

BREMBO
FIRST QUARTER REPORT
2019



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Company Officers

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

COMPOSITION OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MAIN GOVERNANCE FUNCTIONS AT THE DATE OF APPROVAL OF THE FIRST QUARTER REPORT 2019 (9 MAY 2019)

BOARD OF DIRECTORS

Chairman

Alberto Bombassei ^{(1) (8)}

Executive Deputy Chairman

Matteo Tiraboschi ^{(2) (8)}

Chief Executive Officer and General Manager Directors

Andrea Abbati Marescotti ^{(3) (8) (16)}

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

Substitute 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

Control, Risks & Sustainability Committee ⁽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⁾

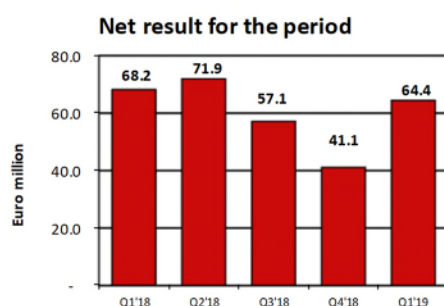
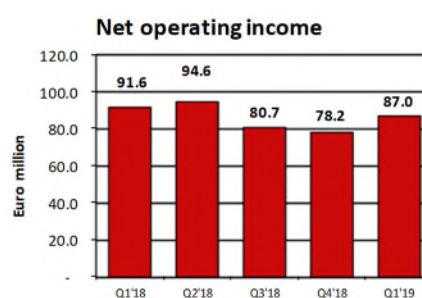
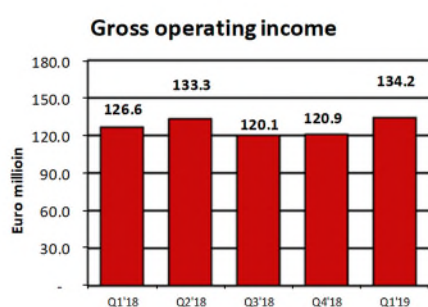
- (1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
- (2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
- (3) The Board of Directors granted the Chief Executive Officer and General Manager special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.
- (4) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of 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 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.
- (16) On 3 May 2019, Brembo S.p.A. announced that Chief Executive Officer Andrea Abbati Marescotti has notified his decision to resign from his position within the Board of Directors and waive his powers as of 30 June 2019. The Board of Directors convened on 3 May 2019 acknowledged this decision and, with a favourable opinion from the Remuneration & Appointments Committee and the Board of Statutory Auditors, also resolved to entrust the position of Director and Chief Executive Officer, effective from 1 July 2019, to Daniele Schillaci, who will be co-opted and then appointed Chief Executive Officer of the Company.

Summary of Group Results

It bears recalling that the Company 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.

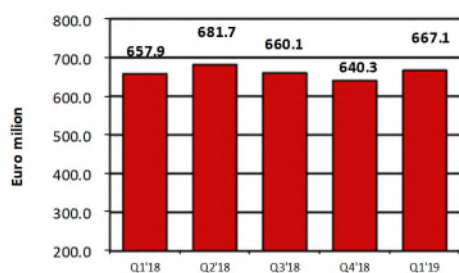
Data referring to the first quarter of 2019 include the following impacts due to the adoption of the new Standard:

- Net Invested Capital and Net Financial Position: €176.3 million;
- reversal of rental costs amounting to €5.7 million;
- €4.5 million increase in amortisation and depreciation;
- €1.2 million increase in interest expense.

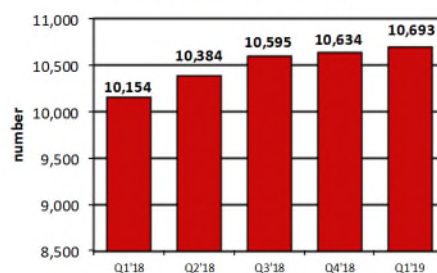


ECONOMIC RESULTS (euro million)	A				B	% B/A
	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	
Revenue from contract with customers	657.9	681.7	660.1	640.3	667.1	1.4%
Gross operating income	126.6	133.3	120.1	120.9	134.2	6.0%
<i>% of revenue from contract with customer</i>	19.2%	19.6%	18.2%	18.9%	20.1%	
Net operating income	91.6	94.6	80.7	78.2	87.0	-5.0%
<i>% of revenue from contract with customer</i>	13.9%	13.9%	12.2%	12.2%	13.0%	
Result before taxes	90.0	90.6	75.8	69.0	83.9	-6.8%
<i>% of revenue from contract with customer</i>	13.7%	13.3%	11.5%	10.8%	12.6%	
Net result for the period	68.2	71.9	57.1	41.1	64.4	-5.5%
<i>% of revenue from contract with customer</i>	10.4%	10.5%	8.7%	6.4%	9.7%	

