

SIX
MONTHLY
REPORT
2019



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Company Officers

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

Composition of the Board of Directors, Board Committees and Main Governance Functions at the Date of Approval of the Six Monthly Financial Report 2019 (29 July 2019)

Board of Directors

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

Board of Statutory Auditors ⁽¹⁰⁾

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

Independent Auditors	EY S.p.A. ⁽¹¹⁾
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Manager in Charge of the Company's Financial Reports

Andrea Pazzi⁽¹²⁾

Committees

Control, Risks & Sustainability Committee⁽¹³⁾

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

Remuneration & Appointments Committee

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

Supervisory Committee

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

- (1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
- (2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
- (3) As announced in the press release issued on 3 May 2019, following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and the ensuing waiver of all related powers as of 1 July 2019, the Board of Directors held on 28 June 2019, in compliance with Article 2386 of the Italian Civil Code, co-opted Daniele Schillaci and appointed him Chief Executive Officer, vesting him with all related powers. The Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment through to the end of the term of the current Board of Directors, i.e., until the approval of the 2019 Financial Statements. The Board of Directors granted Daniele Schillaci special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.
- (4) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of the TUF (as required by Articles 147-ter, paragraph 4, and 147-quater of TUF) and Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A. and Article 3.C.1 of the Corporate Governance Code of Brembo S.p.A.
- (5) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System, as well as of Chief CSR Officer.
- (6) Candidate for the position of Director proposed by a group of minority shareholders and elected by the Shareholders' Meeting/Statutory Auditor elected from a minority list.
- (7) Non-executive Director.
- (8) Executive Directors.
- (9) This Director also holds the position of Lead Independent Director.
- (10) This Board holds the role of the Internal Control & Audit Committee pursuant to Article 19 of Legislative Decree No. 39/2010.
- (11) The Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.
- (12) Appointed by the Board of Directors on 5 March 2018, pursuant to Article 27-bis of the By-laws. The appointment remains valid until the expiry of the current Board of Directors' term of office, i.e., until the General Shareholders' Meeting approving the Financial Statements for the year ending 31 December 2019.
- (13) This Committee also acts as the Related Party Transactions Committee.
- (14) Private practice lawyer - Senior Partner of Orrick Italian offices.
- (15) Chief Internal Audit Officer.

Brembo S.p.A.

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



Summary of Group Results

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

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

- €181.9 million increase in Net Invested Capital;
- €182.8 million increase in Net Financial Position;
- €10.9 million reversal of rental costs;
- €9.6 million increase in amortisation and depreciation;
- €2.5 million increase in interest expense.

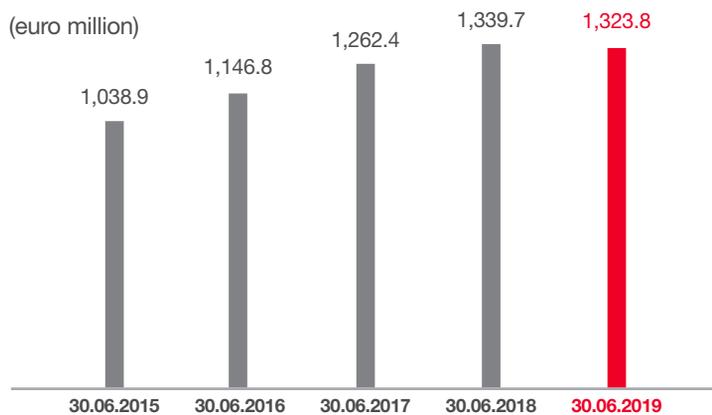
It should be noted that, as of 30 June 2019, Brembo decided to

discontinue its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. will be placed in liquidation.

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

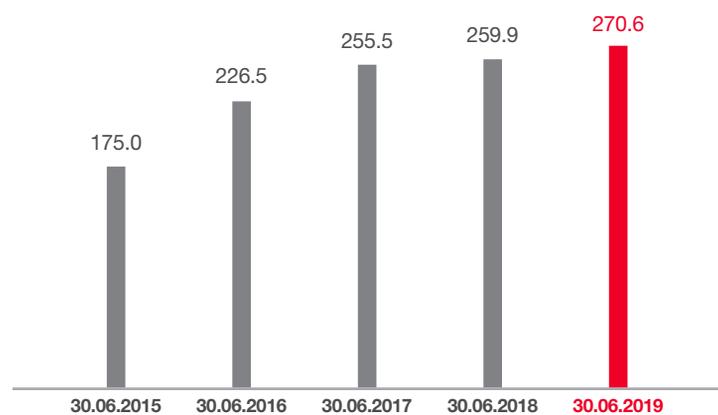
Revenue from contracts with customers

(euro million)



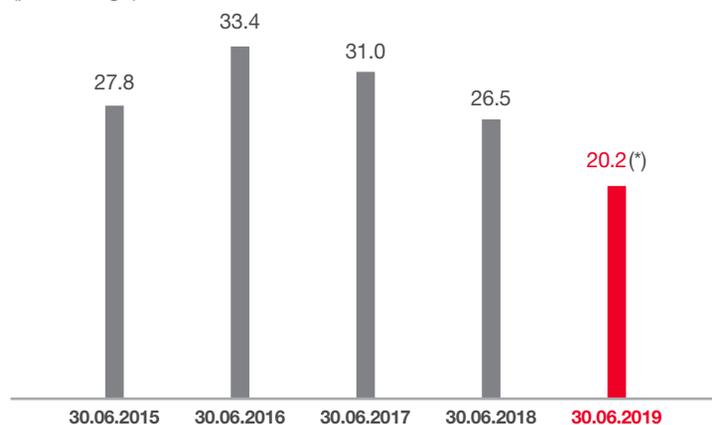
Gross operating income

(euro million)



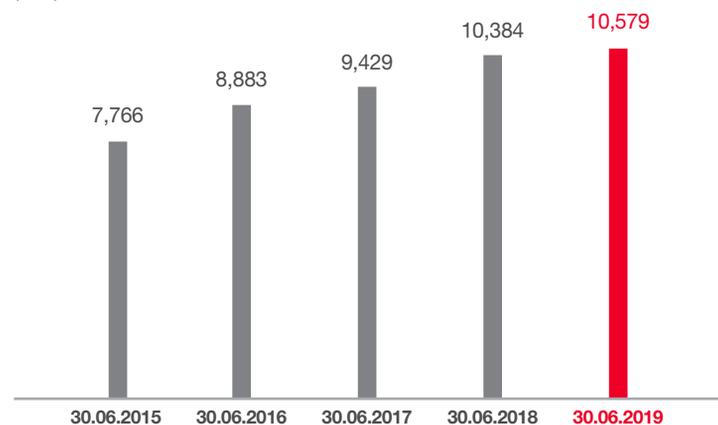
ROI

(percentage)



Personnel at end of year

(No.)



(*) Index negatively impacted by IFRS 16 application.

Economic results

(euro thousand)	30.06.2015	30.06.2016	30.06.2017	30.06.2018	30.06.2019	% 2019/2018
Revenue from contracts with customers	1,038,902	1,146,838	1,262,448	1,339,687	1,323,840	-1.2%
Gross operating income	174,951	226,501	255,528	259,880	270,582	4.1%
% on revenue from contracts with customers	16.8%	19.8%	20.2%	19.4%	20.4%	
Net operating income	121,311	173,339	189,497	186,105	174,455	-6.3%
% on revenue from contracts with customers	11.7%	15.1%	15.0%	13.9%	13.2%	
Result before taxes	117,844	166,018	186,477	180,609	167,875	-7.1%
% on revenue from contracts with customers	11.3%	14.5%	14.8%	13.5%	12.7%	
Net result for the period	88,969	127,079	136,688	140,113	123,448	-11.9%
% on revenue from contracts with customers	8.6%	11.1%	10.8%	10.5%	9.3%	

Financial results

(euro thousand)	30.06.2015	30.06.2016	30.06.2017	30.06.2018	30.06.2019	% 2019/2018
Net invested capital	879,969	1,046,967	1,232,875	1,415,082	1,743,190	23.2%
Equity	596,609	756,064	943,055	1,124,531	1,288,478	14.6%
Net financial debt	249,784	259,432	259,697	263,050	434,477	65.2%

Personnel and investments

(euro thousand)	30.06.2015	30.06.2016	30.06.2017	30.06.2018	30.06.2019	% 2019/2018
Personnel at end of period (No.)	7,766	8,883	9,429	10,384	10,579	1.9%
Turnover per employee	133.8	129.1	133.9	129.0	125.1	-3.0%
Net investments	63,397	113,210	161,496	120,829	101,860	-15.7%

Main ratios

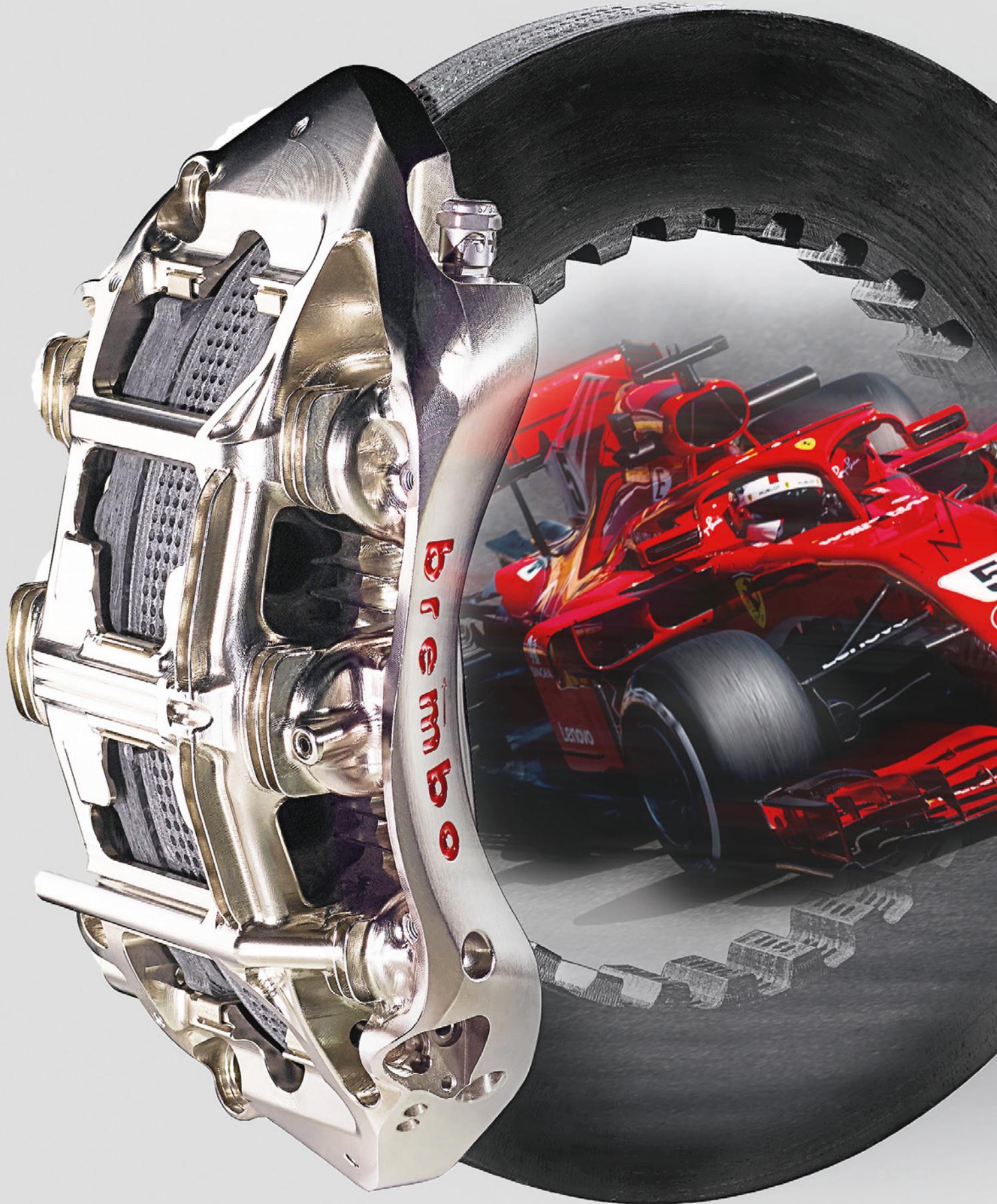
(euro thousand)	30.06.2015	30.06.2016	30.06.2017	30.06.2018	30.06.2019
Net operating income/ Revenue from contracts with customers	11.7%	15.1%	15.0%	13.9%	13.2%
Income before taxes/ Revenue from contracts with customers	11.3%	14.5%	14.8%	13.5%	12.7%
Net investments/ Revenue from contracts with customers	6.1%	9.9%	12.8%	9.0%	7.7%
Net financial debt/Equity	41.9%	34.3%	27.5%	23.4%	33.7%
Adjusted net interest expense(*)/ Revenue from contracts with customers	0.7%	0.4%	0.3%	0.3%	0.6%
Adjusted net interest expense(*)/ Net operating income	5.7%	2.6%	2.3%	2.4%	4.4%
ROI	27.8%	33.4%	31.0%	26.5%	20.2%
ROE	30.6%	34.0%	29.6%	25.4%	20.5%

Notes:

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

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

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



Directors' Report on Operations



Formula 1 brake system
2018 Championship



Brembo and the Market

Macroeconomic Context

In order to properly assess Brembo's performance for the first half of 2019, as well as its outlook for the future, an analysis of the worldwide macroeconomic scenario is given here below, with particular reference to the markets in which the Group operates.

Global economic growth slowed down. According to the May 2019 update to the Economic Outlook published by the OECD (Organization for Economic Cooperation and Development), global GDP (gross domestic product) growth is expected to slow from 3.5% in 2018 to 3.2% in 2019, to then recover to 3.4% in 2020 — rates that were revised down from the previous estimates. This slowdown, which points to more moderate growth prospects across nearly all economies, is being driven by various risks that might have an adverse influence on global economic performance. These risks include the prolonged tensions surrounding tariffs on trade between the United States and China, new potential tensions relating to trade policies between the United States and European Union, various difficulties relating to the fiscal stimulus measures for preventing an abrupt economic slowdown in China and constant uncertainty regarding growth policies in Europe. In its May 2019 update, the OECD also announced downwards revisions to its growth estimates for the United States (+2.8% in 2019 and +2.3% in 2020) and the Eurozone, which will grow by +1.2% this year and by +1.4% in 2020.

In the European Economic Forecast, economists at the European Commission predicted that the Eurozone will reach GDP growth of +1.2% in 2019, i.e., 0.7 percentage points less than the previous autumn estimates. All growth forecasts for major Euro Area countries were revised downwards for 2019: Spain +2.1%; France +1.3%; UK +1.3%, Germany +0.5% and Italy +0.1%. "The IHS Markit PMI Composite index for the Eurozone was higher than the flash estimate, but the overall picture remains one of weak current growth and gloomier prospects for the year ahead. While the service sector has

seen business conditions improve compared to late last year, growth remains only modest, in part reflecting a spill-over from the trade-led downturn in the manufacturing sector," commented Chris Williamson, Chief Business Economist at IHS Markit. "Furthermore, there seems little prospect of any immediate improvement: new orders barely rose in May, painting one of the gloomiest pictures of demand seen over the past six years, and companies' expectations of growth over the coming year likewise fell to one of the lowest in six years," he added.

According to the detailed estimates presented in the European Economic Forecast, Italy is expected to grow by 0.1% in 2019 (-1.1% compared with the expectations from last October). This forecast is aligned with the figure cited by the Italian government in its economic and finance document (DEF), which calls for a virtually zero GDP growth by the end of 2019. The GDP growth forecast for 2019 is subject to downside risks relating in particular to the uncertainty surrounding international trade, the threat of protectionism, geopolitical factors and paradigm changes in key industries such as automotive and components. With regard to subsequent years, the DEF forecasts that the real growth rate will be 0.6% in 2020 and 0.7% in 2021. According to the study published by the Confindustria Research Centre, Italian GDP is expected to remain weak in the second quarter of 2019. The scenario remains fragile. There is concern with the low level of domestic industrial orders, whereas the most recent data published by ISTAT predict that the job market will remain essentially stable, with the unemployment rate set to rise slightly to around 10.8%.

With reference to the United States, in its March 2019 update the Federal Reserve revised downwards its U.S. GDP growth forecast for 2019 to 2.1%, compared to a 2.3% estimated in December 2018. The economic outlook for the United States was also confirmed by the European Commission, which forecasts a decline in GDP growth in 2019, with growth nonetheless remaining above the potential level, buoyed by a series of factors such as a strong job market, favourable financial conditions reflecting a more accommodating monetary policy and an easing of trade tensions. The negotiations between China and the United States have yet to yield a solution and the truce has been temporarily extended without any deadline.

Recent market data show that the weakness of the Japanese economy continued throughout the second quarter of 2019. A preliminary reading of the PMI (Purchasing Manager's Index) drawn up by Markit/Nikkei points to a further decline for May 2019 to 49.8 from the 50.2 recorded in April of this year. In addition, expectations for the future have become negative for the first time since November 2012.

The BRIC economies (Brazil, Russia, India and China) slowed in the first half of 2019. According to the OECD's estimates, the Indian economy will grow by 7.2% in 2019 and by 7.5% in

2020, whereas growth in China will slow down gradually to 6% by 2020. Imports, investments and credit growth slowed, while tensions on trade tariffs are contributing additional uncertainty to the overall scenario. After ending 2018 with higher-than-expected 2.3% growth, the Russian economy is expected to slow slightly in 2019 to a GDP growth rate of around 1.5%. In 2020, growth is forecast to reach 1.8%, reflecting greater public spending on investments and a marginal increase in potential growth due to the gradual increase in the retirement age. Brazil continued its gradual recovery with a GDP growth forecast of 1.5% in 2019 and of 2.3% in 2020. Low inflation and stronger job market conditions are driving private consumption, and the successful implementation of various reforms — particularly on pensions — could contribute to reducing uncertainty and increasing investments.

Turning to commodities trends, the average price of oil decreased gradually throughout the second quarter of 2019 to 59.27 dollars a barrel. In the update to the World Economic Outlook published in April 2019, the IMF (International Monetary Fund) revised slightly upwards the average prices of the three oil benchmarks — Brent, Dubai and West Texas Intermediate (WTI) — forecasting a price of 59.16 dollars a barrel at the end of 2019 and of 59.09 dollars a barrel at the end of 2020, with a decrease of 13.4% on 2018 (USD 68.33 a barrel).

Currency Markets

In the first half of 2019, the **U.S. dollar**, after beginning the period at 1.1397 on 2 January, yielded to the euro, reaching 1.1535 on 10 January. It then underwent constant, gradual appreciation, driving the exchange rate down to a low for the period of 1.1123 on 25 April. The dollar then reversed course, fluctuating within a range of 1.125 to 1.115 until the end of May. In the final month of the half year, it depreciated further to over 1.13, followed by appreciation and then further depreciation until the end of the reporting period. At the end of the period, the currency stood at 1.1380, above the half-yearly average rate (1.1298).

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level,

the **pound sterling** opened the period at 0.9016, to then depreciate to its high for the period of 0.9042 (10 January). It then appreciated sharply to around 0.8650. After subdued lateral movement, it then appreciated further, with the exchange rate falling to a low for the period of 0.8512 (27 March). The pound then entered into another lateral phase until early May, after which it depreciated sharply and constantly until the end of the half-year. At the end of the period, the currency stood at 0.8966, above the half-yearly average rate (0.8736).

