



**ANNUAL
FINANCIAL
REPORT
2022**

2022 CONSOLIDATED DISCLOSURE
OF FINANCIAL INFORMATION
IN ACCORDANCE WITH LEGISLATIVE
DECREE No. 254/2016

Brembo S.p.A.

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

ANNUAL FINANCIAL REPORT 2022

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THE PERFECT FIGURE

Changing one's own essence.
A transformation
embodied in the perfection of the circle,
the symbol of balance and expansion,
of continuity and movement.



CALLING OF THE ORDINARY SHAREHOLDERS' MEETING

The Shareholders are convened to the Ordinary Shareholders' Meeting to be held at the Company offices at Viale Europa 4 (Entry Gate 1), 24040 Stezzano (Bergamo) on **20 April 2023 at 10:30 a.m., in single call**, 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 2022, 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 2022, 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 2022, according to Legislative Decree No. 254/2016.
5. Authorisation for the buy-back and disposal of own shares, prior revocation of the previous authorisation passed on the Shareholders Meeting dated 21 April 2022, remained unexecuted. Relevant and ensuing resolutions.
6. Determination of the number of members of the Board of Directors. Relevant and ensuing resolutions.
7. Determination of the duration of the Board of Directors' term of appointment. Relevant and ensuing resolutions.
8. Appointment of the members of the Board of Directors. Relevant and ensuing resolutions.
9. Appointment of the Chairman of the Board of Directors. Relevant and ensuing resolutions.
10. Determination of the total remuneration of Directors for each annual term. Relevant and ensuing resolutions.
11. Appointment of the Board of Statutory Auditors (three Acting and two Alternate Auditors). Relevant and ensuing resolutions.
12. Appointment of the Chairman of the Board of Statutory Auditors. Relevant and ensuing resolutions.
13. Determination of the annual remuneration of the members of the Board of Statutory Auditors for each annual term. Relevant and ensuing resolutions.
14. Report on the Remuneration Policy for 2023 and Remuneration Paid in 2022: examination of the 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 2023). Resolutions pursuant to Article 123-ter, paragraphs 3-bis and 3-ter, of Legislative Decree No. 58 of 24 February 1998.
15. Report on the Remuneration Policy for 2023 and Remuneration Paid in 2022: examination of Section II, drawn up pursuant to Article 123-ter, paragraph 4, of Legislative Decree No. No. 58 of 24 February 1998 (i.e., Remuneration paid in 2022). Resolutions pursuant to Article 123-ter, paragraph 6, of Legislative Decree No. 58 of 24 February 1998.

Stezzano, 2 March 2023

On behalf of the Board of Directors

The Chairman
Matteo Tiraboschi



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LETTER FROM THE CHAIRMAN

Dear Shareholders,

In the opening letter of last year's Annual Financial Report, I wrote to you for the first time in my capacity as Brembo's Executive Chairman, feeling the same emotion and sense of responsibility that I continue to feel today for holding this role.

Now, I am writing to you again, at the end of a year – 2022 – without precedent in our Company's history, and not only in terms of the results achieved. Brembo continued its pursuit of growth according to the natural approach that has always set us apart, and that our Chairman Emeritus Alberto Bombassei has passed down to us: a passion for our work, consistency and maximum quality of customer service.

There was no shortage of challenges in 2022 as well. The past few years have been complex ones. The effects of sometimes unforeseeable global phenomena have presented — and continue to present — companies and individuals with difficult choices. Brembo's long experience teaches us that it is precisely at such times that we have the opportunity to show our value.

The strategic decisions we have made in recent years are proving highly satisfactory. In 2022, the Group's net consolidated revenues amounted to €3,629 million, up by 30.7% compared to 2021. This figure was positive in all the segments in which we operate, thus confirming our market leadership. For the first time, we passed the three billion milestone: an achievement that was made possible by the efforts of all of the about 15,000 Brembo People worldwide, who work daily to develop our Company. Their fundamental contribution is reason for my constant gratitude.

These results enable us to invest in an even more solid future. The automotive sector has been experiencing a phase of deep changes, and not only from a technological standpoint. For this reason, research and development remain our beacon. In particular, the efforts we are making on software and electronics for the digital innovation of our solutions are more and more important for us today.

In addition to what we do at our R&D centres worldwide, including the Brembo Inspiration Lab in California, we are paying increasing attention to the innovation that we can introduce from outside. In 2022, we therefore launched Brembo Ventures, the company unit aimed at investing in technological start-ups with which to collaborate directly to speed up the development of new solutions.

Our capabilities also continued to expand. In 2022, we signed a 50/50 joint venture agreement with Gold Phoenix to open the first Brembo production plant in China fully dedicated to large-scale manufacturing of innovative brake pads for the aftermarket segment.

It was precisely in this segment that we introduced a significant product innovation in September 2022: Greenance, a new range of special alloy discs and brake pads more respectful of the environment.

Sustainability was thus confirmed as the core of Brembo's business strategy, not only with regards to products. In fact, we are pursuing an ambitious objective: becoming a net-zero company by 2040. Our Consolidated Disclosure on Non-financial Information provides an in-depth update of our tangible actions towards sustainable growth.

It is a source of pride to me to also cite Brembo's constant successes in the racing world. In 2022, Brembo again witnessed great victories: we reached the milestone of over 600 global titles since 1975 in a discipline like motor sports, which is the essence of passion and competition — two of the traits that have always distinguished Brembo.

The Executive Chairman
Matteo Tiraboschi





DRIVEN BY OUR VISION

“TURNING ENERGY INTO INSPIRATION”

Electrification, digitalisation, autonomous driving and environmental sustainability are macro-trends that have been at the centre of the automotive world and the strategies of the market’s main players for some years.

Within this scenario, Brembo has been pursuing its mission of becoming a Solution Provider by proactively rising to the challenges posed by the ongoing transformation, focusing on the needs and desires of the new generations, which will be the users of tomorrow.

Brembo continues to invest significantly in innovation, driven by its vision “Turning Energy into Inspiration”, which encourages the Group to extend its sphere of influence to embrace energy management in its broader meaning, not only in terms of components, but also in its role as authoritative systems

provider. In addition to innovative hydraulic and mechanical components, innovation is also applied to software and artificial intelligence: this combination allows to aim at a high added-value product and service integration in order to anticipate the new mobility paradigms.

This approach is also pursued in the innovative processes that Brembo is implementing to generate and develop new ideas, through a path founded on three pillars — Digital, Global and Cool Brand — that set the growth direction for the forthcoming future.

In 2022, the Group continued to implement strategic projects within the three Pillars through dedicated working groups that leverage a shared leadership and the cross-cutting competencies of all parties involved, engaging all Group Regions.

DIGITAL

The world has entered the era of artificial intelligence applications focusing on data processing. The ability to analyse and manage data is a crucial skill for continuing to grow and create innovation. Accordingly, Brembo has set itself an ambitious goal: becoming a company that, alongside the production of braking systems, is able to develop and offer all-round solutions to its customers through the widespread dissemination of a solid data culture within the Group and an increasingly data-driven approach. For further details on Brembo's transformation into a Solution Provider, reference should be made to paragraph "1.2 Digital Transformation Programme: from Product Business to Solution Provider" of the Annual Sustainability Report 2022.

GLOBAL

Brembo has long ago embarked upon its decentralisation path and has now become a Group operating in 15 countries worldwide. Within this context, the Global Pillar aims to balance the Group's international footprint, not only from a commercial standpoint, but also in terms of technology and innovation, by developing and encouraging excellence at local level for the benefit of a global organisation based on multiculturalism, appreciative of diversity and with inclusion as a shared value.

COOL BRAND

Brembo does not set limits on creativity and considers it essential to continuously engage in strengthening its brand, anchoring it to new trends that are reconfiguring mobility in line with the values and sensibilities of the new generations, especially Generation Z. The objective is thus to identify their passion, needs and tastes, and translate them into a unique brand experience able to generate tangible solutions. The year 2022 saw the implementation of several projects as part of the Cool Pillar: Hackathon was the first to be launched, as described in paragraph "6.4 Listening to Customers for Product Improvement" of the Annual Sustainability Report 2022.

Last but not least, at the heart of the Group's strategic vision there is also an overarching commitment to sustainability that has become a *modus operandi* within Brembo, permeating all activities, processes and products. This sustainably-driven approach is increasingly present also in the relationship with its employees, with its supply chain and in the local areas in which the Group operates.



COMPANY OFFICERS

Chairman Emeritus ⁽¹⁾

Alberto Bombassei

Board of Directors ⁽²⁾

EXECUTIVE CHAIRMAN

Matteo Tiraboschi

CHIEF EXECUTIVE OFFICER

Daniele Schillaci

DIRECTORS

Valerio Battista ^{(3) (8)}
Cristina Bombassei ⁽⁴⁾
Nicoletta Giadrossi ^{(3) (5)}
Elisabetta Magistretti ⁽³⁾
Umberto Nicodano ⁽⁶⁾
Manuela Soffientini ⁽³⁾
Elizabeth M. Robinson ⁽³⁾
Gianfelice Rocca ⁽³⁾
Roberto Vavassori ⁽⁷⁾

Board of Statutory Auditors ⁽⁹⁾

CHAIRWOMAN

Raffaella Pagani ⁽⁵⁾

ACTING AUDITORS

Mario Tagliaferri
Stefania Serina ⁽¹⁰⁾

ALTERNATE AUDITORS

Myriam Amato ⁽⁵⁾

Independent Auditors

Deloitte & Touche S.p.A. ⁽¹¹⁾

Manager in Charge of the Company's Financial Reports

Andrea Pazzi ⁽¹²⁾

Committees

AUDIT, RISK & SUSTAINABILITY COMMITTEE ⁽¹³⁾

Elisabetta Magistretti (Chairwoman)
Nicoletta Giadrossi
Manuela Soffientini

REMUNERATION & APPOINTMENTS COMMITTEE

Nicoletta Giadrossi (Chairwoman)
Elizabeth M. Robinson
Manuela Soffientini

SUPERVISORY COMMITTEE

Giovanni Canavotto (Chairman) ⁽¹⁴⁾
Elisabetta Magistretti
Matteo Tradii ⁽¹⁵⁾

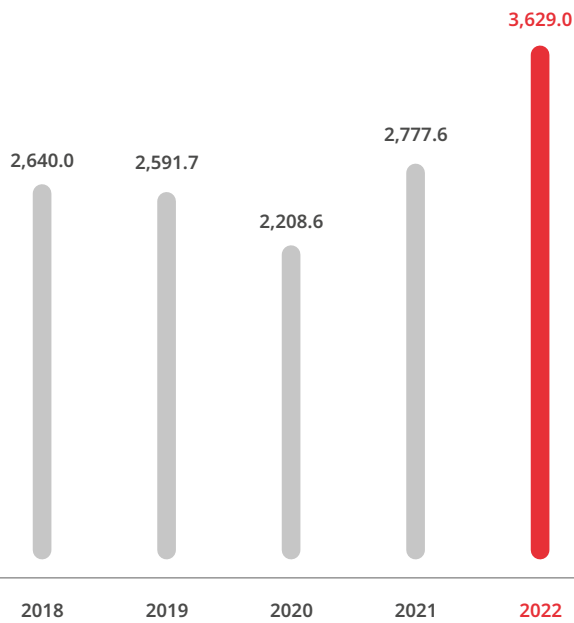
- (1) Appointed for an indefinite period.
 (2) In office until the Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2022.
 (3) Non-Executive and Independent Directors.
 (4) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System, as well as of Chief CSR Officer.
 (5) Director/Statutory Auditor elected from a minority list.
 (6) Non-executive Director.
 (7) Executive Director.
 (8) This Director also holds the position of Lead Independent Director.
 (9) In office until the Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2022. This Board holds the role of Internal Control & Audit Committee pursuant to Article 19 of Legislative Decree No. 39/2010.
 (10) Alternate Auditor with effect from 29 April 2022, appointed following resignation of Acting Auditor P. Tagliavini, in compliance with the law and the By-laws.
 (11) Appointed by the Shareholders' Meeting of 22 April 2021 for the years from 2022 to 2030.
 (12) 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 ended 31 December 2022.
 (13) This Committee also acts as the Related Party Transactions Committee.
 (14) Independent Expert.
 (15) Chief Internal Audit Officer.



SUMMARY OF GROUP RESULTS

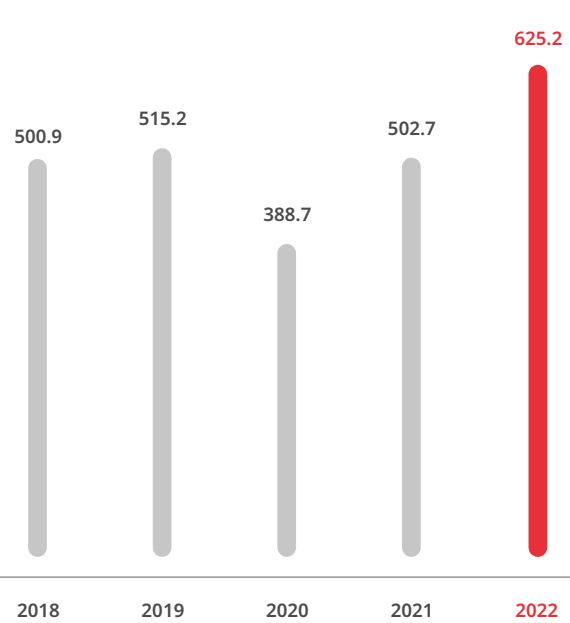
REVENUE FROM CONTRACTS WITH CUSTOMERS

(euro million)



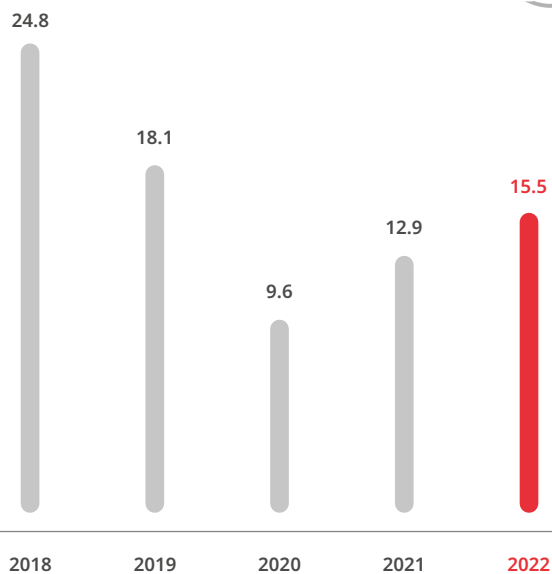
GROSS OPERATING INCOME

(euro million)



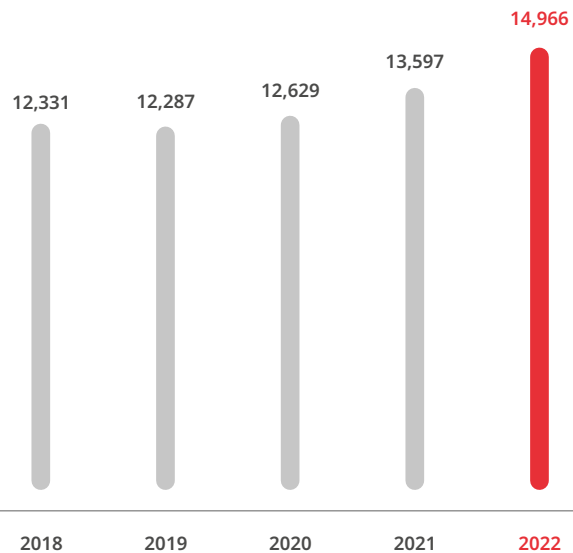
ROI

(percentage)



PEOPLE AT END OF YEAR

(number, including agency workers)



ECONOMIC RESULTS

(EURO THOUSAND)	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	% 2022/2021
Revenue from contracts with customers	2,640,011	2,591,670	2,208,639	2,777,556	3,629,011	30.7%
Gross operating income	500,885	515,169	388,685	502,696	625,204	24.4%
% on revenue from contracts with customers	19.0%	19.9%	17.6%	18.1%	17.2%	
Net operating income	345,064	318,539	181,135	287,981	382,844	32.9%
% on revenue from contracts with customers	13.1%	12.3%	8.2%	10.4%	10.5%	
Result before taxes	325,357	307,691	156,044	286,791	382,234	33.3%
% on revenue from contracts with customers	12.3%	11.9%	7.1%	10.3%	10.5%	
Net result for the year	238,349	231,301	136,533	215,537	292,833	35.9%
% on revenue from contracts with customers	9.0%	8.9%	6.2%	7.8%	8.1%	

FINANCIAL RESULTS

(EURO THOUSAND)	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	% 2022/2021
Net invested capital ⁽¹⁾	1,392,874	1,758,638	1,891,493	2,231,294	2,472,841	10.8%
Equity	1,228,822	1,388,015	1,481,041	1,796,120	1,947,013	8.4%
Net financial debt ⁽¹⁾	136,911	346,189	384,677	411,837	502,044	21.9%

EMPLOYEES AND INVESTMENTS

(EURO THOUSAND)	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022	% 2022/2021
Employees at end of year (No.)	10,634	10,868	11,039	12,225	12,956	6.0%
Turnover per employee	248.3	238.5	200.1	227.2	280.1	23.3%
Net investments ^(*)	285,575	210,448	150,189	210,006	282,135	34.3%
Increases in leased assets	0	36,888	37,626	26,407	37,465	41.9%

MAIN RATIOS

	31.12.2018	31.12.2019	31.12.2020	31.12.2021	31.12.2022
Net operating income/Revenue from contracts with customers	13.1%	12.3%	8.2%	10.4%	10.5%
Income before taxes/Revenue from contracts with customers	12.3%	11.9%	7.1%	10.3%	10.5%
Net investments/Revenue from contracts with customers	10.8%	8.1%	6.8%	7.6%	7.8%
Net financial debt/Equity	11.1%	24.9%	26.0%	22.9%	25.8%
Adjusted net interest expense ^(**) /Revenue from contracts with customers	0.5%	0.6%	0.8%	0.3%	0.4%
Adjusted net interest expense ^(**) /Net operating income	4.0%	4.5%	9.4%	3.4%	3.4%
ROI	24.8%	18.1%	9.6%	12.9%	15.5%
ROE	19.7%	17.3%	9.3%	12.0%	15.1%

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.

(1) It bears recalling that the Group adopted the new IFRS 16 effective 1 January 2019.

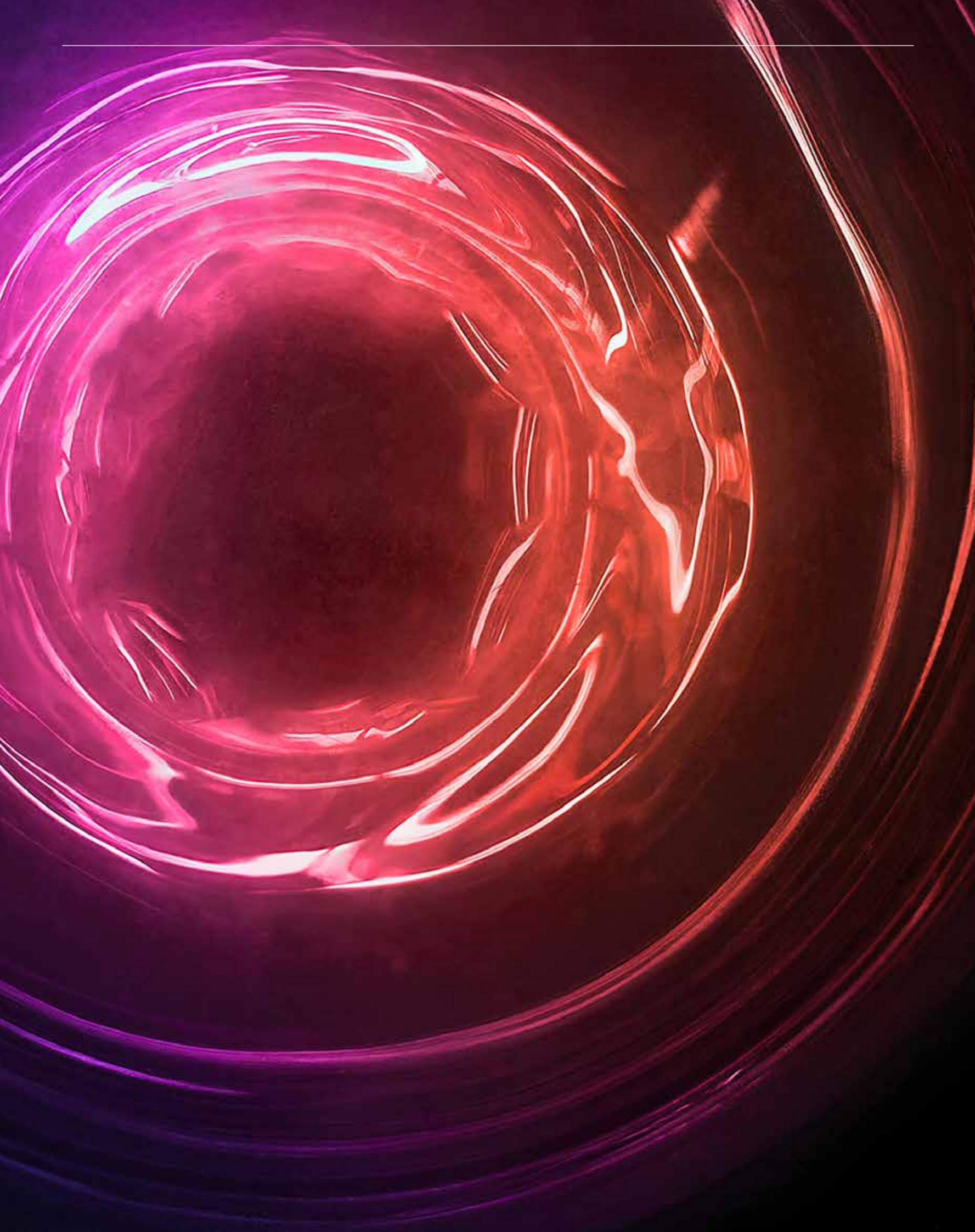
(*) Net investments in property, plant, equipment and intangible assets, calculated as the sum total of increases (net of decreases) of property, plant and equipment and intangible assets.

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



UNSTOPPABLE ENERGY

Turning energy into tangible inspiration,
unafraid of what has never before been seen or tried.
Constantly expanding knowledge and horizons
to stand alongside each of our partners, from the first step.



1. DIRECTORS' REPORT ON OPERATIONS

BREMBO AND THE MARKET

MACROECONOMIC CONTEXT

To correctly assess Brembo's performance in 2022, it is essential to consider the world macroeconomic scenario, specifically for the markets in which the Group operates.

In spite of the seemingly less pessimistic forecast included in the IMF (International Monetary Fund) January 2023 WEO (World Economic Outlook) compared to its 2022 October report, a slowdown is confirmed for global economy for 2023. The report indicates a 3.4% increase for 2022, with a 2.9% decline for 2023, and a 3.1% recovery in 2024. The economies of advanced countries are expected to experience a more marked slowdown: from +2.7% in 2022 to 1.2% in 2023 and 1.4% in 2024. According to the IMF "The balance of risks remains tilted to the downside, but adverse risks have moderated since the October 2022 WEO. A stronger boost from pent-up demand in numerous economies or a faster fall in inflation are plausible. On the downside, severe health outcomes in China could hold back the recovery, Russia's war in Ukraine could escalate, and tighter global financing costs could worsen debt distress." Therefore, in most economies the priority is paying attention to the public debt of the most indebted countries due to tighter monetary conditions and lower growth potentially affecting financial stability in those countries. Equally important is accelerating COVID-19 vaccinations in China, which would safeguard the recovery, with positive global spillovers. Fiscal support should be targeted at those most affected by elevated food and energy prices, and broad-based fiscal relief measures should be withdrawn.

As far as the Eurozone is concerned, the IMF forecasts a 0.7% growth in 2023 and 1.6% in 2024. Germany growth will be close to zero in 2023 (+0.1%), with an acceleration in 2024 (1.4%), while projections for France are in line with the fall forecasts, with a +0.7% GDP in 2023 and +1.6% in 2024. For Italy, the IMF forecasts a 0.6% rise in 2023, following a +3.9% in 2022, with a +0.9% recovery. An upward revision is expected in 2024 compared to the 0.2% decline previously forecast for 2023. The European economy will generally grow in all the main Western countries, except for the United Kingdom, where according to the IMF the

GDP will decline by 0.6% in 2023 (worsening compared to the +0.3% forecast in the October 2022 WEO). Compared to the economies of the Eurozone countries, which were "surprisingly resilient in the face of the large negative terms-of-trade shock from the war in Ukraine, such as the energy price spikes and the shortage of many commodities," the United Kingdom is less able to face with this situation. In January 2023, the Eurozone manufacturing composite PMI rose for the third consecutive month, indicating a marginal increase in economic activity and hinting at a resumption of growth, following the decline that began in early June 2022. The increase in confidence is a sign of a strong improvement in the business outlook for the next twelve months, whereas orders show a reduced rate of decline. Job growth also gained momentum, with companies preparing for a better year than previously forecast. For the first time since last July, service sector activity increased, rising from 49.8 points to 50.7, whereas manufacturing output rose from 47.8 to 49.0. Growth was driven by the technology sector, as well as by the health and pharmaceutical sector, with industrial services also resuming growth. However, there was a decrease in the impetus from financial services, including real estate services and basic resources, whereas sectors involving contact with the public, such as tourism, recreational activities and domestic products, showed signs of stabilisation after several months of decline. According to Chris Williamson, Chief Business Economist at S&P Global Market Intelligence: "A steadying of the Eurozone economy at the start of 2023 adds to evidence that the region might escape recession." Also adding: "More recently the reopening of the Chinese economy has helped to restore confidence in the broader global economic outlook for 2023, propelling business optimism sharply higher."

Turning to an analysis of other countries outside the Eurozone, it bears noting that the sudden reopening of China paves the way to a rapid recovery in activity in many

global economies. Global financial conditions improved when inflationary pressures began to relent. The growth of the United States, which closed 2022 with a 2.0% GDP, will slow down in 2023 to 1.4%, subsequently recovering in the second half of 2024, concurrently with the US presidential elections.

In 2023, the BRICS countries (Brazil, Russia, India, China and South Africa) accounted for 41% of the world population, in addition to accounting for 24% of global GDP and about 16% of global trade.

India confirmed its role as the driving force of world economy, with an expected 6.1% GDP for 2023 and 6.8% GDP for 2024 (both in line with the October 2022 WEO). In Russia, which closed 2022 down 2.2%, the outlook has improved for the next two years (+0.3% in 2023 and +0.6% in 2024), although a great deal of uncertainty remains due to the unforeseeable nature of the conflict with Ukraine. The spread of Covid-19 in China slowed growth in 2022, but the recent reopening should lead to a faster-than-expected recovery. According to the IMF estimates, growth is expected

to reach +5.2% in 2023 (+0.8pps compared to the October WEO), to then decrease to 4.5% in 2024 (in line with the previous estimates). On the final day of the World Economic Forum in Davos, in January 2023 the Managing Director of the IMF, Kristalina Georgieva, pointed to some positive signs from the Chinese economy, although in the previous year its growth had underperformed global average for the first time in decades. The IMF Chief Economist, Pierre-Olivier Gourinchas, stated: "The reopening of the country after the Covid-19 restrictions will have an impact on the supply side not only in terms of domestic demand, since for every percentage point of GDP growth in China there is a knock-out effect to the rest of the world of about 0.3%". In 2022, Brazil reported a lower growth than in 2021, with the GDP rise declining from 5.0% to 3.1%. According to the IMF's data, the GDP will further decrease to 2.1% in 2023 and 1.5% in 2024.

With regard to fossil fuel prices, the simple average of the prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil is forecast at \$81.13 in 2023 and \$75.36 in 2024.

CURRENCY MARKETS

In 2022, the US dollar began the period by depreciating slightly to over 1.1400. The currency then depreciated again, driving the rate to the high for the period of 1.1464 (4 February). Subsequently, it sharply reversed course, with a robust, rapid appreciation, driving the rate to reach the low for the period of 0.9565 (28 September). At the end of the period, the dollar showed a sharp and constant depreciation, closing at 1.0666, above the average for the period of 1.0539.

The Chinese yuan/renminbi opened the period above 7.20, followed by alternating phases of depreciation and appreciation, which brought the currency to a low for the period of 6.7518 (12 July). The subsequent months witnessed a constant depreciation trend, which led to a high for the pe-

riod of 7.5326 on 28 November. In December, the currency slightly appreciated, closing at 7.3582, above the average for the period of 7.0801.

The Polish zloty began the year moving within a lateral channel of 4.50-4.60, to then appreciate slightly to 4.4921 on 10 February, the low for the period. It then showed a sharp and decided depreciation, which drove it to the high of the period of 4.9525 (7 March). Subsequently, the currency appreciated again until mid-March, falling below 4.7000, to then reach 4.8000 at mid-July. In the subsequent months, the zloty faced a period of alternating phases to then close at 4.6808, in line with the average of the period of 4.6845.

Regarding the currencies of the main markets in which Brembo operates at an industrial and commercial level, the

table below shows the average, minimum and maximum closing values for 2022.

		2022 AVERAGE EXCHANGE RATE	EXCHANGE RATE AT 31.12.2022	HIGH FOR THE PERIOD	LOW FOR THE PERIOD
Euro	EUR	1.0000	1.0000	1.0000	1.0000
U.S. Dollar	USD	1.0539	1.0666	1.1464	0.9565
Chinese Renminbi	CNY	7.0801	7.3582	7.5326	6.7518
Polish Zloty	PLN	4.6845	4.6808	4.9525	4.4921
Czech Koruna	CZK	24.5603	24.1160	25.8660	24.1160
Pound Sterling	GBP	0.8526	0.8869	0.9027	0.8239
Indian Rupee	INR	82.7145	88.1710	88.2295	78.2655
Japanese Yen	JPY	138.0051	140.6600	147.5900	125.5500
Mexican Peso	MXN	21.2045	20.8560	23.5856	19.2363
Brazilian Real	BRL	5.4432	5.6386	6.4420	4.9682
Swedish Krona	SEK	10.6274	11.1218	11.1580	10.2300
Danish Krone	DKK	7.4396	7.4365	7.4457	7.4364
Russian Rouble	RUB	74.5447	76.1255	145.9011	54.5292
Argentine Peso	ARS	136.6746	188.5033	188.5033	116.1517

GROUP ACTIVITIES AND REFERENCE MARKET

Brembo is the world leader and acknowledged innovator in the development of braking solutions for automotive vehicles. It currently operates in 15 countries on 3 continents, through its production and business sites, and employs about 15,000 people worldwide. Manufacturing plants are located in Italy, Poland (Częstochowa, Dąbrowa Górnicza, Niepołomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Denmark (Svendborg), Spain (Barcelona), Mexico (Apodaca and Escobedo), Brazil (Betim), China (Nanjing, Langfang, Jiaying), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo), USA (Huntersville) 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 leading 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, brake hoses 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 that allows the Company to meet the needs of nearly all European vehicles.

In 2022, Brembo's consolidated net sales amounted to €3,629,011 thousand, up 30.7% compared to €2,777,556 thousand in 2021.

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 2022 with an overall sales decrease of 0.6% compared to 2021.

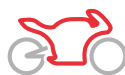
The Western European market (EU14+EFTA+United Kingdom) reported a 4.1% decline in car registrations compared to 2021. All the main markets closed the year on a negative note, with the exception of Germany (+1.1%): -9.7% in Italy, -7.8% in France, -5.4% in Spain, and -2.0% in the UK. The trend was negative also in Eastern Europe (EU12), with car registrations down by 4.2% compared to 2021. In Russia, light vehicle registrations closed 2022 reporting a 58.8% decrease in sales compared to the previous year.

In 2022, light vehicles sales in the United States dropped by 7.8% compared to 2021. Sales of light vehicles in Brazil and Argentina grew by 0.2% overall.

With reference to Asian markets, China closed 2022 on a positive note, with sales of light vehicles at +4.4% compared to 2021, thus remaining the number-one market in the world. By contrast, Japan recorded a negative trend, ending 2022 with a 5.2% decrease in sales.

Within this scenario, Brembo's net sales of car applications in 2022 amounted to €2,639,658 thousand, accounting for 72.7% of the Group's turnover, up by 30.5% compared to 2021.

MOTORBIKES



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

In 2022, registrations of two-wheel and three-wheel vehicles with displacements over 50cc or electric in Europe grew by 2.0% compared to 2021 (of which, +0.1% in Italy). Considering the registrations of two-wheel and three-wheel vehicles with displacements over 500cc alone, 2022 closed with a decline of 3.6% (by contrast, Italy recorded a +7.0% increase).

In 2022, in the United States registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) declined by 6.2% overall compared to 2021. Registrations of ATVs alone decreased by 12.7% compared to 2021, whereas motorbikes and scooters together declined by 3.5% overall.

In 2022, the Japanese market (considering displacements above 50cc overall) showed an 8.0% decrease compared to the previous year, whilst the Indian market (motorbikes and scooters together) rose by 7.0%. In Brazil, registrations grew by 17.7% overall compared to 2021.

In this context, Brembo's net sales of motorbike applications amounted to €477,084 thousand in 2022, up 44.3% (18.2% on a like-for-like consolidation basis) compared to €330,618 thousand for 2021.

COMMERCIAL AND INDUSTRIAL VEHICLES



In 2022, the European commercial vehicles market (EU+EFTA+UK) — Brembo's reference market — showed a 15.1% decrease in registrations.

In the reporting period, sales of light commercial vehicles (up to 3.5 tonnes) in Europe decreased by 18.4% compared to 2021, with a decline on the previous year in all the main markets by sales volume: -13.0% in Germany, -19.5% in France, -21.3% in Spain, -12.3% in Italy and -20.6% in the UK.

In Europe, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) increased by 3.5% in 2022 compared to the previous year. Among the first five European markets by sales volume, a positive result was reported by the United Kingdom (+5.9%), Italy (+2.3%) and Spain (+12.7%), whereas Germany and France declined (-3.5% and -1.0%, respectively). In Eastern European countries (EU12), sales of commercial vehicles over 3.5 tonnes rose by 11.5% in 2022 compared to the same period of the previous year.

In 2022, Brembo's net sales of applications in this segment amounted to €350,232 thousand, up 19.2% compared to €293,933 thousand for 2021.

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 2022, Brembo's net sales of applications in this segment amounted to €161,777 thousand, up by 23.7% compared to €130,750 thousand for 2021.