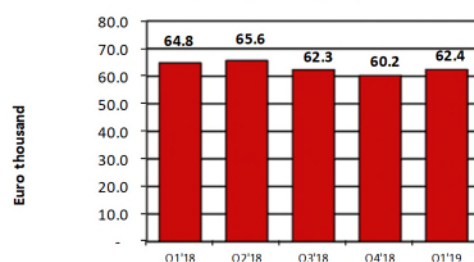
Revenue from contract with customers



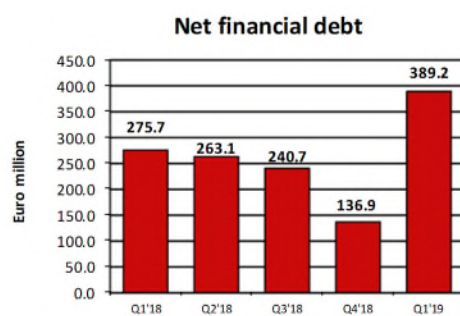
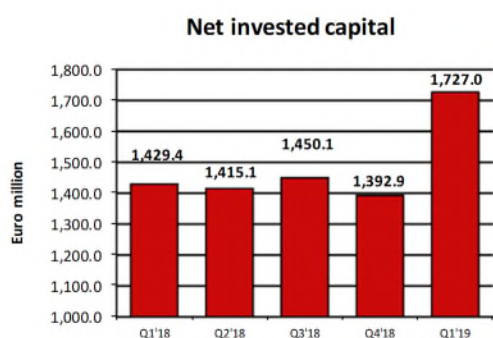
Personnel at end of period



Turnover per employee



FINANCIAL RESULTS (euro million)	A				B	
	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	% B/A
Net invested capital	1,429.4	1,415.1	1,450.1	1,392.9	1,727.0	20.8%
Equity	1,126.2	1,124.5	1,182.3	1,228.8	1,311.1	16.4%
Net financial debt	275.7	263.1	240.7	136.9	389.2	41.2%
PERSONNEL AND CAPITAL EXPENDITURE						
Personnel at end of period (No.)	10,154	10,384	10,595	10,634	10,693	5.3%
Turnover per employee (euro thousand)	64.8	65.6	62.3	60.2	62.4	-3.7%
Investments (euro million)	46.1	75.8	63.6	102.2	42.0	-8.9%



MAIN RATIOS	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19
Net operating income/Revenue from contract with custc	13.9%	13.9%	12.2%	12.2%	13.0%
Result before taxes/Revenue from contract with custom	13.7%	13.3%	11.5%	10.8%	12.6%
Investments/Revenue from contract with customers	7.0%	11.1%	9.6%	16.0%	6.3%
Net Financial indebtedness/Equity	24.5%	23.4%	20.4%	11.1%	29.7%
Net interest expense(*)/Revenue from contract with cust	0.3%	0.3%	0.4%	1.0%	0.6%
Net interest expense(*)/Net operating income	2.3%	2.5%	3.3%	8.5%	4.4%
ROI	26.0%	26.8%	22.1%	22.3%	20.4%
ROE	24.8%	25.9%	19.3%	13.7%	20.0%

Notes:

ROI: Net operating income/Net invested capital x annualisation factor(days in the year/days in the reporting period).

ROE: Result before minority interests/Shareholders equity x annualisation factor(days in the year/days in the reporting period).

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

Consolidated Financial Statements

Consolidated Statement of Financial Position

<i>(euro thousand)</i>	31.03.2019	31.12.2018	Change
ASSETS			
NON-CURRENT ASSETS			
Property, plant, equipment and other equipment	1,224,656	1,041,442	183,214
Development costs	78,417	73,304	5,113
Goodwill and other indefinite useful life assets	85,686	82,722	2,964
Other intangible assets	52,912	53,113	(201)
Investments valued using the equity method	36,958	39,564	(2,606)
Other financial assets (including investments in other companies and derivatives)	8,286	8,190	96
Receivables and other non-current assets	2,785	2,981	(196)
Deferred tax assets	67,029	62,711	4,318
TOTAL NON-CURRENT ASSETS	1,556,729	1,364,027	192,702
CURRENT ASSETS			
Inventories	364,984	342,037	22,947
Trade receivables	476,808	407,414	69,394
Other receivables and current assets	70,496	72,132	(1,636)
Current financial assets and derivatives	318	307	11
Cash and cash equivalents	264,132	345,117	(80,985)
TOTAL CURRENT ASSETS	1,176,738	1,167,007	9,731
TOTAL ASSETS	2,733,467	2,531,034	202,433
EQUITY AND LIABILITIES			
GROUP EQUITY			
Share capital	34,728	34,728	0
Other reserves	125,437	108,784	16,653
Retained earnings/(losses)	1,055,568	817,219	238,349
Net result for the period	64,408	238,349	(173,941)
TOTAL GROUP EQUITY	1,280,141	1,199,080	81,061
TOTAL MINORITY INTERESTS	30,983	29,742	1,241
TOTAL EQUITY	1,311,124	1,228,822	82,302
NON-CURRENT LIABILITIES			
Non-current payables to banks	188,319	205,872	(17,553)
Other non-current financial payables and derivatives	162,935	1,572	161,363
Other non-current liabilities	4,640	3,095	1,545
Provisions	14,875	15,500	(625)
Provisions for employee benefits	26,725	27,141	(416)
Deferred tax liabilities	24,394	23,705	689
TOTAL NON -CURRENT LIABILITIES	421,888	276,885	145,003
CURRENT LIABILITIES			
Current payables to banks	285,543	273,328	12,215
Other current financial payables and derivatives	16,809	1,563	15,246
Trade payables	503,846	566,737	(62,891)
Tax payables	15,172	6,003	9,169
Short term provisions	13,504	13,504	0
Other current payables	165,581	164,192	1,389
TOTAL CURRENT LIABILITIES	1,000,455	1,025,327	(24,872)
TOTAL LIABILITIES	1,422,343	1,302,212	120,131
TOTAL EQUITY AND LIABILITIES	2,733,467	2,531,034	202,433

