

**BREMBO**  
SIX MONTHLY  
REPORT  
**2016**

DESIGNING  
OUR FUTURE



**BREMBO**  
SIX MONTHLY  
REPORT  
**2016**





**If it weren't a brake it  
worthy of any**

Illustration inspired by Victor Vasarely, Op Art.

**would be a sculpture  
museum of modern art**



*Reason of the Italian Association for the Industrial Design (ADI) when awarding the Golden Compass Award for the brake system, caliper and carbon ceramic brake disc.*

# CONTENTS

Company Officers	6
Summary of Group Results	8
<hr/>	
<b>DIRECTORS' REPORT ON OPERATIONS</b>	10
Brembo and the Market	12
Sales Breakdown by Geographical Area and Application	18
Brembo's Consolidated Results	20
Group Structure	24
Performance of Brembo Companies	25
Research and Development	32
Investments	37
Risk Management Policy	38
Human Resources and Organisation	44
Environment, Safety and Health	46
Related Party Transactions	47
Further Information	48
Significant Events After 30 June 2016	50
Foreseeable Evolution	51
<b>BREMBO S.P.A. STOCK PERFORMANCE</b>	52

---

<b>CONDENSED CONSOLIDATED SIX MONTHLY FINANCIAL REPORT AT 30 JUNE 2016</b>	54
Consolidated Financial Statements at 30 June 2016	56
Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report at 30 June 2016	64
Independent Auditors' Report Pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010	97
Attestation of the Consolidated Financial Statements Pursuant to Article 154- <i>bis</i> of Legislative Decree No. 58/98	98

## COMPANY OFFICERS

The General Shareholders' Meeting held on 29 April 2014 confirmed the number of Board members at 11 and appointed the Board of Directors for the three-year period 2014–2016, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2016, based on the two lists submitted respectively by the majority shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding 2.11% of the share capital, overall).

### BOARD OF DIRECTORS

Chairman	Alberto Bombassei <sup>(1) (9)</sup>
Executive Deputy Chairman	Matteo Tiraboschi <sup>(2) (9)</sup>
Chief Executive Officer and General Manager	Andrea Abbati Marescotti <sup>(3) (9)</sup>
Directors	Cristina Bombassei <sup>(4) (9)</sup> Barbara Borra <sup>(5)</sup> Giovanni Cavallini <sup>(5)</sup> Giancarlo Dallerà <sup>(6)</sup> Bianca Maria Martinelli <sup>(5) (7)</sup> Umberto Nicodano <sup>(8)</sup> Pasquale Pistorio <sup>(5) (10)</sup> Gianfelice Rocca <sup>(5)</sup>

### BOARD OF STATUTORY AUDITORS <sup>(11)</sup>

Chairwoman	Raffaella Pagani <sup>(7)</sup>
Acting Auditors	Sergio Pivato Milena T. Motta
Alternate Auditors	Marco Salvatore Myriam Amato <sup>(7)</sup>

### INDEPENDENT AUDITORS

EY S.p.A. <sup>(12)</sup>

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

Matteo Tiraboschi <sup>(13)</sup>

**COMMITTEES**

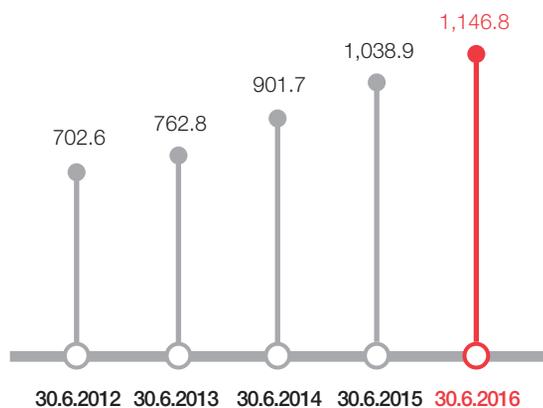
<b>Audit &amp; Risk Committee</b> <sup>(14)</sup> <sup>(15)</sup>	Pasquale Pistorio (Chairman) Giovanni Cavallini Bianca Maria Martinelli <sup>(7)</sup>
<b>Remuneration &amp; Appointments Committee</b>	Barbara Borra (Chairwoman) Giovanni Cavallini Umberto Nicodano
<b>Supervisory Committee</b>	Raffaella Pagani (Chairwoman of the Board of Statutory Auditors) <sup>(7)</sup> Sergio Pivato (Acting Auditor) Milena T. Motta (Acting Auditor) Alessandra Ramorino <sup>(16)</sup> Mario Bianchi <sup>(17)</sup> Mario Tagliaferri <sup>(18)</sup>

- (1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
- (2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
- (3) The Board of Directors granted the Chief Executive Officer and General Manager special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.
- (4) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System, as well as of CSR Officer.
- (5) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of TUF (as required by Articles 147-ter, paragraph 4, and 147-quater of TUF) and Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A. and Article 3.C.1 of the Corporate Governance Code of Brembo S.p.A.
- (6) Independent and Non-executive Director pursuant to Article 148, paragraph 3, of TUF (as required by Articles 147-ter, paragraph 4, and 147-quater of TUF).
- (7) Director/Auditor elected from the list submitted by a group of Asset Management Companies and other institutional investors (holding 2.11% of share capital, overall).
- (8) Non-executive Director.
- (9) Executive Directors.
- (10) This Director also holds the position of Lead Independent Director.
- (11) This Board holds the role of Audit Committee and Accounting Audit pursuant to Article 19 of Legislative Decree No. 39/2010.
- (12) The Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.
- (13) Appointed by the Board of Directors on 29 April 2014. He also holds the position of Investor Relator.
- (14) This Committee also acts as the Related Party Transactions Committee.
- (15) Effective 1 January 2016, the Board of Directors' meeting approved a new composition of the Audit & Risk Committee, given that the terms of office provided for by Brembo S.p.A.'s Corporate Governance Code had been exceeded by Directors G. Cavallini (Chairman) and G. Dalleria (member).
- (16) Internal Audit Director of the Brembo Group.
- (17) Private practice lawyer - Studio Castaldi Mourre & Partners, Milan.
- (18) Certified Public Accountant and Certified Auditor, Private practice, Studio Lexis – Dottori Commercialisti associati in Crema.

# SUMMARY OF GROUP RESULTS

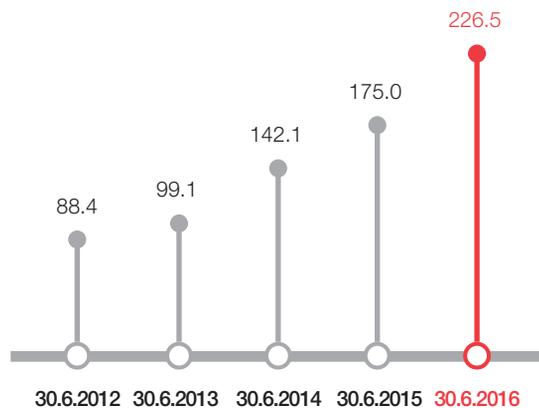
## SALES OF GOODS AND SERVICES

(euro million)



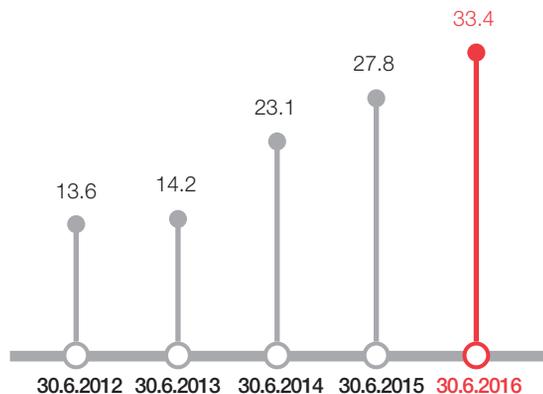
## GROSS OPERATING INCOME

(euro million)



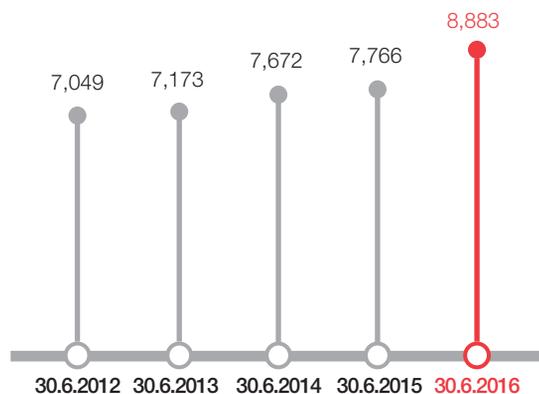
## ROI

(percentage)



## PERSONNEL AT END OF PERIOD

(No.)



**Economic results**

(euro thousand)	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016	% 2016/2015
Sales of goods and services	702,598	762,791	901,697	1,038,902	1,146,838	10.4%
Gross operating income	88,376	99,146	142,118	174,951	226,501	29.5%
% on sales	12.6%	13.0%	15.8%	16.8%	19.8%	
Net operating income	49,274	55,448	93,495	121,311	173,339	42.9%
% on sales	7.0%	7.3%	10.4%	11.7%	15.1%	
Result before taxes	44,238	46,956	86,982	117,844	166,018	40.9%
% on sales	6.3%	6.2%	9.6%	11.3%	14.5%	
Net result for the period	35,572	43,236	64,004	88,969	127,079	42.8%
% on sales	5.1%	5.7%	7.1%	8.6%	11.1%	

**Financial results**

(euro thousand)	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016	% 2016/2015
Net invested capital <sup>(1)</sup>	731,142	789,881	816,837	879,969	1,046,967	19.0%
Equity	354,175	392,993	462,218	596,609	756,064	26.7%
Net financial debt <sup>(1)</sup>	351,459	369,234	325,358	249,784	259,432	3.9%

**Personnel and investments**

(euro thousand)	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016	% 2016/2015
Personnel at end of period (No.)	7,049	7,173	7,672	7,766	8,883	14.4%
Turnover per employee	99.7	106.3	117.5	133.8	129.1	-3.5%
Investments	68,969	72,429	61,068	64,051	115,573	80.4%

**Main ratios**

	30.06.2012	30.06.2013	30.06.2014	30.06.2015	30.06.2016	
Net operating income/Sales	7.0%	7.3%	10.4%	11.7%	15.1%	
Income before taxes/Sales	6.3%	6.2%	9.6%	11.3%	14.5%	
Investments/Sales	9.8%	9.5%	6.8%	6.2%	10.1%	
Net financial debt/Equity	99.2%	94.0%	70.4%	41.9%	34.3%	
Net interest expense <sup>(*)</sup> /Sales	0.8%	0.9%	0.6%	0.7%	0.4%	
Net interest expense <sup>(*)</sup> /Net operating income	11.5%	12.5%	6.2%	5.7%	2.6%	
ROI <sup>(2)</sup>	13.6%	14.2%	23.1%	27.8%	33.4%	
ROE <sup>(3)</sup>	20.2%	21.9%	27.9%	30.6%	34.0%	

Notes:

(1) A breakdown of these items is provided in the reclassified Statement of Financial Position on page 22.

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

(3) Net income (loss) before minority interests / 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

Work inspired by Edward Hopper, American realism.  
Illustration by Fabrizio Spadini.



## BREMBO AND THE MARKET

### Macroeconomic Context

In order to properly assess Brembo's performance for the first half of 2016, the worldwide macroeconomic scenario should be taken into consideration, specifically for the markets where the Group operates.

According to International Monetary Fund (IMF) estimates published in April 2016, worldwide gross domestic product (GDP) is expected to grow by 3.2% in 2016. IMF economists have downgraded almost all world growth estimates, starting with the United Kingdom which was initially at +2.2%, but has been reduced to 1.9% primarily due to the instability created by Brexit. Forecasts for the European Union are certainly not very promising and predict growth of 1.5 percentage points for the current year, whilst next year's increase should be 1.7%. Again, according to the IMF, China will see a slight slowdown in growth in the next two years: falling from +6.5% in 2016 to +6.2% in 2017. As far as Italy is concerned, after 0.6% growth in 2015, GDP should rise by 1% in 2016 and 1.4% in 2017. This emerges from the OECD's Economic Outlook published on 1 June 2016, which emphasises that "private consumption remains the main driver of recovery".

For the **Eurozone** the indicators provide a picture that is still uncertain, and may even be contrasting. The PMI (Purchasing Managers Index) prepared by Market Economics reports a slowdown in economic growth, with the composite index for May 2016 down to 52.9 (from 53.0 in April), the lowest for 16 months. The slowdown of the past two months seems to herald a weak phase in the Eurozone's economy in the second quarter. The fall in new orders is another sign pointing in this direction. The manufacturing PMI fell from 51.7 to 51.5 (a three-month low), whilst the service index remained unchanged at 53.1, also to its lowest level in the past 16 months. Eurostat has, however, reported that industrial production in the Eurozone recorded a positive change of 1.1% in April. Production in the previous month had fallen by -0.7%,

better than the predictions of -0.8%. Annual industrial production grew by 2% against the predicted 1.4%, a net increase on the previous survey when the index had stood at a modest +0.2%.

According to Eurostat, the May unemployment rate in the Euro Area was 10.1%, down on the previous month's 10.2% and the May 2015 figure of 11%. This is the lowest figure since July 2011.

The unemployment rate reported in the EU 28 area in May was 8.6%, down from 8.7% in April and 9.6% in May 2015. This represents the lowest rate since March 2009.

In Italy, based on ISTAT data, the unemployment rate in May fell to 11.5% against 11.6% in April (according to the revised figure) and the reduction compared to May 2015 was 0.7 percentage points. After the April increase (+1.5%), the unemployment estimate fell by 0.8% in May (-24 thousand). The reduction concerned both men (-1.0%) and women (-0.6%). The youth (15-24 years of age) unemployment rate, however, remained stable at 36.9%.

As far as the **USA** is concerned, GDP will increase this year by 2.2% and then accelerate in 2017 to 2.5%. This is confirmed by the IMF in Article IV on the United States, which states that the unemployment rate will reach 4.9% in 2016 and 4.8% in 2017. Despite this, the Fund highlights that "the United States is facing a risk of significant long-term challenges for strong and sustainable growth", specifying that the latest quarters' data are considered to be a temporary slowdown. "The U.S. economy is in good shape, despite some setbacks in very recent months," has asserted the IMF's Chief, Christine Lagarde. According to reports of the Federal Reserve, industrial production fell by

0.4% in May after the 0.6% increase in April (revised downwards from the first estimate of 0.7%). Analysts were expecting a fall of 0.3%. Annual industrial production has recorded a decrease of 1.4% since May 2015. Compared to April, use of plant capacity fell by 0.4 percentage points to 74.9%, whilst analysts were expecting a figure of 75.1%. Before the recession, this figure was usually above 80% and the figure is now 5.1 percentage points below the historic average. It should be noted that production in the manufacturing sector, which represents almost three quarters of the total, has lost 0.1% compared to May 2015.

The **Japanese economy** has recorded more marked growth than initially estimated, even though fears remain about the weakness of exports and consumer spending. According to cabinet office data, the economy grew at the annual rate of 1.9%, up on the preliminary estimate of 1.7%. Compared to the first quarter, GDP reported growth of 0.5%, higher than the preliminary estimate of 0.4%. Again in Japan, in April the current account surplus amounted to JPY 1,880 billion, down from JPY 2,998 billion in March (from the highs of 2007) and below the expected JPY 2,320 billion.

Intentions for the Chinese economy continue to be to strengthen internal demand against external demand which has prevailed to date. However, several doubts remain about the areas for development that will allow the 6.5% growth in GDP planned for the next five years to be maintained over time. It is no coincidence that the IMF estimates that Chinese GDP in 2017 will not exceed 6% growth.

**Brazil's economy** remains in recession, but the contraction in the first quarter of 2016 was less severe than expected. According to IBGE reports (Instituto Brasileiro de Geografia e Estatística, Brazil's statistics body), Brazil's GDP fell by a sequential 0.3%, on a preliminary basis between January and March, against a 1.3% drop in the first quarter of 2015 and the 0.8% fall expected by economists. The Brazilian economy has deteriorated annually by 5.4% against the 5.9% previously forecast.

Turning to commodities trends, 2016 is reporting the following performance levels: the Bloomberg Commodity Index, which mirrors trends for 22

products, has recovered by more than 20% since the January lows, when it had gone down to levels not reached for 13 years. During the first half of 2016, the index gained 12% compared to global equities markets, up by little more than 2%, and bond markets by about 6%. Such a cracking start to the year had never been seen, with the sole exception of 2008, when the price of oil reached nearly \$150 a barrel. Investments are once again growing at the same pace. After three years of negative net flows, assets under management rose by \$60 billion (Barclays estimate) in 2016, reaching \$220 billion. Just as in 2008, oil is once again contributing significantly to the rises: a barrel has recovered by more than 85% from the multi-year lows in January and Brent has updated the 7-month high, to \$50.83 a barrel.

## Currency Markets

The **U.S. dollar**, after opening 2016 at 1.0742 (6 January), lost ground against the euro up to mid-February, then recovered value in March and depreciated again until it reached the level of 1.1569 on 3 May. During the rest of May and June, the value of the currency picked up against the euro and appreciated sharply by the end of the period, closing at 1.1102, below the average half-year rate (1.115524).

Regarding the currencies of the other main markets in which Brembo operates at industrial and commercial level, the **pound sterling**, after opening at 0.73235 (5 January), depreciated steadily up to April and then recovered ground against the euro up to 27 June, the date on which it fell sharply following Brexit, slumping to 0.834. At the end of the period, the currency stood at 0.8265, significantly above the half-year average rate (0.778492).

After initially losing value to reach a low of 4.4943 on 21 January, the **Polish zloty** then gradually appreciated against the euro to 4.234 (4 April), to then lose ground again until the end of the reporting period. At the end of the period, the currency stood at 4.4362, above the half-year average rate of 4.368603.

In the first half of the year the **Czech koruna** opened at 27.0210 and then moved sideways in alternating phases of depreciation and appreciation, ending up back at 27.0210 (9 June). At the end of the reporting period, the Czech currency lost ground against the euro reaching a level of 27.151 on 27 June. At the end of the period, the currency stood at 27.131, above the average half-year rate (27.039439).

The **Swedish krona** opened the first half of the year down against the euro until reaching 9.5188 (11 February); it then proceeded to recover value until it reached 9.1381 (22 April), but it lost ground again at the end of the reporting period, closing at 9.4242, above the average half-year rate of 9.301521.

In the Far East, the **Japanese yen** opened the reporting period fluctuating around 128 until the end of January, when it reached 132.25 (29 January). Thereafter, the currency recovered value against the euro and appreciated steadily, until reaching 111.80 on 27 June. At the end of the period, the currency stood at 114.05, below the half-year average rate of 124.501482.

The **Chinese yuan/renminbi** opened the first half of the year at 7.0074 (5 January) and then went through a period of alternating upwards and downwards movements up to May, the month when it touched 7.5013 (3 May). Thereafter, the Chinese currency again went through phases of fluctuation, exceeding the average for the period of 7.293654. Closing rate: 7.3755.

The **Indian rupee** followed a similar trend to that of the Chinese yuan/renminbi. It opened the half year at 71.5539 (5 January) and then depreciated overall in the first half of February, reaching 77.6550 (11 February). It then started to appreciate again, only to lose ground up to April. At the end of the reporting period, the Indian currency moved slightly above the half-year average 74.977623. Closing rate: 74.9603.

In South America, the **Brazilian real** opened the six-month period moving sideways around 4.4 until the end of January, reaching a level of 4.5230. Thereafter, it steadily recovered ground against the euro, until reaching 3.5898 at the end of the period (30 June), a value below the half-year average of 4.134917.

After opening the reporting period at 18.5798, the **Mexican peso** depreciated steadily in the first half of February to reach a level of 21.6852. Thereafter, the currency, having started to re-appreciate in March, moved sideways followed by a loss of ground against the euro in May, a trend that it maintained up to the end of the reporting period, when the currency stood at 20.6347, above the half-year average rate of 20.159948.

