rules of procedure governing the preparation and publication of the Consolidated Financial Statements pursuant to Article 41 of Legislative Decree No. 127 of 4 April 1991 and Article 154-*ter* TUF.

3. Today, 23 March 2020, EY S.p.A. issued the reports required by Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No 537/2014, in which it expressed an "unmodified opinion" of the Company's Financial Statements for the year ended 31 December 2019.
   With regard to the paragraph regarding the "key aspects of the audit", the Independent Auditors considered the measurement of shareholding, in respect of the Separate Financial Statements, and the measurement of goodwill, in respect of the Consolidated Financial Statements, to constitute "material issues".
   Pursuant to Article 14, paragraph 2(e), of Legislative Decree No. 39/2010, the Independent Auditors also believe that the Directors' Report on Operations and the information contained in the Corporate Governance and Ownership Structure Report set out in Article 123-*bis*, paragraph 4, of TUF are consistent with the Company's Separate Financial Statements and Consolidated Financial Statements for the year ended 31 December 2019.
   On that same date, the Independent Auditors also provided the Company's Board of Statutory Auditors with the additional report required by Article 11 of Regulation (EU) No 537/2014 pursuant to Article 19 of Legislative Decree No. 39/2010. As stated in the opinion on the Financial Statements, this report addresses certain matters, without contradicting the opinions in question. It bears mentioning here that, in addition to the material aspects indicated as "key aspects of the audit" in the aforementioned reports on the Separate and Consolidated Financial Statements, in this report the Independent Auditors emphasise other significant, but not material risks, such as those relating to transfer pricing and the issue of revenue recognition. The report does not identify material deficiencies in the internal control system applicable to the financial reporting process of which the heads of governance activities need to be informed.

4. The Board of Statutory Auditors reported to the Board of Directors on the significant matters indicated in the Independent Auditors' Report pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010, as amended by Legislative Decree No. 135/2016, without seeing the need to accompany the report with its own observations. The Board of Statutory Auditors notes that it regularly monitors the ongoing improvement of the financial reporting process and that this additional report is a summary of elements already shared over time and already submitted to the Governing Body.
   It should be recalled that the report in question also complements the Independent Auditors' statement of independence pursuant to Article 6, paragraph (2)(a), of Regulation (EU) No 537/2014.
   Finally, the Board of Statutory Auditors acknowledged the Transparency Report drafted by the Independent Auditors and published on its website pursuant to Article 18 of Legislative Decree No. 39/2010.

5. Lastly, on 23 March 2020, the Independent Auditors issued an ad-hoc report confirming the preparation of the Disclosure of Non-Financial Information and certification of compliance (limited negative review), expressing an unqualified opinion.

6. The Board of Statutory Auditors monitored the independence of the Independent Auditors pursuant to Article 19 of Legislative Decree No. 39/2010 and verified the nature and extent of the assignments received from

Brembo S.p.A. and Group companies (based in Italy or abroad, both EU and non-EU) concerning services other than independent auditing, as described in the Notes to the Consolidated Financial Statements, pursuant to Article 149-*duodecies* of the Rules for Issuers on the disclosure of fees. A table summarising the tasks assigned to EY S.p.A. is set out below:

AUDIT SERVICES

(euro thousand)	31.12.2019	31.12.2018
Independent Auditors' fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	225	240
- to the subsidiaries (services provided by the network)	422	401
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	81	56
- to the subsidiaries (services provided by the network)	0	5
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
- other services rendered to subsidiaries	1	5

The Board of Statutory Auditors deemed the fees for such non-auditing services (which never included those prohibited by Article 5, paragraph 1, of Regulation (EU) No 537/2014) to be appropriate to the scope and complexity of the work carried out, and hence compatible with the auditing mandate, in the absence of any anomalies impacting on the Independent Auditors' independence criteria.

Further activity by the Board of Statutory Auditors: opinions and observations and information requested by Consob

7. The Board of Statutory Auditors provided the opinions or observations required by applicable legislation with regard to:
   (i) the modifications to the economic severance package for the previous Chief Executive Officer (Andrea Abbati Marescotti), the remuneration package for the new Chief Executive Officer (Andrea Schillaci), the modifications to the compensation package for the Executive Deputy Chairman and the modification of the overall compensation to be attributed to the governing body, approved by the Shareholders' Meeting on 29 April 2019;
   (ii) the remuneration policies set out in the 2020 Remuneration Report, with regard to the Group's Executive Deputy Chairman, Chief Executive Officer and top managers.
8. Finally, the Board of Statutory Auditors acknowledges that in the course of its activities, and on the basis of the information obtained, it did not identify any omissions, censurable conduct, irregularities or other material facts that would need to be reported to the Authorities or mentioned in this Report; nor were any complaints pursuant to Article 2408 of the Italian Civil Code or other similar reports received.
9. Pursuant to Article 2386 of the Italian Civil Code, the Board of Statutory Auditors also approved the co-option onto the Board of Directors of Daniele Schillaci (subsequently confirmed by the Shareholders' Meeting) to replace Andrea Abbati Marescotti following his resignation.