The **Polish zloty** began the half-year at 4.2964 and then entered a phase of lateral movement between 4.30 and 4.27 until the end of January. It then depreciated sharply, bringing the exchange rate to a high for the period of 4.3445 on 20



February. The zloty went on to appreciate rapidly to around 4.29, where it remained in a new lateral phase until mid-May. It then appreciated sharply until the end of the half-year, with the rate closing at the low for the period. At the end of the half year, the currency stood at 4.2496, below the half-yearly average rate (4.2919).

The **Czech koruna** began the reporting period at 25.7520 and then appreciated to around 25.55 near mid-January. It then depreciated sharply, with the rate climbing to a high of 25.8710 on 12 February. The koruna subsequently appreciated to around 25.60 near mid-March, followed by alternating phases of depreciation and appreciation and then gradual depreciation in April, with the rate climbing to above 25.85 by the end of May. In the final month of the reporting period, the koruna appreciated sharply and decisively, bringing the rate to a low for the period of 25.4340 on 27 June. At the end of the period, the currency stood at 25.4470, below the half-yearly average rate (25.6838).

The **Swedish krona** began the half year at 10.2145 and then immediately reached a low for the period of 10.1855 on 8 January. It went on to depreciate constantly until mid-March to above 10.60, after which it appreciated slightly, with the rate falling to around 10.40, and then depreciated further, bringing the rate up to a high for the period of 10.8323 on 13 May. At the end of the period, the currency stood at 10.5633, above the half-yearly average rate (10.5187).

In Asia, the **Japanese yen** began the reporting period at 124.2800 and then immediately appreciated to around 122.00 early in the period. The yen then underwent gradual, constant depreciation until the end of February, with the rate reaching a high for the period of 127.3500 on 1 March. It then entered a sideways phase within a range of 124-127 until mid-April. The yen subsequently appreciated sharply to around 121 near the end of May, bringing the rate to a low for the period of 121.0800 on 18 June. At the end of the period, the currency stood at 122.6000, below the half-yearly average rate (124.2933).

The **Chinese yuan/renminbi** began the half-year at 7.8165 and immediately depreciated, with the rate climbing to a high for the period of 7.8421 on 7 January. It then underwent significant, constant appreciation until the end of April, reaching a low for the period of 7.4991 on 26 April, to then

depreciate constantly to around the high for the period. At the end of the period, the currency stood at 7.8185, above the half-yearly average rate (7.6670).

The **Indian rupee** began the half year at 79.9855, depreciating against the euro early in the period, with the rate climbing to a high for the period of 82.1905 on 4 February. It then appreciated sharply and robustly, with the rate falling to a low for the half year of 76.9305 (3 April). Throughout the final phase of the reporting period, the Indian currency moved laterally within a range of 77-79. At the end of the period, the currency stood at 78.5240, below the half-yearly average rate (79.1182).

In the Americas, the **Brazilian real** began the period at 4.3930 and initially appreciated to around 4.22. It then depreciated slightly, and appreciated again, bringing the rate to a low for the period of 4.1852 on 15 February. The real then underwent constant, gradual depreciation, with the rate climbing to a high of 4.5688 (21 May). Near the end of the period, the real appreciated sharply, closing around the average rate for the period. At the end of the half year, the currency stood at 4.3511, above the half-yearly average rate (4.3407).

The **Mexican peso** began the half year at 22.3941, the high for the period. It then appreciated sharply to reach around 21.50 near the end of January. The peso went on to move laterally within a range of around 21.60-22.00, after which it appreciated further until mid-March to around 21.40. Then, after slight depreciation, it appreciated again, reaching a low for the period of 21.1267 on 29 April. The peso was very volatile near the end of the period, fluctuating widely near the end of May, when it depreciated from around 21.30 to around 22.30 and then appreciated again to around 21.40. At the end of the period, the currency stood at 21.8201, above the half-yearly average rate (21.6539).

The **Argentine peso** began the half year at 43.0010 and then appreciated slightly, reaching a low for the period of 42.2498 on 15 January. It then underwent constant, robust and progressive depreciation, reaching a high for the period of 51.0450 on 29 April. After a brief period of lateral movement within a range of 50-51, it ended the half year with slight appreciation. At the end of the period, the currency stood at 48.5678, above the half-yearly average rate (46.8144).

Finally, the **Russian rouble** began the half year at 79.3589, the high for the period. It then appreciated constantly and progressively, reaching around 72.00 near the end of April. After a long lateral phase within a range of 72.00-74.00, the

rouble then reached a low for the period of 71.4389 on 25 June, ending the half year at around this level. At the end of the period, the currency stood at 71.5975, below the half-yearly average rate (73.7215).

Group Activities and Reference Market

Brembo is the world leader and acknowledged innovator of the brake disc technology for automotive vehicles. It currently operates in 14 countries on 3 continents, through its production and business sites, and employs over 10,000 people worldwide. Manufacturing plants are located in Italy, Poland (Częstochowa, Dąbrowa Górnicza, Niepołomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), China (Nanjing, Langfang), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

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

In the first half of 2019, Brembo's consolidated net sales amounted to €1,323,840 thousand, down by 1.2% (-0.7% before Brembo Argentina S.A.'s reclassification) compared to €1,339,687 thousand for the same period of 2018.

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

Passenger Cars



During the first five months of 2019, the global light vehicle market showed a 6.7% decrease in sales, mainly due to the decline in the Chinese, U.S. and European markets.

The Western European market (EU15+EFTA) closed the first five months of 2019 with a -2.4% decrease in car registrations compared to the same period of 2018. Among the main European markets, Germany was the only country to report an increase in car registration (+1.7%), whereas all other countries declined in the first five months of the year: Spain -5.1%; Italy -3.8%, UK -3.1% and France -0.05%. The trend was instead positive in Eastern Europe (EU12), with a 2.4% increase in car registrations.

In Russia, registrations of light vehicles showed negative signs: in the period from January to May 2019, sales shrank by 2.2% compared to the same period of the previous year.

In the United States, the first five months of the year closed with negative results. Sales of light vehicles declined by 2.0% overall compared to the same period of 2018. Brazil and Argentina closed the first five months of 2019 reporting



a negative performance, with sales down by 8.2% overall, mainly due to the Argentine market (-50.8%), offset by an 11.1% increase in Brazil's sales.

In Asian markets, China closed the first five months of 2019 on a negative note, with light vehicle sales down -13.2% compared to the same period of 2018 that marked the eleventh consecutive month of declining sales. Japan instead closed the first five months of the year positively, with a 1.1% increase in sales.

Within this scenario, Brembo's net sales of car applications in the first half of 2019 amounted to €981,709 thousand, accounting for 74.2% of the Group's turnover, down by 3.8% (-3.2% before Brembo Argentina S.A.'s reclassification) compared to the same period of 2018 (€1,020,709 thousand).

Motorbikes



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

In Europe, the top motorbike markets in terms of registrations are: Italy, Germany, France, Spain and the United Kingdom. In the first five months of 2019, sales of motorbikes and scooters in Italy rose by 7.3% compared to the same period of 2018 (motorbikes: +9.8%; motorbikes with displacements over 500cc alone: +7.5%; scooters: +5.2%). Similarly, all other main European countries reported an increase compared to the first five months of 2018: +15% in France; +12% in Spain; +11% in Germany; and +6% in the UK.

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

In the first five months of 2019, the Japanese market, considering displacements over 50cc overall, reported a 9.5% increase (motorbikes with displacements over 125cc alone rose by 4.3%).

India (motorbikes and scooters) decreased by 10.1% in the first five months of 2019, whereas Brazil reported a 17.6% increase in registrations.

Brembo's net sales of motorbike applications in the first half of 2019 amounted to €136,892 thousand, increasing by 5.4% over the same period of 2018 (€129,831 thousand).

Commercial and Industrial Vehicles



In the first five months of 2019, the European commercial vehicles market (EU+EFTA) — Brembo's reference market — showed a 6.5% increase in registrations compared to the same period of 2018.

In detail, sales of light commercial vehicles (up to 3.5 tonnes) increased overall by 6.0% in Europe. Among the top European markets by sales volume, a positive performance compared to the first five months of the previous year was reported by Italy (+6.0%), Germany (+14.7%), Spain (+3.8%), France (+6.9%), and the United Kingdom (+7.5%). In Eastern European countries, this segment grew by 10.2% compared to the same period of 2018.

Similarly, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) improved in Europe in the first five months of 2019, up +9.3% compared to the same period of the previous year. Among the top European markets by sales volume, a robust uptrend was reported by Germany (+15.9%), the United Kingdom (+15.3%) and France (+13.9%), whereas Spain and Italy declined (-1.9% and -7.6%, respectively). In Eastern Europe, sales of commercial vehicles over 3.5 tonnes grew by 5.9% in the first five months of the year compared to the same period of the previous year.

In the first half of 2019, Brembo's net sales of applications in this segment amounted to €137,383 thousand, up 8.7% compared to €126,342 thousand for the same period of 2018.

Racing



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

In the first half of 2019, Brembo's net sales of applications in this segment amounted to €67,412 thousand, up 7.7% compared to €62,593 thousand for the first half of 2018.



Sales Breakdown by Geographical Area and Application

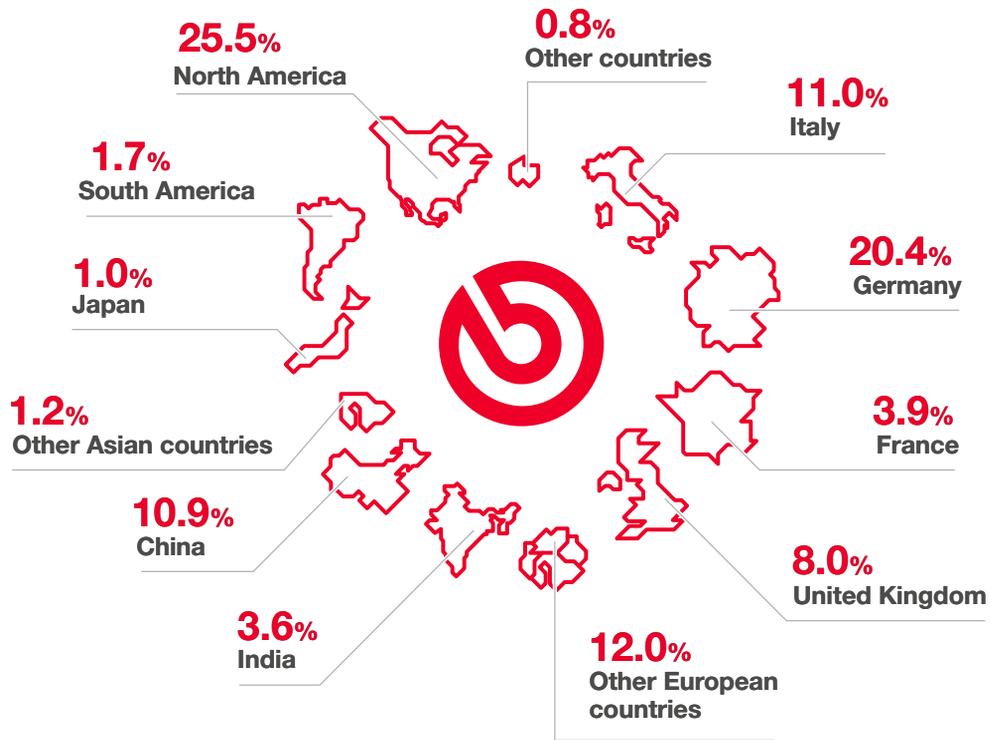
Geographical area

(euro thousand)	30.06.2019	%	30.06.2018	%	Change	%
Italy	144,990	11.0%	151,934	11.3%	(6,944)	-4.6%
Germany	269,773	20.4%	312,152	23.3%	(42,379)	-13.6%
France	52,128	3.9%	49,511	3.7%	2,617	5.3%
United Kingdom	106,503	8.0%	105,403	7.9%	1,100	1.0%
Other European countries	158,815	12.0%	145,495	10.9%	13,320	9.2%
India	47,207	3.6%	39,941	3.0%	7,266	18.2%
China	144,022	10.9%	144,775	10.8%	(753)	-0.5%
Japan	13,750	1.0%	14,882	1.1%	(1,132)	-7.6%
Other Asian countries	15,370	1.2%	22,222	1.7%	(6,852)	-30.8%
South America (Argentina and Brazil)	22,721	1.7%	31,023	2.3%	(8,302)	-26.8%
North America (USA, Mexico and Canada)	337,739	25.5%	316,624	23.6%	21,115	6.7%
Other countries	10,822	0.8%	5,725	0.4%	5,097	89.0%
Total	1,323,840	100.0%	1,339,687	100.0%	(15,847)	-1.2%

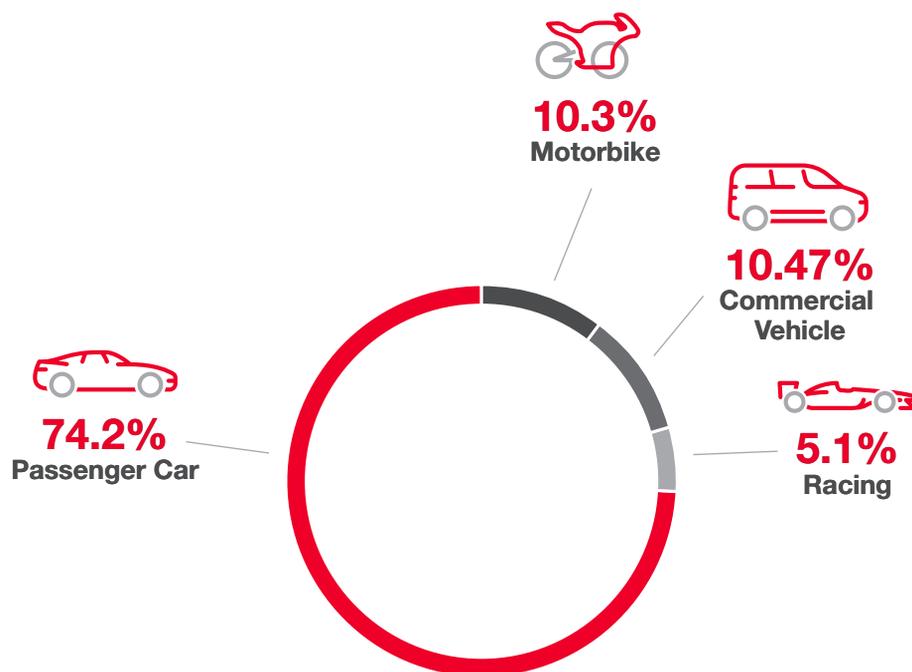
Application

(euro thousand)	30.06.2019	%	30.06.2018	%	Change	%
Passenger Car	981,709	74.2%	1,020,709	76.2%	(39,000)	-3.8%
Motorbike	136,892	10.3%	129,831	9.7%	7,061	5.4%
Commercial Vehicle	137,383	10.4%	126,342	9.4%	11,041	8.7%
Racing	67,412	5.1%	62,593	4.7%	4,819	7.7%
Miscellaneous	444	0.0%	212	0.0%	232	109.4%
Total	1,323,840	100.0%	1,339,687	100.0%	(15,847)	-1.2%

Sales Breakdown by Geographical Area (percentage)



Sales Breakdown by Application (percentage)





Brembo's Consolidated Results

Consolidated Statement of Income

(euro thousand)	30.06.2019	30.06.2018	Change	%
Revenue from contracts with customers	1,323,840	1,339,687	(15,847)	-1.2%
Cost of sales, operating costs and other net charges/income (*)	(823,816)	(852,154)	28,338	-3.3%
Income (expense) from non-financial investments	5,901	8,456	(2,555)	-30.2%
Personnel expenses	(235,343)	(236,109)	766	-0.3%
GROSS OPERATING INCOME	270,582	259,880	10,702	4.1%
<i>% on revenue from contracts with customers</i>	20.4%	19.4%		
Depreciation, amortisation and impairment losses	(96,127)	(73,775)	(22,352)	30.3%
NET OPERATING INCOME	174,455	186,105	(11,650)	-6.3%
<i>% on revenue from contracts with customers</i>	13.2%	13.9%		
Net interest income (expense) and interest income (expense) from investments	(6,580)	(5,496)	(1,084)	19.7%
RESULT BEFORE TAXES	167,875	180,609	(12,734)	-7.1%
<i>% on revenue from contracts with customers</i>	12.7%	13.5%		
Taxes	(36,991)	(38,982)	1,991	-5.1%
Result from discontinued operations	(6,753)	0	(6,753)	N/A
RESULT BEFORE MINORITY INTERESTS	124,131	141,627	(17,496)	-12.4%
<i>% on revenue from contracts with customers</i>	9.4%	10.6%		
Minority interests	(683)	(1,514)	831	-54.9%
NET RESULT	123,448	140,113	(16,665)	-11.9%
<i>% on revenue from contracts with customers</i>	9.3%	10.5%		
Basic and diluted earnings per share (euro)	0.38	0.43		

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

In the first half of 2019, Brembo's net sales amounted to €1,323,840 thousand, down 1.2% compared to the same period of 2018 (-0.7% before reclassifying Brembo Argentina S.A.'s figures to item "Result from discontinued operations").

Car applications, which accounted for 74.2% of Group's sales, closed the reporting period at -3.8% (-3.2% before Brembo Argentina S.A.'s reclassification), as a result of the decline in the light vehicle market. In the first half of 2019, a positive performance was recorded by the applications for commercial vehicles (+8.7%), the motorbike segment (+5.4%) and the racing segment (+7.7%).

At geographical level, and with specific reference to Europe, Germany dropped by 13.6% compared to the first half of 2018. Among the other European countries, France stood out with a positive +5.3%, followed by the United Kingdom (+1.0%), whereas Italy closed with a 4.6% decline. In North America (USA, Mexico and Canada), sales increased by 6.7%, whereas South America reported a 26.8% decline (-7.1% on a like-for-like basis as regards Brembo Argentina S.A.'s reclassification). In the Far East, Brembo recorded a slight decrease in China (-0.5%) and Japan (-7.6%), whereas the Indian market rose by 18.2%.

During the half year, the **cost of sales and other net operating costs** amounted to €823,816 thousand, with a ratio of 62.2% to sales, down on 63.6% for the first half of 2018. Within this item, development costs capitalised under intangible assets amounted to €14,035 thousand compared to €12,600 thousand in the first half of 2018.

Income (expense) from non-financial investments amounted to €5,901 thousand and referred to the effects of valuing the investment in the BSCCB Group using the equity method (€8,456 thousand in the first half of 2018).

Personnel expenses amounted to €235,343 thousand, with a 17.8% ratio to sales, slightly increasing compared to the same period of the previous year (17.6%). At 30 June 2019, workforce numbered 10,579 (10,634 at 31 December 2018 and 10,384 at 30 June 2018); the average workforce in the period amounted to 10,655 (10,168 for the first half of 2018).

Gross operating income was €270,582 thousand compared to €259,880 thousand for the first half of 2018, with a ratio to sales of 20.4% (19.4% for the same period of 2018).

Net operating income amounted to €174,455 thousand (13.2% of sales), compared to €186,105 thousand (13.9% of sales) for the first half of 2018, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €96,127 thousand, compared to depreciation, amortisation and impairment losses amounting to €73,775 thousand for the same period of 2018.

Net interest expense amounted to €6,703 thousand (€5,617 thousand in the first half 2018) and consisted of net exchange rate gains of €1,045 thousand (net exchange losses of €1,180 thousand for the first half of 2018) and interest expense of €7,748 thousand (€4,437 thousand for the first half of 2018).

Net interest income from investments, which amounted to €123 thousand (€121 thousand for the first half of 2018), was attributable to the effects of valuing investments in associates using the equity method.