The **Argentine peso**, after opening the reporting period at 14.2204, depreciated gradually to 17.2806 on 1 March, to then reach values above the half-year average of 15.98962 until April. Thereafter, the currency appreciated again, and then returned to lose ground against the euro until the end of the reporting period, when the currency stood at 16.5802.

The **Russian rouble** lost ground against the euro in January, touching a level of 91.7660. After moving sideways above the six monthly average of 78.412222, the Russian currency sharply reversed the depreciation trend and steadily recovered value until the end of the reporting period, touching a level of 71.0452 (29 June). At the end of the period, the currency stood at 71.52.

## 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 15 countries on 3 continents, through its production and business sites, and employs over 8,800 people worldwide. Manufacturing plants are located in Italy, Poland (Czestochowa, Dabrowa Górnicza, Niepolomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), Argentina (Buenos Aires), China (Nanjing, Langfang), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

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

In the car aftermarket, Brembo offers in particular brake discs, in addition to pads, drums, brake shoes, drum-brake kits and hydraulic components: a vast and reliable range of products allows the company to meet the needs of nearly all European vehicles.

In the first half of 2016, Brembo's consolidated net sales amounted to €1,146,838 thousand, up by 10.4% compared to €1,038,902 thousand for the same period of 2015.

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

### Cars

During the first five months of 2016, the global market of light vehicles showed a 3.2% increase in sales, due primarily to the Chinese and American markets, as well as the market of Western European countries.

The latter market (EU15+EFTA) continued to show signs of recovery and closed the first five months of 2016 with a +9.2% increase in registrations compared to the same period of 2015. All the main European markets contributed to the sales increase: Germany +6.8 %, the United Kingdom +4.1%, France +10.5%, Italy +20.5%, and Spain +12.5%. The trend was also positive in Eastern Europe (EU12), with an increase in car registrations of 17.1%.

By contrast, the downtrend in light vehicle registrations that began in 2013 in Russia continued and sales dropped by 14.7% in the first five months of 2016 compared to the same period of the previous year.

In the United States, the first five months of 2016 showed positive results. Overall, sales of light vehicles rose by 3.2% compared to the same period of 2015. By contrast, the downtrend that began in 2013 in Brazil and Argentina continued, with the two markets showing an overall decrease in sales of 19.5% for the reporting period.

In Asian markets, China closed the first five months of 2016 on a positive note with light vehicle sales up 6.3% compared to the same period of 2015, remaining the number-one market in the world. By contrast, the Japanese market declined, posting a 6.4% decrease in sales.

Within this scenario, Brembo reported €855,668 thousand in net sales of car applications in the first half of 2016, accounting for 74.6% of the Group's turnover, up by 14.3% compared to the same period of 2015 (€748,504 thousand).

## Motorbikes

In Europe, motorbike registrations grew by 6.9% in the first five months of 2016 compared to the same period of 2015. Sales increased in Italy (+18.4%), Spain (+13.7%), the United Kingdom (+8.9%), and Germany (+2.2%), whereas they were stable in France (-0.1%). In Europe, motorbikes with displacements over 500cc, which are Brembo's target market, overperformed the market growing by 8.7%. In terms of segments, a good performance was reported, in particular, for sport touring motorbikes (+33.8%), trail motorbikes (+22.2%) and endurance motorbikes (+19.6), whilst the street segment closed at -24.1%.

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles) grew by 3.2% compared to 2015. ATVs increased by 0.4%, whilst motorbikes and scooters, taken together, rose by 4.5% despite a 0.8% decrease in scooters.

In the first five months of 2016, the Japanese market, considering capacities over 50cc overall, reported a 5.2% increase, due solely to the growth of capacities between 50cc and 125cc, whilst bikes of more than 125cc dropped by 9.4%.

The Indian market (motorbikes + scooters) grew by 11.3% in the first five months of 2016: scooters increased by 19% and motorbikes by 8% compared to the same period of the previous year.

In the first five months of the year, registrations in the Brazilian market declined by 13.8%.

Brembo's net sales of motorbike applications in the first half of 2016 amounted to €109,293 thousand, increasing 3.3% over the same period of 2015 (€105,784 thousand).

## Commercial and Industrial Vehicles

In the first half of 2016, the European commercial vehicles market (EU+EFTA), Brembo's reference market, showed an increase in registrations by 13.1% compared to the same period of 2015.

In detail, sales of light commercial vehicles (up to 3.5 tonnes) increased overall by 12.5%. Among the top five European markets by sales volumes, Italy reported a significant growth (+31.5%). Similarly, all other countries grew: +10.4% in Germany, +13.0% in Spain, +12.7% in France, and +3.7% in the United Kingdom. In Eastern European countries this segment grew by 20.8% compared to the same period of 2015.

The segment of medium and heavy commercial vehicles (over 3.5 tonnes) also improved in Europe closing the period with a 17.4% growth compared to the same period of the previous year. All the first five European markets by sales volume grew. Italy in particular rose by +30.6%, followed by Spain (+22.1%), France (+17.3%), the United Kingdom (+12.1%) and Germany (+9.4%). In Eastern Europe, sales of commercial vehicles over 3.5 tonnes grew by 27.8% compared to the same period of the previous year.

In the first half of 2016, Brembo's net sales of applications in this segment amounted to €117,405 thousand, up 13.8% compared to €103,180 thousand for the same period of 2015.

## 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.

From sales of applications for this segment in the first half of 2016, Brembo recorded net sales of €64,059 thousand, down by 18.1% from €78,205 thousand in the first half of 2015, due in part to the exclusion of Sabelt S.p.A. and Belt & Buckle S.r.o. from the consolidation area. On a like-for-like consolidation basis, the increase in net sales was +5.6%.

# SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

## Net sales breakdown by geographical area and application

### GEOGRAPHICAL AREA

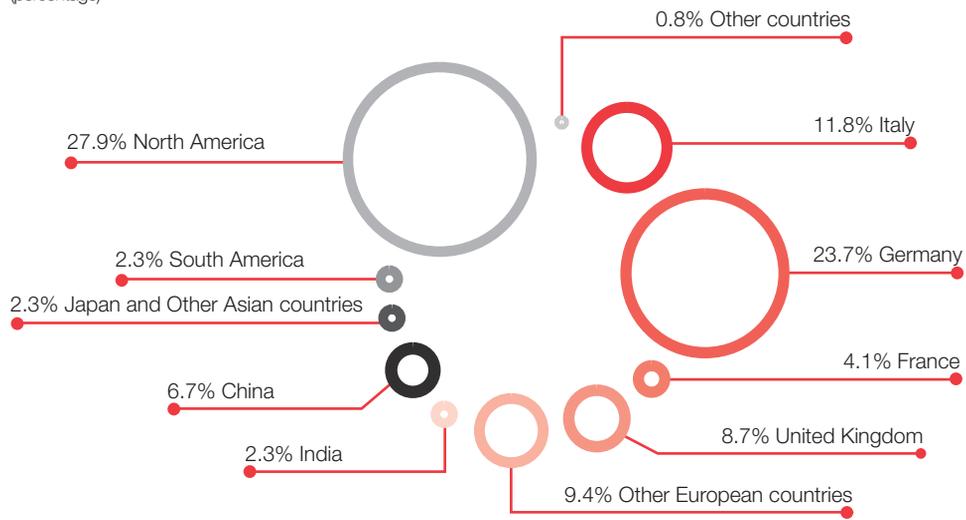
(euro thousand)	30.06.2016	%	30.06.2015	%	Change	%
Italy	135,748	11.8%	134,443	12.9%	1,305	1.0%
Germany	272,303	23.7%	237,162	22.8%	35,141	14.8%
France	47,196	4.1%	42,357	4.1%	4,839	11.4%
United Kingdom	99,849	8.7%	81,699	7.9%	18,150	22.2%
Other European countries	108,016	9.4%	105,005	10.1%	3,011	2.9%
India	26,764	2.3%	24,591	2.4%	2,173	8.8%
China	76,816	6.7%	56,527	5.4%	20,289	35.9%
Japan	19,109	1.7%	15,343	1.5%	3,766	24.5%
Other Asian countries	6,688	0.6%	4,689	0.5%	1,999	42.6%
South America (Argentina and Brazil)	26,481	2.3%	36,571	3.5%	(10,090)	-27.6%
North America (USA, Mexico and Canada)	319,695	27.9%	294,361	28.3%	25,334	8.6%
Other countries	8,173	0.8%	6,154	0.6%	2,019	32.8%
<b>Total</b>	<b>1,146,838</b>	<b>100.0%</b>	<b>1,038,902</b>	<b>100.0%</b>	<b>107,936</b>	<b>10.4%</b>

### APPLICATION

(euro thousand)	30.06.2016	%	30.06.2015	%	Change	%
Passenger Car	855,668	74.6%	748,504	72.1%	107,164	14.3%
Motorbike	109,293	9.5%	105,784	10.2%	3,509	3.3%
Commercial Vehicle	117,405	10.2%	103,180	9.9%	14,225	13.8%
Racing	64,059	5.7%	78,205	7.5%	(14,146)	-18.1%
Miscellaneous	413	0.0%	3,229	0.3%	(2,816)	-87.2%
<b>Total</b>	<b>1,146,838</b>	<b>100.0%</b>	<b>1,038,902</b>	<b>100.0%</b>	<b>107,936</b>	<b>10.4%</b>

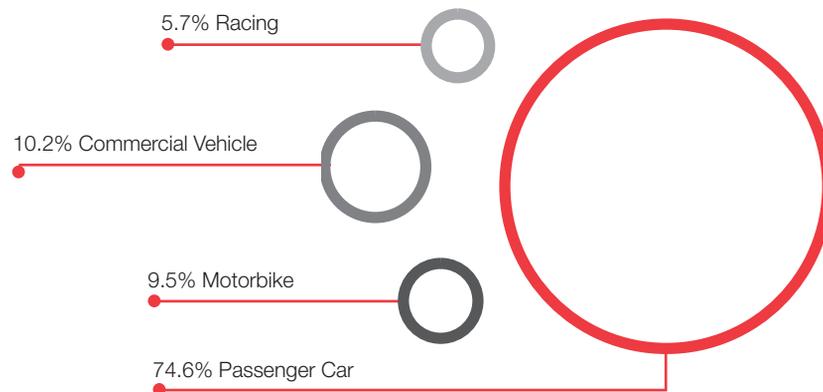
**SALES BREAKDOWN BY GEOGRAPHICAL AREA**

(percentage)



**SALES BREAKDOWN BY APPLICATION**

(percentage)



# BREMBO'S CONSOLIDATED RESULTS

## Consolidated Statement of Income

<i>(euro thousand)</i>	30.06.2016	30.06.2015	Change	%
<b>Sales of goods and services</b>	<b>1,146,838</b>	<b>1,038,902</b>	<b>107,936</b>	<b>10.4%</b>
Cost of sales, operating costs and other net charges/income*	(734,018)	(686,302)	(47,716)	7.0%
Income (expense) from non-financial investments	5,887	3,887	2,000	51.5%
Personnel expenses	(192,206)	(181,536)	(10,670)	5.9%
<b>GROSS OPERATING INCOME</b>	<b>226,501</b>	<b>174,951</b>	<b>51,550</b>	<b>29.5%</b>
<i>% on sales of goods and services</i>	19.8%	16.8%		
Depreciation, amortisation and impairment losses	(53,162)	(53,640)	478	-0.9%
<b>NET OPERATING INCOME</b>	<b>173,339</b>	<b>121,311</b>	<b>52,028</b>	<b>42.9%</b>
<i>% on sales of goods and services</i>	15.1%	11.7%		
Net interest income (expense) and interest income (expense) from investments	(7,321)	(3,467)	(3,854)	111.2%
<b>RESULT BEFORE TAXES</b>	<b>166,018</b>	<b>117,844</b>	<b>48,174</b>	<b>40.9%</b>
<i>% on sales of goods and services</i>	14.5%	11.3%		
Taxes	(38,550)	(27,322)	(11,228)	41.1%
<b>RESULT BEFORE MINORITY INTERESTS</b>	<b>127,468</b>	<b>90,522</b>	<b>36,946</b>	<b>40.8%</b>
<i>% on sales of goods and services</i>	11.1%	8.7%		
Minority interests	(389)	(1,553)	1,164	-75.0%
<b>NET RESULT</b>	<b>127,079</b>	<b>88,969</b>	<b>38,110</b>	<b>42.8%</b>
<i>% on sales of goods and services</i>	11.1%	8.6%		
<b>Basic and diluted earnings per share (euro)</b>	<b>1.95</b>	<b>1.37</b>		

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

Brembo's sales continued to perform well in the first half of 2016, once again confirming the Group's sales uptrend. At 30 June 2016, net sales amounted to €1,146,838 thousand, up by 10.4% compared to the same period of 2015. On a like-for-like consolidation basis — thus excluding the results of the newly acquired Asimco Meilian Braking Systems (Langfang) Co. Ltd. for the first half of 2016 and those of Sabelt S.p.A. and Belt & Buckle S.r.o. for the first half of 2015, following their disposal in the previous year — Group's sales grew by 11.2%.

Nearly all applications contributed to revenue growth. The greatest contribution came from the car applications sector, which closed the six-month period with a rise of 14.3% compared to the same period of 2015, followed by the commercial vehicle applications sector (+13.8%); growth in the motorbike sector was more contained (+3.3%), whilst the racing sector declined by 18.1% due to Sabelt S.p.A. and Belt & Buckle S.r.o. being excluded from the consolidation area. On a like-for-like consolidation basis, the increase in net sales for this segment was +5.6%.

At geographical level, almost all the areas in which the Group operates reported growth. In Europe, Germany — Brembo's second reference market with 23.7% of sales — increased by 14.8% compared to the first half of 2015; a good sales performance was also recorded in the United Kingdom (+22.2%) and France (+11.4%), whereas in Italy there was a much more modest growth (+1.0%). North America (USA, Mexico and Canada) — Brembo's top market accounting for 27.9% of sales — rose by +8.6%, whereas South America showed a 27.6% decrease. In the Far East, Brembo's growth was particularly high in China (+35.9%), Japan (+24.5%) and the Indian market (+8.8%).

During the first six months of 2016, the **cost of sales and other net operating costs** amounted to €734,018 thousand, with a ratio of 64.0% to sales, down compared to 66.1% for the same period of the previous year. Within this item, development costs capitalised as intangible assets amounted to €8,292 thousand, compared to €6,114 thousand for the first half of 2015.

**Income (expense) from non-financial investments** amounted to €5,887 thousand, attributable to the result of the valuation using the equity method of the BSCCB Group (€3,337 thousand, plus €550 thousand relating to the disposal of Sabelt S.p.A. and Belt & Buckle S.r.o., in the first half of 2015).

**Personnel expenses** amounted to €192,206 thousand, with a ratio to revenues of 16.8%, decreasing compared to that of the first half of the previous year (17.5%). At 30 June 2016, the workforce numbered 8,883 (7,867 at 31 December 2015 and 7,766 at 30 June 2015). The increase of 1,016 staff compared to 31 December 2015 was attributable for 657 resources to the inclusion of Asimco Meilian Braking Systems (Langfang) Co. Ltd.

**Gross operating income** for the first half of the year was €226,501 thousand compared to €174,951 thousand for the first half of 2015, with a ratio to sales of 19.8% (16.8% in 2015).

**Net operating income** amounted to €173,339 thousand (15.1% of sales), compared to €121,311 thousand (11.7% of sales) for the first half of 2015, after depreciation, amortisation and impairment losses

of €53,162 thousand (€53,640 thousand in the same period of 2015).

**Net interest expense** amounted to €7,347 thousand (€3,472 thousand in the first half of 2015) and consisted of net exchange rate losses of €2,768 thousand (gains of €3,464 thousand in the first half of 2015) and interest expense of €4,579 thousand (€6,936 thousand for the same period of 2015).

**Net interest income from investments**, which amounted to €26 thousand (€5 thousand in the first half of 2015), was attributable to the effects of valuing investments in associates using the equity method.

**Result before taxes** was positive at €166,018 thousand, compared to €117,844 thousand in the first half of 2015. Estimated taxation, calculated according to the tax rates provided for the year in current legislation, amounted to €38,550 thousand, with a tax rate of 23.2%, equal to the rate for the first half of the previous year.

**Group net result** was €127,079 thousand in the reporting period, up 42.8% compared to €88,969 thousand in the first half of 2015.

## Consolidated Statement of Financial Position

(euro thousand)	30.06.2016	31.12.2015	Change
Property, plant and equipment	662,615	589,777	72,838
Intangible assets	183,479	99,291	84,188
Net financial assets	35,577	36,630	(1,053)
Other receivables and non-current liabilities	57,010	59,642	(2,632)
<i>(a) Fixed capital</i>	<i>938,681</i>	<i>785,340</i>	<i>153,341</i>
			19.5%
Inventories	271,079	247,661	23,418
Trade receivables	397,502	311,217	86,285
Other receivables and current assets	41,214	36,386	4,828
Current liabilities	(563,321)	(470,910)	(92,411)
Provisions / deferred taxes	(38,188)	(31,125)	(7,063)
<i>(b) Net working capital</i>	<i>108,286</i>	<i>93,229</i>	<i>15,057</i>
			16.2%
<b>(c) NET INVESTED CAPITAL (a)+(b)</b>	<b>1,046,967</b>	<b>878,569</b>	<b>168,398</b>
			<b>19.2%</b>
<i>(d) Equity</i>	<i>756,064</i>	<i>687,547</i>	<i>68,517</i>
<i>(e) Employees' leaving entitlement and other personnel provisions</i>	<i>31,471</i>	<i>30,334</i>	<i>1,137</i>
Medium/long-term financial debt	232,462	215,149	17,313
Short-term net financial debt	26,970	(54,461)	81,431
<i>(f) Net financial debt</i>	<i>259,432</i>	<i>160,688</i>	<i>98,744</i>
			61.5%
<b>(g) COVERAGE (d)+(e)+(f)</b>	<b>1,046,967</b>	<b>878,569</b>	<b>168,398</b>
			<b>19.2%</b>

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: "Shareholdings" 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", "Other non-current liabilities";
- "Net financial debt" includes current and non-current payables to banks and other financial liabilities, net of cash and cash equivalents and current financial assets.

**Net invested capital** at the end of the reporting period amounted to €1,046,967 thousand, up by €168,398 thousand compared to 31 December 2015, when it amounted to €878,569 thousand. Net financial debt at 30 June 2016 was €259,432 thousand, compared to €160,688 thousand at 31 December 2015.

**Net financial debt** increased by €98,744 thousand during the period under review, mainly due to the following factors:

- gross operating income (€226,501 thousand) had a positive effect, with a €49,794 thousand decrease in working capital;
- net investments in property, plant, equipment and intangible assets totalled €113,211 thousand;

- the Parent paid the approved dividends in May, in the amount of €52,030 thousand;
- taxes paid amounted to €37,036 thousand;
- the consideration paid for the acquisition of 66% stake in Asimco Meilian Braking Systems (Langfang) Co. Ltd., net of the net financial position acquired amounting to €72.0 million.