Consolidated Statement of Income

<i>(euro thousand)</i>	31.03.2019	31.03.2018	Change	%
Revenue from contract with customers	667,149	657,944	9,205	1.4%
Other revenues and income	5,077	5,143	(66)	-1.3%
Costs for capitalised internal works	7,650	6,328	1,322	20.9%
Raw materials, consumables and goods	(315,924)	(312,458)	(3,466)	1.1%
Non-financial interest income (expense) from investments	3,354	4,194	(840)	-20.0%
Other operating costs	(114,080)	(119,089)	5,009	-4.2%
Personnel expenses	(118,983)	(115,459)	(3,524)	3.1%
GROSS OPERATING INCOME	134,243	126,603	7,640	6.0%
<i>% of revenue from contract with customer</i>	<i>20.1%</i>	<i>19.2%</i>		
Depreciation, amortisation and impairment losses	(47,229)	(35,050)	(12,179)	34.7%
NET OPERATING INCOME	87,014	91,553	(4,539)	-5.0%
<i>% of revenue from contract with customer</i>	<i>13.0%</i>	<i>13.9%</i>		
Net interest income (expense)	(3,151)	(1,500)	(1,651)	110.1%
Interest income (expense) from investments	40	(7)	47	-671.4%
RESULT BEFORE TAXES	83,903	90,046	(6,143)	-6.8%
<i>% of revenue from contract with customer</i>	<i>12.6%</i>	<i>13.7%</i>		
Taxes	(19,290)	(21,062)	1,772	-8.4%
RESULT BEFORE MINORITY INTERESTS	64,613	68,984	(4,371)	-6.3%
<i>% of revenue from contract with customer</i>	<i>9.7%</i>	<i>10.5%</i>		
Minority interests	(205)	(798)	593	-74.3%
NET RESULT FOR THE PERIOD	64,408	68,186	(3,778)	-5.5%
<i>% of revenue from contract with customer</i>	<i>9.7%</i>	<i>10.4%</i>		
BASIC/DILUTED EARNINGS PER SHARE (euro)	0.20	0.21		

Consolidated Statement of Comprehensive Income

<i>(euro thousand)</i>	31.03.2019	31.03.2017	Change
RESULT BEFORE MINORITY INTERESTS	64,613	68,984	(4,371)
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period:			
Effect (actuarial gain/loss) on defined-benefit plans	0	(20)	20
Fiscal effect	0	6	(6)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period	0	(14)	14
<i>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period:</i>			
Change in translation adjustment reserve	17,689	(7,196)	24,885
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period	17,689	(7,196)	24,885
COMPREHENSIVE RESULT FOR THE PERIOD	82,302	61,774	20,528
Of which attributable to:			
– Minority Interests	1,241	960	281
– the Group	81,061	60,814	20,247

Consolidated Statement of Cash Flows

	31.03.2019	31.03.2018
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	195,871	155,973
Result before taxes	83,903	90,046
Depreciation, amortisation/impairment losses	47,229	35,050
Capital gains/losses	(342)	(187)
Income/expense from investments, net of dividends received	2,606	(4,187)
Financial portion of provisions for defined benefits and payables for personnel	141	130
Long-term provisions for employee benefits	561	541
Other provisions net of utilisations	6,866	7,207
Cash flows generated by operating activities	140,964	128,600
Paid current taxes	(13,441)	(14,048)
Uses of long-term provisions for employee benefits	(1,402)	(1,013)
<i>(Increase) reduction in current assets:</i>		
inventories	(27,418)	(34,286)
financial assets	(29)	21
trade receivables	(69,748)	(83,317)
receivables from others and other assets	(260)	(9,529)
<i>Increase (reduction) in current liabilities:</i>		
trade payables	(62,891)	(4,804)
payables to others and other liabilities	2,953	7,646
Translation differences on current assets	(1,873)	(864)
Net cash flows from/(for) operating activities	(33,145)	(11,594)
<i>Investments in:</i>		
intangible assets	(8,970)	(7,276)
property, plant and equipment	(32,982)	(38,864)
property, plant and equipment - IFRS 16 effect	(176,302)	0
financial assets (investments)	(57)	(1,350)
Price for disposal or reimbursement value of fixed assets	1,940	451
Net cash flows from/(for) investing activities	(216,371)	(47,039)
Change in fair value of derivatives	318	879
Payables to other financial institutions - IFRS 16 effect	176,302	0
Loans and financing granted by banks and other financial institutions in the period	0	306
Repayment of long-term loans	(11,458)	(14,131)
Net cash flows from/(for) financing activities	165,162	(12,946)
Total cash flows	(84,354)	(71,579)
Translation differences on cash and cash equivalents	(685)	277
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	110,832	84,671

Consolidated Net Financial Position

<i>(euro thousand)</i>	31.03.2019	31.12.2018	31.03.2018
Cash	117	132	131
Other cash equivalents	264,015	344,985	215,566
Derivatives and securities held for trading	3	0	0
LIQUIDITY (A+B+C)	264,135	345,117	215,697
Current financial receivables	315	307	314
Current payables to banks	153,300	149,246	131,026
Current portion of non-current debt	132,243	124,082	45,909
Other current financial debts and derivatives	16,809	1,563	4,943
CURRENT FINANCIAL DEBT (F+G+H)	302,352	274,891	181,878
NET CURRENT FINANCIAL DEBT (I-E-D)	37,902	(70,533)	(34,133)
Non-current payables to banks	188,319	205,872	307,545
Bonds issued	0	0	0
Other non-current financial debts and derivatives	162,935	1,572	2,247
NON-CURRENT FINANCIAL DEBT (K+L+M)	351,254	207,444	309,792
NET FINANCIAL DEBT (J+N)	389,156	136,911	275,659