Result before taxes was positive at €167,875 thousand compared to €180,609 thousand in the first half of 2018. Based on tax rates applicable for the period under current tax regulations, estimated taxation amounted to €36,991 thousand, with a tax rate of 22.0% compared to 21.6% for the same period of the previous year.

The **result from discontinued operations** was negative for €6,753, attributable to the contribution of Brembo Argentina S.A., reclassified to this item following the Group's decision to discontinue its industrial operations at the Buenos Aires plant, and the ensuing liquidation of the company.

The Group's net result for the reporting period amounted to €123,448 thousand (9.3% of sales), down compared to €140,113 thousand for the first half of 2018 (10.5% of sales).



Statement of Financial Position

(euro thousand)	30.06.2019	31.12.2018	Change
Property, plant and equipment	1,223,631	1,041,442	182,189
Intangible assets	216,852	209,139	7,713
Net financial assets	47,866	47,754	112
Other receivables and non-current liabilities	57,442	62,597	(5,155)
Fixed capital	1,545,791	1,360,932	184,859
			13.6%
Inventories	362,426	342,037	20,389
Trade receivables	454,359	407,414	46,945
Other receivables and current assets	74,384	72,132	2,252
Current liabilities	(649,654)	(736,932)	87,278
Provisions / deferred taxes	(39,455)	(52,709)	13,254
Net working capital	202,060	31,942	170,118
			532.6%
Net invested capital from discontinued operations	(4,661)	0	(4,661)
NET INVESTED CAPITAL	1,743,190	1,392,874	350,316
			25.2%
Equity	1,288,478	1,228,822	59,656
Employees' leaving entitlement and other personnel provisions	26,639	27,141	(502)
Medium/long-term financial debt	414,480	207,444	207,036
Short-term net financial debt	19,997	(70,533)	90,530
Net financial debt	434,477	136,911	297,566
			217.3%
Net financial debt from discontinued operations	(6,404)	0	(6,404)
COVERAGE	1,743,190	1,392,874	350,316
			25.2%

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

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

Net Invested Capital at the end of the first half of 2019 amounted to €1,743,190 thousand, up by €350,316 thousand compared to €1,392,874 thousand at 31 December 2018.

Net financial debt at 30 June 2019 was €434,477 thousand, compared to €136,911 thousand at 31 December 2018.

The €297,566 thousand increase for the period was mainly attributable to the combined effect of the following factors:

- the positive effect of gross operating income of €270,582 thousand, with a €174,145 thousand decrease in working capital;
- net investments totalling €101,860 thousand;
- the Parent's payment of the approved dividends in May, in the amount of €71,541 thousand;
- payment of taxes totalling €25,902 thousand;
- dividends received by the associate BSCCB S.p.A. amounting to €6,000 thousand;
- the impact arising from the application of the new IFRS 16 for €182,789 thousand.

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



Statement of Cash Flows

(euro thousand)	30.06.2019	30.06.2018
NET FINANCIAL POSITION AT BEGINNING OF PERIOD (*)	(136,911)	(218,597)
Net operating income	174,455	186,105
Depreciation, amortisation and impairment losses	96,127	73,775
Gross operating income	270,582	259,880
Investments in property, plant and equipment	(86,362)	(102,860)
<i>of which right of use assets</i>	(15,686)	0
Investments in intangible assets	(18,620)	(19,096)
Investments in financial assets	(113)	(1,350)
Disposals	3,122	1,127
IFRS 16 Initial recognition	(177,113)	0
Net investments	(279,086)	(122,179)
Change in inventories	(28,671)	(61,582)
Change in trade receivables	(48,471)	(100,579)
Change in trade payables	(62,733)	93,750
Change in other liabilities	(31,556)	2,822
Change in receivables from others and other assets	(2,365)	(12,961)
Translation reserve not allocated to specific items	(349)	719
Change in working capital	(174,145)	(77,831)
Change in provisions for employee benefits and other provisions	(4,296)	7,033
Operating cash flows	(186,945)	66,903
Interest income and expense	(6,394)	(5,332)
Result from discontinued operations	(6,753)	0
Current taxes paid	(25,902)	(24,618)
Dividend paid in the period to minority shareholders	(800)	(800)
Interest (income)/expense from investments, net of dividends received	179	(2,376)
Dividends paid in the period	(71,541)	(71,541)
Net cash flows	(298,156)	(37,764)
Effect of translation differences on net financial position	590	(6,689)
NET FINANCIAL POSITION AT END OF PERIOD (*)	(434,477)	(263,050)

(*) 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:

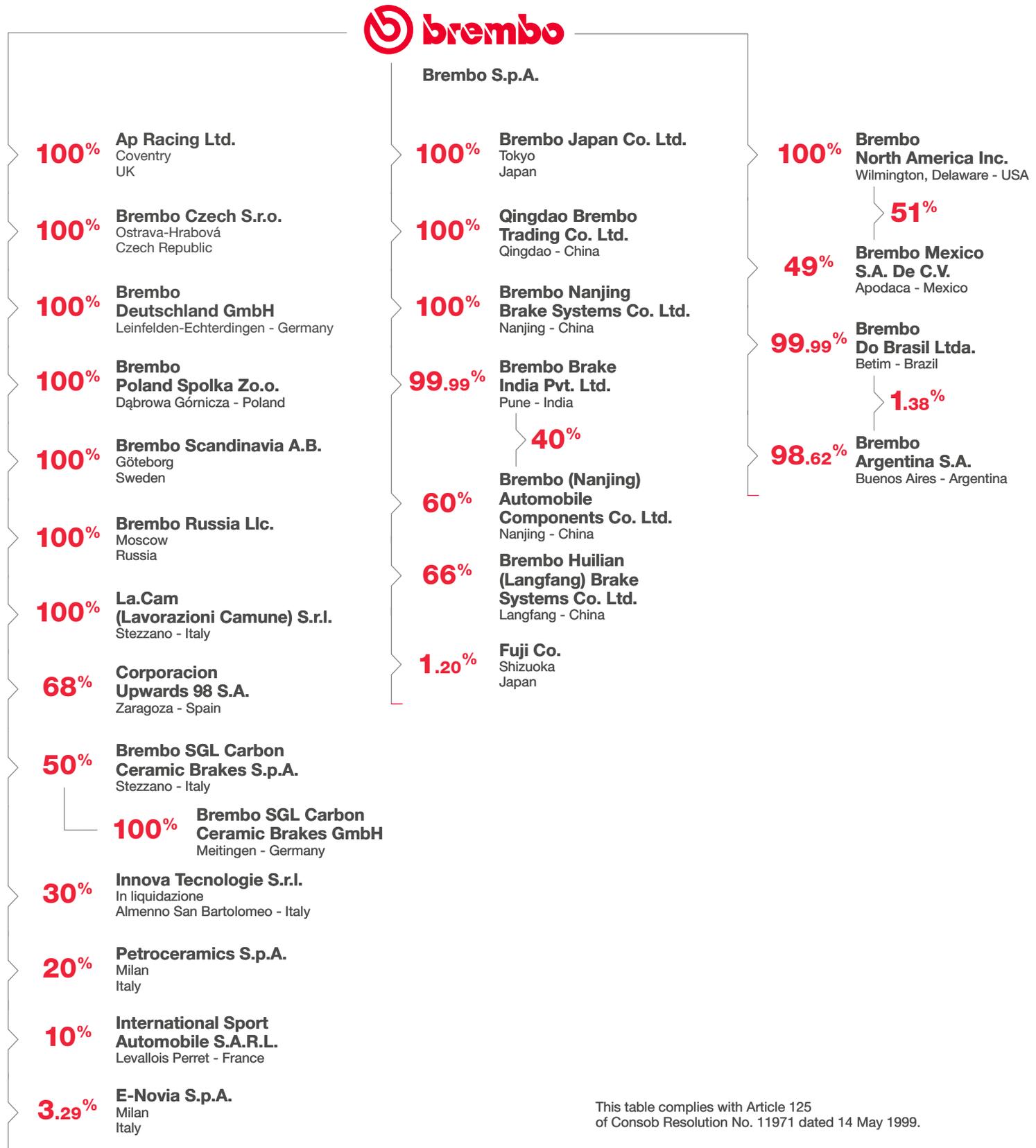
1. these indicators are constructed starting from the Group's historical data only and are not indicative of the Group's future performance;
2. the APMs are not laid down by the IFRS and are not subject to audit, although they are taken from the Group's Consolidated Financial Statements;
3. the APMs 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:

- Net Financial Debt, combined with other indicators such as Net 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; these indicators allow a better assessment of the overall level of debt, capital solidity and debt payment capacity;
- Net investments in property, plant, equipment and intangible assets, calculated as the sums of the increases (net of decreases) in property, plant and equipment (including the right of use assets) and intangible assets;
- Fixed Capital, Net Working Capital and Net Invested Capital allow a better assessment of both the ability to meet short-term trade commitments through current trade assets, and the consistency between the structure of the use and that of the sources of financing over time;
- Gross Operating Income (EBITDA) and Net Operating Income (EBIT), combined with other relative profitability indicators, allow changes in operating performance to be illustrated and provide useful information on the Group's capacity to sustain the debt; these indicators are also commonly used by analysts and investors in the sector to which the Group belongs, to evaluate company performance.



Group Structure



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

Performance of Brembo Companies

The following figures were taken from the accounting situations and/or draft financial statements at 30 June 2019 prepared by the companies in accordance with IAS/IFRS and approved by the respective Boards of Directors.

Brembo S.p.A.

Curno (Italy)



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

The first half of 2019 closed with revenue from contracts with customers of €494,524 thousand compared to €490,009 thousand for the first half of 2018. The item "Other revenues and income" amounted to €28,491 thousand compared to €24,242 thousand for the same period of 2018, whereas capitalised development costs in the half-year totalled €10,460 thousand compared to €10,498 thousand for the same period of the previous year.

Gross operating income amounted to €92,344 thousand (18.7% of sales) compared to €82,377 thousand (16.8% of sales)

in the first half of 2018, whereas net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €27,459 thousand, closed at €64,885 thousand compared to €60,097 thousand for the same period of the previous year.

Net interest expense from financing activities amounted to €1,673 thousand compared to €1,437 thousand for the first half of 2018. Income from investments amounted to €42,026 thousand and was mainly attributable to the distribution of dividends by some subsidiaries. In addition, a provision for current taxes and deferred tax assets and liabilities was made in the amount of €15,261 thousand.

In the reporting period, net income amounted to €89,976 thousand, compared to €63,540 thousand for the same period of 2018.

At 30 June 2019, the workforce numbered 3,154, three less compared to 3,157 at the end of the first half of 2018.

Companies Consolidated on a Line-by-Line Basis

AP Racing Ltd.

Coventry (United Kingdom)



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

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

The company designs, assembles and sells cutting-edge, high-tech products throughout the world for the main F1, GT, Touring

and Rally teams. It also produces and sells original equipment brakes and clutches for prestige car manufacturers.

Net sales for the first half of 2019 amounted to GBP 25,611 thousand (€29,317 thousand) compared to GBP 26,626 thousand (€30,266 thousand) in the first half of 2018. In the reporting period, net income amounted to GBP 2,605 thousand (€2,982 thousand), compared to GBP 3,012 thousand (€3,424 thousand) in the same period of 2018.

At 30 June 2019, the workforce numbered 144, two more than at the end of June 2018.



Brembo Argentina S.A.

Buenos Aires (Argentina)



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

In 2011, Brembo acquired a 75% stake in the company based in Buenos Aires. In 2013, Brembo exercised an option right on the remaining 25%. It should be noted that, as of 30 June 2019, Brembo decided to discontinue its industrial operations at the Buenos Aires plant. As a result, Brembo Argentina S.A. will be placed in liquidation. Brembo took this decision as it was impossible to boost new projects because of the downtrend experienced by the Argentinian automotive sector and its quite discouraging recovery prospects, as well as because all main manufacturers decided not to proceed with industrial projects nor to launch new models. Discontinuation of operations led to the termination of all 97 employment contracts and all other contracts in force at the end of the first half of the year.

The negative result of the company's ordinary operations for the first half of 2019, as well as the estimated costs associated with the discontinuation, were reclassified to the Statement of Income under "Result from discontinued operations" and amounted to €6,753 thousand.

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

Brembo Brake India Pvt. Ltd.

Pune (India)



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

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

In the first half of 2019, net sales amounted to INR 4,248,354 thousand (€53,696 thousand), with a net income of INR 381,967 thousand (€4,828 thousand). In the same period of 2018, net sales totalled INR 3,656,187 thousand (€45,983 thousand), with a net income of INR 305,168 thousand (€3,838 thousand). The workforce numbered 334 at 30 June 2019, compared to 324 at the end of the first half of 2018.

Brembo Czech S.r.o.

Ostrava-Hrabová (Czech Republic)



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

The company was formed in 2009 and started its production activity in 2011. It carries out the casting, processing and assembly of brake calipers and other aluminium components. In the first half of 2019, net sales amounted to CZK 2,997,325 thousand (€116,701 thousand) compared to CZK 4,099,355 thousand (€160,776 thousand) in the first half of 2018. Net income for the reporting period was CZK 46,045 thousand (€1,793 thousand) compared to a net income of CZK 75,097 thousand (€2,945 thousand) for the first half of 2018.

The workforce numbered 922 at 30 June 2019, decreasing by 124 compared to the same period of 2018.

Brembo Deutschland GmbH

Leinfelden – Echterdingen (Germany)



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

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

At 30 June 2019, net sales amounted to €1,160 thousand (€1,062 thousand for the first half of 2018), with a net income of €472 thousand, compared to €393 thousand in the first half of 2018.

Its workforce numbered eight.

Brembo Do Brasil Ltda.

Betim (Brazil)



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

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

Net sales for the first half of 2019 amounted to BRL 95,493 thousand (€22,000 thousand), with a net income of BRL 2,574 thousand (€593 thousand). In the same period of 2018, net sales amounted to BRL 93,704 thousand (€22,627 thousand), with a net income of BRL 2,557 thousand (€617 thousand).

The workforce at 30 June 2019 numbered 240, compared to 229 at the same date of the previous year.

Brembo Huilian (Langfang) Brake Systems Co. Ltd.

Langfang (China)



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

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

Net sales for the first half of 2019 amounted to CNY 260,526 thousand (€33,980 thousand) and net income to CNY 15,182 thousand (€1,980 thousand). In the first half of 2018, net sales amounted to CNY 307,095 thousand (€39,831 thousand) and net income was CNY 33,394 thousand (€4,331 thousand).

At 30 June 2019, the workforce numbered 639, compared to 675 for the first half of 2018.

Brembo Japan Co. Ltd.

Tokyo (Japan)



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

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

Net sales for the first half of 2019 amounted to JPY 334,084 thousand (€2,688 thousand) compared to JPY 347,652 thousand (€2,642 thousand) for the first half of 2018. Net income for the reporting period was JPY 37,438 thousand (€301 thousand), compared to JPY 60,674 thousand (€461 thousand) for the first half of 2018.

At 30 June 2019, the workforce totalled 19 employees, three more than in the first half of 2018.

Brembo México S.A. De C.V.

Apodaca (Mexico)



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

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

In the first half of 2019, net sales amounted to USD 135,448 thousand (€119,890 thousand), with a net income for the period totalling USD 10,642 thousand (€9,420 thousand). In the first half of 2018, net sales amounted to USD 97,929 thousand (€80,877 thousand), with net income for the period totalling USD 2,049 thousand (€1,692 thousand).

The workforce numbered 1,039 at 30 June 2019, increasing compared to 836 at the same date of the previous year.



Brembo (Nanjing) Automobile Components Co. Ltd.

Nanjing (China)



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

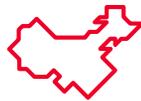
The company, which is 60% owned by Brembo S.p.A. and 40% owned by Brembo Brake India Pvt. Ltd., was set up in April 2016 and carries out casting, processing and assembly of braking systems for cars and commercial vehicles.

Net sales amounted to CNY 354,690 thousand (€46,262 thousand), with a net loss of CNY 584 thousand (€76 thousand); in the first half of 2018, net sales amounted to CNY 201,122 thousand (€26,086 thousand) and net loss was CNY 21,867 thousand (€2,836 thousand).

At 30 June 2019, the workforce numbered 303, compared to 280 at the same date of the previous year.

Brembo Nanjing Brake Systems Co. Ltd.

Nanjing (China)



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

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

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

At 30 June 2019, net sales amounted to CNY 489,301 thousand (€63,819 thousand) and net income was CNY 27,107 thousand (€3,536 thousand); in the first half of 2018, net sales amounted to CNY 658,889 thousand (€85,460 thousand) and net income was CNY 34,972 thousand (€4,536 thousand).

The workforce numbered 587 at 30 June 2019, compared to 592 at the end of the first half of 2018.

Brembo North America Inc.

Wilmington, Delaware (USA)



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

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

At 30 June 2019, net sales amounted to USD 215,258 thousand (€190,532 thousand); in the same period of the previous year, the company reported net sales amounting to USD 268,352 thousand (€221,625 thousand). Net income was USD 21,396 thousand (€18,938 thousand) at 30 June 2019 compared to USD 32,392 thousand (€26,752 thousand) in the first half of 2018.

At the end of the period, the workforce numbered 683, a decrease of 45 compared to the end of the first half of 2018.

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 Czestochowa plant. In the Dabrowa-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 Niepolomice plant processes steel disc hats to be assembled onto the light discs manufactured at the Group's plants located in China, the United States, and in the Dabrowa-Górnica plant as well.

Net sales amounted to PLN 1,106,746 thousand (€257,866 thousand) in the first half of 2019 compared to PLN 1,069,733 thousand (€253,489 thousand) in the first half of 2018. Net income at 30 June 2019 amounted to PLN 128,959 thousand (€30,047 thousand) compared to net income of PLN 194,813 thousand (€46,164 thousand) for the same period of the previous year.

At the end of the period, the workforce numbered 2,211, increasing compared to 1,975 at the end of the first half of 2018.

Brembo Russia LLC

Moscow (Russia)



Activities: promotion of the sale of car brake discs.

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

In the first half of 2019, net sales amounted to RUB 31,930 thousand (€433 thousand) and net income was RUB 14,811 thousand (€201 thousand); in the first half of 2018, net sales amounted to RUB 29,876 thousand (€415 thousand) and net income was RUB 16,010 thousand (€222 thousand).

At 30 June 2019, the workforce numbered 3, one more than at the same date of the previous year.

Brembo Scandinavia A.B.

Göteborg (Sweden)



Activities: promotion of the sale of car brake discs.

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

Net sales for the period amounted to SEK 5,325 thousand (€506 thousand), with a net income of SEK 2,571 thousand (€244 thousand), compared to net sales of SEK 4,725 thousand (€465 thousand) and net income of SEK 2,277 thousand (€224 thousand) for the first half of 2018.

At 30 June 2019, the workforce numbered one.

Corporación Upwards '98 S.A.

Zaragoza (Spain)



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

The company carries out sales activities exclusively for the aftermarket.

Net sales amounted to €15,528 thousand in the first half of 2019, compared to €15,721 thousand in the first half of 2018. Net income was €992 thousand, compared to €1,109 thousand for the first six months of 2018.

The workforce numbered 75 at 30 June 2019, 2 more compared to the end of June 2018.

La.Cam (Lavorazioni Camune) S.r.l.

Stezzano (Italy)



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

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

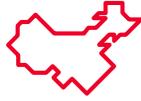
In the first half of 2019, net sales amounted to €20,171 thousand and were almost entirely made to Brembo Group companies. Net income totalled €858 thousand. In the same period of the previous year, net sales were €24,432 thousand, with a net income of €1,060 thousand.