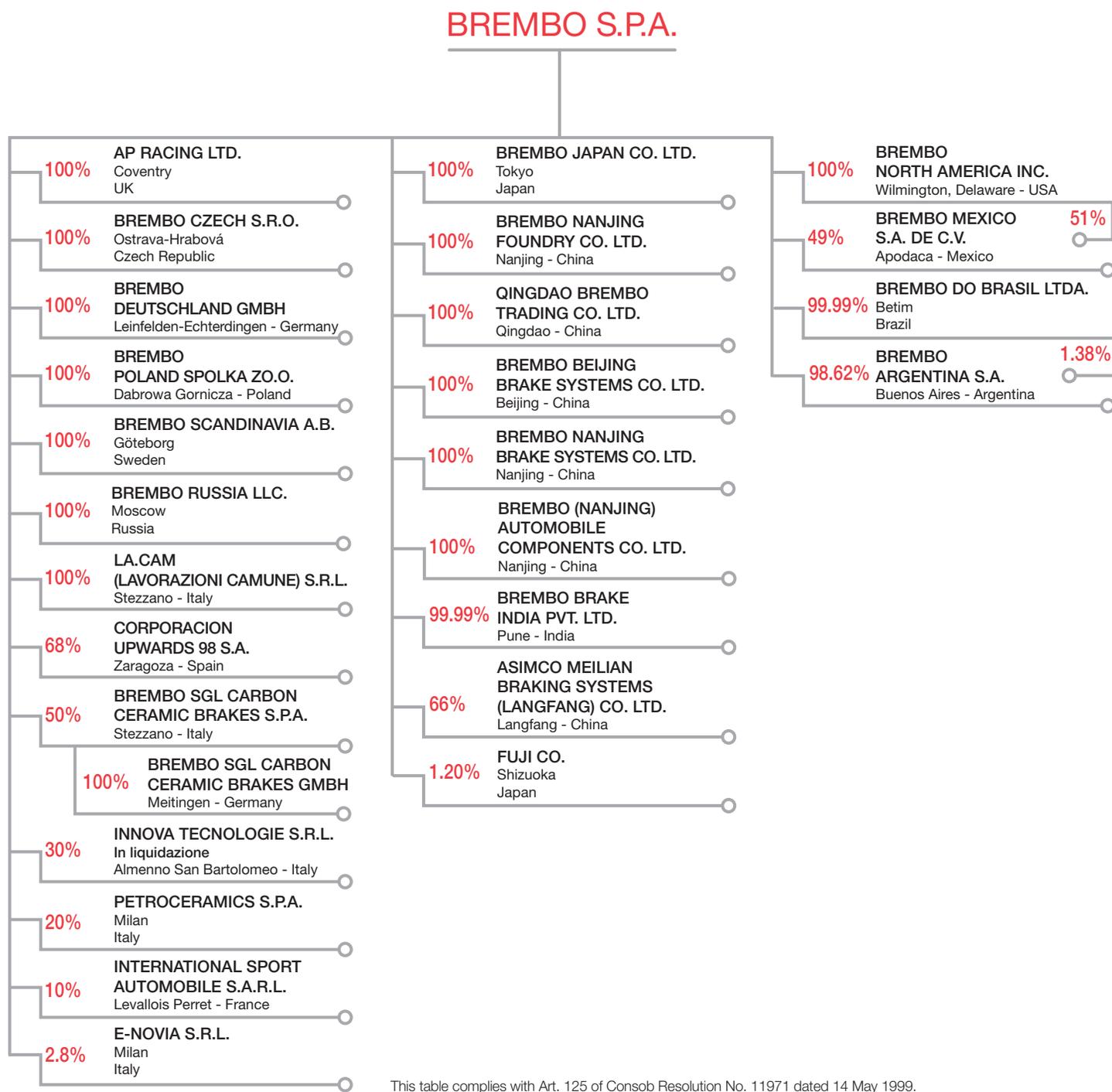
Detailed information about the financial position, in its assets and liabilities items, can be found in the Explanatory Notes to the Condensed Consolidated Six Monthly Report.

### Statement of Cash Flows

(euro thousand)	30.06.2016	30.06.2015
<b>Net financial position at beginning of period (*)</b>	<b>(160,688)</b>	<b>(270,387)</b>
<b>Net operating income</b>	<b>173,339</b>	<b>121,311</b>
Depreciation, amortisation and impairment losses	53,162	53,640
<b>Gross operating income</b>	<b>226,501</b>	<b>174,951</b>
Investments in property, plant and equipment	(102,232)	(54,309)
Investments in intangible assets	(13,341)	(9,742)
Disposals	2,362	653
Amounts (paid)/received for the acquisition / disposal of subsidiaries, net of the relevant net financial position	(72,005)	12,196
<b>Net investments</b>	<b>(185,216)</b>	<b>(51,202)</b>
Change in inventories	(25,106)	(39,817)
Change in trade receivables	(65,457)	(77,484)
Change in trade payables	55,800	57,215
Change in other liabilities	(15,251)	2,158
Change in receivables from others and other assets	1,623	7,124
Translation reserve not allocated to specific items	(1,403)	6,778
<b>Change in working capital</b>	<b>(49,794)</b>	<b>(44,026)</b>
Change in provisions for employee benefits and other provisions	14,972	16,178
<b>Operating cash flows</b>	<b>6,463</b>	<b>95,901</b>
Interest income and expense	(6,961)	(3,073)
Current taxes paid	(37,036)	(34,197)
Interest income / expense from investments, net of dividends received	(2,887)	3,133
Dividends paid	(52,030)	(39,022)
<b>Net cash flows</b>	<b>(92,451)</b>	<b>22,742</b>
Effect of translation differences on net financial position	<b>(6,293)</b>	<b>(2,139)</b>
<b>Net financial position at end of period (*)</b>	<b>(259,432)</b>	<b>(249,784)</b>

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

# BREMBO STRUCTURE



This table complies with Art. 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 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 2016 closed with sales of goods and services of €433,665 thousand compared to €397,553 thousand in the first half of 2015. The item "Other revenues and income" amounted to €17,011 thousand compared to €15,651 thousand for the same period of 2015, whereas capitalised development costs reached €8,000 thousand for the first half of 2016, increasing compared to the same period of the previous year.

Gross operating income amounted to €63,522 thousand (14.6% of sales) compared to €57,558 thousand (14.5% of sales) in the first half of 2015, whereas net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €16,975 thousand, closed at €46,547 thousand compared to €40,144 thousand for the same period of the previous year.

Net interest expense from financing activities amounted to €404 thousand, compared to €1,640 thousand for the first half of 2015. Income from investments amounted to €77,453 thousand and was attributable to the distribution of dividends by some subsidiaries (Brembo Poland Spolka Zo.o., Brembo Scandinavia A.B. and BSCCB S.p.A.). In addition, a provision for current taxes and deferred tax assets and liabilities was made in the amount of €17,163 thousand.

In the reporting period, net income amounted to €106,434 thousand, compared to €61,289 thousand for the same period of 2015.

At 30 June 2016, the workforce numbered 3,026, increasing by 71 compared to 2,955 at the end of the first half of 2015.

### **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 in the first half of 2016 amounted to GBP 23,384 thousand (€30,037 thousand), compared to GBP 20,839 thousand (€28,455 thousand) in the first half of 2015. In the reporting period, net income amounted to GBP 3,214 thousand (€4,129 thousand) compared to GBP 2,665 thousand (€3,639 thousand) for the same period of 2015.

At 30 June 2016, the workforce numbered 130, six more than at the end of June 2015.

**ASIMCO MEILIAN BRAKING SYSTEMS (LANGFANG) CO. LTD.**

LANGFANG (CHINA)

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

On 19 May 2016, Brembo S.p.A. signed an agreement to acquire a 66% stake in 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 will be owned by the public company Langfang Assets Operation Co. Ltd., controlled by the Municipality of Langfang. The consideration of the operation amounted to CNY 580,060 thousand (approximately €79.6 million).

At 1 May 2016, net sales were CNY 82,348 thousand (€11,290 thousand) and net income amounted to CNY 10,153 thousand (€1,393 thousand).

At 30 June 2016, the workforce numbered 657.

**BREMBO ARGENTINA S.A.**

BUENOS AIRES (ARGENTINA)

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

In 2011, Brembo S.p.A. acquired a 75% stake in the company based in Buenos Aires. Under the agreement, Brembo exercised an option right on the remaining 25% in 2013; therefore, the company is currently fully owned by the Brembo Group.

Net sales for the period amounted to ARS 146,474 thousand (€9,161 thousand), with a net loss of ARS 17,556 thousand (€1,098 thousand); in the first half of 2015, it reported net sales of ARS 98,746 thousand (€10,036 thousand) and a net loss of ARS 12,494 thousand (€1,270 thousand).

The workforce numbered 123 at 30 June 2016, three fewer than at 30 June 2015.

**BREMBO BEIJING BRAKE SYSTEMS CO. LTD.**

BEIJING (CHINA)

**Activities: promotion and development of the Chinese market.**

Fully owned by Brembo S.p.A., the company sold its 31.12% stake in Brembo Nanjing Brake Systems Co. Ltd. to its Parent in 2014. It subsequently changed its company name from Brembo China Brake Systems Co. Ltd. to the current Brembo Beijing Brake Systems Co. Ltd. The company's liquidation procedure is expected to be completed by the end of the year.

At 30 June 2016, it did not report any net sales. The net loss at 30 June 2016 amounted to CNY 102 thousand (€14 thousand), compared to a net loss of CNY 177 thousand (€26 thousand) for the same period of 2015.

At 30 June 2016, the company had no employees.

**BREMBO BRAKE INDIA PVT. LTD.**

PUNE (INDIA)

**Activities: 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 2016, net sales amounted to INR 2,306,908 thousand (€30,768 thousand), with a net income of INR 196,172 thousand (€2,616 thousand). Net sales for the same period of 2015 were INR 1,818,718 thousand (€25,936 thousand), with a net income of INR 131,462 thousand (€1,875 thousand).

The workforce numbered 259 at 30 June 2016, as against 233 resources at the end of the first half of 2015.

**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 2016, net sales amounted to CZK 3,932,922 thousand (€145,451 thousand) compared to CZK 3,100,939 thousand (€112,744 thousand) in the first half of 2015. Net income for the reporting period was CZK 296,885 thousand (€10,980 thousand) compared to a net income of CZK 185,187 thousand (€6,733 thousand) for the first half of 2015.

The workforce numbered 894 at 30 June 2016, increasing by 144 compared to the same period of 2015.

**BREMBO DEUTSCHLAND GMBH**  
LEINFELDEN – ECHTERDINGEN (GERMANY)

**Activities: purchase and resale of vehicles, technical and sales services.**

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.

At 30 June 2016, net sales amounted to €970 thousand (€101 thousand for the first half of 2015), with a net income of €288 thousand, compared to €16 thousand in the first half of 2015.

Its workforce numbered eight.

**BREMBO DO BRASIL LTDA.**  
BETIM (BRAZIL)

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

The company is headquartered in Betim, Minas Gerais, and promotes the presence of Brembo in the South American OEM for car brake discs.

Net sales for the first half of 2016 amounted to BRL 68,551 thousand (€16,578 thousand) and net loss to BRL 17,389 thousand (€4,205 thousand). In the same period of 2015, net sales amounted to BRL 85,744 thousand (€25,923 thousand), with a net loss of BRL 26,091 thousand (€7,888 thousand).

The workforce at 30 June 2016 numbered 247, compared to 402 at the same date of the previous year.

**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 2016 amounted to JPY 317,145 thousand (€2,547 thousand), up compared to the same period of 2015, equivalent to JPY 313,196 thousand (€2,334 thousand). Net income for the reporting period was JPY 37,127 thousand (€298 thousand), compared to JPY 31,383 thousand in the first half of 2015 (€234 thousand).

The workforce numbered 18 at 30 June 2016, up compared to 16 in the first half of 2015.

**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 2016, net sales amounted to USD 60,176 thousand (€53,944 thousand), with net income for the period totalling USD 2,935 thousand (€2,631 thousand). In the first half of 2015, net sales amounted to USD 47,312 thousand (€42,400 thousand), with a net income for the period totalling USD 2,593 thousand (€2,324 thousand).

The workforce numbered 442 at 30 June 2016, increasing compared to 291 for the same period of the previous year.

**BREMBO (NANJING) AUTOMOTIVE COMPONENTS CO. LTD.**  
NANJING (CHINA)

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

The company, which is 100% owned by Brembo S.p.A., was formed in April 2016 and, when fully operational, will deal with the casting, processing and assembly of car and commercial vehicle brake systems.

At 30 June 2016, the company had no employees yet.

**BREMBO NANJING BRAKE SYSTEMS CO. LTD.**  
NANJING (CHINA)

**Activities: development, production and sale of car brake discs for original equipment 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.

At 30 June 2016, net sales amounted to CNY 441,287 thousand (€60,503 thousand) and net loss was CNY 2,270 thousand (€311 thousand); in the first half of 2015 net sales amounted to CNY 358,664 thousand (€51,673 thousand) and net loss was CNY 2,022 thousand (€291 thousand).

The workforce numbered 318 at 30 June 2016, increasing by 24 compared to the end of the first half of 2015.

**BREMBO NANJING FOUNDRY CO. LTD.**  
NANJING (CHINA)

**Activities: production and sale of foundry products for the automotive market, including the aftermarket.**

The company, set up in 2009 and 100% held by Brembo S.p.A., acquired the foundry activities in 2010 from the Chinese company Donghua. The aim was to develop together with the company Brembo Nanjing Brake Systems Co. Ltd. an integrated industrial hub, including foundry and manufacture of brake discs for the car and commercial vehicle markets.

Net sales amounted to CNY 224,032 thousand (€30,716 thousand) at 30 June 2016, with a net income of CNY 92,721 thousand (€12,713 thousand), compared to net sales of CNY 184,117 thousand (€26,526 thousand) and a net income of CNY 16,152 thousand (€2,327 thousand) for the first half of 2015.

The workforce numbered 222 at 30 June 2016, increasing by 22 compared to the end of June 2015.

## **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, backed by Brembo S.p.A. and local technical staff.

Net sales for the first half of 2016 amounted to USD 247,132 thousand (€221,539 thousand); in the same period of the previous year, the company reported net sales amounting to USD 230,984 thousand (€207,004 thousand). Net income was USD 17,850 thousand at 30 June 2016 (€16,001 thousand), compared to net income of USD 14,952 thousand (€13,400 thousand) in the first half of 2015.

At period-end, the workforce numbered 612, an increase of 81 compared to the end of the first half of 2015.

## **BREMBO POLAND SPOLKA ZO.O.** DABROWA GÓRNICZA (POLAND)

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

On 1 October 2014, the merger of Brembo Spolka Zo.o. into Brembo Poland Spolka Zo.o., both wholly owned by Brembo S.p.A., became effective. 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.

In the first half of 2016, net sales amounted to PLN 925,933 thousand (€211,952 thousand), compared

to PLN 757,391 thousand (€182,959 thousand) for the first half of 2015. At 30 June 2016, net income was PLN 213,539 thousand (€48,880 thousand), compared to PLN 149,061 thousand (€36,008 thousand) for the same period of the previous year.

At the end of the period, the workforce numbered 1,630, increasing compared to 1,554 at the end of the first half of 2015.

## **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.

In the first half of 2016, net sales amounted to RUB 18,031 thousand (€230 thousand) and net income was RUB 8,207 thousand (€105 thousand); in the first half of 2015, net sales amounted to RUB 12,862 thousand (€199 thousand) and net income was RUB 4,701 thousand (€73 thousand).

At 30 June 2016, workforce numbered 2, unchanged compared to the same period 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 3,597 thousand (€387 thousand), with a net income of SEK 826 thousand (€89 thousand), compared to net sales of SEK 3,504 thousand (€375 thousand) and net income of SEK 686 thousand (€73 thousand) for the first half of 2015.

The workforce numbered 1 at 30 June 2016, unchanged compared to the same date of the previous year.

**CORPORACIÓN UPWARDS '98 S.A.**  
ZARAGOZA (SPAIN)

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

The company carries out sales activities only.

Net sales for the first half of 2016 amounted to €14,476 thousand, compared to €12,596 thousand for the same period of 2015. Net income was €778 thousand, compared to a net loss of €391 thousand for the first half of 2015.

The workforce numbered 76 at 30 June 2016, compared to 65 at the end of June 2015.

**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. on 4 October 2010, and on 22 October of the same year it leased two companies from an important Brembo Group's supplier that was experiencing financial difficulties. The goal was to safeguard the continuity of supply, the expertise and technological assets obtained by these companies in their many years of collaboration with the Group. The lease transaction involved Immc S.n.c. and Iral S.r.l. These companies specialise 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 2016, net sales amounted to €19,672 thousand, almost all of which were to Brembo Group companies. Net income totalled €863 thousand. In the same period of the previous year, net sales were €18,141 thousand, with a net income of €550 thousand.

At 30 June 2016, workforce numbered 193, compared to 202 at 30 June 2015.

**QINGDAO BREMBO TRADING CO. LTD.**  
QINGDAO (CHINA)

**Activities: logistics and sales 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 sale activities within the Qingdao technological hub.

In the first half of 2016, net sales amounted to CNY 122,101 thousand (€16,741 thousand), compared to CNY 55,053 thousand (€7,931 thousand) for the same period of the previous year. The company closed the first half of the year with a net income of CNY 7,255 thousand (€995 thousand), compared to a net income of CNY 1,328 thousand (€191 thousand) in the first half of 2015.

The workforce numbered 25 at 30 June 2016, five more than at the same date of 2015.

## 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 2016, net sales amounted to €26,510 thousand, compared to €26,565 thousand for the same period of 2015. Net income for the period amounted to €3,835 thousand compared to a net income of €3,453 thousand for the first half of 2015.

The workforce numbered 129 at 30 June 2016, increasing by 9 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 six months of 2016 amounted to €53,114 thousand, compared to €44,550 thousand for the same period of the previous year. At 30 June 2016, net income amounted to €7,713 thousand, compared to €3,882 thousand for the same period of the previous year.

The workforce numbered 305 at 30 June 2016, increasing by 22 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 2016 totalled €1,303 thousand, compared to €814 thousand for the same period of the previous year. The company closed the period with a net income of €128 thousand, whereas in the first half of 2015 it had broken even.

## RESEARCH AND DEVELOPMENT

The principle guiding Brembo's R&D activity is the constant monitoring of developments in transport vehicles and researching the best brake system for the new vehicles of the future.

According to this principle, all individual brake system components (caliper, disc, pad, suspension, control unit) are complementary to one another in optimising the braking function, which is being constantly refined in all its aspects: performance, comfort, endurance, aesthetics and sustainability.

The growing presence of mechatronic products is an area where the skills developed by Brembo with dedicated research activities since 2000 are being applied (Electric Parking Brake and Brake By Wire).

The market is demanding increasingly tight development times. To meet these requirements, Brembo is committing significant resources to perfecting ever more sophisticated virtual simulation methodologies, alongside uniform development processes in Brembo's Technical Centres located in Italy, North America, China and India.

In the first half of 2016, the main R&D activities in the various sectors focused primarily on the following aspects.

With reference to **cast-iron discs**, the Division's R&D departments continued the joint development of a simulation methodology which also includes process parameters that may influence the disc's vibratory capacities (own frequencies). The first half of 2016 saw the successful completion of the verification phase on an extensive number of simulations. These allow Brembo to define those parameters that could improve the brake system's comfort characteristics with far greater accuracy, early in the design phase. Work will continue during the year on completing simulation tests on the entire range of materials and products.

A new technical solution also continued to be developed to significantly reduce problems related to vehicle comfort, with the production of prototypes for an application development currently in the testing stage.

For heavy commercial vehicle cast-iron discs, an application segment of particular interest for Brembo,

work has continued on improving their performance and contacts with potential new customers have been intensified. The study of new geometries has resulted in a significant reduction in mass and an improvement in the disc's cooling and ventilation capacity, with consequent reduction in the braking system's operating temperatures. The new technical solutions have been patented and will be fitted to vehicles which are due to start in production during the year.

Product and process improvement work is progressing for cast-iron discs for car applications. These will be subsequently introduced in normal application developments for the world's leading car manufacturers.

Particular attention is paid to reducing disc weight, which translates into a reduction in fuel consumption and the resultant environmental impact of the car (lower CO<sub>2</sub> emission), a factor that drives the automotive market and all of Brembo's development activities.

The new disc concept has to be seen in this light. Its production is now extending to the entire range of the Mercedes MRA platform, which combines two different materials: cast iron for the braking ring and thin steel laminate for the disc hat, resulting in a guaranteed weight reduction of up to 15%. Particular attention was also paid to disc aesthetics, with a restyling that involved the co-cast disc in particular, and could be extended to the entire product range in the future. The results of this activity have been presented in the most important industry fairs and achieved resounding success.

Research, development and testing of non-conventional solutions is ongoing — a process that has also led to a number of patent applications being filed — for application to the cast-iron discs or the new generation of "light" discs. These activities

include the study of forms, materials, technologies and surface treatments able to meet the needs of the new-generation vehicles, with a particular focus on environmental impact aspects (CO<sub>2</sub> and particulates emission, minimising disc wear).

