ANNUAL FINANCIAL REPORT 2020

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Humankind and technology in total **synergy**

This is a virtuous circle that unites humankind and nature with technology and the digital world. The path we have chosen to help build a sustainable future.

Calling of the General Shareholders' Meeting

The Shareholders are convened to the Ordinary and Extraordinary Shareholders' Meeting to be held at the Company offices at Viale Europa 4 (Entry Gate 1), 24040 Stezzano (Bergamo) on **22 April 2021 at 10:30a.m.** (in single calling), to resolve on the following

Agenda

Ordinary Session

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2020, 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. Relevant and ensuing resolutions.
2. Allocation of profit for the year. Relevant and ensuing resolutions.
3. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2020, 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 Disclosure of Non-Financial Information of the Brembo Group for the year ended 31 December 2020, pursuant to Legislative Decree No. 254 of 30 December 2016.
5. Authorisation for the buy-back and disposal of own shares. Relevant and ensuing resolutions.
6. Report on the Remuneration Policy for 2021 and Remuneration Paid in 2020:
   6.1 examination of Section I, drawn up pursuant to Article 123-*ter*, paragraph 3, of Legislative Decree No. 58 of 24 February 1998 (i.e., Remuneration policy for 2021). Resolutions pursuant to Article 123-*ter*, paragraphs 3-*bis* and 3-*ter*, of Legislative Decree No. 58 of 24 February 1998;
   6.2 examination of Section II, drawn up pursuant to Article 123-*ter*, paragraph 4, of Legislative Decree No. 58 of 24 February 1998 (i.e., remuneration paid in 2020). Resolutions pursuant to Article 123-*ter*, paragraph 6, of Legislative Decree No. 58 of 24 February 1998.
7. Engagement of the independent auditing firm for the period 2022–2030 and determination of the associated fees. Relevant and ensuing resolutions.

Extraordinary Session

1. Amendments to Articles 1 and 4 of Brembo S.p.A's By-laws:
   1.1 amendments to the purpose (Article 4);
   1.2 amendment to the company name (Article 1).

Relevant and ensuing resolutions.

Stezzano, 4 March 2021

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

In light of the continuation of the state of health emergency, in compliance with Article 106, paragraph 4, of Legislative Decree No. 18/2020 (converted into Law No. 27/2020), extended by Legislative Decree No. 183/2020), the so called "Decreto Milleproroghe" (converted into law No. 21/2021), shareholders' attendance will take place solely through a proxy to the designated representative pursuant to Article 135-undecies of the TUF, i.e., Computershare S.p.A. Accordingly, individual shareholders will not allowed to attend in physical presence.
The information in this notice may be updated, changed or supplemented in view of the current emergency situation relating to the Covid-19 epidemic and related measures adopted by the competent authorities from time to time. Any and all updates, changes or additions to the information in this notice will be promptly circulated according to the same means used to publish this notice.

Letter from the Chairman

Dear Shareholders,

We are living through an historic time that has placed severe strain on every sector of the economy and industry. The climate of extreme uncertainty has faced us with new challenges for our motivation, passion and willpower to prevail.

Brembo's solidity, organisation and ability to manage sudden, unexpected changes came even more clearly to the fore in 2020.

We can be therefore rightly proud of the results that the Company succeeded in obtaining during the year just ended, in which we felt the responsibility for swift, incisive action designed to safeguard the Group's profitability even more acutely.

Careful, effective management of the Company allowed Brembo to contain the negative impact of the pandemic and maintain its competitive positioning.

In 2020, Brembo Group's net consolidated revenues amounted to €2,208.6 million, down by 14.8% compared to the previous year, or by 13.3% on a like-for-like exchange rate basis. EBITDA for 2020 totalled €388.7 million (17.6% of revenues), compared to €512.2 million for 2019 (19.9% of revenues). EBIT was €181.1 million (8.2% of revenues), after depreciation, amortisation and impairment losses of €207.6 million.

Our performance in the fourth quarter of 2020 was particularly encouraging. At the geographical level, most of the markets in which we operate showed considerable growth. Sales grew by 7.9% in Italy, 0.9% in Germany, and 1.3% in France, whereas the United Kingdom showed a 5.1% decline. As far as non-EU countries are concerned, India rose by 22.1% (+34.0% on a like-for-like exchange rate basis), China grew by 19.4% (+21.3% on a like-for-like exchange rate basis), whereas Japan declined by -22.1% (-21.3% on a like-for-like exchange rate basis). South America decreased by 21.1% (while growing 9.2% on a like-for-like exchange rate basis), whereas North America (USA, Canada and Mexico) rose by 3.5% (+9.8% on a like-for-like exchange rate basis).

With regard to the market segments in which the Group operates, in the fourth quarter of 2020 car applications increased by 2.6%, motorbike applications by 6.4%, applications for commercial vehicles by 15.9% and racing applications by 8.1%.

These results were made possible by the work done by all the Brembo Group's personnel, who at 31 December 2020 numbered 11,039, up by 171 on the previous year.

I would like to highlight that, at such a critical time for the industry and the entire world, Brembo decided to formulate a new strategic vision and a new mission: becoming a Solution Provider, an objective that aims at increasingly close integration between products and services, in order to support our customers in rising to the challenges and grasping the opportunities presented by a rapidly transforming automotive industry.

In this new strategic vision, the sustainability of our products and processes remains central, as outlined in further detail in our Consolidated Disclosure of Non-Financial Information. Our desire to respond to the new mobility paradigm is leading us to design and manufacture increasingly high-performance brake systems that also contribute to reducing CO_2 and fine particle emissions. This is the lens through which to view our acquisition of the Danish firm SBS Friction, which develops and manufactures brake pads for motorbikes using innovative, and eco-friendly sintered and organic materials. These are also the principles that in the year just ended resulted in the launch of the Greentive® disc and Enesys® technology, solutions that facilitate a decrease in consumption, increasing general vehicle efficiency. In an automotive industry increasingly focused on electrification, development of the Brake-By-Wire electric brake also continues, representing a true revolution for road vehicles, electric and otherwise.

In 2020 we reached a milestone we are also proud of: 500 wins in various races in over 45 years of participating in Motorsports, with 42 global titles bestowed on our drivers, builders and teams. These results prove the close ties between road and racing vehicles, between innovation and competitive success, which have always been part of Brembo's DNA.

In addition, there has been no shortage of important recognition of our work, which drives us to continue to pursue our goals and improve continuously. We were especially pleased to receive the 26th Compasso d'Oro for our rear brake caliper for the Formula E championships. The world's most prestigious industrial design award had already been given to Brembo in 2004 for its CCM disc brake system, proving the extent to which for the Company design represents an essential element of conceiving and making each product.

Now that 2020 has drawn to a close, we are entering a new, particularly important year marked by the 60th anniversary of Brembo's foundation in 1961: an entrepreneurial adventure that has its roots in an aptitude for innovation, fuelled by commitment, intuition and passion. Thanks to these values, what in 1961 began as a mechanic's shop has over the years become a universally known and appreciated global byword for excellence. We remain focused on the future and driven to pursue new goals: we look to a world that is more electric, digital, connected and sustainable, but also, increasingly, on a human scale.

The Chairman
Alberto Bombassei

Turning Energy into Inspiration

is Brembo's new strategic vision

Electrification, autonomous driving, digitalisation and sustainability are macro trends that are transforming the automotive world and are at the centre of the strategies of the market's main players.

For Brembo, the time has come to open up new paths in the future of the industry in which it operates and support its partners in meeting the challenges posed by the great changes taking place. The Group has decided to embark on a new path, based on a strategic vision, *Turning Energy into Inspiration*, and a mission: to become a *Solution Provider.*

Turning Energy into Inspiration is the vision that has arisen from Brembo's unique experience in braking systems, acquired during sixty years of history lived in a competitive and ever-changing context. Becoming an authoritative *Solution Provider* is the mission that aims to a high added value integration of products and services so as to anticipate the new mobility paradigms.

The path that Brembo has outlined for its future rests on three pillars:

Being an increasingly digital company
The world has entered the era of data-centric artificial intelligence applications. The ability to analyse and manage data is a crucial skill for continuing to grow and create innovation. Brembo's new strategic vision provides for the widespread dissemination of a solid data culture within the Group. The objective is to become an innovative company that develops increasingly digital solutions.

An ever-stronger global footprint
With 29 plants in 19 production sites, 6 commercial sites and 5 R&D centres in 14 countries throughout the world, Brembo has been an international Group for some time. The globalisation process continues, with a particular focus on the company's innovative momentum. The strategic vision's objective is to create new centres of excellence for artificial intelligence in the main countries in which Brembo operates, to bring the Group's innovation even closer to its customers.

Becoming a reference brand for the new generations as well
Brembo wants to target the new generations, who look at the automotive sector from points of view that are completely different from the past. The goal is to become a reference brand for them and inspire them with the same passion that has driven the Company since its beginning. Thanks to its leadership in motorsport and use of high-performance, reduced-emissions technological solutions, Brembo will always be synonymous with an unparalleled driving experience.

Finally, at the heart of the new strategic vision there is the commitment to sustainability, a priority that Brembo has always applied to all its activities, products and processes, employees, supply chain and territories in which the Group operates, with the aim of actively contributing to the wellbeing of the planet, communities and people.

Being an increasingly digital company

An ever-stronger global footprint

Becoming a reference brand for the new generations as well

Company Officers

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 23 April 2020 confirmed the number of Board members at 11 and appointed the Board of Directors for the three-year period 2020-2022, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.

Composition of the Board of Directors, Board Committees and main Governance Functions at 31 December 2020

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) Laura Cioli (4) Nicoletta Giadrossi (4) (6) Elisabetta Magistretti (4) Umberto Nicodano (7) Elizabeth M. Robinson (4) Gianfelice Rocca (4)

Board of Statutory Auditors (10)

Chairwoman	Raffaella Pagani (6)
Acting Auditors	Mario Tagliaferri Paola Tagliavini
Alternate Auditors	Myriam Amato (6) Stefania Serina

Independent Auditors

EY S.p.A. (11)

Manager in Charge of the Company's Financial Reports

Andrea Pazzi (12)

Committees

Audit, Risk & Sustainability Committee (13)	Laura Cioli **(Chairwoman)** Nicoletta Giadrossi Elisabetta Magistretti
Remuneration & Appointments Committee	Nicoletta Giadrossi **(Chairwoman)** Laura Cioli Elizabeth M. Robinson
Supervisory Committee	Giovanni Canavotto **(Chairman)** (14) Elisabetta Magistretti 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 Corporate Governance Code 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) Director/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 23 April 2020 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 2022.
(13) This Committee also acts as the Related Party Transactions Committee.
(14) External Advisor.
(15) Chief Internal Audit Officer.

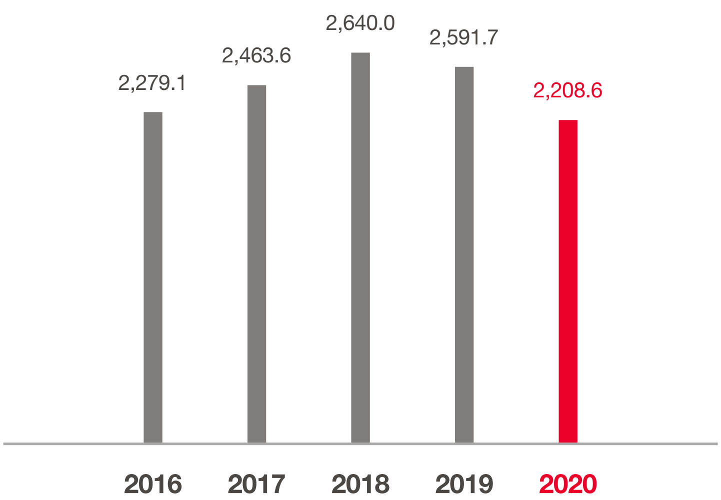
Brembo S.p.A.

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

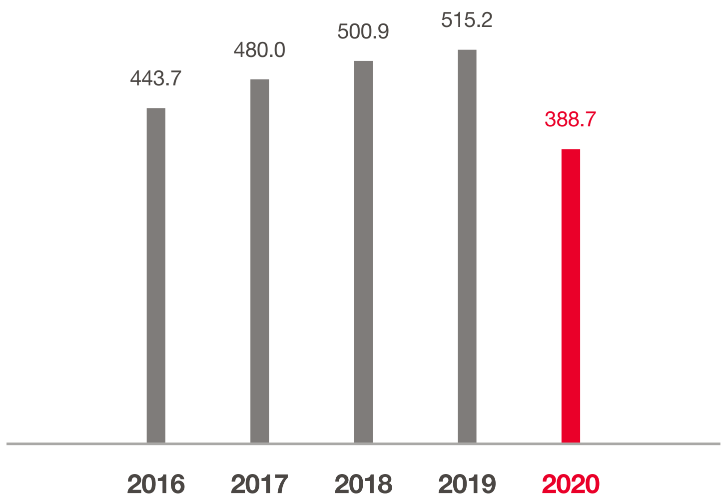
Revenue from contracts with customers

(euro million)



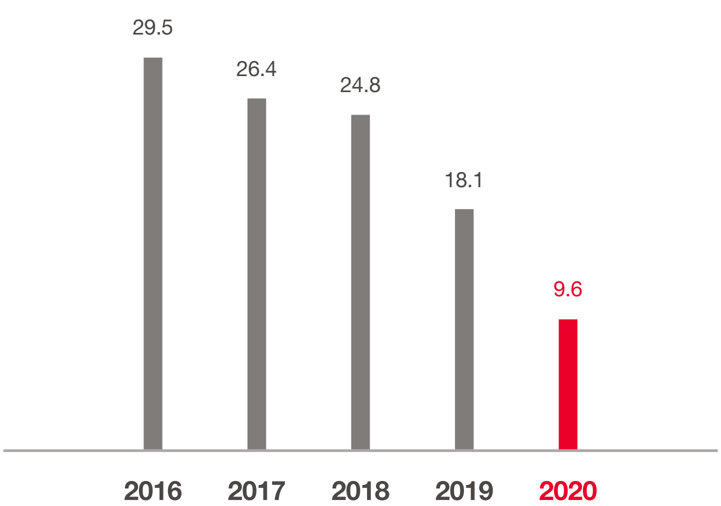
Gross operating income

(euro million)



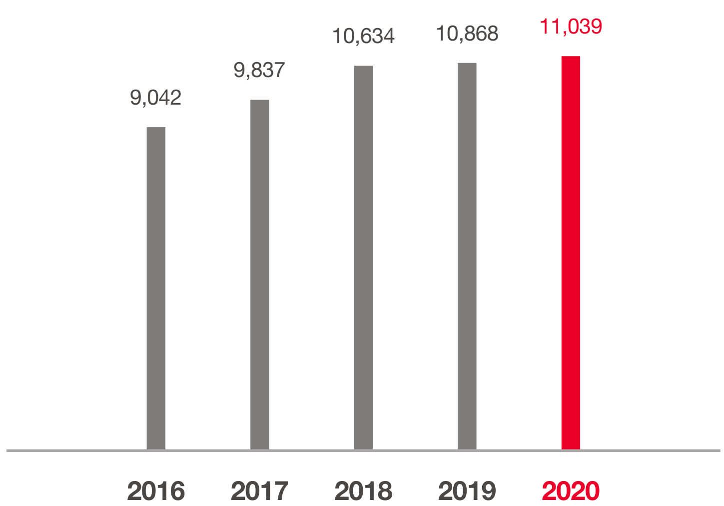
ROI

(percentage)



Personnel at end of year

(No.)



Economic results

(euro thousand)	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	% 2020/2019
Revenue from contracts with customers	2,279,096	2,463,620	2,640,011	2,591,670	2,208,639	*-14.8%*
Gross operating income	443,714	479,963	500,885	515,169	388,685	*-24.6%*
% on revenue from contracts with customers	*19.5%*	*19.5%*	*19.0%*	*19.9%*	*17.6%*	
Net operating income	327,464	346,262	345,064	318,539	181,135	*-43.1%*
% on revenue from contracts with customers	*14.4%*	*14.1%*	*13.1%*	*12.3%*	*8.2%*	
Result before taxes	312,208	335,537	325,357	307,691	156,044	*-49.3%*
% on revenue from contracts with customers	*13.7%*	*13.6%*	*12.3%*	*11.9%*	*7.1%*	
Net result for the year	240,632	263,428	238,349	231,301	136,533	*-41.0%*
% on revenue from contracts with customers	*10.6%*	*10.7%*	*9.0%*	*8.9%*	*6.2%*	

Financial results

(euro thousand)	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	% 2020/2019
Net invested capital	1,110,693	1,310,818	1,392,874	1,758,638	1,891,493	*7.6%*
Equity	882,310	1,064,437	1,228,822	1,388,015	1,481,041	*6.7%*
Net financial debt	195,677	218,597	136,911	346,189	384,677	*11.1%*

Personnel and investments

(euro thousand)	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020	% 2020/2019
Personnel at end of year (No.)	9,042	9,837	10,634	10,868	11,039	*1.6%*
Turnover per employee	252.1	250.4	248.3	238.5	200.1	*-16.1%*
Net investments	260,751	356,241	285,575	247,336	187,815	*-24.1%*

Main ratios

	31.12.2016	31.12.2017	31.12.2018	31.12.2019	31.12.2020
Net operating income/Revenue from contracts with customers	14.4%	14.1%	13.1%	12.3%	8.2%
Income before taxes/Revenue from contracts with customers	13.7%	13.6%	12.3%	11.9%	7.1%
Net investments/Revenue from contracts with customers	11.4%	14.5%	10.8%	9.5%	8.5%
Net financial debt/Equity	22.2%	20.5%	11.1%	24.9%	26.0%
Adjusted net interest expense(*)/Revenue from contracts with customers	0.4%	0.4%	0.5%	0.6%	0.8%
Adjusted net interest expense (*)/Net operating income	3.0%	2.7%	4.0%	4.5%	9.4%
ROI	29.5%	26.4%	24.8%	18.1%	9.6%
ROE	27.5%	25.2%	19.7%	17.3%	9.3%

Notes:
ROI: Net operating income (rolling 12 months)/Net invested capital.
ROE: Net income (loss) before minority interests (rolling 12 months) (net of Result from discontinued operations)/Equity.

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

Performance as reflected in **figures** and **numbers**

The excellence of a product that becomes performance in the results. The success of a Group that draws strength from reactivity to change, ability to dare and its diversified culture worldwide.

1. Directors' Report on Operations

Brembo and the Market

Macroeconomic Context

To correctly assess Brembo's performance in 2020, it is essential to consider the world macroeconomic scenario, specifically for the markets in which the Group operates.

Through the WEO (World Economic Outlook), its publication of reference for evaluating the evolution of the global economy, the IMF (International Monetary Fund) revised global growth upward for both 2020 and 2021 "The correction," explains Chief Economist Gita Gopinath, "reflects the positive effects of the onset of vaccinations and additional policy support at the end of 2020 in economies such as the United States and Japan." However, these reasons for optimism are opposed by the unknowns relating to the efficacy and rapidity of the vaccination campaigns, the new waves of cases and possible Covid-19 variants. Total losses to global production due to the pandemic are estimated at $22 trillion for the 2020-2025 period and the global economic decline in 2020, while less than expected (-3.5% compared to the initial forecast of -4.4%) remains the worst since the Great Recession. GDP (Gross Domestic Product) will increase by 5.5% in 2021 (+0.3% compared to the previous estimates) and by 4.2% in 2022 (unchanged compared to previous estimates) — rates, in any event, far below the pre-pandemic levels.

The IMF's forecasts for the **Eurozone** call for a decline in GDP of 7.2% in 2020 (compared to the -8.3% estimated in October), whereas for 2021 the recovery will be limited to 4.2% (5.2% in the previous estimate). Between the resurgence of cases and the lockdowns, the IMF explains, economic activity weakened in late 2020, with effects that will trail into 2021. The IMF has revised its growth estimates for 2021 downwards compared to October in Germany, France and Spain. The German economy is expected to grow by 3.5% in 2021 (-0.7% compared to the October estimates) and by 3.1% in 2022 (unchanged). French GDP is forecast to expand by 5.5% in 2021 (-0.5%) and then by 4.1% in 2022 (+1.2%), whereas Spain's GDP is projected to grow by 5.9% (-1.3%) in 2021 and by 4.7% in 2022 (+0.2%). The IMF stresses that economic activity in the euro area and United Kingdom will remain the levels of late 2019 until at least 2022. This trend is due to the behavioural public health responses to infections, the flexibility and adaptability to limited travel of some economic activities, pre-existing political tendencies and structural rigidity. In the United Kingdom, the forecast is +4.5% for 2021 and +5.0% for 2022. Employment in the OECD area improved by 1.9 percentage points in the third quarter of 2020, increasing to 66.7%, after declining by 4.4 percentage points in the second quarter due to the Covid-19 crisis. The employment rate remains, in any event, 2.5 percentage points lower than in the first quarter, prior to the pandemic.

The IMF's estimates for the performance of the **Italian economy** improved in 2020, while its estimates of Italy's expected recovery worsened. After a lower-than-expected contraction in 2020, when GDP declined by 9.2% compared to the -10.6% forecast in October, in 2021 the economy will grow by 3.0%, or 2.2 percentage points less than previous projections. In 2022 GDP is estimated to increase by 3.6% (+1.0% compared to the October estimates). The report by the Confindustria Research Office indicates that without interventions to reinforce companies' financial situations — above all an extension of debt maturities — and without a robust recovery of sales and cash flow starting in 2021, in almost all sectors of industry and services excessive debt will jeopardise the flow of new investments in production in Italy.

Turning to the situation in the **United States**, the USA will limit the damages in 2020 to a decline in GDP of 3.4% (compared to the 4.3% estimated in October), to then recover to 5.1% in 2021, due to the support measures launched at the end of 2020, to which the Biden administration's economic plan will add its effects. The preliminary estimates call for the $1.9-trillion package to increase GDP by 5.0% over the next three years, with a boost of 1.25% already in 2021. The Chairman of the Federal Reserve clarified that the U.S. central bank is ready to use all means at its disposal to support the economy for as long as necessary, following on the position taken by the European Central Bank, and also added that a federal aid package to support struggling companies and workers without jobs is deemed essential to getting the world's largest economy back on its feet.

In **Japan**, the IMF estimates that GDP will fall by 5.1% in 2020, followed by growth of 3.1% in 2021 (+0.8%), due in this case as well to the boost ensured by the budget measures introduced at the end of 2020. In the second half of 2021, Japan's economy will enter into its most robust recovery in decades, buoyed by the gradual easing of the pressures exerted by the Covid-19 pandemic. This is the scenario forecast by the economists consulted by Japan's Centre for Economic Research, who estimate that the world's number-three economy will grow by 3.4% in the next fiscal year (from April 2021 to March 2022). In particular, consumption is expected to recover next summer, due in part to the acceleration of the vaccination campaign. However, the recovery will only partially offset the 5.4% economic decline forecast for the current fiscal year. The government of Prime Minister Yoshihide Suga aims to restore the economy to pre-pandemic levels through stimulus measures, although economists regard this objective as overly ambitious in the short term, particularly in the light of the resurgence of the health emergency.

The IMF also expects that emerging markets and developing economies will enter into divergent recovery processes. In fact, there is expected to be a significant gap between China — where effective containment measures, a robust response to public investments and the central bank's support for liquidity have facilitated a strong recovery — and other economies. In addition, as indicated in the October 2020 WEO, the pandemic is expected to undo the progress made in the area of reducing poverty over the past two decades. Nearly 90 million people are likely to fall below the poverty threshold in 2020-2021. **China**, which began its recovery at the end of 2020 (+6.5% increase in GDP in the fourth quarter), showed a different situation. Despite the pandemic, which broke out in Wuhan one year ago, and despite the open tensions with Trump's United States, China will be the only major economy to save itself from a recession, with growth of 2.3% in 2020, accelerating to 8.1% in 2021. Mention should be made of the IMF's revision of its growth estimates for the **Indian economy,** which after marking -8.0% in 2020, will resume its growth, reaching +11.5% in 2021 (estimate revised up by +2.7 percentage points compared to October) and 6.8% in 2022. The **Russian economy** also ended its growth in 2020 (-3.6%), with +3.0% growth forecast for 2021 and +3.9% for 2022. Due to the severe global pandemic, **Brazil** recorded a 4.5% recession in 2020. However, in the January update to the WEO, economists revised the percent growth for 2021 upwards by 0.8pps to +3.6%.

Turning to commodities trends, the average price of oil decreased sharply by 32.7% in 2020 to 41.26 dollars a barrel. In the last update to the WEO published in January 2021, IMF economists revised upwards the average prices of the three oil benchmarks — UK Brent, Dubai Fateh and West Texas Intermediate (WTI) — forecasting a price of USD 50.03 a barrel for the end of 2021, which is however below the average price reached in 2019. The estimate for the end of 2022 was also revised, but in the opposite direction, estimating a decrease of 2.4pps, with the price coming to USD 48.82 dollars a barrel.

Currency Markets

In 2020, the world's main currencies, like other indicators, were affected by the impact of Covid-19 on the major global economies. Currencies experienced severe volatility, due in part to the measures taken by the main Central Banks in response to the health and economic emergency.

In 2020 the **US dollar** opened at 1.12 to then appreciate constantly until mid-February. It then reversed course and, after exceeding 1.15, appreciated sharply once more, reaching the low for the period of 1.0707 (20 March). The dollar then entered a lateral phase, followed by constant depreciation in the subsequent quarters, driving it to a high for the period of 1.2281 on 30 December, to close at 1.2271, above the average for the period of 1.1413.

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 at around 0.85. It then appreciated moderately, driving the rate down to the low for the period of 0.8299 (18 February). The pound then depreciated sharply, driving the rate to the high for the period of 0.9299 (19 March). In the following months, after further sharp appreciation, the currency moved within a lateral range of 0.88-0.92, even in light of the Brexit developments, closing at 0.8990, above the average for the period of 0.8892.

The **Polish zloty** opened the period by reaching a low of 4.2219 (14 January). The currency then depreciated sharply and decisively, followed by a lateral phase before appreciating slightly to 4.4000. Then, after a lateral phase, the currency depreciated once more, driving the rate to a high for the year of 4.6225 on 29 October. Near the end of 2020, the zloty appreciated once again to about 4.4500 and then closed at 4.5597, above the average for the period of 4.4432.

The **Czech Koruna** opened the reporting period at around 25.50, to then appreciate, reaching a low for the period of 24.7930 on 17 February. It then depreciated sharply and suddenly, which drove it to the high of 27.8080 (24 March). The currency then appreciated until August, when it reversed course and depreciated once more. It closed 2020 by appreciating to 26.2420, with an average for the period of 26.4554.

The **Swedish krona** began the period at around 10.50, moving laterally for the first two months of 2020. The Scandinavian currency then depreciated sharply, driving the rate up to a high for the period of 11.1523 (19 March). After this peak, it appreciated steadily and constantly until mid-July. Then, after depreciating slightly until early October, it appreciated once again, leading the currency to reach a low of 10.0343 on 31 December, below the average for the period of 10.4881.

In the East, the **Japanese yen** began the period at around 120.00 to then appreciate constantly to reach a low for the period of 114.65 (6 May). It then reversed course and depreciated, driving the Japanese currency to around 127.00. The final part of the year saw lateral movement to then depreciate at the end of the year, with the rate at a high for the period of 127.2300 (29 December). It closed at 126.4900, above the average for the period of 121.7754.

The **Chinese yuan/renminbi** began the period at around 7.80, showing extreme volatility at the beginning of the year that led the currency to touch a low of 7.5538 (19 February). Then, after a period of fluctuation, the currency entered a lateral phase, followed by sharp depreciation that, starting in May, drove the rate up to a high for the period of 8.2637 (31 July). At the end of the year, the yuan appreciated until mid-November, to then reverse course, ending with depreciation to a closing value of 8.0225, above the average for the period of 7.8708.