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SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

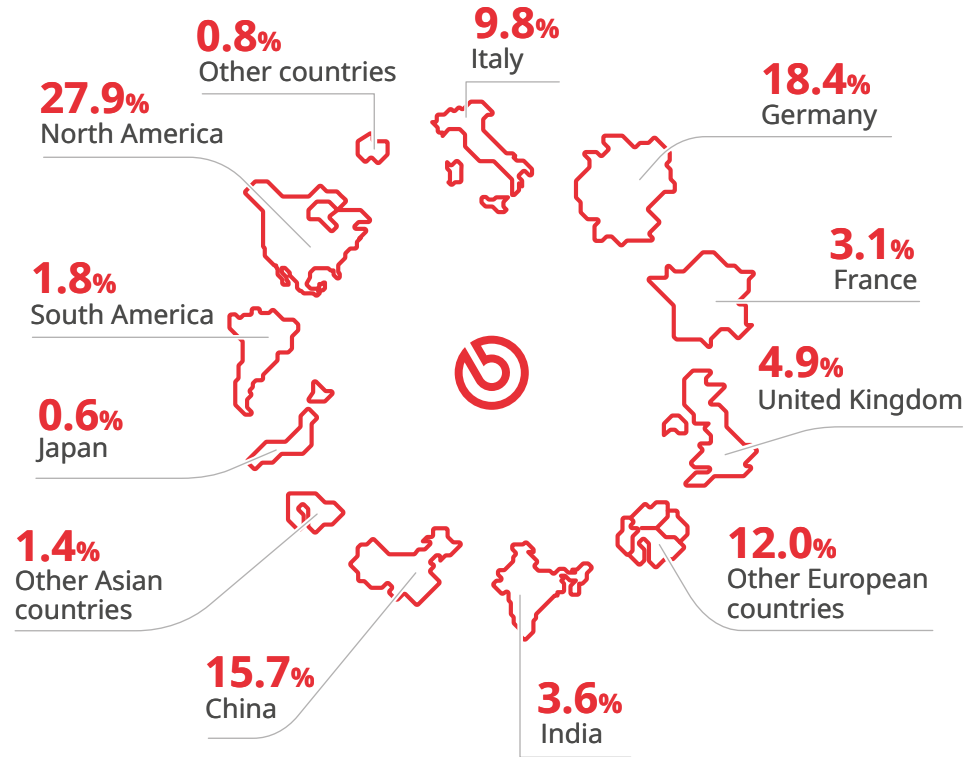
GEOGRAPHICAL AREA

(EURO THOUSAND)	31.12.2022	%	31.12.2021	%	CHANGE	%
Italy	354,814	9.8%	321,144	11.6%	33,670	10.5%
Germany	668,399	18.4%	499,512	18.0%	168,887	33.8%
France	111,781	3.1%	94,332	3.4%	17,449	18.5%
United Kingdom	178,425	4.9%	181,732	6.5%	(3,307)	-1.8%
Other European countries	436,292	12.0%	344,050	12.4%	92,242	26.8%
India	131,154	3.6%	93,401	3.4%	37,753	40.4%
China	568,044	15.7%	435,755	15.7%	132,289	30.4%
Japan	23,551	0.6%	26,044	0.9%	(2,493)	-9.6%
Other Asian countries	51,555	1.4%	45,346	1.6%	6,209	13.7%
South America (Argentina and Brazil)	64,818	1.8%	39,033	1.4%	25,785	66.1%
North America (USA, Mexico and Canada)	1,011,271	27.9%	679,666	24.5%	331,605	48.8%
Other countries	28,907	0.8%	17,541	0.6%	11,366	64.8%
Total	3,629,011	100.0%	2,777,556	100.0%	851,455	30.7%

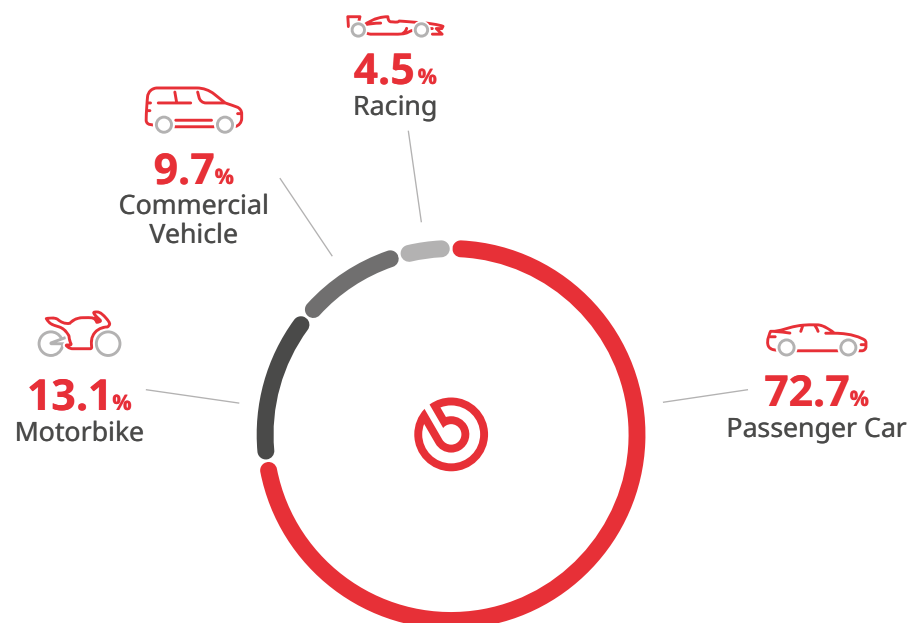
APPLICATION

(EURO THOUSAND)	31.12.2022	%	31.12.2021	%	CHANGE	%
Passenger Car	2,639,658	72.7%	2,022,225	72.8%	617,433	30.5%
Motorbike	477,084	13.1%	330,618	11.9%	146,466	44.3%
Commercial Vehicle	350,232	9.7%	293,933	10.6%	56,299	19.2%
Racing	161,777	4.5%	130,750	4.7%	31,027	23.7%
Miscellaneous	260	0.0%	30	0.0%	230	766.7%
Total	3,629,011	100.0%	2,777,556	100.0%	851,455	30.7%

NET SALES BREAKDOWN BY GEOGRAPHICAL AREA



NET SALES BREAKDOWN BY APPLICATION



BREMBO'S CONSOLIDATED RESULTS

CONSOLIDATED STATEMENT OF INCOME

(EURO THOUSAND)	31.12.2022	31.12.2021	CHANGE	%
Revenue from contracts with customers	3,629,011	2,777,556	851,455	30.7%
Cost of sales, operating costs and other net charges/income ^(*)	(2,404,558)	(1,783,561)	(620,997)	34.8%
Income (expense) from non-financial investments	16,931	15,318	1,613	10.5%
Personnel expenses	(616,180)	(506,617)	(109,563)	21.6%
GROSS OPERATING INCOME	625,204	502,696	122,508	24.4%
<i>% on revenue from contracts with customers</i>	17.2%	18.1%		
Depreciation, amortisation and impairment losses	(242,360)	(214,715)	(27,645)	12.9%
NET OPERATING INCOME	382,844	287,981	94,863	32.9%
<i>% on revenue from contracts with customers</i>	10.5%	10.4%		
Net interest income (expense) and interest income (expense) from investments	(610)	(1,190)	580	-48.7%
RESULT BEFORE TAXES	382,234	286,791	95,443	33.3%
<i>% on revenue from contracts with customers</i>	10.5%	10.3%		
Taxes	(88,193)	(70,752)	(17,441)	24.7%
Result from discontinued operations	(180)	(153)	(27)	17.6%
RESULT BEFORE MINORITY INTERESTS	293,861	215,886	77,975	36.1%
<i>% on revenue from contracts with customers</i>	8.1%	7.8%		
Minority interests	(1,028)	(349)	(679)	194.6%
NET RESULT	292,833	215,537	77,296	35.9%
<i>% on revenue from contracts with customers</i>	8.1%	7.8%		
BASIC AND DILUTED EARNINGS PER SHARE (euro)	0.90	0.67		

(*) 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".

Brembo's **net sales** amounted to €3,629,011 thousand in 2022, up 30.7% compared to 2021. On a like-for-like consolidation basis — thus excluding the contribution for the first ten months of the J.Juan Group from the results for 2022 — the Group's sales grew by 27.6%.

The car applications sector, which accounted for 72.7% of the Group's sales, closed 2022 with a +30.5% increase compared to the previous year. Similarly, all other applications reported a positive trend compared to 2021: applications for commercial vehicles closed at +19.2%, motorbike applications at +44.3% (+18.2% on a like-for-like consolidation basis), and racing applications at +23.7%.

At geographical level, and with specific reference to Europe, Germany reported a 33.8% growth compared to 2021. Nearly all the other European countries also reported positive results, with France up by 18.5% and Italy by 10.5%, whilst the United Kingdom closed with a 1.8% decline. Sales also rose by 48.8% in North America and by +66.1% in South America. In the Far East, China increased by 30.4% compared to 2021. India also grew (+40.4%), whereas Japan declined by 9.6%.

In 2022, the **cost of sales and other net operating costs** amounted to €2,404,558 thousand, with a 66.3% ratio to sales, up compared to 64.2% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €23,060 thousand compared to €23,189 thousand for 2021.

Income (expense) from non-financial investments amounted to €16,931 thousand and was chiefly attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€15,318 thousand in 2021).

Personnel expenses for 2022 amounted to €616,180 thousand, with a 17.0% ratio to sales, down compared to the previous year (18.2%). At 31 December 2022, people numbered 14,966 (13,597 at 31 December 2021), including agency workers, amounting to 2,010 (1,372 at 31 December 2021).

Gross operating income for 2022 was €625,204 thousand compared to €502,696 thousand in the previous year, with a 17.2% ratio to sales (18.1% in 2021).

Net operating income amounted to €382,843 thousand (10.5% of sales), compared to €287,981 thousand (10.4% of sales) in 2021, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets of €242,360 thousand, compared to depreciation, amortisation and impairment losses amounting to €214,715 thousand in 2021.

Net interest expense amounted to €8,509 thousand (€5,218 thousand in 2021) and consisted of net exchange gains of €4,637 thousand (net exchange gains of €4,439 thousand in 2021) and other net interest expense of €13,146 thousand (€9,657 thousand in 2021).

Net interest income from investments, which amounted to €7,899 thousand (€4,028 thousand in 2021), was chiefly attributable to the effects of valuing investments in associates using the equity method and dividends received by

investees not included in the consolidation area.

Result before taxes was a profit of €382,234 thousand, up 33.3% compared to €286,791 thousand for the previous year. Estimated taxation amounted to €88,193 thousand, with a tax rate of 23.1% (24.7% in 2021).

The **result from discontinued operations**, negative for €180 thousand, was attributable to the contribution of the company Brembo Argentina S.A. in dissolution and winding up procedure, reclassified to this item following the Group's decision, taken in 2019, to discontinue its industrial operations at the Buenos Aires plant.

The Group's **net result** was €292,833 thousand (8.1% of sales), up 35.9% compared to €215,537 thousand for the previous year (7.8% of sales).

STATEMENT OF FINANCIAL POSITION

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

- "Financial assets/liabilities" 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 2022 amounted to €2,472,841 thousand, up by €241,547 thousand compared to €2,231,294 thousand at 31 December 2021.

Net financial debt for 2022 amounted to €502,044 thou-

sand compared to €411,837 thousand at 31 December 2021. Net financial debt increased by €90,207 thousand in the year, mainly due to the combined effect of the following factors:

- the positive effect of gross operating income of €625,204 thousand, with a €210,322 thousand decrease in working capital;
- net investments totalling €282,135 thousand and increases in leased assets for €37,465 thousand;
- payment of taxes totalling €71,167 thousand;
- the Parent's payment of the approved dividends in the amount of €87,389 thousand;
- dividends received by the associate BSCCB S.p.A. totalling €15,000 thousand and by investees not included in the consolidation area amounting to €7,706 thousand.

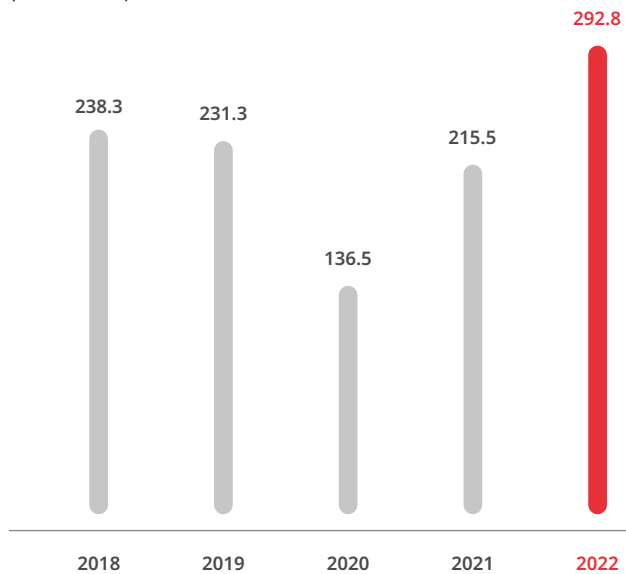
The Explanatory Notes to the Consolidated Financial Statements provide detailed information on the financial position and its assets and liabilities items.

STATEMENT OF FINANCIAL POSITION

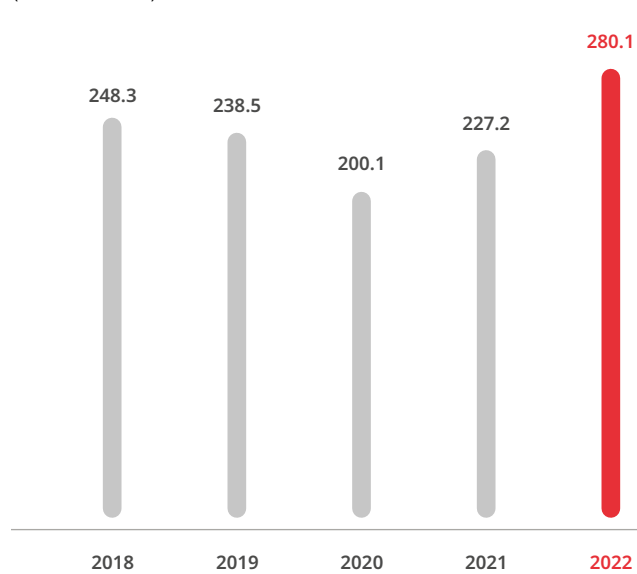
(EURO THOUSAND)	31.12.2022	31.12.2021	CHANGE
Property, plant and equipment	1,367,832	1,274,733	93,099
Intangible assets	300,422	297,319	3,103
Financial assets/liabilities	325,614	365,352	(39,738)
Other receivables and non-current liabilities	87,688	92,845	(5,157)
Fixed capital	2,081,556	2,030,249	51,307
			2.5%
Inventories	586,034	482,924	103,110
Trade receivables	594,253	468,222	126,031
Other receivables and current assets	130,345	136,162	(5,817)
Current liabilities	(860,086)	(802,011)	(58,075)
Provisions/deferred taxes	(59,248)	(84,144)	24,896
Hedging assets/liabilities	(13)	(29)	16
Net working capital	391,285	201,124	190,161
			94.5%
Net invested capital from discontinued operations	0	(79)	79
NET INVESTED CAPITAL	2,472,841	2,231,294	241,547
			10.8%
Equity	1,947,013	1,796,120	150,893
Employees' leaving entitlement and other personnel provisions	24,086	23,992	94
Medium/long-term financial debt	596,894	721,639	(124,745)
Short-term net financial debt	(94,850)	(309,802)	214,952
Net financial debt	502,044	411,837	90,207
			21.9%
Net financial debt from discontinued operations	(302)	(655)	353
COVERAGE	2,472,841	2,231,294	241,547
			10.8%

NET RESULT

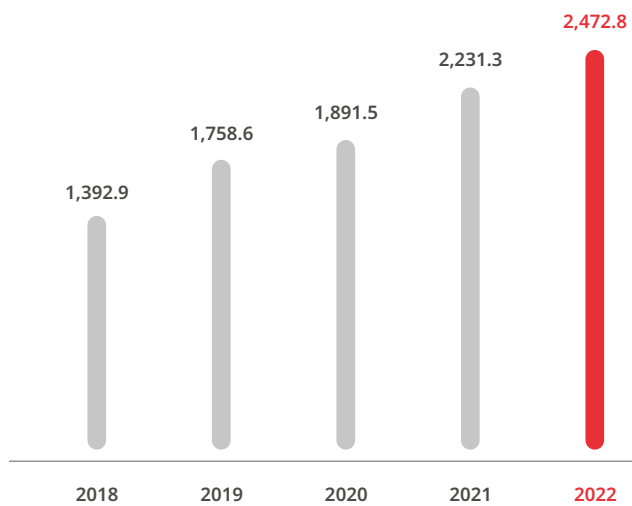
(euro million)

**TURNOVER PER EMPLOYEE**

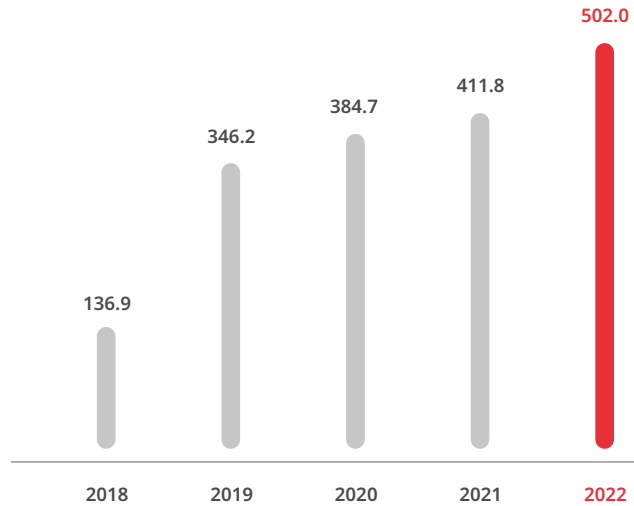
(euro thousand)

**NET INVESTED CAPITAL**

(euro million)

**NET FINANCIAL DEBT**

(euro million)



STATEMENT OF CASH FLOWS

(EURO THOUSAND)	31.12.2022	31.12.2021
NET FINANCIAL POSITION AT BEGINNING OF YEAR (*)	(411,837)	(384,677)
Net operating income	382,844	287,981
Depreciation, amortisation and impairment losses	242,360	214,715
Gross operating income	625,204	502,696
Investments in property, plant and equipment	(249,398)	(183,841)
Investments in intangible assets	(34,542)	(31,789)
Increases in leased assets	(37,465)	(26,407)
Investments in financial assets	(31,512)	(168)
Disposals of property, plant, equipment and intangible assets	1,805	5,624
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of the net financial position	(3,395)	(116,908)
Net investments	(354,507)	(353,489)
Change in inventories	(113,151)	(108,167)
Change in trade receivables	(127,511)	(57,760)
Change in trade payables	62,332	99,173
Change in other liabilities	(43,802)	20,074
Change in receivables from others and other assets	16,123	(4,371)
Translation reserve not allocated to specific items	(4,313)	22,468
Change in working capital	(210,322)	(28,582)
Change in provisions for employee benefits and other provisions	25,566	3,498
Operating cash flows	85,941	124,123
Interest income and expense	(928)	(991)
Result from discontinued operations	(180)	(153)
Current taxes paid	(71,167)	(63,625)
Dividend paid in the year to minority shareholders	(800)	(640)
Interest (income)/expense from investments, net of dividends received	(1,871)	(298)
Dividends paid in the year	(87,389)	(71,132)
Net cash flows	(76,395)	(12,717)
Effect of translation differences on net financial position	(13,812)	(14,443)
NET FINANCIAL POSITION AT END OF YEAR (*)	(502,044)	(411,837)

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

ALTERNATIVE PERFORMANCE MEASURES

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

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

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

The APMs indicated below have been selected and represented in the Directors' Report on Operations since the Group 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 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 debt; these indicators are also commonly used by analysts and investors in the sector to which the Group belongs, to evaluate company performance.



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

- ● ○ SBS Friction A/S
- ● ○ 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.
- ● ○ AP Racing North America Corp.
- ● ○ Brembo Inspiration Lab Corp.

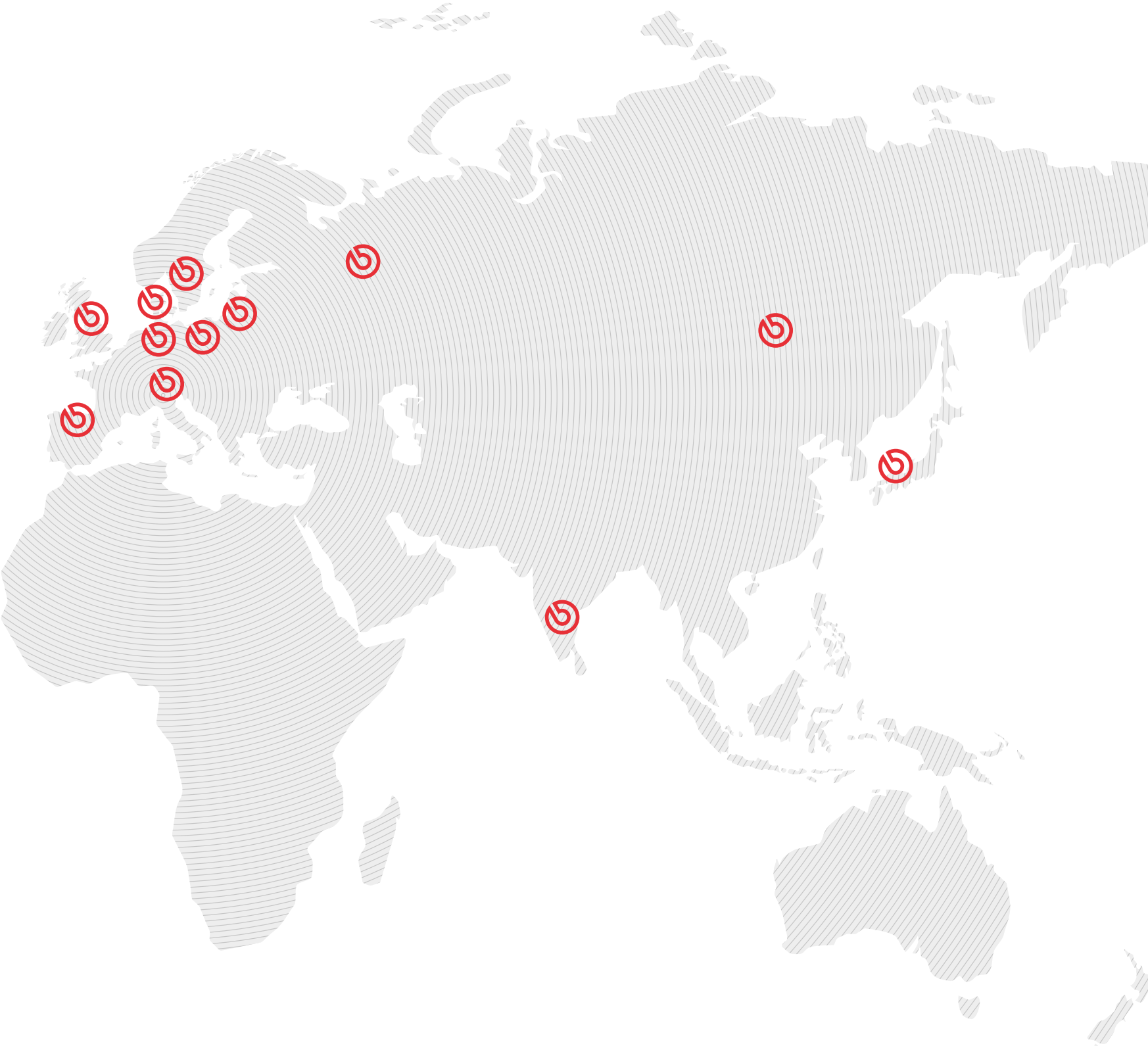
- ● ○ Corporación Upwards '98 S.A.
- ● ○ J.Juan S.A.U.

- ● ○ Brembo México S.A. de C.V.
- ● ○ Brembo do Brasil Ltda.
- ● ○ Brembo Russia Llc.
- ● ○ Brembo Scandinavia A.B.
- ● ○ Brembo Poland Spolka Zo.o.
- ● ○ Brembo Czech S.r.o.
- ● ○ Brembo Brake India Pvt. Ltd.
- ● ○ Brembo Japan Co. Ltd.

- ● ○ Brembo Nanjing Brake System Co. Ltd.
- ● ○ Brembo Huilian (Langfang) Brake Systems Co. Ltd.
- ● ○ Brembo Nanjing Automotive Components Co. Ltd.
- ● ○ Qingdao Brembo Trading Co. Ltd.
- ● ○ Shandong BRGP Friction Technology Co. Ltd.
- ● ○ Jiaxing Ciju Control Systems Co. Ltd.



Manufacturing sites
 Commercial sites
 R&D centres
 Brembo Inspiration Lab



15

Countries in the world



23

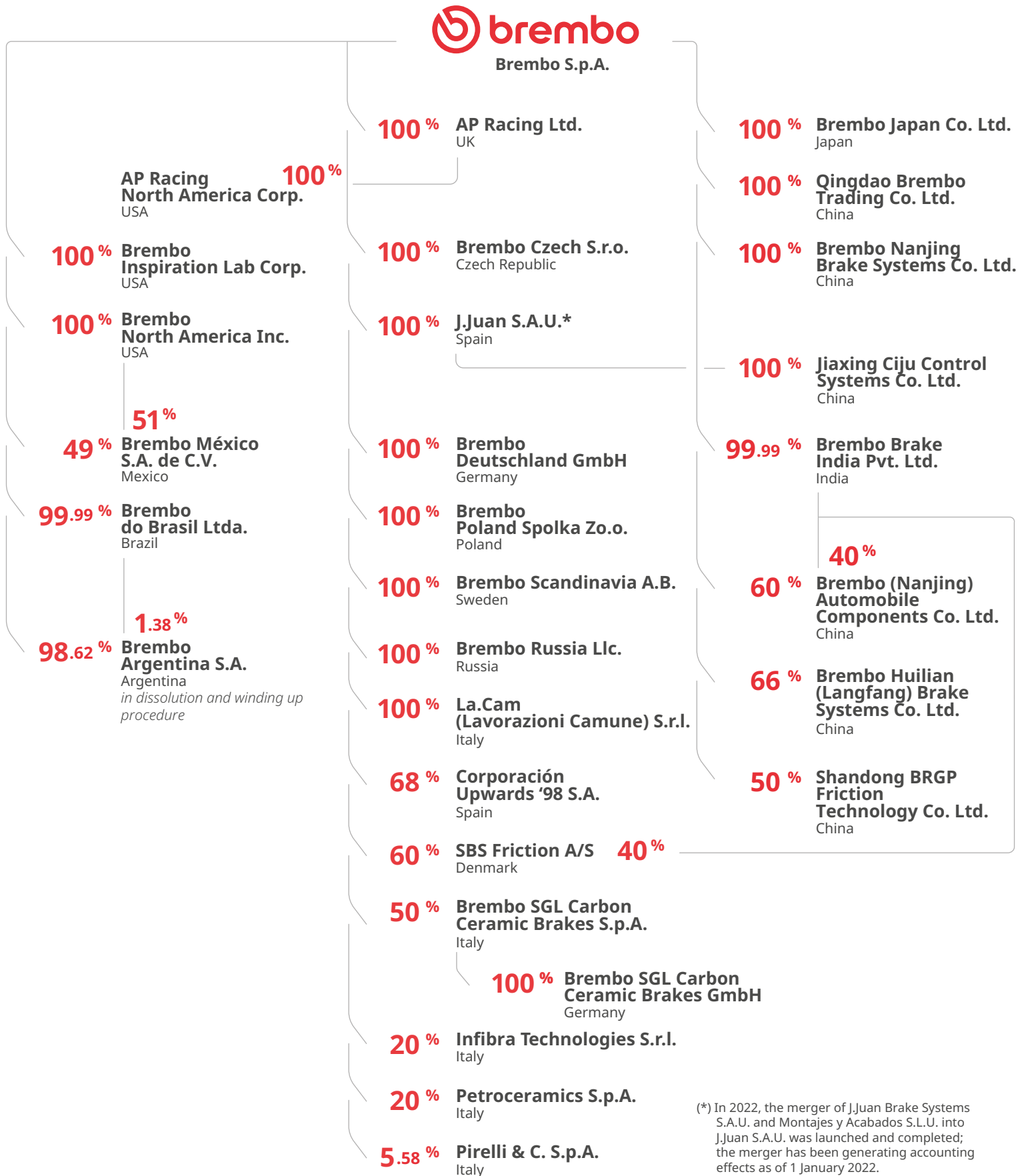
Manufacturing sites



8

R&D centres

GROUP STRUCTURE



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 2022 closed with net sales amounting to €1,179,278 thousand, up 15.5% compared to €1,021,345 thousand in 2021. The item "Other revenues and income" amounted to €59,058 thousand in 2022 compared to €41,250 thousand in 2021, whereas capitalised development costs for the year totalled €16,054 thousand.

Gross operating income went from €153,089 thousand

(15.0% of sales) in 2021 to €175,916 thousand (14.9% of sales) in 2022, whereas net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €67,835 thousand, closed at €108,081 thousand compared to €88,981 thousand for the previous year.

Net interest expense from financing activities amounted to €4,586 thousand compared to €1,084 thousand for 2021. Income from investments amounted to €91,431 thousand and was mainly attributable to the distribution of dividends by some subsidiaries.

In the reporting year, net income amounted to €164,919 thousand, compared to €111,229 thousand in 2021.

At 31 December 2022, employees numbered 3,171, increasing by 70 compared to 3,101 at the end of 2021.

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 52,499 thousand (€61,575 thousand) in 2022, compared to GBP 43,485 thousand (€50,564 thousand) in 2021. In the reporting year, net income amounted to GBP 3,980 thousand (€4,668 thousand), compared to GBP 3,631 thousand (€4,222 thousand) in 2021.

At 31 December 2022, employees numbered 153, increasing by 10 compared to the end of 2021.

AP RACING NORTH AMERICA CORP.

Wilmington, Delaware (USA)



Activities: technical and sales services on the US market.

Established in 2022 and wholly controlled by AP Racing Ltd., the company, effectively based in Huntersville, North Carolina, specialises in developing and simplifying communications between the parent and the US-based customers, throughout the different phases of project planning and management.

The company did not generate sales at 31 December 2022, whilst reporting a net income of USD 10 thousand (€9 thousand).

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 2022, net sales totalled INR 12,428,203 thousand (€150,254 thousand), with a net income of INR 1,131,041 thousand (€13,674 thousand). In 2021, net sales had amounted to INR 10,227,621 thousand (€116,906 thousand), with a net income of INR 1,039,048 thousand (€11,877 thousand).

At 31 December 2022, employees numbered 972, compared to 963 in 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 2022, net sales amounted to CZK 6,954,382 thousand (€283,156 thousand) compared to CZK 5,317,719 thousand (€207,344 thousand) in 2021, closing the year with a net loss of CZK 338,475 thousand (€13,781 thousand) compared to a net loss of CZK 241,845 thousand (€9,430 thousand) in 2021.

At 31 December 2022, employees numbered 955, decreasing by 20 compared to 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 2022, net sales amounted to €2,143 thousand (€2,418 thousand for 2021), with a net income of €1,007 thousand (€777 thousand for 2021).

At 31 December 2022, employees numbered 10, increasing by one compared to the same date of the previous year.

BREMBO DO BRASIL LTDA.

Betim (Brazil)

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

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

Net sales for 2022 amounted to BRL 333,320 thousand (€61,236 thousand) and net income to BRL 19,859 thousand (€3,648 thousand). In 2021, net sales amounted to BRL 231,602 thousand (€36,294 thousand) and net income to BRL 18,668 thousand (€2,925 thousand).

At 31 December 2022, employees numbered 204, increasing by one compared to 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.

Net sales amounted to CNY 540,893 thousand (€76,936 thousand) in 2022, compared to CNY 549,155 thousand (€71,935 thousand) in 2021. In the reporting year, net income amounted to CNY 21,337 thousand (€3,014 thousand), compared to CNY 8,277 thousand (€1,084 thousand) in 2021.

At 31 December 2022, employees numbered 492, decreasing by 42 compared to the end of 2021.

BREMBO INSPIRATION LAB CORP.

Wilmington, Delaware (USA)



Activities: strengthening expertise in software development, data science and artificial intelligence.

The company — Brembo's first centre of excellence — is based in the Silicon Valley (California, USA). It is an experimental lab mainly focused on strengthening the Company's expertise in software development, data science and artificial intelligence for the benefit of the development of Brembo's future braking solutions. The new centre of excellence will also be a point of reference for the technological and commercial development of Brembo's relationships with customers in the Silicon Valley.

At 31 December 2022, the company generated sales amounting to USD 1,929 thousand (€1,830 thousand) and closed the year with a net income of USD 64 thousand (€61 thousand), against a net loss of USD 66 thousand (€56 thousand) in 2021. At year-end, the company had eight employees.

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 1,005,099 thousand (€7,283 thousand) in 2022, compared to JPY 774,361 thousand (€5,963 thousand) in 2021. Net income for the reporting year was JPY 86,342 thousand (€626 thousand), compared to JPY 76,211 thousand (€587 thousand) in 2021.

At 31 December 2022, employees numbered 26, increasing by five compared to the end of 2021.

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 2022, net sales amounted to USD 536,296 thousand (€508,879 thousand), with a net income for the year of USD 41,632 thousand (€39,504 thousand).

In 2021, net sales had amounted to USD 386,330 thousand (€326,423 thousand), with a net income of USD 20,289 thousand (€17,143 thousand).

At 31 December 2022, employees numbered 1,805, compared to 1,516 at the end of 2021.

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 sale of braking systems for cars and commercial vehicles.

At 31 December 2022, net sales amounted to CNY 1,723,769 thousand (€243,467 thousand), compared to CNY 1,374,148 thousand (€180,003 thousand) at the end of 2021.

Net income at 31 December 2022 was CNY 229,331 thousand (€32,391 thousand), compared to net income of CNY 174,786 thousand (€22,896 thousand) in 2021.

At 31 December 2022, employees numbered 539, compared to 430 in 2021.

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. In 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 2022, net sales amounted to CNY 1,187,565 thousand (€167,733 thousand) and net income was CNY 115,450 thousand (€16,306 thousand); in 2021, net sales had amounted to CNY 1,177,783 thousand (€154,281 thousand), with net income of CNY 119,518 thousand (€15,656 thousand).

At 31 December 2022, employees numbered 625, compared to 576 in 2021.

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.

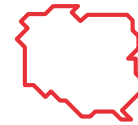
Net sales for 2022 amounted to USD 459,727 thousand (€436,225 thousand) compared to net sales amounting to USD 370,348 thousand (€312,919 thousand) for the previous year.

Net income was USD 18,728 thousand (€17,770 thousand) at 31 December 2022, compared to net income of USD 14,299 thousand (€12,081 thousand) for 2021.

At the end of the year, employees numbered 657, an increase of 12 compared to the end of 2021.

BREMBO POLAND SPOLKA ZO.O.

Dąbrowa-Górnica (Poland)

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

The company produces OEM braking systems for cars and commercial vehicles in the Częstochowa plant. In the Dąbrowa-Górnica 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 Niepołomice plant processes steel disc hats to be assembled onto the light discs manufactured at the Group's plants located in China, in the United States, and in the Dąbrowa-Górnica plant as well.

Net sales amounted to PLN 2,983,080 thousand (€636,800 thousand) in 2022, compared to PLN 2,215,650 thousand (€485,458 thousand) in 2021. Net income at 31 December 2022 was PLN 277,746 thousand (€59,291 thousand), compared to a net income of PLN 232,719 thousand (€50,990 thousand) for the previous year.

At the end of the year, employees numbered 2,274, compared to 2,165 at the end of 2021.

BREMBO RUSSIA LLC.

Moscow (Russia)

**Activities: promotion of the sale of car brake discs.**

Founded in 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 2022 amounted to RUB 23,137 thousand (€310 thousand) compared to RUB 85,710 thousand (€983 thousand) in 2021; net loss was RUB 24,232 thousand (€325 thousand) compared to RUB 25,435 thousand (€292 thousand) at 31 December 2021.

At the end of the year, employees of the company numbered 3, unchanged compared to the end of 2021.

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 10,408 thousand (€979 thousand), with a net income of SEK 4,807 thousand (€452 thousand), compared to net sales of SEK 9,802 thousand (€966 thousand) and net income of SEK 4,727 thousand (€466 thousand) for 2021.

At 31 December 2022, employees numbered two, unchanged compared to the same date of the previous year.

JIAXING CIJU CONTROL SYSTEMS CO. LTD.

Jiaxing (China)

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

On 4 November 2021, Brembo acquired the 100% stake in the J.Juan Group, a Spanish company specialising in the development and production of motorbike braking systems, to which Jiaxing Ciju Control Systems Co. Ltd. belongs.

Net sales amounted to CNY 292,003 thousand (€41,243 thousand) at 31 December 2022 and net income was CNY 53,598 thousand (€7,570 thousand).

At 31 December 2022, employees numbered 212.

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 2022 amounted to €31,915 thousand, compared to €30,262 thousand in 2021. Net income was €2,104 thousand, compared to €1,980 thousand in 2021.

At 31 December 2022, employees numbered 63, decreasing by 2 compared to the end of 2021.

J.JUAN S.A.U.

Barcelona (Spain)

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

On 4 November 2021, Brembo acquired the 100% stake in the J.Juan Group, a Spanish company specialising in the development and production of motorbike braking systems. Founded in 1965, J.Juan is based in Gavà (Barcelona) and has three plants in Spain and one in China, manufacturing especially brake hoses.

In 2022, the merger of the companies J.Juan Brake Systems S.A.U. and Montajes y Acabados S.L.U. into J.Juan S.A.U. was launched and completed; the accounting effects of the merger will be effective 1 January 2022.

Net sales amounted to €73,980 thousand at 31 December 2022, while the net income was €6,043 thousand.

At 31 December 2022, employees numbered 453.

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 2022, net sales, which were mainly to Brembo Group companies, amounted to €53,456 thousand compared to €41,419 thousand in 2021.

Net income for 2022 was €2,147 thousand, compared to a net income of €2,791 thousand at the end of 2021.

At 31 December 2022, employees numbered 171, compared to 161 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 2022 amounted to CNY 537,917 thousand (€75,976 thousand), compared to CNY 355,449 thousand (€46,561 thousand) for the previous year. Net income for the year was CNY 22,672 thousand (€3,202 thousand), up compared to CNY 15,786 thousand (€2,068 thousand) for 2021.

At 31 December 2022, employees numbered 48, eleven more than at the same date of 2021.

SBS FRICTION A/S

Svendborg (Denmark)

**Activities: development, production and sale of brake pads for motorbikes.**

On 7 January 2022, Brembo acquired SBS Friction A/S, a Danish 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.

In 2022, net sales amounted to DKK 170,242 thousand (€22,883 thousand) compared to DKK 159,452 thousand (€21,440 thousand) in 2021, closing the year with a net income of DKK 962 thousand (€129 thousand) compared to a net income of DKK 6,177 thousand (€831 thousand) at 31 December 2021.

At 31 December 2022, employees numbered 112, six more compared to 31 December 2021.

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 2022 were €69,454 thousand, compared to €60,787 thousand at 31 December 2021. Net income for the year was €32,063 thousand, compared to net income of €27,007 thousand for 2021.

At 31 December 2022, employees numbered 172, 11 more than at the end of 2021.

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 2022 amounted to €172,583 thousand, compared to €150,484 thousand for the previous year. At 31 December 2022, net income totalled €26,547 thousand, compared to a net income of €24,827 thousand for the previous year.

At 31 December 2022, employees numbered 440 compared to 411 at the end of 2021.

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 2022 amounted to €2,625 thousand, with a net income of €542 thousand, compared to net sales of €2,324 thousand and net income of €632 thousand in 2021.