The development of innovative friction materials, complying with future legislative limits and designed for these types of disc, is also highly important. Brembo can be considered to be the only manufacturer with the in-house expertise for this type of development.

The **motorbike sector** continues to feature research into composite materials suitable for application on motorbike discs for road use. The development of next-generation friction materials, suitable for combining with the new composite materials, is also fundamental.

The functional validation of the new concept of medium-range cylinders has been completed successfully: presentations to customers have been met with considerable interest and an application project is underway. The concept on which the front cylinder is based has also been applied to the rear cylinder, producing a product that is easier to install on the vehicle on the assembly line and reducing the risks of mis-regulation by the user. An application project for this product is also underway with a major customer.

The concept of a combined system for motorbikes, with a rear drum brake and front disc, has been received very positively by the Indian market, also due to the proposed legislation which will make combined systems obligatory in that country on vehicles under 125cc. Indian legislation has, however, been postponed until 2018, enabling a series of tests to be organised with customers that better suit to the project's complexity. A version of a disc/drum actuator for scooters as well is being developed and decisions on any supplies will be taken in the second half of 2016.

Testing is also continuing on a new concept of motorbike brake, which offers potential advantages in terms of weight and performance; this is a system that combines innovative concepts both on the caliper and on the disc. Tests on the conceptual prototypes will continue up to the end of 2016 and any applications on specific vehicles will then be assessed. The patent application has been filed.

In parallel, tests started on a new floating disc concept, featuring both a sole braking ring and a

combined hat/ring configuration. The concept is designed to reduce the onset of vibrations during vehicle life. Patent applications to protect the new concepts applied to the disc are currently being filed.

Finally, development work has started on upgrading Brembo's Indian site, which will be provided with a more modern dynamometer test bench and new climate chamber at the beginning of 2017.

Regarding **racing** world activities, the Carbon/Carbon brake system for racing applications project (F1, Le Mans Prototype 1 LMP1, Indy Racing League IRL and Super-Formula) features three distinct areas of activity:

- the fine tuning of disc production (with very interesting results in terms of disc quality), which continued up to the start of the year, alongside the stabilisation/improvement of Carbon/Carbon pad performance; this area of production technology development and improvement has also seen the introduction into service at the Curno plant, of the first needle punch loom/machine for constructing preforms starting from carbon fibres;
- development of new components (based on the F1 disc) for the other categories as well, as provided for in the 2016 work programmes;
- development of new F1 components for the 2017 season, following the confirmed regulation changes. These will entail an enormous amount of design and testing work for the Business Unit since all F1 components will have to be redesigned and validated, taking account of the fact that they will have to be able to effectively withstand the increases in torque and energy/power planned for next year. For this reason the following are already being developed: new front and rear brake calipers, new discs, new drives and new ventilations, new brake cylinders, new Brake By Wire systems with the introduction of a further innovative system. The racing sector is seeing increasingly massive use of simulation and, for the first time, many systems will be approved with a dual validation process (testing validation and calculation validation).

In fact, some of the Top Teams of F1 and LMP1 require full mechanical calculations for the caliper to be included in the hub-carrier calculation, a full calculation of the CC disc and full CFD (Computational Fluid Dynamics) calculations of the entire system.

Again in the simulation field, “testing” is continuing of new calculation methodologies for the structural part of the disc, for the thermo elastic 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).

These activities complete the development framework for the calculation methodologies started in 2012.

Another important area of work for the start of 2016 was the fine tuning of the first complete Brake By Wire (BBW) system that Brembo has supplied to an F1 team.

In fact, in the 2014/2015 period Brembo developed BBW systems in which the control part of the hydraulic actuation was integrated by the team. On the other hand, for the first time, in the first half of 2016 Brembo’s fully integrated Brake by Wire system was developed, in which brake hydraulic functionality is integrated with the car’s hydraulic control. This project and future planned developments require the final assembly and inspection phase (currently carried out by a well-known American hydraulic aeronautic hydraulic components company with an Italian site in Varese) to be made even more efficient and faster. For this reason a clean room (a room with controlled atmospheric pressure and particle pollution) is to be built in Brembo by the end of 2016.

In the motorbike field, in the MotoGP class, one team, following on from specific development contracts, continue to have exclusive use of a new brake caliper developed by Brembo that contains two ground-breaking concepts that have proved to be particularly interesting and will also be offered to other teams during the coming season.

The year 2016 has brought several regulatory changes in the MotoGP class, the most important of which is the abolition of aluminium-lithium alloys from brake calipers. This regulatory change meant that Brembo had to completely redo all the 2016 systems and the return to the ‘traditional’ material has not been painless, as two development cycles were needed to achieve the same performance as the aluminium-lithium system.

The effort made at the end of 2015 is, however, being repaid and, in fact, no problems were encountered in the first races in 2016.

Finally, it should be remembered that the tyre supplier changed in 2016. A team with an exclusive

relationship is trialling an “instrumented wheel” designed by Brembo, able to obtain the main coefficients describing the tyre’s behaviour using mathematical models. Other teams are requesting these wheels to accelerate development of their respective motorbikes.

Recently, studies have been completed and prototypes of motorbike carbon clutches developed by the associate AP Racing to assess their potential performance. The prototypes have also worked perfectly on a motorbike and so prospects for future developments, including mechatronic, will be explored.

At OE (Original Equipment) development level, mention should be made of the work carried out, again with AP Racing, on road systems dedicated to OE customers with strong sporting features. The work starts with the dimensioning and thermal simulation of the system (in the same ways as with racing cars) and could end with Brembo’s new Carbo-Ceramic disc (CCMR) entering into production.

In fact, Brembo can offer its customers the first CCMR disc developed in 2010/2011 but is also developing, alongside this, a new version, currently being tested.

Regarding Brembo’s collaboration with Universities, existing contracts have been confirmed, including those with the Milan Polytechnic and Padua University, with important objectives in various technical development fields.

In particular, a programme has started to study and simulate carbon densification processes on oxidised preforms. This is the first time that “chemical” simulation has been used within Brembo.

Mention should be made, regarding the Aeronautics Project, that the process to achieve Brembo production certification through the national agency ENAC is proceeding satisfactorily.

This is the second certification (the first one was required for technical development and had been obtained through development of helicopter seats) that Brembo is undergoing with the European (EASA) and Italian (ENAC) agencies that oversee flight safety.

In this context, two projects have been confirmed: one is in full development, with parts to be delivered during the year; the second, after a brief pause requested by the customer, will restart towards the end of the summer. A third project was recently quoted and is currently being assessed by the customer.

Finally, at the beginning of February Brembo took

part in the tender for the European “Clean Sky 2” project for the “development of materials and advanced systems for light vehicle (aircraft and helicopters) brake systems” section, the result of which is not yet known.

With the introduction of high-performance **brake pads**, the range of Brembo's products for series applications extends beyond the more traditional caliper and disc sectors. Thanks to the experience gained in recent years and the ongoing focus on developing materials and process, Brembo Friction is now an established and constantly expanding entity, focused on continuous improvement, in line with the company's philosophy of innovation and technological development. Friction materials for traditional car applications, both combined with cast-iron discs and for use with carbo-ceramic discs, are today used in high-performance products, valued and recognised by the most demanding automotive manufacturers which, in growing numbers, are choosing Brembo pads as OE for their own top-of-the-range vehicles. New copper-free friction materials have been refined by Brembo and are being constantly developed to adapt to the different uses required by customers, demonstrating Brembo Friction's flexibility in supplying products designed specifically for the European market (which is more stringent in performance terms) and the American market (historically more demanding in comfort terms). This sector also sees Research & Development moving forward in continuous synergy with the Group's other departments. For example, this is demonstrated by the identification of new friction materials for electric parking calipers; or non-conventional friction materials for special applications, which require light discs combined with high thermo-mechanical strength. In particular, materials for carbo-ceramic discs with Si-SiC coatings are being developed for series applications for the German market as from 2018. The company trend, focused on refining new systems and materials with an increasingly reduced environmental impact, both in terms of greenhouse gas emissions (especially carbon dioxide) and particulates, has influenced research in the world of friction materials as well.

The goal of using the braking system to help reduce vehicle consumption and resultant CO<sub>2</sub> emissions and particulates is being pursued through the development of new solutions. These include: the use of methodologies to minimise caliper mass without

reducing 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.

The product and process improvement work is ongoing in the same way as the search for solutions to reduce mass, increase performance and improve styling.

The conquest of new market segments is being pursued through the study of new types of brake caliper. An initial type of caliper has been approved as internal concept by Brembo and by a major European customer, whilst the application development is currently underway. A second type of caliper is being studied and concept approval is envisaged for the end of 2017.

In the first half of 2016, small series production started of a caliper produced using thixotropic aluminium alloys (lower casting temperature). The process used by Brembo, for which a patent has already been filed, is named BSSM (Brembo semi-solid metal casting). This technology produces a weight saving, with the same performance, ranging from 5 to 10% and depends on caliper geometry.

In addition, 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.

Mechatronic products, namely various configurations of electric parking brakes, already approved in-house both for cars and commercial vehicles, are being promoted with Brembo's customers. In this area, Brembo has been selected by a major European customer to supply a caliper with integrated electric parking brake for commercial vehicles. Production is scheduled to start in 2018.

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 possibility of using the friction project, thus being able to produce in-house advanced friction materials, is one of the strengths of Brembo 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.

Vehicle evolution can be summarised in a few general trends: electrification, advanced driver assistance systems (ADAS), autonomous driving, low environmental impact, 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.

**Advanced R&D activities** focus on mechatronic systems for the brake systems of vehicles of the future and on developing new structural materials.

Within this context, Brembo is continuing to develop a Brake By Wire system with the aim of hastening the development of individual brake system components and holding on to its lead as a product innovator. Furthermore, additional developments involving intelligent system integration continued, particularly with electric drive systems and the associated next-generation architecture. In an advanced stage of study is also innovative vehicle wheel-side architecture with electric drive motor and integrated, electronically controlled Brake By Wire brakes, presented at the Frankfurt Motor Show in September 2015.

The new virtual and augmented reality technologies are being increasingly applied in simulation and product development activities.

Moreover, also within the advanced R&D activities, Brembo continued to cooperate 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 Rebrake project funded by the European Union under the Marie Curie programme and coordinated by Brembo together with Stockholm's Royal Institute of Technology (KTH) and Trento University is part

of these initiatives. This project represents a major step forward for understanding the phenomena linked to tribology, namely the science that studies the behaviour and wear of friction materials, with a particular focus on the PM10 for which there is a 50% reduction target.

The logical continuation of the Rebrake project is represented by the LowBraSys project, which is also funded by the European Union as part of the Horizon 2020 programme. The project started in the second half of 2015 and will last 36 months, involving a consortium of 10 partners with Brembo in the role of coordinator. The methodologies and products partly developed in the Rebrake project will be applied to certain vehicles in this programme, with the aim of concretely proving their efficacy in terms of particulate emission reduction.

The COBRA project is also ongoing. This was launched in 2014 and funded under the "Life +" European programmes, in collaboration with the partners of Kilometro Rosso, Italcementi and Istituto Mario Negri, and with the consultancy firm PNO Italia. The aim of the project is to develop low environmental impact technology aimed at reducing water and energy consumption in the life cycle of the pad component, by replacing organic origin binders (phenol) with cement binders.

Finally, the early part of 2015 saw the funding of the "LIBRA" project, which aims to develop brake pads that use composite material (typically resin), rather than steel, with the ensuing advantage in terms of lightness.

## INVESTMENTS

In the first half of 2016, Brembo's investment management policy continued to develop along the lines that have been followed until today, therefore aiming to constantly strengthen the Group's presence both in Italy and, above all, internationally.

The most significant investments were concentrated in Italy (19%), North America (46%), Poland (21%) and the Czech Republic (6%).

Investments in Italy were directed primarily at purchases of plant, machinery and equipment to increase the production automation level, as well as €8,000 thousand spent on development costs.

As part of its strategy of consolidation and development at the global level, Brembo continued to invest in North America, its preferred industrial hub for expanding and internationalising the Group on the North American market. Several investment plans are currently being implemented in this area:

- on 28 April 2016, the first casting took place at the cast-iron foundry in Michigan, close to the new Homer facilities, which will allow Brembo to start a vertical integration process of its production capacity in the United States as well. Work started in 2015 and will be completed in 2017. As a result, all production phases will take place in a single site, thus guaranteeing a greater efficiency of the production process. The investment plan, which will reach at the end of the project an overall amount of about €100 million, is being funded through the Group's cash generation and incentives provided by the State of Michigan;
- on 21 October 2015, in Mexico, near Monterrey, the Chairman cut the ribbon of the new plant sitting on over 35 square metres and comprising a new foundry and a plant for the processing and assembly of aluminium calipers, that, once fully operational, will have a production capacity of about two million aluminium calipers per year, destined for the major OEM manufacturers in Europe, Asia, the United States and Mexico. Total investment, to be completed in 2017, amounted to €32 million.

In Eastern Europe, investments aimed at increasing production capacity are still underway in the integrated industrial hubs in Dabrowa Górnicza (Poland) and Ostrava-Hrabová (Czech Republic), devoted respectively to the casting and processing of brake discs for cars and commercial vehicles, and the casting, processing and assembly of brake calipers and other aluminium components. In parallel, an investment plan continued to be implemented, which is to be completed in 2017 and is aimed at building and starting up a new plant in Niepolomice (Poland). The new plant will specialise in the processing of steel disc hats to be assembled onto the light discs manufactured at the Group's plants located in Poland, China and the United States.

Again as part of its international expansion strategy, Brembo will invest about €100 million over the three-year period between 2016 and 2018 to build a new aluminium caliper production complex in Nanjing, China, close to the existing plant. The new production hub, which will occupy an area of about 40 thousand square metres, will have a casting capacity of more than 15 thousand tonnes and a production capacity of more than 2 million pieces a year, including calipers and spindles, and will be cutting-edge in terms of process integration and automation. The products manufactured in the new plant will be destined to leading European, Asian, and American OEM manufacturers with production plants in China.

The Group's total investments undertaken in the first half of 2016 at all operating units amounted to €115,573 thousand, of which €102,232 thousand was invested in property, plant and equipment and €13,341 thousand in intangible assets.

## RISK MANAGEMENT POLICY

Effective risk management is a key factor in maintaining the Group's value over time.

In order to optimise this value, Brembo's Internal Control and Risk Management System (ICRMS) complies with the principles set out in Article 7 of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. as amended in July 2015 (hereafter referred to as "Corporate Governance Code") and, more generally, with national and international best practices.

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

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

The Board of Directors has identified<sup>1</sup> the other main corporate committees/functions relevant for risk management purposes, by defining their respective duties and responsibilities within the ICRMS scope. More specifically:

- the Audit & Risk Committee, tasked with supporting the Board of Directors on internal control and risk management 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 stakeholders to mitigate them;
- the Risk Manager, 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

<sup>1</sup> In this regard, please refer to the Corporate Governance Manual, the Organisation, Management and Control Model, the reference layout for preparing accounting documents, and the guidelines for the Internal Control and Risk Management System (documents published on Brembo's website in the "Investors/Corporate Governance/Principles and Codes" section).

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 Organisation, Management and Control Model (as per Italian Legislative Decree No. 231/2001) and in the reference layout for preparing accounting documents (as per Article 154-*bis* of TUF), to which the reader is referred.

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

The Internal Audit function evaluates the effectiveness and efficiency of the overall Internal Control and Risk Management System on a regular basis and reports the results to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer, the Board of Statutory Auditors, the Audit & Risk 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, it also reports to the Board of Directors.

The first-tier family risks based on the new 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 impacts.

## 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.

## 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. NFPA (National Fire Protection Association) 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 and safety, 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).

## 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.

The occurrence of these facts 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 health, job safety and environmental aspects.

Brembo therefore implements 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 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.

Due to the complexity, lack of clarity and uncertain timetable of the laws and regulations concerning Worker Safety and Environmental Protection, in managing compliance risk in this field, the Group relies on a specific Quality & Environment Department (see operational risks - Environment, Safety and Health

section) to obtain permits and licences and ensure that the related complexities are handled properly.

For information concerning other compliance risks, including those arising as a result of Brembo's listing within Borsa Italiana's STAR Segment, see the Corporate Governance and Ownership Structure Report available on Brembo's website ([www.brembo.com](http://www.brembo.com), section Investors/Corporate Governance/Corporate Governance Reports).

Compliance risk includes the risk that the company may incur administrative liability, which 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 the related 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 effects on the Statement of Income.

### 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 Central Treasury & Credit Department, which, together with the Group's CFO, evaluates all the company's main financial transactions and the related hedging policies.

### Market Risk

#### • Interest Rate Risk Management

Since most of the Group's financial debt is 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 accounting for approximately 15.91% 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 these risks, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly short-term financing denominated in the currency to be hedged. Other hedging instruments used by the company, where advisable, include forward contracts, which are also used to offset differences between receivables and payables. This policy reduces exchange risk exposure.

### Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In the first half of 2016, no specific hedging transactions were undertaken. It should, however, be recalled that contracts in place with major customers include a periodic automatic indexation process linked to raw material price movements.

### Liquidity Risk

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

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

### Credit Risk

Credit risk is the 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 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 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

Organisational changes were introduced in the first half of 2016 to guarantee innovative processes and a sustainable organisational system, and provide a constant balance between the company's three main dimensions (business, functions, geographies) to assure optimum Group management.

As far as the Central Departments are concerned, the new role of Chief Manufacturing Officer has been introduced, in view of the competitive business context in which Brembo operates, the industrial complexity adopted by the Group and the growing need to ensure constant improvement in the efficiency of production processes at global level and to give a fresh boost to innovation in the technology and industrial process field. This role reports directly to the CEO and is responsible for orienting, guiding and controlling the Operations and Optimisation areas, sharing responsibility with the Division/BU Managers for the first area, and with prime sole responsibility for the second. In addition, in view of the challenging organic and non-organic growth objectives set by the company and in keeping with the strategic plans and development activities of the Divisions and Business Units, it has been decided to change the organisational placement of the Business Development & Marketing Department, so that it reports to the Executive Vice President, as well as to extend its current scope through the creation of a Merger & Acquisition area.

Regarding the business areas, in the Motorbike Business Unit the plant manager of the Curno Plant has changed.

As far as Group companies are concerned, in China the organisational structure of the technical area has been revised with the creation of the role of China Technical Centre Manager, who oversees the design, project engineering and testing functions. Again in this area the new role of APAC Aftermarket Director has been created with direct responsibility for all the Aftermarket activities for the Asia-Pacific region and the Qingdao site.

During the first half of 2016, work continued on renewing the training and development provision, so that it is increasingly able to anticipate business requirements.

It is important, in this general context, to report that Brembo's entire organisational front line has been directly involved in a training and development path built around a detailed reflection on leadership and, in particular, on the Enterprise Leadership model that integrates and strengthens the skills profile of Brembo's managers of today and tomorrow.

In addition, the development path for Executives newly appointed or new to the Group is crucial for Brembo's management training in 2016. Now in its XII edition, "Leaders in Action", which started in May, was conceived and designed to offer Brembo managers a high level of strategic, economic-financial, leadership and business planning expertise, making them increasingly able to grasp market challenges and take decisions in constantly changing complex multicultural contexts. The acquisition of skills based on the Enterprise Leadership model complements the training horizons of personnel coming from different countries who, alongside the more traditional lecture-based days, will be offered particularly challenging concrete business projects of major interest for Brembo and to be presented to Top Management in October at the end of the training path.

In terms of "off the shelf" management training, all levels of the Finance courses offered for non specialists are proving to be of beneficial interest. Relationship effectiveness and public communication are similarly proving to be very popular and successful solutions in Brembo's training catalogue. The language school continues to report high participation levels and, for

the first year, has recorded an increase in German language requirements.

Specialist technical training has extended its range of courses with a particular focus, in this first half of the year, on skills in the safety context specific to mechatronics, with differentiated training paths based on roles, professional expertise and responsibilities in the R&D area. Also interesting is the variation on the topic of Catia, the 3D design software, which is being upgraded with new capabilities and related training paths. The R&D Academy, the in-house design school run by Brembo teachers in rotating roles to provide an expert mix of teaching and practical experience, continues to be well-attended and continually upgraded.