Consolidated Statement of Changes in Equity

	Other Reserves			Retained earnings (losses)	Net result for the period	Group Equity	Result of minority interest	Share Capital and reserves of Minority Interests	Equity of Minority Interests	Equity
	Share Capital	Reserves	Treasury Shares							
<i>(euro thousand)</i>										
Balance at 1 January 2018	34,728	126,314	(13,476)	625,818	263,428	1,036,812	4,472	23,153	27,625	1,064,437
Allocation of profit for the previous year				263,428	(263,428)	0	(4,472)	4,472	0	0
<i>Components of comprehensive income:</i>										
Effect actuarial income/(loss) on defined benefit plans				(14)		(14)			0	(14)
Change in translation adjustment reserve		(7,358)				(7,358)		162	162	(7,196)
Net result for the period					68,186	68,186	798		798	68,984
Balance at 31 March 2018	34,728	118,956	(13,476)	889,232	68,186	1,097,626	798	27,787	28,585	1,126,211
<hr/>										
Balance at 1 January 2019	34,728	122,260	(13,476)	817,219	238,349	1,199,080	3,127	26,615	29,742	1,228,822
Allocation of profit for the previous year				238,349	(238,349)	0	(3,127)	3,127	0	0
<i>Components of comprehensive income:</i>										
Change in translation adjustment reserve		16,653				16,653		1,036	1,036	17,689
Net result for the period					64,408	64,408	205		205	64,613
Balance at 31 March 2019	34,728	138,913	(13,476)	1,055,568	64,408	1,280,141	205	30,778	30,983	1,311,124

Explanatory Notes to the Financial Statements

Accounting Standards and Basis of Preparation

The Interim Report for the first quarter of 2019, which includes the Statement of Financial Position, the Statement of Income, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity and brief related Explanatory Notes, has been prepared in compliance with recognition and measurement criteria provided for by the IFRS endorsed by the European Union, and has been voluntarily made available to the public. Please refer to the Company's website (<http://www.brembo.com/en/investors/calendar>) for information about the content, timing and methods of additional periodic financial disclosures.

Reference is made to the 2018 Financial Statements for the relevant international accounting standards and criteria adopted by the Group when preparing the above-mentioned Financial Statements. The preparation of the Interim Report requires management to make estimates and assumptions that have an effect on the amounts of recognised revenues, costs, assets and liabilities, and the disclosure of contingent assets and liabilities as of the reporting date. Should in the future such estimates and assumptions, which are based upon the management's best assessment, diverge from actual circumstances, they will be modified accordingly during the period in which such circumstances change.

It should also be noted that certain measurement processes, particularly the most complex ones such as the determination of any impairment for non-current assets, are typically carried out in full only during preparation of the Annual Financial Statements, when all necessary information is available, unless impairment indicators require immediate analysis. It should also be pointed out that the value of inventories has been calculated for Brembo S.p.A. by applying the cost of inventories as at 30 November 2018 to the inventory accounting results as at 31 March 2019. Actuarial valuations necessary to determine employee benefits are typically performed during preparation of the Annual Financial Statements. This Interim Report has not been audited.

Consolidation Area

The Financial Statements for the first quarter of 2019 include the Financial Statements of the Parent Brembo S.p.A., and the Financial Statements of the companies that Brembo S.p.A. controls as per IFRS 10. Compared to the first quarter of 2018, no corporate transactions impacting the Group's consolidation area were carried out in the reporting period.

Notes on the Most Significant Changes in Items of the Consolidated Financial Statements

Net sales for the first quarter of 2019 amounted to €667,149 thousand, up 1.4% compared to the same period of 2018.

In detail, car applications closed the first quarter of 2019 with a slight decline (-0.3%) compared to the same period of 2018. Applications for commercial vehicles (+7.1%), motorbikes (+3.0%) and racing vehicles (+12.6%) performed well.

At geographical level, and in Europe in particular, France was the only country that grew compared to the first quarter of 2018 (+26.7%), whilst all other European markets declined: -2.6% in Italy, -9.9% in Germany, and -0.7% in the UK. In North America, sales rose by 8.0%, whereas South America showed a 9.4% decrease compared to the first quarter of 2018. In the Far East, a positive performance was recorded in India (+20.2%) and China (+3.4%), whereas Japan showed a decrease (-19.5%).

In the first quarter of the year, the **cost of sales** and **other net operating costs** amounted to €417,277 thousand, with a ratio of 62.5% to sales, slightly down compared to 63.8% for the same period of the previous year. Within this item, **costs for capitalised internal works** included in intangible assets amounted to €7,650 thousand compared to €6,328 thousand for the first quarter of 2018.

Income from non-financial investments totalled €3,354 thousand (€4,194 thousand in the first quarter of 2018) and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method.

Personnel expenses amounted to €118,983 thousand, with a 17.8% ratio to sales, slightly increasing compared to the same period of the previous year (17.5%). At 31 March 2019, workforce numbered 10,693 (10,634 at 31 December 2018 and 10,154 at 31 March 2018).

Gross operating income for the quarter was €134,243 thousand (20.1% of sales) compared to €126,603 thousand for the first quarter of 2018 (19.2% of sales).

Net operating income amounted to €87,014 thousand (13.0% of sales), compared to €91,553 thousand (13.9% of sales) for the first quarter of 2018, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €47,229 thousand, compared to depreciation, amortisation and impairment losses amounting to €35,050 thousand for the first quarter of 2018.

Net interest expense amounted to €3,151 thousand (€1,500 thousand in the first quarter of 2018) and consisted of net exchange gains of €668 thousand (net exchange gains of €573 thousand in the first quarter of 2018) and interest expense of €3,819 thousand (€2,073 thousand for the same quarter of the previous year).