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.

In 2021, 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.

Net sales for 2022 amounted to €455 thousand, with a net income of €52 thousand. In 2021, net sales had been €566 thousand, with a net income of €2 thousand.

SHANDONG BRGP FRICTION TECHNOLOGY CO. LTD.

Shandong (China)



Activities: large-scale manufacturing of innovative aftermarket brake pads for the car and commercial vehicle segments.

On 25 July 2022, Brembo signed a 50/50 Joint Venture agreement with Shandong Gold Phoenix Co. Ltd., a Chinese company listed on Shanghai Stock Exchange, designing, testing, manufacturing and marketing braking system and pads/friction material for original equipment and aftermarket. The agreement provides for the formation of the new company — Shandong BRGP Friction Technology Co. Ltd. — that will be fully dedicated to the large-scale manufacturing of innovative aftermarket brake pads for the car and commercial vehicle segments.

The company did not generate net sales in 2022 and closed with a net loss of CNY 177 thousand (€24 thousand). At 31 December 2022, the company had no employees.

INVESTMENTS

In 2022, Brembo's investment management policy 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 2022 at all operations amounted to €282,135 thousand, of which €247,593 thousand was invested in property, plant and equipment and €34,542 thousand in intangible assets. The most significant investments were concentrated in Italy (27.9%), North America (26.4%), China (17.6%) and the Czech Republic (13.9%).

In Italy, works continued on the new building in Curno, which was 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 me-

tres 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 years, additional machines continued to be installed in 2022 for a gradual increase in production capacity.

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

With regard to investments in intangible assets, development costs for 2022 amounted to €22,849 thousand (8.1% of the Group's total investments).

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 are also aimed at preserving the environment.

The vehicles of the future are increasingly oriented towards the green model, electrification, overall efficiency and reduced emissions. The focus is on an integrated, complementary brake system in which caliper, disc, pad, suspension and control unit are in synergy with the 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 for some time have been applied to systems such as electric parking brakes systems and Sensify™.

After an initial phase of pure research, Brembo is beginning to offer increasingly green products on the market, with a particular focus on carbon neutrality and improvement of the environmental impact of products in use. Since the market requires constantly shorter time to market, the Group strongly concentrates its efforts and resources on implementing cutting-edge simulation methods, in which new virtual reality and augmented reality technologies are increasingly applied, in addition to designing uniform development processes at Brembo's Technical Centres based in Italy, Poland, Denmark, Spain, North America, China and India.

In 2022, R&D activities mainly focused on the following aspects.

BRAKE DISCS FOR CARS AND COMMERCIAL VEHICLES

In the area of brake discs for cars and commercial vehicles, as early as at the end of 2020 Brembo had developed its Greentive® disc — the result of the experience it had acquired in the field of brake systems, as well as of the know-how and expertise gained through the European LowBraSys project.

The Greentive® disc is characterised by an innovative coating applied to the cast-iron braking ring, which ensures very low wear and tear, extends disc life and, combined with the dedicated friction material, also reduces particulate emissions during braking, thus limiting the impact on the environment. The Greentive® disc uses cutting-edge technological solutions and is merely the first step in Brembo's product roadmap for brake discs in pursuit of environmen-

tal sustainability, with increasingly green products.

In November 2022, the European Commission published the proposal for the new Euro7 standards on pollutant emissions from cars and commercial vehicles, which for the first time also regulates emissions of particulate matter from braking systems. Relying on the expertise gained through the Greentive® disc, this will allow Brembo to finalise the remarkable efforts devoted in recent years to research, development and testing of new solutions to be applied to cast-iron discs through the study of materials, technologies and surface treatments in collaboration with European research centres and suppliers.

The research activity will mainly focus on application developments, with all the major market players and with a specific focus on the product industrialisation phase. In-depth study of the application processes for these unconventional new brake disc technologies is in fact essential to ensure high quality standards even on high production volumes.

Equally important is Brembo Friction's concurrent development of brake pads specifically designed for each of these new disc types, capable of markedly contributing to creating an ideal combination with the brake disc and ensuring that the entire brake system's performance and emissions goals are met.

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, instrumental to solving issues relating to disc resistance to corrosion.

All the new solutions, which aim to reduce environmental impact and improve aesthetics and corrosion resistance, are meeting with strong interest among Brembo's main clients. In this regard, the development phases with major car manufacturers became more frequent in the second half of 2022, while in Europe production of discs that will adopt one of these technologies began for a major electrical vehicle manufacturer.

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: a lower weight translates into a greater driving range for electric vehicles and lower fuel consumption of internal combustion vehicles, and consequently into a smaller environmental impact.

This aspect will become even more important due to the entry into force of the new European Regulation setting stricter limits on polluting emissions generated by cars and commercial vehicles.

In car applications, after having worked with a major German customer to develop the concept for the light brake disc installed in its entire platform of core vehicles, Brembo continued to supply this product also for the next generation of vehicles within the same platform, some of which are fully electric.

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) — was also successfully developed for other major automotive manufacturers, which are already using it in some of their models. The light disc continued to attract the interest of other customers, especially in the Far East market and among the new players who entered the electric vehicle market.

Work on discs for heavy commercial vehicles — an application segment which is of particular interest to Brembo — continued with a focus on improving performance and reducing weight. Business therefore intensified with several customers, also outside Europe, and in particular with the new manufacturers operating in the electric commercial vehicle market.

MOTORBIKES

The development of street motorbike discs made with new materials and new surface treatments continued.

The Darkrev disc successfully completed the technical approval phase and the product was submitted to the first customer interested in aftermarket customisation.

The design strategy is also focusing on formulating the style of all motorbike products and rationalising the current product portfolio. This strategy is taking concrete form through the development of a new top-of-the-line monobloc front caliper and a new brake master cylinder.

Thanks to the acquisitions of SBS Friction and the J.Juan Group, the technical skills and research and innovation capabilities of the motorbike team increased, qualifying Brembo as a system supplier for its customers, not only on its traditional market segments. Brembo's commitment to increasing its presence in the scooter market is thus taking concrete form with the launch of new projects.

The search for new markets in the field of high performance two-wheelers also continued. A benchmark of the currently mass-produced products led to a technical discussion with the first potential customers to define product

specifications, with the aim to complete the design phase in the first quarter of 2023 to then launch the testing validation as of June 2023.

Two innovation projects relating to simulation and methodologies are also in progress. One is aimed at developing a tool for design (thermomechanical analysis) and simulation of the quenching process for motorbike steel discs. The other is intended to connect and automate the greatest possible number of design phases for the various motorbike products. The first project concept phase was completed successfully, while the thermophysical characterisation phase for the two main materials used in the Indian plant is still underway and will end by the first quarter of 2023. The Proof of Concept process for the second project carried out on floating calipers is nearing its end, scheduled for February 2023. The first results suggest an increase in efficiency of about 25% thanks to pure design activities. The goal is to extend this process to the four most used products in the motorbike sector (floating caliper, master cylinder, disc and complete braking system) by the end of 2024. The content and timing of the motorbike roadmap was revised in accordance with the Group's vision, focusing on the three following targets: low emissions, high performance and best driving experience. Updates were made taking into account the constant improvement of existing products, development of new concepts for products in the range and creation of new technologies and products not currently in the portfolio.

RACING

Regarding the racing world, the carbon/carbon brake system for racing applications project (Formula 1, LMP – Le Mans Prototype, IRL – Indy Racing League and Super-Formula) continued to focus on several development areas:

- production of carbon/carbon discs and pads, which is now present in the new factory in Curno for all racing applications;
- search for new solutions in terms of the basic structure of the disc and pad to be used in future automotive world championships; the development concerns new discs and new pads which are even more high-performance than the current ones;
- development of new carbon ceramic discs for extreme road applications for both cars and motorbikes.

The new latest generation carbon/carbon disc and pad have been used since the first Formula 1 race in 2022. Both products are produced and engineered completely at the new dedicated plant in Curno (Italy), which is able to guarantee performance and production consistency at the

highest levels.

The material has also been successfully tested by teams that previously used material from a Brembo competitor. In anticipation of 2023, the new version and further development of the carbon/carbon disc were tested towards the end of the season.

Taking into account the significant changes in aerodynamics that took place in 2022, the new cars immediately demonstrated that they had significant aerodynamic loads, which brought braking torque levels to unprecedented values in Formula 1. The material has also been tested in different formats on the new LMH and LMDh cars and will be introduced to racing in 2023 also at Le Mans Championship.

A Formula 1 customer used a new "intelligent" caliper concept when racing fitted with a sophisticated fixing and an antidrag system in which specific sensors provide an estimate of braking torque. A further system development is already planned during the 2023 season.

The 2022 Formula 1 season was marked by a sharp reduction in the spending budget imposed on all teams by the new regulations. The focus on costs weighed heavily until mid-season, while later on there was a return to that spirit of research and innovation that has always characterised the competition world. Very few teams kept the 2022 system and Brembo has just completed the design phase of the systems for 2023 that will lead to part production in the first two months of the year.

In the area of carbon ceramic discs for road applications, mass production with CCMR carbon ceramic brakes, which offer racing-like performance, has now begun.

Moreover, the testing approval process was completed both internally and by the customer on a new CCMR braking system conceived for vehicles with extreme racing-like performance and the vehicle has already entered into production.

Brembo has finalised new development and production contracts with two major customers for the CCMR road application. The CCMR disc has evolved with the introduction of a new preform, a new ventilation concept derived from the racing world and a BSCCB production layer. The SOP (start of production) of these two cars is scheduled for 2023 and 2025, respectively.

Carbon/carbon racing brake systems continued to be tested by a Brembo's development partner, with the goal of quantifying their emissions. The 2022 results confirmed the trends already seen in 2021, when competition braking systems made of carbon/carbon, CCMR and cast iron had been compared.

With a customer in the field of MotoGP applications, Brembo is discussing the development plan for a new concept of electronically controlled braking system that can warn the

rider if tyre grip is not sufficient to ensure braking.

The development of the 48V electro-mechanical brake-by-wire system with hydraulic actuator and a safety concept based on Formula 1 experience ended with a targeted collaboration with a top team among those supplied by Brembo and at the highest levels of the world motor sports.

It is worth noting that the development of this project began in 2018, with the introduction of implementation concepts used on demonstration brake-by-wire prototypes produced in previous years by Brembo Performance and, above all, with the introduction of the 48V power supply on brake-by-wire racing braking systems. The implementation Concept, the safety concept and the power supply of this system have formed the basis of the new systems that will be introduced in two championships in 2023.

Also in this area, trials were completed on a prototype car and on Brembo test benches for the new brake-by-wire system to be used on the next Formula E championship in 2023.

The same system was made available as of June 2022 for all manufacturers to approve it on their cars in view of the 2023 championship. This is an extremely important application: for the first time Brembo will provide its brake-by-wire system to all the vehicles in addition to offering master cylinders, calipers, discs and pads.

Another application of this system involves the upcoming prototypes for Le Mans designated LMH, for which Brembo was assigned the role of supplier of the whole brake system, inclusive of carbon discs and brake-by-wire.

Technical assessments are currently underway involving the subsidiary AP Racing, with some new customers for the brake-by-wire systems that will be updated in 2023.

Huge effort is being dedicated to the development of the future braking systems to be used on high-performance racing cars with an electric powertrain, which is therefore no longer based on internal combustion. The Brembo Performance division is analysing the requirements of electric motors and batteries so that they can be better integrated into Brembo's current braking systems. Collaboration started with Universities and dedicated partners for this project. The first phase involves the creation of a demonstration prototype at the "wheel corner" level of the regenerative braking system, defined BRB, during the first half of 2023.

In the MotoGP class of motorbike applications, new systems are fully available to all clients, including a brake caliper ensuring amplified force and an anti-drag system. In line with the Formula 1 initiatives, 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 wheels systems.

In the 2022 season, a new disc concept was also brought to

the track to be used in the most challenging Grand Prix of the next seasons.

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 with 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 some years ago, several testing and simulation methods were refined and further enhanced. Advanced integration of testing and calculation has made it possible, for several years now, to use various virtual sensors obtained through the calculation model and/or models obtained from the database.

FRICITION

Brembo Friction, which acts in close synergy with all the R&D Laboratories areas of the Group, proved to be a strategic choice, as well as a crucial partner for combining Brembo pads with calipers and discs.

The interest in continuing and strengthening Brembo's knowledge and leadership in the brake pad field is demonstrated by the consolidation of the research and production plant to support all innovative developments, the acquisition of SBS Friction — a company active in the development and production of brake pads from sintered and organic materials, which will allow Brembo to expand its range of products and further advance its expertise also in the motorbike sector —, and the joint venture with Gold Phoenix, which will create Brembo's first production site entirely dedicated to the large-scale production of innovative brake pads for the aftermarket.

The same synergy with the new internal disc development department is responding to the new market demands that are looking at the increasingly stringent legislative requirements in terms of environmental impact and require brake pads combined with an increasingly varied range of discs — carbon-ceramic, cast iron with and without surface treatments — designed for applications with increasingly green objectives.

Again as regard discs, the subsidiary BSCCB (Brembo SGL Carbon Ceramic Brakes) is also using Brembo Friction and its expertise on friction materials for the development of pads combined with carbon ceramic discs for high-performance cars.

New formulations are therefore being created for new combinations with low wear cast iron discs, with coatings deposited with LMD technique and with ferritic nitrocarburising (FNC) treatments that aim to reduce PM10 emissions below the thresholds required by law, as well as to limit corrosive processes thinking about future electric vehicles. Increasingly targeted focus is also placed on the use of recyclable and recycled raw materials, with low environmental impact, and the reduction in greenhouse gas generation in the production process, through a green boost of global research and the challenge set by Brembo Friction as its goal.

From this standpoint, the Life Cycle Assessment methodology — a study that allows the potential impacts on the environment and human health to be quantified, in terms of consumption of resources and carbon dioxide emissions, will be extended to all products and processes.

To this end, Brembo Friction avails of data-driven developments capable of optimising the formulations of friction materials and identifying the raw materials that most influence their chemical and physical properties.

Moreover, the projects AFFIDA and LIBRA, which flow from this innovation-driven approach and an increasingly close focus of Brembo on environmental sustainability, continued.

Developed in partnership with the Mario Negri Institute, the AFFIDA project, the natural extension of the COBRA project (which was part of the European Life+ project), seeks to bring to the OE market the innovative technology of inorganic binders, having a key role in reducing volatile organic compound (VOC) emissions, with important positive repercussions for the environment.

LIBRA, a European project now concluded, is continuing as an internal development project with the aim of eliminating the traditional steel backing plate in the brake pads, replacing it with high-performance composite materials, with a consequent reduction in system corrosion, the overall braking system weight and production process times. A new short-term goal — for the future mass production of the product — is to transfer the innovation and technology of this project, and currently applied to parking brakes, to rear brake pads as well, thanks to the use of an innovative press fully devoted to manufacturing these pads.

Moreover, the constant technological evolution in the automotive field has paved the way for the development of a new brake pad concept with embedded sensors that aims to make the braking system increasingly integrated within new vehicles.

CAR AND COMMERCIAL VEHICLE SYSTEMS

With regard to Car and Commercial Vehicle Systems, all products are developed in accordance with the Group's vision and pursue the following three guidelines: low emissions, high performance and best driving experience.

The main example of the focus on these three guidelines is Sensify™, the revolutionary Brembo's braking system presented to the European and Chinese press between October and December 2021, and to the US press in the second half of 2022. Sensify™ is a digital brake ecosystem in which artificial intelligence, software and sensors manage the braking of each wheel independently. The application development and industrialisation phases for Sensify™ are still ongoing, whereas launch into production with the first manufacturers will take place in 2024. Moreover, in keeping with Brembo's strategic priorities, the promotional phase for Sensify™ is fully underway for both Group clients and new players entering the electric vehicles market.

With reference to the mechatronic area, the promotional phase for electric parking brakes, in various configurations, for both cars and commercial vehicles up to 7.5 tonnes, is ongoing.

Mechatronics — by now an application discipline and no longer merely advanced research — is becoming increasingly important within the Systems GBU. Sensify™ and the various electric parking brakes will account for a considerable share of Brembo's revenues in the second half of this decade.

With the Sensify™ ecosystem, individual components undergo important changes: the addition of sensors to brake caliper becomes fundamental and the collection of the resulting data yield an evolution of the entire brake system, which can thus be calibrated to the actual use of the vehicle, with the consequent benefits in terms of weight.

The guideline referring to low emissions, i.e., aimed at contributing to the reduction of vehicle consumption and the resultant CO₂ and fine particulate emissions through braking systems, is pursued by Brembo 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.

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. Examples of this are the Dyadema™ caliper, 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 continued for

Brembo's patented Semi-Solid Metal Casting (BSSM) technology, which maintains equal performance while enabling a reduction in weight of 5 to 10% in relation to caliper geometry. The concept approval phase was completed, as was also the case for the validation of the small-series production process.

The development of friction materials also pursues low emissions and high performance objectives. In the case of the former, materials paired with coated discs are being developed, whereas in the case of the latter materials under development are paired with all types of carbon ceramic discs.

The ongoing evolution of simulation methodologies is focused on aspects linked to brake system comfort and caliper functionality. Brembo's objective is to increase the simulation capacity of the complete braking system, including 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 complete brake system. 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, the reduction of the residual torque and the car's pedal feel.

PRODUCT DEVELOPMENT METHODOLOGIES

Digitalisation of the Brembo product life cycle is ensured by the Product Development Methods function that, with the Global Business Units and Global Central Functions, provides methodological, operational and legal support for managing data and project flows.

Product Development Methods support and guide the GBUs/GCFs in adopting PLM (Product Lifecycle Management) throughout the phases of product development, seeking to combine the data from the various departments (digital thread) unambiguously and indissolubly, ensuring that it is traceable and distributing it securely to all internal stakeholders.

PLM is used to share design documents, development phases, the various technical bases and CAD drawings employed for numerical simulations. The simultaneous distribution of information through PLM promotes collaborative product development, resulting in reduced project development times. Particular attention is paid to the development of parametric CAD models shared between multiple business functions to reduce development times and facilitate the parallelisation of design activities.

Verification work is currently underway on the use of PLM

to collect information contained in the engineering and manufacturing bills of materials (EBOM and MBOM) for the execution of LCA (Life Cycle Assessment) calculations for a rapid assessment of product sustainability in the design phase.

The state of the art of simulation of products and physical processes is constantly monitored — through dialogue with qualified suppliers and participation in conferences and university research projects — 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 (multiphysics digital twin), thus rendering them more efficient and predictive.

To this end, 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.

The adoption of industrial process simulation using the "discrete event" method will also allow the optimisation of time and resources of industrial production flows by acting on the design of production lines within plants.

The most modern additive manufacturing and generative design techniques are also constantly monitored and tested to increase the final innovative content of the product under development.

GLOBAL DATA SCIENCE, AI & HPC

On the basis of the know-how consolidated during the previous three years, the global Data Science, Artificial Intelligence & High Performance Computing team continued its five-year upgrade process. The process focused on constantly broadening the resources dedicated to achieving the Company's digital transformation through the application of artificial intelligence and machine learning to big data. At present, the team can also rely on a new operating unit: the Brembo Inspiration Lab, a Centre of Excellence in Silicon Valley, California. Brembo Inspiration Lab's mission is part of the digital transformation plan. This is an operational and coordinated unit, stemming from the contribution of AI and Data Science, Advanced Product Technologies and Business Development. The team is tasked with researching and executing rapid proofs of concept for new technologies enabling Smart Mobility, Smart Products and Smart Processes, in the infrastructure and in the cloud.

This allows the building of relationships dedicated to innovation that offer venture capital and M&A opportunities.

The team carries out, *inter alia*, the following activities:

- developing mobile technologies for gathering data from multiple internal and external sources;
- assembling, analysing and enriching big data through virtual sensing;
- developing inferential and predictive models;
- industrial application of artificial intelligence, with a particular focus on product quality;
- digital automation techniques for office and production processes;
- development and engineering of software tools that implement the algorithms and solutions described above;
- development of apps for mobile devices (smartphones) and the related APIs (Application Programming Interface);
- construction of a patent portfolio for certifying know-how.

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

Advanced R&D activities constantly monitor the evolution of vehicles, in line with key general trends: electrification, advanced driver assistance systems (ADAS), 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 the Sensify™ 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 evolution will lead Sensify™ to be increasingly integrated into the vehicle system in accordance with the development of its architecture.

The development of Sensify™ is not limited to car applications, but also extends to other types of applications.

Brembo continued to conduct R&D activities with the aim

of constantly seeking out new solutions to apply to brake discs and calipers, in terms of new materials, innovative technologies and mechanical and electronic 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. This is also necessary to further improve product sustainability, extending eco-design and life cycle assessment methodologies to new projects.

New developments are also taking place in collaboration with universities and international research centres, such as Brembo's participation in the company Infibra Technologies, a spin-off of the Sant'Anna School of Advanced Studies in Pisa, specialised in the development of photonic sensors through the use of optical fibres as a sensitive element, or PhotonPath, a Milan-based company established in 2019 as a spin off from the Milan Polytechnic and specialising in the production of integrated photonics-based products. This will speed up the development of new solutions for the digitalisation of braking systems, a path undertaken with the launch of the new Sensify™ intelligent braking system.

The year 2021 saw the development of the AppLogger project, in collaboration with the Digital & Innovation area: this is an application created 100% by Brembo, available to employees, which for over a year has allowed braking data to be collected in a reliable, constant, continuous and anonymous way, with absolute respect for privacy. So far, data has been collected on more than 200,000 braking experiences. In 2022, a new version was released that allows data collection in the Brembo cloud. Available for all EU countries, it is currently being distributed in the rest of the world as well. This will allow the study of new features (for instance, the activation of personal statistics) that will allow further developments, also with a view to creating internal challenges and reward programmes.

After the success of the LowBraSys project funded by the European Union as part of its Horizon 2020 programme with the aim of proving that fine particulate 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 specific training.

Within the framework of the Horizon 2020 programme as well, 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 fea-

sibility 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 the Sensify™ system.

With regard to sustainability and the emissions of particulate during braking, in recent months the following projects have been launched:

- LIFE RE-BREATH, which aims at demonstrating and measuring the reduction of PM10 emissions, related to the braking system of buses; its objective is also to model a concentration map for pollutants emitted by brake wear and a map of the exposure risk to pedestrian health, using two fleets of 10 buses in two European cities, Bergamo and Bratislava, located in regions having the highest declared PM concentration (2.5 and 10);
- VERA, which will develop, optimise and show innovative tailpipe retrofit solutions for particle (sub-23nm) and NO_x emissions from petrol and natural gas road vehicles that travel high mileages within the city (taxis, delivery vans, buses);
- WATCHMAN is another European project in which Brembo takes part. It is aimed at developing an expertise and experimentation hub in the field of Artificial Intelligence applications and Machine Vision techniques in manufacturing. The objective is to define the possibility to oversee all the production processes using the data collected on the field in order to improve productivity and product quality, through the development of new solutions and new models for data collecting and analysis in support of the various decision-making phases, in real time.

In addition to the European projects, Brembo was also involved in two activities funded as part of the National Recovery and Resilience Plan (NRRP):

- Investment 1.4 - National Centre for Sustainable Mobility – (CNMS). Brembo is a founding partner of the CNMS together with 25 partners including Universities and Research Institutions, with over 865,000 students, and 24 private companies, with an overall turnover exceeding €135 billion. This is a key opportunity for all the national scientific, industrial and economic system, to best face the current and future scientific and social challenges, linked to the paradigm of Sustainable Mobility. The ambition is to build a competent Italian leadership, strongly integrated into the local areas and local businesses, able to support the future development towards an inclusive, sustainable and decarbonised mobility. The main challenge for tomorrow's mobility is to dramatically reduce emissions by reaching the maximum possible level of sustainability at global level.
- Investment 1.3 - Made in Italy Circular and Sustainable.



Brembo is directly involved in the A3 Industry sector, linked to Automation, Mechatronics, Machinery, Mechanical Technologies, vertically developing activities on eight thematic areas that will be at the centre of as many "radii", representing the circularity model that the Made in Italy partners have in mind. The ambitious vision of the project is to achieve a design and production of Made in Italy closed-loop, self-sufficient, self-regener-

ative, reliable, safe and energy-aware services and products. The proposed expanded partnership will continue the fundamental research underpinning the achievement of this vision to address the challenges currently faced by our design, production, and consumption models, as well as the end-of-life of materials, products, production technologies and processes needed to move to greener, more circular pathways and models.

RISK MANAGEMENT POLICY

Effective risk management is a key factor to protect the Group's value in a historical period featuring great volatility and uncertainty at global level. In particular, within the framework of its Corporate Governance system, Brembo defined an Internal Control and Risk Management System (ICRMS) consistent and compliant with the provisions of Article 6 of the "Internal Control and Risk Management System" of the Corporate Governance Code (2020 edition), the adoption of which was approved by Brembo's Board of Directors on 17 December 2021 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 in line 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, in particular in a period characterised by strong volatility, uncertainty within the macro-economic context and growing geopolitical risks. 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 such as, for instance, the conflict in Ukraine and, previously, the global pandemic.

The ICRMS is 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. In detail:

- the Audit, Risk & Sustainability Committee, tasked with supporting the Board of Directors on internal control, risk management and sustainability issues;
- the Executive Director in charge of 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.

Brembo's general risk-management principles and the bodies charged with risk evaluation and monitoring are included in Brembo's Corporate Governance Code (approved on 17 December 2021), under "Policies for the implementation of the Internal Control and Risk Management System", in its latest edition issued at year-end 2021, in the Risk Management Procedure, the Organisational, Management and Control Model (as per 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. In particular, the new Policies for the implementation of the Internal Control and Risk Management System identify the overall design of Brembo's Internal Control and Risk Management System, taking into account the changes made to Brembo's Corporate Governance Manual, the evolution of Brembo's organisational structure with new second-tier and first-tier control roles, the new company strategy and sustainability goals, changes in the legislative and regulatory framework, as well as international best practices adopted by Brembo.

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 Executive 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 Executive Director in charge of 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. The Chief Executive Officer, in addition to coordinating the risk mitigation actions implemented by the competent management, has a key role in the management of potential corporate "crisis" events, including for example the global pandemic and most recently the conflict in Ukraine, in relation to which he directly takes on the direction of the Crisis Management Committee, in accordance with the provisions of the company Guidelines for crisis management.

In order to provide the organisation with the instruments for defining the risk categories to which attention should be drawn, starting from risk classes broken down by type, Brembo has developed a model which identifies and classifies risk classes based on the managerial level or corporate function from which they originate or that is responsible for monitoring and managing them.

The list of the main risks and related scenarios regarding the Group is mapped within the ERM (Enterprise Risk Management) risk register, which is updated at least annually together with the register of risks relating to the Environmental, Social and Corporate Governance (ESG) areas. 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 area in which Brembo operates. The meetings also focus on determining any further actions required to mitigate risks.

The first-tier risk families in which the risks mapped within the risk register are catalogued are identified on the basis of the Risk Management Procedure and are listed below:

- 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

Due to its international footprint and the increasing geopolitical tensions at global level, 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 order to take possible measures suited to mitigating the potential risks, Brembo constantly monitors the development of political, financial and security risks associated with the countries in which the political and economic context could prove unstable in the future. Examples of this include Taiwan, in the event of a potential escalation of the tension between China and the United States, and the countries exposed to the possible economic effects arising from the crisis in Ukraine and/or associated with the Covid-19 emergency.

With specific regard to risk management and the assessment of the effects associated with the conflict in Ukraine, please refer to the dedicated paragraph.

Risks Associated with Macroeconomic and Demand Changes

In the second half of 2022, the global economy recorded a level of inflation that had not been seen in 20 years. The International Monetary Fund therefore reviewed the global growth outlook for 2023 downward, with a risk of recession for some EU countries. The automotive market will therefore be influenced by the resulting decline in demand, and automotive firms are updating their car and motorbike sales forecasts for 2023. Brembo's exposure to a top-premium market and diversified geographical areas translates into a lower exposure of the Group to such recessionary effects overall.

In 2022, the automotive industry, like other sectors, continued to suffer the effects associated with the global microchip shortage, in addition to the effects of the shortage of specific components (such as, for instance, cables) following the conflict in Ukraine. In 2022, demand for Brembo Group's products was not affected by these issues and there are currently no indicators that support the projection of an increase in the risk associated with a component shortage in 2023.

In order to align its production and sales forecasts and monitor the risks associated with macroeconomic and demand changes, in general Brembo keeps constant control of its order portfolio, the performance of the automotive market in the various countries in which it operates and the related macroeconomic indicators.

Covid-19 Risk

Brembo has managed carefully developments relating to the spread of the pandemic since its outbreak, establishing a dedicated task force and promptly adopting the 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.), while ensuring production continuity as much as possible.

In 2022, although the world had put the pandemic crisis behind it, the Group's facilities in China periodically suffered direct and indirect limitations of their production capacity, initially associated with the lockdowns imposed by the local authorities. The situation is constantly monitored by production managers (at the local and central level), the functions responsible for the safety of personnel and top management.

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 those associated with digital innovation, in addition to mechatronics, including based on the Company's mission. 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. A specific function within the Legal and Corporate Affairs GCF, called IPR – Intellectual Property Rights, is responsible for managing patents and, more generally, all aspects associated with protecting the Group's intellectual property.

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. In addition, the Group is also developing new solutions for its customers, in line with its corporate mission statement.

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. Within the context of this assessment, the risks associated with climate change, such as the physical risks connected with the effects of catastrophic natural events, are also taken into account.

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 and periodically updates its ESG risk assessment system, using measurement criteria in line with the Group's risk assessment and management methodology, among which the following should be highlighted:

- the use of resources, such as water, which is a risk issue managed at all production sites, particularly those located in geographical areas marked by water scarcity, as well as the risks linked to the pollution of waterbodies due to any contamination;
- health and safety in the workplace, which is a priority, where the relevant risks are assessed and managed by the competent functions, as described in the related chapter;
- the supply chain, which is increasingly global and strategic, and within which suppliers are asked to operate in compliance with the sustainability standards defined by the Group, with particular reference to environment protection and working conditions.

In 2022, Brembo identified the main sustainability topics of its corporate strategy, anticipating the methodology provided for by the Corporate Sustainability Reporting Directive, i.e., taking into account the sustainability risks and opportunities that may have a positive or negative impact on

the company's future cash flows and therefore may create or reduce the company's value in the short, medium and long term, by influencing its development, performance, and positioning. Within this context, Brembo manages and monitors the achievement of the internal sustainability targets and compliance with any regulatory requirements, including for instance the *net zero* target. For further details please refer to the Consolidated Disclosure of Non-Financial Information (NFI).

Climate Change

Brembo is strongly committed to responding to the challenges posed by climate change, to improve the Group's resilience and seize the opportunities arising from the transition to a low-carbon economy. A key element to achieve this objective is the active management of climate-related risks and opportunities and their impacts. In this context, with the help of an external consultant, Brembo conducted a Climate Change Risk Assessment (CCRA) on all relevant business activities and departments, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The project was launched at the end of 2020 and provided the scenario analysis and the qualitative-quantitative assessment of the main risks and opportunities. The updating activity launched in the last quarter of 2022, also provides for the preparation of the management model.

For further details please refer to the Consolidated Disclosure of Non-Financial Information (NFI).

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

The main risks associated with the supply chain include dependence on single suppliers, which in the event of disruption of the relevant supply relationships could jeopardise the production process and the ability to fill orders for clients in a timely manner. In response to this risk, the Purchasing GCF identifies alternative suppliers as potential replacements (supplier risk management programme) for goods and services deemed strategic, whereas the Quality

GCF monitors and ensures the robustness and stability of the supply chain in providing products that meet the requirements of Brembo and its customers.

The supplier monitoring process has been reinforced for the purpose of prevention, particularly as regards their financial solidity and the availability of production capacity even in the face of sudden demand fluctuations — aspects that, following the pandemic emergency and the conflict in Ukraine, have taken on growing importance. In addition, feasibility analysis activities were intensified to enable adequate management of technical risks from the initial phases of development, thereby ensuring product durability.

In 2022, the unprecedented price increases in the prices of commodities in the first quarter and of utilities until the third quarter were partially neutralised by passing such increases on to sales prices and partially mitigated through the previous pricing policies, as well as, lastly, thanks to the solutions indicated in the section on commodities risk.

With regard to risks relating to logistics and associated with the continuity and the prices of transport of raw materials and finished products, Brembo's mitigation actions focus on a strategy for diversifying methods of transport and the relevant operators, in addition to constantly monitoring them.

Business Interruption

Natural or accidental events (e.g., earthquakes or fires), malicious behaviour (e.g., 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. 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.

Following the outbreak of the conflict in Ukraine, Brembo conducted analyses to assess and mitigate the effects associated with continuity of utility supplies, with particular regard to the supply of gas to its European facilities. This project resulted, for example, in the conversion back from natural gas to LPG of several furnaces installed in various European plants.

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

and efficient quality management, both at its own plants and at suppliers. As part of this process, it has instituted a worldwide Supplier Quality Assurance function, specifically dedicated to quality control of components, in addition to constantly optimising prevention activities, such as for instance the “Failure Mode & Effect Analysis” (FMEA). In addition, the Quality GCF bears global responsibility for properly managing binding requirements and the safety behaviour of products, with particular regard to the risk of recall from the market, for which specific company procedures have been set up.

Information Technology

Brembo considers the operating continuity of its IT systems to be a significant priority and it has implemented a framework for managing cyber risks aimed at business continuity and the availability, integrity and confidentiality of data, while also ensuring compliance with the European GDPR and the national legislation applicable in the various EU member states. These issues are growing in importance also in light of the start of the Group’s smart factory (Industry 4.0) process and the implementation of the strategic pillars associated with the new corporate mission.

In 2020, the Group’s three Italian companies were certified according to the ISO 27001 international standard, which sets the requirements and defines the methods for proper, secure management of information within the Company. In 2022, certification was extended to Poland, the Czech Republic and North America. A “Security Operations Center” (also referred to as “SOC”), reporting to the “Head of Information Security” of the Group, was also established to ensure real-time monitoring of cyber events in order to prevent and promptly react to any cyber attacks.

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 compliance 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 events could result in criminal penalties or pecuniary fines against Brembo, the entity of which could be material in the case of sanctions related to Legis-

lative Decree No. 231/01. Brembo manages this type of risks 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 that covers job health and safety, as well as environmental aspects, and that is compliant with the international ISO 14001 and ISO 45001 standards and certified by an independent body.

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.

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.

In the area of personal data processing compliance risk, the Group is supported by the Data Protection Officer and other dedicated functions, such as the Privacy Supervisory Board and the Privacy Reference Persons identified in sensitive company areas.

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. 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. For further details, reference should be made to Brembo's Corporate Governance and Ownership Structure Report available on the Group's website (www.brembo.com, section Company, Corporate Governance, Corporate Governance Reports), specifically to the paragraph relating to the 231 Model and other compliance tools.

The application of the provisions and preventive measures continued constantly and successfully, owing 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 and Corporate Affairs GCF 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 GCF is responsible for the appropriate checks or assessments 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. It should be noted that, as part of the Digital Transformation Programme, the Group expects to gradually migrate to the new ERP IT programme, according to the project timelines defined at global level.

FINANCIAL RISKS

In conducting its business, the Brembo Group is exposed to various financial risks, including market, 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. With regard to the commodity risk management, in light of the high volatility which characterised 2022, in order to optimise risk management strategies and guarantee the stability of the Group's operating and financial results a task force has been established, led by the Purchasing function,

and involving the Treasury Department, the Group Financial Department, the Industrial Operations function and the Business Units take part.

The various risk management strategies adopted by the Group are illustrated in greater detail here below.

Market Risk

Interest rate risk management

The second quarter of 2022 was marked by a significant upward trend of the interest rates applied by the various central banks at global level. 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 59% 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

Through a dedicated task force, the Brembo Group closely analyses and monitors the course of the risk associated with fluctuations in the prices of raw materials and commodities, also in light of the fluctuations due to the Russia-Ukraine conflict. In particular, as of 2021 Brembo has undertaken specific financial transactions to hedge against the risk of energy price fluctuation and a financial hedge aimed at mitigating aluminium price fluctuation.

Moreover, 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 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 operation. The Central Treasury & Credit Department implements the main measures indicated below in order to minimise such risk:

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

Credit Risk

Credit risk is the 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 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 motor-bike makers with a high credit standing. The current macroeconomic context, and in particular the presence of new

customers in the electric vehicle sector, has made continuous credit monitoring increasingly important, so that situations where there is a risk of insolvency or late payment with respect to contractual terms 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, where insurable.

Brembo's changing needs through the years have been specifically reflected in its insurance coverage, which has been optimised to significantly decrease the Company's exposure to intrinsic risks related to the type of activities carried out by Brembo. Thanks to international programmes, all Brembo Group companies are currently covered against the following key strategic risks: property all risks, general liability, general product liability, product recall and environmental responsibility. Additional coverage has been arranged locally based on the specific requirements of local legislation or collective labour contracts and/or corporate agreements or regulations.

HUMAN RESOURCES AND ORGANISATION

In 2022, Brembo continued to evolve from the organisational standpoint to support the Company's Vision and Mission and to invest in the training and development of personnel through targeted initiatives.