The workforce numbered 176 at 30 June 2019, compared to 183 at 30 June 2018.



Qingdao Brembo Trading Co. Ltd.

Qingdao (China)



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

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

In the first half of 2019, net sales amounted to CNY 157,977 thousand (€20,605 thousand), compared to CNY 134,745 thousand (€17,477 thousand) for the same period of the previous year.

The company closed the first half of the year with a net income of CNY 4,059 thousand (€529 thousand), compared to a net income of CNY 5,704 thousand (€740 thousand) in the first half of 2018.

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

Companies Valued Using the Equity Method

Brembo SGL Carbon Ceramic Brakes S.p.A.

Stezzano (Italy)



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

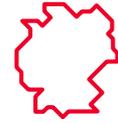
As a result of the joint venture agreements finalised in 2009 between Brembo and SGL Group, the company is 50% owned by Brembo S.p.A. and in turn controls 100% of the German company Brembo SGL Carbon Ceramic Brakes GmbH. Both companies carry out design, development, production and sale of braking systems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

At 30 June 2019, net sales amounted to €30,108 thousand, compared to €28,780 thousand for the same period of 2018. Net income for the reporting period was €14,807 thousand compared to a net income of €19,646 thousand for the first half of 2018.

The workforce numbered 149 at 30 June 2019, increasing by 6 compared to the same date of the previous year.

Brembo SGL Carbon Ceramic Brakes GmbH

Meitingen (Germany)



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

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

Net sales for the first half of 2019 amounted to €58,209 thousand, compared to €68,459 thousand for the same period of the previous year. At 30 June 2019, net income was €6,961 thousand, compared to €12,287 thousand for the same period of the previous year.

The workforce numbered 396 at 30 June 2019, increasing by 30 compared to the same date of the previous year.

Petroceramics S.p.A.

Milan (Italy)



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

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

Net sales for the first half of 2019 totalled €1,427 thousand, compared to €1,371 thousand for the same period of the previous year. The company closed the reporting period with a net income of €508 thousand, compared to €514 thousand for the same period of 2018.



Investments

In the first half of 2019, Brembo's investment management policy continued to develop along the lines that have been followed until today, aiming to strengthen the Group's presence both in Italy and internationally.

Group's total net investments undertaken in the first half of 2019 at all operations amounted to €101,860 thousand, of which €83,240 thousand was invested in property, plant and equipment (€14,250 thousand referring to leases) and €18,620 thousand in intangible assets. The most significant investments were concentrated in Italy (39.3%), Poland (22.5%), North America (17.7%) and China (8.3%).

In Italy, works on the building in Curno, which will house the new Carbon Factory, continued. The new building has been designed in view of progressively verticalising — within a single production facility adjacent to Brembo's current hub — the entire development, processing and production process for raw components used in carbon-fibre discs and pads for racing applications. Brembo's Carbon Factory will produce semi-finished carbon-carbon discs and pads — to be distinguished from the carbon-ceramic discs intended for high-performance

street vehicles manufactured in Stezzano (Italy) and Germany — for equipping the cars and motorbikes used by the racing teams in all major motor competitions, starting with F1 and MotoGP. The building occupies an area of approximately 7,000 square metres, in addition to the 10,000 square metres of green space, parking and logistics and storage areas planned as part of the project. Construction work was completed in 2018 and full operation is expected to be reached by the end of 2019.

The Group's other investments in property, plant and equipment were directed primarily at purchases of plant, machinery and equipment to increase the production automation level, as well as to constantly improve plants' mix and quality.

With regard to investments in intangible assets, development costs for the first half of 2019 amounted to €14,009 thousand, borne by the Parent and the U.S. subsidiary.

Research and Development

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

Since 2000, Brembo has been conducting specific research on mechatronic products, which are increasingly widespread in the automotive sector, thus honing skills that have now been applied to systems such as electric parking brakes and brake-by-wire systems for years.

Since the market requires constantly shorter time to market, the Group strongly concentrates its efforts and resources also on implementing cutting-edge simulation methods, in which new virtual reality and augmented reality technologies are increasingly applied, in addition to designing uniform development processes at Brembo's Technical Centres based in Italy, Poland, North America, China and India.

In the first half of 2019, R&D activities mainly focused on the following aspects.

With regard to **cast-iron discs**, the simulation method was consolidated, so as to be able to identify more accurate parameters capable of improving the comfort level offered by a brake system, as early as the design phase. This methodology is now used in all new development projects, providing access to a database that can be used to refine calculation results even further.

Cooperation with various entities also continued in investigating simulation methods tied to system comfort and disc fluid-dynamics, with a focus on air flow within the entire wheel-side unit.

According to precise guidelines applied throughout the automotive sector and all of Brembo's development activities, considerable attention is paid to new solutions that are able to reduce disc weight, as a lower weight translates into lower vehicle fuel consumption, and consequently a smaller environmental impact (reduced CO₂ emissions).

Work on discs for heavy commercial vehicles — an application segment which is of particular interest to Brembo — continued with a focus on improving performance. Development activities therefore intensified with customers, also outside Europe, to be finalised by 2019 with the acquisition of further market shares. In car applications, after having worked with a major German customer to develop the concept for the light brake disc currently installed in its entire platform of core vehicles, Brembo was also selected as the supplier of brake discs for the entire next generation of vehicles within this platform. The application development phase is currently being completed for the new models, which will make their debut in 2020.

The introduction of light discs — which offer an up to 15% reduction in weight over a traditional disc thanks to a combination of two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) — can also be extended to applications designed for ultra-high performance vehicles by increasing disc size and, above all, by optimising disc geometry in terms of fluid dynamics efficiency.

The light disc has also been successfully developed for other important manufacturers, which are already using it in some of their new models.

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

In addition, work proceeded on researching, developing and testing unconventional solutions — also resulting in the filing of



several patent applications — to be applied to cast-iron brake discs or the next generation of light discs, with a focus on the study of shapes, materials, technologies and surface treatments capable of meeting the needs of the next generation of electric vehicles and conquering new segments of the market.

These new solutions, which aim to reduce environmental impact (lower emissions of CO₂, fine particulates and wheel dust) and improve aesthetics and corrosion resistance, have met with strong interest among Brembo's main clients, with whom the first application studies were started.

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

The development of **motorbike** discs made from composite material for on-road use continued with the definition of new braking ring size designed for the potential mass production configuration. The bench testing currently in progress is yielding positive results. A specific friction material remains to be developed for this application; the timing and required resources for this process are currently being planned.

A specific design was created for the new mid-range master cylinders developed on the basis of two Brembo patents. The application is being developed for both the brake cylinder and the brake clutch, which with some small changes is also suited for use as a rear brake cylinder on a scooter.

Following successful prototype testing, the rear master cylinder concept with integrated microswitch (based on a Brembo patent) was validated, and several clients are considering launching an application project.

The design of the potential new product line for the Indian market was defined. Samples were created for dual-piston and single-piston floating calipers, together with draft drawings for the four-piston fixed caliper, while also defining a strategy for approaching customers to introduce the new range. On the Indian market, development of a combined drum/disc braking system for scooters was also successfully completed and a supply contract launched with a local client.

The process of developing the innovative brake concept for high-performance motorbikes and testing of the hat/braking ring configuration of the new low-vibration brake disc concept was postponed until the second half of 2019.

Vehicle testing of the new entry-level caliper concept was concluded. Further fine-tuning tests are planned for the second half of 2019, followed by the customer presentation strategy.

The first phase of the Brake-by-Wire Moto demonstrator programme was concluded with positive results in terms of interest from the client involved. Phase two, which is being discussed with the client, will cover a period of around one year to fine tune additional features.

Bench tests were conducted on two new materials for high-performance motorbike brake discs with very positive results. An additional development phase remains to be planned to optimise braking ring geometries in a way that takes full advantage of the material to be selected from among the two types tested.

A new version of the arm/lever variation device that allows the feeling of the lever to be adapted was developed for off-road master cylinder. Testing was successfully completed and the strategy for entering the market is being assessed.

Finally, the first motorbike pad prototypes based on Brembo Friction's COBRA technology were created and bench-tested. In light of the positive results, development of new formulations is set to continue, with the possibility of application with an important customer.

Regarding the **racing world**, the Carbon/Carbon brake system for racing applications project (F1, LMP – Le Mans Prototyp, IRL – Indy Racing League, and Super-Formula) includes three distinct areas, whose activities were further ongoing in the first half of 2019 and will continue in the years to come:

- the fine tuning of disc production (with very interesting results in qualitative terms) and the stabilisation/improvement of Carbon/Carbon pad performance. This area of production technology development and improvement has also seen the introduction into service of the first needle punching machine for constructing preforms starting from carbon fibres (Curno plant) and the subsequent start of operations at the new Carbon Factory plant. A new type of carbon-fibre preform featuring a different fibre and design from that currently in use was approved in early 2019: the new concept has already been patented and will form the basis for future development;
- development of new systems — on the basis of the F1 disc — for the other categories as well; launch of research activity relating to the architecture and fibre used in the F1 disc and pads, with pad research divided into various areas (mechanical, thermal and friction characteristics);
- development of new F1 systems for the 2020 season, and discs in particular.

As in previous years, the development project area involving brake systems (calipers and master cylinder), electro-hydraulic

brake-by-wire and the carbon-fibre component of disc and pads was confirmed in 2019, in collaboration with an F1 team. An ambitious electro-mechanical brake-by-wire project with hydraulic actuator and a safety concept based on F1 experience was launched with a major Formula E client in early 2019. The project is in the experimental phase, with the first vehicle tests expected to take place in the second half of 2019.

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

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

In the MotoGP class of motorbike applications, all clients are offered systems equipped with a new brake caliper with amplified force, an anti-drag system and a valve that reduces piston knock-off in the event of wobble that was used only by a single team until last year. Along the lines of the F1 initiatives, a series of new projects is also continuing with a major Italian motorbike manufacturer with its sights set on winning the global MotoGP competition. The projects will be governed by a development contract with the manufacturer and will concern new brake and clutch systems.

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

At OE development level, mention should be made of another work carried out with AP Racing on road systems dedicated to OE customers with strong sporting features. The work started with the dimensioning and thermal simulation of the system and ended with Brembo's new Carbo-Ceramic disc (CCMR) entering into production. After the McLaren Senna, other five extremely sporty road vehicles will be equipped with these systems based on the new Carbo-Ceramic material beginning in the second half of 2019.

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

In the Aeronautics project, Brembo (certified by the EASA

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

Due to the extensive experience it has gained over the years, **Brembo Friction** may now be considered a well established, stable reality, focused on continuous improvement. Friction materials — increasingly flexible and designed to meet individual clients' various needs — represent the outcome of the synergistic efforts by the Research and Development Department and all of Brembo's other Departments. High-performance brake pads designed for applications involving the use of cast-iron and carbon-ceramic discs are now developed using increasingly sophisticated techniques.

In the OE market, many of the most demanding automotive firms have chosen Brembo Friction for its high-end applications, reaffirming their confidence in Brembo pads.

All main markets — including the European one, which is very demanding when it comes to performance, and markets that are more demanding in terms of comfort, such as the U.S. and Asia — can now benefit from Brembo's know-how on Cu-free materials, i.e., copper-free friction materials.

The ongoing innovative drive has made it possible to develop specific friction materials for pairing with very light discs with very high thermal and mechanical resistance: this is the case of the German market, which demands Cu-free materials for carbon-ceramic discs coated with Si-SiC (silicon-silicon carbide).

Since last year, the use of statistical models (e.g., DOE and Monte Carlo methods) has become increasingly common to optimise formulations of friction materials by identifying the raw materials that most influence their chemical and physical properties, and thus achieve increasingly strong outcomes in terms of performance and comfort.

The development of friction materials with an increasingly lower environmental impact (for example, reduced emissions of greenhouse gases such as CO₂) reflects the ever growing environmental focus of global research. Projects such as AFFIDA and LIBRA flow from Brembo's increasingly close focus on the environment.

AFFIDA, the natural extension of the COBRA project (which was part of the European Life+ project), in collaboration with the Mario Negri Institute, seeks to bring the innovative technology already developed by COBRA to the OE market.



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

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

The excellent results achieved in the previous European projects LowBraSyS and Rebrake gave rise, at the beginning of the previous year, to the new Ecopads project, the result of the long-standing partnership with the University of Trento and KTH of Stockholm, the goal of which is to develop and produce pads based on high-performance Cu-free materials with certified reduced emissions.

With reference to the **Car and Commercial Vehicle Division**, the goal of using the braking system to help reduce vehicle consumption and resultant CO₂ emissions and particulates is being pursued through the development of new solutions. In detail, the use of methodologies to minimise caliper mass against the same performance, the improvement of caliper functionality by defining new characteristics for the pairing

of seal and piston and optimisation of a new-concept pad sliding system continue to feature among the main areas of development. An application development is also in progress that in first half of 2019 led to the award of a share of business relating to a fully electric vehicle platform created by a major German manufacturer.

The product and process improvement work is constantly ongoing in the same way as the search for solutions to reduce mass, increase performance and improve styling. In this regard, in addition to other activities, application development is also in progress for a new caliper, specifically designed for high-performance cars, with the goal of considerably reducing track operating temperatures, and thus of increasing system performance. This new caliper is expected to enter into production in the second half of 2019.

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

The conquest of new market segments is being pursued also through the study of new types of brake caliper. This type of caliper includes FLEXIRA, which entered production at the end of the previous year for a major, long-standing German client. Brembo's first mechatronic products, namely various configurations of electric parking brakes, already approved in-house both for cars and commercial vehicles, are being promoted with the Group's customers. A major U.S. client has selected Brembo to supply a caliper with integrated electric parking brake for an electric vehicle; production began in the previous year.

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

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

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

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

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

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

Mechatronics and system integration entail the development of new components for Brembo's products, including sensors, mechanisms and electric motors. Brembo is therefore coordinating a group of companies based in the Lombardy region within the framework of the funded project "Inproves", with the aim of creating brushless motors based on permanent magnets offering very high levels of performance, specifically designed for the brakes of the future. The first prototypes of motors designed by Brembo for its brake-by-wire actuators are being created in 2019.

In addition, Brembo continued to conduct R&D activities in cooperation with international universities and research centres with the aim to constantly seek out new solutions to apply to

brake discs and calipers, in terms of new materials, innovative technologies and mechanical components. The need to reduce product weight is leading the research function to evaluate the use of unconventional materials, such as technopolymers or reinforced light metal alloys, to produce structural components. These partnerships also extend to methodological activities relating to development, involving the creation and use of increasingly sophisticated simulation and calculation tools.

The LowBraSys project — funded by the European Union as part of its Horizon 2020 programme with the aim of proving that fine particle emissions can be reduced — ended in the first quarter of 2019. This project's theme is key to the sustainability of Brembo's products.

At a time of constant technical innovation and increasing crossover between various fields of technology, Brembo has taken full advantage of the opportunities offered by Kilometro Rosso — the multidisciplinary innovation centre where it is located — contributing to the development of innovative products and processes to the benefit of its business.

Particular attention is paid to the research initiatives promoted by the European Union, and Brembo — in addition to participating in consortium research projects under the auspices of the Horizon 2020 programme — has also joined two programmes promoted by the EIT (European Institute of Innovation and Technology), a body created by the European Union that represents Europe's largest network of innovation-oriented businesses with over 1,000 members. In particular, Brembo is participating in an initiative to study better use of materials from the standpoint of the circular economy, and in the Made by Europe initiative, which promotes innovative technologies for the digitalisation of production processes.

To accelerate the development of a network of knowledge and technologies useful to its business, Brembo also stepped up collaboration with leading research universities, participating in the initiative promoted by the Polytechnic of Milan entitled "Poli360", an investment fund aimed at supporting technology start-ups, including in the form of university spin-offs, whose projects may be of interest to the participants and ensure application potential for industrial growth to speed the increase of the knowledge base available to participating companies.

In addition, equity investments were retained in the innovative firm Petroceramics, which over the past ten years has been working alongside Brembo to develop materials and processes based on carbon-fibre and silicon carbides, and in e-Novia, a university spin-off that applies an innovative business model to industrial research.



Risk Management Policy

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

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

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

The Board of Directors has identified¹ the other main corporate

committees/functions relevant for risk management purposes, by defining their respective duties and responsibilities within the ICRMS scope. More specifically:

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

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

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

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

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

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

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

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

External risks

Country risk

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

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

Strategic Risks

Innovation

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

Market

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

Investments

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

Corporate Social Responsibility

Brembo continues to engage in ongoing development aimed at strengthening its Sustainability Model and fulfilling its legal non-financial disclosure requirements under Legislative Decree No. 254/2016. With support from a specialised consulting firm, Brembo updated its sustainability risk assessment system, using measurement criteria in line with the Group's risk management methodology.



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

Safety in the workplace and aspects affecting individual development, inclusion and celebration of diversity are fundamental issues for the Group, and the relevant risks are assessed and managed by the competent functions.

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

Operating Risks

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

Supply Chain

Supply chain risk manifests as the volatility of raw material prices and dependence on strategic suppliers, which could jeopardise the company's production process and ability to fill orders from clients in a timely manner by suddenly suspending supply arrangements. To mitigate this risk, the Purchasing Department identifies alternate suppliers to ensure the availability of critical materials (supplier risk management programme). The supplier selection process, including an assessment of suppliers' financial solidity — an aspect that has taken on growing

importance in the current scenario — has been reinforced. By diversifying its sources, Brembo can also reduce its risk exposure to price increases (a risk that is however partially offset by reflecting price increases in sales prices).

Business Interruption

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

Product Quality

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

Information Technology

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

Environment, Safety and Health

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

- inadequate protection of employee health and safety, which can lead to serious accidents or work-related illnesses;
- environmental pollution resulting from sources such as uncontrolled emissions, inadequate waste disposal or the spreading of dangerous substances onto the ground;

- partial or non-compliance with laws and regulations governing the sector, also in light of the changing legal framework of some countries.

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

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

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

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

The internationalisation strategies and, particularly, international industrial footprint development have also highlighted the need to strengthen operational management able to operate locally and communicate effectively with the functional departments

of Business Units and Central Functions, in order to improve the efficiency and effectiveness of the quality system and the capacity of production processes.

Legal & Compliance

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

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

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

Among compliance-related risks, attention should be drawn to the risk associated with breaches of national, international and industry regulations, and unethical professional behaviour in breach of the Company's ethics policy that expose it to vicarious administrative liability, in addition to undermining the Group's reputation on the market. Such risk may be broken down into three levels:

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

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



following reasons:

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

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

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

- mapping (and periodic updates) by the Legal & Corporate Department of statutes that provide for administrative liability for companies in effect in all foreign countries in which the Group operates;
- reporting to the Country Committees of subsidiaries through a specific monitoring system on the main issues of concern in the areas of compliance, governance, legal/contracts and litigation;
- adoption and implementation (through training sessions) of a multiple-tier compliance system;
 - Brembo's Corporate & Compliance Tools (such as, for example, the Code of Ethics, the Anti-Bribery Code, the operating procedures applicable pursuant to Legislative Decree No. 231/2001, the authorisation matrices, etc.), disseminated and applied worldwide, laying down ethical and behavioural guidelines for managing stakeholder relations, including in light of the extraterritorial application

of certain statutes such as the FCPA (USA) and Bribery Act (UK);

- the launch of specific compliance programmes at the local level, so as to check the adequacy of measures aimed at preventing the commission of offences;
- the Brembo Compliance Guidelines and Group Policies and Procedures issued by the Parent and disseminated and applied worldwide;
- the 231 Model, prepared by the Parent pursuant to Legislative Decree No. 231/2001, from which the Brembo Compliance Guidelines disseminated throughout the Group have been drawn and that the management deems adequate and capable of effectively preventing offences.