In the global training field, particular mention should be made of two interesting projects, the content of which is currently being defined and customised: the two-tier training path for managers which, in Poland first of all, will be attended by new managers who will

learn about staff management techniques and tools, and GPS (ISO dimensional measuring for drawings) which will be delivered to Indian draughtsmen-designers. Both courses will be made available in other Group sites at a later date.

In the Development area, it is worth mentioning the BYR (Brembo Yearly Review) performance management tool and process. This forms the basis for a global Talent Management and Succession Planning process that is increasingly effective, rigorous and founded on objective performance evaluation criteria. At the beginning of 2016, an important process was added to the standard — and by now well-established — development processes for organising technical skills systematically in the manufacturing area, which will constitute the base for mapping coverage in the various plants.

In short, 365 training initiatives were implemented in the first half of 2016 for a total of 201 courses, 25,989 training hours and 2,193 participants.

## ENVIRONMENT, SAFETY AND HEALTH

One of the cornerstones of the environmental sustainability project being developed by Brembo is the measurement and mitigation of its own environmental impact, with particular reference to greenhouse gas emissions (particularly carbon dioxide - CO<sub>2</sub>).

Just as in the previous five years, in 2016 Brembo continued to voluntarily subscribe to the initiative proposed by CDP (Carbon Disclosure Project), an independent non-profit organisation operating at international level to prevent global warming and encourage a sustainable use of natural resources. Several new and important developments have been introduced within this project for the current year.

First of all, after gradually introducing over the years new sites for the monitoring and reporting activity (there were 9 in 2015), this year the activity was extended to all 27 of the Group's production sites. This provided a complete picture not only of CO<sub>2</sub> emissions, but also of the mitigation actions designed to reduce the environmental impact created by the sites during the first half of the year. In fact, more than 20 important projects have been completed, allowing greenhouse gas emissions to be significantly reduced.

Another development for the current year is Brembo's involvement, once again on a voluntary basis, with a new initiative promoted by CDP regarding water resources. In the same way as for greenhouse gas emissions, Brembo has reported annual water consumption and usage for all the Group's sites: mains, industrial and plant cooling water and so forth.

A summary report was prepared for both initiatives, which Brembo sent to CDP at the end of the first half of 2016.

Regarding workplace safety, the first half of 2016 saw a significant reduction in the accident gravity index compared to figures recorded for previous years. The aspect that impacted most on this result is the fall in the number of accidents occurring: the specific indicator that monitors this aspect (frequency index) showed a significant reduction compared to previous

years, having recorded less than one accident for every hundred employees considered.

These results are very likely also due to the actions implemented in 2015 and continued in the current year. In fact, the steps adopted to improve the reaction process after an accident has happened and the sharing of the causes of accidents amongst the Group's various sites are proving to be highly effective. The prompt distribution of this information means that sites can take preventive action to eliminate the causes of accidents or near misses.

Work is currently underway to refine the software that analyses events, identify improvement measures and support sites in:

- guiding the process of analysing the event and identifying the root causes;
- collecting and organising the information into a single database;
- sharing the information collected with all of the Group's facilities;
- interacting directly with the users of the platform if it becomes necessary to obtain additional information or more detailed data concerning a given event.

## 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 Audit & Risk 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 Audit & Risk 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.

Detailed information on the Company's Related Party Transactions is provided in the Explanatory Notes to the condensed Consolidated Six Monthly Financial Report (Note 32). During the reporting period, no atypical or unusual transactions were carried out with Related Parties. Furthermore, commercial transactions with Related Parties, also other than the Group companies, were carried out at fair market conditions. The financing transactions undertaken during the year with Related Parties are also discussed in Note 32 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 21 April 2016 approved the Financial Statements for the financial year ended 31 December 2015, allocating the profit for the year amounting to €103,313 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.8 for each of the outstanding ordinary share, excluding own shares;
- to the reserve pursuant to Article 6(2) of Italian Legislative Decree No. 38/2005, €277 thousand;
- the remaining amount carried forward.

On 28 September 2015, Brembo S.p.A. signed an agreement to acquire a 66% stake in 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 will be owned by the public company Langfang Assets Operations Co. Ltd., controlled by the Municipality of Langfang.

19 May 2016 marked the closing of the acquisition, after the required authorisations had been obtained from the Regulator, the public shareholder, MOFCOM (Ministry of Commerce) and AIC (Administration for Industry and Commerce).

The consideration amounted to CNY 580,060 thousand (approximately €79.6 million).

### Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 21 April 2016 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 1,600,000 that, with the 1,747,000 own shares already held (2.616% of share capital), represent 5.01% of the Company's share capital. The minimum purchase price is €0.52 (fifty-two euro cents) and the maximum purchase price is €60.00 (sixty euro), for a maximum expected outlay of €96,000,000. The authorisation to buy back own shares has a duration of 18 months from the date of the shareholders' resolution.

Brembo has neither bought nor sold own shares during the first half of the year.

## 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 Regulation No. 16191 of 29 October 2007 and amended with Resolution No. 16530 of 25 June 2008), the Brembo Group identified six subsidiaries based in four countries not belonging to the European Union that are of significant importance, as defined under Paragraph 2 of the said 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, demergers, capital increase by way of contributions in kind, acquisitions and disposals.

## SIGNIFICANT EVENTS AFTER 30 JUNE 2016

No significant events occurred after the end of the first half of the year and until 28 July 2016.

## FORESEEABLE EVOLUTION

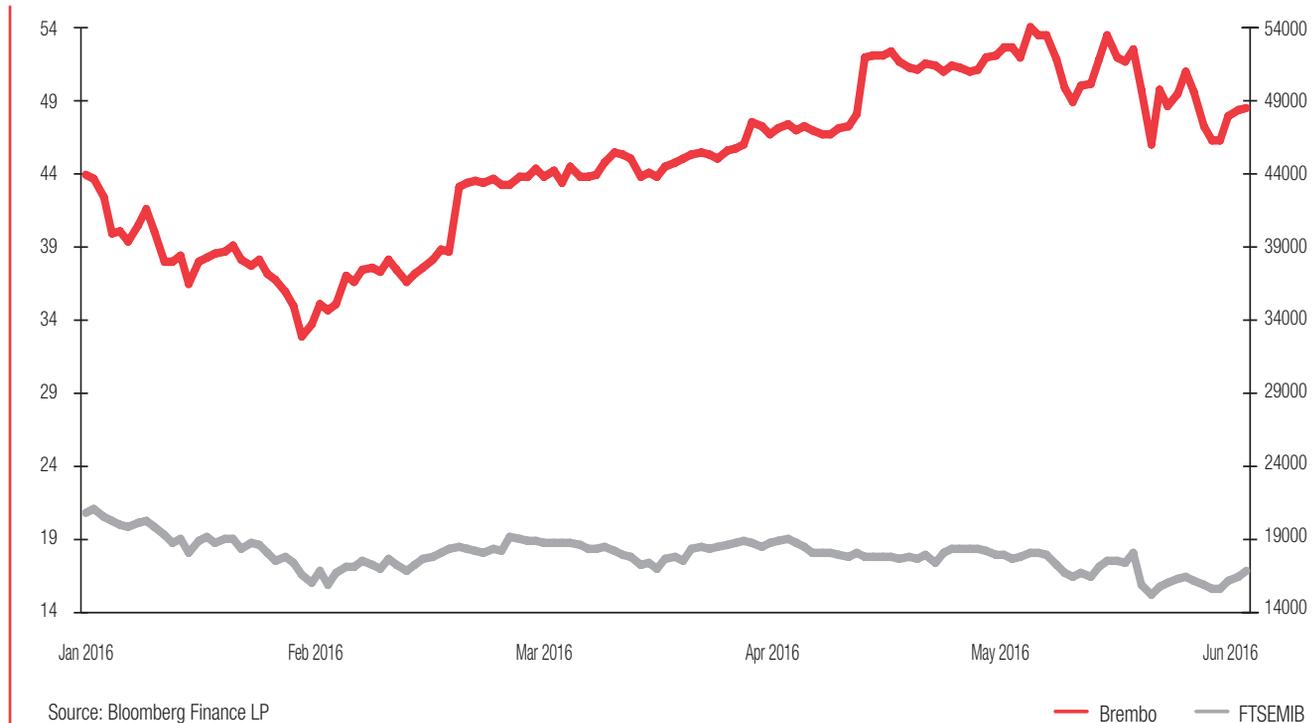
Order book projections confirm a good revenue growth also for the second half of the year and allow us to look towards the coming months with cautious optimism.

Moreover, it should be recalled that in the second half of the year the ramp-up costs relating to the new U.S. and Mexican production facilities will start to be incurred.

*Stezzano, 28 July 2016*

On behalf of the Board of Directors  
The Chairman  
*Alberto Bombassei*

## BREMBO S.P.A. STOCK PERFORMANCE



Brembo stock closed the first half of 2016 at €49.41, with an increase of 12.68% compared to the beginning of the year. The stock recorded a low for the period on 8 February of €32.78 and a high of €53.95 on 7 June.

During the first half of the year, Brembo's stock outperformed all the main reference indexes: the FTSE MIB closed the period down by 21.88%, the Italian index for the STAR segment down by 8.25% and the Euro Stoxx Total Market Value Small down

by 8.64%. Moreover, Brembo's stock also significantly outperformed the BBG EMEA Automobiles Parts, which closed the period down by 10.78%.

In the first half of 2016, stock markets were highly negative due to the news on European banks crisis, which led many investors to reduce their portfolios.

Thereafter, on 30 June the Brembo stock price fell slightly and then recovered, closing on 27 July at a price of €51.20.

An overview of stock performance of Brembo S.p.A. at 30 June 2016 is given in the following table, compared with that at 31 December 2015.

	<b>30.06.2016</b>	<b>31.12.2015</b>
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	66,784,450	66,784,450
Equity (excluding income for the period) (euro)	256,414,212	206,149,731
Net income for the period (euro)	106,434,033	103,312,837
Trading price (euro)		
<i>Minimum</i>	32.780	26.420
<i>Maximum</i>	53.950	44.960
Period end	49.410	44.680
Market capitalisation (euro million)		
<i>Minimum</i>	2,189	1,764
<i>Maximum</i>	3,603	3,003
Period end	3,300	2,984
Gross dividend per share	N/A	0.8 (*)

(\*) Approved during the Shareholders' Meeting of 21 April 2016.

Further information and updates regarding stock performance and recent corporate information are provided on Brembo's website at [www.brembo.com](http://www.brembo.com) – Investors section.

Investor Relator: Matteo Tiraboschi.

A surreal illustration by Fabrizio Spadini. The scene is set in a vast, flat, red desert landscape under a vibrant blue sky with swirling, ethereal clouds. In the foreground, a blue rally car is shown from a front-three-quarter view, driving towards the viewer and kicking up a large cloud of orange-red dust. To the left, a large, dark green, textured structure resembling a giant hand or a piece of fabric extends from the top left corner towards the center. In the background, a prominent red lighthouse with a white lantern room stands on the right. To its left, there are two smaller, slender towers and a small cluster of buildings. The overall style is highly detailed and evocative of Salvador Dalí's Surrealism.

# Condensed Consolidated Six Monthly Financial Report at 30 June 2016

Work inspired by Salvador Dali, Surrealism.  
Illustration by Fabrizio Spadini.



# CONSOLIDATED FINANCIAL STATEMENTS

## AT 30 JUNE 2016

### Consolidated Statement of Financial Position

#### ASSETS

(euro thousand)	Notes	30.06.2016	of which with related parties	31.12.2015	of which with related parties	Change
<b>NON-CURRENT ASSETS</b>						
Property, plant, equipment and other equipment	1	662,615		589,777		72,838
Development costs	2	44,241		40,843		3,398
Goodwill and other indefinite useful life assets	2	92,532		43,946		48,586
Other intangible assets	2	46,706		14,502		32,204
Shareholdings valued using the equity method	3	27,912		24,999		2,913
Other financial assets (including investments in other companies and derivatives)	4	7,665	5,712	11,631	9,710	(3,966)
Receivables and other non-current assets	5	4,586		5,116		(530)
Deferred tax assets	6	56,716		55,552		1,164
<b>TOTAL NON-CURRENT ASSETS</b>		<b>942,973</b>		<b>786,366</b>		<b>156,607</b>
<b>CURRENT ASSETS</b>						
Inventories	7	271,079		247,661		23,418
Trade receivables	8	397,502	4,046	311,217	3,302	86,285
Other receivables and current assets	9	41,214	64	36,386		4,828
Current financial assets and derivatives	10	1,346		814		532
Cash and cash equivalents	11	187,986	9,575	202,104	14,405	(14,118)
<b>TOTAL CURRENT ASSETS</b>		<b>899,127</b>		<b>798,182</b>		<b>100,945</b>
<b>TOTAL ASSETS</b>		<b>1,842,100</b>		<b>1,584,548</b>		<b>257,552</b>

## EQUITY AND LIABILITIES

(euro thousand)	Notes	30.06.2016	of which with related parties	31.12.2015	of which with related parties	Change
<b>GROUP EQUITY</b>						
Share capital	12	34,728		34,728		0
Other reserves	12	148,221		137,250		10,971
Retained earnings/(losses)	12	425,651		325,912		99,739
Net result for the period	12	127,079		183,962		(56,883)
<b>TOTAL GROUP EQUITY</b>		<b>735,679</b>		<b>681,852</b>		<b>53,827</b>
<b>TOTAL MINORITY INTERESTS</b>		<b>20,385</b>		<b>5,695</b>		<b>14,690</b>
<b>TOTAL EQUITY</b>		<b>756,064</b>		<b>687,547</b>		<b>68,517</b>
<b>NON-CURRENT LIABILITIES</b>						
Non-current payables to banks	13	229,469	1,261	211,886	1,796	17,583
Other non-current financial payables and derivatives	13	2,993		3,263		(270)
Other non-current liabilities	14	4,292	1,068	1,026		3,266
Non-current provisions	15	17,294		15,294		2,000
Provisions for employee benefits	16	31,471	5,279	30,334	7,627	1,137
Deferred tax liabilities	6	18,579		13,001		5,578
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>304,098</b>		<b>274,804</b>		<b>29,294</b>
<b>CURRENT LIABILITIES</b>						
Current payables to banks	13	212,645	61,544	147,398	16,878	65,247
Other current financial payables and derivatives	13	3,657		1,059		2,598
Trade payables	17	430,277	13,943	349,941	9,740	80,336
Tax payables	18	21,965		14,052		7,913
Provisions	15	2,315		2,830		(515)
Other current payables	19	111,079	1,964	106,917	11,980	4,162
<b>TOTAL CURRENT LIABILITIES</b>		<b>781,938</b>		<b>622,197</b>		<b>159,741</b>
<b>TOTAL LIABILITIES</b>		<b>1,086,036</b>		<b>897,001</b>		<b>189,035</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,842,100</b>		<b>1,584,548</b>		<b>257,552</b>

## Consolidated Statement of Income

(euro thousand)	Notes	30.06.2016	of which with related parties	30.06.2015	of which with related parties	Change
<b>Sales of goods and services</b>	20	<b>1,146,838</b>	<b>3,386</b>	<b>1,038,902</b>	<b>3,078</b>	<b>107,936</b>
Other revenues and income	21	15,555	1,651	5,552	1,698	10,003
Costs for capitalised internal works	22	8,292		6,114		2,178
Raw materials, consumables and goods	23	(574,293)	(43,783)	(530,382)	(34,961)	(43,911)
Income (expense) from non-financial investments	24	5,887		3,887		2,000
Other operating costs	25	(183,572)	(2,959)	(167,586)	(3,054)	(15,986)
Personnel expenses	26	(192,206)	(2,800)	(181,536)	(2,548)	(10,670)
<b>GROSS OPERATING INCOME</b>		<b>226,501</b>		<b>174,951</b>		<b>51,550</b>
Depreciation, amortisation and impairment losses	27	(53,162)		(53,640)		478
<b>NET OPERATING INCOME</b>		<b>173,339</b>		<b>121,311</b>		<b>52,028</b>
<i>Interest income</i>	28	13,463		44,455		(30,992)
<i>Interest expense</i>	28	(20,810)		(47,927)		27,117
Net interest income (expense)	28	(7,347)	(316)	(3,472)	(290)	(3,875)
Interest income (expense) from investments	29	26		5		21
<b>RESULT BEFORE TAXES</b>		<b>166,018</b>		<b>117,844</b>		<b>48,174</b>
Taxes	30	(38,550)		(27,322)		(11,228)
<b>RESULT BEFORE MINORITY INTERESTS</b>		<b>127,468</b>		<b>90,522</b>		<b>36,946</b>
Minority interests		(389)		(1,553)		1,164
<b>NET RESULT FOR THE PERIOD</b>		<b>127,079</b>		<b>88,969</b>		<b>38,110</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b> (euro)	31	<b>1.95</b>		<b>1.37</b>		

## Consolidated Statement of Comprehensive Income

(euro thousand)	30.06.2016	30.06.2015	Change
<b>RESULT BEFORE MINORITY INTERESTS</b>	<b>127,468</b>	<b>90,522</b>	<b>36,946</b>
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period			
Effect (actuarial income/loss) on defined benefit plans	3	(808)	811
Tax effect	81	96	(15)
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method	0	(4)	4
<b>Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period</b>	<b>84</b>	<b>(716)</b>	<b>800</b>
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period:			
Effect of hedge accounting (cash flow hedge) of derivatives	0	43	(43)
Tax effect	0	(12)	12
Change in translation adjustment reserve	(21,480)	22,876	(44,356)
<b>Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period</b>	<b>(21,480)</b>	<b>22,907</b>	<b>(44,387)</b>
<b>COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>106,072</b>	<b>112,713</b>	<b>(6,641)</b>
<b>Of which attributable to:</b>			
- <i>Minority Interests</i>	215	1,546	(1,331)
- <i>the Group</i>	105,857	111,167	(5,310)

## Consolidated Statement of Cash Flows

(euro thousand)	30.06.2016	30.06.2015
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>111,817</b>	<b>99,347</b>
<b>Result before taxes</b>	<b>166,018</b>	<b>117,844</b>
Depreciation, amortisation/impairment losses	53,162	53,640
Capital gains/losses	(706)	(347)
Income/expense from investments, net of dividends received	(2,913)	3,133
Financial portion of provisions for defined benefits and payables for personnel	386	394
Long-term provisions for employee benefits	398	448
Other provisions net of utilisations	15,681	17,260
<b>Cash flows generated by operating activities</b>	<b>232,026</b>	<b>192,372</b>
Paid current taxes	(37,036)	(34,197)
Uses of long-term provisions for employee benefits	(1,107)	(1,530)
<i>(Increase) reduction in current assets:</i>		
inventories	(25,106)	(39,817)
financial assets	(27)	(479)
trade receivables	(65,457)	(77,484)
receivables from others and other assets	1,544	7,546
<i>Increase (reduction) in current liabilities:</i>		
trade payables	55,800	57,215
payables to others and other liabilities	(14,349)	3,906
Translation differences on current assets	(905)	6,149
<b>Net cash flows from/(for) operating activities</b>	<b>145,383</b>	<b>113,681</b>

(euro thousand)	30.06.2016	30.06.2015
<i>Investments in:</i>		
intangible assets	(13,341)	(9,742)
property, plant and equipment	(102,232)	(54,309)
Price for disposal or reimbursement value of fixed assets	3,068	1,000
Amounts (paid)/received for the acquisition / disposal of subsidiaries, net of the associated cash and cash equivalents	(68,670)	9,080
<b>Net cash flows from/(for) investing activities</b>	<b>(181,175)</b>	<b>(53,971)</b>
Dividends paid in the period	(52,030)	(39,022)
Change in fair value of derivatives	(394)	(708)
Loans and financing granted by banks and other financial institutions in the period	50,000	4,843
Repayment of long-term loans	(36,930)	(69,258)
<b>Net cash flows from/(for) financing activities</b>	<b>(39,354)</b>	<b>(104,145)</b>
<b>Total cash flows</b>	<b>(75,146)</b>	<b>(44,435)</b>
Translation differences on cash and cash equivalents	(7,123)	1,003
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>29,548</b>	<b>55,915</b>

## Consolidated Statement of Changes in Equity

(euro thousand)	Share Capital	Other reserves	Hedging reserve (*)	Retained earnings/(losses)
<b>Balance at 1 January 2015</b>	<b>34,728</b>	<b>109,319</b>	<b>(50)</b>	<b>257,922</b>
Allocation of profit for the previous year		357		76,667
Payment of dividends				
Disposal of Belt & Buckle S.r.o. and Sabelt S.p.A.				1,129
Buy-back of own shares for companies valued using the equity method				(30)
Reclassification (**)		10,997		(10,997)
<i>Components of comprehensive income:</i>				
Effect (actuarial income/loss) on defined benefit plans				(712)
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method				(4)
Effect of hedge accounting (cash flow hedge) of derivatives (*)			31	
Change in translation adjustment reserve		22,883		
Net result for the period				
<b>Balance at 30 June 2015</b>	<b>34,728</b>	<b>143,556</b>	<b>(19)</b>	<b>323,975</b>
<b>Balance at 1 January 2016</b>	<b>34,728</b>	<b>137,250</b>	<b>0</b>	<b>325,912</b>
Allocation of profit for the previous year		277		131,655
Payment of dividends				
Acquisition of Asimco Meilian Braking Systems (Langfang) Co. Ltd.				
Reclassification (**)		32,000		(32,000)
<i>Components of comprehensive income:</i>				
Effect (actuarial income/loss) on defined benefit plans				84
Change in translation adjustment reserve		(21,306)		
Net result for the period				
<b>Balance at 30 June 2016</b>	<b>34,728</b>	<b>148,221</b>	<b>0</b>	<b>425,651</b>

(\*) Hedging reserve net of the related tax effect.