In January 2022, the ICT GCF (Global Central Function) announced an internal reorganisation, in line with the Company's Vision and Mission, characterised by a new IT operational model structured on four main global organisational areas: Business Relationship Management, Global Architecture & Governance, Global Information Security and Global IT Operations.

In February, the Marketing GCF as well was reorganised internally to strengthen Brembo's Brand Awareness and perception on the market as a reliable Solution Provider and to coordinate its activities at global level in an increasingly effective way.

In March 2022, the Transformation GCF was established within which the Brembo Solutions area was created, with the aim of supporting Brembo in its positioning on the market as a Solution Provider, through the intangible service proposal, in close collaboration with the GBUs and GCFs that retain the key responsibilities.

Within the Business Development GCF, a global competence area known as Brembo Ventures has been set up as the company's venture capital unit, focused on expediting the development of innovative solutions for the mobility of tomorrow. This unit is a point of connection of both Brembo's current business and the new investment opportunities at the global level. In this context, in October Brembo acquired a 6.8% stake in PhotonPath, a Milan-based company established in 2019 as a spin off from the Milan Polytechnic and specialising in the production of integrated photonics-based products.

In April 2022, the Purchasing GCF revised its organisation in order to consolidate and share in an increasingly efficient manner best practices at global level, as well as to ensure a synergistic and organic approach within the GCF itself. In addition, in July the Chairman and CEO of Brembo North America left the company after qualifying for retirement. He was replaced by the Chairman and CEO of Brembo China, in turn replaced by the Brembo China Deputy CEO. These replacements took place in full accordance with the Group's Talent Management & Succession Planning process. Brembo also welcomed the newly-appointed Chief Quality Officer and Chief Internal Audit Officer. In late December 2022, it was announced that the Chief Digital & Innovation Officer and the Chief Real Estate Development Officer had resigned. At the same time, it was announced that the areas and people of the Digital & Innovation GCF would be assigned by competence to the Transformation

GCF and Quality GCF, whereas those of the Real Estate Development GCF would be allocated to the Industrial Operations GCF.

In 2022, the selections for the fourth edition of LIFT – Leaders' International Fast Track Program took place with the aim of recruiting young talents to the Company and grow them through cross-functional and international experiences, enriching the Company's Global Talent Portfolio. The programme, lasting 27 months, is divided into three job rotations, of which at least one is abroad. In May, young graduates with diverse cultural roots and nationalities were hired in Italy, and another participant in the programme was hired in India. The LIFT process is supported by a training plan aimed at speeding the acquisition of specialist and management skills. After the first month of induction, participants in the programme were assigned to an organisational area to undergo their first job rotation (June to February), to be followed by another two. During the programme, young graduates are monitored and supported by the LIFT Development Committee, composed of Sponsors, Mentors and Tutors, and coordinated by Drivers (Head of Organisational Development and Talent Development Manager), who constantly monitors their performance and motivation, in addition to working organically to set up and manage rotations.

Brembo continued to develop increasingly global training initiatives in support of the company's strategy and the spread of the Group's culture. This was the framework for the development of the Brembo Global Induction Programme (B-GIP), which offered more than 500 of the Group's new hires (white collars) over the last 18 months a thorough, detailed overview of the company's business, organisation and culture from the perspective of the managers of the various areas.

The Digital Learning Path was designed and launched to develop the digital skills required for today and tomorrow. It includes the Culture of Data course, taught by internal teachers with innovative know-how, alternating with external professionals who bring to the virtual classroom their academic theories and models, practical applications and solutions and artificial intelligence and machine learning, with the aim of facilitating the assimilation of specific skills and innovative tools relating to artificial intelligence.

The company continued its Knowledge Management training process, part of the process of certifying Domain

Experts: Brembo people with the critical skills needed to ensure that their knowledge is transferred within the Group through internal teaching and the drafting and updating of specific technical manuals. Moreover, the Company continued to invest in its Academy centres focusing on R&D and Manufacturing and run by internal teachers certified by the Brembo Academy. With the resumption of in-presence training, the Hub for Lifelong Learning process also started up again in April. The Hub is aimed at operating personnel based in Italy and divided into various continuing training and refresher modules concerning institutional and technical expertise in line with the Group's priorities.

The year 2022 also saw the continuation of the global Skill Factory development projects in the ICT and Internal Audit field, which add to those previously developed for Program Management, Sales and Technical Development professional families. These are assessment paths axed on two main dimensions, the Brembo's mindset and the technical skills critical for the role, followed by a structured phase focused on the individual feedback and the definition of an individual development plan.

The Group continued to translate its corporate purpose into practice through three strategic pillars — Digital, Global and Cool —, which transform ideas into business opportunities. The Pillars involve more than 150 staff with a different provenance, gender and professional background in various project activities. Within the Digital Pillar, work continued on the Ishango Digital Transformation global programme launched in 2021 and focused on the implementation of digital platforms integrated into the existing ecosystem, as well as the adoption of new ways of working and digital solutions globally managed through 11 journeys within a five-year roadmap. In particular, Journey 10 "People & Change Management" calls for standardisation and digitalisation of HR process at the global level, enabled above all by the implementation of a cloud-based HCM (Human Capital Management) system, initially focusing on the Group's white-collar personnel. The main outputs in 2022 were the launch in Italy of the BYR (Brembo Yearly Review) and the process of managing employee perfor-

mance, which with effect from 2023 will extend to the entire Group. Work was also done on the implementation in Brembo HCM of the Core HR and Recruiting modules, the design of the Compensation - MBO modules and assessment of technical and transversal skills. The latter becomes the enabling force for the Plant Standard Organisation project launched in 2022 to design a standard organisation for industrial facilities at the global level, thus promoting global synergies and governance. In accordance with redefined roles and responsibilities, common to all the Group's sites, efforts were devoted to mapping the technical and transversal skills required for each role and to the assessment process of such skills in the Brembo HCM system, which will be followed by a development plan. The process will be launched by the first half of 2023.

Within the framework of the Global Pillar, in June 2022 the People workstream updated the Policy on Non-Discrimination and Diversity, adding the first Diversity, Equity and Inclusion Brembo Charter (DEI Brembo Charter), which suggests virtuous behaviour to be adopted every day, thus forming an alliance between the various generations present within the Company. The workstream also worked on defining cross-business and cross-functional career paths and launched the Career Advisory Desk project in Italy. The second edition of the Gen Z Forum was also held in 2022. The Forum is an incubator for innovative ideas powered by the new generations who represent the company's future and are the true promoters of an innovation that has always been a part of Brembo's DNA. 21 young people with an average age of 27 and diverse experiences, backgrounds and places of origin developed and presented four creative ideas to the CEO. Three of these ideas were approved and will be transformed into new business opportunities within the framework of the Cool and Global Pillar.

Lastly, 2022 saw the deployment of the results of the seventh edition of the Global Engagement Survey launched in December 2021, as well as the definition of appropriate Action Plans and global and local improvement initiatives to be undertaken to improve the perception of individuals and their relationships to the Organisation.



IN THE HEART OF TOMORROW

Increasingly digital, cool and global, with our eyes on tomorrow.
A future that is already here, made of technology and data,
with the constant ambition to go beyond our limits.

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 persistent geopolitical tensions that shaped 2022 resulted in extreme volatility of commodity and energy prices, which, along with the manifestation of the first effects of climate change, such as scarce precipitation, placed severe strain on the entire manufacturing sector and showed how much resilience in the face of hard-to-predict events can turn a situation of risk into an opportunity. Thanks to the actions identified in previous years to introduce excellent management of Environment and Energy matters, the Group contained the negative effects of the crisis on its business. Energy efficiency, use of energy from renewable sources and a focus on excellence in environmental management helped not only to achieve the goals set, but also to reduce negative impacts on the business.

The use of renewable energy, which in 2022 accounted for 69% of the total, through PPAs (power purchase agreements) translated into containment of energy purchase costs, as well as in improved energy efficiency. In fact, the implementation of several projects in 2022 allowed an energy saving of around 153,000 GJ.

For the fifth consecutive year, the Brembo Group was awarded with an 'AA' score for its Climate Change and Water Security programmes.

The main areas of focus are set out below.

Energy Management: in 2022, the EEP (Energy Efficiency Projects) platform was released. In line with the goals for digitalisation of company processes, it enables to monitor all energy efficiency projects developed at the Group's various sites. Moreover, the platform allows the sharing of the projects among the Brembo Group's plants, thus making the improvement process more efficient.

The plants with an ISO 50001 certified energy management system increased to nine. Five of them obtained said certification in 2022.

LCA (Life Cycle Assessment): as anticipated in the Six Monthly Report 2022, Brembo structured a system for quantifying environmental impacts throughout the life cycle (LCA) according to the ISO 14040 international standard. Various studies were conducted in the second half of 2022 aimed at assessing the environmental impacts of standard

products, such as discs and materials for friction applications, as well as comparing the impacts of products during the development phase with standard products, assessing the environmental benefits of certain process improvements.

Circular economy: in 2022, the recovery of waste from the carbon ceramic disc manufacturing process was definitively industrialised at the cast iron foundry in Mapello (Italy), with the twofold result of containing costs and reusing materials previously sent for disposal as secondary raw materials. Additional circular economy initiatives are being finalised with regard to the internal and external recovery of materials sent for disposal and the use of secondary raw materials in Brembo products in replacement of those of primary origin.

Water: 2022 was a year of scarce rainfall in all the countries where Brembo operates. In some of these countries, rationing of withdrawals from city water mains was imposed during the summer. In Mexico — an area that is more subject to water shortages — in response to shortages two areas of intervention were identified to reduce the impact on water in the future, also in light of the expanded business in the area. The first is aimed at identifying constant sources and the second at minimising the use of water in the process. This topic is further analysed in the Consolidated Disclosure of Non-Financial Information (NFI).

Sustainability and energy efficiency objectives: the objectives assigned for 2022 were far exceeded and were in line with the direction defined as part of the 2040 Net-Zero path. In particular, the sustainability goal, calculated as a percent reduction in CO₂ emissions with respect to the 2021 emissions achieved through improvement projects, closed at 40.3% compared to the objective set at 19%, whereas the energy efficiency objective, calculated as a percent reduction in energy consumption compared to 2021 achieved through improvement measures, closed at 4.08% compared to the objective set at 2.89%.

WORKPLACE SAFETY

The trend of a constant improvement in the incident rate continued in 2022 as well. Its value for the year just ended was 0.70, the Group's best result of all time, compared to the 0.77 recorded in 2021 and 0.97 in 2020. There were 96 incidents in 2022, a figure almost unchanged on 2021 (95), against an increase in hours worked of 10%.

In 2022, there were only two incidents that caused permanent damage to those involved, bringing the incident severity rate, directly correlated with their overall duration, to 0.14. At 13 of 39 production sites there were no incidents in all of 2022, and 27 sites ended the year with an incident rate below the targets set.

The results achieved are due to the application by all plants of the systems implemented over the years, adopted to protect worker health and safety, as well as to the development of *ad hoc* projects at both the central level (shared by all plants) and locally (i.e., that of the single plants, sites or regions), such as:

WCM (World Class Manufacturing): 2022 saw the launch of the WCM programme at all Brembo sites. The activities carried out entailed firstly the definition of the reference teams for each Pillar representing a WCM implementing area, such as the Safety Pillar, and then the initial training about the same provided at all the plants involved. Moreover, at several sites the model areas were identified through the Safety Matrix. They will be the starting point for defining the first improvement activities in 2023. At the end of 2022, all the plants completed a self-assessment of the activities performed with the assignment of a final score, which will then be reviewed by the reference central team in order to check its adequacy with respect to actual progress.

Ergonomics: during the year work continued to improve ergonomics. This is aimed to anticipate the ergonomic analyses of production processes in their design phase so as to facilitate line modifications before their construction and also prevent the risks associated with the manual handling of loads and inappropriate postures. A study project was also launched for the use of exoskeletons, designed to provide adequate ergonomic support at the most critical workstations, which will see a number of experimental trials carried out during 2023.

Safe Behaviour Project: incidents due to unsafe behaviour remain the majority. As a result, the project to involve site prevention personnel, team leaders, department heads and shift managers — as both observers of the behaviours and “trainers” in the proper behaviours to be adopted —

not only continued in 2022, but was expanded to more plants, in particular with training and awareness-raising initiatives aimed at the responsible personnel. In view of an analysis that is to begin with the origins of the conditions that may cause accidents, the layer process audit project was launched at the plant in Ostrava (Czech Republic). This project involves safety audits by all levels of the organisation to systematically identify the unsafe conditions and actions present in individual workstations. The goal is to implement adequate countermeasures to ensure that unsafe conditions and actions are promptly and effectively resolved. The project was studied with the support of the central entity, which helped create the audit modules subsequently used by the plant. The use of this tool will subsequently be extended to all sites for which it will be deemed appropriate.

Communication campaign: during the year, the preliminary work for the launch of the communication campaign relating to workplace health and safety began. The goal is to resume the campaign suspended in 2017 and to update it in light of the significant developments in recent years. These include the Covid-19 pandemic, which considerably raised awareness of the perception of the risk of infection in the workplace, and the growth of the company, which expanded the scope of reference to more sites, while also increasing the number of operators. The activities began in Italy, with the goal of extending them to the whole Group. The campaign will be based on the results of three activities in particular: workshops with operators, Chat & Focus activity with the top managers and listening corners. The first two initiatives have been completed, whereas the listening corners will be set up in 2023. The goal of the workshops is to involve operators and get feedback on operating significance of plant safety, whereas the Chat & Focus activity with the top managers is designed to collect the ideas emerged from the campaign from the department responsible for approving the project.

Integration of the new plants: in 2022, the integration of the five new production plants recently acquired by Brembo (one in Denmark, three in Spain and one in China, respectively) was gradually strengthened to allow a gradual implementation of all the processes and activities provided for by the Group's standards.

Covid-19: compared to 2021, the Covid-19 pandemic is no longer the most significant aspect, considering the positive progress of the situation and the constantly decreasing impact of the virus. In 2022, Brembo maintained a vigilant



attitude to protect its people, while promptly complying with the government instructions in the Protocol for combating and containing the spread of the SARS-COV-2/Covid-19 virus in the workplace (updated on 30 June 2022) and

accordingly updating company manuals. Internal audits and audits performed by the central audit entity were also carried out to check the application of the appropriate site prevention and protection measures.

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 Audit, 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.

On 10 May 2021, the Board of Directors — after receiving the favourable opinion of the Audit, Risk & Sustainability Committee, which also acts as Related Party Transactions Committee and passed this resolution at the presence of

all its members — approved unanimously the new Related Party Transaction Procedure, aligned with the new provisions regarding related party transactions adopted by Consob with Resolution No. 21624 of 10 December 2020. The new Procedure, effective 1 July 2021, was published on the Company's website (www.brembo.com, section Company, Corporate Governance, Governance Documents).

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 2022

Brembo constantly follows developments relating to the Covid-19 pandemic at all its sites worldwide, promptly adopting all necessary measures to prevent, monitor and contain the virus, with the aim of protecting the health of

employees and contractors.

It should be noted that in 2022 all the Group's plants operated at normal capacity, except for companies based in China due to the lockdown period.

RUSSIA-UKRAINE CONFLICT

Following the recent outbreak of the conflict in Ukraine, Brembo set up a working group to monitor the related developments and formulate the actions needed to mitigate risks and possible direct and indirect impacts on the Group. At the level of direct impacts, Brembo chose, from the outset of the crisis, to halt all sales in Russia and Belarus of aftermarket products (the only GBU concerned by the events), with a €17,294 thousand revenue decline compared to 2021. The current context was reflected in the calculation of the expected credit loss of net receivables claimed in the area concerned by the conflict, amounting to €517 thousand (in addition to €27 thousand credit notes to be issued and referring to pre-conflict sales and payables to Russian customers for €467 thousand that will further reduce the exposure). The Group wholly owns the company Brembo Russia Llc. which, through a workforce of 3 employees, promotes the sale of brake discs for the car aftermarket only. After the sales' halt in Russia and Belarus, the activities of Brembo Russia Llc.'s personnel were shifted to other geographical areas. In 2022, net sales of the company, entirely paid to the Parent, amounted to RUB 23,137 thousand (€310 thousand), while net loss was RUB 24,232 thousand (€325 thousand). The balance on the local current accounts was RUB 63,335 thousand (€832 thousand). The exchange rate used to convert the amounts into euros was estimated using public data sources. The company continued to be consolidated on a line-by-line basis since

all the conditions for the control of the investee still apply. At the level of compliance, Brembo analyses and monitors, with the support of external advisors, the development of the sanctions levied against Russia by Western countries. In this regard, there are currently no direct impacts on the Group. The indirect effects on the Group have also been quite limited thus far, although the automotive sector suffered various disruptions in the supply of raw materials and components that, along with the semiconductor crisis, led manufacturers to plan brief production stoppages. The effects associated with the increase in commodity and energy prices have yielded limited impacts to date, due to the price-hedging strategies implemented prior to the outbreak of the conflict and initiatives of cost recovery from customers. Moreover, within the framework of the human emergency caused by the conflict, Brembo implemented a plan of concrete actions in support of the Ukrainian population. At the Company's Italian sites, products were collected to meet refugees' basic needs. Brembo's personnel also had the possibility to participate in voluntary donation of one or more hours of work, to which Brembo added a contribution equivalent to the total raised. In further support of the population fleeing the war, Brembo signed an agreement with CESVI Foundation for a project known as "Safe Haven" with the aim of hosting Ukrainian refugees in a hotel in Poland, offering them a period of room, board, treatment and orientation.

SIGNIFICANT EVENTS DURING THE YEAR

Following the resignation of Laura Cioli, serving as Independent Director, Chairwoman of the Audit, Risk & Sustainability Committee and member of the Remuneration & Appointments Committee, on 3 March 2022 the Board of Directors of Brembo S.p.A., after having heard the recommendations and guidelines of the Remuneration & Appointments Committee, co-opted Manuela Soffientini as new Independent Director, member of the Audit, Risk & Sustainability Committee and of the Remuneration & Ap-

pointments Committee (the Director's resume is available on the Company's website: Governing Boards and Committees | Brembo - Official website). In addition, Independent Director Elisabetta Magistretti was appointed Chairwoman of the Audit, Risk & Sustainability Committee.

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 21 April 2022 approved the Financial Statements for the financial year ended 31 December

2021, allocating net income for the year amounting to €111,228,545.97 as follows:

- to the Shareholders, a gross ordinary dividend of €0.27 per ordinary share outstanding, excluding own shares;
- the remaining amount carried forward.

On 25 July 2022, Brembo signed a 50/50 Joint Venture agreement with Shandong Gold Phoenix Co. Ltd., a Chinese company listed on Shanghai Stock Exchange, design-

ing, testing, manufacturing and marketing braking system and pads/friction material for original equipment and aftermarket. The agreement provides for the formation of the new company — Shandong BRGP Friction Technology Co. Ltd. — that will be fully dedicated to the large-scale manufacturing of innovative aftermarket pads for the car and commercial vehicle segments. As part of the transaction, the two companies will make a total investment of approximately €35 million over the next three years.

PLANS FOR THE BUY-BACK AND SALE OF OWN SHARES

The General Shareholders' Meeting held on 21 April 2022 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 the 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 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%.

With reference to the disposal of own shares, the Board of Directors will define, from time to time, in accordance with applicable legislation and/or allowed market practices, the criteria to set the relevant consideration and/or methods, terms and conditions to use own shares in portfolio, taking due account of the realisation methods applied, the price trend of the stock in the period before the transaction and the best interest of the Company.

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 back nor sold own shares during the reporting period.

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), the 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 regularly 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 2022 was €1,051,350 thousand higher than

the figure reported in the Brembo S.p.A. Financial Statements. Consolidated Net Result for the year, amounting to €292,833 thousand, was €127,914 thousand higher than that of Brembo S.p.A.

ECONOMIC RESULTS

(EURO THOUSAND)	NET INCOME 2022	EQUITY AT 31.12.2022	NET INCOME 2021	EQUITY AT 31.12.2021
Brembo S.p.A.	164,919	862,531	111,229	853,081
Consolidation adjustments:				
Equity of consolidated companies and allocation of their result	196,470	1,473,761	137,488	1,340,112
Goodwill and other allocated surplus	0	72,197	0	75,719
Elimination of intra-Group dividends	(70,275)	0	(30,374)	0
Book value of consolidated shareholdings	0	(527,192)	0	(535,435)
Valuation of shareholdings in associate companies/JVs measured using the equity method	2,065	23,844	498	21,112
Elimination of intra-Group income	1,164	(7,475)	(1,753)	(8,298)
Other consolidation adjustments	(482)	49,347	(1,202)	49,829
Equity and result for the year attributable to minority interests	(1,028)	(33,132)	(349)	(33,524)
Total consolidation adjustments	127,914	1,051,350	104,308	909,515
Group consolidated equity and result	292,833	1,913,881	215,537	1,762,596

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2022

By resolution of the Board of Directors of Brembo S.p.A., Brembo Reinsurance AG was incorporated on 13 January 2023. The objectives of this reinsurance company based in Switzerland include, *inter alia*, improving the conditions and efficiency of the process of financing the Brembo Group's risks through access to the reinsurance market and the possibility of underwriting risks not adequately covered by the insurance market and that cannot be financed through a fund.

On 28 February 2023, Brembo S.p.A., Next Investment S.r.l., together with its parent Nuova FourB S.r.l. (hereinafter jointly referred to as "Brembo") and Camfin S.p.A., together

with its parent Marco Tronchetti Provera & C. S.p.A. (hereinafter jointly referred to as "MTP/Camfin"), signed a shareholder agreement that entails Brembo's commitment to align its vote with that of MTP/Camfin, following their prior consultation on the matters included in the agenda of ordinary and/or extraordinary shareholder meetings of Pirelli & C. S.p.A. (hereinafter referred to as "Pirelli"). For further details, please refer to the related Press release, published on the Company's website (www.brembo.com, section Investors, Press releases).

No other significant events occurred after the end of the year and up to 2 March 2023.

FORESEEABLE EVOLUTION

The first months of 2023 saw a positive performance in terms of volumes and utilisation of the production capacity; barring significant changes in the current macro-econom-

ic and geopolitical context, Brembo expects an increase in revenues in the mid-single digit range for the current year compared to the previous year.

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 2022 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, 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 2022, 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 the Shareholders' approval our proposal for distributing

Brembo S.p.A.'s net income amounting to €164,919,102.16, as follows:

- to the Shareholders, a gross ordinary dividend of €0.28 per ordinary share outstanding, excluding own shares (payment as of 24 May 2023, ex-coupon date 22 May 2023, and record date 23 May 2023);
- the remaining amount carried forward.

Stezzano, 2 March 2023

On behalf of the Board of Directors

The Executive Chairman
Matteo Tiraboschi

BREMBO S.P.A. STOCK PERFORMANCE

Brembo's stock closed 2022 at €10.45, a 16.6% decrease compared to year-start, reaching its high for the period on 6 January (€13.38) and its low on 29 September (€8.14). The FTSE MIB index closed the year down 13.3%, while the BBG EMEA Automobiles Parts index declined by 31.6%. In 2022, the global economic performance was influenced by growing inflation, in particular the increase in raw ma-

terials prices and energy costs, worsened following the outbreak of the Russia-Ukraine conflict, and the ensuing trend of rising interest rates by the Central Banks.

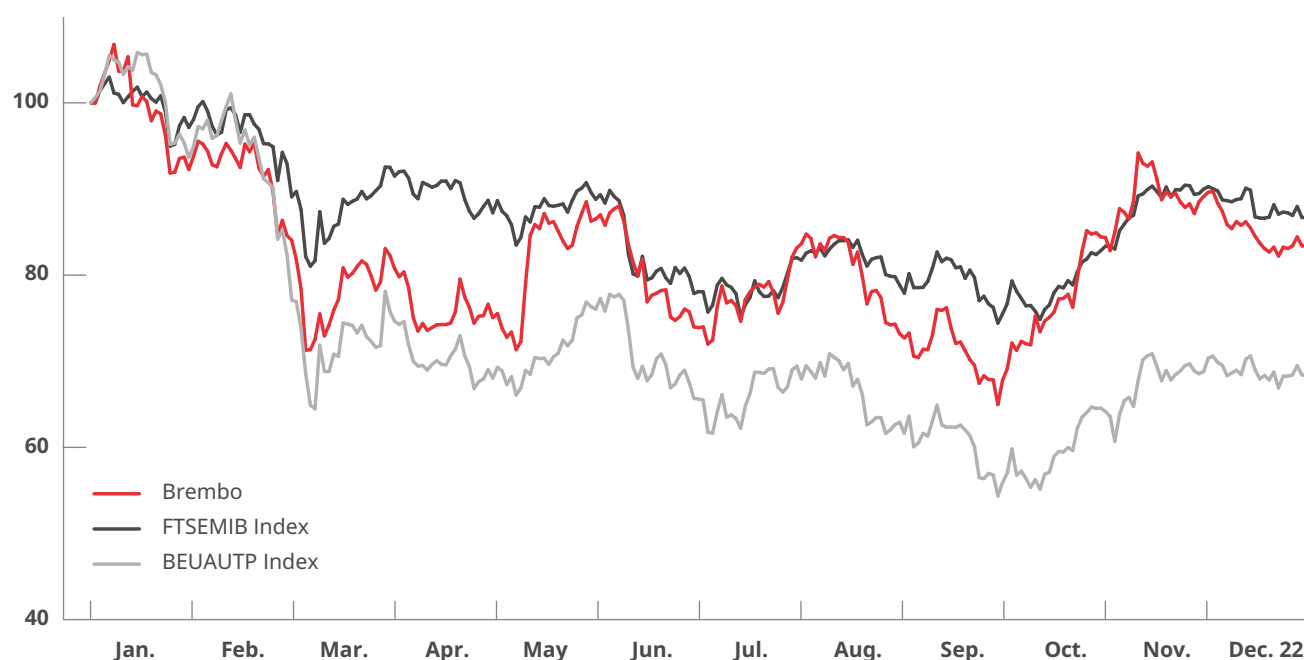
An overview of stock performance of Brembo S.p.A. is given below, compared with that of the previous year:

(EURO THOUSAND)	31.12.2022	31.12.2021
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)	697,611,430	741,852,236
Net income for the year (euro)	164,919,102	111,228,546
Trading price (euro)		
<i>Minimum</i>	8.14	10.08
<i>Maximum</i>	13.38	12.53
Year-end	10.45	12.53
Market capitalisation (euro million)		
<i>Minimum</i>	2,718	3,366
<i>Maximum</i>	4,468	4,184
Year-end	3,489	4,184
Gross dividend per share	0.28 (*)	0.27

(*) To be approved by the Shareholders' Meeting convened on 20 April 2023.

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





THE THRILL OF VICTORY

The cyclical, tireless quest for success,
the excitement of the first across the finish line.
It is part of our DNA. It is a boundless passion
and the unwillingness to give up the adrenaline rush.





2. PALMARES 2022

BREMBO BRAKE SYSTEMS

CARS



"Open wheels" Championships

Formula 1 (calipers)

Drivers Championship	Max Verstappen - Red Bull Racing RBPT
Constructors Championship	Red Bull Racing RBPT

Formula E (calipers, carbon discs)

Drivers Championship	Stoffel Vandoorne - Mercedes-EQ Formula E Team
Team Championship	Mercedes-EQ Formula E Team

Formula 2 (calipers)

Drivers Championship	Felipe Drugovich - MP Motorsport
Team Championship	MP Motorsport

Formula 3 (calipers, iron discs)

Drivers Championship	Victor Martins - Alpine Academy Driver
Team Championship	Prema Racing

Super Formula (calipers, carbon discs)

Drivers Championship	Tomoki Nojiri
Team Championship	Team Mugen



"Covered wheels" Championships

FIA World Endurance Championship - WEC

FIA Endurance Trophy LMP2 (calipers)	Da Costa, Gonzalez, Stevens - Jota
FIA Endurance Trophy LMP2 Pro/AM (calipers)	Rovera, Perrodo, Nielsen - AF Corse
FIA World Endurance LMGTE (calipers, iron discs)	Pier Guidi, Calado - AF Corse Ferrari

Fanatec GT World Challenge Europe

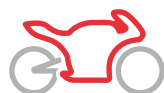
Drivers Championship (calipers, iron discs)	Raffaele Marciello - Akkodis ASP Team
Team Championship (calipers, iron discs)	Akkodis ASP Team - Mercedes AMG GT3

IMSA WeatherTech Sportscar Championship

Daytona Prototype International Class (calipers)	Jarvis, Blomqvist - Acura
GT Daytona Pro Class (iron discs)	Campbel, Jaminet - Porsche
IMSA Prototype Challenge (calipers, iron discs)	Tonis Kasements - Wulver Racing
Porsche Carrera Cup North America (calipers, iron discs)	Parker Thompson - JDX Racing
Idemitsu Mazda MX-5 Cup (calipers, iron discs)	Jared Thomas

Fanatec GT World Challenge America

Driver	Andrea Caldarelli
Team (calipers, iron discs)	K-Pax Racing

MOTORBIKES**"Open wheels"
Championships****MotoGP**

Drivers Championship (calipers, carbon discs)	Francesco Bagnaia
Team Championship	Ducati Lenovo Team
Constructors Championship	Ducati

Moto2

Drivers Championship (calipers)	Augusto Fernandez
Team Championship	Red Bull KTM Ajo
Constructors Championship	Kalex

Moto3

Drivers Championship (calipers, steel discs)	Izan Guevara
Team Championship	Gas Gas Aspar Team
Constructors Championship	Gas Gas

FIM MotoE World Cup

Drivers Championship (calipers, steel discs)	Dominique Aegerter
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World Superbike - WSBK

Drivers Championship (calipers, steel discs)	Alvaro Bautista
Team Championship	Aruba.it Racing Ducati
Constructors Championship	Ducati

Moto America Superbike

Medallia Superbike (calipers, steel discs)	Jake Gagne - Yamaha
Supersport (calipers, steel discs)	Josh Herrin - Ducati

Red Bull MotoGP Rookies Cup

Drivers Championship (calipers)	José Antonio Rueda
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**Off-Road
Championships****FIM World Motocross**

MX2 (calipers, steel discs)	Tom Vialle - Yamaha
MX Junior (calipers, steel discs)	Lucas Leok - Husqvarna

Enduro

EnduroGP (calipers, steel discs)	Andrea Verona - Gas Gas
E1 (calipers, steel discs)	Andrea Verona - Gas Gas
E2 (calipers, steel discs)	Will Ruprecht - TM Racing
E3 (brake friction)	Brad Freeman - Beta
Junior Enduro (calipers, steel discs)	Zachary Pichon - Sherco
Hard Enduro (calipers, steel discs)	Manuel Lettenbichler - KTM

FIM Trial

TrialGP (calipers, steel discs)	Toni Bou - Montesa
X-Trial (brake pump)	Toni Bou - Montesa

FIM Cross Country Rallies

RallyGP (calipers, steel discs)	Sam Sunderland - Gas Gas
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Dakar Rally 2022

Motorbike winner (calipers, steel discs)	Sam Sunderland - Gas Gas
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**MARCHESINI WHEELS****MOTORBIKES****World SBK
Championships****MotoGP**

Drivers Championship	Francesco Bagnaia
Team Championship	Ducati Lenovo Team
Constructors Championship	Ducati

World Superbike - WSBK

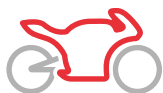
Drivers Championship	Alvaro Bautista
Team Championship	Aruba.it Racing Ducati
Constructors Championship	Ducati

Moto3

Drivers Championship	Izan Guevara
Team Championship	Gas Gas Aspar Team
Constructors Championship	Gas Gas

FIM MotoE World Cup

Drivers Championship	Dominique Aegerter
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SBS FRICTION**MOTORBIKES****World Supersport
Championships****Isle of Man TT (pads)**

Drivers Championship	Peter Hickman - Gas Monkey Garage by FHO Racing
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World Supersport 600 (pads)

Drivers Championship	Dominique Aegerter - Ten Kate Racing
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AP RACING

CARS



“Covered wheels” Championships

Indycar (clutches)	Power - Team Penske - Chevrolet
Indy 500 (clutches)	Ericsson - Chip Ganassi Racing
WEC	
Hypercar (clutches)	Buemi, Hartley, Hirakawa - Toyota Gazoo Racing
LMP2 (carbon discs)	Da Costa, Gonzalez, Stevens - Jota - Oreca
Nascar Cup Series (calipers, iron discs, pedal box)	Logano - Team Penske - Ford
IMSA	
Daytona Prototype International Class (carbon discs)	Blomqvist, Jarvis, Taylor - Meyer Shank Racing - Acura
LMP2 (carbon discs)	Ferano - Tower Motorsport - Oreca 07
GT Daytona Pro Class (calipers, iron discs, pedal box)	Barnicoat, Campbell, Jaminet - Pfaff Motorsport - Porsche
British Touring Car Championship (calipers, iron discs, clutches, pedal box)	
Drivers Championship	Ingram - Bristol Street Motors with EXCELR8 TradePriceCars.com
Team Championship	Napa Racing UK - Ford Focus
Australia V8 Supercar (calipers, iron discs, clutches, pedal box)	
Drivers Championship	Van Gisbergen - Red Bull Ampol Racing - Holden Commodore
Team Championship	Red Bull Ampol Racing - Holden Commodore
Japanese Super GT	
Classe GT500	
Drivers Championship and Team (calipers, carbon discs, clutches)	Baguette, Hiramine - Team Impul - Nissan
Classe GT300	
Drivers and Team Championships (calipers, iron discs, clutches, pedal box)	de Oliveira, Fujinami - Kondo Racing - Nissan GTR35
WRC (clutches)	
Drivers Championship	Rovanperä - Toyota Gazoo Racing - Yaris

**J.JUAN****CARS****Rally
Championships****FIA World Rally - Raid Championship****T3** (calipers)

Drivers Championship Francisco "Chaleco" Lopez

T4 (calipers)

Drivers Championship Rokas Baciuska

Team Championship South Racing

FIA World Cup Cross - Country Bajas**T3** (calipers)

Drivers Championship Dania Saud Akeel

T4 (calipers)

Drivers Championship Alexandre Re

Team Championship South Racing

Dakar Rally**SSV -T4** (calipers)

Drivers Championship Austin Jones

Team Championship South Racing

Lightweight vehicle (calipers)

Drivers Championship Francisco "Chaleco" Lopez

Team Championship South Racing

Score Baja 1.000 California**Pro UTV Forced Induction** (calipers)

Drivers Championship Austin Welland

Team Championship CanAm

Score Baja 500 California**Pro UTV Forced Induction** (calipers)

Drivers Championship Austin Welland

Team Championship CanAm

Score Baja 5.400 California**Pro UTV Forced Induction** (calipers)

Drivers Championship Austin Welland

Team Championship CanAm

BRAKTEC BY J.JUAN

MOTORBIKES
**Off-Road
Championships**

Trial des Nations (calipers and hoses)

Drivers and Team Championships Toni Bou - Montesa, Adam Raga - TRRS, Jaime Busto - Vertigo

Women's Trial des Nations (calipers and hoses)

Drivers Championship Berta Abellan - Scorpa, Sandra Gomez- TRRS, Alba Villegas - Sherco

Trial GP (calipers and hoses)

Drivers Championship Toni Bou

Team Championship Montesa - Team Honda Repsol

Women's Trial GP (calipers and hoses)

Drivers Championship Emma Bristow

Team Championship Sherco

Trial 2 (calipers and hoses)

Drivers Championship Sondre Haga

Team Championship Beta



A DIFFERENT MINDSET

A combination of lives and journeys,
knowledge and culture
for ongoing innovation and expansion.
It is diversity and contrasts
that generate the ability
to think outside the box and be bold.