Assessment of the impacts of the Coronavirus (Covid-19)

The Board of Statutory Auditors would be remiss not to note that at the reporting date there was an ongoing massive health emergency due to the spread of COVID-19 (following its outbreak in China in December 2019), in response to which the Italian authorities have taken measures — subject to periodic tightening of their restrictive content — imposing severe limitations on the movement of individuals and gatherings, in addition to circulating strict health protocols to protect individuals, particularly in the workplace.

This situation, to the extent relevant here, in addition to requiring the use of audioconferencing to hold the Board meetings of 9 and 20 March 2020, which among other matters approved the 2019 annual financial report and convened the Shareholders' Meeting for 23 April 2020, in the case of the former, and amended the proposed allocation of the 2019 profit as formulated by the Board on 9 March 2020, in the case of the latter, has also meant that the Board of Statutory Auditors may only operate through "remote" meetings in discharging its duties (as also done by the Independent Auditors).

After the Board meeting of 9 March 2020, in response to the gradual deterioration of the situation, particularly in Lombardy and the Bergamo area, entailing the closure of commercial establishments open to the public, on 13 March 2020 in order to protect the health and safety of its workers and employees the Company announced the temporary suspension, from 16 March to 22 March 2020, of production in Stezzano, Curno, Mapello and Sellero (for reasons of "force majeure" pursuant to Article 1256 of the Italian Civil Code); this closure was then extended until 29 March 2020. However, the Group's foreign plants in India, the United States, the United Kingdom, Brazil, Poland and the Czech Republic are currently fully operational and ensure that Brembo maintains full continuity of production. Its plants in China are returning to full operation after the closure that affected much of the country in which the virus seems to have originated.

The increase in the number of countries affected by the health emergency, which has gradually expanded to important markets for Brembo beyond Italy, has also resulted in a decision by the Board of Directors, during its extraordinary session on 20 March 2020, *"in order to support the Group's financial solidity and limit future financial impacts"*, to suspend the proposal to approve the distribution of dividends drawing on the profits earned in 2019, already approved by the governing body on 9 March 2020, and thus to propose that all profits be carried forward, net of the formation of the reserve pursuant to Article 6, paragraph 2, of Legislative Decree 38/2005 (for Euro 1,125,037.09), and thereby modifying the proposal formulated on 9 March 2020.

A press release was thus issued in which the Board of Directors emphasises the difficulty *"in making quantitative forecasts regarding the impacts of COVID-19 on the Group's operating and financial performance"* in view of the rapid evolution of the phenomenon, while also remarking that *"it is presumed that they will be significant in the first quarters of 2020."*

During this same session, the Board of Directors, adopting the recommendations issued by ESMA (the European Securities and Markets Authority) on 11 March 2020, also made an addition to the 2019 Financial Report, approved on 9 March 2020, to include the above information and to add that more precise information will be provided in the subsequent periodic reports.

The Board of Statutory Auditors acknowledges that it has had the opportunity for specific discussions with the Independent Auditors regarding the fair value measurement of company assets and liabilities, as at the date of the 2019 Financial Report, in accordance with the accounting standard IFRS 13, having regard to the aforementioned unusual situation that has emerged; the Board of Statutory Auditors did not acquire any information worthy of disclosure in this report.

With regard to the annual Shareholders' Meeting, convened for 23 April 2020, subject to change by the Board of Directors (of the date, place and/or time of the session, the terms for the exercise by the shareholders of their rights under applicable legislation and the methods of participation in and/or holding of the Shareholders' Meeting), in view of special legislation already being implemented on the date of the session of 9 March 2020, the Board of Statutory Auditors takes note of the enactment of that Decree-Law No. 18 of 17 March 2020, which contains extraordinary provisions designed to permit recourse to a longer period for approval of the financial statements of both listed and unlisted companies, in addition to methods for holding shareholders' meetings and exercising voting rights at such meetings that are appropriate to the times.