Net interest income from investments, which amounted to €40 thousand, was attributable to the effects of valuing investments in associates using the equity method.

Result before taxes was positive at €83,903 thousand (12.6% of sales), compared to €90,046 thousand (13.7% of sales) for the first quarter of 2018.

Based on tax rates applicable for the year under current tax regulations, estimated **taxation** amounted to €19,290 thousand (€21,062 thousand for the first quarter of 2018). Tax rate was 23.0%, compared to 23.4% in the first

quarter of 2018.

The **Group's net result** for the quarter amounted to €64,408 thousand compared to €68,186 thousand for the first quarter of 2018.

Net invested capital at the end of the period amounted to €1,727,005 thousand, up by €334,131 thousand (of which €176,302 thousand attributable to the adoption of the new IFRS 16) compared to €1,392,874 thousand at 31 December 2018.

Net financial debt at 31 March 2018 was €389,156 thousand, compared to €136,911 thousand at 31 December 2018. The €252,245 thousand increase for the period was mainly attributable to the combined effect of the following factors:

- a positive effect of the gross operating income of €134,243 thousand;
- net investments in property, plant, equipment and intangible assets for a total of €40,354 thousand; they were mainly concentrated in Italy (45.6%), of which €6,034 thousand (15.0%) associated with development costs, North America (18.4%), China (13.6%) and Poland (8.1%);
- a decrease in working capital, due to the business expansion, totalling €157,342 thousand overall;
- payment of taxes amounting to €13,441 thousand;
- dividends received by the associate BSCCB S.p.A. totalling €6,000 thousand;
- the impact arising from the application of the new IFRS 16 for €176,302 thousand.

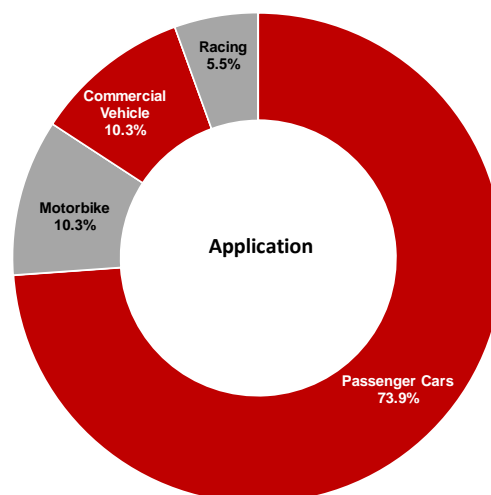
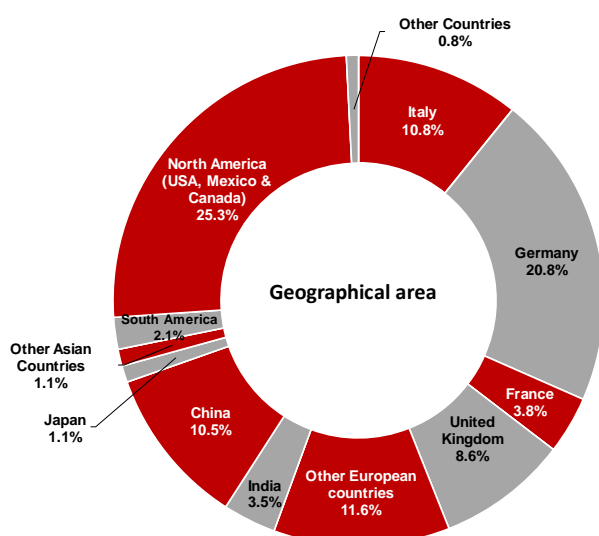
Sales Breakdown by Geographical Area and Application

The following tables show net sales at 31 March 2019, broken down by geographical area and application.

<i>(euro thousand)</i>	31.03.2019	%	31.03.2018	%	Change	%
GEOGRAPHICAL AREA						
Italy	72,119	10.8%	74,063	11.3%	(1,944)	-2.6%
Germany	138,520	20.8%	153,662	23.4%	(15,142)	-9.9%
France	25,483	3.8%	20,116	3.1%	5,367	26.7%
United Kingdom	57,252	8.6%	57,655	8.8%	(403)	-0.7%
Other European countries	77,417	11.6%	71,205	10.8%	6,212	8.7%
India	23,492	3.5%	19,536	3.0%	3,956	20.2%
China	70,253	10.5%	67,923	10.3%	2,330	3.4%
Japan	7,370	1.1%	9,160	1.4%	(1,790)	-19.5%
Other Asian Countries	7,570	1.1%	11,035	1.7%	(3,465)	-31.4%
South America (Argentina and Brazil)	14,250	2.1%	15,726	2.4%	(1,476)	-9.4%
North America (USA, Mexico & Canada)	168,361	25.3%	155,838	23.7%	12,523	8.0%
Other Countries	5,062	0.8%	2,025	0.1%	3,037	150.0%
Total	667,149	100.0%	657,944	100.0%	9,205	1.4%

<i>(euro thousand)</i>	31.03.2019	%	31.03.2018	%	Change	%
APPLICATION						
Passenger Cars	492,578	73.9%	494,200	75.1%	(1,622)	-0.3%
Motorbike	68,938	10.3%	66,952	10.2%	1,986	3.0%
Commercial Vehicle	68,497	10.3%	63,939	9.7%	4,558	7.1%
Racing	36,901	5.5%	32,767	5.0%	4,134	12.6%
Miscellaneous	235	0.0%	86	0.0%	149	173.3%
Total	667,149	100.0%	657,944	100.0%	9,205	1.4%

RATIO TO SALES



Foreseeable Evolution

In a market scenario still marked by a difficult and volatile situation, Brembo confirms volumes and profitability consistent with those achieved in 2018.