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

Planning and Reporting

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

Financial Risks

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

Market Risk

Interest Rate Risk Management

Since the Group's financial debt is partly subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To partially reduce this risk, the Group has entered into several

medium/long-term fixed rate loan agreements, as well as specific hedging contracts (IRS), accounting for approximately 65% of gross financial position.

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

Exchange Rate Risk Management

Since Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate this risk, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly, and where advisable, forward contracts in order to reduce exchange rate risk exposure.

Commodity Risk

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

Liquidity Risk

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

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

Credit Risk

Credit risk is the probability that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk arises, in particular, in relation to trade receivables. In this sense, it should

be noted that the parties with whom Brembo has commercial dealings are primarily leading car and motorbike makers with a high credit standing. The current macroeconomic context has made continuous credit monitoring increasingly important, so that situations where there is a risk of insolvency or late payment can be anticipated.

Risk Management Process: Risk Financing

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

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

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

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



Human Resources and Organisation

In the first half of 2019, the organisational review and improvement process involved Business Units, Central Functions and Foreign Companies, with the aim of forging ahead on the path outlined and reacting to the global scenario.

In addition to the announcement of the appointment of the new CEO with effect from 1 July 2019, new Systems Division managers were appointed within the Business Units (in April 2019) and the Motorbikes and After Market BUs (in both cases with effect from September 2019), following the retirement of two Chief Operating Officers.

In the Performance Group, the Project & System Engineering area was formed within the Technical Department to strengthen technical management of projects and ensure a systemic approach, thus completing a process that had already begun in the previous year. In addition, there were important new hires in the Financial Controlling area of the Discs Division and the Systems Division, as well as in the Machining Operations area of the Discs Division. The Italian plants at the Curno facility saw the creation of the Curno Site Industrial Director role and the appointment of a new Plant Manager for the Motorbikes BU.

At the level of the Central Functions, the first half of 2019 saw the appointment of the new Chief Manufacturing Officer and organisational changes in the Supplier Development area, with regard to Quality, and in the Communication Department, which adopted a new organisational structure aimed at further increasing the efficacy of Brembo's internal and external communications channels and ensuring global oversight and development of activities in support of the spread of the brand. In addition, the Tax area of the Administration and Finance Department was reinforced, and Purchasing Cost Optimisation activities were intensified within the Purchasing Department to ensure the development, coordination and implementation of cost-reduction efforts in purchasing processes and projects.

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

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

A wide range of managerial, technical and specialist skills is developed as part of the Group's broader training initiatives through courses available to all Brembo personnel. New developments include the significant innovation process relating to diversity. In fact, after years of constant improvement in the existing measures, to further emphasise the important role that leveraging diversity must play in human resource management, it was decided to make the module specifically addressing diversity management issues an integral part of the People Management course. All Brembo leaders will thus focus on this topic after receiving training on target-setting, feedback, engagement and the specific Enterprise Leadership model embraced by the company. Individual Contributors are also called upon to work on diversity to foster self-efficiency and empowerment. The goal for the second half of 2019 is to spread these learning models to the rest of Brembo's organisation following the Italian pilot project.

In addition, the important Italian initiative entitled Hub for LifeLong Learning reached its second year. Initially created in response to contractual training obligations in the mechanical engineering industry, the Hub provided 12 hours of classroom training in 2018 (to be followed by another 12 hours in 2019) to all personnel (at both the offices and plants), extending to reskilling and upskilling, within the broader framework of ongoing training. The goal is to offer a broad, diversified range of skills in a series of modules and subjects of constantly increasing difficulty. Some examples include the Industry 4.0 skillset, further exploration of company ERP modules focused on plants and planning mechanisms. The programme is rounded out by a consistently important refresh regarding safety and the environment.

Among the technical and specialist training projects that continue to bring people from all over the world into the classroom, mention should also be made of the Manufacturing Academy, a full-fledged company training school dedicated to manufacturing. It offers a diversified series of workshops focusing in particular on digital factory topics. New modules featuring more state-of-the-art content, such as Computer Vision, are currently being studied in this area. Run by in-house trainers and supported by the expertise of university professors, the Academy has been designed to ensure that the Group enjoys constant virtuous exchanges with researchers and academe. The other important Brembo Academy dedicated to R&D — extending to the entire braking system life cycle, including electrical components — is also forging ahead on its globalisation process and has been available at the Group facilities in North America, China and India for some years. Until now, training available in an e-learning format via the

specific Brembo platform has focused on institutional subjects such as the Code of Ethics, Data Classification & Protection and GDPR. It has been expanded to include new training courses designed to offer basic, practical managerial skills and is available in English.

Following last year's transition to ISO 9001:2015, which allows Brembo Academy to certify its training courses, accreditation for training services was also received by the Lombardy Region at the beginning of 2019.

Within the larger framework of the consolidated Talent Management System, worth of mention is also the further increase in the spread of the individual performance management system (in particular the Brembo Yearly Interview for white-collars), which covered 80% of Brembo's global population (74% in 2018), in addition to the ongoing consolidation of the succession planning tools and processes.





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

For Brembo, 2019 began with important recognition from the CDP (Carbon Disclosure Project) as a global leader due to its commitment and ability to respond to climate change and manage water resources. Brembo was the only Italian company to be awarded an "A" rating for both climate change and water security issues.

This recognition bears witness to the consistency of the programme implemented by Brembo to gradually integrate environmental goals into its business model. The plan for the current year calls for activities aimed at raising awareness and honing skills relating to environmental matters, improving environmental and energy performances, testing measures inspired by the concepts of the circular economy and assessing environmental impacts throughout Brembo's entire value chain. To grow competency and awareness, in the early second half of 2019 a training programme will be launched for all Brembo personnel to give an overview of the various environmental issues, including water, atmospheric emissions and waste management.

At Brembo, approximately 85% of CO₂ emissions are due to energy consumption. An energy efficiency goal of -2.34% has been set for 2019, calculated as the percent reduction in energy consumption on the previous year thanks to improvement measures.

Starting this year, the main support tools for achieving the medium- and long-term goals set by Brembo (the energy consumption monitoring platform and access to energy from renewable sources) will be accompanied by the addition of an energy management system compliant with the ISO 50001 standard. The new system, which is being defined and applied at an initial pilot facility, will be integrated into the recently revamped environmental management system.

As for the environmental management system, in 2019 recently built factories are gradually to be included in the consolidated

Group certificate. The first of these was the new Nanjing factory (an aluminium foundry and brake caliper assembly facility), which was included in Brembo certificate in the first half of 2019 following verification by the certification authority.

With regard to the concepts of the circular economy, tests are currently being performed in view of the replacement of various primary raw materials with other secondary resources, with clear environmental and economic benefits.

In accordance with the spirit of its Environmental and Energy Policy, Brembo is gradually involving its entire supply chain in environmental issues. In the first half of 2019, a sample of suppliers equivalent to approximately 35% of the Group's spending was administered a questionnaire designed to quantify their contributions to Brembo's impact on climate change.

Workplace Safety

The first half of 2019 ended with Brembo's best-ever result in terms of both the severity and frequency of accidents when compared with the number of employees. This considerable improvement, across all plants and divisions, was facilitated by a series of initiatives at both the local level, undertaken by individual plant managers, and common to the entire Group, promoted by central entities.

Several important, centrally planned initiatives launched in 2018 continued in 2019:

1. Communication campaign

Following the posting of signs in departments to spread the safety principles identified by the plants in question, a series of activities was launched to disseminate and raise awareness of the issues emphasised in the visual campaign. Motivational training also began to be provided with the aim of raising awareness of these issues amongst Brembo People.

2. Best Practices

Safety best practices continued to be surveyed and circulated at all Brembo facilities and were made available to all in a dedicated section of the Health & Safety (H&S) area of the Group's Intranet portal.

3. "Near Miss" campaign

In order to prevent possible future accidents, an initiative was launched to increase the efficacy of the identification and surveying of near misses — which will also represent a company reporting KPI — involving the spread of common methods and tools through grassroots training activities at plants.

4. Training

In the first half of 2019, the following training activities continued to be held:

- courses required by applicable legislation;
- professional refresher courses for individuals involved in H&S matters;
- courses deemed necessary on the basis of the conclusions reached in risk assessments by the individual plants;
- courses based on the identified training needs of the various company units (bottoms-up);
- courses supporting initiatives planned at the Group level.

5. Cast-Iron Foundries Safety Improvements

The initiative aimed at improving the specific safety conditions of cast-iron foundries continued. This initiative will involve a second workshop (with representatives from all foundries, HSE, maintenance and technology areas), during which the

main aspects to be improved to increase the level of safety on the melting decks of all cast-iron foundries worldwide will be analysed. The workshop has already been planned and will be held in 2019 at the Brembo foundry in Mexico.

6. ISO 45001

The draft of the new Management System was completed, incorporating the most recent requirements of the ISO 45001 standard, which will require all facilities to transition to this certification (from OHSAS 18001) by March 2021. Tests were launched at several pilot plants and training activities will be planned at all other sites in late 2019.

Brembo also believes that compliance by all sites with applicable legislation must represent a key company principle. In this case as well, as for the system audit, a single, independent third-party entity was appointed to conduct the audit activities with annual frequency. All the findings of the third-party audit (of a legislative and systemic nature) were monitored by Corporate Health & Safety function. All the points of attention identified in the course of such audits (non-compliance or simple observations) were developed into plans and actions for improvement at the various plants.

Each plant designed and implemented specific improvement plans aimed at achieving the targets set in terms of safety KPIs (severity index and frequency index).

Goals relating to the frequency index calculated on the number of employees have been set for each plant for 2019. The target at the Group level has been set at 0.80, a particularly challenging goal in the light of the level of 1.07 at the end of 2018.



Related Party Transactions

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

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

the wishes expressed by Consob regarding the first revision of the procedure.

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

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

Further Information

Significant Events During the Six-month Period

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

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

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

- renewal of the delegated powers (up to 18 April 2024) granted to the Board of Directors to increase the share capital in one or more tranches, excluding option rights, through payment, for a total amount of €3,472,791.40 (including any share premium), by issuing, in one or more tranches, a maximum of 33,392,225 shares with no nominal value;

- amendment to the By-laws to adopt the increased voting rights system in order to provide that double voting rights be conferred in respect of each share that has been held by the same party for a minimum period of 24 consecutive months, with effect from registration in the specific Special List to be instituted by the Company.

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

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 18 April 2019 passed a new plan for the buy-back and sale of own shares with the following objectives:

- undertaking any investments, directly or through intermediaries, including aimed at containing abnormal movements in stock prices, stabilising stock trading and prices, supporting the liquidity of Company's stock on the market, so as to foster the regular conduct of trading beyond normal fluctuations related to market performance, without prejudice in any case to compliance with applicable statutory provisions;
- carrying out, in accordance with the Company's strategic guidelines, share capital transactions or other transactions which make it necessary or appropriate to swap or transfer

share packages through exchange, contribution, or any other available methods;

- buying back own shares as a medium-/long-term investment.

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

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

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



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

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

Brembo has neither bought nor sold own shares in the first half of 2019.

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

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

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

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

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.

Significant Events After 30 June 2019

No significant events occurred after the end of the first half of the year and until 29 July 2019.

Foreseeable Evolution

Within a scenario marked by a significant volume decline across all automotive markets where the Group operates, Brembo believes it will close the year with a slight decrease of volumes compared to 2018. However, profitability is expected to be in line with 2018.

Stezzano, 29 July 2019

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

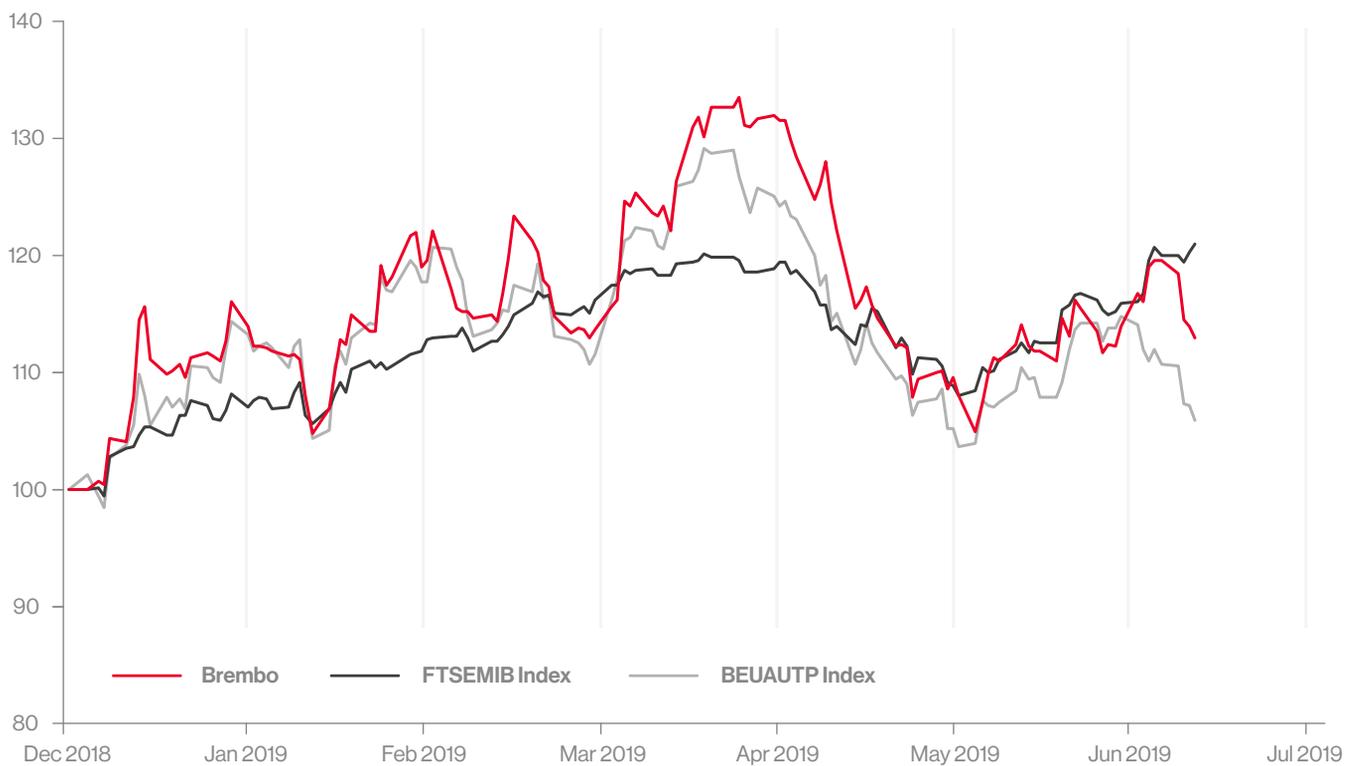


Brembo S.p.A. Stock Performance

Brembo stock closed the first half of 2019 at €10.13, up 13.9% compared to the end of 2018. The stock reached a high for the period of €11.88 on 23 April and a low of €8.92 on 3 January 2019. During the same period, Brembo's stock performance was essentially in line with the indexes of reference: the FTSE MIB index increased by 15.9%, and the BBG EMEA Automobiles Parts index reported a +14.7%.

The first half of 2019 was marked by the threat of a further intensification of international trade tensions and the slowdown of European growth.

After 30 June 2019, the Brembo stock price moved laterally, closing at €10.18 on 9 July.



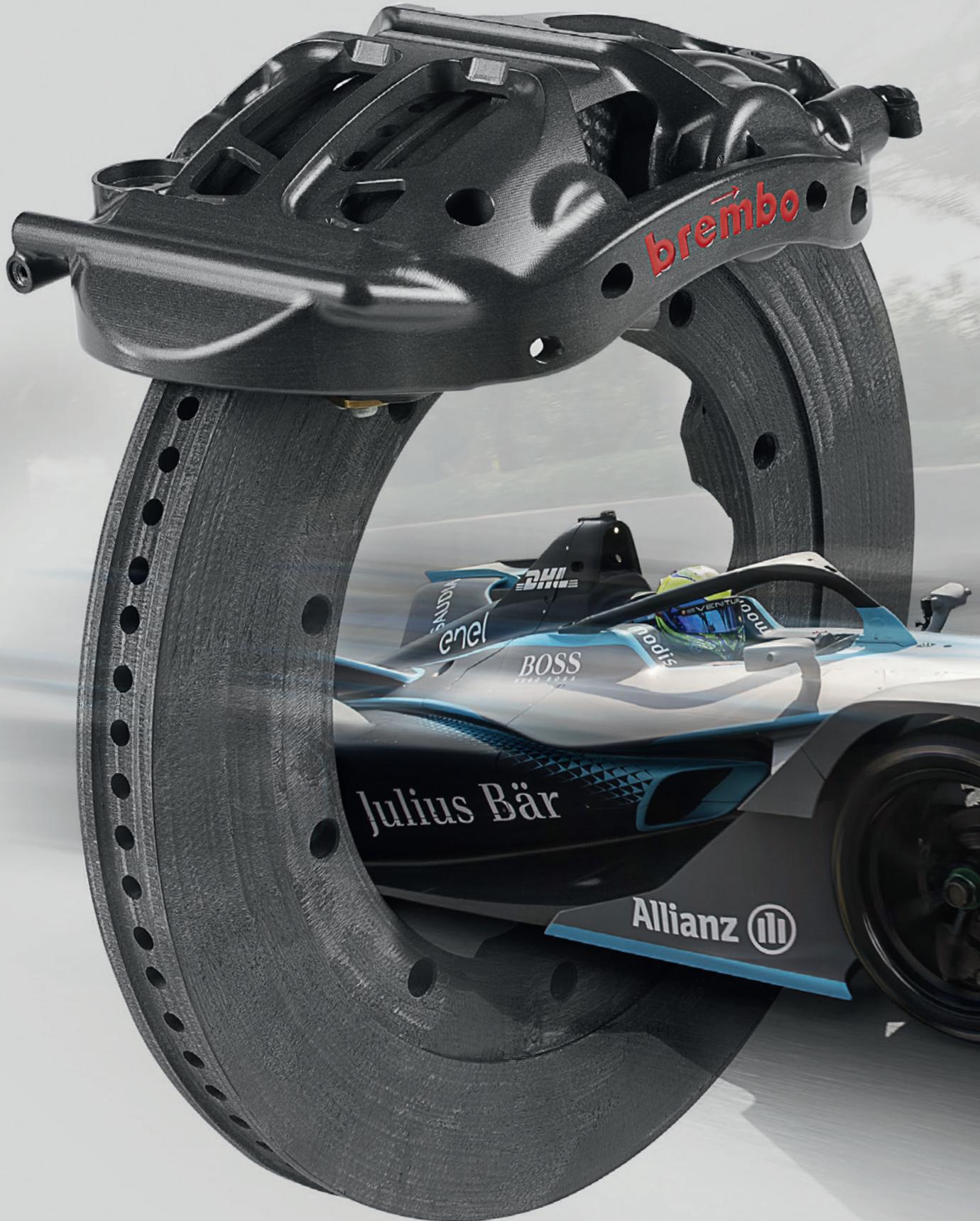
An overview of stock performance of Brembo S.p.A. at 30 June 2019 is given in the following table, compared with that at 31 December 2018.