On this subject, the Board of Statutory Auditors notes that at its session of 20 March 2020 the Board of Directors, in application of the above provisions on the holding of shareholders' meetings of companies with listed shares (see Article 106 of the Decree), established that Shareholders will only be able to participate in the Shareholders' Meeting by granting proxy authorisation to the single Designated Representative, identified pursuant to Article 135-*undecies* of TUF.

The Board of Statutory Auditors will act in close coordination with the Board of Directors to ensure that the Shareholders' Meeting may be held in an orderly fashion, and the rights of the Shareholders regularly exercised, in accordance with the above provisions.

The Board of Statutory Auditors ensures that it will continue to give its full attention to the course of the developing situation caused by the spread of COVID-19 and its financial impacts on the Group.

Proposals for the Shareholders' Meeting regarding the Financial Statements for the year ended 31 December 2019 and allocation of the profit for the year

Having acknowledged the Financial Statements for the year ended 31 December 2019, the Board of Statutory Auditors, taking account of the specific duties assigned to the Independent Auditors relating to the auditing of the accounts and verification that the Financial Statements are reliable, has no objections to the approval of the Financial Statements or to the Board of Directors' draft resolution regarding the carrying forward of the ascertained result for the year, net of the allocation of the same to the reserve Re. Article 6, paragraph 2 of Decree-law 38/2005.

Finally, the Board of Statutory Auditors, in reminding that its assignment reaches its natural expiry with the General Shareholders' Meeting, wishes to thank for the trust placed in our Board.

Milano, Crema 23 March 2020

THE BOARD OF STATUTORY AUDITORS
Raffaella Pagani (Chairwoman)
Alfredo Malguzzi (Acting Auditor)
Mario Tagliaferri (Acting Auditor)

Attestation of the Financial Statements of Brembo S.p.A. 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 financial statements for the period from 1 January to 31 December 2019:

- are appropriate in relation to the company features; and
- have been consistently applied.

2. The assessment of the appropriateness of the administrative and accounting procedures used in preparing the Financial Statements at 31 December 2019 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 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 Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

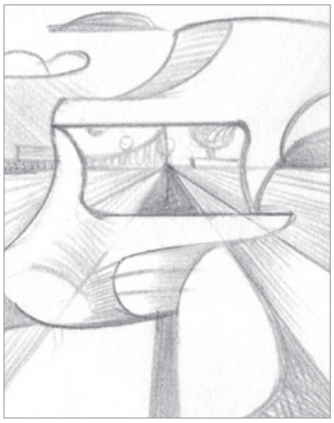
9 March 2020

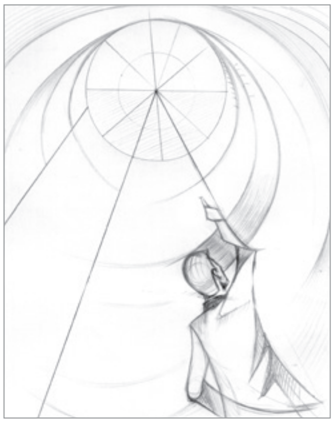
Matteo Tiraboschi
Executive Deputy Chairman

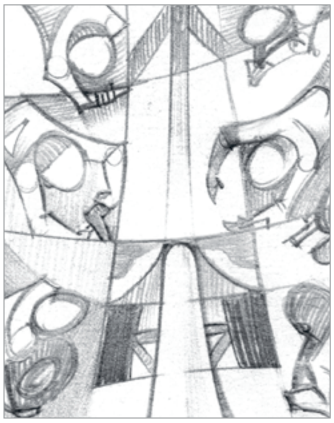
Andrea Pazzi
Manager in Charge of the Company's
Financial Reports