Directors' Report on Operations and Significant Events

Macroeconomic Context

In order to properly assess Brembo's performance for the first quarter of 2019, the worldwide macroeconomic scenario should be taken into consideration, with particular reference to the increasing number of markets in which the Group operates.

After strong growth in 2017 and the first half of 2018, the global economy slowed down significantly in the second half of 2018 and first quarter of 2019. The International Monetary Fund (IMF) slightly revised its global Gross Domestic Product (GDP) projections for 2018 slightly downwards to +3.6%, forecasting that growth will slow down to +3.3% in 2019, and then return to +3.6% in 2020. According to the April 2019 update to the World Economic Outlook published by the IMF, the main reason for the revised global growth can be attributed primarily to the slowdown in growth in China, the tensions linked to trade tariffs with the United States, and the weakening of the Eurozone. Global growth is projected to decline to +3.3% in 2019. This forecast is attributable to a general slowdown during the first half of 2019 followed by recovery in the second half of the year. The expected recovery is based on the Chinese economic incentive policies, the forecast improvement in the global confidence of the financial markets and the disappearance of a number of factors that have slowed down growth in the Eurozone. In its April update, the IMF also revised its growth estimated slightly downwards for the United States (+2.3% in 2019 and +1.9% in 2020), as well as for the Eurozone, which will reach +1.3% at the end of 2019 and +1.5% at the end of 2020. The IMF economists estimated that GDP will moderately increase in all major Eurozone countries in 2019, in particular +2.1% in Spain, +1.3% in France, +0.8% in Germany and +0.1% in Italy.

GDP growth in the **Eurozone** is set to moderate from +1.8% in 2018 to +1.3% in 2019 (0.3 percentage point lower than projected in January 2019) and +1.5% in 2020 (0.2 percentage point lower than previous projections). In detail, the IMF estimates indicate that Italy should have virtually zero growth of +0.1% in 2019, in line with the projections that the Italian government presented in its economic and finance document (DEF) in April 2019. The study published by Confindustria Research Centre also confirms the predicted stagnation of the Italian economy, which has been revised sharply downwards for 2019, in particular as a result of a budget plan with little focus on growth, decreasing household consumption and a rising propensity to savings. According to the April Markit Economics survey, the Eurozone's economic activity downtrend was primarily driven by the automotive sector, which has seen its worst decline since December 2012, both in terms of output and employment rate.

With regard to the **United States**, the IMF's economists measured the growth rate for 2018 at 2.9% and have revised downwards estimated growth for 2019 (+2.3%) and for 2020 (+1.9%). The growth forecasts for the United States have been revised downwards to reflect the impact of the government block and lower tax spending than previously declared, whilst the modest upward revision for 2020 reflects a move towards a more accommodating monetary policy. In any case, despite the downwards estimate, the growth rate forecast for 2019 is higher than the United States economy's potential growth rate. Strong growth in domestic demand will drive increased imports and a consequent rise in the current deficit. The IMF has also revised downwards its economic growth forecasts for **Mexico** which will remain under the 2.0% threshold for the two-year period 2019-2020, a reduction of 1.0% in the forecasts compared to the October 2018 estimates. These changes are due to modified perceptions regarding the policy directions taken by the new government.

For the **Japanese** economy, which closed 2018 with 0.8% growth, the latest update of the World Economic Outlook forecasts a slowdown in economic activity over the next two years, to around +1.0% in 2019 and +0.5% in 2020. This revision is due primarily to the additional fiscal support expected for 2019 which includes measures

mitigating the effects of the consumption tax increase. The preliminary reading of the Purchasing Manager's Index (PMI) prepared by Markit/Nikkei showed a slight increase, standing at 49.2 points at the end of March compared to 48.9 points at the end of February, but in any event below the 50-point threshold, signalling a general slowdown and the manufacturing sector's worst quarter since the second quarter of 2016.

Growth in the BRICS — Brazil, Russia, India, and China — is slowing down, primarily due to China that is impacted by the tensions linked to trade tariffs with the United States. The IMF confirmed its growth forecast, albeit at a lower level, for all of Asia at 6.3% in 2019 and in 2020, led by **India** (7.3% and 7.5%) and **China** (6.3% and 6.1%). In the long term, growth is expected to fall gradually in China, but to remain essentially stable in the ASEAN-5 region (Indonesia, Malaysia, Philippines, Thailand and Vietnam). In India, by contrast, growth is forecast to peak in 2019 and 2020 supported by an ongoing recovery in investments and a high consumption rate resulting from the more expansive monetary policy implemented and an expected boost in fiscal policy. After posting a 2.3% growth in 2018, the **Russian** economy slowed its recovery, declining to +1.6% in 2019 and +1.7% in 2020, exactly as estimated by the IMF's economists in the most recent edition of the World Economic Outlook. After the deep 2015-2016 recession, the Brazilian economy returned to grow in the two-year period 2017-2018, posting a +1.1% growth in 2018. The positive trend in real gross domestic product, in other words net of inflation, will also continue in 2019 and 2020, when growth is expected to strengthen further by +2.1% and +2.5%, respectively.