3. CONSOLIDATED FINANCIAL STATEMENTS 2022

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(EURO THOUSAND)	NOTES	31.12.2022	OF WHICH WITH RELATED PARTIES	31.12.2021	OF WHICH WITH RELATED PARTIES	CHANGE
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	1,125,711		1,047,259		78,452
Right of use assets	1	242,121		227,474		14,647
Development costs	2	101,658		101,129		529
Goodwill and other indefinite useful life assets	2	123,235		118,775		4,460
Other intangible assets	2	75,529		77,415		(1,886)
Shareholdings valued using the equity method	3	50,671		45,100		5,571
Investments in other companies	4	228,079		293,859		(65,780)
Derivatives	4	65,945		24,424		41,521
Other non-current financial assets	4	2,734		1,969		765
Receivables and other non-current assets	5	23,791		23,218		573
Deferred tax assets	6	66,256		71,649		(5,393)
TOTAL NON-CURRENT ASSETS		2,105,730		2,032,271		73,459
CURRENT ASSETS						
Inventories	7	586,034		482,924	13	103,110
Trade receivables	8	594,253	1,706	468,222	1,232	126,031
Other receivables and current assets	9	130,345		136,162		(5,817)
Derivatives	10	10,678		4,347		6,331
Other current financial assets	10	1,888		1,245		643
Cash and cash equivalents	11	415,882		557,463		(141,581)
TOTAL CURRENT ASSETS		1,739,080		1,650,363		88,717
ASSETS FROM DISCONTINUED OPERATIONS		302		655		(353)
TOTAL ASSETS		3,845,112		3,683,289		161,823

EQUITY AND LIABILITIES

(EURO THOUSAND)	NOTES	31.12.2022	OF WHICH WITH RELATED PARTIES	31.12.2021	OF WHICH WITH RELATED PARTIES	CHANGE
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	158,690		124,093		34,597
Retained earnings/(losses)	12	1,427,630		1,388,238		39,392
Net result for the year	12	292,833		215,537		77,296
TOTAL GROUP EQUITY		1,913,881		1,762,596		151,285
TOTAL MINORITY INTERESTS		33,132		33,524		(392)
TOTAL EQUITY		1,947,013		1,796,120		150,893
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	464,526		516,182		(51,656)
Long-term lease liabilities	13	152,985		202,340		(49,355)
Derivatives	13	0		0		0
Other non-current financial liabilities	13	1,198		3,117		(1,919)
Other non-current liabilities	14	2,359	105	2,022		337
Non-current provisions	15	23,991		44,995		(21,004)
Employee benefits	16	24,086	2,822	23,992	1,424	94
Deferred tax liabilities	6	33,649		38,189		(4,540)
TOTAL NON-CURRENT LIABILITIES		702,794		830,837		(128,043)
CURRENT LIABILITIES						
Current payables to banks	13	241,213		225,286		15,927
Short-term lease liabilities	13	88,211		24,236		63,975
Derivatives	13	3,586		2,950		636
Other current financial liabilities	13	601		810		(209)
Trade payables	17	653,162	10,117	590,830	11,529	62,332
Tax payables	18	16,128		12,959		3,169
Current provisions	15	1,608		960		648
Contract liabilities	19	56,547		48,753		7,794
Other current liabilities	19	134,249	3,726	149,469	14,699	(15,220)
TOTAL CURRENT LIABILITIES		1,195,305		1,056,253		139,052
LIABILITIES FROM DISCONTINUED OPERATIONS		0		79		(79)
TOTAL LIABILITIES		1,898,099		1,887,169		10,930
TOTAL EQUITY AND LIABILITIES		3,845,112		3,683,289		161,823

CONSOLIDATED STATEMENT OF INCOME

(EURO THOUSAND)	NOTES	31.12.2022	OF WHICH WITH RELATED PARTIES	31.12.2021	OF WHICH WITH RELATED PARTIES	CHANGE
Revenue from contracts with customers	20	3,629,011	468	2,777,556	329	851,455
Other revenues and income	21	33,322	3,877	23,544	3,443	9,778
Costs for capitalised internal works	22	23,060		23,189		(129)
Raw materials, consumables and goods	23	(1,758,819)	(57,238)	(1,310,330)	(45,196)	(448,489)
Income (expense) from non-financial investments	24	16,931		15,318		1,613
Other operating costs	25	(702,121)	(12,289)	(519,964)	(11,968)	(182,157)
Personnel expenses	26	(616,180)	(6,272)	(506,617)	(7,328)	(109,563)
GROSS OPERATING INCOME		625,204		502,696		122,508
Depreciation, amortisation and impairment losses	27	(242,360)		(214,715)		(27,645)
NET OPERATING INCOME		382,844		287,981		94,863
<i>Interest income</i>	28	116,012		67,937		48,075
<i>Interest expense</i>	28	(124,521)		(73,155)		(51,366)
Net interest income (expense)	28	(8,509)	229	(5,218)	(18)	(3,291)
Interest income (expense) from investments	29	7,899	7,692	4,028	3,822	3,871
RESULT BEFORE TAXES		382,234		286,791		95,443
Taxes	30	(88,193)		(70,752)		(17,441)
Result from discontinued operations	32	(180)		(153)		(27)
RESULT BEFORE MINORITY INTERESTS		293,861		215,886		77,975
Minority interests		(1,028)		(349)		(679)
NET RESULT FOR THE YEAR		292,833		215,537		77,296
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	0.90		0.67		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EURO THOUSAND)	31.12.2022	31.12.2021	CHANGE
RESULT BEFORE MINORITY INTERESTS	293,861	215,886	77,975
<i>Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:</i>			
Effect of actuarial income/(loss) on defined benefit plans	5,351	2,027	3,334
Tax effect	(1,518)	(293)	(1,235)
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method	693	668	25
Fair value measurement of investments	(94,453)	80,022	(174,475)
Tax effect	1,133	(961)	2,094
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	(88,794)	81,463	(170,257)
<i>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:</i>			
Effect of hedge accounting (cash flow hedge) of derivatives	49,227	30,372	18,855
Tax effect	(15,365)	(1,427)	(13,938)
Change in translation adjustment reserve	214	60,692	(60,478)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	34,076	89,637	(55,561)
COMPREHENSIVE RESULT FOR THE YEAR	239,143	386,986	(147,843)
Of which attributable to:			
- Minority Interests	408	3,182	(2,774)
- the Group	238,735	383,804	(145,069)

CONSOLIDATED STATEMENT OF CASH FLOWS

(EURO THOUSAND)	31.12.2022	31.12.2021
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	471,948	445,230
Result before taxes	382,234	286,791
Depreciation, amortisation/impairment losses	242,360	214,715
Capital gains/losses	(984)	8
Income/expense from investments, net of dividends received	(2,065)	(497)
Financial portion of provisions for defined benefits and payables for personnel	(124)	398
Long-term provisions for employee benefits	10,768	2,741
Other provisions net of utilisations	20,186	4,981
Result from discontinued operations	(180)	(153)
Cash flows generated by operating activities	652,195	508,984
Current taxes paid	(71,167)	(63,625)
Uses of long-term provisions for employee benefits	(5,388)	(4,224)
<i>(Increase) reduction in current assets:</i>		
inventories	(113,151)	(108,167)
financial assets	(765)	(439)
trade receivables	(127,511)	(57,760)
receivables from others and other assets	(12,822)	150
<i>Increase (reduction) in current liabilities:</i>		
trade payables	62,332	99,173
payables to others and other liabilities	(34,340)	25,941
Translation differences on current assets	(7,876)	12,549
Net cash flows from/(for) operating activities	341,507	412,582
<i>Investments in:</i>		
property, plant and equipment	(249,398)	(183,841)
intangible assets	(34,542)	(31,789)
financial assets	(31,512)	(168)
Price for disposal or reimbursement value of fixed assets	2,789	5,616
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of the relevant cash and cash equivalents	(3,395)	(97,722)
Net cash flows from/(for) investing activities	(316,058)	(307,904)
Dividends paid in the year	(87,389)	(71,132)
Dividend paid to minority shareholders in the year	(800)	(640)
Change in fair value of derivatives	1,573	1,491
Reimbursement of lease liabilities	(30,893)	(29,021)
Loans and financing granted by banks and other financial institutions in the year	25,123	101,226
Repayment of long-term loans and other financing	(142,964)	(83,161)
Net cash flows from/(for) financing activities	(235,350)	(81,237)
Total cash flows	(209,901)	23,441
Translation differences on cash and cash equivalents	(8,034)	3,277
CASH AND CASH EQUIVALENTS AT END OF YEAR	254,013	471,948

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	OTHER RESERVES	RETAINED EARNINGS/ (LOSSES)	NET RESULT FOR THE YEAR	GROUP EQUITY	EQUITY OF MINORITY INTERESTS	EQUITY
Balance at 1 January 2021	34,728	37,428	1,241,370	136,533	1,450,059	30,982	1,481,041
Allocation of profit for the previous year			65,278	(65,278)	0	0	0
Payment of dividends				(71,255)	(71,255)	(640)	(71,895)
Other changes			(12)		(12)	0	(12)
Reclassification		(139)	139		0	0	0
<i>Components of comprehensive income:</i>							
Effect of actuarial income/(loss) on defined benefit plans			1,734		1,734	0	1,734
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method			668		668	0	668
Fair value measurement of investments			79,061		79,061	0	79,061
Effect of hedge accounting (cash flow hedge) of derivatives		28,945			28,945	0	28,945
Change in translation adjustment reserve		57,859			57,859	2,833	60,692
Net result for the year				215,537	215,537	349	215,886
Balance at 1 January 2022	34,728	124,093	1,388,238	215,537	1,762,596	33,524	1,796,120
Allocation of profit for the previous year			128,087	(128,087)	0	0	0
Payment of dividends				(87,450)	(87,450)	(800)	(88,250)
Reclassification		(99)	99		0	0	0
<i>Components of comprehensive income:</i>							
Effect of actuarial income/(loss) on defined benefit plans			3,833		3,833	0	3,833
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method			693		693	0	693
Fair value measurement of investments			(93,320)		(93,320)	0	(93,320)
Effect of hedge accounting (cash flow hedge) of derivatives		33,862			33,862	0	33,862
Change in translation adjustment reserve		834			834	(620)	214
Net result for the year				292,833	292,833	1,028	293,861
Balance at 31 December 2022	34,728	158,690	1,427,630	292,833	1,913,881	33,132	1,947,013

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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), Denmark (Svendborg), Spain (Barcelona), Mexico (Apodaca and Escobedo), Brazil (Betim), China (Nanjing, Langfang, Jiaying), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo), the USA (Huntersville) 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 2022 have been prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2022, issued by the International Accounting Standard Board (IASB) and adopted pursuant to Italian and EU regulations applicable from time to time, including Commission Delegated Regulation (EU) No. 2019/815 of 17 December 2018 (hereafter "ESEF Regulation").

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.

The Group has prepared the financial statements on the assumption that it will continue as a going concern, in the belief that there is no material uncertainty that might give rise to significant doubt with regard to this assumption. The Directors believe that there is a reasonable expectation that the Group possesses adequate resources to continue to operate in the near future.

On 2 March 2023, the Board of Directors approved the Consolidated Financial Statements 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 2022, 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 that will be realised, sold or consumed in 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. When assessing the recoverability of development costs, recoverable amount is estimated on the basis of the future cash flows expected from the project, the applicable discount rates and the period in which expected benefits will be generated. Further information is given in Note 2 of these Explanatory Notes.
- Recognition of taxes: the Consolidated Financial Statements include deferred tax assets associated with the recognition of tax losses or tax credits that may be used in subsequent years and income components that are tax-deductible on a deferred basis, resulting in an amount the future recovery of which is deemed highly probable by company management. The recoverability of such deferred tax assets is conditional on earning future taxable income sufficient to

offset such tax losses and for the use of the benefits of other deferred tax assets. Significant management's judgement is required in assessing the probability of the recoverability of deferred tax assets, taking into account all possible negative and positive evidence, and in determining the amount that may be recognised on the basis of the timing and amount of future taxable income, future tax planning strategies and the tax rates in effect when the differences will be reversed. 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. 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. If it should be concluded that the Group is no longer able to recover in future years part or all of the deferred tax assets recognised, the consequent adjustment will be taken to the Statement of Income in the year in which this occurs. The recoverability of deferred tax assets is reviewed at the end of each period. Deferred tax assets not recognised in the financial statements are reassessed at each reporting date to verify the conditions for recognising them. Further information is given in Note 6 of these Explanatory Notes.

- Impairment of non-financial assets: the recoverable amounts of such assets are verified in accordance with the criteria laid down in IAS 36. When determining their recoverable amount, the Group generally applies the criterion of value in use, defined as the present value of the future cash flows expected from the assets being assessed. CGUs (cash-generating units) have been identified in accordance with the Group's organisational and business structure as assets that generate independent cash inflows from their ongoing use. CGUs are thus represented by the individual legal entities that serve the markets, and the criteria for defining them were not changed during the year. In limited cases, the CGU may be represented by the business of reference present in the region, even if managed by multiple legal entities.
- 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 fair value less costs to sell and its value in use. Recoverable amount is highly dependant on the discount rate used in the discounted cash flow model (which reflects the current market assessments of the time value of money and the risks specific to the asset in question), the expected future cash flows and the growth rate used for extrapolation. The expected future cash flows used to determine value in use are based on the most recent financial plan approved by the management, containing projected volumes, revenues, operating costs and investments. 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. Costs and liabilities associated with such plans are calculated based on estimates prepared by actuarial consultants, who use a combination of statistical and actuarial factors, including statistical data concerning previous years and projections of future costs. In addition, the components of estimation also include mortality and retirement rates, assumptions regarding the future evolution of discount rates, salary growth rates, inflation rates and an analysis of the performance of healthcare costs. These estimates may differ substantially from actual results due to the development of economic and market conditions, increases or decreases in retirement rates and the life expectancy of participants and changes in actual healthcare costs. Due to the complexity of the assessment and its long-term nature, such estimates are extremely sensitive to changes in assumptions. All assumptions are therefore reviewed annually. Further information is given in Note 16 of these Explanatory Notes.
- Determination of the fair value of financial instruments: the determination of the fair value of financial instruments is a structured process involving the use of complex valuation methodologies and techniques and the collection of up-to-date information from the markets of reference and/or the use of internal input data. The fair value of financial instruments is calculated on the basis of market prices, where available, or, for unlisted financial instruments, by applying specific valuation techniques based on the discounting of future cash flows. As with other estimates, the determination of fair value, while based on the best available information and the adoption of adequate valuation methodologies and techniques, is intrinsically characterised by elements of uncertainty and the use of professional judgement, which could result in projected values that differ from actual results.

CHANGE IN ACCOUNTING STANDARDS AND DISCLOSURES

The valuation and measurement criteria used are based on the IFRS in force as of 31 December 2022 and endorsed by the European Union. In the reporting year, the Group applied a series of amendments to the international accounting standards issued by the IASB that entered into effect on a mandatory basis for accounting periods that begin on or after 1 January 2022. Their adoption had no impact on the information or the amounts indicated in these Financial Statements.

Amendments to IFRS 3 – Business Combinations - Reference to the Conceptual Framework

In 2022, the Group adopted for the first time the amendments to IFRS 3 – *Business Combinations*, which update the standard so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. In addition, they add a requirement to the standard that, for obligations that fall within the scope of application of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*, an acquirer must apply IAS 37 to determine whether, at the acquisition date, there is a present obligation as a result of past events. For a levy that would be within the scope of IFRIC 21, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability for the payment of the levy occurred by the acquisition date.

Amendments to IAS 16 – Property, Plant and Equipment - Proceeds Before Intended Use

In 2022, the Group adopted for the first time the amendments to IAS 16 – *Property, Plant and Equipment*. The amendments prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling products prior to the asset in question is available for use, i.e., proceeds earned in the period before the asset operates in the manner expected by management. Accordingly, the proceeds from selling products and the related production cost must be recognised in the Statement of Income.

Amendments to IAS 37 – Onerous Contracts - Cost of Fulfilling a Contract

In 2022, the Group adopted for the first time the amendments to IAS 37. The amendments specify that, when assessing onerous contracts, the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract', and thus either incremental costs of fulfilling that contract (e.g., direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRSs 2018-2020 Cycle

In 2022, the Group adopted for the first time the amendments included in the Annual Improvements to IFRSs 2018-2020 Cycle. The annual improvements include amendments to four standards.

These amendments referred exclusively to some standards (IFRS 1 – *First-time Adoption of International Financial Reporting Standards*, IFRS 9 – *Financial Instruments*, IAS 41 – *Agriculture*, and illustrative examples of IFRS 16 – *Leases*) clarifying their formulation or correcting omissions or conflicts among the IFRSs' requirements.

Other standards, interpretations or amendments, endorsed or not yet endorsed, and not yet entered into force at the reporting date, are listed in the following table:

DESCRIPTION	ENDORSED	EXPECTED DATE OF ENTRY INTO FORCE
IFRS 17 – <i>Insurance Contracts</i> (issued on 18 May 2017), including Amendments to IFRS 17 (issued on 25 June 2020)	YES	1 January 2023
Amendments to IFRS 17 – <i>Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i> (issued on 9 December 2021)	YES	1 January 2023
Amendments to IAS 1 – <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i> (issued on 12 February 2021)	YES	1 January 2023
Amendments to IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> (issued on 12 February 2021)	YES	1 January 2023
Amendments to IAS 12 – <i>Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i> (issued on 7 May 2021)	YES	1 January 2023
Amendments to IFRS 16 – <i>Leases: Lease Liability in a Sale and Leaseback</i> (issued on 22 September 2022)	NO	1 January 2024
Amendments to IAS 1 – <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i> (issued on 23 January 2020 - Deferral of Effective Date 15 July 2020); and <i>Non-current Liabilities with Covenants</i> (issued on 31 October 2022)	NO	1 January 2024

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.

CLIMATE CHANGE

A worldwide process of decarbonisation and electrification of the global economy is in progress. In accordance with the requirements of the Paris Agreement, this process is crucial to achieving the net zero goal, which should prevent the severe consequences of an increase in temperatures of over 1.5°C.

To this end, and as illustrated in greater detail in the NFI (Consolidated Disclosure of Non-financial Information), the Group has set its own strategic guidelines, which lay down:

- a process aimed at reducing to zero by 2040 the CO₂ emissions classified as Scope 1 and 2 (direct and indirect emissions generated by its activities) and Scope 3 (emissions generated by the value chain);
- the development of solutions that facilitate the emission reduction, increasing vehicles' overall efficiency.

Within this framework, IAS 1 requires that the Notes to the Financial Statements include a disclosure of the entity's assumptions concerning the future that might entail a significant risk of causing a material adjustment in the subsequent financial year. The consequences in terms of investments, costs and cash flows are taken into consideration when preparing the financial statements, in accordance with the progress of the roadmap of the process (e.g., revision of the useful lives of assets planned to be replaced, adjustment of impairment tests to reflect the impacts on investment flows, etc.). It is possible that in the future the carrying amounts of assets and liabilities in the Group's financial statements may be subject to various impacts as the strategy for managing climate change continues to evolve. These aspects are monitored through coordination between the various company functions involving a cross-functional work team set up to conduct thorough analyses of the impact of projects aimed at reducing the emissions generated by the production process and value chain. The roadmap to achieving the net zero goal is periodically updated and discussed within the CSR Committee to assess specific investment needs, evaluate the impact of external events and update the state of progress.

Pursuant to IAS 36, impairment tests are conducted on the basis of the Group's Business Plan, which in turn is founded on short-, medium- and long-term strategic objectives. The cash flows used are therefore drawn from this plan and include

both the risks and opportunities associated with climate change (e.g., energy efficiency projects, replacement of energy sources, development of low-emissions products, etc.).

IASs 16 and IAS 38 establish the criteria for capitalising costs. Costs, including those of developing new solutions that reduce consumption, are capitalised when they meet the requirements set by the two standards. The useful lives of property, plant and equipment, along with those of intangible assets, are determined in accordance with the Group's strategic objectives and Business Plan.

IFRS 13 requires a disclosure of the key assumptions used when assets are measured at fair value and measurement may include various possible scenarios. The Group's portfolio includes VPPAs (Virtual Power Purchase Agreements) measured at fair value on the basis of market scenarios that reflect actual transactions, fundamental models and operators' expectations regarding short-, medium- and long-term energy scenarios. In addition, specific sensitivity analyses are conducted to take account of the various future scenarios.

On the basis of IAS 37, it is possible that the provisions previously recognised for future events could be realised sooner, with the resulting change in the estimate to be recognised. Climate change, and the ensuing associated legislation, might require the reconsideration of such estimates and recognition of liabilities previously not recognised, for which specific disclosure would be provided.

With effect from the reporting year, despite including considerable investments relating to sustainability objectives in its financial plans, the Group has introduced an additional sensitivity scenario for its flows at the consolidated level, designed to reflect its carbon neutrality goals. Accordingly, cash outflows were simulated, both during the explicit period and in the estimate of terminal value, which simulate the cost of neutralising CO₂ emissions (Scope 1 and Scope 2) on the basis of the market values that would be incurred to neutralise them.

CONSOLIDATION CRITERIA

The Consolidated Financial Statements include the Financial Statements of the Parent, Brembo S.p.A., at 31 December 2022, 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. The following corporate transactions impacting the Group's consolidation area were performed in 2022.

- AP Racing Ltd. incorporated AP Racing North America Corp., with registered offices in Wilmington, Delaware (USA). The company specialises in developing and simplifying communications between the parent and the US-based customers, throughout the different phases of project planning and management.
- On 25 July 2022, Brembo signed a 50/50 Joint Venture agreement with Shandong Gold Phoenix Co. Ltd., a Chinese company listed on the Shanghai Stock Exchange, designing, testing, manufacturing and marketing braking systems and pads/friction material for the original equipment and aftermarket. The agreement provides for the incorporation of the new company — Shandong BRGP Friction Technology Co. Ltd. — that will be fully dedicated to the large-scale manufacturing of innovative aftermarket pads for the car and commercial vehicle segments. As part of the transaction, the two companies will make a total investment of approximately €35 million over the next three years.

It should be recalled that on 30 June 2019 Brembo discontinued its industrial operations at the Buenos Aires plant and placed the subsidiary Brembo Argentina S.A. in dissolution and winding up procedure. Consequently, 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 positive difference between the cost of the acquisition and 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 the 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, its value 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 the 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 investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an 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 profit or loss.

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, associates and joint ventures with a functional currency other than 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	31.12.2022	2022 AVERAGE	31.12.2021	2021 AVERAGE
US Dollar	1.066600	1.053877	1.132600	1.183527
Japanese Yen	140.660000	138.005064	130.380000	129.857464
Swedish Krona	11.121800	10.627434	10.250300	10.144849
Danish Krone	7.436500	7.439574	7.436400	7.437050
Polish Zloty	4.680800	4.684487	4.596900	4.564036
Czech Koruna	24.116000	24.560268	24.858000	25.646809
Mexican Peso	20.856000	21.204548	23.143800	23.990296
Pound Sterling	0.886930	0.852607	0.840280	0.860004
Brazilian Real	5.638600	5.443192	6.310100	6.381339
Indian Rupee	88.171000	82.714489	84.229200	87.486086
Argentine Peso	188.503300	136.674581	116.362200	112.333438
Chinese Renminbi	7.358200	7.080095	7.194700	7.634023
Russian Rouble	76.125500	74.544749	85.300400	87.232057

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 recognised 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 estimated 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.

Research 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 semi-finished products 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 future 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.



PIONEERS AND VISIONARIES

Increasingly sustainable mobility
tailored to people and to the environment they live in.
Designing solutions for the present and future,
to continue to be visionaries
and innovation pioneers.



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 significant 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 or through other comprehensive income (OCI), 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 asset that is 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 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 classify its investments as equity instruments measured at fair value through 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 OCI. Equity instruments measured at fair value through OCI are not tested for impairment.

Financial assets are derecognised from the financial statements 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 case 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 the Statement of Income.

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 control associated with ownership of the good is 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 control is 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 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 recognised separately among the current items of the financial statements. 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 "Net income/(loss) from assets held for sale".

GROUP ACTIVITIES, SEGMENTS, SIGNIFICANT TRANSACTIONS 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, Aftermarket.

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. Aftermarket – 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 one customer in 2022 who accounted for over 10% of consolidated net revenues; also considering the individual car manufacturers that compose such group, only one of them slightly exceeded this threshold.

The following table shows segment information on sales of goods and services and results at 31 December 2022 and 31 December 2021:

(EURO THOUSAND)	TOTAL		DISCS/SYSTEMS/ MOTORBIKES		AFTERMARKET/ PERFORMANCE GROUP		INTERDIVISION		NON-SEGMENT DATA	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Sales	3,685,757	2,825,931	3,159,826	2,351,632	567,722	477,826	(5,924)	(4,630)	(35,867)	1,103
Allowances and discounts	(64,851)	(51,095)	(11,767)	(4,894)	(53,082)	(46,183)	0	0	(2)	(18)
Net sales	3,620,906	2,774,836	3,148,059	2,346,738	514,640	431,643	(5,924)	(4,630)	(35,869)	1,085
Transport costs	29,717	23,456	18,278	15,898	11,396	7,537	0	0	43	21
Variable production costs	2,344,987	1,750,838	2,044,984	1,468,308	342,475	286,026	(5,908)	(4,611)	(36,564)	1,115
Contribution margin	1,246,202	1,000,542	1,084,797	862,532	160,769	138,080	(16)	(19)	652	(51)
Fixed production costs	484,509	412,982	446,106	382,401	30,201	28,325	0	0	8,202	2,256
Production gross operating income	761,693	587,560	638,691	480,131	130,568	109,755	(16)	(19)	(7,550)	(2,307)
BU personnel costs	223,683	194,463	136,799	117,648	65,621	54,584	(16)	(19)	21,279	22,250
BU gross operating income	538,010	393,097	501,892	362,483	64,947	55,171	0	0	(28,829)	(24,557)
Costs for Central Functions	168,801	119,580	125,435	82,518	16,360	12,939	0	0	27,006	24,123
Operating income (loss)	369,209	273,517	376,457	279,965	48,587	42,232	0	0	(55,835)	(48,680)
Extraordinary costs and revenues	5,155	3,820	0	0	0	0	0	0	5,155	3,820
Financial costs and revenues	(2,453)	(2,522)	0	0	0	0	0	0	(2,453)	(2,522)
Income (expense) from investments	17,125	15,518	0	0	0	0	0	0	17,125	15,518
Non-operating costs and revenues	(6,982)	(3,695)	0	0	0	0	0	0	(6,982)	(3,695)
Result before taxes	382,054	286,638	376,457	279,965	48,587	42,232	0	0	(42,990)	(35,559)
Taxes	(88,193)	(70,752)	0	0	0	0	0	0	(88,193)	(70,752)
Result before minority interests	293,861	215,886	376,457	279,965	48,587	42,232	0	0	(131,183)	(106,311)
Minority interests	(1,028)	(349)	0	0	0	0	0	0	(1,028)	(349)
Net result	292,833	215,537	376,457	279,965	48,587	42,232	0	0	(132,211)	(106,660)

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

(EURO THOUSAND)	31.12.2022	31.12.2021
Revenue from contracts with customers	3,629,011	2,777,556
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(27,819)	(18,393)
Differences between internal and statutory reports relating to developments activities	7,827	5,632
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	1,619	2,333
Effect of adjustment of transactions among consolidated companies	86	(817)
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	3,016	3,373
Other	7,166	5,152
Net sales	3,620,906	2,774,836

(EURO THOUSAND)	31.12.2022	31.12.2021
NET OPERATING INCOME	382,844	287,981
Differences between internal and statutory reports relating to developments activities	7,843	3,861
Other differences between internal and statutory reports	(361)	(781)
Income (expense) from non-financial investments	(16,931)	(15,318)
Claim compensation and subsidies	(5,221)	(2,966)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	(53)	(157)
Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	1,574	1,026
Reclassification of Brembo Argentina	(104)	(47)
Other	(382)	(82)
OPERATING RESULT	369,209	273,517

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

Statement of Financial Position data at 31 December 2022 and 31 December 2021 are provided in the tables below:

(EURO THOUSAND)	TOTAL		DISCS/SYSTEMS/ MOTORBIKES		AFTERMARKET/ PERFORMANCE GROUP		INTERDIVISION		NON-SEGMENT DATA	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Property, plant and equipment	1,367,832	1,274,733	1,242,819	1,156,530	76,777	80,355	5	5	48,231	37,843
Intangible assets	198,765	196,189	178,360	170,973	19,056	19,332	0	0	1,349	5,884
Financial assets and other non-current assets/liabilities	90,422	94,815	369	1,871	0	0	0	0	90,053	92,944
Total fixed assets (A)	1,657,019	1,565,737	1,421,548	1,329,374	95,833	99,687	5	5	139,633	136,671
Inventories	585,573	482,891	424,242	369,379	160,467	112,626	0	0	864	886
Current assets	749,765	612,428	529,383	411,471	80,023	63,078	(20,349)	(14,415)	160,708	152,294
Current liabilities	(884,791)	(810,089)	(548,619)	(488,732)	(137,413)	(124,346)	20,349	14,415	(219,108)	(211,426)
Provisions for contingencies and charges and other provisions	(55,047)	(78,256)	0	0	0	0	0	0	(55,047)	(78,256)
Net working capital (B)	395,500	206,974	405,006	292,118	103,077	51,358	0	0	(112,583)	(136,502)
NET INVESTED OPERATING CAPITAL (A + B)	2,052,519	1,772,711	1,826,554	1,621,492	198,910	151,045	5	5	27,050	169
Extraordinary components	420,322	458,583	0	0	0	0	0	0	420,322	458,583
NET INVESTED CAPITAL	2,472,841	2,231,294	1,826,554	1,621,492	198,910	151,045	5	5	447,372	458,752
Group equity	1,913,881	1,762,596	0	0	0	0	0	0	1,913,881	1,762,596
Minority interests	33,132	33,524	0	0	0	0	0	0	33,132	33,524
Equity (D)	1,947,013	1,796,120	0	0	0	0	0	0	1,947,013	1,796,120
Provisions for employee benefits (E)	24,086	23,992	0	0	0	0	0	0	24,086	23,992
Medium/long-term financial debt	596,894	721,639	0	0	0	0	0	0	596,894	721,639
Short-term financial debt	(95,152)	(310,457)	0	0	0	0	0	0	(95,152)	(310,457)
Net financial debt (F)	501,742	411,182	0	0	0	0	0	0	501,742	411,182
COVERAGE (D + E + F)	2,472,841	2,231,294	0	0	0	0	0	0	2,472,841	2,231,294

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 risks, 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 Group 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 basis points compared to the rates at 31 December 2022 and 31 December 2021, with other variables held constant. The potential impacts were calculated on the variable-rate financial liabilities at 31 December 2022. The aforementioned change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,517 thousand (€1,660 thousand at 31 December 2021), 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 2022 and 2021, 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 2022 and 2021 to measure exchange rate volatility.

(EURO THOUSAND)	31.12.2022			31.12.2021		
	CHANGE %	EFFECT OF EXCHANGE RATE INCREASE	EFFECT OF EXCHANGE RATE DECREASE	CHANGE %	EFFECT OF EXCHANGE RATE INCREASE	EFFECT OF EXCHANGE RATE DECREASE
EUR/CHF	2.94%	26.3	(27.9)	1.80%	(0.9)	0.9
EUR/CNY	2.42%	(1,216.8)	1,277.2	2.79%	(1,390.3)	1,470.2
EUR/CZK	1.05%	(28.6)	29.3	1.24%	(0.6)	0.6
EUR/DKK	0.03%	(2.4)	2.4	0.02%	(1.4)	1.4
EUR/GBP	1.86%	1.1	(1.2)	1.49%	(0.1)	0.1
EUR/INR	2.73%	0.0	0.0	1.75%	0.3	(0.3)
EUR/JPY	3.97%	44.6	(48.3)	1.50%	24.4	(25.1)
EUR/PLN	1.84%	(99.3)	103.1	1.13%	(41.7)	42.6
EUR/RUB	30.05%	63.4	(117.8)	3.36%	0.0	0.0
EUR/SEK	2.21%	1.1	(1.1)	0.83%	0.1	(0.1)
EUR/USD	4.78%	(70.0)	77.1	2.39%	128.7	(135.0)
PLN/CNY	3.67%	4.9	(5.3)	3.66%	8.2	(8.8)
PLN/EUR	1.85%	(1,385.8)	1,438.0	1.12%	(460.2)	470.7
PLN/GBP	2.01%	0.1	(0.1)	2.29%	0.0	0.0
PLN/CZK	1.75%	(0.1)	0.1	1.80%	0.3	(0.3)
PLN/USD	6.29%	(46.1)	52.3	3.34%	(24.4)	26.1
PLN/CHF	4.46%	9.5	(10.4)	2.53%	1.2	(1.3)
GBP/AUD	3.26%	(1.2)	1.3	2.10%	(0.3)	0.3
GBP/EUR	1.84%	4.3	(4.4)	1.47%	0.3	(0.3)
GBP/USD	6.19%	31.9	(36.1)	1.69%	1.6	(1.6)
USD/CNY	4.53%	(22.9)	25.1	0.75%	0.8	(0.8)
USD/EUR	4.75%	31.8	(35.0)	2.42%	159.2	(167.1)
USD/MXN	2.04%	43.2	(45.0)	2.17%	60.7	(63.4)
BRL/EUR	5.88%	21.7	(24.4)	3.53%	15.8	(16.9)
BRL/GBP	6.73%	0.0	0.0	3.39%	0.1	(0.2)
BRL/USD	4.45%	7.7	(8.4)	3.90%	4.1	(4.5)
JPY/EUR	4.03%	16.2	(17.6)	1.50%	5.6	(5.7)
JPY/USD	8.29%	3.4	(4.1)	2.75%	5.1	(5.3)
CNY/EUR	2.40%	32.8	(34.4)	2.86%	23.2	(24.6)
CNY/CHF	3.30%	5.6	(5.9)	1.56%	0.3	(0.3)
CNY/JPY	4.21%	3.4	(3.7)	3.20%	4.6	(4.9)
CNY/USD	4.52%	(419.4)	459.1	0.75%	(90.7)	92.1
INR/EUR	2.71%	(40.8)	43.1	1.76%	(106.6)	110.5
INR/JPY	5.24%	45.3	(50.3)	2.09%	45.0	(46.9)
INR/USD	3.46%	9.2	(9.8)	1.24%	(1.3)	1.3
CZK/EUR	1.03%	171.7	(175.3)	1.23%	68.9	(70.6)
CZK/GBP	2.34%	2.8	(2.9)	1.17%	0.0	0.0
CZK/PLN	1.75%	5.0	(5.2)	1.80%	5.1	(5.2)
CZK/USD	4.87%	(104.2)	114.9	2.01%	(62.7)	65.3
DKK/EUR	0.03%	0.1	(0.1)	0.02%	0.0	0.0
DKK/GBP	1.87%	0.0	0.0	1.49%	(1.1)	1.1
DKK/JPY	3.99%	(0.5)	0.5	1.50%	(2.1)	2.2
DKK/SEK	2.22%	0.0	0.0	0.84%	(0.1)	0.1
DKK/USD	4.77%	(0.9)	1.0	2.39%	(10.8)	11.4

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. 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. When it was not possible to take these mitigating measures, derivatives hedging the risk of fluctuations in commodities prices have been implemented, in particular for a little portion of purchases of aluminium and for a portion of Brembo Poland Spolka Zo.o.'s exposure to the risk of fluctuation in the price of electricity through a VPPA (Virtual Power Purchase Agreement) derivative.

Liquidity Risk

Liquidity risk can arise from the 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 2022 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	161,869	161,869	161,869	0	0
Payables to banks (loans and bonds)	543,870	574,037	88,336	454,182	31,519
Payables to other financial institutions	1,799	1,817	582	1,235	0
Lease liabilities	241,196	241,196	88,211	58,777	94,208
Trade and other payables	664,357	664,357	664,357	0	0
Derivative financial liabilities					
Derivatives	3,586	3,586	3,586	0	0
Total	1,616,677	1,646,862	1,006,941	514,194	125,727

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 not exceeding 4.5.