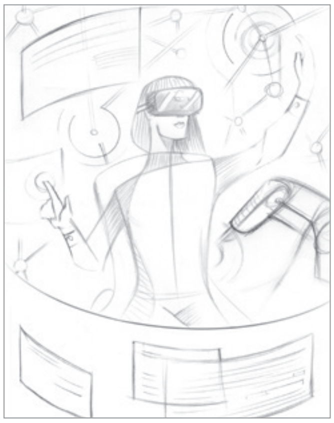
In the Beginning Was Sustainability

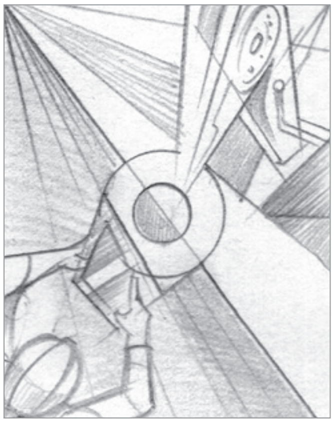
Above all for those who, like Brembo, take a responsible view of the future. It is against this backdrop that a story unfolds, interweaving illustrations and textual elements, drawing inspiration from modern and contemporary art, and clearly bringing into focus the aspects of innovation, energy and dynamism that set Brembo apart, in its way of thinking and acting. Brembo's commitment to sustainability is tangible and concrete in its every activity. From technological innovation of processes —aimed at reducing consumption and environmental impact— and waste recycling and disposal —ensuring constant respect for the environment— through to its most valuable asset: people. Tending to human relationships and to the quality of the work and life of its employees, together with helping disadvantaged communities, are unquestioned values for Brembo.
The story provides us with numbers, actions, concepts and strategies, all tied together by responsible thinking.

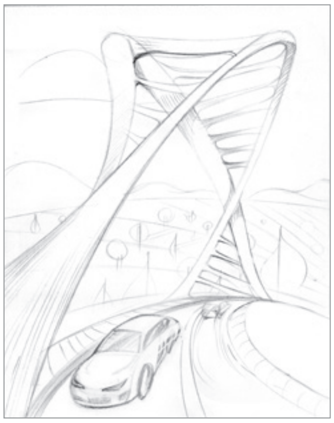


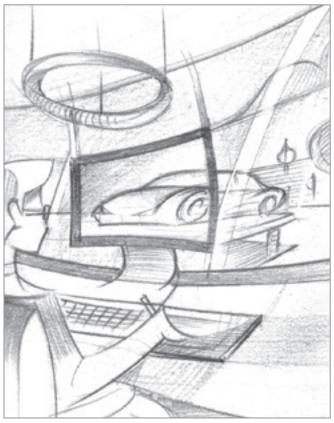












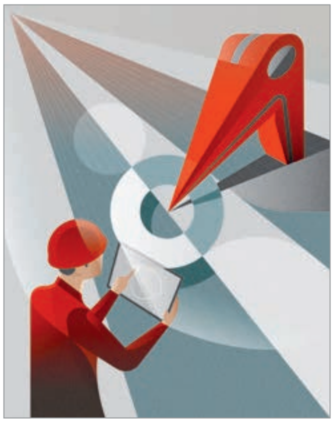
The Future

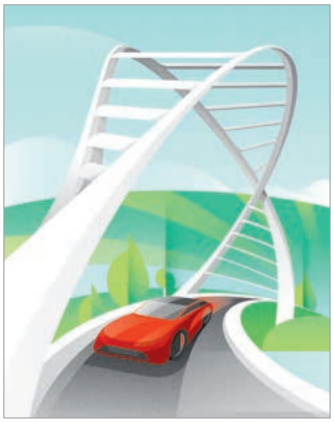
The style of the illustrations immediately evokes Futurism, adopting its themes: speed, dynamism, strength, power, concision, machine and technology.

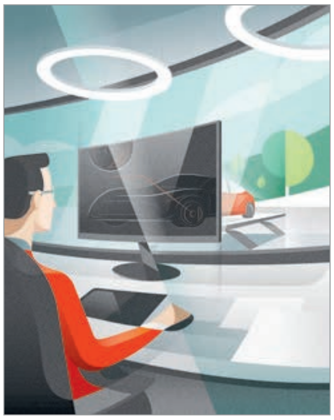
Strong, dynamic lines cut across the images, fusing their subjects into a delicate, elegant composition in geometric balance.

Technology's unstoppable development constantly sets new milestones and poses new challenges to be faced and overcome. The original values remain unchanged, solid and unmoving, but the challenges change, shifting to the needs of a world of rapid progress.

Futurist language is thus reinterpreted from a contemporary perspective. Nature and humanity — the constant elements of the tale — are no longer antagonists but engage in dialogue, becoming a harmonious part of the whole, merging to form a single message and thus breathing life into a new vision of the Future.







BREMBO S.p.A.
Headquarters c/o Parco Scientifico Tecnologico Kilometro Rosso
Viale Europa, 2 - 24040 Stezzano (BG) Italy
Tel. +39 035 605.2111 - www.brembo.com
E-mail: press@brembo.it - ir@brembo.it

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