The **Indian rupee** opened the year at around 80.00, to then appreciate, reaching a low for the period of 77.2345 (19 February). This was followed by a constant depreciation that drove the rate up to the high for the year of 90.3975 (22 December). At the end of the year it stood at 89.6605, above the average for the period of 84.5795.

In the Americas, the **Brazilian real** began the year at the low for the year of 4.4870. The currency then depreciated sharply and constantly to around 6.50 in May. The trend the reversed course, bringing the currency to 5.50. In the second half of the year the real depreciated further, driving the rate up to a high for the year of 6.7680 (29 October). In the final two months of the year it appreciated slightly leading the currency to end the year at 6.3735, with an average for the period of 5.8900.

Turning to the **Mexican peso**, the year began with appreciation that brought the currency to a low for the period of 20.0690 (19 February). The peso then depreciated sharply and decisively, driving the rate up to the high for the period of 27.0896 (6 April), followed by a lateral phase within the range 25.00-27.00, to then appreciate slightly in the fourth quarter of the year, closing the period at 24.4160, below the average for the year of 24.5118.

Finally, the **Russian rouble** began the year with a low for the period of 68.0410 (10 January). The currency then depreciated sharply, driving the rate to around 90.00 in April, to then appreciate slightly until early June. The currency then reversed course, depreciating constantly, driving it up to a high for the period of 93.7450 (2 November).

Near the end of the year the currency appreciated slightly, reaching a closing rate of 91.4671, above the average for the period of 82.6454.

Group Activities and Reference Market

Brembo is the world leader and acknowledged innovator of the brake disc technology for vehicles. It currently operates in 14 countries on 3 continents, through its production and business sites, and employs over 11,000 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, Chennai) 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 2020, Brembo's consolidated net sales amounted to €2,208,639 thousand, down 14.8% compared to €2,591,670 thousand in 2019.

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 global light vehicle market closed 2020 with an overall sales decrease of 14.0% compared to 2019.
The Western European market (EU14+EFTA+United Kingdom) closed the reporting year with vehicle registrations down by 24.3% compared to 2019. All the main markets closed the year with negative figures; Germany -19.1%, France -25.5%, Italy -27.9%, Spain -32.3% and the United Kingdom -29.4%. The trend was negative also in Eastern Europe (EU12), with car registrations down by 23.0% compared to 2019. In Russia, light vehicle registrations closed 2020 down 9.1% compared to the previous year.
In the United States, sales of light vehicles decreased by 14.8% overall in 2020, compared to 2019. Also Brazil and Argentina showed a decrease in sales of 26.6% and 26.5%, respectively.
In the Asian markets, though recovering as of May 2020, China closed the year with a negative light vehicle sales figure of -4.2% compared to 2019. Japan also recorded a negative trend, ending the year with an 11.5% decrease in sales.
Within this context, Brembo's net sales of car applications in 2020 amounted to €1,655,696 thousand, accounting for 75.1% of the Group's turnover, down by 14.8% compared to 2019.

Motorbikes

Europe, the United States and Japan are Brembo's three most important markets in the motorbike sector.
In 2020, in Europe, registrations grew by 0.4% overall, compared to 2019, thanks to the significant growth reported in Germany, where they rose by 32.0% for the year. By contrast, registrations in other countries dropped: -5.6% in Italy, -4.0% in France, -11.0% in Spain, and -9.0% the UK. With regard to displacements, Brembo's target (over 500cc) declined by 4.0% compared to 2019, whereas ATVs (All Terrain Vehicles, quadricycles for recreation and work) rose by 10.0%.
In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) increased by 18.4% overall in 2020 compared to 2019. ATVs alone rose by 33.8%, whereas motorbikes and scooters together rose +11.4%.
In 2020, the Japanese market, considering displacements over 50cc overall, reported a 3.4% increase compared to the previous year, whilst the Indian market (motorbikes and scooters together) declined by 23.3%. In Brazil, registrations shrank by 15.0% overall compared to 2019.
Against this background, Brembo's net sales of motorbike applications amounted to €212,983 thousand in 2020, down 19.1% compared to €263,114 thousand for 2019.

Commercial and Industrial Vehicles

In 2020, the European commercial vehicles market (EU+EFTA) — Brembo's reference market — showed an 18.9% decrease in registrations.
In Europe, sales of light commercial vehicles (up to 3.5 tonnes) decreased by 17.6% overall compared to the previous year. All the main European markets by sales volume closed 2020 with a downtrend compared to the previous year (Germany: -12.2%; France: -16.1%; Italy: -15.0%; United Kingdom: -20.0%; Spain: -26.5%). In Eastern European countries, this segment dropped by 18.2% compared to 2019.
In Europe, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) decreased by 25.7% in 2020 compared to the previous year. Among the first five European markets by sales volume, a negative performance was reported by the United Kingdom (-33.6%), Germany (-24.0%), France (-24.1%), Spain (-21.7%) and Italy (-14.0%). In Eastern Europe, sales of commercial vehicles over 3.5 tonnes decreased by 32.8% in 2020 compared to the previous year.
In the reporting year, Brembo's net sales of applications in this segment amounted to €232,759 thousand, down by 10.3% compared to €259,545 thousand for 2019.

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 2020, Brembo's net sales of applications in this segment amounted to €106,604 thousand, down by 15.0% compared to €125,473 thousand for 2019.

Sales Breakdown by Geographical Area and Application

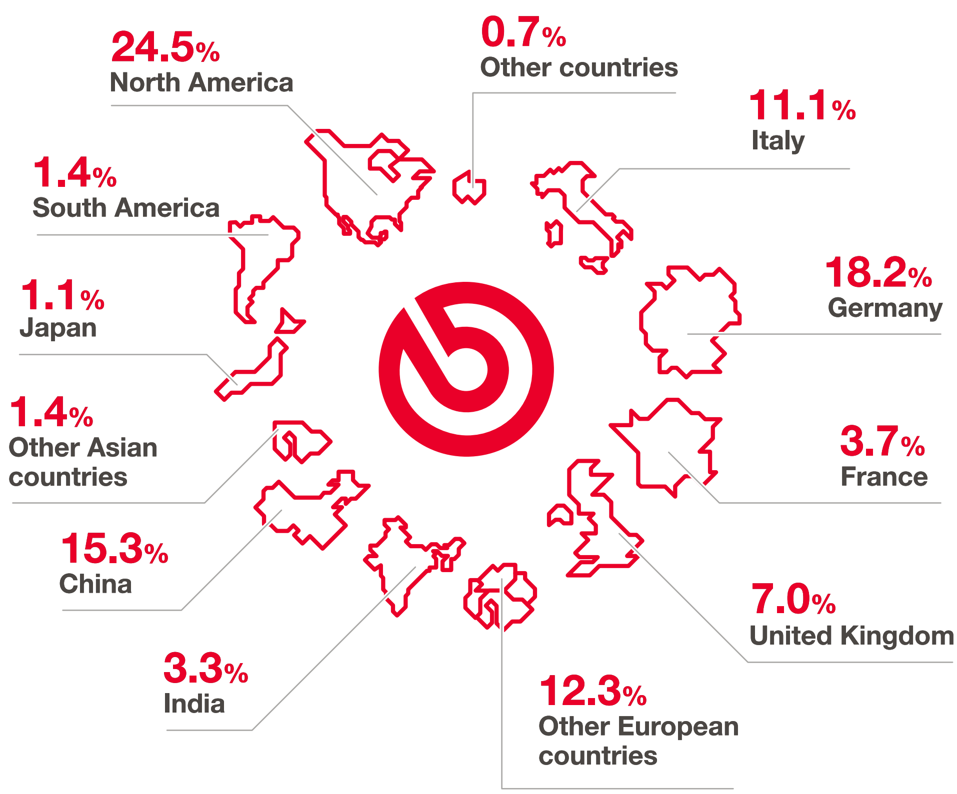
Geographical area

(euro thousand)	31.12.2020	%	31.12.2019	%	Change	%
Italy	244,932	11.1%	276,973	10.7%	(32,041)	-11.6%
Germany	400,738	18.2%	504,623	19.5%	(103,885)	-20.6%
France	81,963	3.7%	97,382	3.8%	(15,419)	-15.8%
United Kingdom	154,396	7.0%	214,071	8.3%	(59,675)	-27.9%
Other European countries	272,193	12.3%	307,244	11.9%	(35,051)	-11.4%
India	72,880	3.3%	93,619	3.6%	(20,739)	-22.2%
China	338,447	15.3%	312,164	12.0%	26,283	8.4%
Japan	23,237	1.1%	29,779	1.1%	(6,542)	-22.0%
Other Asian countries	30,723	1.4%	36,133	1.4%	(5,410)	-15.0%
South America (Argentina and Brazil)	31,983	1.4%	50,236	1.9%	(18,253)	-36.3%
North America (USA, Mexico and Canada)	542,729	24.5%	648,682	25.0%	(105,953)	-16.3%
Other countries	14,418	0.7%	20,764	0.8%	(6,346)	-30.6%
Total	**2,208,639**	**100.0%**	**2,591,670**	**100.0%**	**(383,031)**	**-14.8%**

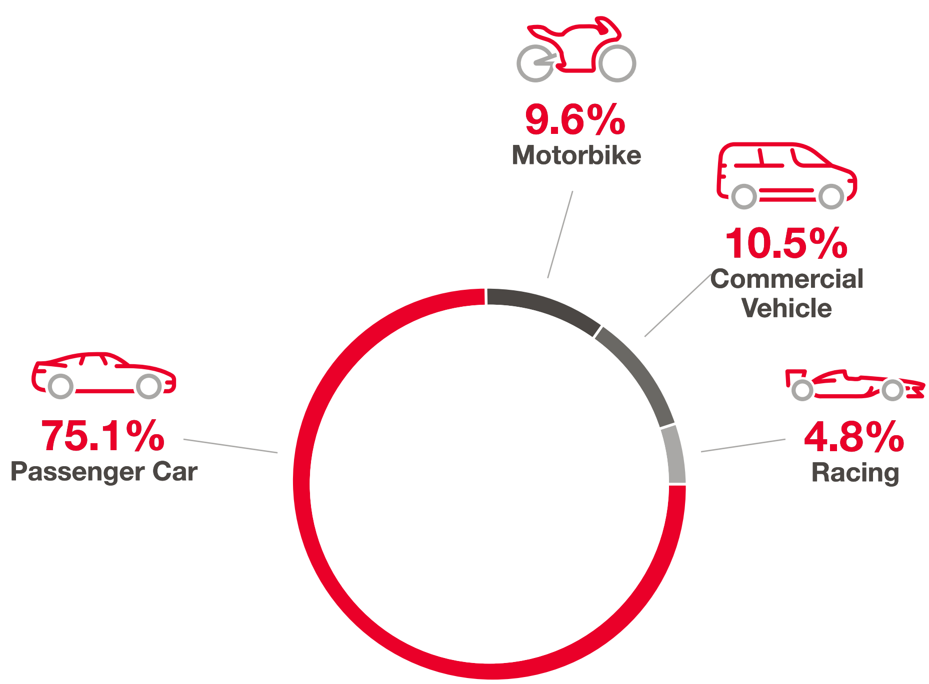
Application

(euro thousand)	31.12.2020	%	31.12.2019	%	Change	%
Passenger Car	1,655,696	75.1%	1,943,270	75.0%	(287,574)	-14.8%
Motorbike	212,983	9.6%	263,114	10.2%	(50,131)	-19.1%
Commercial Vehicle	232,759	10.5%	259,545	10.0%	(26,786)	-10.3%
Racing	106,604	4.8%	125,473	4.8%	(18,869)	-15.0%
Miscellaneous	597	0.0%	268	0.0%	329	122.8%
Total	**2,208,639**	**100.0%**	**2,591,670**	**100.0%**	**(383,031)**	**-14.8%**

Sales Breakdown by Geographical Area



Sales Breakdown by Application



Brembo's Consolidated Results

Consolidated Statement of Income

(euro thousand)	31.12.2020	31.12.2019	Change	%
Revenue from contracts with customers	**2,208,639**	**2,591,670**	**(383,031)**	***-14.8%***
Cost of sales, operating costs and other net charges/income (*)	(1,405,317)	(1,624,599)	219,282	*-13.5%*
Income (expense) from non-financial investments	10,392	13,794	(3,402)	*-24.7%*
Personnel expenses	(425,029)	(465,696)	40,667	*-8.7%*
GROSS OPERATING INCOME	**388,685**	**515,169**	**(126,484)**	***-24.6%***
% on revenue from contracts with customers	*17.6%*	*19.9%*		
Depreciation, amortisation and impairment losses	(207,550)	(196,630)	(10,920)	*5.6%*
NET OPERATING INCOME	**181,135**	**318,539**	**(137,404)**	***-43.1%***
% on revenue from contracts with customers	*8.2%*	*12.3%*		
Net interest income (expense) and interest income (expense) from investments	(25,091)	(10,848)	(14,243)	*131.3%*
RESULT BEFORE TAXES	**156,044**	**307,691**	**(151,647)**	***-49.3%***
% on revenue from contracts with customers	*7.1%*	*11.9%*		
Taxes	(17,802)	(68,208)	50,406	*-73.9%*
Result from discontinued operations	(304)	(6,422)	6,118	*-95.3%*
RESULT BEFORE MINORITY INTERESTS	**137,938**	**233,061**	**(95,123)**	***-40.8%***
% on revenue from contracts with customers	*6.2%*	*9.0%*		
Minority interests	(1,405)	(1,760)	355	*-20.2%*
NET RESULT	**136,533**	**231,301**	**(94,768)**	***-41.0%***
% on revenue from contracts with customers	*6.2%*	*8.9%*		
Basic and diluted earnings per share (euro)	**0.42**	**0.71**		

(*) 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".

In 2020, Brembo's net sales amounted to €2,208,639 thousand, down by 14.8% compared to 2019, following the lockdown measures adopted in all the countries where the Group operates to contain the spread of the Covid-19 virus. Details on the lockdown restrictions for the Group companies are given in section "Impacts of the Covid-19 Pandemic on the Consolidated Financial Statements at 31 December 2020" herein.

Car applications, which accounted for 75.1% of Group's sales, closed 2020 with a 14.8% decrease, as a result of the strong decline in the light vehicle market. In 2020, a negative performance was also reported by the other sectors in which the Group operates: applications for commercial vehicles (-10.3%), the motorbike segment (-19.1%) and the racing segment (-15.0%).
At geographical level, and with specific reference to Europe, Germany reported a 20.6% decline compared to 2019. Similarly, all other European countries showed a decrease: France (-15.8%), Italy (-11.6%), and the United Kingdom (-27.9%). In North America (USA, Mexico and Canada), sales decreased by 16.3%, and South America showed a 36.3% decline. In the Far East, in China Brembo's operations closed the year with an 8.4% increase, whereas Japan and India reported decreases (-22.0% and -22.2%, respectively).

In 2020, the **cost of sales and other net operating costs** amounted to €1,405,317 thousand, with a ratio of 63.6% to sales, up compared to 62.7% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €22,573 thousand compared to €26,647 thousand for 2019.

Income (expense) from non-financial investments amounted to €10,392 thousand and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€13,794 thousand in 2019).

Personnel expenses for 2020 amounted to €425,029 thousand, with a 19.2% ratio to sales, slightly up compared to the previous year (18.0%). At 31 December 2020, workforce numbered 11,039 (10,868 at 31 December 2019).

Gross operating income for 2020 was €388,685 thousand compared to €515,169 thousand in the previous year, with a ratio to sales of 17.6% (19.9% in 2019). Margins declined due to the decrease in volumes generated by the spread of the Covid-19 virus at global level, offset however by the measures adopted by Brembo, as described in further detail in the relevant section of this Report.

Net operating income amounted to €181,135 thousand (8.2% of sales), compared to €318,539 thousand (12.3% of sales) in 2019, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €207,550 thousand, compared to depreciation, amortisation and impairment losses amounting to €196,630 thousand in 2019.

Net interest expense amounted to €25,212 thousand (€11,137 thousand in 2019) and consisted of net exchange losses of €8,118 thousand (net exchange gains of €3,209 thousand in 2019) and other net interest expense of €17,094 thousand (€14,346 thousand in 2019).

Net interest income from investments amounted to €121 thousand (€289 thousand in 2019) and was mainly attributable to the effects of valuing investments in associates using the equity method.

Result before taxes was positive at €156,044 thousand, down by 49.3% compared to €307,691 thousand for the previous year. Estimated taxes amounted to €17,802 thousand, with a tax rate of 11.4% (22.2% in 2019), chiefly due to the Patent Box relief measure as explained in greater detail in Note 30 of the Explanatory Notes.

The **result from discontinued operations**, negative for €304 thousand, was attributable to the contribution of the company Brembo Argentina S.A. in liquidazione, reclassified to this item following the Group's decision, taken in June 2019, to discontinue its industrial operations at the Buenos Aires plant.

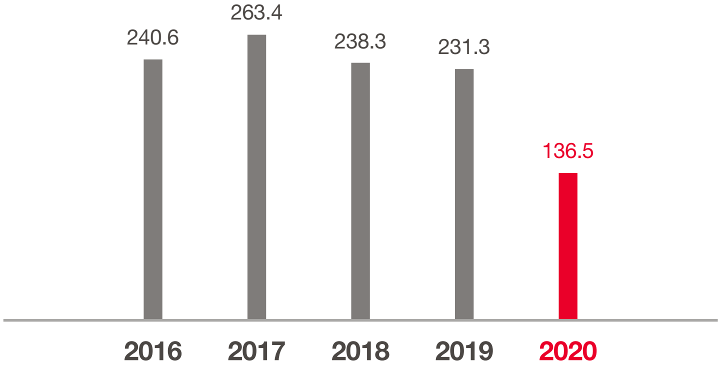
The **Group's net result** was €136,533 thousand (6.2% of revenues), down 41.0% compared to €231,301 thousand for the previous year (8.9% of revenues).

Statement of Financial Position

(euro thousand)	31.12.2020	31.12.2019	Change
Property, plant and equipment	1,183,280	1,258,800	(75,520)
Intangible assets	219,567	228,281	(8,714)
Net financial assets	261,210	50,227	210,983
Other receivables and non-current liabilities	80,082	58,046	22,036
Fixed capital	**1,744,139**	**1,595,354**	**148,785**
			9.3%
Inventories	354,887	342,203	12,684
Trade receivables	385,439	391,925	(6,486)
Other receivables and current assets	119,315	95,870	23,445
Current liabilities	(640,924)	(623,404)	(17,520)
Provisions / deferred taxes	(71,286)	(42,956)	(28,330)
Net working capital	**147,431**	**163,638**	**(16,207)**
			9.9%
Net invested capital from discontinued operations	**(77)**	**(354)**	**277**
NET INVESTED CAPITAL	**1,891,493**	**1,758,638**	**132,855**
			7.6%
Equity	**1,481,041**	**1,388,015**	**93,026**
Employees' leaving entitlement and other personnel provisions	**26,567**	**25,584**	**983**
Medium/long-term financial debt	736,588	375,005	361,583
Short-term net financial debt	(351,911)	(28,816)	(323,095)
Net financial debt	**384,677**	**346,189**	**38,488**
			11.1%
Net financial debt from discontinued operations	**(792)**	**(1,150)**	**358**
COVERAGE	**1,891,493**	**1,758,638**	**132,855**
			7.6%

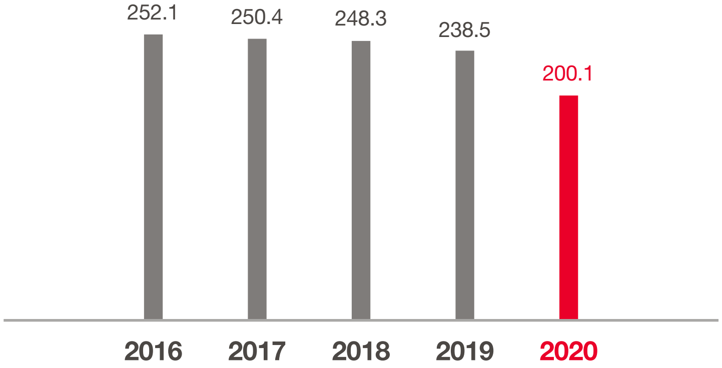
Net result

(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 2020 amounted to €1,891,493 thousand, up by €132,855 thousand compared to €1,758,638 thousand at 31 December 2019.

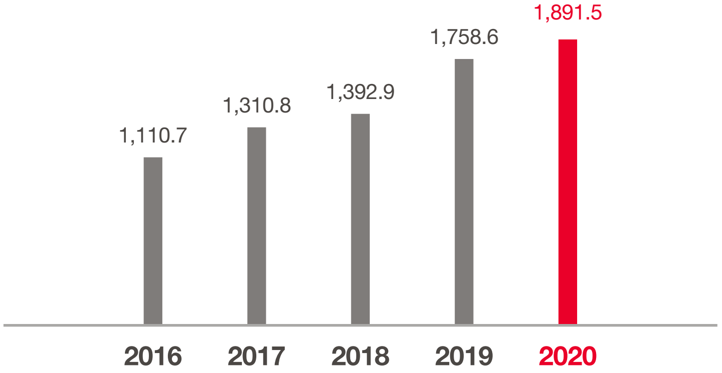
Net financial debt for 2020 amounted to €384,677 thousand compared to €346,189 thousand at 31 December 2019. Net financial debt increased by €38,488 thousand in the year, mainly due to the combined effect of the following factors:

- the positive effect of gross operating income of €388,685 thousand, with a €35,824 thousand decrease in working capital;
- net investments totalling €187,815 thousand;
- payment of taxes totalling €48,873 thousand;
- dividends received by the associate BSCCB S.p.A. amounting to €10,000 thousand;
- acquisition of the 4.78% stake in Pirelli S.p.A. for €181,964 thousand and of the 20% stake in Infibra Technologies S.r.l. for €800 thousand.

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

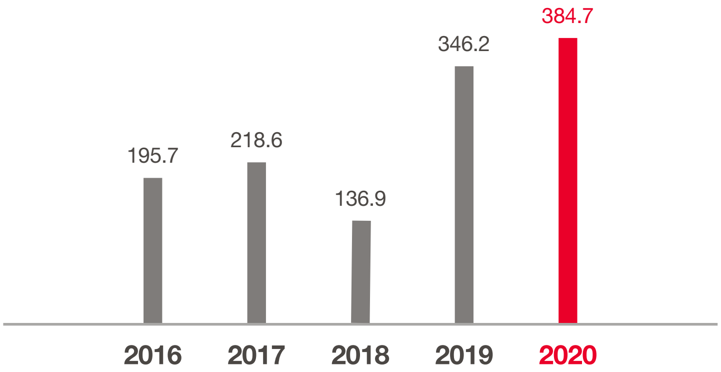
Net Invested Capital

(euro million)



Net financial debt

(euro million)



Statement of Cash Flows

(euro thousand)	31.12.2020	31.12.2019
NET FINANCIAL POSITION AT BEGINNING OF YEAR (*)	**(346,189)**	**(136,911)**
Net operating income	**181,135**	**318,539**
Depreciation, amortisation and impairment losses	207,550	196,630
Gross operating income	**388,685**	**515,169**
Investments in property, plant and equipment	(162,052)	(213,657)
of which right of use assets	*(37,755)*	*(38,165)*
Investments in intangible assets	(28,273)	(38,111)
Investments in financial assets	(182,862)	(131)
IFRS 16 Initial recognition	0	(177,652)
Disposals	2,510	4,432
Net investments	**(370,677)**	**(425,119)**
Change in inventories	(23,913)	(7,604)
Change in trade receivables	4,387	14,558
Change in trade payables	910	(90,846)
Change in other liabilities	10,028	(34,364)
Change in receivables from others and other assets	(10,857)	(6,884)
Translation reserve not allocated to specific items	(16,379)	(1,037)
Change in working capital	**(35,824)**	**(126,177)**
Change in provisions for employee benefits and other provisions	46,461	(2,363)
Operating cash flows	**28,645**	**(38,490)**
Interest income and expense	(24,794)	(10,541)
Result from discontinued operations	(304)	(6,422)
Current taxes paid	(48,873)	(65,961)
Dividend paid in the year to minority shareholders	(640)	(800)
Buy-back of own shares	0	(11,329)
Interest (income)/expense from investments, net of dividends received	(303)	(3,714)
Dividends paid in the year	0	(71,541)
Net cash flows	**(46,269)**	**(208,798)**
Effect of translation differences on net financial position	7,781	(480)
NET FINANCIAL POSITION AT END OF YEAR (*)	**(384,677)**	**(346,189)**

(*) 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 deems 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;
- Fixed Capital, and thus 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 – 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

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%** **Infibra Technologies S.r.l.** Pisa Italy
- **20%** **Petroceramics S.p.A.** Milan Italy
- **10%** **International Sport Automobile S.A.R.L.** Levallois Perret - France
- **4.78%** **Pirelli & C. S.p.A.** Milan Italy
- **3.28%** **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 *in dissolution and winding up procedure*

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

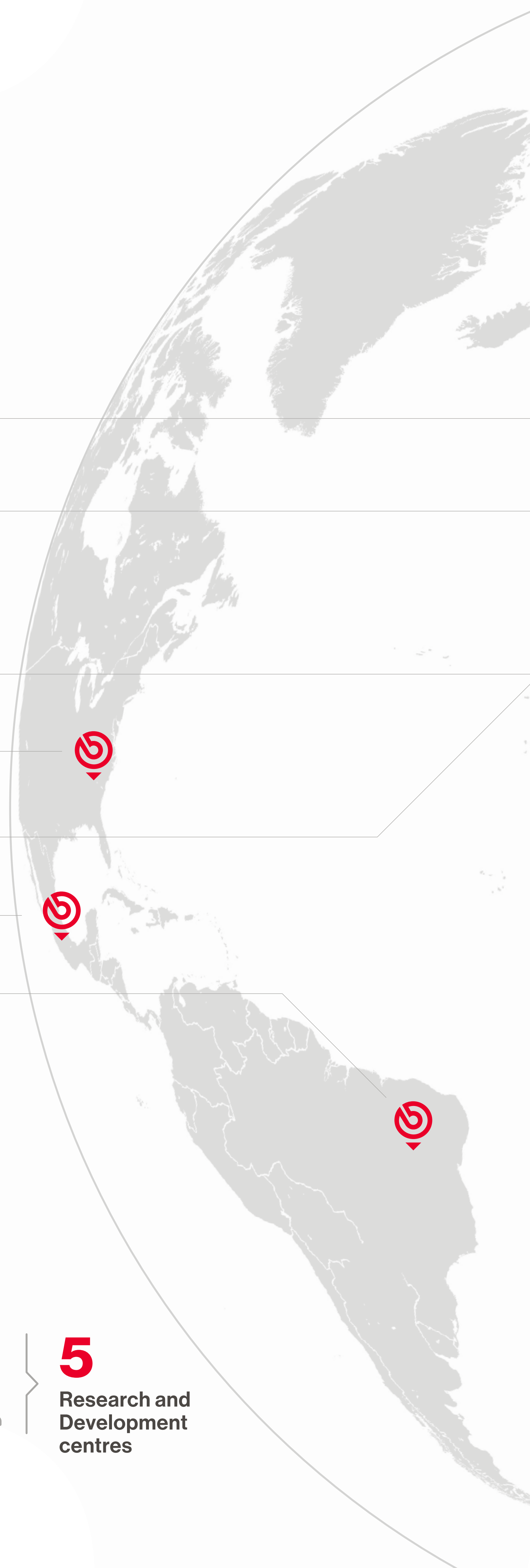
Brembo S.p.A.
La.Cam S.r.l.
Brembo SGL Carbon Ceramic Brakes S.p.A.
Petroceramics S.p.A.
Infibra Technologies S.r.l.