(\*\*) Restricted portion of Own share reserve from retained earnings following the General Shareholders' Meetings authorising the buy-back of own shares.

Net result for the period	Group equity	Result of Minority Interests	Share Capital and reserves of Minority Interests	Equity of Minority Interests	Equity
<b>129,054</b>	<b>530,973</b>	<b>(370)</b>	<b>5,727</b>	<b>5,357</b>	<b>536,330</b>
(77,024)	0	370	(370)	0	0
(52,030)	<b>(52,030)</b>			0	<b>(52,030)</b>
	<b>1,129</b>		(1,503)	<b>(1,503)</b>	<b>(374)</b>
	<b>(30)</b>			0	<b>(30)</b>
	0			0	0
	<b>(712)</b>			0	<b>(712)</b>
	<b>(4)</b>			0	<b>(4)</b>
	<b>31</b>			0	<b>31</b>
	<b>22,883</b>		(7)	<b>(7)</b>	<b>22,876</b>
88,969	<b>88,969</b>	1,553		<b>1,553</b>	<b>90,522</b>
<b>88,969</b>	<b>591,209</b>	<b>1,553</b>	<b>3,847</b>	<b>5,400</b>	<b>596,609</b>
<b>183,962</b>	<b>681,852</b>	<b>1,843</b>	<b>3,852</b>	<b>5,695</b>	<b>687,547</b>
(131,932)	0	(1,843)	1,843	0	0
(52,030)	<b>(52,030)</b>			0	<b>(52,030)</b>
	0		14,475	<b>14,475</b>	<b>14,475</b>
	0			0	0
	<b>84</b>			0	<b>84</b>
	<b>(21,306)</b>		(174)	<b>(174)</b>	<b>(21,480)</b>
127,079	<b>127,079</b>	389		<b>389</b>	<b>127,468</b>
<b>127,079</b>	<b>735,679</b>	<b>389</b>	<b>19,996</b>	<b>20,385</b>	<b>756,064</b>

# CONDENSED CONSOLIDATED SIX MONTHLY FINANCIAL REPORT AT 30 JUNE 2016 – EXPLANATORY NOTES

## Brembo's Activities

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

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

Manufacturing plants are located in Italy, Poland (Czestochowa, Dabrowa Górnicza, Niepolomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), Argentina (Buenos Aires), 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 2016

### Introduction

The Condensed Consolidated Six Monthly Financial Report at 30 June 2016 has been prepared in accordance with Article 154-ter of Legislative Decree No. 58/98 and applicable Consob provisions or 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 2016 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 2015.

The Condensed Consolidated Six Monthly Financial Report comprises the Statement of Financial Position, the Statement of Income, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, and these Explanatory Notes, in accordance with IFRS requirements; it includes the situation of Brembo S.p.A., the Parent, and the companies controlled by Brembo S.p.A. pursuant to IFRS 10 at 30 June 2016.

On 28 July 2016, 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 2015, to which specific reference is made, except for the adoption of the new standards, amendments and interpretations in force since 1 January 2016 illustrated below.

These new standards and amendments, which apply for the first time in 2016, have not had a significant impact on the Group's Condensed Consolidated Six Monthly Financial Report.

### Amendments to IFRS 11 – *Joint arrangements*

Amendments to IFRS 11 require a joint operator which accounts for the acquisition of an interest in a joint arrangement to apply the relevant principles of IFRS 3 concerning business combinations. The amendments also clarify that an interest previously held in a joint arrangement is not subject to re-measurement when an additional interest is acquired in the same joint arrangement. In addition, an exclusion from the scope of IFRS 11 was added to clarify that the amendments do not apply when the parties who share control, including the entity preparing the financial statements, are under the joint control of the same ultimate controlling entity. The amendments must be applied prospectively for the annual periods starting 1 January 2016 or thereafter and their early application is allowed. These amendments have had no impact on the Group since no interests have been acquired in joint arrangements during the period in question.

### Amendments to IAS 16 and IAS 38 – *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle contained in IAS 16 – *Property, Plant and Equipment* and in IAS 38 – *Intangible Assets* whereby revenues reflect a model of economic benefits generated from operating a business (to which the asset belongs) rather than the consumption of economic benefits through the use of the asset. It follows that a revenues-based method cannot be used for the depreciation of property, plant and equipment and could be used only in very limited circumstances for the amortisation of intangible assets. The amendments must be applied prospectively for the annual periods starting 1 January 2016 or thereafter and their early application is allowed. These amendments have had no impact on the Group since it does not use revenues-based methods for the depreciation of its non-current assets.

### Annual improvements to 2012 - 2014 Cycle

These improvements have been effective as of 1 January 2016 and include:

- IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 7 – *Financial Instruments: Disclosures*
- IAS 19 – *Employee Benefits*

### Amendments to IAS 27 – *Equity Method in Separate Financial Statements*

The amendment will allow entities to use the equity method to measure investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS which decide to change to the equity method in their separate financial statements will have to apply the change retrospectively, whilst, in the case of first time adoption of IFRS, the amendment will have to be applied from the date of transition to IFRS. The changes are effective for the annual periods starting on 1 January 2016 or thereafter and their early application is allowed.

**Amendments to IAS 1 – Disclosure Initiative**

Amendments to IAS 1 clarify some of the existing requirements of IAS 1. In detail:

- the materiality requirement in IAS 1;
- the possibility of disaggregating specific items in the statements of profit or loss or other comprehensive income or statement of financial position;
- the flexibility with which the entity presents the notes to the financial statements;
- the share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

These amendments come into force for annual periods starting on 1 January 2016 or thereafter and their early application is allowed. These amendments had no impact on the Group.

The following table shows the other amendments to current accounting standards and interpretations, or specific provisions set forth in the standards and interpretations approved by the IASB, with an indication of which of these had or had not been endorsed by the European Union at the date of preparation of these Condensed Consolidated Six Monthly Financial Report:

Description	Endorsed at the reporting date	Expected date of entry into force
IFRS 9 – <i>Financial Instruments</i>	NO	1 January 2018
IFRS 14 – <i>Regulatory Deferral Accounts</i>	NO	1 January 2016
IFRS 15 – <i>Revenue from Contracts with Customers and Clarifications (issued in April 2016)</i>	NO	1 January 2018
IFRS 16 – <i>Leases</i>	NO	1 January 2019
Amendments to IFRS 10, IFRS 12 and IAS 28: <i>Applying the Consolidation Exception</i> (issued in December 2014)	NO	1 January 2016
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
Amendments to IAS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (issued in January 2016)	NO	1 January 2017
Amendments to IAS 7: <i>Disclosure Initiative</i> (issued in January 2016)	NO	1 January 2017
Amendments to IFRS 2: <i>Classification and Measurement of Share-based Payment Transactions</i> (issued in June 2016)	NO	1 January 2018

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 situations at 30 June 2016 prepared by the Boards of Directors of the respective consolidated subsidiaries.

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, 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. Company 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 account for the capitalisation of development costs, the recoverability of deferred tax assets, impairment of non-financial assets, employee benefits and operating lease commitments. Other estimates relate to provisions for contingencies, inventory obsolescence, useful lives of certain assets and the determination of the fair value of financial instruments, including derivatives.

It should also be noted that certain measurement processes, such as the determination of 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 **Note 34** hereto.

Compared to the first half of 2015, the following corporate transactions were carried out:

- on 28 September 2015, Brembo S.p.A. signed an agreement to acquire a 66% stake in 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 will continue to be owned by the public company Langfang Assets Operation Co. Ltd., controlled by the Municipality of Langfang. 19 May 2016 marked the closing of the acquisition, after the required authorisations had been obtained from the Regulator, the public shareholder, MOFCOM (Ministry of Commerce) and AIC (Administration for Industry and Commerce). The Condensed Consolidated Six Monthly Financial Report incorporates the result of Asimco Meilian Braking Systems (Langfang) Co. Ltd. as from 1 May 2016, the day designated conventionally as the acquisition date for accounting purposes only, as there are no significant movements between this date and the actual acquisition date and accounts are available on that date;
- the new company Brembo (Nanjing) Automobile Components Co. Ltd., with registered office in Nanjing, was formed on 8 April 2016. When fully operational, the company, which is wholly owned by Brembo S.p.A., will be responsible for casting, processing and assembling brake systems for cars and commercial vehicles.

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	Average at		Average at	
	30.06.2016	June 2016	30.06.2015	June 2015
U.S. Dollar	1.110200	1.115524	1.118900	1.115846
Japanese Yen	114.050000	124.501482	137.010000	134.164682
Swedish Krona	9.424200	9.301521	9.215000	9.342156
Polish Zloty	4.436200	4.368603	4.191100	4.139666
Czech Koruna	27.131000	27.039439	27.253000	27.504127
Mexican Peso	20.634700	20.159948	17.533200	16.886100
Pound Sterling	0.826500	0.778492	0.711400	0.732345
Brazil Real	3.589800	4.134917	3.469900	3.307643
Indian Rupee	74.960300	74.977623	71.187300	70.122366
Argentine Peso	16.580200	15.989620	10.165300	9.838874
Chinese Renminbi	7.375500	7.293654	6.936600	6.941100
Russian Rouble	71.520000	78.412222	62.355000	64.602375

## Financial Risk Management

The Brembo Group is exposed to market, commodity, liquidity and credit risk, all of which are tied to the use of financial instruments. For a description of each type of risk, the reader is referred to the Consolidated Financial Statements for the year ended 31 December 2015, 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)	30.06.2016			31.12.2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets (liabilities) measured at fair value</b>						
Forward contracts denominated in foreign currency	0	(32)	0	0	0	0
Interest rate swaps	0	0	0	0	0	0
Embedded derivative	0	0	1,290	0	0	864
<b>Total financial assets (liabilities) measured at fair value</b>	<b>0</b>	<b>(32)</b>	<b>1,290</b>	<b>0</b>	<b>0</b>	<b>864</b>
<b>Assets (liabilities) for which fair value is indicated</b>						
Current and non-current payables to banks	0	(278,865)	0	0	(256,898)	0
Other current and non-current financial liabilities	0	(4,001)	0	0	(4,307)	0
<b>Total assets (liabilities) for which fair value is indicated</b>	<b>0</b>	<b>(282,866)</b>	<b>0</b>	<b>0</b>	<b>(261,205)</b>	<b>0</b>

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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
<b>Available-for-sale financial assets</b>	<b>307</b>	<b>307</b>	<b>307</b>	<b>307</b>
<b>Loans, receivables and financial liabilities valued at amortised costs:</b>				
Current and non-current financial assets (excluding derivatives)	7,414	11,274	7,414	11,274
Trade receivables	397,502	311,217	397,502	311,217
Loans and receivables	35,463	32,931	35,463	32,931
Cash and cash equivalents	187,986	202,104	187,986	202,104
Current and non-current payables to banks	(442,114)	(359,284)	(453,642)	(367,385)
Other current and non-current financial liabilities	(6,618)	(4,322)	(6,618)	(4,322)
Trade payables	(430,277)	(349,941)	(430,277)	(349,941)
Other current payables	(111,079)	(106,917)	(111,079)	(106,917)
Other non-current liabilities	(4,292)	(1,026)	(4,292)	(1,026)
<b>Derivatives</b>	<b>1,258</b>	<b>864</b>	<b>1,258</b>	<b>864</b>
<b>Total</b>	<b>(364,450)</b>	<b>(262,793)</b>	<b>(375,978)</b>	<b>(270,894)</b>

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.

# ANALYSIS OF EACH ITEM

## STATEMENT OF FINANCIAL POSITION

### 1. 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	24,538	203,315	776,023	186,126	36,019	28,270	<b>1,254,291</b>
Accumulated depreciation	0	(62,595)	(468,418)	(152,207)	(28,854)	0	<b>(712,074)</b>
Write-down provision	0	(155)	(1,594)	(8)	0	(483)	<b>(2,240)</b>
<b>Balance at 1 January 2015</b>	<b>24,538</b>	<b>140,565</b>	<b>306,011</b>	<b>33,911</b>	<b>7,165</b>	<b>27,787</b>	<b>539,977</b>
<b>Changes:</b>							
Translation differences	88	3,225	10,735	929	262	875	<b>16,114</b>
Change in consolidation area	(559)	(2,035)	(1,001)	(965)	(69)	(150)	<b>(4,779)</b>
Reclassification	0	1,431	12,763	1,011	(240)	(15,045)	<b>(80)</b>
Acquisitions	222	863	15,132	4,008	1,171	32,913	<b>54,309</b>
Disposals	0	0	(379)	(97)	0	0	<b>(476)</b>
Other	0	0	(655)	0	0	0	<b>(655)</b>
Depreciation	0	(4,952)	(33,393)	(5,572)	(1,174)	0	<b>(45,091)</b>
Impairment losses	0	0	(140)	1	0	0	<b>(139)</b>
<b>Total changes</b>	<b>(249)</b>	<b>(1,468)</b>	<b>3,062</b>	<b>(685)</b>	<b>(50)</b>	<b>18,593</b>	<b>19,203</b>
Historical cost	24,289	206,698	813,971	188,804	36,964	46,872	<b>1,317,598</b>
Accumulated depreciation	0	(67,443)	(503,029)	(155,578)	(29,849)	0	<b>(755,899)</b>
Write-down provision	0	(158)	(1,869)	0	0	(492)	<b>(2,519)</b>
<b>Balance at 30 June 2015</b>	<b>24,289</b>	<b>139,097</b>	<b>309,073</b>	<b>33,226</b>	<b>7,115</b>	<b>46,380</b>	<b>559,180</b>
Historical cost	24,366	208,500	819,455	194,266	37,030	87,160	<b>1,370,777</b>
Accumulated depreciation	0	(71,568)	(513,217)	(160,233)	(30,229)	0	<b>(775,247)</b>
Write-down provision	0	(2,500)	(2,769)	0	0	(484)	<b>(5,753)</b>
<b>Balance at 1 January 2016</b>	<b>24,366</b>	<b>134,432</b>	<b>303,469</b>	<b>34,033</b>	<b>6,801</b>	<b>86,676</b>	<b>589,777</b>
<b>Changes:</b>							
Translation differences	37	(3,128)	(5,753)	(456)	(34)	(2,119)	<b>(11,453)</b>
Change in consolidation area	0	11,294	16,834	360	544	225	<b>29,257</b>
Reclassification	0	(74)	27,458	(5,138)	1,520	(23,605)	<b>161</b>
Acquisitions	1	721	26,180	4,378	729	70,223	<b>102,232</b>
Disposals	(235)	(49)	(1,855)	(199)	(10)	0	<b>(2,348)</b>
Depreciation	0	(5,009)	(32,493)	(5,971)	(1,372)	0	<b>(44,845)</b>
Impairment losses	0	0	(163)	(3)	0	0	<b>(166)</b>
<b>Total changes</b>	<b>(197)</b>	<b>3,755</b>	<b>30,208</b>	<b>(7,029)</b>	<b>1,377</b>	<b>44,724</b>	<b>72,838</b>
Historical cost	24,169	218,251	878,603	185,245	42,086	131,865	<b>1,480,219</b>
Accumulated depreciation	0	(76,751)	(542,428)	(158,241)	(33,908)	0	<b>(811,328)</b>
Write-down provision	0	(3,313)	(2,498)	0	0	(465)	<b>(6,276)</b>
<b>Balance at 30 June 2016</b>	<b>24,169</b>	<b>138,187</b>	<b>333,677</b>	<b>27,004</b>	<b>8,178</b>	<b>131,400</b>	<b>662,615</b>

During the first half of 2016, investments in property, plant and equipment amounted to €102,232 thousand, including €70,223 thousand on assets in course of construction. As already noted in the Directors' Report on Operations, the Group continued its international development programme. This involved significant investments in production plants, machinery and equipment in North America, Poland, the Czech Republic, as well as in Italy.

The change in the consolidation area amounted to €29,257 thousand and referred to the inclusion of Asimco Meilian Braking Systems (Langfang) Co. Ltd into the consolidation scope of the Group.

Net disposals amounted to €2,348 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 2016 amounted to €44,845 thousand (€45,091 thousand at 30 June 2015).

**Note 13** provides information on the Group's financial commitment with respect to assets purchased under finance leases.

## 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	Intangible assets with indefinite useful lives	Sub-total	Industrial patents and similar rights	Other intangible assets	Total other intangible assets	Total
	A	B	A+B	C	D	C+D		
Historical cost	115,238	62,154	1,033	63,187	31,217	72,492	103,709	282,134
Accumulated amortisation	(70,678)	0	0	0	(27,076)	(61,465)	(88,541)	(159,219)
Write-down provision	(855)	(22,395)	(3)	(22,398)	(504)	0	(504)	(23,757)
<b>Balance at 1 January 2015</b>	<b>43,705</b>	<b>39,759</b>	<b>1,030</b>	<b>40,789</b>	<b>3,637</b>	<b>11,027</b>	<b>14,664</b>	<b>99,158</b>
<b>Changes:</b>								
Translation differences	96	3,281	0	3,281	6	191	197	3,574
Change in consolidation area	(4,260)	0	0	0	(531)	(2)	(533)	(4,793)
Reclassification	0	0	0	0	9	(53)	(44)	(44)
Acquisitions	6,264	0	0	0	275	3,203	3,478	9,742
Disposals	(177)	0	0	0	0	0	0	(177)
Amortisation	(5,146)	0	0	0	(678)	(2,325)	(3,003)	(8,149)
Impairment losses	(261)	0	0	0	0	0	0	(261)
<b>Total changes</b>	<b>(3,484)</b>	<b>3,281</b>	<b>0</b>	<b>3,281</b>	<b>(919)</b>	<b>1,014</b>	<b>95</b>	<b>(108)</b>
Historical cost	114,236	57,610	1,033	58,643	29,171	75,889	105,060	277,939
Accumulated amortisation	(73,627)	0	0	0	(25,949)	(63,848)	(89,797)	(163,424)
Write-down provision	(388)	(14,570)	(3)	(14,573)	(504)	0	(504)	(15,465)
<b>Balance at 30 June 2015</b>	<b>40,221</b>	<b>43,040</b>	<b>1,030</b>	<b>44,070</b>	<b>2,718</b>	<b>12,041</b>	<b>14,759</b>	<b>99,050</b>
Historical cost	119,162	57,038	1,033	58,071	29,849	71,964	101,813	279,046
Accumulated amortisation	(77,931)	0	0	0	(26,439)	(60,368)	(86,807)	(164,738)
Write-down provision	(388)	(14,122)	(3)	(14,125)	(504)	0	(504)	(15,017)
<b>Balance at 1 January 2016</b>	<b>40,843</b>	<b>42,916</b>	<b>1,030</b>	<b>43,946</b>	<b>2,906</b>	<b>11,596</b>	<b>14,502</b>	<b>99,291</b>
<b>Changes:</b>								
Translation differences	(23)	(2,940)	0	(2,940)	(9)	(419)	(428)	(3,391)
Change in consolidation area	0	51,526	0	51,526	0	30,869	30,869	82,395
Reclassification	0	0	0	0	49	(41)	8	8
Acquisitions	8,292	0	0	0	945	4,104	5,049	13,341
Disposals	0	0	0	0	(6)	(8)	(14)	(14)
Amortisation	(4,834)	0	0	0	(514)	(2,766)	(3,280)	(8,114)
Impairment losses	(37)	0	0	0	0	0	0	(37)
<b>Total changes</b>	<b>3,398</b>	<b>48,586</b>	<b>0</b>	<b>48,586</b>	<b>465</b>	<b>31,739</b>	<b>32,204</b>	<b>84,188</b>
Historical cost	127,380	104,043	1,033	105,076	30,755	106,763	137,518	369,974
Accumulated amortisation	(82,751)	0	0	0	(26,881)	(63,428)	(90,309)	(173,060)
Write-down provision	(388)	(12,541)	(3)	(12,544)	(503)	0	(503)	(13,435)
<b>Balance at 30 June 2016</b>	<b>44,241</b>	<b>91,502</b>	<b>1,030</b>	<b>92,532</b>	<b>3,371</b>	<b>43,335</b>	<b>46,706</b>	<b>183,479</b>

## Development costs

The item “Development costs” includes internal and external costs for development, for a gross historical cost of €127,380 thousand. During the reporting period, this item changed due to higher costs incurred for works begun in the first half of 2016, for orders received both during the half-year period and in previous periods, for which additional development costs were incurred for €8,292 thousand; amortisation of €4,834 thousand was recognised for development costs associated with products that have already entered into mass production.