	30.06.2019	31.12.2018
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	333,922,250	333,922,250
Equity (excluding net income for the period) (euro)	449,128,865	408,160,135
Net income for the period (euro)	89,976,362	114,106,469
Trading price (euro)		
<i>Minimum</i>	8.92	8.84
<i>Maximum</i>	11.88	13.60
Period end	10.13	8.89
Market capitalisation (euro million)		
<i>Minimum</i>	2,979	2,952
<i>Maximum</i>	3,967	4,541
Period end	3,383	2,969
Gross dividend per share	N/A	0.22 (*)

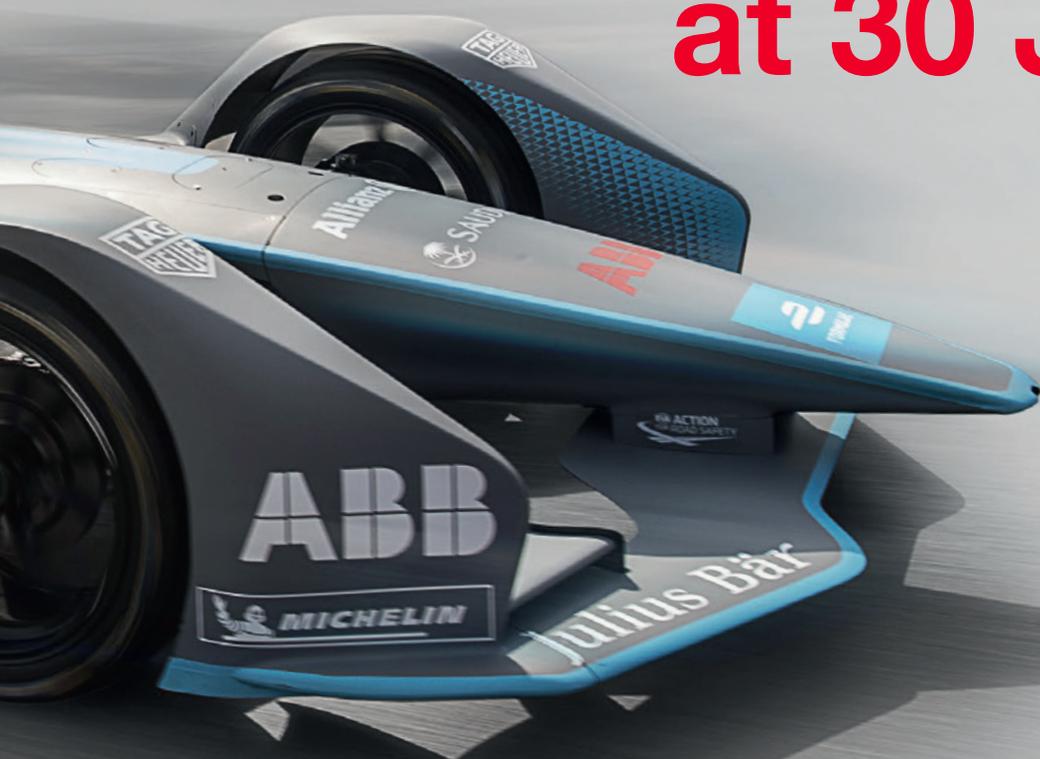
(*) Approved by the General Shareholders' Meeting on 18 April 2019.

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

Investor Relations Manager: Laura Panseri.



Condensed Consolidated Six Monthly Financial Report at 30 June 2019



Formula E brake system
2018-2019 Championship



Consolidated Financial Statements at 30 June 2019

Consolidated Statement of Financial Position

Assets

(euro thousand)	Notes	30.06.2019	of which with related parties	31.12.2018	of which with related parties	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	1,041,733		1,041,337		396
Right of use assets	1	181,898		105		181,793
Development costs	2	80,970		73,304		7,666
Goodwill and other indefinite useful life assets	2	83,239		82,722		517
Other intangible assets	2	52,643		53,113		(470)
Shareholdings valued using the equity method	3	39,489		39,564		(75)
Other financial assets (including investments in other companies and derivatives)	4	8,377	5,696	8,190	5,675	187
Receivables and other non-current assets	5	5,906		2,981		2,925
Deferred tax assets	6	57,463		62,711		(5,248)
TOTAL NON-CURRENT ASSETS		1,551,718		1,364,027		187,691
CURRENT ASSETS						
Inventories	7	362,426		342,037	9	20,389
Trade receivables	8	454,359	2,142	407,414	1,970	46,945
Other receivables and current assets	9	74,384	15	72,132	10	2,252
Current financial assets and derivatives	10	1,344		307		1,037
Cash and cash equivalents	11	277,582		345,117		(67,535)
TOTAL CURRENT ASSETS		1,170,095		1,167,007		3,088
ASSETS FROM DISCONTINUED OPERATIONS	32	8,886		0		8,886
TOTAL ASSETS		2,730,699		2,531,034		199,665

Equity and Liabilities

(euro thousand)	Notes	30.06.2019	of which with related parties	31.12.2018	of which with related parties	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	116,827		108,784		8,043
Retained earnings/(losses)	12	983,689		817,219		166,470
Net result for the period	12	123,448		238,349		(114,901)
TOTAL GROUP EQUITY		1,258,692		1,199,080		59,612
TOTAL MINORITY INTERESTS		29,786		29,742		44
TOTAL EQUITY		1,288,478		1,228,822		59,656
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	254,490		205,872		48,618
Long-term lease liabilities	13	158,520		19		158,501
Other non-current financial payables and derivatives	13	1,470		1,553		(83)
Other non-current liabilities	14	5,927	669	3,095		2,832
Non-current provisions	15	13,102		15,500		(2,398)
Provisions for employee benefits	16	26,639	3,010	27,141	4,445	(502)
Deferred tax liabilities	6	24,114		23,705		409
TOTAL NON-CURRENT LIABILITIES		484,262		276,885		207,377
CURRENT LIABILITIES						
Current payables to banks	13	273,715		273,328		387
Short-term lease liabilities	13	24,269		75		24,194
Other current financial payables and derivatives	13	939		1,488		(549)
Trade payables	17	502,908	14,325	566,737	28,201	(63,829)
Tax payables	18	9,338		6,003		3,335
Current provisions	15	2,239		13,504		(11,265)
Other current liabilities	19	137,408	2,812	164,192	12,209	(26,784)
TOTAL CURRENT LIABILITIES		950,816		1,025,327		(74,511)
LIABILITIES FROM DISCONTINUED OPERATIONS	32	7,143		0		7,143
TOTAL LIABILITIES		1,442,221		1,302,212		140,009
TOTAL EQUITY AND LIABILITIES		2,730,699		2,531,034		199,665



Consolidated Statement of Income

(euro thousand)	Notes	30.06.2019	of which with related parties	30.06.2018	of which with related parties	Change
Revenue from contracts with customers	20	1,323,840	241	1,339,687	254	(15,847)
Other revenues and income	21	15,490	1,969	13,247	1,826	2,243
Costs for capitalised internal works	22	14,035		12,600		1,435
Raw materials, consumables and goods	23	(623,790)	(30,903)	(634,701)	(48,295)	10,911
Income (expense) from non-financial investments	24	5,901		8,456		(2,555)
Other operating costs	25	(229,551)	(2,821)	(243,300)	(3,832)	13,749
Personnel expenses	26	(235,343)	(4,169)	(236,109)	(4,016)	766
GROSS OPERATING INCOME		270,582		259,880		10,702
Depreciation, amortisation and impairment losses	27	(96,127)		(73,775)		(22,352)
NET OPERATING INCOME		174,455		186,105		(11,650)
<i>Interest income</i>	28	24,492		29,652		(5,160)
<i>Interest expense</i>	28	(31,195)		(35,269)		4,074
Net interest income (expense)	28	(6,703)	8	(5,617)	11	(1,086)
Interest income (expense) from investments	29	123		121		2
RESULT BEFORE TAXES		167,875		180,609		(12,734)
Taxes	30	(36,991)		(38,982)		1,991
Result from discontinued operations	32	(6,753)		0		(6,753)
RESULT BEFORE MINORITY INTERESTS		124,131		141,627		(17,496)
Minority interests		(683)		(1,514)		831
NET RESULT FOR THE PERIOD		123,448		140,113		(16,665)
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	0.38		0.43		

Consolidated Statement of Comprehensive Income

(euro thousand)	30.06.2019	30.06.2018	Change
RESULT BEFORE MINORITY INTERESTS	124,131	141,627	(10,743)
<i>Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period</i>			
Effect of actuarial income/(loss) on defined benefit plans	(533)	915	(1,448)
Tax effect	195	(165)	360
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period	(338)	750	(1,088)
<i>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period:</i>			
Effect of hedge accounting (cash flow hedge) of derivatives	(616)	0	(616)
Tax effect	148	0	148
Change in translation adjustment reserve	8,672	(9,942)	18,614
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period	8,204	(9,942)	18,146
COMPREHENSIVE RESULT FOR THE PERIOD	131,997	132,435	(438)
Of which attributable to:			
- <i>Minority Interests</i>	844	1,751	(907)
- <i>the Group</i>	131,153	130,684	469



Consolidated Statement of Cash Flows

(euro thousand)	30.06.2019	30.06.2018
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	195,871	155,973
Result before taxes	167,875	180,609
Depreciation, amortisation/impairment losses	96,127	73,775
Capital gains/losses	(1,236)	(1,450)
Income/expense from investments, net of dividends received	75	(2,478)
Financial portion of provisions for defined benefits and payables for personnel	290	266
Long-term provisions for employee benefits	1,192	2,311
Other provisions net of utilisations	(2,903)	6,652
Result from discontinued operations	(6,753)	0
Cash flows generated by operating activities	254,667	259,685
Current taxes paid	(25,902)	(24,618)
Uses of long-term provisions for employee benefits	(2,585)	(1,930)
<i>(Increase) reduction in current assets:</i>		
inventories	(28,671)	(61,582)
financial assets	(54)	(54)
trade receivables	(48,471)	(100,579)
receivables from others and other assets	(1,712)	(12,911)
<i>Increase (reduction) in current liabilities:</i>		
trade payables	(62,733)	93,750
payables to others and other liabilities	(27,607)	7,445
Translation differences on current assets	63	1,278
Net cash flows from/(for) operating activities	56,995	160,484

(euro thousand)	30.06.2019	30.06.2018
<i>Investments in:</i>		
property, plant and equipment	(86,362)	(102,860)
<i>of which right of use assets</i>	(15,686)	0
intangible assets	(18,620)	(19,096)
financial assets (shareholdings)	(113)	(1,350)
Price for disposal, or reimbursement value, of fixed assets	4,358	2,577
Net cash flows from/(for) investing activities	(100,737)	(120,729)
Dividends paid in the period	(71,541)	(71,541)
Dividend paid to minority shareholders in the period	(800)	(800)
Change in fair value of derivatives	(1,822)	381
New lease agreements	15,686	0
Reimbursement of lease liabilities	(12,578)	0
Loans and financing granted by banks and other financial institutions in the period	101,279	92
Repayment of long-term loans and other financing	(50,714)	(19,592)
Net cash flows from/(for) financing activities	(20,490)	(91,460)
Total cash flows	(64,232)	(51,705)
Translation differences on cash and cash equivalents	564	(5,305)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	132,203	98,963



Consolidated Statement of Changes in Equity

	Share capital	Other reserves		Retained earnings (losses)
		Reserves	Treasury shares	
Balance at 1 January 2018	34,728	126,314	(13,476)	625,818
Allocation of profit for the previous year				191,887
Payment of dividends				
<i>Components of comprehensive income:</i>				
Effect of actuarial income/(loss) on defined benefit plans				750
Change in translation adjustment reserve		(10,179)		
Net result for the period				
Balance at 30 June 2018	34,728	116,135	(13,476)	818,455
Balance at 1 January 2019	34,728	122,260	(13,476)	817,219
Allocation of profit for the previous year				166,808
Payment of dividends				
<i>Components of comprehensive income:</i>				
Effect of actuarial income/(loss) on defined benefit plans				(338)
Effect of hedge accounting (cash flow hedge) of derivatives		(468)		
Change in translation adjustment reserve		8,511		
Net result for the period				
Balance at 30 June 2019	34,728	130,303	(13,476)	983,689

Net result for the period	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
263,428	1,036,812	4,472	23,153	27,625	1,064,437
(191,887)	0	(4,472)	4,472	0	0
(71,541)	(71,541)		(800)	(800)	(72,341)
	750			0	750
	(10,179)		237	237	(9,942)
140,113	140,113	1,514		1,514	141,627
140,113	1,095,955	1,514	27,062	28,576	1,124,531
238,349	1,199,080	3,127	26,615	29,742	1,228,822
(166,808)	0	(3,127)	3,127	0	0
(71,541)	(71,541)		(800)	(800)	(72,341)
	(338)			0	(338)
	(468)			0	(468)
	8,511		161	161	8,672
123,448	123,448	683	–	683	124,131
123,448	1,258,692	683	29,103	29,786	1,288,478





MotoGP brake system
Championship 2018



Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report at 30 June 2019

Brembo's Activities

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

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

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

Form and Content of the Condensed Consolidated Six Monthly Financial Report at 30 June 2019

Introduction

The Condensed Consolidated Six Monthly Financial Report at 30 June 2019 has been prepared in accordance with Article 154-*ter* of Legislative Decree No. 58/98 and applicable Consob provisions, as well as the provisions of IAS 34 – *Interim Financial Reporting*, and has been subjected to a limited audit according to the criteria recommended by Consob. In further detail, the Financial Report for the period ended 30 June 2019 has been prepared in condensed form and does not contain all the information and notes required for the consolidated annual financial statements. Consequently, the Report should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2018.

The Condensed Consolidated Six Monthly Financial Report comprises 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; it includes the situation at 30 June 2019 of Brembo S.p.A., the Parent, and the companies controlled by Brembo S.p.A. pursuant to IFRS 10.

On 29 July 2019, the Board of Directors approved the Condensed Consolidated Six Monthly Financial Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.

Basis of Preparation and Presentation

The accounting standards, consolidation principles and measurement criteria adopted to prepare the Condensed Consolidated Six Monthly Financial Report comply with those used to prepare the Consolidated Financial Statements at 31 December 2018, to which specific reference is made, except for the new standards or amendments already issued that were applied for the first time from 1 January 2019.

IFRS 16 – Leases

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

IFRS 16 entered into force for years started 1 January 2019 or thereafter, with full retrospective or modified application. The Group has applied the new standard using the modified retrospective method, option B, without restating contracts already in place at 1 January 2019 and not applying the standard to low-value and short-term assets.

The details of the impacts of the application of the new Standard are presented in the section of these Notes entitled "Analysis of individual items".

IFRIC 23 – Uncertainty Over Income Tax Treatment

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

Several other amendments and interpretations were applied for the first time in 2019, but they did not have any impact on the Group's Consolidated Financial Statements.



Other standards or amendments are summarised in the following table:

Description	Endorsed at the reporting date	Expected date of entry into force
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture</i> (issued in September 2014)	NO	not defined
IFRS 17 – <i>Insurance Contracts</i> (issued in May 2017)	NO	1 January 2021

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

The Condensed Consolidated Six Monthly Financial Report has been prepared on the basis of the half-yearly financial statements at 30 June 2019 drawn up by the Boards of Directors of the relevant consolidated companies. Due to the type of business, data included in the Condensed Consolidated Six Monthly Financial Report are not influenced by material seasonal or cyclical effects, compared to full year data.

The Condensed Consolidated Six Monthly Financial Report has been prepared in accordance with the general principle of providing a true and fair presentation of the Group's assets and liabilities, financial position, statement of income results and cash flows, based on the following general assumptions: going concern, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting, and comparative information. The Condensed Consolidated Six Monthly Financial Report is presented in euro, which is the functional currency of the Parent, Brembo S.p.A., and all amounts are rounded to the nearest thousand unless otherwise indicated.

Discretionary Valuations and Significant Accounting Estimates

Preparing financial statements in compliance with the applicable accounting standards requires management to make estimates that may have a significant effect on the items reported in the accounts. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances and given the information available at the reporting date. Actual results may differ from these estimates. Estimates and associated assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which such estimates are revised. 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, 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. It should also be noted that certain measurement processes, particularly the most complex ones such as the determination of any impairment for non-current assets, are typically carried out in full only during preparation of the Annual Financial Statements, when all necessary information is available, unless impairment indicators require immediate analysis. Actuarial valuations necessary to determine provisions for employee benefits are conducted in complete form when preparing the Annual Financial Statements and in simplified form when preparing this Six Monthly Financial Report.

Consolidation Area

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

Compared to the first half of 2018 and 31 December 2018, no corporate transactions impacting the Group consolidation area were performed in the first half of 2019.

On 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. will be placed in liquidation. Pursuant to IFRS 5, the Company’s assets and liabilities have been reclassified to “Assets/Liabilities from discontinued operations”, whereas its Statement of Income items have been reclassified to “Result from discontinued operations”. Further information on the details of these items is given in Note 32 of these Explanatory Notes.

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

Euro against other currencies	30.06.2019	Average at June 2019	30.06.2018	Average at June 2018
U.S. Dollar	1.138000	1.129771	1.165800	1.210838
Japanese Yen	122.600000	124.293309	129.040000	131.610664
Swedish Krona	10.563300	10.518739	10.453000	10.151946
Polish Zloty	4.249600	4.291943	4.373200	4.220039
Czech Koruna	25.447000	25.683785	26.020000	25.497257
Mexican Peso	21.820100	21.653889	22.881700	23.080234
Pound Sterling	0.896550	0.873585	0.886050	0.879731
Brazilian Real	4.351100	4.340674	4.487600	4.141332
Indian Rupee	78.524000	79.118191	79.813000	79.512308
Argentine Peso	48.567800	46.814389	32.704800	26.025119
Chinese Renminbi	7.818500	7.666976	7.717000	7.709960
Russian Rouble	71.597500	73.721479	73.158200	71.980214



Group Activities, Segments and Further Information

Segment Report

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

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

In light of such definition, Brembo Group's operating segments are five Divisions/Business Units: Discs, Systems, Motorbikes, Performance Group, After Market.

Each Division/Business Unit Director reports to the top management and periodically discusses with them operating activities, financial statements results, forecasts or plans.

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

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

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

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

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

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in the first half of 2019 who accounted for over 10% of consolidated net revenues. None of the single car manufacturers comprising such groups exceeded this limit.