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 2022 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 2022, unused bank credit facilities were 73% (a total of €596.4 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:

(EURO THOUSAND)	31.12.2022			31.12.2021		
	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
Financial assets measured at fair value through profit or loss:						
Current derivatives	0	737	0	0	1,485	130
Hedging derivatives:						
Current derivatives	0	9,941	0	0	2,732	0
Non-current derivatives	0	21,815	44,130	0	0	24,424
Total financial assets measured at fair value	0	32,493	44,130	0	4,217	24,554
Financial liabilities measured at fair value:						
Current derivatives	0	(3,514)	(59)	0	(2,606)	0
Hedging derivatives:						
Current derivatives	0	(13)	0	0	(344)	0
Non-current derivatives	0	0	0	0	0	0
Total financial liabilities measured at fair value	0	(3,527)	(59)	0	(2,950)	0
Assets (liabilities) for which fair value is indicated:						
Current and non-current payables to banks	0	(565,002)	0	0	(551,510)	0
Current and non-current lease liabilities	0	(241,196)	0	0	(226,576)	0
Other current and non-current financial liabilities	0	(1,799)	0	0	(3,927)	0
Total assets (liabilities) for which fair value is indicated	0	(807,997)	0	0	(782,013)	0

Movements for the year of Level 3 were as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Opening value	130	312
Movements in Statement of Income – decreases	(189)	(182)
Closing value	(59)	130

- 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:

(EURO THOUSAND)	31.12.2022	31.12.2021
Financial assets		
Financial assets at fair value through profit or loss		
Other financial assets at fair value through profit or loss	0	0
Current derivatives	737	1,615
Financial assets at amortised cost		
Other non-current receivables	24,400	24,702
Current trade receivables	594,253	468,222
Other current receivables	80,416	68,167
Cash and cash equivalents	415,882	557,463
Financial assets measured at fair value through other comprehensive income (FVOCI)		
Other financial assets at fair value through other comprehensive income	226,942	291,804
Hedging derivatives		
Current derivatives	9,941	2,731
Non-current derivatives	65,945	24,424
Total financial assets	1,418,516	1,439,128
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Current derivatives	(3,573)	(2,606)
Non-current derivatives	0	0
Financial liabilities valued at amortised cost		
Non-current payables to banks and other financial institutions (excluding lease payables)	(465,724)	(519,298)
Other non-current payables	(2,359)	(2,022)
Current payables to banks and other financial institutions (excluding lease payables)	(241,814)	(226,097)
Trade payables	(653,162)	(590,830)
Other current payables	(134,249)	(198,222)
Lease payables		
Long-term lease liabilities	(152,985)	(202,340)
Current lease payables	(88,211)	(24,236)
Hedging derivatives		
Non-current derivatives	0	0
Current derivatives	(13)	(344)
Total financial liabilities	(1,742,091)	(1,765,995)

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 53.563% of its share capital. Brembo did not engage in dealings with its parent in 2022, 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:

(EURO THOUSAND)	31.12.2022		31.12.2021	
	DIRECTORS	AUDITORS	DIRECTORS	AUDITORS
Emoluments and other incentives for the office held	5,690	197	7,200	196
Participation in committees and specific tasks	155	0	155	0
Salaries and other incentives	4,649	0	5,522	0

The item "Salaries and other incentives" includes the estimate of the cost of the 2022-2024 three-year plan reserved for the Company's top managers and accrued in 2022, 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)	31.12.2022						31.12.2021					
	TOTAL	OTHER (*)	JOINT			%	TOTAL	OTHER (*)	JOINT			%
			VENTURES	ASSOCIATES					VENTURES	ASSOCIATES		
a) Weight of transactions or positions with related parties on items of the Statement of Financial Position												
Inventories	586,034	0	0	0	0	0.0%	482,924	13	0	13	0	0.0%
Trade receivables	594,253	1,706	11	1,604	91	0.3%	468,222	1,232	7	1,151	74	0.3%
Other non-current liabilities	(2,359)	(105)	(105)	0	0	4.5%	(2,022)	0	0	0	0	0.0%
Employee benefits	(24,086)	(2,822)	(2,822)	0	0	11.7%	(23,992)	(1,424)	(1,424)	0	0	5.9%
Trade payables	(653,162)	(10,117)	(738)	(9,269)	(110)	1.5%	(590,830)	(11,529)	(3,902)	(7,597)	(30)	2.0%
Other current liabilities	(134,249)	(3,726)	(3,598)	(128)	0	2.8%	(149,469)	(14,699)	(14,572)	(127)	0	9.8%
b) Weight of transactions or positions with related parties on items of the Statement of Income												
Revenue from contracts with customers	3,629,011	468	0	457	11	0.0%	2,777,556	329	0	329	0	0.0%
Other revenues and income	33,322	3,877	164	3,527	186	11.6%	23,544	3,443	18	3,250	175	14.6%
Raw materials, consumables and goods	(1,758,819)	(57,238)	(4)	(57,066)	(168)	3.3%	(1,310,330)	(45,196)	0	(45,188)	(8)	3.4%
Other operating costs	(702,121)	(12,289)	(8,236)	(3,628)	(425)	1.8%	(519,964)	(11,968)	(8,972)	(2,704)	(292)	2.3%
Personnel expenses	(616,180)	(6,272)	(6,272)	0	0	1.0%	(506,617)	(7,328)	(7,328)	0	0	1.4%
Net interest income (expense)	(8,509)	229	231	(2)	0	-2.7%	(5,218)	(18)	(18)	0	0	0.3%
Interest income (expense) from investments	7,899	7,692	7,692	0	0	97.4%	4,028	3,822	3,822	0	0	94.9%

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

Sales of products, supply of services and the transfer of fixed assets between Group companies were carried out at prices reflecting fair market conditions. The trading volumes reflect the internationalisation process aimed at constantly improving both operating and organisational standards and optimising synergies within the Company. From a financial standpoint, the subsidiaries operate independently, although some benefit from various forms of centralised financing. Since 2008, a zero-balance cash-pooling system has been effective, with Brembo S.p.A. as the pool leader. In 2013, an additional cash pooling arrangement was put in place, denominated in CNY, with Brembo Nanjing Brake Systems Co. Ltd. as pooler and Brembo Nanjing Automobile Components Co. Ltd., Qingdao Brembo Trading Co. Ltd. and Brembo Huilian (Langfang) Brake Systems Co. Ltd. and Jiaxing Ciju Control 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 Czech S.r.o.	Ostrava-Hrabová	Czech Republic	CZK 605,850,000	100%	Brembo S.p.A.
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany	EUR 25,000	100%	Brembo S.p.A.
Brembo Inspiration Lab Corp.	Wilmington, Delaware	USA	USD 300,000	100%	Brembo S.p.A.
Brembo Japan Co. Ltd.	Tokyo	Japan	JPY 11,000,000	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	CNY 492,030,169	100%	Brembo S.p.A.
Brembo North America Inc.	Wilmington, Delaware	USA	USD 33,798,805	100%	Brembo S.p.A.
Brembo Poland Spolka Zo.o.	Dąbrowa Górnicza	Poland	PLN 144,879,500	100%	Brembo S.p.A.
Brembo Russia LLC.	Moscow	Russia	RUB 1,250,000	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	SEK 4,500,000	100%	Brembo S.p.A.
J.Juan S.A.U.	Barcelona	Spain	EUR 150,260	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 Argentina S.A. in dissolution and winding up procedure	Buenos Aires	Argentina	ARS 62,802,000	98.62%	Brembo S.p.A.
				1.38%	Brembo do Brasil Ltda.
Brembo (Nanjing) Automobile Components Co. Ltd.	Nanjing	China	CNY 226,565,500	60%	Brembo S.p.A.
				40%	Brembo Brake India Pvt. Ltd.
SBS Friction A/S	Svendborg	Denmark	DKK 12,001,000	60%	Brembo S.p.A.
				40%	Brembo Brake India Pvt. Ltd.
Brembo México S.A. de C.V.	Apodaca	Mexico	USD 20,428,836	49%	Brembo S.p.A.
				51%	Brembo North America Inc.
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.
Shandong BRGP Friction Technology Co. Ltd.	Shandong	China	CNY 41,400,000	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.
AP Racing North America Corp.	Wilmington, Delaware	USA	USD 300,000	100%	AP Racing Ltd.
Brembo SGL Carbon Ceramic Brakes GmbH	Meitingen	Germany	EUR 25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.
Jiaxing Ciju Control Systems Co. Ltd.	Jiaxing	China	CNY 16,309,640	100%	J.Juan S.A.U.

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)	31.12.2022	31.12.2021
Independent Auditors' fees for the provision of audit services:		
– to the Parent Brembo S.p.A.	255	225
– to the subsidiaries (services provided by the network)	521	438
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
– to the Parent Brembo S.p.A.	53	70
– to the subsidiaries (services provided by the network)	2	3
Independent Auditors' fees for the provision of other services:		
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
– to the Parent Brembo S.p.A.	6	15
– other services rendered to subsidiaries	2	2

COMMITMENTS

Contractual commitments for investments in property, plant and equipment and intangible assets already entered into with third parties at 31 December 2022 and not yet recognised in the Consolidated Financial Statements amounted to €296 million.

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 2022 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 (e.g., 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 (e.g., the economic growth aid ACE mechanism aimed at encouraging the reinvestment of profits);
- European/international public resources;
- interprofessional funds for financing training courses, considering that the funds are financed by the beneficiary undertakings' own contributions and are required to meet specific management criteria intended to ensure transparency (for example, training courses financed by Fondimpresa).

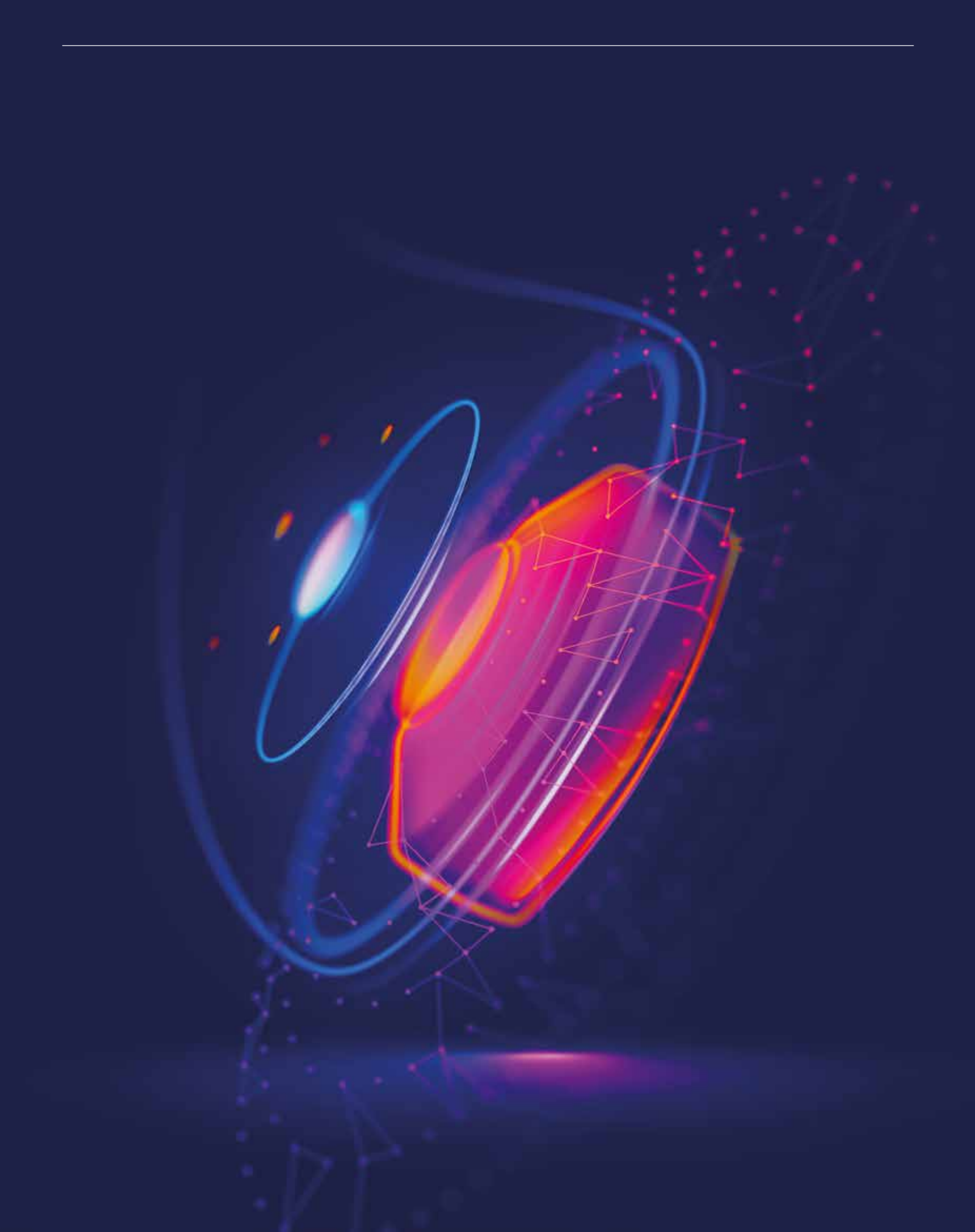
In view of the foregoing, the Group has analysed its situation and decided to disclose some grants it received in 2022 in this section:

- “Improves” project relating to the development of project methodologies and technologies for advanced critical processes for creating high-performance electric motors used as safety components in innovative electrified brake systems, electric-drive and/or energy recovery systems, provided by the Region of Lombardy for €834 thousand;
- “Watchman” Call Hub project, Priority Axis 1 Research and Innovation – Strengthening research, development and innovation in support of collaborative R&D activities for the development of new sustainable technologies and new products and services, provided by the Region of Lombardy for €129 thousand;
- “Tivano” project for the development and upgrading of National Technology Clusters, provided by the Italian Ministry of University and Research for €120 thousand.

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2022

By resolution of the Board of Directors of Brembo S.p.A., Brembo Reinsurance AG was incorporated on 13 January 2023. The objectives of this reinsurance company based in Switzerland include, *inter alia*, improving the conditions and efficiency of the process of financing the Brembo Group’s risks through access to the reinsurance market and the possibility of underwriting risks not adequately covered by the insurance market and that cannot be financed through a fund.

No other significant events occurred after 31 December 2022 and up to 2 March 2023.



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	31,465	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 1 January 2021	31,465	278,919	536,670	40,953	23,207	64,610	975,824
Changes:							
Translation differences	567	13,027	19,779	631	1,538	2,433	37,975
Change in consolidation area	278	4,685	6,403	991	419	526	13,302
Reclassification	0	1,138	30,613	3,867	481	(37,910)	(1,811)
Acquisitions	4,764	5,488	106,640	13,179	5,483	48,287	183,841
Disposals	0	(18)	(3,256)	(494)	(38)	(17)	(3,823)
Depreciation	0	(18,566)	(115,059)	(17,963)	(6,335)	0	(157,923)
Impairment losses	0	0	(117)	(1)	(3)	(5)	(126)
Total changes	5,609	5,754	45,003	210	1,545	13,314	71,435
Historical cost	37,074	450,345	1,625,330	278,172	83,703	78,047	2,552,671
Accumulated depreciation	0	(165,658)	(1,042,425)	(236,991)	(58,937)	0	(1,504,011)
Write-down provision	0	(14)	(1,232)	(18)	(14)	(123)	(1,401)
Balance at 1 January 2022	37,074	284,673	581,673	41,163	24,752	77,924	1,047,259
Changes:							
Translation differences	715	4,424	6,292	227	(45)	1,451	13,064
Reclassification	0	5,001	41,943	5,942	105	(57,668)	(4,677)
Acquisitions	0	7,821	100,979	18,166	5,445	116,987	249,398
Disposals	0	(7)	(1,161)	(533)	(104)	0	(1,805)
Depreciation	0	(18,651)	(132,041)	(18,410)	(7,340)	0	(176,442)
Impairment losses	0	0	(1,081)	0	0	(5)	(1,086)
Total changes	715	(1,412)	14,931	5,392	(1,939)	60,765	78,452
Historical cost	37,789	467,765	1,767,495	298,789	86,515	138,809	2,797,162
Accumulated depreciation	0	(184,504)	(1,168,763)	(252,216)	(63,692)	0	(1,669,175)
Write-down provision	0	0	(2,128)	(18)	(10)	(120)	(2,276)
Balance at 31 December 2022	37,789	283,261	596,604	46,555	22,813	138,689	1,125,711

In 2022, investments made in tangible fixed assets amounted to €249,398 thousand, including €116,987 thousand on fixed assets in course of construction.

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

Net disposals amounted to €1,805 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for 2022 amounted to €176,442 thousand (2021: €157,923 thousand).

Right of use assets

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

(EURO THOUSAND)	LAND	BUILDINGS	PLANT AND MACHINERY	OTHER ASSETS	TOTAL
Historical cost	4,530	212,698	0	30,524	247,752
Accumulated depreciation	(320)	(27,598)	0	(12,378)	(40,296)
Balance at 1 January 2021	4,210	185,100	0	18,146	207,456
Changes:					
Translation differences	401	7,617	1	372	8,391
Change in consolidation area	0	10,240	335	66	10,641
Reclassification from leased assets to property, plant and equipment	0	0	0	(21)	(21)
New contracts/leases for the year	0	19,257	0	7,150	26,407
Unwinding of lease contract	0	0	0	(217)	(217)
Depreciation	(91)	(16,793)	(23)	(8,276)	(25,183)
Total changes	310	20,321	313	(926)	20,018
Historical cost	4,970	249,900	441	35,461	290,772
Accumulated depreciation	(450)	(44,479)	(128)	(18,241)	(63,298)
Balance at 1 January 2022	4,520	205,421	313	17,220	227,474
Changes:					
Translation differences	(94)	4,454	0	70	4,430
New contracts/leases for the year	0	33,886	0	3,579	37,465
Unwinding of lease contract	0	(63)	0	(239)	(302)
Depreciation	(97)	(18,896)	(136)	(7,817)	(26,946)
Total changes	(191)	19,381	(136)	(4,407)	14,647
Historical cost	4,862	288,679	441	36,426	330,408
Accumulated depreciation	(533)	(63,877)	(264)	(23,613)	(88,287)
Balance at 31 December 2022	4,329	224,802	177	12,813	242,121

Increases also included a €27,658 thousand change arising from the entry into a new lease contract relating to a building of the company Brembo México S.A. de C.V.

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	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 1 January 2021	92,292	78,491	1,391	79,882	10,070	37,323	47,393	219,567
Changes:								
Translation differences	764	7,448	42	7,490	(2)	2,596	2,594	10,848
Change in consolidation area	6,227	21,497	9,906	31,403	0	30,310	30,310	67,940
Reclassification	0	0	0	0	217	242	459	459
Acquisitions	23,264	0	0	0	1,473	7,052	8,525	31,789
Disposals	(1,801)	0	0	0	0	0	0	(1,801)
Amortisation	(18,162)	0	0	0	(1,638)	(9,728)	(11,366)	(29,528)
Impairment losses	(1,455)	0	0	0	(500)	0	(500)	(1,955)
Total changes	8,837	28,945	9,948	38,893	(450)	30,472	30,022	77,752
Historical cost	262,828	119,771	11,342	131,113	46,328	182,200	228,528	622,469
Accumulated amortisation	(156,264)	0	0	0	(34,119)	(114,405)	(148,524)	(304,788)
Write-down provision	(5,435)	(12,335)	(3)	(12,338)	(2,589)	0	(2,589)	(20,362)
Balance at 1 January 2022	101,129	107,436	11,339	118,775	9,620	67,795	77,415	297,319
Changes:								
Translation differences	756	(1,072)	(9)	(1,081)	(13)	(123)	(136)	(461)
Change in consolidation area	0	5,541	0	5,541	0	0	0	5,541
Reclassification	0	0	0	0	816	551	1,367	1,367
Acquisitions	22,849	0	0	0	1,488	10,205	11,693	34,542
Amortisation	(21,922)	0	0	0	(1,956)	(12,854)	(14,810)	(36,732)
Impairment losses	(1,154)	0	0	0	0	0	0	(1,154)
Total changes	529	4,469	(9)	4,460	335	(2,221)	(1,886)	3,103
Historical cost	287,214	123,591	11,332	134,923	48,591	193,028	241,619	663,756
Accumulated amortisation	(178,967)	0	0	0	(36,047)	(127,454)	(163,501)	(342,468)
Write-down provision	(6,589)	(11,686)	(2)	(11,688)	(2,589)	0	(2,589)	(20,866)
Balance at 31 December 2022	101,658	111,905	11,330	123,235	9,955	65,574	75,529	300,422

Development costs

The item "Development costs" includes costs for development, internal and external, for a gross historical cost of €287,214 thousand. During the reporting year, this item changed due to higher costs incurred in 2022 for development orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €21,922 thousand was recognised for development costs associated with orders regarding products that have already entered production.

The gross amount includes development activities for projects underway totalling €51,242 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 €23,060 thousand (2021: €23,189 thousand).

Impairment losses totalled €1,154 thousand and are recognised in the Statement of Income under "Amortisation, depreciation and impairment losses." Impairment losses refer to development costs incurred mainly by the Parent, Brembo S.p.A., in relation to projects that, consistent with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

The item "Goodwill" arose from business combinations and the ensuing allocation to the following GCUs:

(EURO THOUSAND)	31.12.2022	31.12.2021
Discs - Systems - Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	16,003	15,071
Brembo México S.A. de C.V. (Hayes Lemmerz)	974	917
Brembo Nanjing Brake Systems Co. Ltd.	951	973
Brembo Brake India Pvt. Ltd.	7,468	7,818
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	45,754	46,793
SBS Friction A/S	20,749	20,749
J.Juan Group	6,296	755
Aftermarket - Performance Group:		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
AP Racing Ltd.	11,704	12,354
Total	111,905	107,436

The change compared to 31 December 2021 was attributable to the higher value recognised under goodwill at the end of the Purchase Price Allocation process relating to the acquisition of a 100% stake in the J.Juan Group, and 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.

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., €1,321 thousand for the SBS Friction trademark, €8,585 thousand for the J.Juan trademark and €394 thousand for the trademark LF of Brembo Huilian (Langfang) Brake Systems Co. Ltd.

Impairment test

The Group conducts an impairment test at year-end and whenever there are indicators of impairment losses. The Group's impairment test on goodwill and intangible assets with indefinite useful lives is based on value in use.

Among the various indicators of impairment losses, the Group considers the relationship between its market capitalisation and equity, which at 31 December 2022 did not show any indicators of impairment losses.

In 2022, there were various external indicators (i.e., an increase in bank interest rates, which is reflected in the discount rate; the sudden rise in the inflation rate; higher costs of raw materials, natural gas and electricity; and supply chain issues), as well as factors of geopolitical uncertainty, in connection above all with the conflict between Russia and Ukraine.

Future cash flows used for the calculation are based on management's most recent operating and financial plans. In particular, in defining the future cash flows reference was made to:

- the Group 2023 Budget approved by the Board of Directors on 16 December 2022;
- the Group's 2024-2026 Business Plan approved by the Board of Directors on 10 February 2022. The 2024-2026 plans for the CGUs subject to impairment were adjusted to reflect the changed market conditions, in particular with regard to the prices of utilities and raw materials, bringing them into line with the prices and rates expected for 2023 and the related commercial recoveries. The adjusted plans were also submitted for approval by the Boards of Directors of the relevant companies/CGUs in February 2023 and by the Board of Director of Brembo S.p.A. on 2 March 2023, concurrently with the approval of the impairment tests.

The main assumptions that determined the test outcome were:

- the Group's rate (Group WACC) of 9.15% (6.3% in 2021). The change compared to the previous year was due to the increase in the risk-free rate and various risk factors;
- a growth rate (g-rate) used in determining terminal value of 1.5% (1% in 2021). The change was made in light of the long-term scenarios and inflation expectations.

The previously mentioned impairment tests did not indicate the need to recognise any impairment loss in the reporting year.

After having performed the base tests, according to the calculation for each CGU, the sensitivity analyses were conducted. In the event of a change in the WACC from 9.15% to 10.15%, in the growth rate from 1.5% to 1% or decline of the sales volumes/margins of 5%-10%, no impairment loss would be required. Only in the event of a decrease in sales volumes/margins of 15%-20% would some intangibles become impaired.

In addition to the foregoing, the Group analysed the presence of impairment indicators on the various CGUs that do not present goodwill recognised or fixed assets with indefinite useful lives. However, for these CGUs, the impairment test for Property, plant, equipment and other equipment, Right of use assets, Development costs and Other intangible assets is only required when such indicators are present.

In the reporting year, impairment indicators were identified with reference to the Brembo do Brasil Ltda., SBS Friction A/S, Brembo Huilian (Langfang) Brake Systems Co. Ltd, Brembo Czech S.r.o. and J.Juan S.A.U. CGUs.

The impairment test and sensitivity analyses on the above CGUs did not identify any risks of impairment (for methodology, reference is made to what is stated above with regard to goodwill).

In addition, with effect from 2022, despite including significant investments relating to sustainability objectives in its

financial plans, the Group has introduced an additional sensitivity scenario for cash flows at consolidated level, designed to reflect its carbon neutrality goals. Accordingly, cash outflows were simulated, both during the explicit period and in the estimate of terminal value, which simulate the cost of neutralising CO2 emissions (Scope 1 and Scope 2) on the basis of the market values that would be incurred to neutralise them.

Other intangible assets

Acquisitions recognised under "Other intangible assets" totalled €11,693 thousand and refer for €1,488 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 the Group's Digital Transformation plan.

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)	31.12.2021	ACQUISITIONS AND NEW SHAREHOLDINGS	EXCHANGE RATE FLUCTUATIONS	WRITE-UPS/ WRITE-DOWNS	DIVIDENDS	OTHER CHANGES	31.12.2022
Brembo Group SGL Carbon Ceramic Brakes	43,187	0	0	16,943	(15,000)	693	45,823
Shandong BRGP Friction Technology Co. Ltd.	0	2,839	(26)	(12)	0	0	2,801
Petroceramics S.p.A.	1,122	0	0	181	(60)	0	1,243
Infibra Technologies S.r.l.	791	0	0	13	0	0	804
Total	45,100	2,839	(26)	17,125	(15,060)	693	50,671

It should be noted that the impact on the Statement of Income of investments 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 the company Shandong BRGP Friction Technology Co. Ltd., 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

(EURO THOUSAND)	BREMBO GROUP SGL CARBON CERAMIC BRAKES		SHANDONG BRGP FRICTION TECHNOLOGY CO. LTD.	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Revenue from contracts with customers	225,415	196,075	0	
Other revenues and income	4,281	2,427	0	
Raw materials, consumables and goods	(72,463)	(57,143)	0	
Other operating costs	(48,189)	(39,789)	(13)	
Personnel expenses	(51,653)	(45,613)	(16)	
Gross operating income	57,391	55,957	(29)	
Depreciation, amortisation and impairment losses	(10,924)	(13,202)	0	
Net operating income	46,467	42,755	(29)	
Net interest income (expense)	(423)	(435)	(3)	
Result before taxes	46,044	42,320	(32)	
Taxes	(12,434)	(11,486)	8	
Net result for the year	33,610	30,834	(24)	
% ownership	50%	50%	50%	
Other consolidation adjustments	138	(99)	0	
Group net result	16,943	15,318	(12)	
Property, plant, equipment and other equipment	46,829	42,659	4,308	
Right of use assets	13,518	14,282	0	
Other intangible assets	237	308	89	
Other non-current financial assets	131	131	0	
Receivables and other non-current assets	844	130	0	
Deferred tax assets	2,678	2,642	8	
Total non-current assets	64,237	60,152	4,405	
Inventories	32,551	31,028	8	
Trade receivables	22,242	19,835	0	
Other receivables and current assets	6,959	3,694	380	
Other current financial assets	9	0	0	
Cash and cash equivalents	27,592	25,537	2,449	
Total current assets	89,353	80,094	2,837	
Total assets	153,590	140,246	7,242	

(EURO THOUSAND)	BREMBO GROUP SGL CARBON CERAMIC BRAKES		SHANDONG BRGP FRICTION TECHNOLOGY CO. LTD.	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Share capital	4,000	4,000	5,626	
Other reserves	22,701	25,694	0	
Retained earnings/(losses)	29,622	24,408	0	
Net result for the year	33,610	30,834	(24)	
Total equity	89,933	84,936	5,602	
Long-term lease liabilities	11,838	12,820	0	
Other non-current liabilities	1,355	1,360	0	
Non-current provisions	3,218	3,412	0	
Employee benefits	2,712	4,242	0	
Total non-current liabilities	19,123	21,834	0	
Short-term lease liabilities	2,305	2,059	0	
Trade payables	25,370	18,590	1,635	
Tax payables	6,749	3,925	0	
Current provisions	428	377	0	
Other current liabilities	9,682	8,525	5	
Total current liabilities	44,534	33,476	1,640	
Total liabilities	63,657	55,310	1,640	
Total equity and liabilities	153,590	140,246	7,242	
% ownership	50%	50%	50%	
Goodwill	1,033	1,033	0	
Other consolidation adjustments	(177)	(314)	0	
Carrying value of Group shareholding	45,823	43,187	2,801	

ASSOCIATES

(EURO THOUSAND)	PETROCERAMICS S.P.A.		INFIBRA TECHNOLOGIES S.R.L.	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Revenue from contracts with customers	2,625	2,324	455	566
Net result for the year	906	996	63	1
% ownership	20%	20%	20%	20%
Group net result	181	199	13	0
Total current assets	5,377	4,834	948	1,268
Total non-current assets	2,212	2,262	224	158
Total current liabilities	1,106	1,234	132	460
Total non-current liabilities	268	252	142	133
Total equity	6,215	5,610	898	833
% ownership	20%	20%	20%	20%
Other consolidation adjustments	0	0	624	624
Carrying value of Group shareholding	1,243	1,122	804	791

4. INVESTMENTS IN OTHER COMPANIES, DERIVATIVES AND OTHER NON-CURRENT FINANCIAL ASSETS

This item is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Investments in other companies measured at fair value	226,942	291,804
Investments in other companies measured at cost	1,137	2,055
Derivatives measured at fair value	65,945	24,424
Other securities	436	754
Other	2,298	1,215
Total	296,758	320,252

The item "Investments in other companies measured at fair value" consisted of the fair value of the 2.35% interest held in E-Novia S.p.A. for €3,519 thousand (valued at cost at 31 December 2021) and of the 5.58% interest in Pirelli S.p.A. amounting to €223,423 thousand. The change in value of the interest in Pirelli S.p.A. compared to 31 December 2021 was attributable for €28,032 thousand to the acquisition of new shares and for €96,413 thousand to the fair value measurement, which led to a decrease in its value and in the Group equity (due to the change in the market price of the stock from €6.108 to €4.004). In accordance with IFRS 9, changes in fair value are recognised in the Consolidated Statement of Comprehensive Income.

"Investments in other companies measured at cost" includes the 10% interest in International Sport Automobile S.à.r.l. and the 1.20% interest in Fuji Co. The €642 thousand change compared to 31 December 2021 refers for €500 thousand to the acquisition of the 6.8% interest in the share capital of PhotonPath, a Milan-based company established in 2019 as a spin off from Milan Polytechnic and specialising in the production of integrated photonics-based products, and for €142 thousand to the Parent's interest in consortium funds intended for research.

The item "Derivatives" refers for €44,130 thousand to the fair value of derivative assets relating to a specific financial transaction hedging against the risk of fluctuation in the electricity price undertaken in 2021 and for €21,815 thousand to the non-current portion of the fair value of two IRSs entered into directly by the Parent Brembo S.p.A., for a remaining notional amount of €100 million and €200 million, respectively, at 31 December 2022, hedging the change in interest rate risk associated with a specific outstanding loan. These IRSs fall within the requirements set forth in the accounting standards relating to hedge accounting (cash flow hedge). The change in fair value compared to 31 December 2021 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

"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)	31.12.2022	31.12.2021
Other non-current assets	20,496	20,643
Income tax receivables	3,261	2,541
Non-income tax receivables	34	34
Total	23,791	23,218

The item "Other non-current assets" 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 mainly refer to tax credits that can be used beyond one year, granted on the purchase of new property, plant and equipment, and other tax credits for which refunds have been requested.

6. DEFERRED TAX ASSETS AND LIABILITIES

The net balance of deferred tax assets and liabilities is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Deferred tax assets	66,256	71,649
Deferred tax liabilities	(33,649)	(38,189)
Total	32,607	33,460

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

Movements for the year are reported in the following table:

(EURO THOUSAND)	31.12.2022	31.12.2021
Balance at beginning of year	33,460	50,310
Change in consolidation area	(2,146)	(3,761)
Deferred tax liabilities generated	(1,027)	(3,291)
Deferred tax assets generated	36,486	22,338
Use of deferred tax assets and liabilities	(17,921)	(32,583)
Exchange rate fluctuations	(411)	1,106
Reclassification	(29)	3,241
Other movements in the Statement of Comprehensive Income	(15,805)	(3,900)
Balance at end of year	32,607	33,460

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

(EURO THOUSAND)	ASSETS		LIABILITIES		NET	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Property, plant, equipment and other equipment	29,453	19,401	23,659	24,957	5,794	(5,556)
Development costs	3,017	28	287	304	2,730	(276)
Goodwill and other indefinite useful life assets	373	500	2,356	241	(1,983)	259
Other intangible assets	487	563	10,389	11,581	(9,902)	(11,018)
Equity shareholdings	37	33	185	1,318	(148)	(1,285)
Other financial assets	0	0	790	1,075	(790)	(1,075)
Trade receivables	2,792	3,333	0	0	2,792	3,333
Inventories	18,505	16,003	0	0	18,505	16,003
Other receivables and current assets	83	72	2,175	1,828	(2,092)	(1,756)
Financial liabilities	45	23	7,566	590	(7,521)	(567)
Other financial liabilities	7,507	5,042	19	51	7,488	4,991
Provisions	7,261	11,039	917	0	6,344	11,039
Provisions for employee benefits	5,368	11,082	1,325	1,176	4,043	9,906
Item of deferred tax assets - Short/long-term lease liabilities	1,075	1,476	0	0	1,075	1,476
Trade payables	251	245	0	0	251	245
Cash and cash equivalents	9	10	0	0	9	10
Other liabilities	11,619	7,907	1,442	1,647	10,177	6,260
Other	690	1,822	14,131	5,746	(13,441)	(3,924)
Tax losses	9,276	5,395	0	0	9,276	5,395
Compensation balance	(31,592)	(12,325)	(31,592)	(12,325)	0	0
Total	66,256	71,649	33,649	38,189	32,607	33,460

The item "Tax losses" refers to deferred tax assets on losses for the year or previous years recognised by Brembo Czech Sro. (€7,122 thousand), Brembo do Brasil Ltd. (€1,317 thousand) and SBS Friction A/S (€837 thousand), considering there to be a basis for the future recoverability of the tax assets in light of updated strategic plans.

It must be pointed out that:

- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years' losses (BRL 104.80 million) eligible to be unlimitedly carried forward — amounted to BRL 35.60 million;
- unrecognised deferred tax assets of J.Juan S.A.U. — calculated on prior years' losses (€1,447 thousand) eligible to be unlimitedly carried forward — amounted to €362 thousand;
- Brembo Czech S.r.o. has two tax incentive plans, one of CZK 132.7 million (expiring in 2026) and another of CZK 63.8 million (expiring in 2029), respectively, on which the company recognised deferred tax assets of CZK 25.8 million;
- at 31 December 2021, deferred tax liabilities of €5,746 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 2022, the temporary differences between the Parent's share of the net assets of the subsidiary, associate or investee company, including the book value of goodwill, and the value of the investment or shareholding (cost) (as indicated in §38 of IAS 12) amounted to €944 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)	31.12.2022	31.12.2021
Raw materials	236,272	196,685
Work in progress	115,164	93,916
Finished products	195,870	145,425
Goods in transit	38,728	46,898
Total	586,034	482,924

The change compared to 31 December 2021 was attributable to the higher cost of raw materials and greater volumes, as well as to a policy aimed at increasing the supply of inventories in order to tackle any supply chain-related risks. Movements in the inventory write-down provision are reported in the following table:

(EURO THOUSAND)	31.12.2022	31.12.2021
Balance at beginning of year	67,032	59,013
Provisions	16,928	13,690
Use/Release	(6,881)	(9,432)
Exchange rate fluctuations	(26)	1,223
Reclassification	20	(19)
Change in consolidation area	0	2,557
Balance at end of year	77,073	67,032

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 2022, the balance of trade receivables compared to the end of the previous year was as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Accounts receivable from customers	592,558	466,997
Receivables from associates and joint ventures	1,695	1,225
Total	594,253	468,222

The increase in trade receivables was mainly attributable to higher business volumes with leading and well-established car manufacturers that are already among the Group's customers.

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

Account receivables from customers are recognised net of the provision for bad debts, which amounted to €7,285 thousand. Movements in the provision for bad debts are shown below:

(EURO THOUSAND)	31.12.2022	31.12.2021
Balance at beginning of year	5,805	6,547
Provisions	2,943	1,152
Use/Release	(1,474)	(2,456)
Exchange rate fluctuations	11	250
Change in consolidation area	0	312
Balance at end of year	7,285	5,805

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

It bears noting that Brembo has no credit insurance contracts as its credit risk is modest since its main business partners are leading car and motorbike manufacturers with high credit standing.

To mitigate commercial credit risk towards third parties, the Group applies procedures for assessing their financial solidity. These involve an analysis of the last three annual financial statements available, with the assignment of the relevant rating and commercial credit limit. Operating credit management is entrusted to a dedicated team that performs thorough checks on past-due accounts, involving the Sales Departments to which the customers are assigned as necessary.

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)	31.12.2022	31.12.2021
Listed clients	512,437	353,734
Unlisted clients	89,101	120,293
Total	601,538	474,027

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

LISTED CLIENTS

(EURO THOUSAND)	31.12.2022	WRITE-DOWN 2022	31.12.2021	WRITE-DOWN 2021
Current	471,166	0	325,761	0
Expired up to 30 days	9,218	0	5,376	0
Expired by 30 to 60 days	7,667	0	6,406	0
Expired by over 60 days	24,386	4,345	16,191	2,726
Total	512,437	4,345	353,734	2,726
<i>% ratio of expired receivables not written down to total exposure</i>	<i>7.2%</i>		<i>7.1%</i>	
Total expired receivables, not written down	36,926		25,247	

UNLISTED CLIENTS

(EURO THOUSAND)	31.12.2022	WRITE-DOWN 2022	31.12.2021	WRITE-DOWN 2021
Current	79,973	0	110,305	3
Expired up to 30 days	1,489	0	3,570	0
Expired by 30 to 60 days	2,644	0	2,929	0
Expired by over 60 days	4,995	2,940	3,489	3,076
Total	89,101	2,940	120,293	3,079
<i>% ratio of expired receivables not written down to total exposure</i>	<i>6.9%</i>		<i>5.7%</i>	
Total expired receivables, not written down	6,188		6,912	

Expired receivables from listed clients mainly refer to leading car manufacturers; the related repayment plans were almost fully set at the beginning of 2023.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2023.

9. OTHER RECEIVABLES AND CURRENT ASSETS

This item is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Income tax receivables	51,817	69,240
Non-income tax receivables	57,966	37,595
Other receivables	20,562	29,327
Total	130,345	136,162

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, besides the R&D tax credit.

The item "Non-income tax receivables" primarily includes the VAT receivables of Brembo S.p.A. and of subsidiaries located in Poland and Mexico.