Turning to commodities trends, the average price of oil decreased gradually in the first quarter of the year compared to 2018, when it had exceeded 60 dollars a barrel (USD 68.33). In the update to the World Economic Outlook published in April, the IMF revised slightly upwards the average prices of the three oil benchmarks — Brent, Dubai and West Texas Intermediate (WTI) — forecasting a price of 59.16 dollars a barrel at the end of 2019 and of 59.09 dollars a barrel at the end of 2020, with a decrease of 13.4 percentage points on 2018 (USD 68.33 a barrel).

Currency Markets

In the first quarter of 2019, the **U.S. dollar**, after opening the reporting period at 1.1397, experienced an initial phase of depreciation and reach its quarterly high of 1.1535 on 10 January; this was followed by alternating phases of appreciation and depreciation, until reaching a minimum for the period of 1.1218 on 28 March, a value very close to the rate at the end of the quarter. At the end of the period, the currency stood at 1.1235, below the quarterly average rate (1.1357).

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level, the **pound sterling** continued to reflect the ongoing tensions linked to Brexit throughout the quarter. The currency opened the period appreciating slightly to then reach its high for the period at 0.9042 in mid-January. Thereafter, it appreciated sharply again, remaining in the 0.87-0.88 range, to then sharply decreasing to a quarterly low of 0.8512 on 27 March. It then closed the month slightly down. At the end of the period, the currency stood at 0.8583, below the quarterly average rate (0.8723).

The **Polish zloty**, after opening the quarter at around 4.30, appreciated throughout January up to 4.2736 (31 January) and then changed course sharply, depreciating up to its high of 4.3445 on 20 February. Thereafter, the currency appreciated sharply again to around 4.28, to then fall once more and close the month around the average for the period. At the end of the period, the currency stood at 4.3006, in line with the quarterly average rate (4.3020).

The **Czech koruna** opened the reporting period at 25.75, appreciating to 25.5370 on 17 January, after which it completely reversed direction, depreciating to its high for the period of 25.8710 (12 February). Thereafter, the currency appreciated again up to values around 25.60 at the beginning of March. In the last month of the quarter, the currency depreciated sharply closing at 25.8020, above the average for the period of 25.6842.

The **Swedish Krona** opened the quarter slightly down against the euro at around 10.30 and then reversed the trend immediately until it reached the lows for the period of 10.1855 on 8 January. It then continued to depreciate sharply against the euro until it reached a high of 10.6316 on 8 March. After this date, the currency appreciated to close at 10.3980, a value slightly below the quarterly average of 10.4223.

In Asia, the **Japanese yen** opened the reporting period in sharp appreciation, reaching its low for the period of 122.2100 on 3 January; thereafter, the currency depreciated steadily throughout the quarter to the high of 127.3500 (1 March). It then appreciated once again to around 125 in mid-March and then closed at 124.4500, a value below the quarterly average of 125.0984.

The **Chinese yuan/renminbi** began the quarter at around 7.80 and then depreciated until reaching its high for the period of 7.8421 on 7 January; the currency then continued to gradually appreciate steadily up to around 7.55 in mid-March. It then depreciated slightly to around 7.60-7.63, after which it reversed trend to close the quarter at values equal to the low for the period at 7.5397, a value below the quarterly average of 7.6619.

The **Indian Rupee** opened the quarter appreciating slightly against the euro and then started to depreciate until reaching 82.1905 on 4 February (high for the period). It then appreciated again to around 80 in mid-February, only to depreciate to around 81 at the beginning of March. In the last month of the quarter, the currency went through a final progressive appreciation phase and closed at the minimum for the period of 77.7190, a value below the quarterly average of 80.0729.

In the Americas, the **Brazilian real** opened the reporting period initially appreciating up to 4.25 and then going through a lateral phase up to end of January; the currency then appreciated again up to the low for the period of 4.1852 on 15 February, the date when it started to depreciate steadily, reaching 4.4592 on 28 March. At the end of the period, the currency stood at 4.3865, value above the average rate for the period (4.2768).

The **Mexican peso** began the quarter at its high for the period (22.3941), to then immediately appreciate and reach 21.4-21.5 near the end of January. The currency then experienced alternating phases of depreciation and appreciation within the 21.6-22.0 range, to then appreciate again up to a low for the period of 21.4282 on 21 March. At the end of the period, the currency stood at 21.6910, slightly below the quarterly average rate (21.8038).

The **Argentine peso** started the quarter by appreciating against the euro, until reaching 42.2498 on 15 January. It then continued to move laterally until mid-February, when it reversed course significantly, starting to lose ground constantly throughout the period to reach 49.1175 on 28 March. At the end of the period, the currency stood at 48.9345, above the quarterly average rate of 44.2369.

Lastly, the **Russian rouble** opened the quarter at its high for period (79.3589), to then appreciate gradually against the euro, reaching 72.5435 on 21 March. The currency then moved laterally until the end of the quarter under review. At the end of the period, the currency stood at 72.8564, below the average for the period (74.8842).

Operating Structure and Reference Markets

In the first quarter of 2019, Brembo's consolidated net sales amounted to €667,149 thousand, up 1.4% compared to the first quarter of 2018 (€657,944 thousand).

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

Passenger Cars

In the first quarter of 2019, the global light vehicle market showed a 6.7% decrease in sales compared to the same period of 2018, mainly due to the decline reported by the Chinese, Western European and U.S. markets. In fact, the Western European market (EU15+EFTA) closed the first quarter of 2019 with registrations at -3.5% compared to the same period of 2018. Among the five main markets of reference, Germany was the only country that closed the period with a positive performance, although with a slight increase (+0.2%) compared to the first quarter of 2018. Sales declined in all other countries: -2.4% in the United Kingdom, -6.5% in Italy, -0.6% in France, and -6.9% in Spain. By contrast, car registrations in Eastern Europe (EU 12) rose moderately by 0.3% compared to the first quarter of 2018. Light vehicle registrations in Russia closed the first quarter of 2018 with a 0.3% decrease in sales compared to the same period of the previous year.