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

19 Manufacturing sites

5 Research and Development centres

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 2020 closed with net sales amounting to €815,087 thousand, down 14.0% compared to €947,709 thousand in 2019. The item "Other revenues and income" amounted to €43,243 thousand in 2020 compared to €58,480 thousand in 2019, whereas capitalised development costs for the year totalled €18,186 thousand.

Gross operating income went from €161,481 thousand (17.0% of sales) in 2019 to €102,293 thousand (12.5% of sales) in 2020, whereas net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €64,313 thousand, closed at €37,980 thousand compared to €104,579 thousand for the previous year.

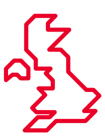
Net interest expense from financing activities amounted to €9,137 thousand compared to €1,764 thousand for 2019. Income from investments amounted to €46,593 thousand and was mainly attributable to the distribution of dividends by some subsidiaries.

In the reporting year, net income amounted to €85,505 thousand (to which the Patent Box relief measure contributed, as explained in Note 30 of the Explanatory Notes), compared to €179,153 thousand in 2019.

At 31 December 2020, the workforce numbered 3,041, decreasing by 101 compared to 3,142 at the end of 2019.

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 35,609 thousand (€40,046 thousand) in 2020, compared to GBP 50,129 thousand (€57,140 thousand) in 2019. In the reporting year, net income amounted to GBP 1,808 thousand (€2,033 thousand), compared to GBP 4,860 thousand (€5,539 thousand) in 2019.

At 31 December 2020, workforce numbered 139, twelve fewer than at the end of 2019.

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 2020, net sales totalled INR 7,153,315 thousand (€84,575 thousand), with a net income of INR 602,703 thousand (€7,126 thousand). In 2019, net sales amounted to INR 8,543,321 thousand (€108,349 thousand), with a net income of INR 946,937 thousand (€12,009 thousand).

At 31 December 2020, the workforce numbered 821, compared to 644 in 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 2020, net sales amounted to €2,157 thousand (€2,045 thousand for 2019), with a net income of €707 thousand (€550 thousand for 2019).

At 31 December 2020, workforce numbered eight, unchanged compared to the same date of the previous year.

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 2020, net sales amounted to CZK 4,629,197 thousand (€174,981 thousand) compared to CZK 5,933,423 thousand (€231,145 thousand) in 2019, closing the year with a net loss of CZK 366,421 thousand (€13,851 thousand) compared to a net loss of CZK 14,044 thousand (€547 thousand) in 2019.

At 31 December 2020, workforce numbered 1,011, 55 more than 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 2020 amounted to BRL 180,649 thousand (€30,670 thousand) and net loss to BRL 155 thousand (€26 thousand). In 2019, net sales amounted to BRL 216,028 thousand (€48,947 thousand) and net income was BRL 15,475 thousand (€3,506 thousand).

At 31 December 2020, workforce numbered 221, compared to 232 at the same date of the previous year.

Brembo Huilian (Langfang) Brake Systems Co. Ltd.

Langfang (China)

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

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

Net sales amounted to CNY 579,890 thousand (€73,676 thousand) in 2020, compared to CNY 579,113 thousand (€74,880 thousand) in 2019. In the reporting year, net income amounted to CNY 34,332 thousand (€4,362 thousand), compared to CNY 39,781 thousand (€5,144 thousand) in 2019.

At 31 December 2020, workforce numbered 604, decreasing by 33 compared to the end of 2019.

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 653,520 thousand (€5,367 thousand) in 2020, compared to JPY 708,287 thousand (€5,803 thousand) in 2019. Net income for the reporting year was JPY 54,514 thousand (€448 thousand), compared to JPY 72,600 thousand in 2019 (€595 thousand).

At 31 December 2020, workforce numbered 18, unchanged compared to the figure at the end of 2019.

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 2020, net sales amounted to USD 279,426 thousand (€244,835 thousand), with a net income for the year of USD 19,561 thousand (€17,140 thousand).

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

At 31 December 2020, workforce numbered 1,202, compared to 1,067 at the end of 2019.

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 2020, net sales amounted to CNY 906,627 thousand (€115,188 thousand), compared to CNY 769,727 thousand (€99,527 thousand) at the end of 2019.

Net income at 31 December 2020 was CNY 51,902 thousand (€6,594 thousand). In 2019, net income was CNY 9,766 thousand (€1,263 thousand).

At 31 December 2020, workforce numbered 359, compared to 306 in 2019.

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 2020, net sales amounted to CNY 1,048,864 thousand (€133,260 thousand) and net income was CNY 115,870 thousand (€14,721 thousand); in 2019, net sales amounted to CNY 1,068,896 thousand (€138,210 thousand) and net income was CNY 69,892 thousand (€9,037 thousand).
At 31 December 2020, workforce numbered 550, compared to 583 at the end of 2019.

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. At the facility in Plymouth (Michigan), a Research and Development Centre develops new material and design solutions and distributes them on the US market.
Net sales for 2020 amounted to USD 300,020 thousand (€262,880 thousand) compared to net sales amounting to USD 399,220 thousand (€356,575 thousand) for the previous year.
Net income was USD 16,371 thousand (€14,344 thousand) at 31 December 2020, compared to net income of USD 36,280 thousand (€32,405 thousand) for 2019.
At the end of the year, the workforce numbered 674, an increase of 11 compared to the end of 2019.

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 Czestochowa plant. In the Dąbrowa-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 Dąbrowa-Górnicza plant as well.
Net sales amounted to PLN 1,744,060 thousand (€392,526 thousand) in 2020, compared to PLN 2,095,622 thousand (€487,634 thousand) in 2019. Net income at 31 December 2020 was PLN 150,941 thousand (€33,971 thousand), compared to a net income of PLN 248,414 thousand (€57,804 thousand) for the previous year.
At the end of the year, workforce numbered 2,124, compared to 2,183 at the end of 2019.

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.
Net sales for 2020 amounted to RUB 62,396 thousand (€755 thousand) compared to RUB 50,020 thousand (€690 thousand) in 2019; net income was RUB 19,193 thousand (€232 thousand) compared to RUB 10,346 thousand (€143 thousand) at 31 December 2019.
At the end of the year, workforce numbered three, unchanged compared to the end of 2019.

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 10,088 thousand (€962 thousand), with a net income of SEK 5,399 thousand (€515 thousand), compared to net sales of SEK 10,077 thousand (€952 thousand) and net income of SEK 5,234 thousand (€494 thousand) for 2019.
At 31 December 2020, workforce numbered 2, one more than at 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 2020 amounted to €23,318 thousand, compared to €28,964 thousand in 2019. Net income was €1,673 thousand, compared to €1,963 thousand in 2019.
At 31 December 2020, workforce numbered 69, two fewer than at the end of 2019.

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 2020, net sales, which were mainly to Brembo Group companies, amounted to €32,722 thousand compared to €39,738 thousand in 2019. Net income for 2020 was €1,251 thousand, compared to a net income of €1,693 thousand at the end of 2019.
At 31 December 2020, workforce numbered 163, compared to 173 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 2020 amounted to CNY 278,115 thousand (€35,335 thousand), compared to CNY 308,044 thousand (€39,831 thousand) for the previous year. Net income for the year was CNY 14,172 thousand (€1,801 thousand), down compared to CNY 9,830 thousand (€1,271 thousand) for 2019.
At 31 December 2020, workforce numbered 30, unchanged compared to the same date of 2019.

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 2020 were €41,696 thousand, compared to €54,518 thousand at 31 December 2019. Net income for the year was €24,896 thousand, compared to net income of €24,836 thousand for 2019.

At 31 December 2020, workforce numbered 151, one more than at the end of 2019.

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 2020 amounted to €128,476 thousand, compared to €134,155 thousand for the previous year. At 31 December 2020, net income totalled €16,671 thousand, compared to a net income of €19,640 thousand for the previous year.

At 31 December 2020, workforce numbered 392, compared to 390 at the end of 2019.

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 2020 amounted to €1,944 thousand, with a net income of €552 thousand. In 2019, net sales were €2,965 thousand and net income amounted to €1,351 thousand.

Infibra Technologies S.r.l.

Milan (Italy)

Activities: development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems and photonic subsystems for sensing and communications.

On 5 February 2020, Brembo acquired a 20% stake in Infibra Technologies S.r.l., for a consideration of €800 thousand. The agreement with the current shareholders envisages Brembo's right to exercise a call option on the remaining 80% interest in the second half of 2024.

Net sales for 2020 amounted to €225 thousand, with a net loss of €44 thousand.

Investments

In 2020, Brembo’s investment management policy, albeit in scaled-down form due to the lockdowns implemented in various countries to combat the effects of the Covid-19 pandemic, continued in line with the guidelines followed to date, with the aim of strengthening the Group’s presence not only in Italy, but also at the international level.

Group’s total net investments undertaken in 2020 at all operations amounted to €187,815 thousand, of which €122,482 thousand was invested in property, plant and equipment, €27,707 thousand in intangible assets, and €37,626 thousand in leased assets. The most significant investments were concentrated in Italy (33.9%), Czech Republic (26.1%), North America (17.2%) and Poland (14.4%).

In Italy, works on the new building in Curno, which houses the Carbon Factory, continued. The building has been designed in view of progressively verticalising — within a single production facility adjacent to Brembo’s current hub — the entire development and production process for raw components used in carbon-fibre discs and pads for racing applications and for high-performance road vehicles. 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. After having installed and started up the first systems in the previous year, additional machines continued to be installed in 2020 for a gradual increase in production capacity, reaching full operation in 2022.

To meet the need for new manufacturing spaces, at the end of 2020 Brembo Czech entered into a new operating lease for a building (designated O23) of approximately 22,000 square meters in the same business park where the current production facility is located. Painting, pad printing and assembly of fixed aluminium calipers will be transferred to the new building, as well as storage of semi-finished and finished products, in addition to a part dedicated to office space. The RoU (Right of Use) recognised, calculated over a period of 15 years, has a value of approximately €25 million.

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 2020 amounted to €22,266 thousand (11.9% of the Group’s total investments), and were borne by the Parent and the U.S. subsidiary.

Research and Development

Innovation, sustainability and the mobility of the future. Brembo has always been committed to researching and developing cutting-edge technological solutions that not only stand out for their focus on performance, comfort and style, but also make preserving the environment a top priority.
The vehicles of the future are increasingly oriented towards the green model, electrification, overall efficiency and reduced emissions. We are focused on an integrated, complementary brake system in which caliper, disc, pad, suspension and control unit are in synergy with our new vision of mobility, where technology and the environment can coexist in constant equilibrium.

For many years, 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 some time now.
Since the market requires constantly shorter time to market, the Group strongly concentrates its efforts and resources also on implementing increasingly advanced 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 2020, R&D activities mainly focused on the following aspects.

For its **cast-iron discs**, Brembo presented its customers and the press its Greentive® disc, the result of Brembo's experience in the field of brake systems and above all of the know-how and expertise gained through the European LowBraSys project. Greentive® disc is characterised by an innovative coating applied to the cast-iron brake surface, which ensures very low wear and tear, extends disc life and also reduces particulate emissions during braking, and hence the impact on the environment.
Another distinctive quality of Greentive® is its high resistance to corrosion, particularly appreciable for the new generations of electric vehicles, characterised by a different use of the brake system. Greentive®, designed especially for premium and luxury vehicles, encompasses the most advanced technological solutions and represents Brembo's first disc on the product road map to environmental sustainability.
In fact, work also proceeded on researching, developing and testing other unconventional solutions to be applied to cast-iron brake discs, with a focus on the study of materials, technologies and surface treatments in collaboration with European research centres and suppliers. Particular attention is being devoted to the new needs of hybrid and electric vehicles, which use regenerative braking and thus introduce new requirements for brake discs.
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, are meeting with strong interest among Brembo's main clients.
For conventional cast-iron brake discs, the simulation methods tied to system comfort and disc fluid-dynamics, with a focus on air flow within the entire wheel-side unit, continued to be strengthened in cooperation with various entities. According to precise guidelines applied throughout the automotive sector and all of Brembo's development activities, considerable attention is also 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). This is an aspect that has become even more important due to the entry into force of the new European Regulation setting the new emissions limits for manufacturers.
Work on discs for heavy commercial vehicles — an application segment which is of particular interest to Brembo — continued with a focus on improving performance. Activities therefore intensified with several customers, also outside Europe. The

applications developments related to such customers are underway and should be finalised during the next two years. The acquisition of new business with major European customers will enable the Group to further increase its market share in this specific segment.
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 will also supply this product for the next generation of vehicles within the same platform. In 2020, the application development phase for the new models — some of which are fully electric — was completed and their presentation to the market started in the fourth quarter of the year.
The light disc — which enables a reduction in weight of up to 15% compared to a conventional disc due to the combination of two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) — has also been successfully developed for other major automotive manufacturers, which are already using it in some of their models, including some ultra-high-performance vehicles.

The development of composite street **motorbike** discs continued; new samples are under development so that concept validation may be finalised.
In the innovative handlebar master cylinder project (based on two Brembo patents), the use of BSSM (Brembo Semi-Solid Metal casting) technology is being assessed to reduce weights and improve the aesthetic aspect.
For the new range of products created for the Indian market, the four-piston front caliper and the handlebar master cylinder come in addition to the recently designed rear caliper. Both designs have been defined and the prototyping phase has now begun. In addition to its uniform design, the entire new product range has been designed to be able to be customised according to the needs of motorbike manufacturers.
Vehicle testing of the new low-vibration floating disc (concept patented by Brembo) is slated to begin by the first quarter of 2021.
On the basis of the positive results of the initial phases of development of brake-by-wire for motorbikes, a further development of the system has been planned for 2021 that calls for rationalisation of the layout, simplification and upgrades of the architecture.
In view of their presentation to the market, process and cost aspects relating to the new high-performance light discs are under evaluation. A design that identifies and makes full use of the technical content of the new discs is also in the works.
Following a thorough process of assessment, the technical specifications of the new range of brakes and clutches for off-road applications were also formulated.
Brembo's commitment to increasing its presence in the scooter market is taking concrete form with the launch of six different projects for two important customers, with design work to take place in Italy and manufacturing in India.
Research on new materials for use in two-wheel vehicles is also continuing: pump and caliper concept prototypes have been built for light applications and concept validation testing is currently under way.
The motorbike innovation roadmap, with its constantly updated and content and timescales, entails three levels of progress: constant improvement of existing products, development of new concepts for products in the range and development of new technologies/products not currently in the portfolio.

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 partially completed in 2020 and will continue in the years to come:

- the fine tuning of disc production (to date with very interesting results in qualitative terms) and the stabilisation/improvement of Carbon/Carbon pad performance. This area of production technology development and improvement also includes the operations at the new Carbon Factory plant, where nearly all the production technologies required to develop and manufacture carbon discs and pads were available and working as of the end of 2020, in line with the plan presented at the onset of the project. At present, the installed capacity makes it possible to start manufacturing the initial prototypes of the 2022 F1 discs intended for testing with the customer and internal development — discs that will be completely different from those in use today — and a limited production of discs for 2021 F1;
- 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 carbon ceramic discs for extreme road applications and certain types of races.

For the first time, three racing brake systems are being tested (cast-iron disc, CCMR disc and carbon/carbon disc) at a

Brembo's development partner in Germany, also including the goal of quantifying their emissions.
In addition, a positive conclusion was reached to negotiation and development for the introduction of an offshoot of Brembo's CCMR carbon ceramic disc, derived from racing, for use in incoming Lamborghini GT models, in addition to the four McLaren applications in production since 2018.
An important 48 V electro-mechanical brake-by-wire project with hydraulic actuator and a safety concept based on F1 experience was launched with a top team in a major World Motorsport Championship. Brembo's first brake-by-wire racing season came to a positive conclusion and further development for 2021 are in the advanced stages of testing.
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 calculation within the customer wheel unit — in other words, mechanical and thermal calculations with computational fluid dynamics (CFD) solutions.
Continuing with an internal project of constant fine-tuning on testing benches and in simulations that began in 2012, several testing methods were refined and further enhanced.
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 2020.
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 line with the F1 initiatives, a series of new projects were confirmed with a major Italian motorbike manufacturer. The projects will be governed by a development contract with the manufacturer and will concern new brake and clutch systems. The debut on the track of the new 2020 MotoGP caliper, designed with the best available simulations, was a success and it was soon adopted by all the teams.
Finally, the new carbon-fibre and carbon-ceramic clutch prototypes were created by the subsidiary AP Racing, also supplied exclusively to an Italian racing team. This is the fourth clutch model designed and tested by AP Racing to be then placed on the market with the same client.
Mention should also be made of collaboration between Brembo and e-Novia for electronic development, as well as development synergies that will allow both organisations to grow in the coming years. E-Novia launched an ABS brake system for bicycles based on the concept developed and patented by Brembo Performance in 2016, whereas Brembo brought to the racetrack electromechanical systems with electronics developed by e-Novia according to Brembo's specifications. This system is currently also being tested at the testing facility at the Stezzano plant.

Due to the extensive experience it has gained over the years, Brembo **Friction** may now be considered a well established, stable entity, in line with a Company's philosophy constantly focused on continuous improvement. Today's customers expect increasingly flexible, customised friction materials, with demands met specifically and reactively through the synergistic efforts of the Research and Development department together with all of Brembo's other 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 particularly sophisticated development processes.
Once again, the market is 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 are increasingly used, as they are capable of optimising friction material formulations and identifying the raw materials that most influence their chemical and physical properties.
Development of friction materials with a constantly lower environmental impact reflects the constantly growing green push 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 most demanding 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 prototype pre-industrialisation phase has now been successfully completed using a press created with ad-hoc technology that enables customers' demands to be met, and specific activity involving the individual brand has been launched to ensure further optimisation of the process, yielding the best performance and optimal 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 mass production of the product and the shift to mass production. A new goal is to transfer the innovation and technology applied to these pads, now used for parking, to rear brake pads.

Finally, the constant demand from the market for brake systems increasingly integrated into the new vehicles resulted in the development of a new concept for a brake pad with embedded sensors. In 2020, using specific sensors embedded in the friction material, the first tests were performed, showing that real-time measurement of braking torque is possible.

In **Car and Commercial Vehicle Systems**, Brembo's goals — summed up in its offering of increasingly low-emission, high-performance products capable of offering the best driving experience — translate into the following activities aimed at identifying solutions designed to ensure Brembo's customers are completely satisfied.

The objective of low emissions, i.e., of contributing to the reduction of vehicle consumption and the resultant CO_2 and fine particle emissions through braking systems, is pursued by adopting methods designed to minimise caliper mass, while maintaining performance, and reducing residual torque by formulating new characteristics of coupling between seals and pistons, in addition to optimising a pad sliding system based on a new concept.

After consolidating these technical solutions for fixed calipers — which resulted in the assignment of a share of the business relating to a platform of fully electric vehicles created by a major German manufacturer in 2019 —, the Group's focus shifted to the study and application of floating calipers for commercial vehicles. These solutions allowed the company to be competitive and contributed to winning the contract to renew the range of vehicles produced by a major European manufacturer, with production set to begin in 2023.

The product and process improvement work is constantly ongoing in the same way as the search for solutions to reduce mass, optimise performance and improve styling. Two examples of this continuous improvement aimed at providing state-of-the-art solutions for the high-performance market are the Dyadema® caliper, which entered into production in the second half of 2019 and was designed with the goal of considerably reducing track operating temperatures, and the Flexira™ caliper, developed to meet the needs of several new market segments.

In keeping with this vision, development continues for the Company's patented Bembo Semi-Solid Metal (BSSM) casting technology, which maintains equal performance while enabling a reduction in weight of 5 to 10% in relation to caliper geometry. Concept approval is currently underway, whereas start of production for the first vehicles is expected by the end of 2022.

Brembo's first mechatronic products, namely various configurations of electric parking brakes, both for cars and commercial vehicles up to 7.5 tons, are being promoted with the Group's customers.

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. Brembo promotes the "best driving experience", particularly in this sector, offering the market its brake-by-wire systems, which have now reached a high degree of performance and function, thus ensuring that the digital brake system is ready for industrialisation and distribution. The industrialisation and launch planning phase has begun and pre-development activity is in progress with an important U.S. manufacturer, with Brembo set to become the first in the world to enter into production in 2022-2023.

Forming partnerships with the new players that have entered the electric vehicles market is a strategic priority: within this

framework, a leading U.S. customer has entrusted Brembo with supplying a front brake system for an electric commercial vehicle, which entered into production in 2021.
The ongoing evolution of simulation methodologies is focused on aspects linked to brake system comfort and caliper functionality. Brembo's objective is to develop the simulation capacity for the entire brake system, including the friction material. From this standpoint, the ability to rely on the know-how and installed capacity within the Brembo Friction project represents a strength for the Group, which can position itself as a supplier of solutions for 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.

Digitalisation of the Brembo product life cycle is ensured by Product Development Methods that, with the GBUs (Global Business Units) and GCFs (Global Central Functions), provide methodological, operational and legal support for managing data and project flows, using and customising commercial PLM (Product Lifecycle Management) software tools.
PLM is also used to share design documents, development phases, the various technical bases and CAD drawings employed for numerical simulations.
The state of the art of simulation of products and physical processes is constantly monitored both to update the Company's technological and methodological content and to realise virtual models that are increasingly representative of the reality that they seek to reproduce, thus rendering them more efficient and predictive.
To this end, at Brembo particular emphasis is placed on "simulation process automation", which translates the routine manual operations performed by simulation analysts into automatic digital flows, with the goal of condensing into procedures the know-how gained in implementing simulations, reducing errors relating to manual performance of such simulations and also making them available to a broader audience.

On the basis of the know-how consolidated over the previous three years, in 2020 a process of enhancing the Data Science and High Performance Computing process began, which took the concrete form of initial doubling of resources dedicated to implementing the digital transformation of the Company. This includes the ongoing processes of:

- developing mobile technologies for gathering data from multiple internal and external sources;
- assembling, analysing and enriching big data;
- developing inferential and predictive models;
- industrial application of artificial intelligence, with a particular focus on quality;
- digital automation techniques for office and production processes.

Acting as a competence centre for all GBUs and GCFs, the team operates within a multi-disciplinary Digital Lab that brings together the expertise of Data Scientists, Big Data Engineers, Domain Experts and Project Managers, developed and constantly renewed through an intense internal training programme to ensure the spread of "Data Culture" according to Brembo.

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.
Mechatronics and system integration entail the development of new components for Brembo's products, including sensors, mechanisms and electric motor prototypes. 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 were created in the previous year, while a prototyping line for these motors was completed 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.
Another initiative in this area is Brembo's investment in Infibra Technologies, a spin-off of the academic institution Sant'Anna - School of Advanced Studies of Pisa, specialised in developing photonic sensors through the use of fibre-optics as the sensor element.
After 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, work continued 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.
Within the framework of the Horizon 2020 programme, Brembo is also participating in the European consortium that is developing the funded project EVC1000. The goal of this project is to demonstrate the technological feasibility of a completely electric vehicle with a range of more than 1,000 km per charge, where Brembo's contribution is to provide a further refinement of its brake-by-wire system.

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 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.
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 Audit, 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.

Covid-19 risk

Following the spread of the Covid-19 pandemic, operations at all Group's plants (Italy, the United Kingdom, Poland, Czech Republic, the United States, Mexico, Brazil, China and India) in 2020 were temporarily suspended for a period that varied from one country to the next.
Brembo has been following developments relating to the spread of the pandemic very closely since its outbreak, establishing a dedicated task force and promptly adopting all necessary measures to prevent, monitor and contain the virus at all of its locations worldwide, with the aim of protecting the health of employees and contractors (rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, blood tests, hygiene rules and social distancing, remote working, etc.).
Since the beginning of the pandemic, the Board of Directors of Brembo S.p.A. has always involved in its meetings the Chief CSR Office, the Safety Officers and top managers to analyse and monitor the implementation and application of the measures taken in response to the COVID-19 pandemic, in full accordance with the provisions issued by the competent authorities from time to time.
The Audit, Risk & Sustainability Committee, the Board of Statutory Auditors and Supervisory Body have always been kept promptly informed of company management and the epidemiological emergency and all measures have always been checked and verified in order to ensure operational continuity and people protection.
Brembo continues to monitor events very closely and also in 2021 will adopt further containment measures, where necessary.
For further details see section "Impacts of the Covid-19 Pandemic on the Consolidated Financial Statements" herein.

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 GBUs (Global Business Units) and the GCFs (Global 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.
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 231 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.

In 2020, in response to the COVID-19 epidemiological situation, possible impacts on the processes and protocols implemented for the purposes of legal compliance, including safeguards for the purposes of Legislative Decree 231/2001, Anti-corruption, Anti-trust and GDPR, were evaluated. Generally, no impacts on control, monitoring and prevention of 231 offences, which continued without interruption, were identified. The application of the provisions and preventive measures continued constantly and successfully, due in part to the training activity carried out and the progressive monitoring conducted within the framework of ordinary legal activities.
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 60% 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 2020, no specific hedging transactions were undertaken. However, it bears recalling that fixed prices are set in supply contracts with certain commodities suppliers for a given period of time and that the contracts in place with the main customers also provide for automatic periodic indexing on the basis of commodities prices; both these approaches thus mitigate the risk of fluctuations in 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.);
- 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 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.


In continuous
and unstoppable
movement

Increasingly tighter connections.
Rapid, fluid, smart, functional.
Without ever stopping, conscious of having taken the right direction.

Human Resources and Organisation

With the constant objective to keep its organisational structure aligned with the market’s needs, in 2020 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 concerned Brembo’s organisation, which in February 2020 began to evolve into a new organisational model designed to rise to meet the future challenges to be posed by the market.

The new model focuses on relationships with customers and development at the global level, within the framework of a coherent, reinforced brand strategy: Global Business Units (GBUs), Global Central Functions (GCFs) and Regions/Countries are the crucial dimensions of Brembo’s organisation. The interactions between them have been balanced for optimal management of the Group’s growing complexity and scope, with the aim of providing the Group with global processes. These dimensions will provide Brembo — as a true global company — with common processes, systems and standards transversal to its GBUs and Regions/Countries. The new organisation also features simpler reporting lines, clear responsibilities for each role, increasingly streamlined, empowered processes and a strong commitment to, and focus on, advanced R&D, Digitalisation and Artificial Intelligence applications.

Within this context, the five GBUs, which report to the CEO, are fully and solely responsible at the global level for setting the commercial, customer relationship and technical product development strategy. The GCFs, which report to the Chairman, Executive Deputy Chairman and CEO, formulate functional strategies at the Group level in their areas of responsibility in order to effectively support implementation of the strategies of the business units, design common processes, systems and standards, provide global direction, guidance and control, methods, uniform know-how, learning and constant performance within the function and ensure the development of their professional families. Finally, the Regions/Countries contribute to formulating the GBUs’ strategies within their geographical perimeter and are responsible for implementing those strategies at the local level; they are also responsible for executing the functional strategy and P&L at the Region/Country level, in addition to representing the Group in relations with local authorities and institutions.

Finally, within the new organisational model, in order to increase cost efficiency and reengineer processes, in June 2020 the Cost Engineering and Value Analysis areas were separated and placed within the new Business Process Transformation & Cost Efficiency GCF.

In the year just ended, strongly conditioned by the Covid-19 pandemic, Brembo Academy continued to design and provide training for Group personnel, while of course in a lower total number of training hours than in previous years. In accordance with the various reference legislation, and in compliance with the restrictions imposed to curb transmission, training was initially suspended and then redesigned to be fully available in virtual mode (synchronous distance classrooms) and thus also available to those working remotely.

Among the new projects implemented in 2020 that deserve particular attention at the corporate level, mention should be made of a Knowledge Management course focused on certifying colleagues who possess specific know-how and who, after specific mentoring, perfected methods for sharing their knowledge according to a structured approach. Some of them, like the external professionals, will become teachers at the Brembo Academy in addition to the 50 in-house trainers already certified and active for a considerable section of the internal catalogue.