The gross amount includes development activities for projects underway totalling €18,847 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 €8,292 thousand (€6,114 thousand in the first half of 2015).

Impairment losses totalled €37 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, consistently 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)	30.06.2016	31.12.2015
<b>Discs – Systems and Motorbikes:</b>		
Brembo North America Inc. (Hayes Lemmerz)	15,375	15,678
Brembo México S.A. de C.V. (Hayes Lemmerz)	936	954
Brembo Nanjing Brake Systems Co. Ltd.	949	991
Brembo Brake India Pvt. Ltd.	8,784	9,143
Asimco Meilian Braking Systems (Langfang) Co. Ltd.	50,893	0
<b>After Market – Performance Group:</b>		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	12,559	14,144
<b>Total</b>	<b>91,502</b>	<b>42,916</b>

The change compared to 31 December 2015 was mainly attributable both to the consideration paid for acquiring the 66% stake in Asimco Meilian Braking Systems (Langfang) Co. Ltd. and recognised under goodwill, and to the change in consolidation differences.

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

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

Impairment tests are conducted on the values of recognised goodwill in the presence of impairment indicators when preparing the Condensed Consolidated Six Monthly Financial Report. 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, after updating the estimate of WACC to 6.7% (6.9% in 2015).

Considering these elements, an impairment test was only performed on the net assets of the subsidiary Brembo do Brasil Ltda., although no goodwill had been allocated to the company, without identifying the need for any further impairment.

With regard to possible future effects of the Brexit referendum held in the United Kingdom, given the current uncertainty as to how the United Kingdom is to leave the European Union (which will be subject to specific negotiations, expected to occur over a period of two years), Brembo has assessed the situation and verified that the effects will probably be very modest, one reason for which is that most exports to the United Kingdom are transacted in euros and dollars and the subsidiary operating in England generates approximately 75% of its turnover on exports. Nonetheless, the possible impact on the Group, including as regards impairment indicators, will be monitored in coming periods, taking account of any new information in this area that may be brought to light.

#### Intangible assets with indefinite useful lives

The item amounted to €1,030 thousand and consists of the trademark Villar, owned by the subsidiary Corporación Upwards '98 S.A. For information concerning impairment testing methods, the reader is referred to the above section relating to goodwill.

#### Other intangible assets

Acquisitions of "Other intangible assets" totalled €5,049 thousand and refer for €945 thousand to the purchase of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting period associated with the gradual implementation and development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group.

The change in the consolidation scope associated with the inclusion of Asimco Meilian Braking Systems (Langfang) Co. Ltd. amounted to €30,869 thousand and refers to the portion of consideration allocated to Customer Relationship (€23,740 thousand), the value of Brand and Technology (€1,906 thousand) and the right to use the land (€5,049 thousand).

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

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

(euro thousand)	31.12.2015	Write-ups/ Write-downs	Dividends	30.06.2016
Gruppo Brembo SGL Carbon Ceramic Brakes	24,650	5,887	(3,000)	27,537
Petroceramics S.r.l.	349	26	0	375
<b>Total</b>	<b>24,999</b>	<b>5,913</b>	<b>(3,000)</b>	<b>27,912</b>

It should be noted that the impact on the Statement of Income of shareholdings valued using the equity method regards 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 €5,887 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)	30.06.2016	31.12.2015
Shareholdings in other companies	307	307
Receivables from associates	5,712	9,710
Derivatives	422	417
Other	1,224	1,197
<b>Total</b>	<b>7,665</b>	<b>11,631</b>

The item "Shareholdings in other companies" includes the 10% interest in International Sport Automobile S.a.r.l., the 2.8% interest in E-novia S.r.l. and 1.20% interest in Fuji Co.

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 reduced to €5,712 thousand following the settlement agreement reached in June with the majority shareholder, Innova Tecnologie S.r.l. in liquidazione, Impresa Fratelli Rota Nodari S.p.A. and Innova Tecnologie S.r.l. in liquidazione.

In extremely short form, this agreement, approved by the Related Party Transactions Committee, provides for (i) the waiver by Brembo of a portion of the receivable for repayment of the loan (€3,203 thousand of principal and €266 thousand of interest); (ii) the calculation of interest for the first half of 2016 at the legal rate, i.e., €22 thousand; (iii) the payment by Innova Tecnologie S.r.l. in liquidazione to Brembo of an initial instalment of the residual receivable (€600 thousand) in June 2016 (€550 thousand) and at the end of September 2016 (€50 thousand); (iv) the payment of the residual share of that receivable following the sale to third parties of the property owned by Innova Tecnologie S.r.l. in liquidazione in proportion to the company's net assets upon the completion of the liquidation procedure, without prejudice to the majority shareholder's liability for any deficit, up to a maximum amount already agreed upon between the parties; and (v) the immediate waiver by Innova Tecnologie S.r.l. in liquidazione and Impresa Fratelli Rota Nodari S.p.A. (against the return of a performance guarantee previously issued to Brembo) of all claims against Brembo.

Although including the receivable among "Non-current assets", it is 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)	30.06.2016	31.12.2015
Receivables from others	4,461	4,857
Income tax receivables	91	226
Non-income tax receivables	34	33
<b>Total</b>	<b>4,586</b>	<b>5,116</b>

The item "Receivables from others" mainly includes the amount related to contributions towards a client for the

acquisition of a ten-year exclusive supply arrangement released to the Statement of Income in accordance with the supply schedule for the client, which began in late 2014.

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 2016 is broken down as follows:

(euro thousand)	30.06.2016	31.12.2015
Deferred tax assets	56,716	55,552
Deferred tax liabilities	(18,579)	(13,001)
<b>Total</b>	<b>38,137</b>	<b>42,551</b>

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, tax loss carryforwards and other consolidation adjustments.

Movements for the period are reported in the following table:

(euro thousand)	30.06.2016	30.06.2015
<b>Balance at beginning of period</b>	<b>42,551</b>	<b>41,028</b>
Change in consolidation area	(6,995)	293
Deferred tax liabilities generated	(2,511)	(67)
Deferred tax assets generated	15,474	12,055
Use of deferred tax assets and liabilities	(9,363)	(8,186)
Exchange rate fluctuations	(1,100)	374
Other movements	81	83
<b>Balance at end of period</b>	<b>38,137</b>	<b>45,580</b>

The measurement of deferred tax assets was made by assessing the existence of the pre-requisites for future recovery based on updated strategic plans. In detail, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. resides in a "special economic zone" and is entitled to deduct 50% of its investments from any current taxes owed through 2026. At 30 June 2016, the company used all the existent credit as of 31 December 2015, in addition to the credit accrued during the first half of 2016.

Brembo Czech S.r.o. has two tax incentive plans, one of CZK 368 million (expiring in 2018) and another of CZK 133.7 million (expiring in 2021), on which the company recognised deferred tax assets of CZK 349.2 million. At 30 June 2016, the unrecognised potential future tax benefit amounted to CZK 152.5 million, inasmuch as there is no certain evidence, according to current forecasts, that such benefit may be used before it expires.

In addition, it should be noted that:

- unrecognised deferred tax assets of Brembo do Brasil Ltda., calculated on prior years' tax losses and tax losses for the period (BRL 84.36 million), amounted to BRL 28.68 million;
- unrecognised deferred tax assets of Brembo Argentina Ltda., calculated on prior years' tax losses and tax losses for the period (ARS 42.43 million), amounted to ARS 14.85 million;

- at 30 June 2016, no deferred tax liabilities were recognised for taxes on undistributed profits of subsidiaries, associates or joint ventures, as currently the Group does not deem that such profits will be distributed in the foreseeable future, with the exception of €1,370 thousand accounted for in deferred tax liabilities.

## 7. Inventories

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

(euro thousand)	30.06.2016	31.12.2015
Raw materials	111,901	98,906
Work in progress	59,189	48,549
Finished products	83,613	82,413
Goods in transit	16,376	17,793
<b>Total</b>	<b>271,079</b>	<b>247,661</b>

The change was attributable for €6,461 thousand to the inclusion of Asimco Meilian Braking Systems (Langfang) Co. Ltd. into the consolidation scope.

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

(euro thousand)	31.12.2015	Provisions	Use/ Release	Exchange rate fluctuations	Change in consolidation area	30.06.2016
Inventory write-down provision	35,615	11,345	(2,395)	(801)	36	43,800

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 2016, the balance of trade receivables compared to the balance at the end of the previous year was as follows:

(euro thousand)	30.06.2016	31.12.2015
Trade receivables	395,349	309,059
Receivables from associates and joint ventures	2,153	2,158
<b>Total</b>	<b>397,502</b>	<b>311,217</b>

Trade receivables grew due to the increase in sales volumes, in addition to the change in the consolidation area (€20,348 thousand).

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 past year.

Trade receivables are recognised net of the provision for bad debts, which amounted to €5,630 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2015	Provisions	Use/ Release	Exchange rate fluctuations	30.06.2016
Provision for bad debts	6,110	641	(1,070)	(51)	5,630

## 9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2016	31.12.2015
Income tax receivables	10,246	8,345
Non-income tax receivables	18,307	16,862
Other receivables	12,661	11,179
<b>Total</b>	<b>41,214</b>	<b>36,386</b>

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 €4,951 thousand.

The item "Non-income tax receivables" primarily includes VAT receivables and a receivable for which a refund has been requested in connection with previous years.

## 10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2016	31.12.2015
Derivatives	868	447
Security deposits	477	365
Other receivables	1	2
<b>Total</b>	<b>1,346</b>	<b>814</b>

## 11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	30.06.2016	31.12.2015
Bank and postal accounts	187,839	201,980
Cash-in-hand and cash equivalents	147	124
<b>Total cash and cash equivalents</b>	<b>187,986</b>	<b>202,104</b>
Payables to banks: overdrafts and foreign currency advances	(158,438)	(90,287)
<b>Cash and cash equivalents from the Statement of Cash Flows</b>	<b>29,548</b>	<b>111,817</b>

The amounts shown can be readily converted into cash and the risk of change in value is not considered material. It is deemed that the book value of cash and cash equivalents approximates the fair value at the reporting date.

The change in the item refer for €68,670 thousand to the consideration paid for acquiring Asimco Meilian Braking Systems (Langfang) Co. Ltd., net of the latter's net financial position.

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the half year totalled €4,107 thousand (€6,005 thousand at 30 June 2015).

## 12. Equity

Group consolidated equity at 30 June 2016 increased by €53,827 thousand compared to 31 December 2015. Movements are given in the relevant statement within the Condensed Consolidated Six Monthly Financial Report.

### Share Capital

The subscribed share capital is fully paid up and amounted to €34,728 thousand at 30 June 2016. It is divided into 66,784,450 ordinary shares with a nominal value of €0.52 each.

The table below shows the composition of the share capital and the number of shares outstanding at 31 December 2015 and 30 June 2016:

(No. of shares)	30.06.2016	31.12.2015
Ordinary shares issued	66,784,450	66,784,450
Own shares	(1,747,000)	(1,747,000)
<b>Total shares outstanding</b>	<b>65,037,450</b>	<b>65,037,450</b>

As part of Brembo's buy-back plan, the company neither purchased nor sold own shares in the first half of 2016.

### Other Reserves and Retained Earnings/(Losses)

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 21 April 2016 approved the Financial Statements for the financial year ended 31 December 2015, allocating the profit for the year amounting to €103,313 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.8 for each of the outstanding ordinary share, excluding own shares;
- to the reserve pursuant to Article 6(2) of Italian Legislative Decree No. 38/2005, €277 thousand;
- the remaining amount carried forward.

### Share Capital and Reserves of Minority Interests

This item rose by €14,475 thousand due to minority interests (equal to 34%) in the newly acquired company Asimco Meilian Braking Systems (Langfang) Co. Ltd.

### 13. Financial Debt and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2016			31.12.2015		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
<b>Payables to banks:</b>						
- overdrafts and advances	158,438	0	158,438	90,287	0	90,287
- loans	54,207	229,469	283,676	57,111	211,886	268,997
<b>Total</b>	<b>212,645</b>	<b>229,469</b>	<b>442,114</b>	<b>147,398</b>	<b>211,886</b>	<b>359,284</b>
Payables to other financial institutions	3,625	2,993	6,618	1,059	3,263	4,322
Derivatives	32	0	32	0	0	0
<b>Total</b>	<b>3,657</b>	<b>2,993</b>	<b>6,650</b>	<b>1,059</b>	<b>3,263</b>	<b>4,322</b>

The following table provides details on loans and amounts due to other financial institutions:

(euro thousand)	Original amount	Amount at 31.12.2015	Amount at 30.06.2016	Portion due		
				within one year	between 1 and 5 years	after 5 years
<b>Payables to banks:</b>						
BNL loan (€50 million)	50,000	(150)	49,927	14,280	35,647	0
UBI loan (€25 million)	25,000	5,019	2,509	2,509	0	0
Banca Popolare di Sondrio loan (€25 million)	25,000	9,367	6,246	6,246	0	0
UBI loan (€30 million)	30,000	9,355	5,617	5,617	0	0
EIB R&D loan (€55 million)	55,000	40,686	36,622	8,131	28,491	0
Mediobanca loan (€130 million)	130,000	129,537	129,589	(101)	129,690	0
Unicredit NY loan (USD 40.3 million)	37,101	36,989	30,241	12,128	18,113	0
Citibank Shanghai loan (CNY 200 million)	22,727	2,574	0	0	0	0
Bank Handlowy loan (€40 million)	40,000	4,444	0	0	0	0
EIB loan (€30 million, New Foundry Project)	30,000	22,862	20,959	3,811	15,243	1,905
BNP CAPEX LINE (CNY 50 million)	5,902	4,862	0	0	0	0
Citibank Brazil loan (BRL 5 million)	1,946	1,161	0	0	0	0
Santander loan (BRL 15 million)	4,657	2,291	1,966	1,586	380	0
<b>Total payables to banks</b>	<b>457,333</b>	<b>268,997</b>	<b>283,676</b>	<b>54,207</b>	<b>227,564</b>	<b>1,905</b>
<b>Payables to other financial institutions:</b>						
Production Activity Ministry Law 46/82 (CCM Project)	2,371	296	305	305	0	0
Finlombarda MIUR loan	275	229	198	64	134	0
MIUR BBW loan	2,443	1,565	1,595	334	1,261	0
Ministerio Industria España	3,237	2,070	1,859	263	1,052	544
Renault Argentina S.A. loan	797	147	44	44	0	0
FINAME Brembo Do Brasil Ltda. loan	433	9	0	0	0	0
Langfang State-owned assets management company loan	7,558	0	2,612	2,612	0	0
Payables for leases	20	6	5	3	2	0
<b>Total payables to other financial institutions</b>	<b>17,134</b>	<b>4,322</b>	<b>6,618</b>	<b>3,625</b>	<b>2,449</b>	<b>544</b>
<b>TOTAL</b>	<b>474,467</b>	<b>273,319</b>	<b>290,294</b>	<b>57,832</b>	<b>230,013</b>	<b>2,449</b>

In the first half of 2016, Brembo S.p.A. used in full the loan granted in 2014 by BNL amounting to €50 million. Following acquisition of the interest in Asimco Meilian Braking Systems Co. Ltd., a loan from other lenders in CNY was included in the consolidation area (equivalent value at 30 June 2016 amounting to €2.6 million).

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 2016, there was no financial debt secured by collateral.

The following table provides a breakdown of the Group's debt from financial leases. Instalments are given by principal and interest due.

(euro thousand)	30.06.2016			31.12.2015		
	Instalment	Interest	Principal	Instalment	Interest	Principal
Within 1 year	3	0	3	3	0	3
Between 1 and 5 years	2	0	2	3	0	3
Beyond 5 years	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>6</b>	<b>0</b>	<b>6</b>

The Group has outstanding commercial lease agreements for several of its production facilities and its headquarters. The company has concluded that all significant risks and rewards typical of the ownership of the assets have not been transferred to the Group on the basis of the contractual terms and conditions (for example, the contractual terms do not cover most of the economic life of the commercial property, or the present value of the minimum lease payments does not essentially correspond to the fair value of the asset). It follows that such contracts have been accounted for as operating leases.

The following table provides a breakdown of operating lease instalments:

(euro thousand)	30.06.2016	31.12.2015
Within 1 year	23,554	21,727
Between 1 and 5 years	73,852	75,423
Beyond 5 years	88,404	107,977
<b>Total</b>	<b>185,810</b>	<b>205,127</b>

The following table shows the structure of debt towards other lenders and loans, broken down by annual interest rate and currency at 30 June 2016:

(euro thousand)	30.06.2016			31.12.2015		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	68,752	186,674	255,426	68,929	156,351	225,280
US Dollar	0	30,241	30,241	0	36,989	36,989
Chinese Renminbi	2,612	0	2,612	0	7,436	7,436
Argentine Peso	44	0	44	147	0	147
Japanese Yen	5	0	5	6	0	6
Brazil Real	0	1,966	1,966	1,170	2,291	3,461
<b>Total</b>	<b>71,413</b>	<b>218,881</b>	<b>290,294</b>	<b>70,252</b>	<b>203,067</b>	<b>273,319</b>

The average variable rate applicable to the Group's debt is 1.44% and the average fixed rate is 1.53%.

### Net Financial Position

The following table shows the reconciliation of the net financial position at 30 June 2016 (€259,432 thousand), and at 31 December 2015, amounting to €160,688 thousand based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

(euro thousand)	30.06.2016	31.12.2015
A Cash	147	124
B Other cash equivalents	187,839	201,980
C Derivatives and securities held for trading	868	447
<b>D LIQUIDITY (A+B+C)</b>	<b>188,854</b>	<b>202,551</b>
E Current financial receivables	478	367
F Current payables to banks	158,438	90,287
G Current portion of non-current debt	54,207	57,111
H Other current financial debts and derivatives	3,657	1,059
<b>I CURRENT FINANCIAL DEBT (F+G+H)</b>	<b>216,302</b>	<b>148,457</b>
<b>J NET CURRENT FINANCIAL DEBT (I-E-D)</b>	<b>26,970</b>	<b>(54,461)</b>
K Non-current payables to banks	229,469	211,886
L Bonds issued	0	0
M Other non-current financial debts and derivatives	2,993	3,263
<b>N NON-CURRENT FINANCIAL DEBT (K+L+M)</b>	<b>232,462</b>	<b>215,149</b>
<b>O NET FINANCIAL DEBT (J+N)</b>	<b>259,432</b>	<b>160,688</b>

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)	30.06.2016	31.12.2015
Social security payables	675	28
Payables to employees	3,360	992
Other payables	257	6
<b>Total</b>	<b>4,292</b>	<b>1,026</b>

The changes in the items "Payables to employees", "Social security payables" and "Other payables" primarily consisted of the liability associated with the 2016-2018 three-year incentive plan, to be settled in May 2019.