In the first quarter of 2019, the United States reported a negative performance, with light vehicle sales dropping by 3.0% overall compared to the first quarter of 2018. Sales in the Brazilian and Argentine markets also decreased by 9.8% overall, mainly due to the sharp downtrend experienced by Argentina (-49.3%); Brazil instead closed the first quarter with a 10.0% growth.

In the Asian markets, China closed the reporting period with a 12.8% decrease in sales of light vehicles compared to the first quarter of 2018, however confirming its position as the world's top market. Japan also closed the first three months of the year negatively, with a 0.6% decline in sales.

Within this scenario, Brembo's net sales of car applications in the first quarter of 2019 amounted to €492,578 thousand, accounting for 73.9% of the Group's turnover, down by 0.3% compared to the same period of 2018.

Motorbikes

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

In Europe, all main markets of reference with regard to motorbike registrations (Italy, Germany, France, Spain and the United Kingdom) reported a sharp increase in the first quarter of 2019 compared to the same period of the previous year.

Spain closed with registrations up by 31%, followed by France (28%), Germany (+22%), Italy (+19%) and the United Kingdom (+10%).

In Italy, number-one market by volume, motorbikes alone grew by 16%, whereas scooters closed the first quarter of 2019 with a +22% increase compared to the same period of the previous year. With regard to registrations of motorbikes alone, the increase was driven by motorbikes with displacements of over 500cc, which closed the quarter at +17%.

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) decreased by 2.4% in the first quarter of 2019 compared to the same period of 2018. ATVs alone declined by 3.2%, while motorbikes and scooters together dropped by 2.1%.

In the Japanese market, overall registrations of motorbikes with displacements of over 50cc rose by 11% in the first quarter of 2019 compared to the same period of the previous year.

In Brazil, registrations of two-wheel vehicles grew by 17.9% in the reporting period compared to 2018, whereas India reported a 9% decline compared to the first quarter of 2018.

Brembo's net sales of motorbike applications amounted to €68,938 thousand in the first quarter of 2019, up by 3.0% compared to the first quarter of 2018.

Commercial and Industrial Vehicles

In the first quarter of 2019, the European commercial vehicles market (EU15+EFTA) — Brembo's reference market — showed a 5.1% increase in registrations.

In the reporting period, sales of light commercial vehicles (up to 3.5 tonnes) in Europe increased by 5.0% overall compared to the same period of 2018. The first five European markets by sales volume closed the first quarter of 2019 on a positive trend compared to the first quarter 2018: +12.1% in Germany, +8.9% in the United Kingdom, +4.2% in France, +4.0% in Spain and +1.3% in Italy. Eastern European countries alone grew by 11.5% compared to the first quarter of 2018.

In Europe, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) grew, closing the first quarter with a +5.7% increase compared to the same period of the previous year. Among the first five European markets by sales volume, a positive performance was reported by Germany (+16.2%), the United Kingdom (+15.3%) and France (+5.3%). By contrast, Spain and Italy declined by -2.9% and -11.4%, respectively, in the first quarter of 2019. In Eastern Europe, sales of commercial vehicles over 3.5 tonnes declined by 1.5% compared to the same period of the previous year.

In the first quarter of 2019, Brembo's net sales of applications in this segment amounted to €68,497 thousand, up by 7.1% compared to the first quarter of 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 the first quarter of 2019, Brembo's net sales of applications in this segment amounted to €36,901 thousand, up by 12.6% compared to the first quarter of 2018.

Significant Events During the Quarter

No significant events occurred in the first quarter of 2019.

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.

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

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

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

Brembo has neither bought nor sold own shares during the reporting quarter.

Significant Events After 31 March 2019

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 profit for the year amounting to €114,106 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per each ordinary share outstanding, excluding own shares (payment as of 22 May 2019, ex-coupon date 20 May 2019, and record date 21 May 2019);
- 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.

On 3 May 2019, Brembo S.p.A. announced that Chief Executive Officer Andrea Abbati Marescotti has notified his decision to resign from his position within the Board of Directors and waive his powers as of 30 June 2019. The Board of Directors convened on 3 May 2019 acknowledged this decision and, with a favourable opinion from the Remuneration & Appointments Committee and the Board of Statutory Auditors, also resolved to entrust the position of Director and Chief Executive Officer, effective from 1 July 2019, to Daniele Schillaci, who will be co-opted and then appointed Chief Executive Officer of the Company.

Declaration of the Corporate Financial reporting Manager pursuant to the provisions of article 154bis, paragraph 2, of Legislative Decree no. 58/1998

RE: Interim Report at 31 March 2019, approved on 9 May 2019.

I, the undersigned, Andrea Pazzi, the Manager in charge of the financial reports of BREMBO S.p.A. hereby

DECLARE

in accordance with Article 154-*bis*, paragraph 2, part IV, title III, chapter II, section V-*bis*, of Italian Legislative Decree No. 58 of 24 February 1998, that to the best of my knowledge, the Interim Report at 31 March 2019 corresponds with the documented results, books and accounting records.

Andrea Pazzi

Manager in Charge of the Company's
Financial Reports

BREMBO S.p.A.

Registered offices: CURNO (BG) – Via Brembo 25

Share capital €34,727,914.00

Tax Code (VAT Code) - Bergamo Register of Companies No. 00222620163