Another strategic project relating to digital transformation is the “Culture of Data” provided in virtual classrooms by a team of internal Brembo Academy lecturers. After designing the content, the lecturers rotated through the various editions, meeting with renewed consent, also borne out by the high number of applications received in the 2021 Training Needs Survey. This course has also been expanded to include e-learning tools that can be used directly from Brembo’s specific platform: “How to

Make Decisions with Data" is a first example, and other products will be launched in 2021.
In other e-learning initiatives, the project to spread institutional skills at the global level was launched, including the new release of Data Classification & Protection and Cyber Security and Phishing, along with basic, practical management skills, available in Italian and English. In addition, in the fourth quarter of 2020, training continued to spread management and technical skills, in addition to health and safety knowledge, a process that never stopped, as required by applicable legislation.

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

The year just ended was significantly conditioned by the continuing state of emergency caused by the Covid-19 pandemic, which imposed unforeseeable changes and adaptations to all the Group's operations. Such a sudden overturning of the global situation — with restrictions on movement and contacts with facilities, the intensification of remote working, the intermittent, unplanned closures of facilities, in keeping with the course of the pandemic and local restrictions — entailed a complete revision of the plans and programmes initially defined for 2020. Activities were oriented towards developing and improving the already existing or newly conceived management tools, designed to ensure increasingly strong, tangible management of environmental risks and ever more thorough and effective governance of prevention activities. The new focus of plans and programmes allowed Brembo to continue along its path of ongoing improvement of environmental sustainability issues, in view of concrete pursuit of the SDGs of the UN Agenda for Sustainable Development, for which the Group has pledged its support.
In particular, the areas of activity touched on the aspects described below.

Energy Management: since the extension of the Brembo Energy Platform monitoring tool to all the Group's facilities has been almost entirely completed, detailed electricity consumption data are now available to each factory's technical staff, who are responsible for preparing and analysing them to identify possible opportunities for improvement and savings.
In addition to electricity consumption data, the platform is designed to monitor data related to other vectors (such as natural gas, compressed air and water). Meter infrastructure is being upgraded for this monitoring so that it can transfer field data effectively to the platform to outline subsequent processing and actions. Another benefit offered by the tool is support for the energy management system, compliant with the ISO 50001 standard, implemented and integrated into the Group's environmental management system in 2019. The energy management system certification process began in December 2019 with the certification of the Group's first facility, but due to the pandemic the initial plan to extend the system and certification to the Group's other facilities was delayed, leading the certification of the three plants initially slated for 2020 to be postponed to 2021.

Environment and Energy Management System: during the year, the system underwent a revision process which led to the emission of updated versions of all the operating risk management procedures (regarding emissions, water and waste). The modifications introduced are a natural offshoot of the existing procedures and system, increasing the detail and severity of the requirements they contain, structuring them to ensure increasingly tangible, operational coverage of environmental risks.
In 2020, in support of the Environment and Energy Management System a specific IT application was released to manage environmental governance processes, with particular regard to satisfying all legislative requirements and risk assessment and management issues. ORME (Obligation and Risk Management for Environment and Energy) is the name given to this IT platform, now in use at all the Group's plants.

Circular Economy: after obtaining authorisation from the responsible authorities in the first half of 2020, at the Italian iron foundry industrial-scale testing began on a process capable of replacing the use of certain raw materials of primary origin with others deriving from the waste recovery chain. This new process does not change the foundry's direct environmental impact, but it does significantly improve the overall impact of the product throughout its life cycle.

Sustainability and energy efficiency goals: the sustainability goal set for 2020 (calculated as a percent reduction in CO_2 emissions due to improvement actions with respect to the previous year's emissions) was 2.5% and has been far exceeded with a final result of 14.84%. An important contribution to achieving this result was provided by reaching 100% renewable electricity used in Italy and the change of the electricity supplier in Mexico to a renewable energy producer during the year. As for the sustainability target, the energy efficiency objective (calculated as a percent reduction in energy consumption), achieved through improvement measures such as those in the previous year, set at 1.75%, was reached and exceeded at 2.63%.

Workplace Safety

In 2020, alongside management of the Covid-19 pandemic, the Group's workplace health and safety activities continued. In detail:

1. ISO 45001 Management System Certification awarded to all Group plants.

All Group plants were awarded certification of the HS Management System pursuant to the ISO 45001 standard, updating the previous certifications that referred to the OHSAS 18001 standard. The process that led to this important result was launched in 2018/2019, through the performance of preliminary activities, such as: the training course on the ISO 45001 standard, the performance of gap analysis between ISO 45001 and OHSAS 18001, and the drafting of the new Group System. Training workshops for the plants (both in physical presence and then remotely) on the new ISO Management System were completed in early 2020, initially involving the participation of the General Managers and personnel of the local H&S authority. More intense training activity was then held at the plants, designed to adopt the Group's guidelines and formulate the local standard, as well as to implement all the new features introduced by the new system.
Despite the undeniable difficulties caused by the pandemic, the plants maintained the original planning of activities aimed at transition from OHSAS 18001 to ISO 45001 certification and all plants achieved this important result in December 2020.

2. Workshop 'Melting Deck'

The Group completed the application and implementation of the standards identified and planned during previous workshops, designed to identify the greatest risks present in the melting furnaces area, to find solutions to eliminate or mitigate those risks and to standardise methods and tools for managing emergencies.

3. 'Aluminium Foundries' Workshop

The fourth quarter of 2020 saw the beginning of a process similar to that performed for the cast-iron foundries that resulted in identification of the main risks that may arise in the aluminium foundries production process and the definition of countermeasures and mitigation of such risks. This process involved the Aluminium Foundries Operations Department, along with representatives of the main plants.

4. Workshop 'Robot Line'

In the case of mechanical processing, following the workshop held at the end of 2019, which involved central technologies and several mechanical disc processing plants, in 2020 the criteria, logic and safety standards (safety concept design) were formulated to design and implement future robotised lines, which will then be included in the supply specifications of the new lines.

In 2020, the accident frequency index reached the best result ever in Brembo's history, coming in under one (0.98), compared to 1.28 in 2019 and 1.16 in 2018, and, among the accidents that occurred, none caused permanent damage. Among the various Group plants, mention should be made of the excellent results of the frequency index measured at the Indian (0.11), Chinese (0.28) and Mexican (0.48) plants.

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 acknowledged the ensuing amendments introduced by Consob to the Rules for Issuers and the Regulations on Related Party Transactions on 10 December 2020, which will become effective on 1 July 2021. New developments are currently being analysed and examined with a view to updating the Procedure and introducing all new provision by 30 June 2021.

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

Impacts of the Covid-19 pandemic on the Consolidated Financial Statements at 31 December 2020

The World Health Organization (WHO) announced the spread of the disease Covid-19 from China, particularly from the Wuhan district in early January 2020. It then declared Covid-19 a global health emergency of international concern on 30 January. February saw the virus spread to Europe and America, resulting to the global lockdown in March and April.
Brembo has been following developments relating to the spread of the COVID-19 very closely since its outbreak, establishing a dedicated task force and promptly adopting all necessary measures to monitor, prevent and contain the pandemic at all of its locations worldwide.
In the first six months of 2020, all Group's plants were subject to lockdown periods, whose length varied from one country to the next: China (from 24 January to 13/16 February), Italy (from 16 March to 27 April), the United States (from 23 March to 17 May), Brazil (from 24 March to 24 May), the United Kingdom (from 25 March to 14 April), India (from 25 March to 4 May), Poland (from 27 March to 2 April), Czech Republic (from 28 March to 2 April) and Mexico (from 6 April to 18 May).
In view of the production sites' reopening, the Group has defined all necessary measures aimed at combating the virus and protecting the health of employees and contractors such as: rearrangement of production layouts, sanitisation of the premises, purchases of personal protective equipment, temperature measurement with heat scans, circulation of hygiene rules and social distancing, and extended remote working.
Moreover, after an initial donation of €150,000 in support of treatment facilities at Bergamo's Pope John XXIII Hospital, Brembo decided to support research into combating Covid-19 by donating €1 million to three leading Bergamo institutions: Pope John XXIII Hospital, the Bergamo Hospital Research Foundation (FROM) and the Mario Negri Institute, which are committed to the area most severely affected by the pandemic, through a combination of clinical and pharmacological research.
With reference to financial aspects, in adopting the prudential approach proposed by the Board of Directors in its extraordinary meeting on 20 March 2020, the Shareholders' Meeting held on 23 April resolved not to distribute dividends related to the 2019 profit. This decision was made in order to support the Group's financial solidity and limit future economic and financial impacts.
To face this difficult time for the market, between April and May 2020, the Group's financial structure was further reinforced by entering into new medium/long-term loans for a total amount of €425 million, in addition to a medium-term committed credit line of €100 million obtained in the fourth quarter of 2020 and not yet used, and available short-term credit lines for €418 million, which have not been used. These new loans enabled the Group to extend the average life of its debt, at costs in line with current levels.
Redundancy schemes and other forms of public support were activated to protect workers in all countries and contain the cost of idle personnel. In addition, plans were drawn up to contain discretionary, sponsorship and marketing costs and reduce or postpone investments, while also renegotiating several supply and lease contracts and implementing measures to contain working capital.
The main financial and operational risks to which the Group is exposed (as described in the "Risk Management Policy" section of this Report) have been analysed to assess the effects of the significant financial market and raw material market volatility caused by the Covid-19 pandemic. With specific regard to credit risk, it should be noted that Brembo's main counterparties — major car and motorbike manufacturers with high credit ratings — essentially discharged their commercial obligations. In addition, there have been no problems with the supply chain or particular financial tensions involving the Group's strategic suppliers to be reported. In general, the analysis conducted did not identify any critical issues capable of having significant impacts on the Group's operating results and financial position.

The Explanatory Notes to the Consolidated Financial Statements provide more in-depth information on the effects of the pandemic and the assessments made by the Directors.

Significant Events During the Year

On 5 February 2020, Brembo acquired a 20% stake in Infibra Technologies S.r.l., for a consideration of €800 thousand. The company is specialised in the development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems and photonic subsystems for sensing and communications. The agreement with the current shareholders envisages Brembo's right to exercise a call option on the remaining 80% interest in the second half of 2024.

In March 2020, Brembo adopted a non-speculative long-term approach and acquired a 2.22% stake (equal to €86,509 thousand) in the share capital of Pirelli S.p.A., a company that stands out in its sector as a player of excellence in terms of history, brand, leadership and pursuit of innovation. In the second quarter of 2020, Brembo acquired a further stake for €20,000 thousand, increasing its interest to 2.78%. An equity swap derivative contract with a nominal value of €70 million, maturing on 23 July 2020, for the purchase of an additional 20 million shares of Pirelli S.p.A., was also entered into on 13 May 2020. On 23 July 2020, the equity swap derivative contract signed in May was finalised. Accordingly, Brembo S.p.A. acquired 20 million shares in Pirelli S.p.A. for a total consideration of €75,455 thousand, increasing its stake in the company to 4.78%. At 31 December 2020, the investment was measured at fair value, pursuant to IFRS 9, leading to a €29,819 thousand increase in the value of the investment and of Group Equity, as reported in the Consolidated Statement of Comprehensive Income.

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 23 April 2020 approved the Financial Statements for the financial year ended 31 December 2019, allocating net income for the year amounting to €179,152,879.80 thousand as follows:

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

On 17 November 2020, Brembo signed an agreement to acquire a 100% stake in SBS Friction A/S, a Danish company based in Svendborg that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials. The transaction makes it possible to integrate a strategic component such as brake pads into Brembo's current product range, with a particular focus on the environment, and to further reinforce Brembo's leadership in the motorbike sector.

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 23 April 2020 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 10,035,000 own shares already held (3.005% of share capital), represents 5.401% 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.

Brembo has neither bought nor sold own shares in 2020.

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 shows that the Group's Equity at 31 December 2020 was €720,253 thousand higher than the figure reported in the Brembo S.p.A. Financial Statements. Consolidated Net Result for the year, amounting to €136,533 thousand, was €51,028 thousand higher than that of Brembo S.p.A.

Economic results

(euro thousand)	Net income 2020	Equity at 31.12.2020	Net income 2019	Equity at 31.12.2019
Brembo S.p.A.	**85,505**	**729,806**	**179,153**	**617,820**
Consolidation adjustments:				
Equity of consolidated companies and allocation of their result	90,922	1,042,657	143,137	1,062,542
Goodwill and other allocated surplus	0	49,026	0	50,864
Elimination of intra-Group dividends	(38,807)	0	(97,023)	0
Book value of consolidated shareholdings	0	(405,834)	0	(407,984)
Valuation of shareholdings in associate companies/JVs measured using the equity method	414	19,809	3,984	19,811
Elimination of intra-Group income	220	(5,606)	(300)	(6,537)
Other consolidation adjustments	(316)	51,183	4,110	51,499
Equity and result for the year attributable to minority interests	(1,405)	(30,982)	(1,760)	(30,852)
Total consolidation adjustments	**51,028**	**720,253**	**52,148**	**739,343**
Group consolidated equity and result	**136,533**	**1,450,059**	**231,301**	**1,357,163**

Significant Events After 31 December 2020

On 7 January 2021, after issuing the press release dated 17 November 2020, Brembo completed the acquisition of SBS Friction A/S, a company based in Svendborg (Denmark) that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials.
The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was 224 million Danish Kroner (€30.1 million), paid using available liquidity and subject to the usual adjustment mechanisms applicable to similar transactions. The enterprise value of the transaction was 300 million Danish Kroner (€40.3 million).

Foreseeable Evolution

Our year-start orders backlog and the full utilisation of production capacity allow us to look with confidence towards 2021, despite the ongoing uncertainty on the development of the pandemic.

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 (NFI)

The Consolidated Disclosure of Non-Financial Information for 2020 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).

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

To conclude the description of the performance of the Brembo Group for the year ended 31 December 2020, based also on the examination of our Report concerning the Consolidated Financial Statements of the Brembo Group and the separate Financial Statements of Brembo S.p.A., in which we outlined the guidelines and operations, we submit for your approval our proposal for distributing Brembo S.p.A.'s net income amounting to €85,505,062.96, as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per ordinary share outstanding, excluding own shares (payment as of 26 May 2021, ex-coupon date 24 May 2021, and record date 25 May 2021);
- the remaining amount carried forward.

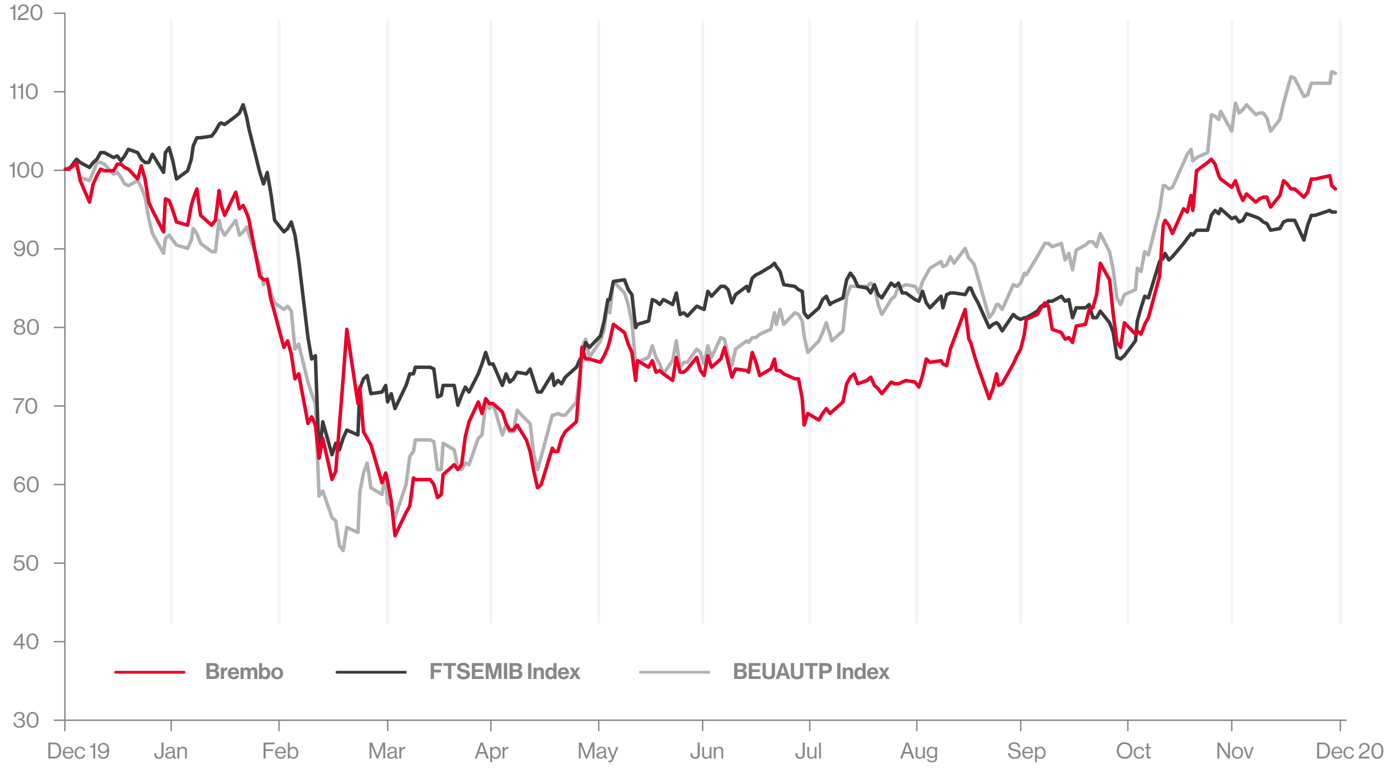
Stezzano, 4 March 2021

On behalf of the Board of Directors

The Executive Deputy Chairman
Matteo Tiraboschi

Brembo S.p.A. Stock Performance

Brembo's stock closed 2020 at €10.80, a 2.35% decrease compared to year-start, reaching its high for the period on 24 November (€11.21) and its low on 3 April (€5.91).
The FTSE MIB index closed the year down 5.42%, whereas the BBG EMEA Automobiles Parts index rose by 12.19%.
In 2020, global economic performance was strongly conditioned by the COVID-19 pandemic, albeit with diversification by geographical area. The rebound in economic activity at the global level between May and September reflected the easing of the restrictive measures introduced to slow transmission. Case numbers rose again in North America and Europe, but not in Asia. Nonetheless, late 2020 was characterised by the optimism, reflected in equity markets, relating to the news regarding the efficacy of the first vaccines against the virus.



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

(euro thousand)	31.12.2020	31.12.2019
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)	644,300,524	438,667,185
Net income for the year (euro)	85,505,063	179,152,880
Trading price (euro)		
Minimum	5.91	8.20
Maximum	11.21	11.88
Year-end	10.80	11.06
Market capitalisation (euro million)		
Minimum	1,973	2,738
Maximum	3,743	3,967
Year-end	3,606	3,693
Gross dividend per share	0.22 (*)	0

(*) To be approved by the Shareholders' Meeting convened on 22 April 2021.

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

An ever-richer **record of achievements**

It is natural to be fast and reactive when you can rely on perfect braking. Where adrenaline and determination come from the awareness of always aiming for victory.

2. Palmares 2020

Palmares - Brembo Brake Systems

Cars

“Open wheels” Championships

Formula 1 (calipers)	
Drivers’ championship	
Constructors’ championship	
Formula E	
Drivers’ championship	António Félix da Costa
Team championship	DS Techeetah
Formula 2	
Drivers’ championship	Mick Schumacher
Constructors’ championship	Prema Racing
Formula 3	
Drivers’ championship	Oscar Piastri
Team championship	Prema Theodore Racing
Super Formula	
Drivers’ championship	Naoki Yamamoto - Nakajima Racing

“Covered wheels” Championships

FIA World Endurance Championship - WEC	
LMP2 (calipers)	F. Albuquerque, P. Di Resta, P. Hanson - United Autosports Oreca 07 Gibson
GT AM	F. Perrodo, E. Collard, N. Nielsen - AF Corse 488 GTE
FIA GT World Challenge Europe	
Endurance Cup	Alessandro Pier Guidi - AF Corse
Nascar Cup Series	
Drivers’ championship	Chase Elliott
Constructors’ championship	Ford

IMSA WeatherTech SportsCar Championship	
DPI Class (calipers)	H. Castroneves, R. Taylor - Team Penske, Acura ARX
TCR Class	G. Chaves, R. Norman - Bryan Herta Autosport Hyundai Veloster N TCR
GTD Class	M. Farnbacher, M. McMurry - Meyer Shank Racing, Acura NSX GT3
ARCA Menards Series	
	Bret Holmes - Bret Holmes Racing - Chevrolet
ARCA Menards East Series	
	Sam Mayer - GMS Racing - Chevrolet
Nascar Camping World Truck Series	
	Scheldon Creed - GMS Racing - Chevrolet
Southern Super Series	
	Stephen Nasse - Jet Motorsports
Lucas Oil Off Road Pro Lite	
	Brock Heger
Lucas Oil Off Pro 2	
	Jerett Brooks

Rally Championships

WRC	
Constructors’ championship	Hyundai Motorsport

Motorbike

Motorbike Championship

MotoGP	
Drivers’ championship	Joan Mir
Team championship	Team Suzuki Ecstar
Constructors’ championship	Ducati
Moto2 (calipers, brake pads and pumps)	
Drivers’ championship	Enea Bastianini
Team championship	Sky Racing Team VR46
Constructors’ championship	Kalex
Moto3	
Drivers’ championship	Albert Arenas
Team championship	Leopard Racing
Constructors’ championship	Honda
FIM MotoE World Cup	
Drivers’ championship	Jordi Torres

SBK World Championships

World Superbike - WSBK	
Drivers’ championship	Jonathan Rea
Team championship	Aruba.it Racing - Ducati
Constructors’ championship	Kawasaki
EWC Championship	
Team championship	Suzuki Endurance Racing Team
Moto America Superbike	
Drivers’ championship	Cameron Beaubier - Yamaha YZF-R1M

Off-road Championships

Motocross	
MX2	Tom Vialle - Red Bull KTM Factory Racing
Enduro	
E1	Andrea Verona - TM 250 4T - Red Bull KTM Factory Racing
Junior	Hamish MacDonald - Sherco 250 4T
Trial GP e X-Trial	
	Toni Bou - Montesa - Team Honda Repsol

Palmares - Marchesini Wheels

Motorbike

World SBK Championships

World Superbike - WSBK	
Drivers' championship	Jonathan Rea
Team championship	Aruba.it Racing - Ducati
Constructors' championship	Kawasaki
Moto3	
Drivers' championship	Albert Arenas
Team championship	Leopard Racing
Constructors' championship	Honda
FIM MotoE World Cup	
Drivers' championship	Jordi Torres

Palmares - AP Racing 2020

Cars

“Open wheels” Championships

Formula 1 (clutches)	
Drivers’ championship	
Constructors’ championship	
IndyCar (clutches)	
Drivers’ championship	Scott Dixon - Chip Ganassi Racing
Indy 500 (clutches)	
Drivers’ championship	Takuma Sato - Rahal Letterman Lanigan Racing
NASCAR Xfiniti Series (no clutches)	
Drivers’ championship	Austin Cindric - Team Penske

"Covered wheels" Championships

Le Mans 24 Hours	
LMP1 (clutches)	S. Buemi, B. Hartley, K. Nakajima - Toyota Gazoo Racing
LMP2 (no clutches)	F. Albuquerque, P. Di Resta, P. Hanson - United Autosports Oreca 07 Gibson
IMSA WeatherTech SportsCar Championship	
DPI (clutches)	H. Castroneves, R. Taylor - Team Penske, Acura ARX
British Touring Car Championship	
Drivers' championship	Ash Sutton - Laser Tools Racing Infiniti
Team championship	Team BMW - 330i M Sport saloons
DTM (no clutches)	
Drivers' championship	René Rast - Audi Sport Team Rosberg
Australia Supercars Championship	
Drivers' championship	Scott Mclaughlin - Shell V-Power - Ford Mustang
Team championship	Shell V-Power Racing Team - Ford Mustang
WTCR	
Drivers' championship	Yann Ehrlacher - Cyan Racing Lynk & Co
Team championship	Cyan Racing Lynk & Co
Japanese Super GT	
500 Class (no clutches)	
Drivers' championship	N. Yamamoto, T. Makino - Raybrig NSX-GT
Constructors' championship	Team Kunimitsu
300 Class	
Drivers' championship	K. Fujinami, J. Paulo de Oliveria
Constructors' championship	Kondo Racing - Nissan GTR
WRC (clutches)	
Drivers' championship	Sébastien Ogier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And every goal is closer if you can rely on in-depth skills and great experience.