The following table shows segment information on operating data at 30 June 2019 and 30 June 2018:

(euro thousand)	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Sales	1,354,259	1,359,512	1,147,197	1,178,242	208,813	187,520	(1,839)	(1,645)	88	(4,605)
Allowances and discounts	(23,506)	(17,914)	(3,201)	(2,417)	(20,302)	(15,496)	0	0	(3)	(1)
Net sales	1,330,753	1,341,598	1,143,996	1,175,825	188,511	172,024	(1,839)	(1,645)	85	(4,606)
Transport costs	9,700	12,384	7,006	9,402	2,675	2,982	0	0	19	0
Variable production costs	823,088	840,119	702,941	735,342	120,636	108,481	(1,839)	(1,645)	1,350	(2,059)
Contribution margin	497,965	489,095	434,049	431,081	65,200	60,561	0	0	(1,284)	(2,547)
Fixed production costs	197,856	178,017	186,107	168,495	10,857	8,814	0	0	892	708
Production gross operating income	300,109	311,078	247,942	262,586	54,343	51,747	0	0	(2,176)	(3,255)
BU personnel costs	98,231	87,071	63,811	54,570	25,008	24,856	0	0	9,412	7,645
BU gross operating income	201,878	224,007	184,131	208,016	29,335	26,891	0	0	(11,588)	(10,900)
Costs for Central Functions	51,103	48,196	38,868	35,879	6,489	6,155	0	0	5,746	6,162
OPERATING INCOME (LOSS)	150,775	175,811	145,263	172,137	22,846	20,736	0	0	(17,334)	(17,062)
Extraordinary costs and revenues	14,864	9,162	0	0	0	0	0	0	14,864	9,162
Financial costs and revenues	(7,521)	(6,059)	0	0	0	0	0	0	(7,521)	(6,059)
Income (expense) from investments	6,006	8,558	0	0	0	0	0	0	6,006	8,558
Non-operating costs and revenues	(3,002)	(6,863)	0	0	0	0	0	0	(3,002)	(6,863)
Result before taxes	161,122	180,609	145,263	172,137	22,846	20,736	0	0	(6,987)	(12,264)
Taxes	(36,991)	(38,982)	0	0	0	0	0	0	(36,991)	(38,982)
Result before minority interests	124,131	141,627	145,263	172,137	22,846	20,736	0	0	(43,978)	(51,246)
Minority interests	(683)	(1,514)	0	0	0	0	0	0	(683)	(1,514)
NET RESULT	123,448	140,113	145,263	172,137	22,846	20,736	0	0	(44,661)	(52,760)



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

(euro thousand)	30.06.2019	30.06.2018
REVENUE FROM CONTRACTS WITH CUSTOMERS	1,323,840	1,339,687
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(7,669)	(9,368)
Differences between internal and statutory reports relating to developments activities	6,415	9,784
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	1,463	1,643
Effect of adjustment of transactions among consolidated companies	(69)	(75)
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	621	660
Result from discontinued operations	6,095	0
Other	57	(733)
NET SALES	1,330,753	1,341,598

(euro thousand)	30.06.2019	30.06.2018
NET OPERATING INCOME	174,455	186,105
Differences between internal and statutory reports relating to developments activities	(1,228)	3,980
Other differences between internal and statutory reports	(3,166)	(3,340)
Income (expense) from non-financial investments	(5,901)	(8,456)
Claim compensation and subsidies	(7,487)	(3,089)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	(252)	(263)
Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	442	643
Result from discontinued operations	(6,360)	0
Other	272	231
OPERATING RESULT	150,775	175,811

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

Segment information on Statement of Financial Position data at 30 June 2019 and 31 December 2018 is provided in the following table:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
(euro thousand)										
Property, plant and equipment	1,224,405	1,041,442	1,122,786	980,727	63,218	38,927	5	5	38,396	21,783
Intangible assets	135,882	135,835	111,550	111,952	17,765	17,988	0	0	6,567	5,895
Financial assets and other non-current assets/liabilities	65,880	71,060	0	0	0	0	0	0	65,880	71,060
(a) Total fixed assets	1,426,167	1,248,337	1,234,336	1,092,679	80,983	56,915	5	5	110,843	98,738
Inventories	364,958	341,797	272,225	255,337	92,733	86,460	0	0	0	0
Current assets	533,381	483,653	384,802	363,674	80,918	53,081	(15,641)	(15,152)	83,302	82,050
Current liabilities	(662,044)	(740,799)	(431,302)	(503,325)	(100,628)	(89,245)	15,641	15,152	(145,755)	(163,381)
Provisions for contingencies and charges and other provisions	(30,432)	(41,982)	0	0	0	0	0	0	(30,432)	(41,982)
(b) Net working capital	205,863	42,669	225,725	115,686	73,023	50,296	0	0	(92,885)	(123,313)
NET INVESTED OPERATING CAPITAL (a+b)	1,632,030	1,291,006	1,460,061	1,208,365	154,006	107,211	5	5	17,958	(24,575)
Extraordinary components	111,160	101,868	53	53	0	0	0	(4)	111,107	101,819
NET INVESTED CAPITAL	1,743,190	1,392,874	1,460,114	1,208,418	154,006	107,211	5	1	129,065	77,244
Group equity	1,258,692	1,199,080	0	0	0	0	0	0	1,258,692	1,199,080
Minority interests	29,786	29,742	0	0	0	0	0	0	29,786	29,742
(d) Equity	1,288,478	1,228,822	0	0	0	0	0	0	1,288,478	1,228,822
(e) Provisions for employee benefits	26,639	27,141	0	0	0	0	0	0	26,639	27,141
Medium/long-term financial debt	414,480	207,444	0	0	0	0	0	0	414,480	207,444
Short-term financial debt	13,593	(70,533)	0	0	0	0	0	0	13,593	(70,533)
(f) Net financial debt	428,073	136,911	0	0	0	0	0	0	428,073	136,911
(g) COVERAGE (d)+(e)+(f)	1,743,190	1,392,874	0	0	0	0	0	0	1,743,190	1,392,874

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

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

Financial Risk Management

Brembo Group is exposed to market, commodity, liquidity and credit risk, all of which are tied to the use of financial instruments. For a description of each type of risk, the reader is referred to the Consolidated Financial Statements for the year ended 31 December 2018, as no significant changes have occurred in the reporting period.



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

Fair Value Measurement

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

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

(euro thousand)	30.06.2019			31.12.2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value						
Forward contracts denominated in foreign currency	0	1,020	0	0	(814)	0
Interest rate swaps	0	(628)	0	0	0	0
Total financial assets (liabilities) measured at fair value	0	392	0	0	(814)	0
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(391,341)	0	0	(320,669)	0
Current and non-current lease liabilities	0	(182,790)	0	0	0	0
Other current and non-current financial liabilities	0	(1,781)	0	0	(2,193)	0
Total assets (liabilities) for which fair value is indicated	0	(575,912)	0	0	(322,862)	0

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

(euro thousand)	Carrying value		Fair value	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Available-for-sale financial assets	1,770	1,657	1,770	1,657
Loans, receivables and financial liabilities valued at amortised costs:	0		0	
Current and non-current financial assets (excluding derivatives)	6,931	6,840	6,931	6,840
Trade receivables	454,359	407,414	454,359	407,414
Loans and receivables	51,703	51,410	51,703	51,410
Cash and cash equivalents	277,582	345,117	277,582	345,117
Current and non-current payables to banks	(528,205)	(479,200)	(536,720)	(484,246)
Current and non-current lease liabilities	(182,789)	(94)	(182,789)	(94)
Other current and non-current financial liabilities	(1,781)	(2,227)	(1,781)	(2,227)
Trade payables	(502,908)	(566,737)	(502,908)	(566,737)
Other current liabilities	(137,408)	(164,192)	(137,408)	(164,192)
Other non-current liabilities	(5,927)	(3,095)	(5,927)	(3,095)
Derivatives	392	(814)	392	(814)
Total	(566,281)	(403,921)	(574,796)	(408,967)

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

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

Related Parties

The Group carries out transactions with parents, subsidiaries, associates, joint ventures, directors, key management personnel and other related parties. The Parent Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.523% of its share capital. Brembo did not engage in dealings with its parent in the first half of 2019, except for the dividend distribution.

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

(euro thousand)	30.06.2019		30.06.2018	
	Directors	Auditors	Directors	Auditors
Emoluments for the office held	1,045	98	1,045	98
Participation in committees and specific tasks	78	0	78	0
Salaries and other incentives	2,912	0	2,931	0

The item “Salaries and other incentives” includes the estimate of the cost of the 2019-2021 plan reserved for the Company’s top managers and accrued in the reporting period, remuneration paid as salaries for the employee function and provisions for bonuses still to be paid.



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

(euro thousand)	30.06.2019						31.12.2018					
	Related Parties						Related Parties					
	Carrying value	Total	Other*	Joint ventures	Associates	%	Carrying value	Total	Other*	Joint ventures	Associates	%
a) Weight of transactions or positions with related parties on items of the Statement of Financial Position												
Other financial assets (including investments in other companies and derivatives)	8,377	5,696	0	0	5,696	68.0%	8,190	5,675	0	0	5,675	69.3%
Inventories	362,426	0	0	0	0	0.0%	342,037	9	0	9	0	0.0%
Trade receivables	454,359	2,142	7	2,038	97	0.5%	407,414	1,970	6	1,891	73	0.5%
Other receivables and current assets	74,384	15	15	0	0	0.0%	72,132	10	10	0	0	0.0%
Provisions for employee benefits	(26,639)	(3,010)	(3,010)	0	0	11.3%	(27,141)	(4,445)	(4,445)	0	0	16.4%
Trade payables	(502,908)	(14,325)	(2,972)	(10,587)	(766)	2.8%	(566,737)	(28,201)	(4,291)	(23,592)	(318)	5.0%
Other current liabilities	(137,408)	(2,812)	(2,685)	(127)	0	2.0%	(164,192)	(12,209)	(12,082)	(127)	0	7.4%
Other non-current liabilities	(5,927)	(669)	(669)	0	0	11.3%	(3,095)	0	0	0	0	0.0%
b) Weight of transactions or positions with related parties on items of the Statement of Income												
Revenue from contracts with customers	1,323,840	241	0	237	4	0.0%	1,339,687	254	1	250	3	0.0%
Other revenues and income	15,490	1,969	12	1,873	84	12.7%	13,247	1,826	12	1,731	83	13.8%
Raw materials, consumables and goods	(623,790)	(30,903)	(2)	(30,692)	(209)	5.0%	(634,701)	(48,295)	(141)	(47,912)	(242)	7.6%
Other operating costs	(229,551)	(2,821)	(1,698)	(500)	(623)	1.2%	(243,300)	(3,832)	(3,059)	(260)	(513)	1.6%
Personnel expenses	(235,343)	(4,169)	(4,163)	(6)	0	1.8%	(236,109)	(4,016)	(4,016)	0	0	1.7%
Net interest income (expense)	(6,703)	8	(12)	(1)	21	-0.1%	(5,617)	11	4	(1)	8	-0.2%

* 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. as participants. The cash pooling is entirely based in China, and Citibank China is the service provider.

Information About the Group

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

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

Commitments

The Group had no commitments at 30 June 2019.



Position or Transactions from Atypical and/or Unusual Operations

Pursuant to Consob Notice No. 6064293 dated 28 July 2006, it is hereby specified that during the first half of 2019 the Company did not carry out any atypical and/or unusual transactions, as defined by the said Notice.

Significant Events After 30 June 2019

No other significant events occurred after the end of the first half of 2019 and up to 29 July 2019.

Analysis of each item

Statement of Financial Position

1. Property, Plant and Equipment

Property, plant, equipment and other equipment

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

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	30,711	289,384	1,065,152	211,914	48,797	226,781	1,872,739
Accumulated depreciation	0	(95,446)	(630,358)	(175,259)	(35,250)	0	(936,313)
Write-down provision	0	(577)	(1,866)	0	0	(386)	(2,829)
Balance at 1 January 2018	30,711	193,361	432,928	36,655	13,547	226,395	933,597
Changes:							
Translation differences	153	(735)	(3,350)	(380)	30	(260)	(4,542)
Reclassification	0	60,427	34,854	3,907	1,691	(101,736)	(857)
Acquisitions	9	11,220	37,216	5,845	2,439	46,131	102,860
Disposals	0	(1)	(607)	(410)	(96)	0	(1,114)
Depreciation	0	(7,078)	(45,303)	(8,151)	(1,873)	0	(62,405)
Total changes	162	63,833	22,810	811	2,191	(55,865)	33,942
Historical cost	30,873	358,368	1,119,657	217,237	52,742	170,899	1,949,776
Accumulated depreciation	0	(101,161)	(661,687)	(179,771)	(37,004)	0	(979,623)
Write-down provision	0	(13)	(2,232)	0	0	(369)	(2,614)
Balance at 30 June 2018	30,873	257,194	455,738	37,466	15,738	170,530	967,539
Historical cost	31,301	398,384	1,261,071	227,951	63,006	108,796	2,090,509
Accumulated depreciation	0	(109,663)	(711,554)	(186,503)	(38,822)	0	(1,046,542)
Write-down provision	0	(13)	(2,242)	0	0	(375)	(2,630)
Balance at 1 January 2019	31,301	288,708	547,275	41,448	24,184	108,421	1,041,337
Changes:							
Translation differences	71	2,176	4,063	194	169	877	7,550
Reclassification	0	11,830	42,129	3,353	(194)	(57,090)	28
Acquisitions	8	2,268	22,466	5,939	1,689	38,306	70,676
Disposals	0	(768)	(702)	(37)	(13)	(166)	(1,686)
Other	0	0	(901)	(40)	(3)	(2)	(946)
Depreciation	0	(8,986)	(54,312)	(9,404)	(2,457)	0	(75,159)
Impairment losses	0	0	(8)	0	0	(59)	(67)
Total changes	79	6,520	12,735	5	(809)	(18,134)	396
Historical cost	31,380	414,797	1,326,160	236,905	63,792	90,667	2,163,701
Accumulated depreciation	0	(119,556)	(763,893)	(195,452)	(40,417)	0	(1,119,318)
Write-down provision	0	(13)	(2,257)	0	0	(380)	(2,650)
Balance at 30 June 2019	31,380	295,228	560,010	41,453	23,375	90,287	1,041,733



In the first half of 2019, investments in property, plant and equipment amounted to €70,676 thousand, including €38,306 thousand in assets in course of construction. Net disposals amounted to €1,686 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for the first half of 2019 amounted to €75,159 thousand (€62,405 thousand at 30 June 2018).

Right of use assets

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

(euro thousand)	Buildings	Other assets	Total
Historical cost	0	209	209
Accumulated depreciation	0	(32)	(32)
Balance at 1 January 2018	0	177	177
Changes:			
Translation differences	0	(6)	(6)
Depreciation	0	(35)	(35)
Total changes	0	(41)	(41)
Historical cost	0	201	201
Accumulated depreciation	0	(65)	(65)
Balance at 30 June 2018	0	136	136
Historical cost	0	204	204
Accumulated depreciation	0	(99)	(99)
Balance at 1 January 2019	0	105	105
Changes:			
Translation differences	10	8	18
Effect of IFRS 16 FTA	166,640	10,473	177,113
New contracts/leases for the period	8,652	7,034	15,686
Unwinding of lease contract	(1,428)	(8)	(1,436)
Depreciation	(7,104)	(2,484)	(9,588)
Total changes	166,770	15,023	181,793
Historical cost	173,634	17,703	191,337
Accumulated depreciation	(6,864)	(2,575)	(9,439)
Balance at 30 June 2019	166,770	15,128	181,898

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

2. Intangible Assets

Development costs, goodwill and other intangible assets

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

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patents and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	159,845	93,118	1,404	94,522	34,167	120,134	154,301	408,668
Accumulated amortisation	(98,134)	0	0	0	(28,550)	(74,824)	(103,374)	(201,508)
Write-down provision	(388)	(11,683)	(2)	(11,685)	(502)	0	(502)	(12,575)
Balance at 1 January 2018	61,323	81,435	1,402	82,837	5,115	45,310	50,425	194,585
Changes:								
Translation differences	96	603	4	607	(17)	353	336	1,039
Reclassification	0	0	0	0	23	220	243	243
Acquisitions	12,681	0	0	0	1,144	5,271	6,415	19,096
Disposals	0	0	0	0	(13)	0	(13)	(13)
Amortisation	(5,228)	0	0	0	(599)	(3,939)	(4,538)	(9,766)
Impairment losses	(1,569)	0	0	0	0	0	0	(1,569)
Total changes	5,980	603	4	607	538	1,905	2,443	9,030
Historical cost	171,146	93,736	1,409	95,145	35,214	126,125	161,339	427,630
Accumulated amortisation	(103,455)	0	0	0	(29,059)	(78,910)	(107,969)	(211,424)
Write-down provision	(388)	(11,698)	(3)	(11,701)	(502)	0	(502)	(12,591)
Balance at 30 June 2018	67,303	82,038	1,406	83,444	5,653	47,215	52,868	203,615
Historical cost	182,299	92,911	1,401	94,312	39,008	127,840	166,848	443,459
Accumulated amortisation	(108,607)	0	0	0	(29,737)	(82,909)	(112,646)	(221,253)
Write-down provision	(388)	(11,587)	(3)	(11,590)	(1,089)	0	(1,089)	(13,067)
Balance at 1 January 2019	73,304	81,324	1,398	82,722	8,182	44,931	53,113	209,139
Changes:								
Translation differences	50	514	3	517	2	242	244	811
Reclassification	0	0	0	0	11	58	69	69
Acquisitions	14,009	0	0	0	401	4,210	4,611	18,620
Other	0	0	0	0	0	(474)	(474)	(474)
Amortisation	(5,411)	0	0	0	(658)	(4,262)	(4,920)	(10,331)
Impairment losses	(982)	0	0	0	0	0	0	(982)
Total changes	7,666	514	3	517	(244)	(226)	(470)	7,713
Historical cost	195,394	93,399	1,404	94,803	39,448	131,905	171,353	461,550
Accumulated amortisation	(114,036)	0	0	0	(30,421)	(87,200)	(117,621)	(231,657)
Write-down provision	(388)	(11,561)	(3)	(11,564)	(1,089)	0	(1,089)	(13,041)
Balance at 30 June 2019	80,970	81,838	1,401	83,239	7,938	44,705	52,643	216,852



Development costs

The item “Development costs” includes costs for development, internal and external, for a gross historical cost of €195,394 thousand. During the reporting period, this item changed due to higher costs incurred in the first half of 2019 for development orders received both during the half-year period and in previous periods, for which additional development costs were incurred for €14,009 thousand; amortisation amounting to €5,411 thousand was recognised for development costs associated with products that have already entered into production. The gross amount includes development activities for projects underway totalling €44,863 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item “Costs for capitalised internal works” in the reporting period amounted to €14,035 thousand (first half of 2018: €12,600 thousand).

Impairment losses totalled €982 thousand and are recognised in the Statement of Income under “Amortisation, depreciation and impairment losses.” Impairment losses refer to development costs incurred mainly by the Parent, Brembo S.p.A., in relation to projects that, consistent with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

The item “Goodwill” arose from the following business combinations:

(euro thousand)	30.06.2019	31.12.2018
Discs - Systems - Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	14,999	14,907
Brembo México S.A. de C.V. (Hayes Lemmerz)	913	907
Brembo Nanjing Brake Systems Co. Ltd.	895	889
Brembo Brake India Pvt. Ltd.	8,386	8,259
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	43,060	42,751
After Market – Performance Group:		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	11,579	11,605
Total	81,838	81,324

The change compared to 31 December 2018 was attributable to the change in consolidation differences.

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

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

When preparing the Condensed Consolidated Six Monthly Financial Report, impairment tests are conducted on the values of recognised goodwill whenever impairment indicators are detected. As part of this process, the performance of the various CGUs was assessed by comparing their results with the forecasts in the company’s business plan and updating the estimate of the Group’s WACC to 8.0% (8.54% in 2018).

In light of the Statement of Income results at 30 June 2019 and the cash flows arising on the plan approved by the Board of Directors on 25 March 2019, an impairment test was performed on the goodwill of Brembo Huilian (Langfang) Brake Systems Co. Ltd.; the test identified no need for any impairment.

Intangible assets with indefinite useful lives

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

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

Other intangible assets

Acquisitions of "Other intangible assets" totalled €4,611 thousand and refer for €401 thousand to the filing of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting period associated with the development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group and the acquisition of other IT applications.

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

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

(euro thousand)	31.12.2018	Write-ups/ Write-downs	Dividends	30.06.2019
Brembo Group SGL Carbon Ceramic Brakes	38,829	5,901	(6,000)	38,730
Petroceramics S.p.A.	735	104	(80)	759
Total	39,564	6,005	(6,080)	39,489

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

The investment in Brembo SGL Carbon Ceramic Brakes S.p.A. was written up by €5,901 thousand, mainly to account for net income for the period.