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

10. DERIVATIVES AND OTHER CURRENT FINANCIAL ASSETS

This item is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Derivatives measured at fair value	10,678	4,347
Security deposits	1,811	1,186
Other receivables	77	59
Total	12,566	5,592

The item "Derivatives" refers for €9,941 thousand to the current portion of the fair value of two IRSs entered into directly by the Parent Brembo S.p.A., for a remaining notional amount of €100 million and €200 million, respectively, at 31 December 2022, hedging the change in interest rate risk associated with a specific outstanding loan. These IRSs fall within the requirements set forth in the accounting standards relating to hedge accounting (cash flow hedge). The change in fair value compared to 31 December 2021 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

The item also includes the fair value of derivative assets relating to hedging through currency forwards for €737 thousand.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

(EURO THOUSAND)	31.12.2022	31.12.2021
Bank and postal accounts	415,770	557,336
Cash-in-hand and cash equivalents	112	127
Total cash and cash equivalents	415,882	557,463
Payables to banks: overdrafts and foreign currency advances	(161,869)	(85,515)
Cash and cash equivalents from the Statement of Cash Flows	254,013	471,948

The items listed above can be converted readily into cash and are not exposed to a significant risk that their value may change. It is deemed that the book value of cash and cash equivalents approximates their fair value at the reporting date. Cash is on deposit with credit institutions whose ratings are constantly monitored in order to select only financially sound counterparties.

In addition to the amount recognised in the Statement of Cash Flows, it should be noted that interest paid in the year totalled €14,348 thousand (€12,411 thousand in 2021).

12. EQUITY

Group consolidated equity at 31 December 2022 increased by €151,285 thousand compared to 31 December 2021. 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 2022. 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 2022 and 31 December 2021:

(No. OF SHARES)	31.12.2022	31.12.2021
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 2022 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 21 April 2022 approved the Financial Statements for the financial year ended 31 December 2021, allocating net income for the year amounting to €111,228,545.97 as follows:

- to the Shareholders, a gross ordinary dividend of €0.27 per ordinary share outstanding, excluding own shares;
- the remaining amount carried forward.

Share capital and reserves of minority interests

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

13. FINANCIAL DEBT AND DERIVATIVES

This item is broken down as follows:

(EURO THOUSAND)	31.12.2022			31.12.2021		
	DUE WITHIN ONE YEAR	DUE AFTER ONE YEAR	TOTAL	DUE WITHIN ONE YEAR	DUE AFTER ONE YEAR	TOTAL
Payables to banks:						
- overdrafts and advances	161,869	0	161,869	85,515	0	85,515
- loans	79,344	464,526	543,870	139,771	516,182	655,953
Total	241,213	464,526	705,739	225,286	516,182	741,468
Lease liabilities	88,211	152,985	241,196	24,236	202,340	226,576
Payables to other financial institutions	601	1,198	1,799	810	3,117	3,927
Derivatives measured at fair value	3,586	0	3,586	2,950	0	2,950
Total	92,398	154,183	246,581	27,996	205,457	233,453

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

(EURO THOUSAND)	AMOUNT AT 31.12.2021	AMOUNT AT 31.12.2022	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)	6,250	0	0	0	0
BNL loan (€80 million)	3,333	0	0	0	0
BNL loan (€100 million)	99,939	100,230	25,275	74,955	0
BNL loan (€300 million)	299,555	201,142	1,374	174,772	24,996
Banca Popolare di Sondrio loan (€125 million)	125,076	112,999	25,533	87,466	0
ISP loan (€100 million)	99,403	99,585	24,832	74,753	0
Banca Popolare di Sondrio loan (€150 million)	0	25,104	133	18,723	6,248
Banamex loan (USD 30 million)	4,409	0	0	0	0
Citi Nanjing loan (RMB 100 million)	10,942	0	0	0	0
BankInter loan (€105 thousand)	27	5	5	0	0
BankInter loan (€504 thousand)	148	44	44	0	0
BankInter loan (€2 million)	1,796	1,298	507	791	0
Banco Sabadell loan (€500 thousand)	418	296	126	170	0
Sanatnder loan (€2 million)	942	651	297	354	0
Santander loan (€600 thousand)	296	175	123	52	0
Santander 2020 loan (€2 million)	1,681	1,191	502	689	0
Caixabank loan (€1 million)	854	604	250	354	0
BBVA loan (€2 million)	884	546	343	203	0
Total payables to banks	655,953	543,870	79,344	433,282	31,244

Among the most significant transactions finalised in 2022, mention should be made of a €150 million medium-term loan from Banca Popolare di Sondrio, of which €25,000 thousand disbursed during the year, as well as of the reimbursement of a €100 million loan granted by BNL.

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 2022, there were no financial payables secured by collateral.

The following table shows the breakdown of “Other financial liabilities”.

(EURO THOUSAND)	AMOUNT AT 31.12.2021	AMOUNT AT 31.12.2022	PORTION DUE WITHIN ONE YEAR	PORTION DUE BETWEEN 1 AND 5 YEARS	PORTION DUE AFTER 5 YEARS
Other financial liabilities					
Payables to other financial institutions:					
- Libra loan	1,034	902	255	647	0
- Tivano loan	110	55	55	0	0
- Ministerio Industria España	955	733	263	470	0
- Ministerio de Ciencia e Innovación	137	109	28	81	0
- Institut Català de Finances	1,691	0	0	0	0
Total payables to other financial institutions	3,927	1,799	601	1,198	0
Lease liabilities	226,576	241,196	88,211	58,776	94,209
Total other financial liabilities	230,503	242,995	88,812	59,974	94,209

With regard to payments relating to optional lease renewal periods not included in the calculation of liabilities at 31 December 2022, €15,396 thousand of lease instalments, relating solely to properties and due beyond five years, were not subject to discounting.

The following table shows the structure of loans towards banks and other financial institutions, broken down by annual interest rate and currency:

(EURO THOUSAND)	31.12.2022			31.12.2021		
	FIXED RATE	VARIABLE RATE	TOTAL	FIXED RATE	VARIABLE RATE	TOTAL
Euro	307,376	238,293	545,669	317,551	326,978	644,529
US Dollar	0	0	0	0	4,409	4,409
Chinese Renminbi	0	0	0	0	10,942	10,942
Total	307,376	238,293	545,669	317,551	342,329	659,880

The average variable rate applicable to the Group's debt is 2.30% and the average fixed rate is 1.0%.

The item “Derivatives” includes the fair value relating to hedging through currency and commodity forward contracts entered into by Brembo S.p.A. and La.Cam S.r.l. (€3,586 thousand).

At 31 December 2022, IRS derivatives had a positive fair value of €31,756 thousand, entirely recognised in a cash flow hedge reserve, gross of tax effects.

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

(EURO THOUSAND)	31.12.2022	31.12.2021
Opening value	(26,854)	3,518
Fair value reserve releases	(59,908)	(32,725)
Movements from reserve for payment/collection of differentials	11,119	2,353
Closing value	(75,643)	(26,854)



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Net financial debt

The following table shows the reconciliation of the net financial debt at 31 December 2022 (€502,044 thousand) and at 31 December 2021 (€411,837 thousand) based on the layout prescribed by ESMA32-382-1138 Guidelines of 4 March 2021 and specified in Consob Warning Notice 5/21 of 29 April 2021:

(EURO THOUSAND)	31.12.2022	31.12.2021
A Cash	415,882	557,463
B Cash equivalents	0	0
C Other current financial assets	12,566	5,592
D Liquidity (A+B+C)	428,448	563,055
E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	254,254	113,482
F Current portion of non-current financial debt	79,344	139,771
G Current financial debt (E + F)	333,598	253,253
H Net current financial debt (G - D)	(94,850)	(309,802)
I Non-current financial debt (excluding the current portion and debt instruments)	596,894	721,639
J Debt instruments	0	0
K Trade payables and other non-current payables	0	0
L Non-current financial debt (I + J + K)	596,894	721,639
M Total financial debt (H + L)	502,044	411,837

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

The item "Non-current financial debt (excluding the current portion and debt instruments)" includes the non-current component of IRS derivatives amounting to €21,815 thousand.

Pursuant to IAS 7 – *Statement of Cash Flows*, changes in liabilities arising from financing activities are reported below. The table allows a reconciliation of the cash flows recognised in the Statement of Cash Flows in the Directors' Report on Operations and the total changes in the year of the Statement of Financial Position items that contribute to financial debt.

(EURO THOUSAND)	31.12.2020	NON-CASH FLOWS						31.12.2021
		CASH FLOWS	CHANGE IN THE AREA ACQUISITIONS	EXCHANGE RATE DELTA	OTHER FV MOVEMENTS			
Loans and payables to other financial institutions	619,393	18,065	18,377	0	3,068	0	977	659,880
Lease liabilities	208,888	(29,021)	10,651	24,938	4,730	0	6,390	226,576
Derivatives measured at fair value	3,564	0	0	0	0	(614)	0	2,950
Total liabilities from financing activities	831,845	(10,956)	29,028	24,938	7,798	(614)	7,367	889,406

(EURO THOUSAND)	31.12.2021	NON-CASH FLOWS						31.12.2022
		CASH FLOWS	ACQUISITIONS	EXCHANGE RATE DELTA	OTHER FV MOVEMENTS			
Loans and payables to other financial institutions	659,880	(117,841)	0	5	0	3,625	545,669	
Lease liabilities	226,576	(30,893)	41,833	2,210	0	1,470	241,196	
Derivatives measured at fair value	2,950	0	0	0	636	0	3,586	
Total liabilities from financing activities	889,406	(148,734)	0	2,215	636	5,095	790,451	

14. OTHER NON-CURRENT LIABILITIES

This item is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Social security payables	695	0
Payables to employees	1,561	1,807
Other payables	103	215
Total	2,359	2,022

15. PROVISIONS

This item is broken down as follows:

(EURO THOUSAND)	31.12.2022			31.12.2021		
	PROVISIONS FOR CONTINGENCIES AND CHARGES	PROVISION FOR PRODUCT WARRANTIES	TOTAL	PROVISIONS FOR CONTINGENCIES AND CHARGES	PROVISION FOR PRODUCT WARRANTIES	TOTAL
Balance at beginning of year	7,477	38,478	45,955	11,745	33,120	44,865
Change in consolidation area	0	0	0	2,340	0	2,340
Provisions	5,327	10,826	16,153	3,495	10,675	14,170
Use/Release	(3,319)	(33,194)	(36,513)	(10,155)	(14,528)	(24,683)
Exchange rate fluctuations	68	(68)	0	46	566	612
Reclassification	4	0	4	6	8,645	8,651
Balance at end of year	9,557	16,042	25,599	7,477	38,478	45,955
<i>of which short-term</i>			1,608			960

Provisions totalled €25,599 thousand, including a provision for product warranties, which rose by €10,826 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 in place.

16. 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 23 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 México 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.

Defined benefit plans include also the "Employees' leaving entitlement" 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 benefits" includes the liability associated with the 2022-2024 three-year incentive plan reserved for top managers, to be settled in May 2025.

Liabilities at 31 December 2022 are given in the table below:

(EURO THOUSAND)	31.12.2022					31.12.2021				
	EMPLOYEES' LEAVING ENTITLEMENT	DEFINED BENEFIT PLANS	DEFINED CONTRIBUTION PLANS	OTHER LONG-TERM BENEFITS	TOTAL	EMPLOYEES' LEAVING ENTITLEMENT	DEFINED BENEFIT PLANS	DEFINED CONTRIBUTION PLANS	OTHER LONG-TERM BENEFITS	TOTAL
Balance at beginning of year	17,824	5,142	1,026	0	23,992	18,058	7,316	1,193	0	26,567
Change in consolidation area	0	0	0	0	0	0	0	0	0	0
Provisions	0	474	2,539	7,755	10,768	0	563	2,178	0	2,741
Use/Release	(1,359)	(1,405)	(2,624)	0	(5,388)	(786)	(1,006)	(2,432)	0	(4,224)
Interest expense	197	299	0	(620)	(124)	148	250	0	0	398
Exchange rate fluctuations	0	227	(17)	(21)	189	0	450	87	0	537
Other	(4,312)	(1,039)	0	0	(5,351)	404	(2,431)	0	0	(2,027)
Balance at end of year	12,350	3,698	924	7,114	24,086	17,824	5,142	1,026	0	23,992

DEFINED BENEFIT PLANS

(EURO THOUSAND)	UNFUNDED PLAN (EMPLOYEE'S LEAVING ENTITLEMENT)		FUNDED PLAN (AP RACING PLAN)		BREMBO MÉXICO PLAN		BREMBO BRAKE INDIA PLAN		BREMBO JAPAN PLAN	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
A. Change in defined benefit obligation										
1. Defined benefit obligation at the end of prior year	17,824	18,058	41,561	39,407	2,331	1,873	1,799	1,531	311	277
2. Service cost:										
Current service cost	0	0	0	0	425	326	240	196	21	41
3. Interest expense	197	148	719	574	199	127	119	95	3	1
4. Cash flows:										
Benefit payments from plan	0	0	(1,568)	(835)	0	0	(30)	(14)	0	0
Benefit payments from employer	(1,359)	(786)	0	0	(129)	(45)	(33)	(22)	(5)	0
Other significant events:										
6. Remeasurements:										
Effects of changes in demographic assumptions	0	0	(30)	829	0	0	17	0	0	0
Effects of changes in financial assumptions	(4,312)	404	(17,224)	(494)	(351)	(230)	(109)	(69)	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	2,838	(658)	(15)	164	(88)	(24)	0	0
7. Effect of changes in foreign exchange rates	0	0	(1,595)	2,738	258	116	(88)	106	(23)	(8)
8. Defined benefit obligations at end of year	12,350	17,824	24,701	41,561	2,718	2,331	1,827	1,799	307	311
B. Change in fair value of plan assets										
1. Fair value of plan assets at the end of prior year	0	0	40,346	35,365	0	0	514	407	0	0
2. Financial income	0	0	707	518	0	0	34	29	0	0
3. Cash flows:										
<i>Total employer contributions:</i>										
- employer contributions	0	0	1,114	810	0	0	88	63	0	0
- employer direct benefit payments	1,361	787	0	0	129	45	33	22	0	0
Benefit payments from plan	0	0	(1,568)	(835)	0	0	(30)	(14)	0	0
Benefit payments from employer	(1,361)	(787)	0	0	(129)	(45)	(33)	(22)	0	0
Administrative costs on plan assets	0	0	0	0	0	0	0	(1)	0	0
5. Remeasurements:										
Return on plan assets (excluding interest income)	0	0	(13,704)	1,958	0	0	(16)	1	0	0
6. Effect of changes in foreign exchange rates	0	0	(1,602)	2,530	0	0	(28)	29	0	0
7. Fair value of plan assets at end of year	0	0	25,293	40,346	0	0	562	514	0	0
E. Amounts recognised in the Statement of Financial Position										
1. Defined benefit obligation	12,350	17,824	24,701	41,561	2,718	2,331	1,827	1,799	307	311
2. Fair value of plan assets	0	0	25,293	40,346	0	0	562	514	0	0
3. Funded status	12,350	17,824	(592)	1,215	2,718	2,331	1,265	1,285	307	311
5. Net liability (asset)	12,350	17,824	(592)	1,215	2,718	2,331	1,265	1,285	307	311

(EURO THOUSAND)	UNFUNDED PLAN (EMPLOYEE'S LEAVING ENTITLEMENT)		FUNDED PLAN (AP RACING PLAN)		BREMBO MÉXICO PLAN		BREMBO BRAKE INDIA PLAN		BREMBO JAPAN PLAN	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
F. Components of defined benefit cost										
1. Service cost:										
Current service cost	0	0	0	0	425	326	240	196	21	41
<i>Total service costs</i>	0	0	0	0	425	326	240	196	21	41
2. Net interest expense:										
Interest expense on defined benefit plans	197	148	719	574	199	127	119	95	3	1
Interest (income) on plan assets	0	0	(707)	(518)	0	0	(34)	(29)	0	0
<i>Total net interest expense</i>	197	148	12	56	199	127	85	66	3	1
3. Remeasurement on other long-term benefits	0	0	0	0	0	0	(171)	(66)	0	0
5. Defined benefit cost included in P&L	197	148	12	56	624	453	154	196	24	42
6. Remeasurements (recognised in Other Comprehensive Income)										
a. Effects of changes in demographic assumptions	0	0	(30)	829	0	0	1	0	0	0
b. Effects of changes in financial assumptions	(4,312)	404	(17,224)	(494)	(351)	(230)	(64)	(39)	0	0
c. Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	2,838	(658)	(15)	164	54	11	0	0
d. Return on plan assets (excluding interest income)	0	0	13,704	(1,958)	0	0	16	0	0	0
<i>Total remeasurements included in OCI</i>	(4,312)	404	(712)	(2,281)	(366)	(66)	7	(28)	0	0
7. Total defined benefit cost recognised in P&L and OCI	(4,115)	552	(700)	(2,225)	258	387	161	168	24	42
G. Net defined benefit liability (asset) reconciliation										
1. Net defined benefit liability (asset)	17,824	18,058	1,215	4,042	2,331	1,873	1,285	1,124	311	277
2. Defined benefit cost included in P&L	197	148	12	56	624	453	154	196	24	42
3. Total remeasurements included in OCI	(4,312)	404	(712)	(2,281)	(366)	(66)	7	(84)	0	0
4. Other significant events:										
5. Cash flows:										
Employer contributions	0	0	(1,114)	(810)	0	0	(88)	(63)	0	0
Employer direct benefit payments	(1,359)	(786)	0	0	(129)	(45)	(33)	(22)	(5)	0
7. Effect of changes in foreign exchange rates	0	0	7	208	258	116	(60)	134	(23)	(8)
8. Net defined benefit liability (asset) at the end of year	12,350	17,824	(592)	1,215	2,718	2,331	1,265	1,285	307	311

(EURO THOUSAND)	UNFUNDED PLAN (EMPLOYEE'S LEAVING ENTITLEMENT)		FUNDED PLAN (AP RACING PLAN)		BREMBO MÉXICO PLAN		BREMBO BRAKE INDIA PLAN		BREMBO JAPAN PLAN	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
H. Defined benefit obligation										
1. Defined benefit obligation by participant status:										
Actives	12,350	17,824	0	0	2,718	2,331	1,827	1,799	0	0
Vested deferred	0	0	11,584	21,728	0	0	0	0	0	0
Retirees	0	0	13,117	19,833	0	0	0	0	0	0
Total	12,350	17,824	24,701	41,561	2,718	2,331	1,827	1,799	0	0
I. Plan assets										
1. Fair value of plan assets:										
Cash and cash equivalents	0	0	6	21	0	0	0	0	0	0
Equity instruments	0	0	7,149	13,133	0	0	0	0	0	0
Debt instruments	0	0	4,622	5,942	0	0	0	0	0	0
Derivatives	0	0	8,157	12,377	0	0	0	0	0	0
Investment funds	0	0	5,359	8,873	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	562	514	0	0
Total	0	0	25,293	40,346	0	0	562	514	0	0
2. Fair value of assets that have quoted market prices:										
Cash and cash equivalents	0	0	6	21	0	0	0	0	0	0
Equity instruments	0	0	7,149	13,133	0	0	0	0	0	0
Debt instruments	0	0	4,622	5,942	0	0	0	0	0	0
Derivatives	0	0	8,157	12,377	0	0	0	0	0	0
Investment funds	0	0	5,359	8,873	0	0	0	0	0	0
Total	0	0	25,293	40,346	0	0	0	0	0	0
J. Significant actuarial assumptions										
<i>Weighted-average assumptions to determine benefit obligations</i>										
1. Discount rate	4.10%	1.15%	5.00%	1.80%	9.25%	8.00%	7.60%	6.90%	0.50%	0.50%
2. Rate of salary increase	0.00%	n.a.	n.a.	n.a.	4.50%	4.50%	9.00%	9.00%	n.a.	n.a.
3. Rate of price inflation	0.00%	n.a.	3.10%	3.30%	0.00%	0.00%	0.0%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	2.40%	1.80%	3.30%	3.50%	3.50%	3.50%	0.0%	0.00%	2.50%	2.50%
<i>Weighted-average assumptions to determine defined benefit cost</i>										
1. Discount rate	1.15%	0.85%	1.80%	1.40%	8.00%	6.75%	6.90%	6.40%	0.50%	0.50%
2. Rate of salary increase	0.00%	n.a.	n.a.	n.a.	4.50%	4.50%	9.00%	9.00%	n.a.	n.a.
3. Rate of price inflation	0.00%	n.a.	3.30%	3.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	1.80%	1.00%	3.50%	3.10%	3.50%	3.50%	0.00%	0.00%	2.50%	2.50%

(EURO THOUSAND)	UNFUNDED PLAN (EMPLOYEE'S LEAVING ENTITLEMENT)		FUNDED PLAN (AP RACING PLAN)		BREMBO MÉXICO PLAN		BREMBO BRAKE INDIA PLAN		BREMBO JAPAN PLAN	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
K. Sensitivity analysis										
Present value of defined benefit obligation										
Discount rate -25 basis points	12,695	18,353	25,550	43,533	2,785	2,391	1,863	1,836	n.a.	n.a.
Discount rate +25 basis points	11,987	17,289	23,895	39,712	2,655	2,273	1,793	1,767	n.a.	n.a.
Rate of salary increase -25 basis points	12,336	17,812	24,701	41,561	2,664	2,335	1,797	1,770	n.a.	n.a.
Rate of salary increase +25 basis points	12,336	17,812	24,701	41,561	2,776	2,329	1,858	1,831	n.a.	n.a.
% impact on the defined benefit obligation										
Discount rate -25 basis points	2.92%	2.92%	3.44%	3.44%	2.43%	2.57%	1.94%	2.08%	0.00%	0.00%
Discount rate +25 basis points	-2.83%	-2.83%	-3.26%	-3.26%	-2.35%	-2.48%	-1.87%	-1.80%	0.00%	0.00%
Rate of salary increase -25 basis points	0.00%	0.00%	0.00%	0.00%	-2.02%	0.17%	-1.64%	-1.59%	0.00%	0.00%
Rate of salary increase +25 basis points	0.00%	0.00%	0.00%	0.00%	2.07%	-0.11%	1.69%	1.79%	0.00%	0.00%
Change in defined benefit obligation										
Discount rate -25 basis points	359	540	849	1,972	66	60	35	37	n.a.	n.a.
Discount rate +25 basis points	(348)	(523)	(806)	(1,849)	(64)	(58)	(34)	(32)	n.a.	n.a.
Rate of salary increase -25 basis points	0	0	0	0	(55)	4	(30)	(29)	n.a.	n.a.
Rate of salary increase +25 basis points	0	0	0	0	56	(3)	31	32	n.a.	n.a.
Weighted average duration of defined benefit obligations (in years)										
Discount rate -25 basis points	11.50	11.97	13.52	18.54	9.62	10.17	7.68	8.23	n.a.	n.a.
Discount rate +25 basis points	11.47	11.94	13.27	18.21	9.50	10.04	7.56	7.27	n.a.	n.a.

By applying a uniform change in the discount rate by +/-25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €1.29 million compared to the base liabilities value of €41.7 million. The average duration of the plans is 12.32 years.

17. TRADE PAYABLES

At 31 December 2022, trade payables were as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Trade payables	643,783	582,763
Payables to associates and joint ventures	9,379	8,067
Total	653,162	590,830

The change compared to 31 December 2021 was chiefly due to the increase in purchase prices, as well as in the volume of supplies, also aimed at tackling any supply chain-related risks.

18. TAX PAYABLES

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

(EURO THOUSAND)	31.12.2022	31.12.2021
Tax payables	16,128	12,959

19. CONTRACT LIABILITIES AND OTHER CURRENT PAYABLES

Other current payables at 31 December 2022 are given in the table below:

(EURO THOUSAND)	31.12.2022	31.12.2021
Tax payables other than current taxes	13,080	11,956
Social security payables	22,230	24,566
Payables to employees	70,688	80,576
Contract liabilities	56,547	0
Other payables	28,251	81,124
Total	190,796	198,222

The item "Contract liabilities" refers to grants received by customers towards 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)	31.12.2022	31.12.2021
Revenue from sales of brake systems	3,579,183	2,726,461
Revenue from equipment	26,500	30,051
Revenue from study and design activities	22,482	20,245
Revenue from royalties	846	799
Total	3,629,011	2,777,556

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)	31.12.2022	31.12.2021
Miscellaneous recharges	7,698	9,568
Gains on disposal of assets	1,357	2,294
Miscellaneous grants	11,628	3,481
Other revenues	12,639	8,201
Total	33,322	23,544

The item "Miscellaneous grants" mainly refers to grants for personnel training, research and development projects and the purchase of new capital goods.

22. COSTS FOR CAPITALISED INTERNAL WORKS

This item refers to the capitalisation of development costs incurred during the year, amounting to €23,060 thousand (2021: €23,189 thousand).

23. COST OF RAW MATERIALS, CONSUMABLES AND GOODS

The item is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Purchase of raw materials, semi-finished and finished products	1,594,926	1,177,311
Purchase of consumables	163,893	133,019
Total	1,758,819	1,310,330

The change compared to 2021 is attributable to the higher cost of raw materials and to a policy aimed at increasing supplies in order to tackle any supply chain-related risks.

24. INCOME (EXPENSE) FROM NON-FINANCIAL INVESTMENTS

Income (expense) from non-financial investments amounted to €16,931 thousand and was attributable to the effects of valuing the investment in the BSCCB Group and the company Shandong BRGP Friction Technology Co. Ltd. using the equity method (€15,318 thousand in 2021).

25. OTHER OPERATING COSTS

These costs are broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Transports	101,373	80,396
Maintenance, repairs and utilities	250,858	162,854
Contracted work	134,331	102,520
Leases	27,851	21,422
Other operating costs	187,708	152,772
Total	702,121	519,964

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

26. PERSONNEL EXPENSES

Breakdown of personnel expenses is as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Wages and salaries	423,385	353,543
Social security contributions	91,241	80,587
Employees' leaving entitlement and other personnel provisions	15,071	13,249
Other costs	86,483	59,238
Total	616,180	506,617

The item "Other costs" refers for €55,502 thousand (€35,325 thousand in 2021) to the cost of the agency workers incurred by the Group.

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

	MANAGERS	WHITE-COLLARS	BLUE-COLLARS	TOTAL
2022 average	155	3,661	8,957	12,773
2021 average	144	3,223	8,184	11,551
Change	11	438	773	1,222
Total at 31 December 2022	158	3,785	9,013	12,956
Total at 31 December 2021	147	3,495	8,583	12,225
Change	11	290	430	731

The number of agency workers at 31 December 2022 was 2,010 (1,372 at 31 December 2021).

27. DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

The item is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Amortisation of intangible assets:		
Development costs	21,922	18,162
Industrial patents and similar rights for original work	1,242	1,157
Licences, trademarks and similar rights	714	481
Other intangible assets	12,854	9,728
Total	36,732	29,528
Depreciation of property, plant and equipment:		
Buildings	18,651	18,566
Plant and machinery	132,041	115,059
Industrial and commercial equipment	18,410	17,963
Other property, plant and equipment	7,340	6,335
Right of use assets	26,946	25,183
Total	203,388	183,106
Impairment losses:		
Property, plant and equipment	1,086	126
Intangible assets	1,154	1,955
Total	2,240	2,081
Total amortisation, depreciation and impairment losses	242,360	214,715

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)	31.12.2022	31.12.2021
Exchange rate gains	109,342	64,349
Interest income from employee's leaving entitlement and other personnel provisions	741	543
Interest income	5,929	3,045
Total interest income	116,012	67,937
Exchange rate losses	(104,705)	(59,910)
Interest expense from employees' leaving entitlement and other personnel provisions	(1,237)	(941)
Lease interest expense	(5,837)	(5,117)
Interest expense	(12,742)	(7,187)
Total interest expense	(124,521)	(73,155)
Total net interest income (expense)	(8,509)	(5,218)

The items "Exchange rate gains" and "Exchange rate losses" include the effects of the management of foreign exchange hedges undertaken through forward contracts. For contracts of this type, the Company does not opt to apply hedge accounting pursuant to IFRS 9 since there is no formal designation of the hedged item and hedging instrument, in the belief that the representation of the impact of the strategy for hedging this risk on the Statement of Income and Statement of Financial Position is nonetheless assured.

Net exchange differences as at 31 December 2022, amounting to a positive €4,637 thousand, relate mainly to the effect of translation into local currency of accounts receivable and payable in foreign currencies included in the financial statements of foreign subsidiaries.

29. INTEREST INCOME (EXPENSE) FROM INVESTMENTS

Net interest income from investments (excluding non-financial investments as described in Note 24) amounted to €7,899 thousand (€4,028 thousand in 2021), and was attributable to the effects of valuing investments in associates using the equity method and dividends received by investees not included in the consolidation area.

30. TAXES

This item is broken down as follows:

(EURO THOUSAND)	31.12.2022	31.12.2021
Current taxes	103,420	64,312
Deferred tax (assets) and liabilities	(17,538)	13,536
Prior years' taxes and other tax payables	2,311	(7,096)
Total	88,193	70,752

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

(EURO THOUSAND)	31.12.2022	31.12.2021
Theoretical income taxes	88,882	65,710
Prior years' taxes	421	(3,734)
Other differences	5,431	7,889
Tax incentive effects	(10,177)	(7,765)
Unallocated DTA effect	(1,476)	(780)
DTA adjustment effect	(292)	4,718
Current and deferred taxes (excluding IRAP)	82,789	66,038
Current and deferred IRAP	5,404	4,714
Total	88,193	70,752

The Group's actual tax rate is 23.1%, compared with a theoretical tax rate of 24.7% (at 31 December 2021: actual tax rate was 24.7%; theoretical tax rate was 24.6%).

31. EARNINGS PER SHARE

Basic earnings per share were €0.90 at 31 December 2022 (€0.67 at 31 December 2021), and were calculated by dividing the net income or loss for the year attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in 2022, amounting to 323,887,250 (2021: 323,887,250). Diluted earnings per share are identical to basic earnings per share inasmuch as no diluting transactions were undertaken.

32. NON-CURRENT ASSETS/LIABILITIES FROM DISCONTINUED OPERATIONS

In 2019, Brembo discontinued its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. was placed in dissolution and winding up procedure.

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)	31.12.2022
Revenue from contracts with customers	0
Other revenues and income	444
Other operating costs	(104)
Gross operating income	340
Net operating income	340
Net interest income (expense)	(520)
Result from discontinued operations	(180)
Total non-current assets	0
Cash and cash equivalents	302
Total current assets	302
Total assets	302
Total non-current liabilities	0
Total current liabilities	0
Total liabilities	0

33. STATEMENT OF COMPREHENSIVE INCOME

The Statement of Comprehensive Income includes:

- the fair value measurement of the interests in Pirelli S.p.A. and E-Novia S.p.A., net of the tax effect, negative for €93,320 thousand (positive for €79,061 thousand in 2021);
- the fair value measurement of derivatives, net of the tax effect, positive for €33,862 thousand (€28,945 thousand in 2021);
- the actuarial value on defined benefit plans, net of the tax effect, positive for €4,526 thousand (€2,402 thousand in the previous year);
- the change in the translation adjustment reserve positive for €214 thousand (€60,692 thousand in 2021).

Stezzano, 2 March 2023

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



INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

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 S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

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. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Impairment test

Description of the key audit matter

Brembo consolidated financial statements show property, plant, equipment and other equipment equal to Euro 1.126 million, right of use assets equal to Euro 242 million, development costs equal to Euro 102 million, goodwill and other indefinite useful life assets equal to Euro 123 million and other intangible assets equal to Euro 76 million.

The goodwill and the other tangible and intangible assets has been allocated to the related Cash Generating Units (the "CGU").

The methodology adopted by the Group to ensure that all the assets under the scope of the International Accounting Standard no. 36 "Impairment of assets" are not carried in the financial statements at more than the recoverable amount are complex and based on assumptions. 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, due to their nature, imply the use of management's judgement, in particular with reference to the future cash flows forecast in the period of the Group budget and business plan, to the determination of the normalized cash flows and long term growth rate (the so called g-rate) used to estimate terminal value and, finally, the discount rate.

Considering the level of judgment and the complexity of the assumptions applied in estimating the recoverable amount of the above-mentioned tangible and intangible assets, we consider this area to be a key audit matter.

The disclosure related to the recoverability valuation of the above-mentioned assets is given in Note 2 - Impairment test paragraph and in the sections "Discretionary valuations and significant accounting estimates" and "Impairment of non-financial assets".

Audit procedures performed

We have preliminary analyzed the methods used by Management to determine the value in use of the CGU, focusing on the methods and assumptions adopted to develop the impairment test.

Our audit procedures in response to this key audit matter included, among others, also involving our experts:

- Understanding of the relevant controls that the Group has in place with reference to the impairment test process;
- Reasonability analysis of the main assumptions adopted to estimate the future cash flows forecast, also through sector analysis and the information obtained by Management;



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- Comparison of the actual data and the estimated ones, in order to evaluate the deviations nature and the reliability of the budgeting and planning process;
- reasonableness analysis of the discount rate (WACC) and of the long-term growth rate (g-rate);
- Analysis of the mathematical accuracy of the model used to determine the CGU value in use;
- Analysis of the correct determination of the CGU carrying amount;
- Check of the sensitivity analysis carried out by Management.

Finally, we reviewed the adequacy and the compliance of the disclosure given by the Company on the impairment test to what provided by IAS 36.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



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As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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.
- Evaluate 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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 communicate 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Brembo S.p.A. has appointed us on April 22, 2021 as auditors of the Company for the years from the years 2022 to 2030.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Brembo S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements as at December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the illustrative notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Brembo S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Brembo Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.



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We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Brembo Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Brembo Group as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Brembo S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Dell'Orto
Partner

Bergamo, Italy
March 20, 2023

As disclosed by the Directors on page 3, the accompanying consolidated financial statements of Brembo S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

ATTESTATION OF THE MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS

ATTESTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS AMENDED AND EXTENDED

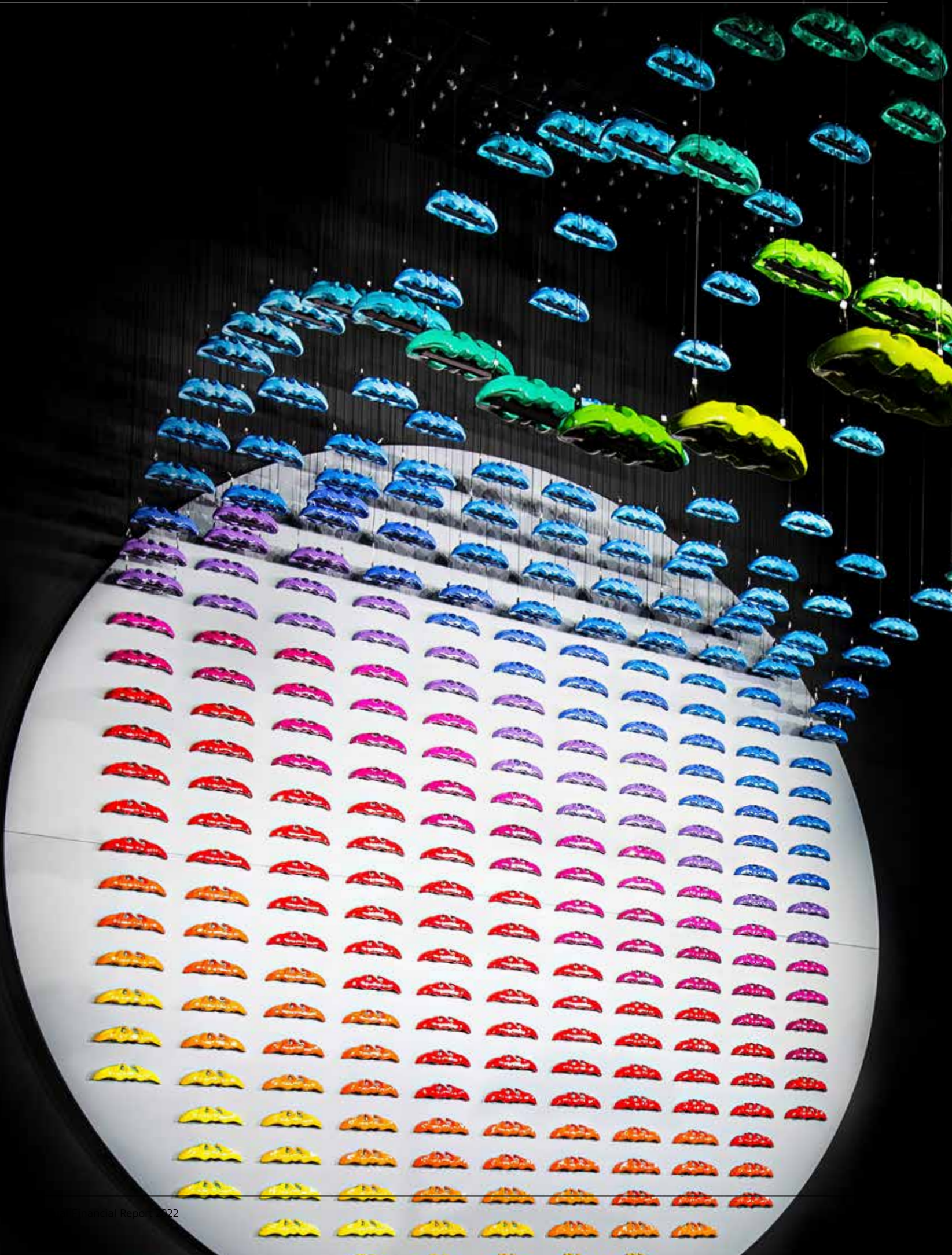
1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the consolidated financial statements for the period from 1 January to 31 December 2022:
 - 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 2022 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.
 - 3.1 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.