3. Consolidated Financial Statements 2020

Consolidated Financial Statements at 31 December 2020

Consolidated Statement of Financial Position

Assets

(euro thousand)	Notes	31.12.2020	*of which with related parties*	31.12.2019	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	975,824		1,064,307		(88,483)
Right of use assets	1	207,456		194,493		12,963
Development costs	2	92,292		87,241		5,051
Goodwill and other indefinite useful life assets	2	79,882		83,883		(4,001)
Other intangible assets	2	47,393		57,157		(9,764)
Shareholdings valued using the equity method	3	43,947		43,149		798
Other financial assets (including investments in other companies and derivatives)	4	217,263	*2,716*	7,078	*3,716*	210,185
Receivables and other non-current assets	5	18,242		12,901		5,341
Deferred tax assets	6	76,731		54,617		22,114
TOTAL NON-CURRENT ASSETS		**1,759,030**		**1,604,826**		**154,204**
CURRENT ASSETS						
Inventories	7	354,887		342,203	*219*	12,684
Trade receivables	8	385,439	*1,775*	391,925	*2,094*	(6,486)
Other receivables and current assets	9	119,315		95,870		23,445
Current financial assets and derivatives	10	1,938		1,439		499
Cash and cash equivalents	11	551,282		304,793		246,489
TOTAL CURRENT ASSETS		**1,412,861**		**1,136,230**		**276,631**
ASSETS FROM DISCONTINUED OPERATIONS		**855**		**1,435**		**(580)**
TOTAL ASSETS		**3,172,746**		**2,742,491**		**430,255**

Equity and liabilities

(euro thousand)	Notes	31.12.2020	*of which with related parties*	31.12.2019	*of which with related parties*	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	37,428		107,325		(69,897)
Retained earnings/(losses)	12	1,241,370		983,809		257,561
Net result for the year	12	136,533		231,301		(94,768)
TOTAL GROUP EQUITY		**1,450,059**		**1,357,163**		**92,896**
TOTAL MINORITY INTERESTS		**30,982**		**30,852**		**130**
TOTAL EQUITY		**1,481,041**		**1,388,015**		**93,026**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	548,220		196,558		351,662
Long-term lease liabilities	13	187,415		177,283		10,132
Other non-current financial payables and derivatives	13	953		1,164		(211)
Other non-current liabilities	14	14,891	*5,147*	9,472	*3,782*	5,419
Non-current provisions	15	42,990		12,494		30,496
Provisions for employee benefits	16	26,567	*4,292*	25,584	*2,633*	983
Deferred tax liabilities	6	26,421		28,410		(1,989)
TOTAL NON-CURRENT LIABILITIES		**847,457**		**450,965**		**396,492**
CURRENT LIABILITIES						
Current payables to banks	13	175,998		257,655		(81,657)
Short-term lease liabilities	13	21,473		18,700		2,773
Other current financial payables and derivatives	13	3,838		1,061		2,777
Trade payables	17	474,906	*9,289*	473,996	*8,223*	910
Tax payables	18	7,405		6,135		1,270
Current provisions	15	1,875		2,052		(177)
Other current payables	19	158,613	*2,825*	143,273	*1,988*	15,340
TOTAL CURRENT LIABILITIES		**844,108**		**902,872**		**(58,764)**
LIABILITIES FROM DISCONTINUED OPERATIONS		**140**		**639**		**(499)**
TOTAL LIABILITIES		**1,691,705**		**1,354,476**		**337,229**
TOTAL EQUITY AND LIABILITIES		**3,172,746**		**2,742,491**		**430,255**

Consolidated Statement of Income

(euro thousand)	Notes	31.12.2020	*of which with related parties*	31.12.2019	*of which with related parties*	Change
Revenue from contracts with customers	20	**2,208,639**	***227***	**2,591,670**	***406***	**(383,031)**
Other revenues and income	21	23,478	*3,418*	33,965	*3,972*	(10,487)
Costs for capitalised internal works	22	22,573		26,647		(4,074)
Raw materials, consumables and goods	23	(1,024,961)	*(30,826)*	(1,214,623)	*(53,126)*	189,662
Income (expense) from non-financial investments	24	10,392		13,794		(3,402)
Other operating costs	25	(426,407)	*(10,805)*	(470,588)	*(8,392)*	44,181
Personnel expenses	26	(425,029)	*(4,834)*	(465,696)	*(7,290)*	40,667
GROSS OPERATING INCOME		**388,685**		**515,169**		**(126,484)**
Depreciation, amortisation and impairment losses	27	(207,550)		(196,630)		(10,920)
NET OPERATING INCOME		**181,135**		**318,539**		**(137,404)**
Interest income	*28*	*34,062*		*48,237*		*(14,175)*
Interest expense	*28*	*(59,274)*		*(59,374)*		*100*
Net interest income (expense)	28	(25,212)	*21*	(11,137)	*68*	(14,075)
Interest income (expense) from investments	29	121		289		(168)
RESULT BEFORE TAXES		**156,044**		**307,691**		**(151,647)**
Taxes	30	(17,802)		(68,208)		50,406
Result from discontinued operations	32	(304)		(6,422)		6,118
RESULT BEFORE MINORITY INTERESTS		**137,938**		**233,061**		**(95,123)**
Minority interests		(1,405)		(1,760)		355
NET RESULT FOR THE YEAR		**136,533**		**231,301**		**(94,768)**
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	**0.42**		**0.71**		

Consolidated Statement of Comprehensive Income

(euro thousand)	31.12.2020	31.12.2019	Change
RESULT BEFORE MINORITY INTERESTS	**137,938**	**233,061**	**(95,123)**
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	(3,260)	100	(3,360)
Tax effect	711	81	630
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method	(415)	(399)	(16)
Fair value measurement of investments	29,819	0	29,819
Tax effect	(358)	0	(358)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**26,497**	**(218)**	**27,073**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:			
Effect of hedge accounting (cash flow hedge) of derivatives	(3,293)	(225)	(3,068)
Tax effect	790	54	736
Change in translation adjustment reserve	(68,266)	10,191	(78,457)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**(70,769)**	**10,020**	**(80,789)**
COMPREHENSIVE RESULT FOR THE YEAR	**93,666**	**242,863**	**(148,839)**
Of which attributable to:			
- Minority Interests	*770*	*1,910*	*(1,140)*
- the Group	*92,896*	*240,953*	*(148,057)*

Consolidated Statement of Cash Flows

(euro thousand)	31.12.2020	31.12.2019
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**168,559**	**195,871**
Result before taxes	**156,044**	**307,691**
Depreciation, amortisation/impairment losses	207,550	196,630
Capital gains/losses	(1,695)	(2,157)
Income/expense from investments, net of dividends received	(413)	(3,984)
Financial portion of provisions for defined benefits and payables for personnel	407	577
Long-term provisions for employee benefits	2,423	2,502
Other provisions net of utilisations	48,618	(52)
Result from discontinued operations	(304)	(6,422)
Cash flows generated by operating activities	**412,630**	**494,785**
Current taxes paid	(48,873)	(65,961)
Uses of long-term provisions for employee benefits	(4,580)	(4,813)
(Increase) reduction in current assets:		
inventories	(23,913)	(7,604)
financial assets	136	(5)
trade receivables	4,387	14,558
receivables from others and other assets	(9,175)	(6,306)
Increase (reduction) in current liabilities:		
trade payables	910	(90,846)
payables to others and other liabilities	18,382	(26,374)
Translation differences on current assets	(16,503)	(814)
Net cash flows from/(for) operating activities	**333,401**	**306,620**

(euro thousand)	31.12.2020	31.12.2019
Investments in:		
property, plant and equipment	(162,052)	(213,657)
of which right of use assets	*(37,755)*	*(38,165)*
intangible assets	(28,273)	(38,111)
financial assets	(182,862)	(131)
Price for disposal or reimbursement value of fixed assets	4,205	6,589
Net cash flows from/(for) investing activities	**(368,982)**	**(245,310)**
Dividends paid in the year	0	(71,541)
Buy-back of own shares	0	(11,329)
Dividend paid to minority shareholders in the year	(640)	(800)
Change in fair value of derivatives	648	(1,920)
New lease agreements	35,616	38,167
Reimbursement of lease liabilities	(24,826)	(24,436)
Loans and financing granted by banks and other financial institutions in the year	425,000	103,518
Repayment of long-term loans and other financing	(122,492)	(120,205)
Net cash flows from/(for) financing activities	**313,306**	**(88,546)**
Total cash flows	**277,725**	**(27,236)**
Translation differences on cash and cash equivalents	(1,054)	(76)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**445,230**	**168,559**

Consolidated Statement of Changes in Equity

	Share capital	Other reserves: Reserves	Other reserves: Treasury shares	Retained earnings (losses)
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 1 January 2020	**34,728**	**132,130**	**(24,805)**	**983,809**
Allocation of profit for the previous year		1,125		230,176
Payment of dividends				
Reclassification		(888)		888
Components of comprehensive income:				
Effect of actuarial income/(loss) on defined benefit plans				(2,549)
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method				(415)
Fair value measurement of investments				29,461
Effect of hedge accounting (cash flow hedge) of derivatives		(2,503)		
Change in translation adjustment reserve		(67,631)		
Net result for the year				
Balance at 31 December 2020	**34,728**	**62,233**	**(24,805)**	**1,241,370**

Net result for the year	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
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**
(231,301)	**0**	(1,760)	1,760	**0**	**0**
	0		(640)	**(640)**	**(640)**
	0			**0**	**0**
	(2,549)			**0**	**(2,549)**
	(415)			**0**	**(415)**
	29,461			**0**	**29,461**
	(2,503)			**0**	**(2,503)**
	(67,631)		(635)	**(635)**	**(68,266)**
136,533	**136,533**	1,405		**1,405**	**137,938**
136,533	**1,450,059**	**1,405**	**29,577**	**30,982**	**1,481,041**

Explanatory Notes to the Consolidated Financial Statements at 31 December 2020

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 2020 have been prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2020, 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 3 March 2021, 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 2020, 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 tax losses 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 2020 and endorsed by the European Union.

Amendment to IFRS 16 – *Leases: Covid-19-Related Rent Concessions* (issued on 28 May 2020)
On 28 May 2020, the IASB published an amendment to the standard IFRS 16, which was then published in the Official Journal of the European Union on 12 October 2020 (“endorsement”). The amendment is applicable to financial statements for reporting periods beginning on or after 1 June 2020, and early adoption is permitted.
The amendment allows a lessee not to apply the requirements of IFRS 16 relating to the accounting effects of contract modifications for rent concessions granted by lessors as a direct consequence of the Covid-19 epidemic. The amendment introduces a practical expedient according to which a lessee may choose not to account for rent concessions as if they were lease modifications. A lessee that chooses to adopt this practical expedient accounts for such concessions as if they were not contract modifications within the scope of IFRS 16.
The Group decided to use this practical expedient and at the level of Consolidated Financial Statements it had no material impacts overall; at the level of individual Group company, Brembo México S.A. de C.V. had the most material benefit with regard to a property lease contract for a total amount of €260 thousand.

The following new standards and amendments entered into force on 1 January 2020 and had no impacts on the Group’s Consolidated Financial Statements:

Amendments to IFRS 3 – *Definition of a Business*
The amendments to IFRS 3 clarify that in order to be considered a business, an integrated set of activities and assets must include, at minimum, an input and a substantive process that together contribute significantly to the ability to create outputs. In addition, it has been clarified that a business may exist without including all inputs and processes necessary to create outputs.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*
The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly affected by the interest rate reform of reference. A hedging relationship that is impacted by the reform is subject to uncertainty regarding the timing and the amount of interest rate benchmark-based cash flows of the hedged instrument.

Amendments to IAS 1 and IAS 8 – *Definition of Material*
The amendments provide a new definition of material in which it is stated that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Materiality depends on the nature or magnitude of the information. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements, collectively considered. Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts that it contains override the concepts or requirements of a standard. The scope of the Conceptual Framework is to support the IASB in developing standards, assist preparers in developing consistent accounting policies, where no standard applies to the specific circumstances, and to aid all parties involved in understanding and interpreting standards.

The revised version of the Conceptual Framework includes some new concepts, provides updated definitions and reporting criteria updated for assets and liabilities and clarifies some important concepts.

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 3 — *Business Combinations;* • IAS 16 — *Property, Plant and Equipment;* • IAS 37 — *Provisions, Contingent Liabilities and Contingent Assets;* • Annual Improvements 2018-2020 (All issued 14 May 2020)	YES	1 January 2022
Amendments to IAS 1 — *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	NO	1 January 2023
IFRS 17 — *Insurance Contracts* (issued in May 2017)	NO	1 January 2023

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 2020, 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's consolidation area were performed in 2020.

On 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant and has placed the subsidiary Brembo Argentina S.A. in liquidation. Therefore, 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.

Shareholdings in Other Companies

Shareholdings in other companies are classified and measured at fair values through other comprehensive income (OCI), as better described in the section "Financial Instruments – Financial Assets" below.

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's 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	31.12.2020	2020 average	31.12.2019	2019 average
U.S. Dollar	1.227100	1.141282	1.123400	1.119598
Japanese Yen	126.490000	121.775447	121.940000	122.056369
Swedish Krona	10.034300	10.488130	10.446800	10.586660
Polish Zloty	4.559700	4.443177	4.256800	4.297528
Czech Koruna	26.242000	26.455446	25.408000	25.669748
Mexican Peso	24.416000	24.511767	21.220200	21.557279
Pound Sterling	0.899030	0.889215	0.850800	0.877307
Brazil Real	6.373500	5.890010	4.515700	4.413542
Indian Rupee	89.660500	84.579539	80.187000	78.850143
Argentine Peso	103.249400	80.756116	67.274900	53.800925
Chinese Renminbi	8.022500	7.870837	7.820500	7.733878
Russian Rouble	91.467100	82.645446	69.956300	72.459337

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. The Group determines the lease term as the non-cancellable portion of the lease, together with the periods covered by the option to extend the lease, where it is reasonably certain that this option will be exercised, as well as the periods covered by the lease break option, if it is reasonably certain that this option will not be exercised.

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.
A provision for costs arising from tax liabilities is recognised when the dispute to which the contingent liability refers is ongoing or likely.
Provisions for product warranty costs are recognised when products are sold. Initial recognition is based on historical experience, excluding exceptional events, for which a precise assessment is conducted. 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 classified and measured at fair values through other comprehensive income (OCI) when they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Upon the initial recognition of investments in equity instruments, the Group may irrevocably elect to classifying its equity investments as equity instruments measured at fair value through other comprehensive income (OCI) where they meet the definition of an equity instrument pursuant to IAS 32 – *Financial Instruments: Presentation* and are not held for trading. The classification is determined for each instrument. Gains and losses on such financial assets are never transferred to profit or loss. Dividends are recognised as other income in profit or loss when entitlement to payment is approved, unless the Group benefits from such income as a recovery of part of the cost of the financial asset, in which case the profits are taken to the other comprehensive income (OCI). Equity instruments measured at fair value through OCI are not tested for impairment.
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.

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 gradually recognised to profit or loss over the life of the loan.
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.
Any differences between the calculation of taxes in the financial statements and income tax returns or amounts paid or provisioned for direct income tax disputes are presented under the item “Prior-years’ taxes and other tax payables”.
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 2020 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 2020 and 31 December 2019:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Sales	2,246,775	2,646,536	1,870,112	2,244,010	377,048	399,347	(3,346)	(3,334)	2,961	6,513
Allowances and discounts	(35,831)	(41,732)	(3,082)	(3,560)	(32,760)	(38,153)	0	0	11	(19)
Net sales	**2,210,944**	**2,604,804**	**1,867,030**	**2,240,450**	**344,288**	**361,194**	**(3,346)**	**(3,334)**	**2,972**	**6,494**
Transport costs	18,647	22,469	12,992	16,787	5,641	5,668	0	0	14	14
Variable production costs	1,349,052	1,601,412	1,125,969	1,363,045	222,887	234,516	(3,346)	(3,334)	3,542	7,185
Contribution margin	**843,245**	**980,923**	**728,069**	**860,618**	**115,760**	**121,010**	**0**	**0**	**(584)**	**(705)**
Fixed production costs	400,882	404,167	375,223	380,224	23,334	22,084	0	0	2,325	1,859
Production gross operating income	**442,363**	**576,756**	**352,846**	**480,394**	**92,426**	**98,926**	**0**	**0**	**(2,909)**	**(2,564)**
BU personnel costs	166,330	191,729	104,844	122,047	43,660	50,152	0	0	17,826	19,530
BU gross operating income	**276,033**	**385,027**	**248,002**	**358,347**	**48,766**	**48,774**	**0**	**0**	**(20,735)**	**(22,094)**
Costs for Central Functions	102,831	104,225	69,456	76,926	11,438	12,278	0	0	21,937	15,021
OPERATING INCOME (LOSS)	**173,202**	**280,802**	**178,546**	**281,421**	**37,328**	**36,496**	**0**	**0**	**(42,672)**	**(37,115)**
Extraordinary costs and revenues	9,012	30,198	0	0	0	0	0	0	9,012	30,198
Financial costs and revenues	(26,323)	(12,994)	0	0	0	0	0	0	(26,323)	(12,994)
Income (expense) from investments	10,494	14,064	0	0	0	0	0	0	10,494	14,064
Non-operating costs and revenues	(10,645)	(10,801)	0	0	0	0	0	0	(10,645)	(10,801)
Result before taxes	**155,740**	**301,269**	**178,546**	**281,421**	**37,328**	**36,496**	**0**	**0**	**(60,134)**	**(16,648)**
Taxes	(17,802)	(68,208)	0	0	0	0	0	0	(17,802)	(68,208)
Result before minority interests	**137,938**	**233,061**	**178,546**	**281,421**	**37,328**	**36,496**	**0**	**0**	**(77,936)**	**(84,856)**
Minority interests	(1,405)	(1,760)	0	0	0	0	0	0	(1,405)	(1,760)
NET RESULT	**136,533**	**231,301**	**178,546**	**281,421**	**37,328**	**36,496**	**0**	**0**	**(79,341)**	**(86,616)**

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

(euro thousand)	31.12.2020	31.12.2019
REVENUE FROM CONTRACTS WITH CUSTOMERS	**2,208,639**	**2,591,670**
Scrap sales (in the segment report they are subtracted from “Variable production costs”)	(11,094)	(15,127)
Differences between internal and statutory reports relating to developments activities	7,685	11,525
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in “Other revenues and income”)	1,778	2,592
Effect of adjustment of transactions among consolidated companies	(547)	(25)
Miscellaneous recharges (in the Consolidated Financial Statements they are included in “Other revenues and income”)	2,261	3,606
Reclassification of Brembo Argentina’s revenues	0	6,302
Other	2,222	4,261
NET SALES	**2,210,944**	**2,604,804**

(euro thousand)	31.12.2020	31.12.2019
NET OPERATING INCOME	**181,135**	**318,539**
Differences between internal and statutory reports relating to developments activities	1,554	(2,286)
Other differences between internal and statutory reports	5,249	163
Income (expense) from non-financial investments	(10,392)	(13,794)
Claim compensation and subsidies	(5,416)	(16,824)
Capital gains/losses on disposal of assets (in the segment report they are included in “Non-operating costs and revenues”)	(200)	(629)
Different classification of banking expenses (in the segment report they are included in “Financial costs and revenues”)	817	791
Reclassification of Brembo Argentina	10	(5,337)
Other	445	179
OPERATING RESULT	**173,202**	**280,802**

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 2020 and 31 December 2019 are provided in the tables below:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Property, plant and equipment	1,183,280	1,258,800	1,073,821	1,156,099	74,322	69,931	5	5	35,132	32,765
Intangible assets	127,275	141,040	103,837	116,272	17,653	18,374	0	0	5,785	6,394
Financial assets and other non-current assets/liabilities	83,570	63,356	369	443	0	0	0	0	83,201	62,913
(a) Total fixed assets	**1,394,125**	**1,463,196**	**1,178,027**	**1,272,814**	**91,975**	**88,305**	**5**	**5**	**124,118**	**102,072**
Inventories	354,749	342,254	260,891	249,074	92,935	92,241	0	0	923	939
Current assets	523,126	495,826	345,509	353,795	47,970	44,827	(16,525)	(15,312)	146,172	112,516
Current liabilities	(659,014)	(631,815)	(413,288)	(416,045)	(85,648)	(87,489)	16,525	15,312	(176,603)	(143,593)
Provisions for contingencies and charges and other provisions	(63,800)	(33,699)	(514)	0	0	0	0	0	(63,286)	(33,699)
(b) Net working capital	**155,061**	**172,566**	**192,598**	**186,824**	**55,257**	**49,579**	**0**	**0**	**(92,794)**	**(63,837)**
NET INVESTED OPERATING CAPITAL (a+b)	**1,549,186**	**1,635,762**	**1,370,625**	**1,459,638**	**147,232**	**137,884**	**5**	**5**	**31,324**	**38,235**
Extraordinary components	342,307	122,876	53	53	0	0	0	0	342,254	122,823
NET INVESTED CAPITAL	**1,891,493**	**1,758,638**	**1,370,678**	**1,459,691**	**147,232**	**137,884**	**5**	**5**	**373,578**	**161,058**
Group equity	1,450,059	1,357,163	0	0	0	0	0	0	1,450,059	1,357,163
Minority interests	30,982	30,852	0	0	0	0	0	0	30,982	30,852
(d) Equity	**1,481,041**	**1,388,015**	**0**	**0**	**0**	**0**	**0**	**0**	**1,481,041**	**1,388,015**
(e) Provisions for employee benefits	**26,567**	**25,584**	**0**	**0**	**0**	**0**	**0**	**0**	**26,567**	**25,584**
Medium/long-term financial debt	736,588	375,005	0	0	0	0	0	0	736,588	375,005
Short-term financial debt	(352,703)	(29,966)	0	0	0	0	0	0	(352,703)	(29,966)
(f) Net financial debt	**383,885**	**345,039**	**0**	**0**	**0**	**0**	**0**	**0**	**383,885**	**345,039**
(g) COVERAGE (d)+(e)+(f)	**1,891,493**	**1,758,638**	**0**	**0**	**0**	**0**	**0**	**0**	**1,891,493**	**1,758,638**

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 mainly entered into fixed-rate financing contracts and interest rate swaps. 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 2020 and 31 December 2019, with other variables held constant. The potential impacts were calculated on the variable-rate financial liabilities at 31 December 2020. The aforementioned change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,133 thousand (€683 thousand at 31 December 2019), 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 31 December 2020 and 2019, 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 2020 and 2019 to measure exchange rate volatility.

	31.12.2020			31.12.2019		
(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/CHF	0.92%	(0.2)	0.2	1.67%	0.1	(0.1)
EUR/CNY	2.27%	(35.7)	37.4	1.37%	(48.3)	49.6
EUR/CZK	2.82%	1.0	(1.1)	0.49%	(0.3)	0.3
EUR/DKK	0.16%	(51.4)	51.6	0.05%	0.0	0.0
EUR/GBP	2.62%	5.9	(6.2)	2.36%	10.4	(10.9)
EUR/INR	4.18%	5.4	(5.9)	1.50%	0.4	(0.4)
EUR/JPY	2.56%	(38.5)	40.6	2.23%	(16.1)	16.9
EUR/PLN	2.28%	(21.0)	22.0	0.78%	(5.7)	5.8
EUR/RUB	9.25%	29.0	(34.9)	2.61%	0.0	0.0
EUR/SEK	2.20%	26.7	(27.9)	1.47%	16.5	(17.0)
EUR/USD	3.90%	72.1	(78.0)	1.22%	16.9	(17.3)
PLN/CNY	2.96%	4.9	(5.2)	1.42%	7.2	(7.4)
PLN/EUR	2.31%	(577.8)	605.1	0.77%	(73.5)	74.7
PLN/GBP	1.98%	2.4	(2.5)	2.25%	0.3	(0.3)
PLN/JPY	3.50%	0.5	(0.5)	2.62%	0.8	(0.9)
PLN/USD	4.09%	(35.5)	38.6	1.67%	(2.7)	2.8
PLN/CHF	2.65%	(0.7)	0.7	2.01%	6.5	(6.8)
GBP/AUD	3.97%	(0.7)	0.7	2.13%	(0.9)	1.0
GBP/EUR	2.69%	14.8	(15.6)	2.35%	39.8	(41.7)
GBP/USD	3.10%	2.6	(2.8)	2.62%	(5.8)	6.1
USD/CNY	2.69%	(1.3)	1.3	2.15%	(3.4)	3.5
USD/EUR	3.88%	108.1	(116.8)	1.22%	54.8	(56.2)
USD/MXN	8.12%	89.5	(105.3)	1.41%	30.8	(31.7)
BRL/EUR	12.37%	47.7	(61.2)	3.07%	15.1	(16.0)
BRL/GBP	9.95%	0.1	(0.2)	4.31%	0.0	0.0
BRL/USD	10.21%	4.7	(5.7)	4.06%	16.7	(18.1)
JPY/EUR	2.58%	9.0	(9.5)	2.23%	5.1	(5.3)
JPY/USD	1.89%	0.8	(0.9)	1.46%	0.9	(1.0)
CNY/EUR	2.26%	211.8	(221.5)	1.38%	246.2	(253.1)
CNY/CHF	1.90%	11.2	(11.6)	2.84%	0.0	0.0
CNY/JPY	1.92%	0.6	(0.6)	3.41%	4.9	(5.2)
CNY/USD	2.75%	(36.2)	38.2	2.15%	(100.5)	104.9
INR/EUR	4.28%	(64.3)	70.0	1.49%	(11.2)	11.6
INR/JPY	3.14%	39.4	(41.9)	2.37%	35.2	(36.9)
INR/USD	2.08%	11.4	(11.9)	1.47%	(5.2)	5.4
CZK/EUR	2.87%	143.0	(151.5)	0.49%	15.6	(15.7)
CZK/GBP	2.16%	(0.3)	0.3	2.22%	(0.5)	0.5
CZK/PLN	1.08%	1.1	(1.1)	0.53%	4.6	(4.7)
CZK/USD	4.67%	(44.6)	49.0	1.40%	(0.4)	0.4

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2020, no specific financial hedging transactions were undertaken. However, it should be recalled that fixed prices are set in supply contracts with certain commodities suppliers for a given period of time and that the contracts in place with the main customers also provide for automatic periodic indexing on the basis of commodities prices; both these approaches thus mitigate the risk of fluctuations in 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 2020 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	106,052	106,052	106,052	0	0
Payables to banks (loans and bonds)	618,166	634,998	73,303	372,374	189,321
Payables to other financial institutions	1,227	1,229	275	948	6
Lease liabilities	208,888	208,888	21,473	64,809	122,606
Trade and other payables	488,312	488,312	488,312	0	0
Derivative financial liabilities					
Derivatives	3,564	3,564	3,564	0	0
Total	**1,426,209**	**1,443,043**	**692,979**	**438,131**	**311,933**

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 2020 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 2020, unused bank credit facilities were 80% (a total of €523 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:

	31.12.2020			31.12.2019		
(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	186	0	0	(347)	0
Interest rate swaps	0	(3,558)	0	0	(252)	0
Embedded derivative	0	0	312	0	0	1,480
Total financial assets (liabilities) measured at fair value	**0**	**(3,372)**	**312**	**0**	**(599)**	**1,480**
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(620,611)	0	0	(325,275)	0
Current and non-current lease liabilities	0	(208,888)	0	0	(195,983)	0
Other current and non-current financial liabilities	0	(1,227)	0	0	(1,439)	0
Total assets (liabilities) for which fair value is indicated	**0**	**(830,726)**	**0**	**0**	**(522,697)**	**0**

Movements for the year of Level 3 were as follows:

(euro thousand)	31.12.2020
Opening value	**1,480**
Movements in Statement of Income	(1,168)
Closing value	**312**

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)	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Available-for-sale financial assets	**213,669**	**1,788**	**213,669**	**1,788**
Financial assets held for trading	**1,000**	**0**	**1,000**	**0**
Loans, receivables and financial liabilities valued at amortised costs:				
Current and non-current financial assets (excluding derivatives)	4,028	5,249	4,028	5,249
Trade receivables	385,439	391,925	385,439	391,925
Loans and receivables	66,515	57,813	66,515	57,813
Cash and cash equivalents	551,282	304,793	551,282	304,793
Current and non-current payables to banks	(724,218)	(454,213)	(750,144)	(461,509)
Current and non-current lease liabilities	(208,888)	(195,983)	(208,888)	(195,983)
Other current and non-current financial liabilities	(1,227)	(1,626)	(1,227)	(1,626)
Trade payables	(474,906)	(473,996)	(474,906)	(473,996)
Other current liabilities	(158,613)	(143,273)	(158,613)	(143,273)
Other non-current liabilities	(14,891)	(9,472)	(14,891)	(9,472)
Derivatives	**(3,060)**	**881**	**(3,060)**	**881**
Total	**(363,870)**	**(516,114)**	**(389,796)**	**(523,410)**

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 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 2020, 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:

	31.12.2020		31.12.2019	
(euro thousand)	Directors	Auditors	Directors	Auditors
Emoluments and other incentives for the office held	6,038	196	4,320	196
Participation in committees and specific tasks	155	0	155	0
Salaries and other incentives	3,587	0	4,956	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 2020, 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)	31.12.2020						31.12.2019					
		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)	217,263	2,716	0	0	2,716	*1.3%*	7,078	3,716	0	0	3,716	*52.5%*
Inventories	354,887	0	0	0	0	*0.0%*	342,203	219	0	219	0	*0.1%*
Trade receivables	385,439	1,775	5	1,696	74	*0.5%*	391,925	2,094	14	2,005	75	*0.5%*
Other non-current liabilities	(14,891)	(5,147)	(5,147)	0	0	*34.6%*	(9,472)	(3,782)	(3,782)	0	0	*39.9%*
Provisions for employee benefits	(26,567)	(4,292)	(4,292)	0	0	*16.2%*	(25,584)	(2,633)	(2,633)	0	0	*10.3%*
Trade payables	(474,906)	(9,289)	(3,541)	(5,504)	(244)	*2.0%*	(473,996)	(8,223)	(1,267)	(6,624)	(332)	*1.7%*
Other current liabilities	(158,613)	(2,825)	(2,698)	(127)	0	*1.8%*	(143,273)	(1,988)	(1,860)	(128)	0	*1.4%*

	31.12.2020						31.12.2019					
		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	2,208,639	227	0	227	0	*0.0%*	2,591,670	406	0	396	10	*0.0%*
Other revenues and income	23,478	3,418	20	3,224	174	*14.6%*	33,965	3,972	21	3,778	173	*11.7%*
Raw materials, consumables and goods	(1,024,961)	(30,826)	(3)	(30,729)	(94)	*3.0%*	(1,214,623)	(53,126)	(3)	(52,675)	(448)	*4.4%*
Other operating costs	(426,407)	(10,805)	(7,847)	(2,143)	(815)	*2.5%*	(470,588)	(8,392)	(5,383)	(1,770)	(1,239)	*1.8%*
Personnel expenses	(425,029)	(4,834)	(4,834)	0	0	*1.1%*	(465,696)	(7,290)	(7,284)	(6)	0	*1.6%*
Net interest income (expense)	(25,212)	21	21	0	0	*-0.1%*	(11,137)	68	28	(1)	41	*-0.6%*