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

This item is broken down as follows:

(euro thousand)	30.06.2019	31.12.2018
Shareholdings in other companies	1,770	1,657
Receivables from associates	5,696	5,676
Other	911	857
Total	8,377	8,190

The item “Shareholdings in other companies” includes the 10% interest in International Sport Automobile S.a.r.l., the 1.20% interest in Fuji Co., and the 3.29% interest in E-novia S.r.l. The change of €113 thousand on 31 December 2018 is attributable to the Parent’s interest in consortium funds intended for research.

The item “Receivables from associates” includes the receivable deriving from the loan granted by Brembo to Innova Tecnologie S.r.l. in liquidazione, in which Brembo S.p.A. holds a 30% interest. The loan, the nominal amount of which is €9 million, was recognised for €5,696 thousand following the settlement agreement reached in 2016 with the majority shareholder of Innova Tecnologie S.r.l. in liquidazione, Impresa Fratelli Rota Nodari S.p.A. and Innova Tecnologie S.r.l. in liquidazione. According to this agreement, the residual portion of this loan is to be paid following the sale to third parties of the property owned by Innova Tecnologie S.r.l. in liquidazione in an amount equal to the company’s net assets at the end of the liquidation procedure, without prejudice to the majority shareholder’s liability for any deficit up to the maximum amount already agreed between the parties. Including the receivable among “Non-current assets”, it is however deemed that there are no elements hindering the recovery of the residual value.

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

5. Receivables and Other Non-Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2019	31.12.2018
Receivables from others	5,800	2,886
Income tax receivables	72	61
Non-income tax receivables	34	34
Total	5,906	2,981

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

Income tax receivables mostly refer to applications for tax refunds.

6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 30 June 2019 is broken down as follows:

(euro thousand)	30.06.2019	31.12.2018
Deferred tax assets	57,463	62,711
Deferred tax liabilities	(24,114)	(23,705)
Total	33,349	39,006

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

Movements for the period are reported in the following table:

(euro thousand)	30.06.2019	30.06.2018
Balance at beginning of period	39,006	33,102
Deferred tax liabilities generated	(615)	137
Deferred tax assets generated	7,684	10,947
Use of deferred tax assets and liabilities	(13,383)	(2,052)
Exchange rate fluctuations	315	(1,061)
Other movements	342	(165)
Balance at end of period	33,349	40,908

The recognition of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In particular, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. is located in a "special economic zone" and is entitled to deduct a percentage from 25% to 50% of its investments from its current taxes owed through 2026. At 30 June 2019, the company had used all the existing credit at 31 December 2018 besides the credit accrued in the first half of 2019.

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

It should also be noted that:

- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years' tax losses (BRL 108.77 million) eligible to be unlimitedly carried forward — amounted to BRL 36.98 million;
- at 30 June 2019, deferred tax liabilities of €1,370 thousand were recognised on profits of subsidiaries, associates or joint ventures which the Group considers may be distributed in the foreseeable future.



7. Inventories

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

(euro thousand)	30.06.2019	31.12.2018
Raw materials	147,840	143,184
Work in progress	71,522	68,501
Finished products	120,487	105,991
Goods in transit	22,577	24,361
Total	362,426	342,037

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

(euro thousand)	31.12.2018	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	30.06.2019
Inventory write-down provision	41,272	10,235	(3,468)	127	(23)	48,143

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

8. Trade Receivables

At 30 June 2019, the balance of trade receivables compared to the balance at the end of the previous year was as follows:

(euro thousand)	30.06.2019	31.12.2018
Accounts receivable from customers	452,224	405,450
Receivables from associates and joint ventures	2,135	1,964
Total	454,359	407,414

The increase in trade receivables is mainly related to the seasonal nature of sales.

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

Accounts receivable from customers are recognised net of the provision for bad debts, which amounted to €4,774 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2018	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	30.06.2019
Provision for bad debts	4,269	1,002	(519)	25	(3)	4,774

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2019	31.12.2018
Income tax receivables	28,515	23,642
Non-income tax receivables	30,011	27,281
Other receivables	15,858	21,209
Total	74,384	72,132

The item "Income tax receivables" includes the receivable recognised by the Parent in prior years in relation to the application of an IRES refund, concerning the non-deductibility for IRAP purposes of personnel expenses, and other applications for IRES and IRAP refund totalling €4,948 thousand, besides the €7,104 thousand R&D tax credit calculated pursuant to Ministerial Decree dated 27 May 2015.

The item "Non-income tax receivables" primarily includes VAT receivables of the Polish and Chinese subsidiaries. "Other receivables" mainly include advances paid to suppliers for goods and services, and other accrued income. The decrease compared to 31 December 2018 is chiefly attributable to the collection of insurance refund claims recognised in the previous year.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2019	31.12.2018
Derivatives	1,020	0
Security deposits	315	303
Other receivables	9	4
Total	1,344	307

The item "Derivatives" refers to the fair value of derivatives with positive values, and specifically to forward contracts hedging a loan of RMB 300 million granted by the Parent to the Chinese subsidiary.

11. Cash and Cash Equivalents

(euro thousand)	30.06.2019	31.12.2018
Bank and postal accounts	277,466	344,985
Cash-in-hand and cash equivalents	116	132
Total cash and cash equivalents	277,582	345,117
Payables to banks: overdrafts and foreign currency advances	(145,379)	(149,246)
Cash and cash equivalents from the Statement of Cash Flows	132,203	195,871



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

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the half year totalled €6,382 thousand (€3,762 thousand at 30 June 2018).

12. Equity

Group consolidated equity at 30 June 2019 increased by €59,612 thousand compared to 31 December 2018. Movements are given in the relevant statement within the Condensed Consolidated Six Monthly Financial Report.

Share capital

The subscribed and paid up share capital amounted to €34,728 thousand at 30 June 2019. It is divided into 333,922,250 ordinary shares.

The table below shows the composition of the share capital and the number of shares outstanding at 31 December 2018 and 30 June 2019:

(No. of shares)	30.06.2019	31.12.2018
Ordinary shares issued	333,922,250	333,922,250
Own shares	(8,735,000)	(8,735,000)
Total shares outstanding	325,187,250	325,187,250

As part of Brembo's buy-back plan, the company neither purchased nor sold own shares in the first half of 2019.

Other reserves and retained earnings/(losses)

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

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

Share capital and reserves of minority interests

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

13. Financial Debt and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2019			31.12.2018		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Payables to banks:						
- overdrafts and advances	145,379	0	145,379	149,246	0	149,246
- loans	128,336	254,490	382,826	124,082	205,872	329,954
Total	273,715	254,490	528,205	273,328	205,872	479,200
Lease liabilities	24,269	158,520	182,789	75	19	94
Payables to other financial institutions	645	1,136	1,781	674	1,553	2,227
Derivatives	294	334	628	814	0	814
Total	25,208	159,990	185,198	1,563	1,572	3,135

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

(euro thousand)	Amount at 31.12.2018	Amount at 30.06.2019	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:					
BNL loan (€50 million)	14,275	7,140	7,140	0	0
Banca Popolare di Sondrio loan (€75 million)	74,965	68,723	24,985	43,738	0
BNL loan (€80 million)	79,927	71,615	33,335	38,280	0
Mediobanca loan (€130 million)	84,893	64,937	40,005	24,932	0
BNL loan (€100 million)	0	99,843	9	37,368	62,466
UBI loan (USD 35 million)	30,525	25,621	10,258	15,363	0
Banamex loan (USD 30 million)	26,162	26,323	8,794	17,529	0
EIB loan (€30 million, New Foundry Project)	11,431	9,525	3,810	5,715	0
Citi Nanjing loan (RMB 200 million)	7,776	9,099	0	9,099	0
Total payables to banks	329,954	382,826	128,336	192,024	62,466

The most significant transactions finalised in the first half of 2019 included the full disbursement of the medium-term BNL loan of €100 million, contracted at the end of the previous year.

It should be noted that several loans require compliance with certain financial covenants. At the end of the reporting period, all of these covenants had been met. At 30 June 2019, there was no financial debt secured by collateral.



The following table shows the structure of loans, broken down by annual interest rate and currency at 30 June 2019:

(euro thousand)	30.06.2019			31.12.2018		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	282,160	41,404	323,564	209,671	58,047	267,718
US Dollar	0	51,944	51,944	0	56,687	56,687
Chinese Renminbi	0	9,099	9,099	0	7,776	7,776
Total	282,160	102,447	384,607	209,671	122,510	332,181

The average variable rate applicable to the Group's debt is 2.93% and the average fixed rate is 0.78%.

Brembo Group entered into an IRS directly with the Parent, Brembo S.p.A., for a remaining notional amount of €100 million at 30 June 2019, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge).

At 30 June 2019, the derivative had a negative fair value of €627 thousand, of which €616 thousand taken to a cash flow hedge reserve, gross of tax effects, and €11 thousand to the Statement of Income as the ineffective portion.

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

(euro thousand)	30.06.2019
Opening value	0
Fair value reserve releases	616
Closing value	616

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

(euro thousand)	Amount at 31.12.2018	Amount at 30.06.2019	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Other financial liabilities:					
Payables to other financial institutions:					
Finlombarda MIUR loan	35	0	0	0	0
MIUR BBW loan	553	370	370	0	0
Libra loan	86	80	11	46	23
Ministerio Industria España	1,553	1,331	264	1,067	0
Total payables to other financial institutions	2,227	1,781	645	1,113	23
Lease liabilities	94	182,789	24,269	59,495	99,025
Total other financial liabilities	2,321	184,570	24,914	60,608	99,048

Net Financial Position

The following table shows the reconciliation of the net financial position at 30 June 2019 (€434,477 thousand) and at 31 December 2018 (€136,911 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

(euro thousand)	30.06.2019	31.12.2018
A Cash	116	132
B Other cash equivalents	277,466	344,985
C Derivatives and securities held for trading	1,020	0
D LIQUIDITY (A+B+C)	278,602	345,117
E Current financial receivables	324	307
F Current payables to banks	145,379	149,246
G Current portion of non-current debt	128,336	124,082
H Other current financial debts and derivatives	25,208	1,563
I CURRENT FINANCIAL DEBT (F+G+H)	298,923	274,891
J NET CURRENT FINANCIAL DEBT (I-E-D)	19,997	(70,533)
K Non-current payables to banks	254,490	205,872
L Bonds issued	0	0
M Other non-current financial debts and derivatives	159,990	1,572
N NON-CURRENT FINANCIAL DEBT (K+L+M)	414,480	207,444
O NET FINANCIAL DEBT (J+N)	434,477	136,911

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

14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	30.06.2019	31.12.2018
Social security payables	571	0
Payables to employees	3,632	1,380
Other payables	1,724	1,715
Total	5,927	3,095

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



15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2018	Provisions	Use/Release	Exchange rate fluctuations	Other	30.06.2019
Provisions for contingencies and charges	17,185	229	(11,924)	30	(24)	5,496
Provision for product warranties	11,819	2,137	(3,016)	50	(1,145)	9,845
Total	29,004	2,366	(14,940)	80	(1,169)	15,341
<i>of which short-term</i>	<i>13,504</i>					<i>2,239</i>

Provisions totalled €15,341 thousand, including, in addition to the provision for product warranties, the supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway.

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

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

16. Provisions for Employee Benefits

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

Defined contribution plans include that of Brembo Huilian (Langfang) Brake Systems Co. Ltd. that covers approximately 70 early retired employees, who have guaranteed monthly payments until they reach pension age. The employees of the UK subsidiary AP Racing Ltd. have the benefit of a corporate pension plan (AP Racing Pension Scheme), which is made up of two sections: the first is a defined contribution plan for employees hired after 1 April 2001, and the second is a defined benefit plan for those already in service at 1 April 2001 (and previously covered by the AP Group Pension Fund). The defined benefit plan is funded by employer and employee contributions made to a trustee that is legally separate from the enterprise providing benefits to its employees.

Brembo 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 a defined benefit plan.

Unfunded 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 funds is calculated on an actuarial basis using the “Projected Unit Credit Method”. The item “Other employee provisions” also refers to other employee benefits.

Liabilities at 30 June 2019 are given in the table below:

(euro thousand)	31.12.2018	Provisions	Use/Release	Interest expense	Exchange rate fluctuations	Other	30.06.2019
Employees' leaving entitlement	19,104	0	(587)	167	0	1,485	20,169
Defined benefit plans and other long-term benefits	6,128	174	(504)	123	44	(952)	5,013
Defined contribution plans	1,909	1,018	(1,494)	0	24	0	1,457
Total	27,141	1,192	(2,585)	290	68	533	26,639

17. Trade Payables

At 30 June 2019, trade payables were as follows:

(euro thousand)	30.06.2019	31.12.2018
Trade payables	491,555	542,827
Payables to associates and joint ventures	11,353	23,910
Total	502,908	566,737

18. Tax Payables

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

(euro thousand)	30.06.2019	31.12.2018
Tax Payables	9,338	6,003

19. Other Current Payables

Other current payables at 30 June 2019 are given in the table below:

(euro thousand)	30.06.2019	31.12.2018
Tax payables other than current taxes	12,400	9,940
Social security payables	18,096	24,724
Payables to employees	49,245	71,101
Other payables	57,667	58,427
Total	137,408	164,192

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



“Other payables” also include deferred income in the form of a public grant received by Brembo Poland Spolka Zo.o. released to the Statement of Income in accordance with the related amortisation plan to which it refers, in addition to deferred income amounting to €6,415 thousand (€9,608 thousand in the first half of 2018) in the form of grants received by customers towards brake system development activities suspended until the conclusion of the development activity and then recognised over the useful lives of the products to which the grants refer.

Statement of Income

20. Revenue from Contracts with Customers

The item is broken down as follows:

(euro thousand)	30.06.2019	30.06.2018
Revenue from sales of brake systems	1,304,716	1,324,112
Revenue from equipment	9,643	8,846
Revenue from study and design activities	8,828	6,049
Revenue from royalties	653	680
Total	1,323,840	1,339,687

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

21. Other Revenues and Income

These are made up of:

(euro thousand)	30.06.2019	30.06.2018
Miscellaneous recharges	3,050	2,695
Gains on disposal of assets	1,284	1,576
Miscellaneous grants	8,467	6,570
Other revenues	2,689	2,406
Total	15,490	13,247

The item "Miscellaneous grants" mainly refers to grants for research and development projects amounting to €297 thousand and a tax credit for research and development investment of €7,104 thousand, as already discussed in Note 9.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the period, amounting to €14,035 thousand (first half of 2018: €12,600 thousand).



23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	30.06.2019	30.06.2018
Purchase of raw materials, semi-finished and finished products	566,341	576,801
Purchase of consumables	57,449	57,900
Total	623,790	634,701

24. Income (Expense) from Non-Financial Investments

Income (expense) from non-financial investments amounted to €5,901 thousand and is attributable to the effects of valuing the investment in the BSCCB Group using the equity method (first half of 2018: €8,456 thousand).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	30.06.2019	30.06.2018
Transports	28,807	35,444
Maintenance, repairs and utilities	75,808	70,465
Contracted work	41,700	46,511
Rent	11,511	22,315
Other operating costs	71,725	68,565
Total	229,551	243,300

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

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

26. Personnel Expenses

Breakdown of personnel expenses is as follows:

(euro thousand)	30.06.2019	30.06.2018
Wages and salaries	168,632	163,159
Social security contributions	37,617	37,009
Employees' leaving entitlement and other personnel provisions	7,781	7,522
Other costs	21,313	28,419
Total	235,343	236,109

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

	Managers	White-collar	Blue-collar	Total
H1 2019: average	142	3,133	7,380	10,655
H1 2018: average	138	2,945	7,085	10,168
Change	4	188	295	487
Total at 30 June 2019	142	3,132	7,305	10,579
Total at 30 June 2018	139	2,985	7,260	10,384
Change	3	147	45	195

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	30.06.2019	30.06.2018
Amortisation of intangible assets:		
Development costs	5,411	5,228
Industrial patents and rights for original work	495	454
Licences, trademarks and similar rights	163	145
Other intangible assets	4,262	3,939
Total	10,331	9,766
Depreciation of property, plant and equipment:		
Buildings	8,986	7,078
Plant and machinery	54,312	45,303
Industrial and commercial equipment	9,404	8,151
Other property, plant and equipment	2,457	1,873
Right of use assets	9,588	35
Total	84,747	62,440
Impairment losses:		
Property, plant and equipment	67	0
Intangible assets	982	1,569
Total	1,049	1,569
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	96,127	73,775



28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	30.06.2019	30.06.2018
Exchange rate gains	22,984	28,382
Interest income from employee's leaving entitlement and other personnel provisions	413	404
Interest income	1,095	866
Total interest income	24,492	29,652
Exchange rate losses	(21,939)	(29,562)
Interest expense from employees' leaving entitlement and other personnel provisions	(703)	(670)
Lease interest expense	(2,489)	0
Interest expense	(6,064)	(5,037)
Total interest expense	(31,195)	(35,269)
TOTAL NET INTEREST INCOME (EXPENSE)	(6,703)	(5,617)

29. Interest Income (Expense) from Investments

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

30. Taxes

This item is broken down as follows:

(euro thousand)	30.06.2019	30.06.2018
Current taxes	32,192	48,209
Deferred tax (assets) and liabilities	6,314	(9,032)
Prior years' taxes and other tax payables	(1,515)	(195)
Total	36,991	38,982

The Group's actual tax rate was 22.0% (25.8% at 31 December 2018; 21.6% at 30 June 2018).

31. Earnings Per Share

Basic earnings per share were €0.38 at 30 June 2019 (€0.43 at 30 June 2018) and were calculated by dividing the net income or losses for the period attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in the first half of 2019, amounting to 325,187,250 (325,187,250 in the first half of 2018). Diluted earnings per share are identical to basic earnings per share inasmuch as no share capital transactions were undertaken in the reporting period.

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

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

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

(euro thousand)	30.06.2019
Revenue from contracts with customers	6,095
Raw materials, consumables and goods	(4,062)
Other operating costs	(1,249)
Personnel expenses	(6,913)
GROSS OPERATING INCOME	(6,129)
Depreciation, amortisation and impairment losses	(231)
NET OPERATING INCOME	(6,360)
Net interest income (expense)	(393)
RESULT FROM DISCONTINUED OPERATIONS	(6,753)
Property, plant, equipment and other equipment	774
TOTAL NON-CURRENT ASSETS	774
Inventories	562
Trade receivables	1,078
Other receivables and current assets	68
Cash and cash equivalents	6,404
TOTAL CURRENT ASSETS	8,112
ASSETS FROM DISCONTINUED OPERATIONS	8,886
Other non-current liabilities	(181)
Non-current provisions	(36)
TOTAL NON-CURRENT LIABILITIES	(217)
Trade payables	(1,224)
Other current payables	(5,702)
TOTAL CURRENT LIABILITIES	(6,926)
LIABILITIES FROM DISCONTINUED OPERATIONS	(7,143)

Stezzano, 29 July 2019

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





24 Hours of Le Mans brake system
2018 WEC



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Review report on the condensed consolidated six monthly financial statements

(Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Introduction

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

Scope of Review

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

Conclusion

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

Bergamo, 29 July 2019

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

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

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

1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive Deputy Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the Condensed Six Monthly Financial Statements for the period from 1 January 2019 to 30 June 2019:
 - are appropriate in relation to the company features; and
 - have been consistently applied.

2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the Condensed Six Monthly Financial Statements at 30 June 2019 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.

3. The undersigned further declare that:
 - 3.1 The Condensed Six Monthly Financial Statements:
 - a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;
 - b) reflect the accounting books and records; and
 - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.

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

Stezzano, 29 July 2019

Matteo Tiraboschi
Executive Deputy Chairman

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



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