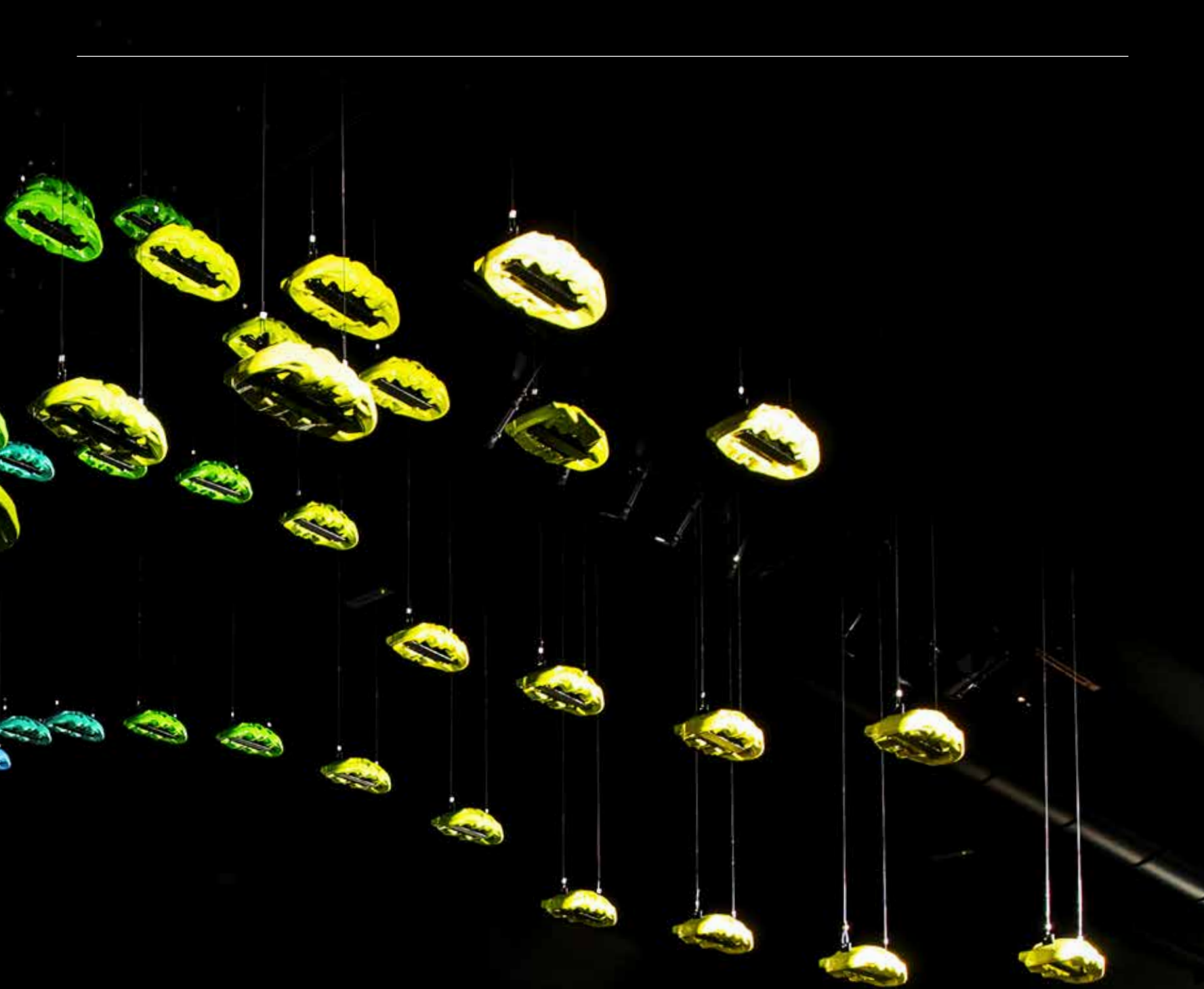
2 March 2023

Matteo Tiraboschi
Executive Chairman

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







THE VALUE OF BEAUTY

Recognising and deeply appreciating
the inestimable value inherent in beauty.
Sharp lines, sinuous curves, by-now iconic features:
every brake system is a designer item.

4. SEPARATE FINANCIAL STATEMENTS 2022

FINANCIAL STATEMENTS OF BREMBO S.P.A. AT 31 DECEMBER 2022

STATEMENT OF FINANCIAL POSITION OF BREMBO S.P.A.

ASSETS

(EURO)	NOTES	31.12.2022	OF WHICH WITH RELATED PARTIES	31.12.2021	OF WHICH WITH RELATED PARTIES	CHANGE
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	210,538,858		204,687,308		5,851,550
Right of use assets	1	64,659,901		70,259,536		(5,599,635)
Development costs	2	83,389,130		83,472,211		(83,081)
Other intangible assets	2	24,856,324		20,748,687		4,107,637
Shareholdings	3	452,331,389		446,097,004		6,234,385
Investments in other companies	4	228,078,596		293,858,839		(65,780,243)
Derivatives	4	21,815,287		0		21,815,287
Other non-current financial assets	4	39,821		30,251		9,570
Receivables and other non-current assets	5	2,701,887		1,146,199		1,555,688
Deferred tax assets	6	7,787,123		22,363,474		(14,576,351)
TOTAL NON-CURRENT ASSETS		1,096,198,316		1,142,663,509		(46,465,193)
CURRENT ASSETS						
Inventories	7	194,314,725		146,221,642		48,093,083
Trade receivables	8	256,893,421	119,529,372	206,008,370	89,661,934	50,885,051
Other receivables and current assets	9	44,930,747		58,322,492		(13,391,745)
Derivatives	10	10,678,048		4,341,139		6,336,909
Other current financial assets	10	195,797,953	195,727,178	156,980,551	156,916,076	38,817,402
Cash and cash equivalents	11	221,334,604		335,296,668		(113,962,064)
TOTAL CURRENT ASSETS		923,949,498		907,170,862		16,778,636
TOTAL ASSETS		2,020,147,814		2,049,834,371		(29,686,557)

EQUITY AND LIABILITIES

(EURO)	NOTES	31.12.2022	OF WHICH WITH RELATED PARTIES	31.12.2021	OF WHICH WITH RELATED PARTIES	CHANGE
EQUITY						
Share capital	12	34,727,914		34,727,914		0
Other reserves	12	142,952,192		120,960,587		21,991,605
Retained earnings/(losses)	12	519,931,324		586,163,736		(66,232,412)
Net result for the year	12	164,919,102		111,228,546		53,690,556
TOTAL EQUITY		862,530,532		853,080,783		9,449,749
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	461,912,859		511,372,788		(49,459,929)
Long-term lease liabilities	13	60,199,590		65,254,105		(5,054,515)
Other non-current financial liabilities	13	647,496		862,806		(215,310)
Other non-current liabilities	14	666,702	104,776	0		666,702
Non-current provisions	15	9,429,516		32,037,287		(22,607,771)
Employee benefits	16	18,141,745	3,416,140	17,458,849	209,659	682,896
TOTAL NON-CURRENT LIABILITIES		550,997,908		626,985,835		(75,987,927)
CURRENT LIABILITIES						
Current payables to banks	13	124,237,598		128,908,479		(4,670,881)
Short-term lease liabilities	13	7,247,062		7,317,355		(70,293)
Derivatives	13	3,548,410		2,920,586		627,824
Other current financial liabilities	13	94,418,856	94,108,877	72,494,448	72,213,059	21,924,408
Trade payables	17	251,363,140	36,114,732	225,338,634	32,277,377	26,024,506
Tax payables	18	1,442,673		253,178		1,189,495
Current provisions	15	801,490		40,000		761,490
Contract liabilities	19	55,727,612		48,753,389		6,974,223
Other current liabilities	19	67,832,533	3,725,902	83,741,684	14,698,956	(15,909,151)
TOTAL CURRENT LIABILITIES		606,619,374		569,767,753		36,851,621
TOTAL LIABILITIES		1,157,617,282		1,196,753,588		(39,136,306)
TOTAL EQUITY AND LIABILITIES		2,020,147,814		2,049,834,371		(29,686,557)

STATEMENT OF INCOME OF BREMBO S.P.A.

(EURO)	NOTES	31.12.2022	OF WHICH WITH RELATED PARTIES	31.12.2021	OF WHICH WITH RELATED PARTIES	CHANGE
Revenue from contracts with customers	20	1,179,278,192	215,033,127	1,021,344,799	169,336,287	157,933,393
Other revenues and income	21	59,057,712	45,655,004	41,250,355	35,823,934	17,807,357
Costs for capitalised internal works	22	16,054,452		18,621,201		(2,566,749)
Raw materials, consumables and goods	23	(534,325,944)	(149,707,830)	(457,979,093)	(107,020,547)	(76,346,851)
Other operating costs	24	(281,699,057)	(28,314,154)	(228,741,416)	(26,261,230)	(52,957,641)
Personnel expenses	25	(262,449,553)	(6,272,484)	(241,406,999)	(7,335,018)	(21,042,554)
GROSS OPERATING INCOME		175,915,802		153,088,847		22,826,955
Depreciation, amortisation and impairment losses	26	(67,834,949)		(64,107,359)		(3,727,590)
NET OPERATING INCOME		108,080,853		88,981,488		19,099,365
Interest income	27	29,638,847		16,685,345		12,953,502
Interest expense	27	(34,224,483)		(17,769,031)		(16,455,452)
Net interest income (expense)	27	(4,585,636)	9,235,389	(1,083,686)	5,342,030	(3,501,950)
Interest income (expense) from investments	28	91,431,292	91,431,292	48,538,697	48,641,903	42,892,595
RESULT BEFORE TAXES		194,926,509		136,436,499		58,490,010
Taxes	29	(30,007,407)		(25,207,953)		(4,799,454)
NET RESULT FOR THE YEAR		164,919,102		111,228,546		53,690,556

STATEMENT OF COMPREHENSIVE INCOME OF BREMBO S.P.A.

(EURO)	31.12.2022	31.12.2021	CHANGE
NET RESULT FOR THE YEAR	164,919,102	111,228,546	53,690,556
<i>Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:</i>			
Effect of actuarial income/(loss) on defined benefit plans	4,222,606	(397,814)	4,620,420
Tax effect	(1,013,425)	95,475	(1,108,900)
Fair value measurement of investments	(94,453,172)	80,021,545	(174,474,717)
Tax effect	1,133,438	(960,259)	2,093,697
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	(90,110,553)	78,758,947	(168,869,500)
<i>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:</i>			
Effect of hedge accounting (cash flow hedge) of derivatives	29,066,787	5,977,496	23,089,291
Tax effect	(6,976,029)	(1,434,599)	(5,541,430)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	22,090,758	4,542,897	17,547,861
COMPREHENSIVE RESULT FOR THE YEAR	96,899,307	194,530,390	(97,631,083)

STATEMENT OF CASH FLOWS OF BREMBO S.P.A.

(EURO)	31.12.2022	31.12.2021
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (*)	328,571,312	357,464,697
Result before taxes	194,926,509	136,436,499
Depreciation, amortisation/impairment losses	67,834,949	64,107,359
Capital gains/losses	(36,590)	(544,058)
Write-ups/Write-downs of shareholdings	0	105,205
Financial portion of provisions for payables for personnel	192,890	144,967
Other provisions net of utilisations	(11,577,451)	3,479,368
Cash flows generated by operating activities	251,340,307	203,729,340
Current taxes paid	(8,015,847)	(13,744,866)
Uses of long-term provisions for employee benefits	(1,358,819)	(758,781)
<i>(Increase) reduction in current assets:</i>		
inventories	(53,325,209)	(19,559,008)
financial assets	(2,095,000)	951,553
trade receivables and receivables from other Group companies	(51,062,616)	(21,222,374)
receivables from others and other assets	2,817,564	8,492,783
<i>Increase (reduction) in current liabilities:</i>		
trade payables and payables to other Group companies	26,024,506	26,472,162
payables to others and other liabilities	(4,778,770)	4,451,838
Net cash flows from/(for) operating activities	159,546,116	188,812,647
<i>Investments in:</i>		
intangible assets	(26,462,537)	(25,530,206)
property, plant and equipment	(43,883,122)	(43,647,104)
financial assets (investments)	(34,907,313)	(91,663,912)
Price for disposal or reimbursement value of fixed tangible and intangible assets	454,448	3,974,581
Net cash flows from/(for) investing activities(**)	(104,798,524)	(156,866,641)
Dividends paid in the year	(87,449,558)	(71,255,195)
Loans to Group companies and amounts payable to companies participating in the centralised treasury system	(16,915,284)	(34,265,493)
Change in fair value valuation of derivatives	1,542,415	1,502,736
Reimbursement of lease liabilities	(8,984,042)	(9,568,603)
Loans and financing granted by banks and other financial institutions in the year	25,123,212	101,226,088
Repayment of long-term loans and other liabilities	(122,391,721)	(48,478,924)
Net cash flows from/(for) financing activities (**)	(209,074,978)	(60,839,391)
Total cash flows	(154,327,386)	(28,893,385)
CASH AND CASH EQUIVALENTS AT END OF YEAR (*)	174,243,926	328,571,312

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

(**) As of 2022, the items do not include the changes relating to leased assets. The previous year's figures were restated for comparative purposes.

STATEMENT OF CHANGES IN EQUITY OF BREMBO S.P.A.

(EURO)	OTHER RESERVES			RETAINED EARNINGS (LOSSES)	NET RESULT FOR THE YEAR	EQUITY
	SHARE CAPITAL	RESERVES	TREASURY SHARES			
Balance at 1 January 2021	34,727,914	141,360,105	(24,804,426)	493,016,931	85,505,063	729,805,587
Allocation of profit for the previous year				14,249,868	(14,249,868)	0
Payment of dividends					(71,255,195)	(71,255,195)
Reclassification (*)		(137,989)		137,989		0
Rounding				1		1
<i>Components of comprehensive income:</i>						
Effect of actuarial income/(loss) on defined benefit plans				(302,339)		(302,339)
Effect of hedge accounting (cash flow hedge) of derivatives		4,542,897				4,542,897
Fair value measurement of investments				79,061,286		79,061,286
Net result for the year					111,228,546	111,228,546
Balance at 1 January 2022	34,727,914	145,765,013	(24,804,426)	586,163,736	111,228,546	853,080,783
Allocation of profit for the previous year				23,778,988	(23,778,988)	0
Payment of dividends					(87,449,558)	(87,449,558)
Reclassification (*)		(99,153)		99,153		0
<i>Components of comprehensive income:</i>						
Effect of actuarial income/(loss) on defined benefit plans				3,209,181		3,209,181
Effect of hedge accounting (cash flow hedge) of derivatives		22,090,758				22,090,758
Fair value measurement of investments				(93,319,734)		(93,319,734)
Net result for the year					164,919,102	164,919,102
Balance at 31 December 2022	34,727,914	167,756,618	(24,804,426)	519,931,324	164,919,102	862,530,532

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



SHARED OBJECTIVES

A clear, precise focus for ambitions,
needs, objectives and desires.
In a single, cyclical and virtuous relationship
based on true participation and shared knowledge.

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 2022, 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 further updated, the Board of Statutory Auditors relates the activity carried out during the year ended 31 December 2022 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 follows¹:

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

It should be noted that, following the resignation, rendered on 29 April 2022 with immediate effect, by Paola Tagliavini — Acting Auditor belonging to the Majority List and appointed by the General Shareholders' Meeting on 23 April 2020 — the Alternate Auditor belonging to the same list, Stefania Serina, took over in accordance with the law and the By-laws, and will remain in office until the end of the current term. It bears also recalling that the term of the Board of Statutory Auditors is set to end with the Shareholders' Meeting called on 20 April 2023 to approve the Financial Statements for the year ended 31 December 2022.

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 Principles of Conduct for Boards of Statutory Auditors of Listed Companies recommended by the Italian National Board of Certified Accountants and Auditors (CNDCEC), and specifically provision Q.1.1 on self-assessment by the board of statutory auditors — a periodic internal assessment process regarding whether members continue to meet eligibility requirements and the propriety and efficacy of the board's functioning —, it is acknowledged that the Board of Statutory Auditors delivered its specific report to the Board of Directors, which examined it in its meeting held on 2 March 2023. 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 2022 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 (updated and approved by the

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).

Board of Directors on 17 December 2021, hereafter “Brembo’s CGC”, which is based on the Corporate Governance Code – 2020 edition, hereafter “2020 CGC”), integrity and professionalism pursuant to Article 148, paragraph 4, of TUF and the aforementioned limits to the cumulation of offices were verified. In addition to such verification, in accordance with current best practices, 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.

In accordance with provision Q.1.6 (“Remuneration”) of the above-mentioned Principles of Conduct, in view of the natural end of its term of office, the Board of Statutory Auditors presented a specific report to the Board of Directors (which acknowledged it during its aforementioned session of 2 March 2023) to allow the Directors to thoroughly analyse it in order to formulate a proposal for the remuneration of the incoming Board of Statutory Auditors to be submitted to the annual Shareholders’ Meeting.

The Board of Statutory Auditors fulfilled the supervisory duties mandated by Article 2403 of the Italian Civil Code and Article 149 of TUF. It also performed the supervisory functions required by Article 19 of Legislative Decree No. 39/2010, 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, as well as 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 the control functions, and participation in meetings of the Board of Directors and in meetings of the Governance Committees. Reference is made to the Audit, Risk & Sustainability Committee (ARSC) — which also acts as Related Party Transactions Committee (hereafter also RPT Committee) and fulfils the duties set out in the Related Party Transactions Procedure adopted by the Company pursuant to Article 4 of Consob Regulation as per Resolution No. 17221 of 12 March 2010 and lastly amended by Resolution No. 21624 of 10 December 2020 (in implementation of Legislative Decree No. 49/2019 transposing the SHRD – Directive EU No. 2017/828) — and to the Remuneration & Appointments Committee, as well as to the Supervisory Committee set up in accordance with Legislative Decree No. 231/2001.

In 2022, the Board of Statutory Auditors:

- held 14 meetings and attended the Shareholders’ Meeting (1 meeting) and the meetings of the Board of Directors (10 meetings), as well as the meetings of the Audit, Risk & Sustainability Committee, also in its capacity as the Related Party Transactions Committee (10 meetings), and, through the Chair of the Board of Statutory Auditors, the meetings of the Remuneration & Appointments Committee (3 meetings). The meetings of the Board of Statutory Auditors lasted about 3 hours on average;
- in most cases held its meetings on the same day as those of the Audit, Risk & Sustainability Committee and the Supervisory Committee, including a section on matters discussed jointly, in order to facilitate the exchange of unequivocal information between parties with significant duties relating to internal controls and to make the best use of the related company personnel;
- participated in the sessions of the Audit, Risk & 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 Deloitte & Touche S.p.A;
- also participated in the follow-ups organised by the Company for induction purposes within the framework of meetings of the Board of Directors or its Committees (as illustrated in the 2022 Corporate Governance and Ownership Structure Report), focused on various matters, such as the performance of the automotive market and the related forecasts, the benchmarking on Top Managers’ remuneration packages, the update of the Succession Plan & Talent Management Process, in addition to thoroughly examining the developments of Legislative Decrees No. 81/2008 and No. 231/2001.

The sessions were conducted by the executive functions of reference for the various topics;

- Auditor S. Serina (appointed during the year, effective 29 April 2022) also participated in a Basic Induction Programme, structured in six sessions, delving into the business and market in which the Company operates.

Pursuant to Article 153 of TUF and Article 2429, paragraph 2, of the Italian Civil Code, and in accordance with Consob recommendations, as well as 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 current geo-political situation, on which the Board of Statutory Auditors has no particular observations to report.
3. The Board of Statutory Auditors conducted inquiries into specific issues, meeting directly with the Company's top managers, and into the main risks and the related impacts inherent in the nature of Brembo's business. In particular, the Board of Statutory Auditors was periodically informed by the Head of Risk Management and the Chief Purchasing Officer about the impacts arising from the Russia-Ukraine conflict on Brembo and about the mitigation actions put in place by the Working Group specifically set up to constantly monitor the evolution of the situation and define the actions necessary to mitigate the risks and the possible direct and indirect impacts on the Group.
4. During the year, information was provided on the increased voting right pursuant to Article 6 of the By-laws, as amended by the Shareholders' Meeting on 18 April 2019.
5. The Board of Statutory Auditors also constantly verified, through the Chief Administration & Financial Officer's reports, Brembo's administrative and accounting structure and in particular the adequacy of the responsible personnel, their tasks and responsibilities and the control measures put in place in accordance with the new crisis code.
6. The Board of Statutory Auditors oversaw the proper application of the 2020 CGC's principles and recommendations, to which Brembo adhered through the adoption of a Brembo's CGC (approved by the Board of Directors on 17 December 2021), which incorporates them in full, except for some indications found not to be compatible with Brembo's current governance model and illustrated in detail in the Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-bis of TUF, approved by the Board of Directors on 2 March 2023 and available on the Company's website. It should be noted that, as provided for by Borsa Italiana S.p.A.'s format and as required by the Corporate Governance Committee, a specific paragraph (paragraph 16) was prepared with a brief illustration of the analysis comparing the Recommendations identified by the Corporate Governance Committee in its Letter of 25 January 2023 and the practices adopted within Brembo. The analysis, which is in line with the results of the 2022 Board Performance Evaluation conducted by Russell Reynolds Associates, confirmed a sound level of implementation of Brembo's Code and application of the Committee's 2023 Recommendations.
7. At the same time, the Board of Statutory Auditors also verified the activities performed pursuant to Brembo's Shareholder Engagement Policy², approved by the Board of Directors on 17 December 2021, through the periodic reports submitted by the Executive Chairman to the Board's meetings. Moreover, it also met with the Head of IR to deeply analyse the investor relations activities and the control measures implemented to prevent the risks inherent in the function.
8. The Company has long adopted the changes introduced by Law No. 160 of 27 December 2019 (2020 Budget Law) and its subsequent amendments, regarding the minimum representation quotas for the less represented gender in the

² www.brembo.com, section Company, Corporate Governance, Governance Documents.

corporate bodies of listed companies, and adapted the By-laws accordingly during the Shareholders' Meeting of 23 April 2020. As a result of the foregoing, the Board of Statutory Auditors acknowledged that the composition of the corporate bodies appointed by that Shareholders' Meeting is compliant with the current statutory and regulatory provisions.

9. It should be noted that diversity policies and criteria for the corporate bodies envisaged by Brembo's CGC are illustrated in paragraphs 4.4 and 11.3 of the 2021 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 2 March 2023, in consultation with the Remuneration & Appointments Committee at its meeting on 15 February 2023. 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 declarations rendered. The findings of this process are described in the 2022 Corporate Governance and Ownership Structure Report drafted in accordance with Article 123-bis of TUF. These criteria, together with the indications emerged from the 2022 Board Performance Evaluation, lay the foundation of the guidelines provided by the outgoing Board of Directors for the managerial and professional candidates to be nominated in view of the appointment of the new company boards for the three-year term 2023-2025 during the General Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2022 (20 April 2023), with the aim of ensuring an ideal mix of skills, experience and professionalism among the Board members.
10. As indicated in the report of 21 March 2022 regarding the 2021 Financial Statements, at the meeting of the Board of Directors of 3 March 2022, the Board of Statutory Auditors approved the appointment by co-option, pursuant to Article 2386 of the Italian Civil Code, of Manuela Soffientini to replace Laura Cioli, who had resigned.
11. The Board of Statutory Auditors was also informed of the findings of the 2022 Board Performance Evaluation. In concert with the Remuneration & Appointments Committee, the activity was conducted by the independent consultancy firm Russell Reynolds Associates, as mentioned above, and was coordinated by the Lead Independent Director with support from Brembo's Legal & Corporate Affairs Department, so as to ensure continuity of the ongoing three-year process that began in 2020 (for the 2020-2022 term). The results confirmed the highly positive outcome reported in the two previous years and a very high level of overall appreciation of its size, composition and operational and organisational functioning, in substantial compliance with the 2020 CGC and Italian and international best practice.

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 reports³, the Internal Audit Department and representatives of the Independent Auditors⁴, to obtain information on the activities carried out and audit plans. No relevant data or information have emerged that need to be highlighted herein.
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 the company documents.

³ 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.

⁴ 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 22 April 2021 appointed the audit firm Deloitte & Touche S.p.A. as Independent Auditors for the years 2022 to 2030.

With regard to the foregoing, the Board of Statutory Auditors has no particular remarks to relate, did not submit any reports to the governing body pursuant to and for the purposes of Article 25-*octies* of Legislative Decree No. 14/2019, and did not receive any reports from qualified public creditors, pursuant to Article 25-*novies* of Legislative Decree No. 14/2019.

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.

PARTICULARLY SIGNIFICANT TRANSACTIONS – ATYPICAL OR UNUSUAL TRANSACTIONS – INTRA-GROUP OR RELATED PARTY TRANSACTIONS

1. In 2022, the Company did not carry out any unusual or atypical transactions with third parties or related parties, nor any intra-group transactions or transactions that could have a significant impact on the Company's operating, capital or financial situation.
2. Among the particularly significant transactions which were reported to the Board of Statutory Auditors in 2022, the following should be noted:
 - the signing of a 50/50 joint venture agreement between Brembo and Gold Phoenix to incorporate Shandong BRGP Friction Technology Co. Ltd. The new company will create the first large-scale Brembo manufacturing facility fully dedicated to produce innovative aftermarket pads. The joint venture will serve the three main segments (passenger cars, light and heavy commercial vehicles) seizing the new opportunities arising from a growing market;
 - the incorporation on 13 January 2023, following resolution of Brembo S.p.A.'s Board of Directors, of Brembo Reinsurance AG. The objectives of this reinsurance company based in Switzerland include, *inter alia*, improving the conditions and efficiency of the process of financing the Brembo Group's risks through access to the reinsurance market and the possibility of underwriting risks not adequately covered by the insurance market and that cannot be financed through a fund.
3. The Board of Statutory Auditors verified that the Audit, Risk & Sustainability Committee, in its capacity as Related Party Transactions Committee, was regularly updated regarding:
 - the constant receipt of information on Related Party Transactions excluded from application of the RPT Procedure:
 - Low Value Transactions;
 - Ordinary Transactions, regardless of whether they qualify as Moderately or Highly Significant Transactions;
 - updates regarding Moderately or Highly Significant Transactions for which the Committee expressed a non-binding prior opinion; the Board of Statutory Auditors acknowledged the favourable opinion expressed by the Committee:
 - A) at its meeting on 2 May 2022, regarding the update of the Significance Indices for identifying Highly Significant Transactions on the basis of the 2021 financial statements data and the confirmation of differentiated thresholds for identifying Low Value Transactions, in view of the nature of the counterparty, in accordance with the provisions of Consob Resolution No. 21624 of 10 December 2020;
 - B) on 5 December 2022 in relation with:
 - the draft framework resolutions for uniform transactions to be concluded with the same Related Party for 2023, pursuant to Article 4.9 of the RPT Procedure;
 - the proposal to lease a building owned by Kilometro Rosso S.p.A. to be used by the Prototypes Unit, since it qualified as a Moderately Significant Transaction with a related party, and issued a favourable opinion, after consulting with an independent expert.
4. 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 above mentioned Related Party Transactions Procedure and, as regard these transactions' consistency and compliance with Company's interests, no critical issues arose.
5. With reference to the own shares buy-back programme authorised by the General Shareholders' Meeting on 21 April 2022, 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 the Group), 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 were 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 2022, 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 2022 (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 analysis of the same in concert with the Audit, Risk & 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. The Board of Statutory Auditors also reported that, in application of European Commission Delegated Regulation No. 2019/815 (ESEF Regulation), transposing Directive 2013/50/EU, which with effect from 1 January 2021 requires listed issuers to prepare their annual financial reports (AFRs) in the European Single Electronic Format (ESEF), the Company had already completed the project to implement the requirements of the ESEF Regulation for 2021. The Consolidated Annual Financial Report of Brembo S.p.A. at 31 December 2022 was therefore prepared in XHTML format, marking some information from the IFRS consolidated financial statements and the related notes with Inline XBRL specifications.
4. During the periodic assessments, the Board of Statutory Auditors constantly received reports on the financial situation and the use of loans granted by banks.
5. 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 2022, the companies to which such regulations apply are the subsidiaries indicated by Brembo as being significant for the control system of the financial reporting process.
6. 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, meeting the Risk Management Function and the Legal Function for compliance matters, obtaining information from the Chief Executive Officer — the Manager in charge of the internal control and risk management system —, from other business Functions and from representatives of the Independent Auditors and the Supervisory Committee. The Board of Statutory Auditors also had regular 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.
7. In 2022, following resignation of the Chief Internal Audit Officer Alessandra Ramorino, it monitored the process for selecting the new head of the function, a position that the Board of Directors entrusted to Matteo Tradii on 28 July 2022.
8. The Board of Statutory Auditors met on several occasions with the Head of Risk Management, with whom it examined the policies for covering insurable risks. It examined the 2022 Risk Report (ERM and ESG risks) on 8 February 2023. Moreover, during the periodic checks, it was informed on:
 - Brembo Group's new insurance covers, with in-depth analysis of the insurance spending trend;
 - property damage and business interruption risks, for the purposes of renewals and optimisation of insurance programmes;

- an update on the losses by which the Company was affected;
 - the project and the progress for the establishment of a captive reinsurance company;
 - the new Guidelines on crisis management.
9. 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.
10. 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 ensuring 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.
11. The Board of Statutory Auditors oversaw the adequacy of the administrative-accounting system through meetings with the Chief Administration and Finance Officer and the Manager in charge of the Company's financial reports and with the Independent Auditors Deloitte & Touche S.p.A., also in order to exchange data and information, while also analysing the procedure adopted for impairment testing purposes.
12. 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.
13. With the aim of identifying specific risks and monitoring the improvement plans launched by management, during the meetings with the Company's top managers the Board of Statutory Auditors conducted some inquiries into specific issues including:
- the organisation of the System & Safety Engineering function within the R&D GCF and the risks of the function and the related mitigation actions;
 - updates on the digital transformation projects underway, in addition to cyber security activities and the cyber security awareness campaign;
 - the function's organisational updates and risks and the related mitigation actions;
 - the Digital Transformation Programme with a focus on Journey 6, relating to the internal control and risk and compliance management system project;
 - the annual Report of the Head of Safety with a focus on the incident rate trend and findings of the audit process, as well as an update on anti-Covid-19 security measures;
 - the new Brembo Product Development System called "Stargate".
14. The Board of Statutory Auditors oversaw the constant updating of the Organisational, 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 Committee meetings. The results of these activities are described in detail in the Supervisory Committee's periodic reports to the Board of Directors. In general terms, the Supervisory Committee confirmed the 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.
15. In 2022, the updating of the 231 Model concerned the General Section and several Special Sections (Corruption, Inducement, Smuggling and Money-Laundering, Receiving stolen goods and Self-Laundering) to reflect changes in the law in the interim⁵, while also updating the control protocols indicated for the relevant sensitive activities, where necessary. The update of the 231 Model was approved by the Board of Directors on 28 July 2022.
16. 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 and the related reference methodologies and standards adopted, as well as of the process of preparing, collecting and validating data at a global level in order to prepare the Disclosure of Non-Financial Information pursuant to Legislative Decree No. 254/2016, also meeting with the Independent Auditors tasked with assurance activities on the said document.

⁵ Legislative Decree No. 184/2021 – Offences Relating to Payment Instruments Other Than Cash; Legislative Decree No. 195/2021 – Offences of Receipt of Stolen Property, Money-Laundering, Self-Laundering and Use of Money, Property or Benefits of Illicit Origin; Law No. 22 of 9 March 2022 – Provisions on Offences Against Cultural Heritage.

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 Internal Audit, the Legal Function, the Head of Risk Management and the Supervisory Committee, which the Board of Statutory Auditors met regularly, have not reported any particular critical issues falling within their respective remits. The Annual Corporate Governance and Ownership Structure Report 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 monetary incentive policies for the Governing Body, Executive Directors and Top Managers for 2022.

The main aspects of the short- and long-term remuneration policies for 2023, approved by the Board of Directors during its meeting on 2 March 2023, having heard the opinions of the Remuneration & Appointments Committee and the Board of Statutory Auditors, are illustrated in the 2022 Report on the 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 of 20 April 2023.

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, Deloitte & Touche S.p.A., to which the Shareholders' Meeting of Brembo S.p.A. of 22 April 2021 granted the statutory auditing assignment for the years 2022-2030, 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 of TUF.
3. Today, 20 March 2023, Deloitte & Touche 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 Separate and Consolidated Financial Statements for the year ended 31 December 2022. With regard to the paragraph concerning the "key aspects of the audit", the Independent Auditors considered the conduct of impairment tests to constitute a material issue with respect to the Consolidated Financial Statements and Separate Financial Statements. Pursuant to Article 14, paragraph 2(e), of Legislative Decree No. 39/2010, the Independent Auditors also believe that the Directors' Report on Operations and the information contained in the Corporate Governance and Ownership Structure Report set out in Article 123-bis, paragraph 4, of TUF are consistent with the Company's Separate Financial Statements and Consolidated Financial Statements for the year ended 31 December 2022.
With regard to the XHTML format and markup, the Independent Auditors attest their compliance with the provisions of the relevant Commission Delegated Regulation, also on the basis of the recent indications of Assirevi (document No. 252 of 6 March 2023);
4. On that same date, the Independent Auditors also provided the Company's Board of Statutory Auditors with the additional report required by Article 11 of Regulation (EU) No. 537/2014 pursuant to Article 19 of Legislative Decree No. 39/2010. As stated in the opinion on the Financial Statements, this report addresses certain matters, without contradicting the opinions in question. It bears mentioning here that, in addition to the significant matter identified as "key aspect of the audit", in the aforementioned reports on the Separate and Consolidated Financial Statements, the Independent Auditors highlight another significant, but not material risk, namely the risk of revenue recognition fraud. 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. In the section “Other matters”: i) as required by the recent Consob Warning Notice of 18 March 2022, visibility was given to the risks relating to the conflict in Ukraine and the related impacts; ii) the need was highlighted to strengthen the elements of control relating to privileged access and credit note management.

5. The Board of Statutory Auditors will report 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 and duly 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 Board of Directors.

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. The Board of Statutory Auditors also acknowledged the Transparency Report drafted by the Independent Auditors and published on their website pursuant to Article 18 of Legislative Decree No. 39/2010.

6. Today, on 20 March 2023, the Independent Auditors also 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/or the 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 Deloitte & Touche S.p.A. compared with those assigned to EY S.p.A. in 2021 is set out below:

AUDIT SERVICES (EURO THOUSAND)	31.12.2022	31.12.2021
Independent Auditors’ fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	255	255
- to the subsidiaries (services provided by the network)	521	438
Independent Auditors’ fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	53	70
- to the subsidiaries (services provided by the network)	2	3
Independent Auditors’ fees for the provision of other services:		
Fees of entities belonging to the Independent Auditors’ network for the provision of services:		
- to the Parent Brembo S.p.A.	6	15
- other services rendered to subsidiaries	2	2

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

FURTHER ACTIVITY BY THE BOARD OF STATUTORY AUDITORS: OPINIONS AND OBSERVATIONS

1. The Board of Statutory Auditors issued the opinions or expressed the observations required by applicable legislation on remuneration policies, as laid down in the 2023 Report on the Remuneration Policy and Remuneration Paid, with

regard to the Executive Chairman, Chief Executive Officer and the Group's managers.

2. At the meeting of the Board of Directors of 3 March 2022, the Board of Statutory Auditors expressed its favourable opinion on the appointment by co-option, pursuant to Article 2386 of the Italian Civil Code, of Manuela Soffientini to replace Laura Cioli, who had resigned.
3. On 28 December 2022, the Board of Statutory Auditors expressed its opinion on the integration of the total fee paid for the year ended 31 December 2023 for the statutory audit of the captive company established in January 2023 (Brembo Reinsurance AG).
4. 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.

The Board of Statutory Auditors verified that, in compliance with the Consob and ESMA (European Securities and Markets Authority) recommendations, the Directors included in the 2022 Annual Financial Report the information relating to the assessments made by the Company with regard to the Russia-Ukraine conflict and the ensuing actions it implemented to mitigate the negative effects caused by the crisis on its business.

As for the annual Shareholders' Meeting called for 20 April 2023, the Board of Statutory Auditors reports that Decree Law No. 18 of 17 March 2020 ("Cura Italia"), amended by Law No. 27 of 24 April 2020 (as most recently extended under Decree Law No. 198 of 29 December 2022 ("Milleproroghe") converted into Law No. 14 of 24 February 2023, 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 be regularly exercised, in accordance with the above provisions.

PROPOSALS FOR THE SHAREHOLDERS' MEETING REGARDING THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 AND ALLOCATION OF THE PROFIT FOR THE YEAR

Having acknowledged the Financial Statements for the year ended 31 December 2022, 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 €0.28 per (ordinary) share outstanding and the carrying forward of the residual ascertained profit for the year.

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

Milan, 20 March 2023

The Board of Statutory Auditors

Raffaella Pagani (Chairwoman)

Mario Tagliaferri (Acting Auditor)

Stefania Serina (Acting Auditor)

ATTESTATION OF THE MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS

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 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 2022:
 - 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 2022 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.
 - 3.1 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.

2 March 2023

Matteo Tiraboschi
Executive Chairman

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



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