* 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. *in liquidazione*	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.
Infibra Technologies S.r.l.	Pisa	Italy	Eur	53,133	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)	31.12.2020	31.12.2019
Independent Auditors' fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	225	225
- to the subsidiaries (services provided by the network)	422	422
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	71	81
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
- other services rendered to subsidiaries	2	1

Commitments

The Group had no commitments at the closing date of the 2020 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 2020 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 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:

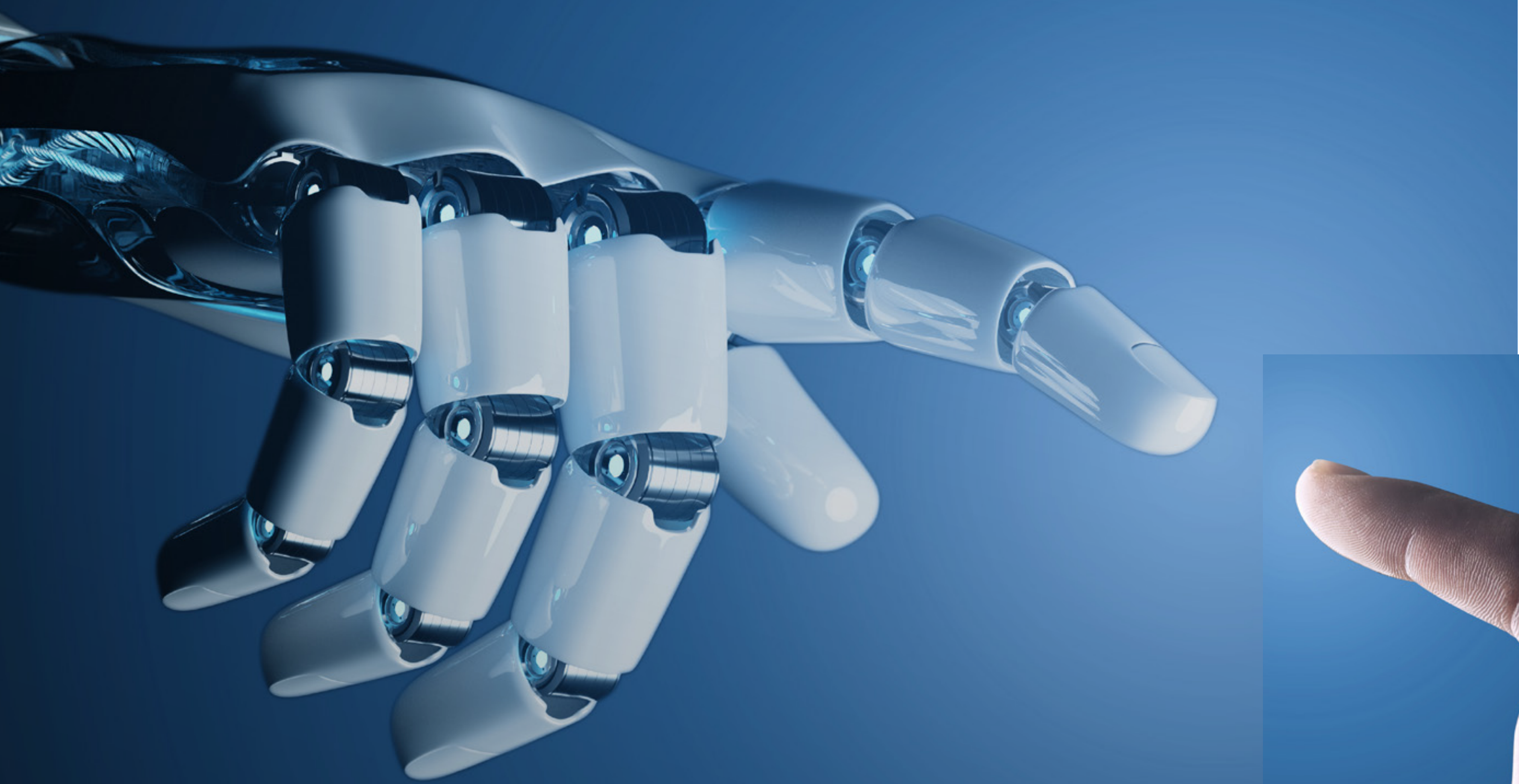
- subsidies, grants and economic advantages of all kinds the benefits of which are accessible to all undertakings that meet certain conditions on the basis of predetermined general criteria (for example, measures provided for in ministerial decrees aimed at specific sectors of industry and intended to 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 analysed its situation and decided to disclose in this paragraph the amount it received in 2020 by way of grants disbursed by CSEA Cassa per i Servizi Energetici e Ambientali for energy-intensive undertakings, totalling €46 thousand overall.

Significant Events After 31 December 2020

On 7 January 2021, after issuing the press release dated 17 November 2020, Brembo completed the acquisition of SBS Friction A/S, a company based in Svendborg (Denmark) that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials.
The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was 224 million Danish Kroner (€30.1 million), paid using available liquidity and subject to the usual adjustment mechanisms applicable to similar transactions. The enterprise value of the transaction was 300 million Danish Kroner (€40.3 million).



A profound **transformation** underway

The perfect dialogue between humankind and machine. An increasingly vast and in-depth knowledge communicates with technology and the possibilities it offers. Digitalisation and artificial intelligence are already our present.

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	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 1 January 2020	**31,911**	**304,403**	**592,406**	**46,261**	**25,650**	**63,676**	**1,064,307**
Changes:							
Translation differences	(729)	(16,646)	(26,809)	(1,274)	(562)	(3,816)	**(49,836)**
Reclassification	268	3,092	29,382	6,033	1,549	(43,999)	**(3,675)**
Acquisitions	15	6,580	55,920	10,363	2,299	49,120	**124,297**
Disposals	0	(1)	(791)	(680)	0	(343)	**(1,815)**
Depreciation	0	(18,504)	(113,004)	(19,743)	(5,716)	0	**(156,967)**
Impairment losses	0	(5)	(434)	(7)	(13)	(28)	**(487)**
Total changes	**(446)**	**(25,484)**	**(55,736)**	**(5,308)**	**(2,443)**	**934**	**(88,483)**
Historical cost	31,465	420,847	1,417,585	259,155	71,304	64,734	**2,265,090**
Accumulated depreciation	0	(141,911)	(878,236)	(218,184)	(48,084)	0	**(1,286,415)**
Write-down provision	0	(17)	(2,679)	(18)	(13)	(124)	**(2,851)**
Balance at 31 December 2020	**31,465**	**278,919**	**536,670**	**40,953**	**23,207**	**64,610**	**975,824**

In 2020, investments were made in tangible fixed assets amounting to €124,297 thousand, including €49,120 thousand on fixed 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 the Czech Republic.
Net disposals amounted to €1,815 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.
Total depreciation charges for 2020 amounted to €156,967 thousand (2019: €153,279 thousand).

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	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 1 January 2020	**705**	**176,570**	**17,218**	**194,493**
Changes:				
Translation differences	(41)	(5,118)	(464)	**(5,623)**
New contracts/leases for the year	7	28,083	9,665	**37,755**
Unwinding of lease contract	0	0	(129)	**(129)**
Other	3,637	(477)	(63)	**3,097**
Depreciation	(98)	(13,958)	(8,081)	**(22,137)**
Total changes	**3,505**	**8,530**	**928**	**12,963**
Historical cost	4,530	212,698	30,524	**247,752**
Accumulated depreciation	(320)	(27,598)	(12,378)	**(40,296)**
Balance at 31 December 2020	**4,210**	**185,100**	**18,146**	**207,456**

Among the increases, at the end of 2020 Brembo Czech entered into a new operating lease for a building (designated O23) of approximately 22,000 square meters in the same business park as that in which its current production facility is located. Painting, pad printing and assembly of fixed aluminium callipers will be transferred to the new building, as well as storage of semi-finished and finished products, in addition to a part dedicated to office space. The RoU (Right of Use) recognised, calculated over a period of 15 years, has a value of approximately €25 million.

Note 13 provides other 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.

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patents and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	**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 1 January 2020	**87,241**	**82,482**	**1,401**	**83,883**	**10,363**	**46,794**	**57,157**	**228,281**
Changes:								
Translation differences	**(773)**	(3,991)	(10)	**(4,001)**	(17)	(1,082)	**(1,099)**	**(5,873)**
Reclassification	**0**	0	0	**0**	551	(3,140)	**(2,589)**	**(2,589)**
Acquisitions	**22,266**	0	0	**0**	1,643	4,364	**6,007**	**28,273**
Disposals	**0**	0	0	**0**	12	(578)	**(566)**	**(566)**
Amortisation	**(14,533)**	0	0	**0**	(1,482)	(9,035)	**(10,517)**	**(25,050)**
Impairment losses	**(1,909)**	0	0	**0**	(1,000)	0	**(1,000)**	**(2,909)**
Total changes	**5,051**	**(3,991)**	**(10)**	**(4,001)**	**(293)**	**(9,471)**	**(9,764)**	**(8,714)**
Historical cost	**229,986**	90,020	1,394	**91,414**	44,563	136,674	**181,237**	**502,637**
Accumulated amortisation	**(133,714)**	0	0	**0**	(32,404)	(99,351)	**(131,755)**	**(265,469)**
Write-down provision	**(3,980)**	(11,529)	(3)	**(11,532)**	(2,089)	0	**(2,089)**	**(17,601)**
Balance at 31 December 2020	**92,292**	**78,491**	**1,391**	**79,882**	**10,070**	**37,323**	**47,393**	**219,567**

Development costs

The item "Development costs" includes costs for development, internal and external, for a gross historical cost of €229,986 thousand. During the reporting year, this item changed due to higher costs incurred in 2020 for development orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €14,533 thousand was recognised for development costs associated with products that have already entered production.

The gross amount includes development activities for projects underway totalling €52,032 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 €22,573 thousand (2019: €26,647 thousand).

Impairment losses totalled €1,909 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

This item is the result to the business combinations and the ensuing allocation to the following GCUs:

(euro thousand)	31.12.2020	31.12.2019
Discs - Systems - Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	13,910	15,194
Brembo México S.A. de C.V. (Hayes Lemmerz)	847	925
Brembo Nanjing Brake Systems Co. Ltd.	872	895
Brembo Brake India Pvt. Ltd.	7,344	8,212
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	41,965	43,049
After Market – Performance Group:		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	11,547	12,201
Total	**78,491**	**82,482**

The change compared to 31 December 2019 was attributable to the change in consolidation differences.

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

The main assumptions used to determine the value in use of the cash-generating unit relate to the discount rate, the long-term growth rate and the cash flows arising on corporate business plans.

Cash flows for subsequent years were extrapolated using a prudential steady 1-1.5% medium- to long-term growth rate (1-1.5% in 2019), on a case by case basis. The Group's discount rate (Group WACC) used was 5.58% (7.29% in 2019), which reflected the current market assessments of the time value of money and the risks specific to the asset in question. The Board of Directors of Brembo S.p.A. approved the company business plans, 2021 budget forecasts and 2022-2024 plans, in some cases revised on the basis of the prospective market situation in the regions in which the CGUs are based.

In addition, following the Covid-19 pandemic multi-scenario hypotheses were formulated, including a break-even

scenario below which the specific asset would become impaired. The scenario deemed most representative of those prepared was then identified, without using an average or applying probability or weighting indices. 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 5.58% to 6.08% 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.
The changes in the WACC and in the growth rate 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 €361 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 €6,007 thousand and refer for €1,643 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)	31.12.2019	Acquisitions and new loans	Write-ups/ Write-downs	Dividends	Other changes	31.12.2020
Brembo Group SGL Carbon Ceramic Brakes	42,224	0	10,392	(10,000)	(415)	42,201
Petroceramics S.p.A.	925	0	110	(80)	0	955
Infibra	0	800	(9)	0	0	791
Total	**43,149**	**800**	**10,493**	**(10,080)**	**(415)**	**43,947**

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)	31.12.2020	31.12.2019
Revenue from contracts with customers	**159,984**	**179,980**
Other revenues and income	4,240	2,765
Costs for capitalised internal works	1,034	1,118
Raw materials, consumables and goods	(49,548)	(54,889)
Other operating costs	(36,953)	(38,715)
Personnel expenses	(39,512)	(42,344)
GROSS OPERATING INCOME	**39,245**	**47,915**
Depreciation, amortisation and impairment losses	(10,650)	(9,482)
NET OPERATING INCOME	**28,595**	**38,433**
Net interest income (expense)	(481)	(480)
RESULT BEFORE TAXES	**28,114**	**37,953**
Taxes	(7,547)	(10,478)
NET RESULT FOR THE YEAR	**20,567**	**27,476**
% ownership	50%	50%
Other consolidation adjustments	108	56
GROUP NET RESULT	**10,392**	**13,794**
Property, plant, equipment and other equipment	46,076	48,852
Right of use assets	15,374	17,146
Development costs	2,145	1,224
Other intangible assets	348	467
Other financial assets (including investments in other companies and derivatives)	131	131
Receivables and other non-current assets	73	0
Deferred tax assets	2,853	2,488
TOTAL NON-CURRENT ASSETS	**67,000**	**70,308**
Inventories	23,864	22,044
Trade receivables	16,421	13,226
Other receivables and current assets	3,420	6,148
Current financial assets and derivatives	0	1
Cash and cash equivalents	34,436	25,578
TOTAL CURRENT ASSETS	**78,141**	**66,997**
TOTAL ASSETS	**145,141**	**137,305**

(euro thousand)	Brembo Group SGL Carbon Ceramic Brakes 31.12.2020	Brembo Group SGL Carbon Ceramic Brakes 31.12.2019
Share capital	4,000	4,000
Other reserves	30,798	25,962
Retained earnings/(losses)	27,404	25,594
Net result for the year	20,567	27,476
TOTAL EQUITY	**82,769**	**83,032**
Long-term lease liabilities	13,958	15,442
Other non-current liabilities	1,116	958
Non-current provisions	3,180	3,119
Provisions for employee benefits	6,337	5,094
TOTAL NON-CURRENT LIABILITIES	**24,591**	**24,613**
Short-term lease liabilities	1,912	1,971
Trade payables	25,538	16,065
Tax payables	1,359	3,011
Other current payables	8,972	8,613
TOTAL CURRENT LIABILITIES	**37,781**	**29,660**
TOTAL LIABILITIES	**62,372**	**54,273**
TOTAL EQUITY AND LIABILITIES	**145,141**	**137,305**
% ownership	50%	50%
Goodwill	1,033	1,033
Other consolidation adjustments	(217)	(325)
CARRYING VALUE OF GROUP SHAREHOLDING	**42,201**	**42,224**

Associates

	Petroceramics S.p.A.		Infibra Technologies S.r.l.
	31.12.2020	31.12.2019	31.12.2020
Revenue from contracts with customers	1,944	2,965	225
NET RESULT FOR THE YEAR	**552**	**1,351**	**(44)**
% ownership	20%	20%	20%
GROUP NET RESULT	**110**	**270**	**(9)**
TOTAL CURRENT ASSETS	4,589	4,866	1,000
TOTAL NON-CURRENT ASSETS	1,747	493	50
TOTAL CURRENT LIABILITIES	1,338	523	98
TOTAL NON-CURRENT LIABILITIES	222	211	119
TOTAL EQUITY	**4,776**	**4,625**	**833**
% ownership	20%	20%	20%
CARRYING VALUE OF GROUP SHAREHOLDING	**955**	**925**	**167**

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

This item is broken down as follows:

(euro thousand)	31.12.2020	31.12.2019
Shareholdings in other companies	213,669	1,788
Receivables from associates	2,716	3,716
Derivatives	152	712
Other	726	862
Total	**217,263**	**7,078**

The item "Shareholdings in other companies" includes the 4.78% interest in Pirelli S.p.A., the 10% interest in International Sport Automobile S.a.r.l., the 3.28% interest in E-Novia S.p.A. and the 1.20% interest in Fuji Co.
In March 2020, Brembo adopted a non-speculative long-term approach and acquired a 2.22% interest (equal to €86,509 thousand) in the share capital of Pirelli S.p.A., a company that stands out in its sector as a player of excellence in terms of history, brand, leadership and pursuit of innovation. In the second quarter of 2020, Brembo acquired a further stake for €20,000 thousand, increasing its interest to 2.78%.
In the second half of the year, Brembo acquired 20 million shares in Pirelli S.p.A. for a total consideration of €75,455 thousand, bringing its stake in the company to 4.78%.
At 31 December 2020, the investment was measured at fair value, pursuant to IFRS 9, leading to a €29,819 thousand increase in the value of the investment and of Group Equity, as reported in the Consolidated Statement of Comprehensive Income. The further change of €98 thousand on 31 December 2019 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 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 €2,716 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, as well as further €1,000 thousand in 2020. The residual value is deemed recoverable for €985 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)	31.12.2020	31.12.2019
Receivables from others	17,671	12,589
Income tax receivables	537	278
Non-income tax receivables	34	34
Total	**18,242**	**12,901**

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)	31.12.2020	31.12.2019
Deferred tax assets	76,731	54,617
Deferred tax liabilities	(26,421)	(28,410)
Total	**50,310**	**26,207**

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 o the effect of the net Patent Box relief, as explained in Note 30 in these Explanatory Notes (included in the table below, in item “Other movements”).

Movements for the year are reported in the following table:

(euro thousand)	31.12.2020	31.12.2019
Balance at beginning of year	**26,207**	**39,006**
Deferred tax liabilities generated	(3,625)	(5,113)
Deferred tax assets generated	30,052	21,943
Use of deferred tax assets and liabilities	(7,927)	(23,555)
Exchange rate fluctuations	(1,705)	191
Other movements	7,308	(6,265)
Balance at end of year	**50,310**	**26,207**

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

	Assets		Liabilities		Net	
(euro thousand)	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Property, plant, equipment and other equipment	14,231	16,508	22,092	23,769	(7,861)	(7,261)
Development costs	28	28	0	0	28	28
Other intangible assets	9,711	1	5,123	6,091	4,588	(6,090)
Equity shareholdings	32	46	358	0	(326)	46
Other financial assets	1,016	6	88	140	928	(134)
Trade receivables	3,145	2,925	0	0	3,145	2,925
Inventories	13,819	11,520	0	0	13,819	11,520
Other receivables and current assets	114	189	457	754	(343)	(565)
Financial liabilities	869	60	0	0	869	60
Other financial liabilities	2,483	747	0	0	2,483	747
Provisions	9,983	3,264	0	0	9,983	3,264
Provisions for employee benefits	8,192	5,418	1,176	1,177	7,016	4,241
Item of deferred tax assets Short/long-term lease liabilities	1,297	1,318	0	0	1,297	1,318
Trade payables	286	451	0	0	286	451
Cash and cash equivalents	10	10	0	0	10	10
Other liabilities	13,317	12,655	1,609	1,792	11,708	10,863
Other	6,874	7,269	4,729	4,165	2,145	3,104
Tax losses	535	1,680	0	0	535	1,680
Compensation balance	(9,211)	(9,478)	(9,211)	(9,478)	0	0
Total	**76,731**	**54,617**	**26,421**	**28,410**	**50,310**	**26,207**

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 2020, the company had used all the existing credit at 31 December 2019 besides the credit accrued in 2020.

Brembo Czech Sro. has two tax incentive plans, one of CZK 132.6 million (expiring in 2026) 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, amounting to Czk 177.4.

The company Brembo do Brasil Ltd. recognised deferred tax assets on the losses for the current and previous years for a total of €535 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 133.53 million) eligible to be unlimitedly carried forward — amounted to BRL 45.44 million;
- unrecognised deferred tax assets of Brembo Czech Sro., calculated on tax losses for the year (CZK 370 million), amounted to CZK 54.88 million;

- at 31 December 2020, deferred tax liabilities of €4,429 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 2020, 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 investment (cost) (as indicated in §38 of IAS 12) amounted to €626 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)	31.12.2020	31.12.2019
Raw materials	144,669	143,177
Work in progress	66,938	68,010
Finished products	116,656	110,032
Goods in transit	26,624	20,984
Total	**354,887**	**342,203**

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)	31.12.2019	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	31.12.2020
Inventory write-down provision	47,784	21,461	(9,081)	(1,222)	71	59,013

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 2020, the balance of trade receivables compared to the previous year was as follows:

(euro thousand)	31.12.2020	31.12.2019
Accounts receivable from customers	383,669	389,845
Receivables from associates and joint ventures	1,770	2,080
Total	**385,439**	**391,925**

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 €6,547 thousand.

Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2019	Provisions	Use/Release	Exchange rate fluctuations	31.12.2020
Provision for bad debts	4,448	3,064	(842)	(123)	6,547

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)	31.12.2020	31.12.2019
Listed clients	312,908	318,086
Unlisted clients	79,078	78,287
Total	**391,986**	**396,373**

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

Listed clients

(euro thousand)	31.12.2020	Write-down 2020	31.12.2019	Write-down 2019
Current	293,981	0	293,047	0
Expired up to 30 days	2,900	20	7,983	0
Expired by 30 to 60 days	8,946	218	9,661	0
Expired by over 60 days	7,081	2,393	7,395	1,930
Total	**312,908**	**2,631**	**318,086**	**1,930**
% Ratio of expired receivables not written down to total exposure	*5.2%*		*7.3%*	
Total expired receivables, not written down	**16,296**		**23,109**	

Unlisted clients

(euro thousand)	31.12.2020	Write-down 2020	31.12.2019	Write-down 2019
Current	70,613	0	69,450	30
Expired up to 30 days	1,416	0	2,346	2
Expired by 30 to 60 days	3,079	0	2,706	65
Expired by over 60 days	3,970	3,916	3,785	2,421
Total	**79,078**	**3,916**	**78,287**	**2,518**
% Ratio of expired receivables not written down to total exposure	*5.8%*		*8.1%*	
Total expired receivables, not written down	**4,549**		**6,349**	

Expired receivables from listed clients mainly refer to leading car manufacturers, and almost all the related repayment plans were set at the beginning of 2021.
With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2021.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2020	31.12.2019
Income tax receivables	70,505	50,680
Non-income tax receivables	30,572	28,256
Other receivables	18,238	16,934
Total	**119,315**	**95,870**

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, the €3,869 thousand R&D tax credit calculated pursuant to Ministerial Decree dated 27 May 2015, and the Patent Box benefit of €7,897 thousand for indirect exploitation.

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

“Other receivables” mainly include advances paid to suppliers for goods and services, and other accrued income.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2020	31.12.2019
Other securities	1,000	0
Derivatives	352	768
Security deposits	561	656
Other receivables	25	15
Total	**1,938**	**1,439**

“Other securities” refer to a temporary investment of liquidity in the Spanish subsidiary, already reimbursed in February 2021.
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)	31.12.2020	31.12.2019
Bank and postal accounts	551,163	304,587
Cash-in-hand and cash equivalents	119	206
Total cash and cash equivalents	**551,282**	**304,793**
Payables to banks: overdrafts and foreign currency advances	(106,052)	(136,234)
Cash and cash equivalents from the Statement of Cash Flows	**445,230**	**168,559**

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.
The increase in cash and cash equivalents was primarily due to the disbursement of new loans, as indicated below, in Note 13 of these Explanatory Notes.

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the year totalled €19,226 thousand (€16,009 thousand in 2019).

12. Equity

Group consolidated equity at 31 December 2020 increased by €92,896 thousand compared to 31 December 2019. 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 2020. 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 2020 and 31 December 2019:

(No. of shares)	31.12.2020	31.12.2019
Ordinary shares issued	333,922,250	333,922,250
Own shares	(10,035,000)	(10,035,000)
Total shares outstanding	**323,887,250**	**323,887,250**

As part of Brembo's buy-back plan, in 2020 the Company neither purchased nor sold own shares.

Other reserves and retained earnings/(losses)

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 23 April 2020 approved the Financial Statements for the financial year ended 31 December 2019, allocating net income for the year amounting to €179,152,879.80 thousand as follows:

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

	31.12.2020			31.12.2019		
(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	106,052	0	106,052	136,234	0	136,234
- loans	69,946	548,220	618,166	121,421	196,558	317,979
Total	**175,998**	**548,220**	**724,218**	**257,655**	**196,558**	**454,213**
Lease liabilities	21,473	187,415	208,888	18,700	177,283	195,983
Payables to other financial institutions	274	953	1,227	462	1,164	1,626
Derivatives	3,564	0	3,564	599	0	599
Total	**25,311**	**188,368**	**213,679**	**19,761**	**178,447**	**198,208**

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

(euro thousand)	Amount at 31.12.2019	Amount at 31.12.2020	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:					
Banca Popolare di Sondrio loan (€75 million)	56,233	31,244	24,995	6,249	0
BNL loan (€80 million)	54,967	21,660	18,333	3,327	0
Mediobanca loan (€130 million)	44,964	4,998	4,998	0	0
BNL loan (€300 million)	0	299,326	0	174,408	124,918
Banca Popolare di Sondrio loan (€125 million)	0	125,057	140	87,423	37,494
BNL loan (€100 million)	99,889	99,906	18	74,894	24,994
UBI loan (USD 35 million)	20,753	9,503	9,503	0	0
Banamex loan (USD 30 million)	22,231	12,224	8,149	4,075	0
EIB loan (€30 million, New Foundry Project)	7,620	3,810	3,810	0	0
Citi Nanjing loan (RMB 100 million)	11,322	10,438	0	10,438	0
Total payables to banks	**317,979**	**618,166**	**69,946**	**360,814**	**187,406**

Among the most significant transactions closed in 2020, mention should be made of the disbursement of two medium-term loans, one from BNL of €300 million and another from Banca Popolare di Sondrio of €125 million, as well as a medium-term, committed line of credit of €100 million contracted from UBI Banca but not yet used.

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 2020, there was no financial debt secured by collateral.

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

	31.12.2020			31.12.2019		
(euro thousand)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	356,632	230,596	587,228	240,551	24,749	265,300
US Dollar	0	21,727	21,727	0	42,983	42,983
Chinese Renminbi	0	10,438	10,438	0	11,322	11,322
Total	**356,632**	**262,761**	**619,393**	**240,551**	**79,054**	**319,605**

The average variable rate applicable to the Group's debt is 0.93% and the average fixed rate is 0.96%.

In the second half of 2020, Brembo Group entered into a new IRS stipulated directly by the Parent, Brembo S.p.A., for a remaining notional amount of €200 million at 31 December 2020 (in addition to that entered into in 2019 with a remaining notional amount of €100 million), 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 €3,518 thousand change in fair value at 31 December 2020 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)	31.12.2020
Opening value	**225**
Fair value reserve releases	3,507
Movements from reserve for payment/collection of differentials	(214)
Closing value	**3,518**

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

(euro thousand)	Amount at 31.12.2019	Amount at 31.12.2020	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to other financial institutions:					
MIUR BBW loan	188	0	0	0	0
Libra loan	75	64	12	46	6
Ministerio Industria España	1,363	1,163	262	901	0
Total payables to other financial institutions	**1,626**	**1,227**	**274**	**947**	**6**
Lease liabilities	**195,983**	**208,888**	**21,473**	**64,809**	**122,606**
Total other financial liabilities	**197,609**	**210,115**	**21,747**	**65,756**	**122,612**

Brembo Czech S.r.o. recognised a liability for leased assets of €25,025 thousand after entering into a new property lease contract.

With regard to payments relating to optional lease renewal periods not included in the calculation of liabilities at 31 December 2020, €22,698 thousand of lease instalments, relating solely to properties and due beyond five years, were not subject to discounting.

Net Financial Position

The following table shows the breakdown of the net financial position at 31 December 2020 (€384,677 thousand) and at 31 December 2019 (€346,189 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

(euro thousand)		31.12.2020	31.12.2019
A	Cash	119	206
B	Other cash equivalents	551,163	304,587
C	Derivatives and securities held for trading	1,352	768
D	**LIQUIDITY (A+B+C)**	**552,634**	**305,561**
E	Current financial receivables	586	671
F	Current payables to banks	106,052	136,234
G	Current portion of non-current debt	69,946	121,421
H	Other current financial debts and derivatives	25,311	19,761
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**201,309**	**277,416**
J	**NET CURRENT FINANCIAL DEBT (I–E–D)**	**(351,911)**	**(28,816)**
K	Non-current payables to banks	548,220	196,558
L	Bonds issued	0	0
M	Other non-current financial debts and derivatives	188,368	178,447
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**736,588**	**375,005**
O	**NET FINANCIAL DEBT (J+N)**	**384,677**	**346,189**

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)	31.12.2020	31.12.2019
Social security payables	2,236	1,087
Payables to employees	10,736	5,997
Other payables	1,919	2,388
Total	**14,891**	**9,472**

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)	31.12.2019	Provisions	Use/Release	Exchange rate fluctuations	Other	31.12.2020
Provisions for contingencies and charges	4,891	8,196	(1,040)	(310)	8	11,745
Provision for product warranties	9,655	28,007	(4,187)	(414)	59	33,120
Total	**14,546**	**36,203**	**(5,227)**	**(724)**	**67**	**44,865**
of which short-term	***2,052***					***1,875***

Provisions totalled €44,865 thousand, including a provision for product warranties, which rose by €28,007 thousand for probable future costs linked to contractual warranties, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway, for which the reader is referred to Note 30 of these Explanatory Notes.

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 2020 are given in the table below:

(euro thousand)	31.12.2019	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Other	31.12.2020
Employees’ leaving entitlement	18,755	0	(1,547)	208	0	642	18,058
Defined benefit plans and other long-term benefits	5,362	459	(838)	199	(484)	2,618	7,316
Defined contribution plans	1,467	1,964	(2,195)	0	(43)	0	1,193
Total	**25,584**	**2,423**	**(4,580)**	**407**	**(527)**	**3,260**	**26,567**

Defined benefit plans

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2020	Unfunded Plan (Employee's leaving entitlement) 31.12.2019	Funded Plan (Ap Racing plan) 31.12.2020	Funded Plan (Ap Racing plan) 31.12.2019	Brembo México plan 31.12.2020	Brembo México plan 31.12.2019	Brembo Brake India plan 31.12.2020	Brembo Brake India plan 31.12.2019	Brembo Japan plan 31.12.2020	Brembo Japan plan 31.12.2019
A. Change in defined benefit obligation										
1. Defined benefit obligation at the end of prior year	**18,755**	**19,104**	**36,251**	**32,811**	**1,472**	**916**	**1,397**	**1,031**	**286**	**242**
2. Service cost:										
Current service cost	0	0	0	0	231	169	170	140	36	44
Past service cost	0	0	17	0	0	0	0	0	0	0
3. Interest expense	208	333	702	920	94	84	80	73	4	1
4. Cash flows:										
Benefit payments from plan	0	0	(1,794)	(1,198)	0	0	(11)	(13)	0	0
Benefit payments from employer	(1,547)	(1,433)	0	0	(27)	(34)	(19)	(9)	(35)	(9)
Other significant events:										
6. Remeasurements:										
Effects of changes in demographic assumptions	0	0	(83)	(313)	0	0	140	47	0	0
Effects of changes in financial assumptions	642	751	6,382	2,337	146	216	13	50	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(123)	16	147	63	(74)	89	0	0
7. Effect of changes in foreign exchange rates	0	0	(1,945)	1,678	(190)	58	(165)	(11)	(14)	8
8. Defined benefit obligations at end of year	**18,058**	**18,755**	**39,407**	**36,251**	**1,873**	**1,472**	**1,531**	**1,397**	**277**	**286**
B. Change in fair value of plan assets										
1. Fair value of plan assets at the end of prior year	**0**	**0**	**33,666**	**28,587**	**0**	**0**	**378**	**285**	**0**	**0**
2. Financial income	0	0	658	810	0	0	23	24	0	0
3. Cash flows:										
Total employer contributions:										
- employer contributions	0	0	742	727	0	0	61	90	0	0
- employer direct benefit payments	1,549	1,438	0	0	27	34	19	9	0	0
Benefit payments from plan	0	0	(1,794)	(1,198)	0	0	(11)	(13)	0	0
Benefit payments from employer	(1,549)	(1,438)	0	0	(27)	(34)	(19)	(9)	0	0

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2020	31.12.2019	Funded Plan (Ap Racing plan) 31.12.2020	31.12.2019	Brembo México plan 31.12.2020	31.12.2019	Brembo Brake India plan 31.12.2020	31.12.2019	Brembo Japan plan 31.12.2020	31.12.2019
Administrative costs on plan assets	0	0	0	0	0	0	(3)	(2)	0	0
Taxes on plan assets	0	0	0	0	0	0	(1)	(1)		
5. Remeasurements:										
Return on plan assets (excluding interest income)	0	0	3,899	3,260	0	0	4	(1)	0	0
6. Effect of changes in foreign exchange rates	0	0	(1,806)	1,480	0	0	(44)	(4)	0	0
7. Fair value of plan assets at end of year	**0**	**0**	**35,365**	**33,666**	**0**	**0**	**407**	**378**	**0**	**0**
E. Amounts recognised in the Statement of Financial Position										
1. Defined benefit obligation	18,058	18,755	39,407	36,251	1,873	1,472	1,531	1,397	277	286
2. Fair value of plan assets	0	0	35,365	33,666	0	0	407	378	0	0
3. Funded status	*18,058*	*18,755*	*4,042*	*2,585*	*1,873*	*1,472*	*1,124*	*1,019*	*277*	*286*
5. Net liability (asset)	**18,058**	**18,755**	**4,042**	**2,585**	**1,873**	**1,472**	**1,124**	**1,019**	**277**	**286**
F. Components of defined benefit cost										
1. Service cost:										
Current service cost	0	0	0	0	231	169	170	140	36	44
Past service cost	0	0	17	0	0	0	0	0	0	0
Total service costs	*0*	*0*	*17*	*0*	*231*	*169*	*170*	*140*	*36*	*44*
2. Net interest expense:										
Interest expense on defined benefit plans	208	333	702	920	94	84	80	73	4	1
Interest (income) on plan assets	0	0	(658)	(810)	0	0	(23)	(24)	0	0
Total net interest expense	*208*	*333*	*44*	*110*	*94*	*84*	*57*	*49*	*4*	*1*
3. Remeasurement on other long-term benefits	0	0	0	0	0	0	28	100	0	0
5. Defined benefit cost included in P&L	208	333	61	110	325	253	255	289	40	45
6. Remeasurements (recognised in Other Comprehensive Income):										
Effects of changes in demographic assumptions	0	0	(83)	(313)	0	0	40	10	0	0
Effects of changes in financial assumptions	642	751	6,382	2,337	146	216	7	25	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(123)	16	147	63	3	53	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)	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Return on plan assets (excluding interest income)	0	0	(3,899)	(3,260)	0	0	(2)	2	0	0
Total remeasurements included in OCI	*642*	*751*	*2,277*	*(1,220)*	*293*	*279*	*48*	*90*	*0*	*0*
7. Total defined benefit cost recognised in P&L and OCI	**850**	**1,084**	**2,338**	**(1,110)**	**618**	**532**	**303**	**379**	**40**	**45**
G. Net defined benefit liability (asset) reconciliation										
1. Net defined benefit liability (asset)	18,755	19,104	2,585	4,224	1,472	916	1,019	746	286	242
2. Defined benefit cost included in P&L	208	333	61	110	325	253	255	289	40	45
3. Total remeasurements included in OCI	642	751	2,277	(1,220)	293	279	48	90	0	0
5. Cash flows:										
Employer contributions	0	0	(742)	(727)	0	0	(61)	(90)	0	0
Employer direct benefit payments	(1,547)	(1,433)	0	0	(27)	(34)	(19)	(9)	(35)	(9)
7. Effect of changes in foreign exchange rates	0	0	(139)	198	(190)	58	(121)	(7)	(14)	8
8. Net defined benefit liability (asset) at the end of year	**18,058**	**18,755**	**4,042**	**2,585**	**1,873**	**1,472**	**1,121**	**1,019**	**277**	**286**
H. Defined benefit obligation										
1. Defined benefit obligation by participant status										
Actives	18,058	18,755	0	0	1,873	1,472	1,531	1,397	0	0
Vested deferred	0	0	23,336	20,689	0	0	0	0	0	0
Retirees	0	0	16,071	15,562	0	0	0	0	0	0
Total	**18,058**	**18,755**	**39,407**	**36,251**	**1,873**	**1,472**	**1,531**	**1,397**	**0**	**0**
I. Plan assets										
1. Fair value of plan assets										
Cash and cash equivalents	0	0	52	10	0	0	0	0	0	0
Equity instruments	0	0	10,985	10,559	0	0	0	0	0	0
Debt instruments	0	0	5,399	5,181	0	0	0	0	0	0
Derivatives	0	0	11,012	10,194	0	0	0	0	0	0
Investment funds	0	0	7,917	7,722	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	410	378	0	0
Total	**0**	**0**	**35,365**	**33,666**	**0**	**0**	**410**	**378**	**0**	**0**
2. Fair value of assets that have quoted market prices										
Cash and cash equivalents	0	0	52	10	0	0	0	0	0	0

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2020	Unfunded Plan (Employee's leaving entitlement) 31.12.2019	Funded Plan (Ap Racing plan) 31.12.2020	Funded Plan (Ap Racing plan) 31.12.2019	Brembo México plan 31.12.2020	Brembo México plan 31.12.2019	Brembo Brake India plan 31.12.2020	Brembo Brake India plan 31.12.2019	Brembo Japan plan 31.12.2020	Brembo Japan plan 31.12.2019
Equity instruments	0	0	10,985	10,559	0	0	0	0	0	0
Debt instruments	0	0	5,399	5,181	0	0	0	0	0	0
Derivatives	0	0	10,811	10,194	0	0	0	0	0	0
Investment funds	0	0	7,917	7,722	0	0	0	0	0	0
Total	**0**	**0**	**35,164**	**33,666**	**0**	**0**	**0**	**0**	**0**	**0**
J. Significant actuarial assumptions										
Weighted-average assumptions to determine benefit obligations										
1. Discount rate	0.85%	1.15%	1.40%	2.10%	6.75%	7.50%	6.40%	6.50%	0.50%	0.50%
2. Rate of salary increase	N/A	N/A	N/A	N/A	4.50%	4.50%	9.00%	9.00%	N/A	N/A
3. Rate of price inflation	N/A	N/A	3.00%	2.80%	0.00%	0.00%	0.0%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	1.00%	1.00%	3.10%	2.90%	3.50%	3.50%	0.0%	0.00%	2.50%	2.50%
Weighted-average assumptions to determine defined benefit cost										
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	N/A	N/A	N/A	4.50%	4.50%	9.00%	9.50%	N/A	N/A
3. Rate of price inflation	N/A	N/A	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%

By applying a uniform change in the discount rate by ± 25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €2.55 million compared to the base liabilities value of €61.1 million.

The average duration of the plans is 16.80 years.

17. Trade Payables

At 31 December 2020, trade payables were as follows:

(euro thousand)	31.12.2020	31.12.2019
Trade payables	469,158	467,040
Payables to associates and joint ventures	5,748	6,956
Total	**474,906**	**473,996**

18. Tax Payables

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

(euro thousand)	31.12.2020	31.12.2019
Tax payables	7,405	6,135

19. Other Current Payables

Other current payables at 31 December 2020 are given in the table below:

(euro thousand)	31.12.2020	31.12.2019
Tax payables other than current taxes	11,207	9,653
Social security payables	20,298	18,750
Payables to employees	55,909	56,089
Other payables	71,199	58,781
Total	**158,613**	**143,273**

"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 €43,121 thousand (€35,436 thousand at 31 December 2019) 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)	31.12.2020	31.12.2019
Revenue from sales of brake systems	2,169,619	2,542,886
Revenue from equipment	19,356	28,327
Revenue from study and design activities	18,688	19,326
Revenue from royalties	976	1,131
Total	**2,208,639**	**2,591,670**

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)	31.12.2020	31.12.2019
Miscellaneous recharges	8,396	6,113
Gains on disposal of assets	1,725	2,472
Miscellaneous grants	6,932	18,549
Other revenues	6,425	6,831
Total	**23,478**	**33,965**

The item "Miscellaneous grants" includes grants for research and development projects amounting to €998 thousand and a tax credit for research and development investment of €3,869 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 €22,573 thousand (2019: €26,647 thousand).

23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	31.12.2020	31.12.2019
Purchase of raw materials, semi-finished and finished products	923,992	1,096,899
Purchase of consumables	100,969	117,724
Total	**1,024,961**	**1,214,623**

24. Income (Expense) from Non-Financial Investments

Income (expense) from non-financial investments amounted to €10,392 thousand and is attributable to the effects of valuing the investment in the BSCCB Group using the equity method (2019: €13,794 thousand).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2020	31.12.2019
Transports	53,353	60,126
Maintenance, repairs and utilities	138,867	148,886
Contracted work	77,032	84,327
Rent	20,440	24,009
Other operating costs	136,715	153,240
Total	**426,407**	**470,588**

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)	31.12.2020	31.12.2019
Wages and salaries	307,085	332,101
Social security contributions	68,452	75,098
Employees’ leaving entitlement and other personnel provisions	12,248	13,799
Other costs	37,244	44,698
Total	**425,029**	**465,696**

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

	Managers	White-collar	Blue-collars	Total
2020 average	142	3,118	7,602	**10,862**
2019 average	143	3,133	7,401	**10,677**
Change	**(1)**	**(15)**	**201**	**185**
Total at 31 December 2020	140	3,111	7,788	**11,039**
Total at 31 December 2019	145	3,115	7,608	**10,868**
Change	**(5)**	**(4)**	**180**	**171**

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2020	31.12.2019
Amortisation of intangible assets:		
Development costs	14,533	11,153
Industrial patents and similar rights for original work	1,085	1,011
Licences, trademarks and similar rights	397	320
Other intangible assets	9,035	8,780
Total	**25,050**	**21,264**
Depreciation of property, plant and equipment:		
Buildings	18,504	18,309
Plant and machinery	113,004	110,219
Industrial and commercial equipment	19,743	19,243
Other property, plant and equipment	5,716	5,508
Right of use assets	22,137	20,144
Total	**179,104**	**173,423**
Impairment losses:		
Property, plant and equipment	487	261
Intangible assets	2,909	1,682
Total	**3,396**	**1,943**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**207,550**	**196,630**

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)	31.12.2020	31.12.2019
Exchange rate gains	31,948	45,126
Interest income from employee's leaving entitlement and other personnel provisions	689	833
Interest income	1,425	2,278
Total interest income	**34,062**	**48,237**
Exchange rate losses	(40,066)	(41,917)
Interest expense from employees' leaving entitlement and other personnel provisions	(1,096)	(1,410)
Lease interest expense	(4,944)	(5,010)
Interest expense	(13,168)	(11,037)
Total interest expense	**(59,274)**	**(59,374)**
TOTAL NET INTEREST INCOME (EXPENSE)	**(25,212)**	**(11,137)**

Interest expense includes the sum of €3,504 thousand relating to the tax settlement described in Note 30 of these Explanatory notes.

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)	31.12.2020	31.12.2019
Current taxes	55,755	62,977
Deferred tax (assets) and liabilities	(18,500)	6,725
Prior years' taxes and other tax payables	(19,453)	(1,494)
Total	**17,802**	**68,208**

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

(euro thousand)	31.12.2020	31.12.2019
Theoretical income taxes	36,457	70,462
Prior years' taxes and other differences	22,335	5,273
Tax incentive effects	(41,588)	(10,788)
DTA adjustment effect	(281)	892
Unallocated DTA effect	(405)	(2,003)
Current and deferred taxes (excluding IRAP)	**16,518**	**63,836**
Current and deferred IRAP	1,284	4,372
Total	**17,802**	**68,208**

In the fourth quarter of the year, Brembo S.p.A. withdrew the petition for a ruling on the Patent Box filed in 2016 for periods 2016-2020 and opted for self-payment of the relief measure in its tax return (pursuant to the Growth Decree).
Brembo therefore included in its 2020 Income Form a benefit deriving from the direct exploitation of the intangible assets for the tax periods 2016, 2017, 2018 and 2019, acquiring it in three annual instalments, as well as a benefit arising from indirect exploitation of the intangible assets for tax period 2019, acquiring it in a single tranche. As for the benefit arising from the indirect exploitation of intangible assets for the tax periods 2016, 2017 and 2018, Brembo S.p.A. filed supplementary returns for these tax periods, acquiring them in a single instalment. The Patent Box benefit recognised among taxes and duties for the four years indicated above totalled €36,970 thousand, of which €9,961 thousand was recognised as a direct reduction in current taxes, €17,588 thousand by directly reducing taxes from previous years and €9,691 thousand as deferred tax assets. The method used to calculate the relief has already been audited by the Italian Revenue Agency during a specific inspection of tax period 2019 conducted in February 2021.
In 2021 the Company will include the Patent Box in self-payment in its 2021 Income Form for the tax period eligible for the relief (i.e., 2020), acquiring in a single instalment the benefit of the indirect exploitation of the intangible assets and that arising from the direct exploitation of the intangible assets in three annual instalments.
In the fourth quarter of 2020, in accordance with the relief scheme for intangible assets, Brembo S.p.A. entered into a settlement with the revenue authorities relating to the greater values of the intangible assets in relations with the Group's international subsidiaries for the year 2015. The settlement will be completed with regards to years after 2015 in 2021. The total charge for all years recognised under prior-year taxes, net of the positive adjustment for the same tax periods granted by an affected foreign tax authority, is €17,132 thousand.
The net benefit in terms of lower taxes for the year is thus €19,838 thousand.
The Group's actual tax rate is 11.4%, compared with a theoretical tax rate of 24.2% (at 31 December 2019: actual tax rate was 22.2%; theoretical tax rate was 24.3%).

31. Earnings per Share

Basic earnings per share were €0.42 at 31 December 2020 (€0.71 at 31 December 2019), 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 2020, amounting to 323,887,250 (2019: 324,691,266). 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. was 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)	31.12.2020
Revenue from contracts with customers	**208**
Other operating costs	(182)
Personnel expenses	(16)
GROSS OPERATING INCOME	**10**
Depreciation, amortisation and impairment losses	0
NET OPERATING INCOME	**10**
Net interest income (expense)	(314)
RESULT FROM DISCONTINUED OPERATIONS	**(304)**
Inventories	
Trade receivables	63
Cash and cash equivalents	792
TOTAL CURRENT ASSETS	**855**
TOTAL ASSETS	**855**
Non-current provisions	(12)
TOTAL NON-CURRENT LIABILITIES	**(12)**
Trade payables	(79)
Other current liabilities	(49)
TOTAL CURRENT LIABILITIES	**(128)**
TOTAL LIABILITIES	**(140)**

Stezzano, 4 March 2021

On behalf of the Board of Directors

The Executive Deputy Chairman
Matteo Tiraboschi

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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 2020, 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 2020, 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.
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Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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We identified the following key audit matter:

Key Audit Matter	Audit Response
Valuation of Goodwill	
As at 31 December 2020 the goodwill, included in the intangible assets, amounted to Euro 78,5 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. 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. 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".	Our audit procedures in response to this key audit matter included, among others: • Comprehension of the procedure implemented by the group 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 2021-2024 Group business plan; • comparison of forecasts with previous ones and actual data; • assessing discount and long-term growth rates. 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. Finally, we reviewed the adequacy of the disclosures made in the explanatory notes and related to these matters.

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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

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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.

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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 2020, 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 2020 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 2020 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, 19 March 2021

EY S.p.A.
Signed by: Marco Malaguti, 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 2020:
   - 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 2020 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.

4 March 2021

Matteo Tiraboschi
Executive Deputy Chairman

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


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4. Separate Financial Statements 2020

Financial Statements of Brembo S.p.A. at 31 December 2020

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

Assets

(euro)	Notes	31.12.2020	*of which with related parties*	31.12.2019	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	197,939,509		200,522,506		(2,582,997)
Right of use assets	1	77,348,362		81,123,084		(3,774,722)
Development costs	2	80,356,225		75,663,349		4,692,876
Other intangible assets	2	20,896,405		23,268,225		(2,371,820)
Shareholdings	3	354,601,527		353,801,527		800,000
Other financial assets (including investments in other companies and derivatives)	4	216,559,608	*2,716,246*	6,239,006	*3,716,246*	210,320,602
Receivables and other non-current assets	5	352,985		90,169		262,816
Deferred tax assets	6	31,895,648		11,027,377		20,868,271
TOTAL NON-CURRENT ASSETS		**979,950,269**		**751,735,243**		**228,215,026**
CURRENT ASSETS						
Inventories	7	132,050,780		125,749,917		6,300,863
Trade receivables	8	184,118,357	*76,209,231*	184,940,636	*82,381,161*	(822,279)
Other receivables and current assets	9	61,226,822	*612,550*	43,498,073		17,728,749
Current financial assets and derivatives	10	94,867,797	*94,450,969*	49,816,260	*48,983,909*	45,051,537
Cash and cash equivalents	11	413,023,943		164,699,131		248,324,812
TOTAL CURRENT ASSETS		**885,287,699**		**568,704,017**		**316,583,682**
TOTAL ASSETS		**1,865,237,968**		**1,320,439,260**		**544,798,708**

Equity and liabilities

(euro)	Notes	31.12.2020	*of which with related parties*	31.12.2019	*of which with related parties*	Change
EQUITY						
Share capital	12	34,727,914		34,727,914		0
Other reserves	12	116,555,679		118,821,269		(2,265,590)
Retained earnings/(losses)	12	493,016,931		285,118,001		207,898,930
Net result for the year	12	85,505,063		179,152,880		(93,647,817)
TOTAL EQUITY		**729,805,587**		**617,820,064**		**111,985,523**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	533,706,718		157,729,012		375,977,706
Long-term lease liabilities	13	71,339,009		75,116,819		(3,777,810)
Other non-current financial payables and derivatives	13	52,325		63,699		(11,374)
Other non-current liabilities	14	11,943,535	*5,147,357*	5,527,162	*2,150,935*	6,416,373
Non-current provisions	15	35,328,306		6,905,297		28,423,009
Provisions for employee benefits	16	17,674,850	*49,472*	18,351,267	*48,863*	(676,417)
TOTAL NON-CURRENT LIABILITIES		**670,044,743**		**263,693,256**		**406,351,487**
CURRENT LIABILITIES						
Current payables to banks	13	104,043,113		100,210,375		3,832,738
Short-term lease liabilities	13	7,714,745		6,956,780		757,965
Other current financial payables and derivatives	13	47,582,951	*44,013,445*	40,609,071	*39,810,962*	6,973,880
Trade payables	17	198,866,472	*26,789,503*	196,860,553	*25,581,441*	2,005,919
Current provisions	15	1,874,932		2,051,900		(176,968)
Other current payables	18	105,305,425	*2,824,766*	92,237,261	*1,987,322*	13,068,164
TOTAL CURRENT LIABILITIES		**465,387,638**		**438,925,940**		**26,461,698**
TOTAL LIABILITIES		**1,135,432,381**		**702,619,196**		**432,813,185**
TOTAL EQUITY AND LIABILITIES		**1,865,237,968**		**1,320,439,260**		**544,798,708**

Statement of Income of Brembo S.p.A.

(euro)	Notes	31.12.2020	*of which with related parties*	31.12.2019	*of which with related parties*	Change
Revenue from contracts with customers	19	**815,087,373**	***121,364,630***	**947,708,941**	***156,734,871***	**(132,621,568)**
Other revenues and income	20	43,242,815	*31,141,172*	58,480,135	*36,783,640*	(15,237,320)
Costs for capitalised internal works	21	18,186,270		21,086,691		(2,900,421)
Raw materials, consumables and goods	22	(375,288,017)	*(76,760,705)*	(432,684,933)	*(113,957,633)*	57,396,916
Other operating costs	23	(191,908,486)	*(23,315,906)*	(207,629,215)	*(21,380,017)*	15,720,729
Personnel expenses	24	(207,027,139)	*(4,950,363)*	(225,480,873)	*(7,290,448)*	18,453,734
GROSS OPERATING INCOME		**102,292,816**		**161,480,746**		**(59,187,930)**
Depreciation, amortisation and impairment losses	25	(64,312,644)		(56,901,847)		(7,410,797)
NET OPERATING INCOME		**37,980,172**		**104,578,899**		**(66,598,727)**
Interest income	*26*	*11,105,941*		*7,983,900*		*3,122,041*
Interest expense	*26*	*(20,243,090)*		*(9,748,393)*		*(10,494,697)*
Net interest income (expense)	26	(9,137,149)	*3,172,866*	(1,764,493)	*2,051,429*	(7,372,656)
Interest income (expense) from investments	27	46,593,037	*46,550,275*	101,527,660	*108,346,140*	(54,934,623)
RESULT BEFORE TAXES		**75,436,060**		**204,342,066**		**(128,906,006)**
Taxes	28	10,069,003		(25,189,186)		35,258,189
NET RESULT FOR THE YEAR		**85,505,063**		**179,152,880**		**(93,647,817)**

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

(euro)	31.12.2020	31.12.2019	Change
NET RESULT FOR THE YEAR	**85,505,063**	**179,152,880**	**(93,647,817)**
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	(628,704)	(735,621)	106,917
Tax effect	150,889	176,549	(25,660)
Fair value measurement of investments	29,818,833	0	29,818,833
Tax effect	(357,826)	0	(357,826)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**28,983,192**	**(559,072)**	**29,542,264**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:			
Effect of hedge accounting (cash flow hedge) of derivatives	(3,293,069)	(224,504)	(3,068,565)
Tax effect	790,337	53,881	736,456
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**(2,502,732)**	**(170,623)**	**(2,332,109)**
COMPREHENSIVE RESULT FOR THE YEAR	**111,985,523**	**178,423,185**	**(66,437,662)**

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

(euro)	31.12.2020	31.12.2019
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (*)	**162,812,676**	**169,374,616**
Result before taxes	**75,436,060**	**204,342,066**
Depreciation, amortisation/impairment losses	64,312,644	56,901,847
Capital gains/losses	(370,808)	(436,269)
Write-ups/Write-downs of shareholdings	(42,162)	6,818,480
Financial portion of provisions for payables for personnel	204,183	326,251
Other provisions net of utilisations	32,176,800	(600,217)
Cash flows generated by operating activities	**171,716,717**	**267,352,158**
Current taxes paid	(10,162,911)	(24,391,951)
Uses of long-term provisions for employee benefits	(1,509,304)	(1,384,125)
(Increase) reduction in current assets:		
inventories	(12,442,049)	(6,849,877)
financial assets	29,817,827	45,700
trade receivables and receivables from other Group companies	994,600	36,020,297
receivables from others and other assets	(11,061,553)	(14,086,540)
Increase (reduction) in current liabilities:		
trade payables and payables to other Group companies	2,005,919	(15,195,966)
payables to others and other liabilities	19,721,775	(19,080,848)
Net cash flows from/(for) operating activities	**189,081,021**	**222,428,848**

(euro)	31.12.2020	31.12.2019
Investments in:		
intangible assets	(23,212,865)	(29,801,177)
property, plant and equipment	(34,017,926)	(48,938,257)
right of use assets	(4,858,977)	(6,000,083)
financial assets (investments)	(212,680,461)	(6,530,849)
Price for disposal, or reimbursement value of fixed tangible and intangible assets	622,832	2,308,095
Net cash flows from/(for) investing activities	**(274,147,397)**	**(88,962,271)**
Dividends paid in the year	0	(71,541,195)
Loans to Group companies and amounts payable to companies participating in the centralised treasury system	(41,264,577)	(55,392,816)
Change in fair value valuation of derivatives	81,462	(1,207,655)
New lease agreements	4,095,768	6,000,083
Reimbursement of lease liabilities	(9,658,893)	(8,096,754)
Buy-back of own shares	0	(11,328,529)
Loans and financing granted by banks and other financial institutions in the year	425,000,000	100,000,000
Repayment of long-term loans and other liabilities	(98,535,363)	(98,461,651)
Net cash flows from/(for) financing activities	**279,718,397**	**(140,028,517)**
Total cash flows	**194,652,021**	**(6,561,940)**
CASH AND CASH EQUIVALENTS AT END OF YEAR (*)	**357,464,697**	**162,812,676**

(*) 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.

(euro)	Share capital	Other reserves: Reserves	Other reserves: Treasury shares	Retained earnings (losses)	Net result for the year	Equity
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 1 January 2020	**34,727,914**	**143,625,695**	**(24,804,426)**	**285,118,001**	**179,152,880**	**617,820,064**
Allocation of profit for the previous year		1,125,037		178,027,843	(179,152,880)	**0**
Reclassification (*)		(887,895)		887,895		**0**
Components of comprehensive income:						
Effect of actuarial income/(loss) on defined benefit plans				(477,815)		**(477,815)**
Effect of hedge accounting (cash flow hedge) of derivatives		(2,502,732)				**(2,502,732)**
Fair value measurement of investments				29,461,007		**29,461,007**
Net result for the year					85,505,063	**85,505,063**
Balance at 31 December 2020	**34,727,914**	**141,360,105**	**(24,804,426)**	**493,016,931**	**85,505,063**	**729,805,587**

(*) A portion of the restricted reserve Re. Article 6 (2) of Legislative Decree No. 38/2005 was reclassified under retained earnings, since it is no longer subject to non-distributability.

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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 2020, 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 2020 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 of Listed Companies recommended by the Italian National Board of Certified Accountants and Auditors (CNDCEC).

Composition and functioning of the Board of Statutory Auditors

The Board of Statutory Auditors in office at the reporting date was appointed by the Shareholders' Meeting of Brembo S.p.A. (hereinafter "Brembo") held on 23 April 2020 and is made up as follows[1]:

- Acting Auditors: Raffaella Pagani (Chairwoman), Mario Tagliaferri, and Paola Tagliavini;
- Alternate Auditors: Myriam Amato and Stefania Serina.

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 of Listed Companies 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

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 2.27836% of the share capital, overall).

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 4 March 2021. In accordance with applicable legislation, the Board of Statutory Auditors' analyses of this kind were focused exclusively 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 2020 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 Article 148, paragraph 4, 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 committed; 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.

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 Audit, 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. No. 231/2001.

In 2020, the Board of Statutory Auditors:

- held 20 meetings and attended the Shareholders' Meeting and all the meetings of the Board of Directors (1 Shareholders' Meeting and 8 meetings of the Board of Directors), as well as the meetings of the Audit, Risks & Sustainability Committee (5 meetings) and, through the Chairman of the Board of Statutory Appointments Committee (2 meetings). The meetings of the Board of Statutory Auditors lasted about 3.5 hours on average;
- in most cases, held its meetings on the same day as those of the Audit, Risks & Sustainability Committee and the Supervisory Board, including several sections on matters discussed jointly, in order to facilitate the exchange of information between parties with significant duties relating to internal controls, while avoiding overlapping, and to make the best use of the related company personnel;
- participated in the sessions of the Audit, Risks & Sustainability Committee, in its capacity as Related Party Transactions Committee, and jointly examined the issues discussed;

- met regularly and exchanged information with the representatives of the independent auditors EY S.p.A.;
- also participated in the induction programme sessions organised by the Company and focussing on several topics, such as 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;
- the newly appointed Director Paola Tagliavini also participated in the Basic Induction Programme organised by the Company and intended for newly appointed Directors and Auditors (structured in 10 sessions lasting 2-3 hours on average), whose programme is described in the 2020 Corporate Governance and Ownership Structure Report, as well as in the induction session held in July 2020 focusing on Brembo's remuneration policies and the impact of the Covid-19 pandemic on short- and long-term remuneration systems.

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, also in light of the Covid-19 health emergency, on which the Board of Statutory Auditors has no particular observations to report.
3. Since the beginning of the pandemic emergency, the Board of Statutory Auditors has always been informed promptly of the Company's management of the epidemiological emergency and of all the measures and initiatives taken and implemented in order to ensure business continuity and protect people, in full compliance with the provisions issued from time to time by the competent authorities, such as:
   - the preparation of extraordinary measures to combat the virus and protect the health of its employees and colleagues;
   - the constant monitoring of impacts on the business, with a particular focus on the supply chain;
   - keeping daily and constructive collaboration relationships with all its customers and suppliers worldwide.
4. 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 (2018 edition), 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 4 March 2021 and published on the corporate website.

5. At the same time, the Board of Statutory Auditors also verified that the Company has acknowledged since March 2020, and constantly followed, the developments and interpretative discussions regarding the New Corporate Governance Code in force from 1 January 2021, attending the numerous alignment and/or analysis meetings organised by ASSONIME in order to analyse in detail every single aspect of the New Code. In light of the need to understand the implementation trend amongst the main listed companies, Brembo will adopt the New Corporate Governance Code as soon as possible, and as soon as the final interpretative doubts are clarified as a result of practical application and the related benchmark analyses.
6. The Company acknowledged the changes introduced by Law No. 160 of 27 December 2019 (Budget Law 2020) and its subsequent amendments, regarding the minimum representation quotas for the less represented gender in the corporate bodies of listed companies, and adapted the By-laws accordingly during the Shareholders' Meeting of 23 April 2020. As a result, the composition of the corporate bodies appointed by that Shareholders' Meeting is compliant with the current statutory and regulatory provisions.
7. It should be noted that gender diversity policies and criteria for the corporate bodies envisaged by Brembo's Corporate Governance Code are illustrated in paragraphs 4.4 and 13.2 of the 2020 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 4 March 2021, in consultation with the Remuneration & Appointments Committee at its meeting on 23 February 2021. 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.
8. On its meeting of 19 January 2021, 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 Eighth Annual Report of the Corporate Governance Committee on the application of the Borsa Italiana Corporate Governance Code (see paragraph 18 of the 2020 Corporate Governance and Ownership Structure Report). This assessment confirmed a good level of implementation of the Code and particularly of the above-mentioned recommendations.
9. The Board of Statutory Auditors was also informed of the findings of the 2020 Board Performance Evaluation. Also in light of the suggestions put forward by the Independent Directors, the activity was coordinated by the Lead Independent Director with the support of Brembo's Legal & Corporate Affairs Department. The findings confirmed a fully positive opinion on the size, composition and functioning of Brembo's Board of Directors and Board Committees, also remarking that the Board is working in substantial compliance with the Corporate Governance Code and best practices, at both Italian and international level.

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.
2. The Board of Statutory Auditors, the Audit, Risks & Sustainability Committee (also in its role as Related Party Transactions Committee) and the Supervisory Committee also constantly and promptly exchanged information material to the performance of their respective tasks.
3. 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 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.
4. Moreover, the Board of Statutory Auditors also verified the adequacy of instructions issued by the Company to its subsidiaries, as provided for by Article 114, paragraph 2, of TUF.

With regard to the foregoing, the Board of Statutory Auditors has no particular remarks to relate.

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

1. In 2020, 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.
2. In 2020, with regard to particularly significant transactions, it should be noted that:
   - in March 2020, Brembo acquired a 2.22% stake in Pirelli S.p.A. for a consideration of €86,509 thousand. In the second quarter of 2020, it acquired a further stake for €20,000 thousand, increasing its stake in Pirelli S.p.A. to 2.78%. An equity swap derivative contract with a nominal value of €70 million, maturing on 23 July 2020, for the purchase of an additional 20 million shares of Pirelli S.p.A., was also entered into on 13 May 2020. On 23 July 2020, the equity swap derivative contract signed in May was finalised. Accordingly, Brembo S.p.A. acquired 20 million shares in Pirelli S.p.A. for a total consideration of €75,455 thousand, increasing its stake in the company to 4.78%;
   - in January 2021, Brembo acquired a 100% interest in the capital of SBS Friction A/S, a Danish company

2 On the basis of a non-binding opinion from the Board of Statutory Auditors, on 23 April 2020 the Board of Directors confirmed Chief Administration & Finance Officer, Andrea Pazzi, in his role as Manager in charge of the Company's financial reports. The assignment is set to expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.

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.

that develops and manufactures brake pads for motorbikes using eco-friendly sintered organic materials. The enterprise value of the transaction was 300 million Danish krone, equivalent to approximately €40.3 million.

3. 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 acknowledged 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.

4. In accordance with the provisions of Legislative Decree No. 49 of 10 May 2019, in 2020 Brembo adopted a process for the temporary exemption from its Remuneration Policy, implemented in the event of exceptional circumstances, where such an exemption concerning the contents of the said Policy is required in order to pursue the Group's long-term interests and sustainability as a whole. During July 2020, following the extraordinary situation that arose due to the Covid-19 emergency, the Remuneration & Appointments Committee verified the presence of an exceptional situation, and thus formulated the proposals to review the 2020 remuneration policies, with a particular focus on the short and long-term incentive systems (2020 MBO and 2019-2021 LTIP). These proposals were examined in advance by the Audit, Risks & Sustainability Committee in its capacity as Related Party Transactions Committee, jointly with the Board of Statutory Auditors, which expressed a positive opinion on the matter. Subsequently, these exceptions were approved by the Board of Directors at the meeting of 29 July 2020. For further details, reference should be made to the 2021 Remuneration Policy and Remuneration Paid, pursuant to Article 123-*ter* of TUF.

5. In line with the above, after 23 February 2021, the Audit & Risk Committee, in its capacity as Related Party Transactions Committee, jointly with the Board of Statutory Auditors, examined the Remuneration & Appointments Committee's proposal to align the 2021 targets of the 2019-2021 LTIP. This was deemed necessary for purposes of pursuing the long-term interests and sustainability of the Company as a whole, since it ensures the retention and engagement of Brembo's key resources, and in order to protect business continuity in a context of great uncertainty. This proposal was approved by the Board of Directors on 4 March 2021.

6. As regards the Related Party Transactions Procedure, lastly updated on 9 May 2019 to introduce the changes concerning only the organisational aspects relating to the Company's Administration & Finance Department, confirmation was given of the "threshold" for identifying the so-called "Low Value Transactions" (€250,000), and the update of the "Significance Indices" for the identification of "Highly Significant Transactions" based on the figures of the 2019 Consolidated Financial Statements approved by the Shareholders' Meeting of 23 April 2020.

7. The Board of Statutory Auditors also verified that the Audit, Risks & Sustainability Committee, in its capacity as Related Party Transactions Committee, was regularly updated regarding:
   - the list of Brembo's Related Parties;
   - Transactions with Related Parties not subject to application of the procedural regimes provided for by Brembo's Procedure for Low Value and Highly Significant Transactions.

8. It bears noting that the Company acknowledged the amendments to the Rules for Issuers and the Regulations on Related Party Transactions introduced by Consob Resolution No. 21364 on 10 December 2020, which will

become effective on 1 July 2021. New developments are currently being analysed and examined with a view to updating the Procedure and introducing all new provision by 30 June 2021.

9. With reference to the own shares buy-back programme authorised by the General Shareholders' Meeting on 23 April 2020, as at the date of approval of this Report, the Company has not yet launched the plan. The Company holds 10,035,000 own shares representing 3.005% of share capital.

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.
2. With regard to the preparation of the Separate and Consolidated Financial Statements for the year ended 31 December 2020, the Board of Statutory Auditors acknowledges that the Board of Directors approved — independently and prior to the approval of the said Financial Statements for the year ended 31 December 2020 (see Bank of Italy-Consob-ISVAP Document, jointly issued on 3 March 2010) — the compliance of the impairment testing procedure with the provisions of 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.
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 2020, 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 oversaw the adequacy and functioning of the Internal Control and Risk Management System by attending meetings of the Audit, Risk & Sustainability Committee, attending meetings with the Risk Management Function, with the Legal Function for compliance matters, obtaining information from the Manager in charge of the internal control and risk management system, from other business Functions, representatives of the Independent Auditors and the Supervisory Board. The Board of Statutory Auditors

also had meetings with the Head of Group Internal Audit, from whom it obtained information on the state of implementation of the Audit Plan for the year, the results of the checks carried out and remedial activities implemented and planned, as well as on related follow-up activities.

6. It is acknowledged that on its meeting of 25 February 2021, the Board of Statutory Auditors met the new Head of Risk Management, who joined Brembo on 1 February 2021.
7. 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.
8. 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), met the DPO and received a copy of the DPO's Annual Report to the Board of Directors;
9. The Board of Statutory Auditors oversaw the adequacy of the administrative-accounting system through meetings with the Chief Administration and Finance Officer and Manager in charge of the Company's financial reports and with the Independent Auditors EY S.p.A., also in order to exchange data and information.
10. 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", also through the related Annual Report it received.
11. The Board of Statutory Auditors held specific meetings with the Chief Information Officer, who also reported on IT 27001 Systems Certification (a process that will carry on in countries supplying OE customers) and with the Head of Health & Safety, who illustrated the reports of audits carried out both by the H&S Central Function and the Internal Audit Function on Covid-19 protocols.
12. The Board of Statutory Auditors oversaw the constant updating of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01 (hereafter "231 Model") and its functioning, as well as its fitness and efficacy in preventing liability in relation to predicate offences, through attendance at Supervisory Board meetings. 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.
13. In 2020, work continued on updating the Model pursuant to Legislative Decree No. 231/01 in compliance with the regulatory changes introduced in 2020, and the risk assessment for sensitive processes and related preventive protocols that have led to the introduction of a new Special Section dedicated to Tax Offences. At the same time, it was verified, by monitoring and checking the application of the related control protocols, that, despite the ongoing emergency health situation, no changes were made to the controls that remained valid even during the Covid-19 period, nor were there any impact on the control, monitoring and prevention activities for 231 offences, which are continuously ongoing.
14. 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 2020 also involved external stakeholders

(customers, suppliers, trade associations and insurance companies) — and the process of collecting and validating data at a worldwide level in order to prepare the said Disclosure (which also entailed the update to the Procedure PG.W.CSRO-06 “Process of drafting the Consolidated Disclosure of Non-financial Information pursuant to Legislative Decree No. 254/2016”).

It bears noting that the aforementioned audit activities did not identify any omissions, censurable conduct or irregularities that would need to be reported in this document. The Risk Management Function, the Legal Function, H&S, Internal Audit and the Supervisory Board, that the Board of Statutory Auditors met regularly, have not reported any particular critical issues falling within their respective remits. In addition, the Annual Report on Corporate Governance and the Ownership Structure did not highlight any criticalities that need to be reported in this document.

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 2020.
   As already reported, it should be noted that in 2020, with a favourable opinion from the Audit, Risks & Sustainability Committee in its role as Related Party Transactions Committee, from the Remuneration & Appointments Committee and from the Board of Statutory Auditors, the derogations regarding to the proposals to review the 2020 remuneration policies were examined and approved by the Board of Directors, with a particular focus on the short- and long-term incentive systems (2020 MBO) and the alignment of the 2021 targets of the 2019-2021 LTIP.
   The Company analysed the impacts of the changes introduced by Legislative Decree No. 49 of 10 May 2019, 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 with CONSOB Notice No. 21623 dated 10 December 2020 on the new disclosure layouts of Annex 3A, Scheme 7-*bis*, to the Rules for Issuers, in order to integrate these changes into the remuneration policies to be submitted to the Shareholders’ Meeting convened for 22 April 2021 and into the 2021 Remuneration Policy and Remuneration Paid.
2. The main aspects of the new short- and long-term remuneration policies for 2021, approved by the Board of Directors during the meeting held on 4 March 2021, having heard the opinion of the Remuneration & Appointments Committee and the Board of Statutory Auditors, are illustrated in the 2021 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 22 April 2021.
3. 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 in connection with the matters in the purview of the Board of Statutory Auditors.
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, 19 March 2021, 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 2020.
   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-*b0is*, paragraph 4, of TUF are consistent with the Company's Separate Financial Statements and Consolidated Financial Statements for the year ended 31 December 2020.
4. On that same date, the Independent Auditors in addition provided the 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, the report addresses certain matters, without contradicting the opinions in question. It bears mentioning here that, in addition to the significant matters identified as "key aspects of the audit" in the aforementioned reports on the Separate and Consolidated Financial Statements, the Independent Auditors emphasise other significant, but not material risks, such as those relating to taxes, the Patent Box and the issue of revenue recognition. The said 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.
5. 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. 39/2010, 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 Administrative 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.
6. Lastly, on 19 March 2021, the Independent Auditors issued an ad-hoc report confirming the preparation of the Disclosure of Non-Financial Information and certification of compliance (limited assurance review) expressing an unqualified opinion.
7. 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 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)	2020 fees	2019 fees
Independent Auditors' fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	225	225
- to the subsidiaries (services provided by the network)	422	422
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	71	81
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
- other services rendered to subsidiaries	2	1

The Board of Statutory Auditors deemed the fees for 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.

Recommendation for the appointment of the new Independent Auditors

1. In 2020, Brembo launched the procedure for the selection of the new Independent Auditing Firm, to be appointed to carry out the audit engagement for the 2022-2030 financial years.
2. In its role as Internal Control and Audit Committee, the Board of Statutory Auditors:
   - preliminarily shared with the relevant corporate functions the selection process for identifying the audit firms to which the requests for bids were addressed, according to transparent and non-discriminatory criteria, as required by law. As a result, participation was open to bidders with adequate expertise and experience in the sector and with suitable organisation to perform the audit of a Group having the characteristics of Brembo;
   - supervised the selection process put in place by the Company with regard to the choice of the Audit Firm to be contacted, the structure of the request for proposal, during the stages of the process, as well as the scoring system adopted and the implementation of the evaluation grid, in order to ensure full traceability of the selection procedure;
   - on 25 February 2021, issued the related Recommendation pursuant to Articles 13, paragraph 1, and 17, paragraph 1, of Legislative Decree No. 135 of 17 July 2016 and Article 16 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014, indicating to Brembo S.p.A.'s Board of Directors to submit to the General Shareholders' Meeting to be held on 22 April 2021 to engage for the 2022-2030 years one of the following audit firms: Deloitte & Touche S.p.A. or PricewaterhouseCoopers S.p.A., expressing a preference for the former.

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

1. The Board of Statutory Auditors gave opinions or expressed observations required by current legislation regarding (i) the remuneration policies, contained in the 2021 Remuneration Policy and Remuneration Paid, with reference to the Executive Deputy Chairman, Chief Executive Officer and management of the Group, (ii) the process of derogation from the remuneration policies due to Covid-19 on the short and long-term incentive systems (2020 MBO and 2019-2021 LTIP).
2. 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.
3. Finally, the Board of Statutory Auditors emphasises that it issued, on 3 March 2021, a compliance opinion regarding the process followed by the Company to determine the value of the shares to allow the Shareholders to exercise the right of withdrawal, pursuant to Article 2437-*ter* of the Italian Civil Code, following the proposal, to be formulated by the Board of Directors at the ordinary and extraordinary Shareholders' Meeting called for 22 April 2021, to amend Article 4 of the By-laws, entitled "Purpose".

Assessment of the impacts of the Covid-19

The year 2020 was greatly impacted by the Covid-19 pandemic from the economic and social point of view, and saw all companies at global level engaged on tackling a massive health emergency situation.
Brembo has been following developments relating to the spread of the Covid-19 very closely since the outbreak of the emergency, establishing a dedicated task force and promptly adopting all necessary measures to monitor, prevent and contain the pandemic at all of its locations worldwide.
In the first six months of 2020, all Group's plants were subject to lockdown periods, whose length varied from one country to the next. In view of the production sites' reopening, the Group has defined all necessary measures aimed at combating the virus and protecting the health of employees and contractors such as: rearrangement of production layouts, sanitisation of the premises, purchases of personal protective equipment, temperature measurement with heat scans, circulation of hygiene rules and social distancing, and extended remote working.
In addition to the decision not to distribute dividends drawing on the 2019 profit, in order to support the Group's financial solidity and contain future impacts on its economic and financial performance, the Group's financial structure was further reinforced by entering into new medium/long-term loans.
Redundancy schemes and other forms of public support were activated to protect workers in all countries and contain the cost of idle personnel. In addition, plans were drawn up to contain discretionary, sponsorship and marketing costs and reduce or postpone investments, while also renegotiating several supply and lease contracts and implementing measures to contain working capital.
The Illustrative Report to the Financial Statements for the year ended 31 December 2020 provides details of the measures adopted to protect the Company's stakeholders during the Covid-19 emergency, the measures to mitigate the impact on profitability and cash generation and strengthen the Group's financial structure, the accounting impact of contributions and concessions from the various government authorities, designed to compensate even partially for the effects of the decline in revenues caused by the lockdown measures.
In this context and in consideration of the numerous regulations issued by the Italian authorities, and taking into account Consob Communication No. 1 of 16 February 2021, the Board of Statutory Auditors paid particular

attention to the planning process put in place by the Company, considering the possible impacts on the goals and business risks resulting from the pandemic, the use of economic support measures and their eventual stoppage, also overseeing the repercussions for the financial data of the actions put in place by the Administration Department. To this end, the reporting flows with the said Department, responsible for preparing the draft Financial Statements, were intensified, as were meetings with the Independent Auditors, even though held "remotely" in certain cases, in order to mutually exchange useful information for carrying out their respective duties also pursuant to Article 150, paragraph 3, of TUF.
The Board of Statutory Auditors has verified that in the 2020 Financial Report the Directors, in accordance with Consob and ESMA (European Securities and Markets Authority) recommendations, included the information set out above. In view of the forthcoming publication of this report, the Board of Statutory Auditors discussed with the Independent Auditors regarding the fair value measurement of company assets and liabilities, as at the date of the 2020 Financial Report, in accordance with IFRS 13, having regard to the aforementioned unusual situation that has emerged; the Board of Statutory Auditors did not acquire any information requiring disclosure in this report.

As for the annual Shareholders' Meeting called for 23 April 2021, the Board of Statutory Auditors reports that Decree Law No. 18 of 17 March 2020 ("Cura Italia"), as most recently extended under Decree Law No. 183 of 31 December 2020 ("Milleproroghe"), authorises the holding "behind closed doors" of ordinary and extraordinary shareholders' meetings, allowing companies to make provision in the notices of calling, also by way of derogation from the provisions of the By-laws, for the use of those tools — such as voting by correspondence, electronic voting, attending meetings using telecommunication media, the designated representative — that allow attendance at meetings and expression of voting rights without the need for shareholders to be physically present in a single place.

In this regard, 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.

Proposals for the Shareholders' Meeting regarding the Financial Statements for the year ended 31 December 2020 and allocation of the profit for the year

Having acknowledged the Financial Statements for the year ended 31 December 2020, 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' motion regarding the distribution of an (ordinary) gross dividend of €0.22 per (ordinary) share outstanding and the carry forward of the residual ascertained profit for the year.

It bears also reminding that the approval of the Financial Statements at 31 December 2021 by the General Shareholders' Meeting marks the end of the nine-year legal auditing mandate entrusted to EY S.p.A. for the period 2013-2021. Therefore, in its role as the Internal Control and Audit Committee, on 25 February 2021, the Board of Statutory Auditors issued a recommendation prepared pursuant to Articles 13, paragraphs 1, and 17, paragraph 1, of Legislative Decree No. 135 of 17 July 2016 and Article 16 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014.

Milan, 19 March 2021

THE BOARD OF STATUTORY AUDITORS

Raffaella Pagani (Chairwoman)

Mario Tagliaferri (Acting Auditor)

Paola Tagliavini (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 2020:
- 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 2020 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

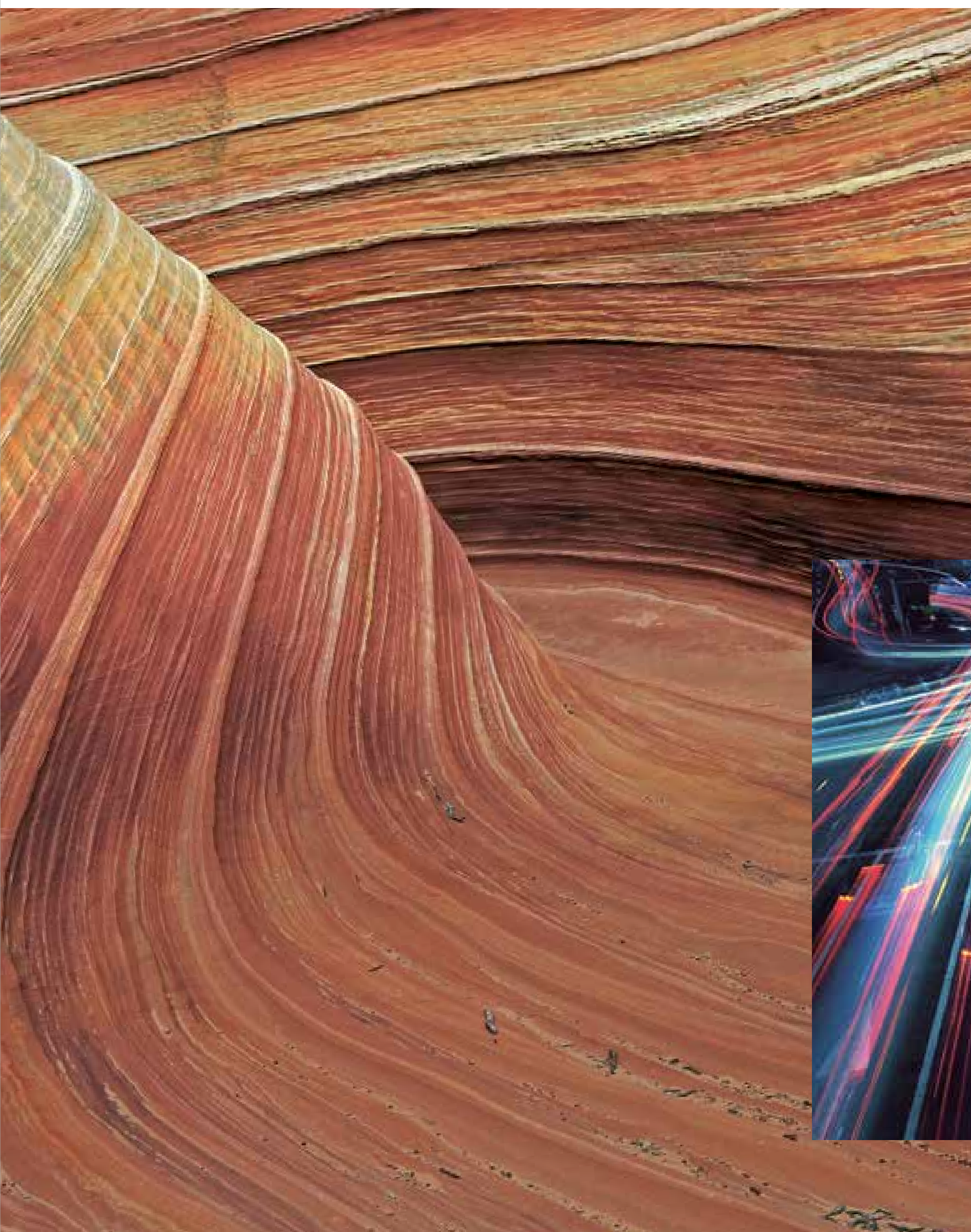
c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

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.

4 March 2021

Matteo Tiraboschi
Executive Deputy Chairman

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



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