## 15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2015	Provisions	Use/ Release	Exchange rate fluctuations	Change in consolidation area	Reclassification	30.06.2016
Provisions for contingencies and charges	7,571	494	(962)	210	0	0	7,313
Provision for product warranties	10,553	2,979	(1,108)	(208)	91	(11)	12,296
<b>Total</b>	<b>18,124</b>	<b>3,473</b>	<b>(2,070)</b>	<b>2</b>	<b>91</b>	<b>(11)</b>	<b>19,609</b>
<b>of which short-term</b>	<b>2,830</b>						<b>2,315</b>

Provisions totalled €19,609 thousand, including product warranties, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway.

## 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.

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.

Following the consolidation of Asimco Meilian Braking Systems (Langfang) Co. Ltd., a plan valued at €2,420 thousand was added to the defined contribution plans. This relates to about 1,000 retired employees who are guaranteed payment of benefits until they reach the age of 85 and about 100 early retired employees who have guaranteed monthly payments until they reach pension age.

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 defined benefit plans is calculated on an actuarial basis using the “Projected Unit Credit Method”.

Liabilities at 30 June 2016 are given in the table below:

(euro thousand)	31.12.2015	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Change in consolidation area	Actuarial (gain)/loss	30.06.2016
Employees’ leaving entitlement	20,511	0	(426)	210	0	0	1,340	21,635
Defined benefit plans and other long-term benefits	8,973	0	(332)	176	(892)	0	(1,343)	6,582
Defined contribution plans	850	398	(349)	0	(65)	2,420	0	3,254
<b>Total</b>	<b>30,334</b>	<b>398</b>	<b>(1,107)</b>	<b>386</b>	<b>(957)</b>	<b>2,420</b>	<b>(3)</b>	<b>31,471</b>

## 17. Trade Payables

At 30 June 2016, trade payables were as follows:

(euro thousand)	30.06.2016	31.12.2015
Trade payables	417,090	341,581
Payables to associates and joint ventures	13,187	8,360
<b>Total</b>	<b>430,277</b>	<b>349,941</b>

The increase in this item is due primarily to the rise in normal business activities during the year, as well as the change in the consolidation area amounting to €24,536 thousand.

## 18. Tax Payables

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

(euro thousand)	30.06.2016	31.12.2015
Tax payables	21,965	14,052

## 19. Other Current Payables

Other current payables at 30 June 2016 are given in the table below:

(euro thousand)	30.06.2016	31.12.2015
Tax payables other than current taxes	11,198	8,636
Social security payables	16,047	18,945
Payables to employees	42,915	52,234
Other payables	40,919	27,102
<b>Total</b>	<b>111,079</b>	<b>106,917</b>

The movement in "Payables to employees", "Social security payables" and "Other payables" relates primarily to the payment of liabilities regarding the 2013-2015 three-year incentive scheme.

Other payables also include deferred income for public grants received by Brembo Poland Spolka Zo.o. and Asimco Meilian Braking Systems (Langfang) Co. Ltd. which are released to the Statement of Income in accordance with the amortisation plan to which they refer.

## STATEMENT OF INCOME

### 20. Sales of Goods and Services

Breakdown of sales of goods and services was as follows:

(euro thousand)	30.06.2016	30.06.2015
Italy	135,748	134,443
Abroad	1,011,090	904,459
<b>Total</b>	<b>1,146,838</b>	<b>1,038,902</b>

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)	30.06.2016	30.06.2015
Miscellaneous recharges	3,255	2,463
Gains on disposal of assets	1,222	449
Miscellaneous grants	1,513	916
Other revenues	9,565	1,724
<b>Total</b>	<b>15,555</b>	<b>5,552</b>

"Other revenues" include an insurance refund for €7,732 thousand for the flooding caused by the Yun Tai Shan river overflowing around Nanjing, where Brembo has two production sites including a cast-iron foundry, mechanical processing and disc, drum and caliper assembly.

### 22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the period, amounting to €8,292 thousand (€6,114 thousand in the first half of 2015).

### 23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	30.06.2016	30.06.2015
Purchase of raw materials, semi-finished and finished products	524,322	485,736
Purchase of consumables	49,971	44,646
<b>Total</b>	<b>574,293</b>	<b>530,382</b>

## 24. Income (Expense) from Non-financial Investments

Income (expense) from non-financial investments amounted to €5,887 thousand, attributable to the effects of valuing the investment in the BSCCB Group — whose operations are included in the Group's operating activities — using the equity method.

## 25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	30.06.2016	30.06.2015
Transports	27,671	25,268
Maintenance, repairs and utilities	48,317	43,335
Contracted work	36,550	34,707
Rent	17,667	14,368
Other operating costs	53,367	49,908
<b>Total</b>	<b>183,572</b>	<b>167,586</b>

This item 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)	30.06.2016	30.06.2015
Wages and salaries	138,722	129,922
Social security contributions	29,674	29,249
Employees' leaving entitlement and other personnel provisions	6,551	5,526
Other costs	17,259	16,839
<b>Total</b>	<b>192,206</b>	<b>181,536</b>

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

	Managers	White-collar	Blue-collar	Total
H1 2016: average	122	2,535	5,651	8,308
H1 2015: average	111	2,367	5,373	<b>7,851</b>
<b>Change</b>	<b>11</b>	<b>168</b>	<b>278</b>	<b>457</b>
Total at 30 June 2016	128	2,661	6,094	8,883
Total at 30 June 2015	108	2,355	5,303	<b>7,766</b>
<b>Change</b>	<b>20</b>	<b>306</b>	<b>791</b>	<b>1,117</b>

The increase of 1,117 in the workforce includes 657 employees from Asimco Meilian Braking Systems (Langfang) Co. Ltd. following its inclusion in the Group's consolidation area, as well as personnel recruited to support the Group's growth, particularly in Italy, North America and Eastern Europe.

## 27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	30.06.2016	30.06.2015
<b>Amortisation of intangible assets:</b>		
Development costs	4,834	5,146
Industrial patents and similar rights for original work	402	489
Licences, trademarks and similar rights	112	189
Other intangible assets	2,766	2,325
<b>Total</b>	<b>8,114</b>	<b>8,149</b>
<b>Depreciation of property, plant and equipment:</b>		
Buildings	5,009	4,923
Leased buildings	0	29
Plant and machinery	32,493	33,362
Leased plant and machinery	0	31
Industrial and commercial equipment	5,970	5,571
Leased industrial and commercial equipment	1	1
Other property, plant and equipment	1,343	1,145
Other leased property, plant and equipment	29	29
<b>Total</b>	<b>44,845</b>	<b>45,091</b>
<b>Impairment losses:</b>		
Property, plant and equipment	166	139
Intangible assets	37	261
<b>Total</b>	<b>203</b>	<b>400</b>
<b>TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES</b>	<b>53,162</b>	<b>53,640</b>

## 28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	30.06.2016	30.06.2015
Exchange rate gains	11,604	42,753
Interest income from employee's leaving entitlement and other personnel provisions	522	529
Interest income	1,337	1,173
<b>Total interest income</b>	<b>13,463</b>	<b>44,455</b>
Exchange rate losses	(14,372)	(39,289)
Interest expense from employees' leaving entitlement and other personnel provisions	(908)	(923)
Interest expense	(5,530)	(7,715)
<b>Total interest expense</b>	<b>(20,810)</b>	<b>(47,927)</b>
<b>TOTAL NET INTEREST INCOME (EXPENSE)</b>	<b>(7,347)</b>	<b>(3,472)</b>

## 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** above.

## 30. Taxes

This item is broken down as follows:

(euro thousand)	30.06.2016	30.06.2015
Current taxes	42,140	31,349
Deferred tax (assets) and liabilities	(3,600)	(3,802)
Estimated tax payables and taxes from previous years	10	(225)
<b>Total</b>	<b>38,550</b>	<b>27,322</b>

The Group's tax rate was 23.2% (23.2% at 30 June 2015).

## 31. Earnings per Share

Basic earnings per share were €1.95 at 30 June 2016 (€1.37 at 30 June 2015), 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 during the first six months of 2016, amounting to 65,037,450 (65,037,450 in the first half of 2015). The weighted average did not change since no share capital transactions took place during the reporting year. Diluted earnings per share are identical to basic earnings per share inasmuch as no diluting transactions were undertaken.

## 32. 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 53.522% of its share capital.

Brembo did not engage in dealings with its parent in the first half of 2016, except for the dividend distribution.

Information pertaining to the fees paid to Directors, Statutory Auditors and 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)	30.06.2016		30.06.2015	
	Directors	Auditors	Directors	Auditors
Emoluments for the office held	1,005	108	1,005	112
Participation in committees and specific tasks	50	0	50	0
Salaries and other incentives	2,259	0	2,545	0

The item "Salaries and other incentives" includes the estimate of the cost of the 2016-2018 plan accrued in the reporting period, remuneration paid as salaries for the function of employee 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)	30.06.2016						31.12.2015					
	RELATED PARTIES						RELATED PARTIES					
	Carrying value	Total	Other*	Joint ventures	Associates	%	Carrying value	Total	Other*	Joint ventures	Associates	%
<b>a) Weight of transactions or positions with related parties on items of the Statement of Financial Position</b>												
Other financial assets (including investments in other companies and derivatives)	7,665	5,712	0	0	5,712	74.5%	11,631	9,710	0	0	9,710	83.5%
Trade receivables	397,502	4,046	1,893	2,085	68	1.0%	311,217	3,302	1,144	2,081	77	1.1%
Other receivables and current assets	41,214	64	64	0	0	0.2%	36,386	0	0	0	0	0.0%
Cash and cash equivalents	187,986	9,575	9,575	0	0	5.1%	202,104	14,405	14,405	0	0	7.1%
Non-current payables to banks	(229,469)	(1,261)	(1,261)	0	0	0.5%	(211,886)	(1,796)	(1,796)	0	0	0.8%
Other non-current liabilities	(4,292)	(1,068)	(1,068)	0	0	24.9%	(1,026)	0	0	0	0	0.0%
Provisions for employee benefits	(31,471)	(5,279)	(5,279)	0	0	16.8%	(30,334)	(7,627)	(7,627)	0	0	25.1%
Current payables to banks	(212,645)	(61,544)	(61,544)	0	0	28.9%	(147,398)	(16,878)	(16,878)	0	0	11.5%
Trade payables	(430,277)	(13,943)	(756)	(12,688)	(499)	3.2%	(349,941)	(9,740)	(1,380)	(8,099)	(261)	2.8%
Other current payables	(111,079)	(1,964)	(1,837)	(127)	0	1.8%	(106,917)	(11,980)	(11,853)	(127)	0	11.2%

(euro thousand)	30.06.2016						30.06.2015					
	RELATED PARTIES						RELATED PARTIES					
	Carrying value	Total	Other*	Joint ventures	Associates	%	Carrying value	Total	Other*	Joint ventures	Associates	%
<b>b) Weight of transactions or positions with related parties on items of the Statement of Income</b>												
Sales of goods and services	1,146,838	3,386	3,156	229	1	0.3%	1,038,902	3,078	2,831	242	5	0.3%
Other revenues and income	15,555	1,651	15	1,568	68	10.6%	5,552	1,698	59	1,571	68	30.6%
Raw materials, consumables and goods	(574,293)	(43,783)	(30)	(43,379)	(374)	7.6%	(530,382)	(34,961)	(50)	(34,654)	(257)	6.6%
Other operating costs	(183,572)	(2,959)	(2,526)	(40)	(393)	1.6%	(167,586)	(3,054)	(2,804)	(24)	(226)	1.8%
Personnel expenses	(192,206)	(2,800)	(2,800)	0	0	1.5%	(181,536)	(2,548)	(2,548)	0	0	1.4%
Net interest income (expense)	(7,347)	(316)	(337)	(1)	22	4.3%	(3,472)	(290)	(404)	(1)	115	8.4%

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

With regard to item "Other financial assets", reference should be made to **Note 4**.

Sales of products, supply of services and the transfer of fixed assets between Brembo 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 Foundry Co. Ltd. as pooler and Brembo Nanjing Brake Systems Co. Ltd. and Qingdao Brembo Trading Co. Ltd. as participants. The cash pooling is entirely based in China, and Citibank Nanjing is the service provider.

### 33. Segment Report

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

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

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

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

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

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

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

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

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 2016 who accounted for over 10% of consolidated net revenues. None of the single car manufacturers comprising such groups exceeded this limit.

The following table shows segment information on sales of goods and services and results at 30 June 2016 and 30 June 2015:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015	30.06.2016	30.06.2015
<i>(euro thousand)</i>										
Sales	1,156,278	1,047,232	989,614	898,356	169,364	155,766	(1,613)	(1,588)	(1,087)	(5,302)
Allowances and discounts	(14,429)	(13,830)	(2,594)	(5,853)	(11,833)	(7,978)	0	0	(2)	1
<b>Net sales</b>	<b>1,141,849</b>	<b>1,033,402</b>	<b>987,020</b>	<b>892,503</b>	<b>157,531</b>	<b>147,788</b>	<b>(1,613)</b>	<b>(1,588)</b>	<b>(1,089)</b>	<b>(5,301)</b>
Transport costs	8,647	7,882	6,286	6,027	2,361	1,855	0	0	0	0
Variable production costs	729,597	673,137	627,862	586,819	100,971	92,289	(1,613)	(1,588)	2,377	(4,383)
<b>Contribution margin</b>	<b>403,605</b>	<b>352,383</b>	<b>352,872</b>	<b>299,657</b>	<b>54,199</b>	<b>53,644</b>	<b>0</b>	<b>0</b>	<b>(3,466)</b>	<b>(918)</b>
Fixed production costs	141,415	135,968	132,419	124,173	8,711	9,700	(3)	(3)	288	2,098
<b>Production gross operating income</b>	<b>262,190</b>	<b>216,415</b>	<b>220,453</b>	<b>175,484</b>	<b>45,488</b>	<b>43,944</b>	<b>3</b>	<b>3</b>	<b>(3,754)</b>	<b>(3,016)</b>
BU personnel costs	69,141	61,047	44,555	37,977	19,567	19,529	0	0	5,019	3,541
<b>BU gross operating income</b>	<b>193,049</b>	<b>155,368</b>	<b>175,898</b>	<b>137,507</b>	<b>25,921</b>	<b>24,415</b>	<b>3</b>	<b>3</b>	<b>(8,773)</b>	<b>(6,557)</b>
Costs for Central Functions	38,344	37,279	29,467	27,147	4,274	5,580	0	0	4,603	4,552
<b>Operating income (loss)</b>	<b>154,705</b>	<b>118,089</b>	<b>146,431</b>	<b>110,360</b>	<b>21,647</b>	<b>18,835</b>	<b>3</b>	<b>3</b>	<b>(13,376)</b>	<b>(11,109)</b>
Extraordinary costs and revenues	9,816	(376)	0	0	0	0	0	0	9,816	(376)
Financial costs and revenues	(7,829)	(3,924)	0	0	0	0	0	0	(7,829)	(3,924)
Interest income (expense) from investments	5,913	884	0	0	0	0	0	0	5,913	884
Non-operating costs and revenues	3,413	3,171	0	0	0	0	0	0	3,413	3,171
<b>Result before taxes</b>	<b>166,018</b>	<b>117,844</b>	<b>146,431</b>	<b>110,360</b>	<b>21,647</b>	<b>18,835</b>	<b>3</b>	<b>3</b>	<b>(2,063)</b>	<b>(11,354)</b>
Taxes	(38,550)	(27,322)	0	0	0	0	0	0	(38,550)	(27,322)
<b>Result before minority interests</b>	<b>127,468</b>	<b>90,522</b>	<b>146,431</b>	<b>110,360</b>	<b>21,647</b>	<b>18,835</b>	<b>3</b>	<b>3</b>	<b>(40,613)</b>	<b>(38,676)</b>
Minority interests	(389)	(1,553)	0	0	0	0	0	0	(389)	(1,553)
<b>Net result</b>	<b>127,079</b>	<b>88,969</b>	<b>146,431</b>	<b>110,360</b>	<b>21,647</b>	<b>18,835</b>	<b>3</b>	<b>3</b>	<b>(41,002)</b>	<b>(40,229)</b>

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

(euro thousand)	30.06.2016	30.06.2015
<b>SALES OF GOODS AND SERVICES</b>	<b>1,146,838</b>	<b>1,038,902</b>
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(6,232)	(7,136)
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	317	243
Effect of adjustment of transactions among consolidated companies	(111)	745
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	1,118	1,410
Other	(81)	(762)
<b>NET SALES</b>	<b>1,141,849</b>	<b>1,033,402</b>

(euro thousand)	30.06.2016	30.06.2015
<b>NET OPERATING INCOME</b>	<b>173,339</b>	<b>121,311</b>
Differences in preparation criteria of internal and statutory reports	(13,144)	339
Income (expense) from non-financial investments	(5,887)	(3,887)
Claim compensation and subsidies	98	(92)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	(495)	(187)
Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	482	457
Other	308	148
<b>OPERATING RESULT</b>	<b>154,705</b>	<b>118,089</b>

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

Statement of Financial Position data at 30 June 2016 and 31 December 2015 are provided in the tables below:

(euro thousand)	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015	30.06.2016	31.12.2015
Property, plant and equipment	665,358	589,777	626,180	548,779	31,188	34,706	35	33	7,955	6,259
Intangible assets	139,238	58,448	117,221	35,812	14,394	15,850	0	0	7,623	6,786
Financial assets and other non-current assets/liabilities	62,503	70,146	331	341	0	0	0	0	62,172	69,805
<b>(a) Total fixed assets</b>	<b>867,099</b>	<b>718,371</b>	<b>743,732</b>	<b>584,932</b>	<b>45,582</b>	<b>50,556</b>	<b>35</b>	<b>33</b>	<b>77,750</b>	<b>82,850</b>
Inventories	269,542	247,316	205,150	180,446	69,446	68,889	(101)	(101)	(4,953)	(1,918)
Current assets	435,298	351,054	343,716	265,314	77,529	60,292	(29,868)	(29,858)	43,921	55,306
Current liabilities	(560,715)	(474,014)	(434,952)	(336,162)	(71,254)	(62,328)	29,868	29,858	(84,377)	(105,382)
Provisions for contingencies and charges and other provisions	(23,232)	(17,865)	0	0	0	0	0	0	(23,232)	(17,865)
<b>(b) Net working capital</b>	<b>120,893</b>	<b>106,491</b>	<b>113,914</b>	<b>109,598</b>	<b>75,721</b>	<b>66,853</b>	<b>(101)</b>	<b>(101)</b>	<b>(68,641)</b>	<b>(69,859)</b>
<b>NET INVESTED OPERATING CAPITAL (a+b)</b>	<b>987,992</b>	<b>824,862</b>	<b>857,646</b>	<b>694,530</b>	<b>121,303</b>	<b>117,409</b>	<b>(66)</b>	<b>(68)</b>	<b>9,109</b>	<b>12,991</b>
Extraordinary components	58,975	53,707	53	53	0	0	8,150	13,146	50,772	40,508
<b>NET INVESTED CAPITAL</b>	<b>1,046,967</b>	<b>878,569</b>	<b>857,699</b>	<b>694,583</b>	<b>121,303</b>	<b>117,409</b>	<b>8,084</b>	<b>13,078</b>	<b>59,881</b>	<b>53,499</b>
Group equity	735,679	681,852	0	0	0	0	0	0	735,679	681,852
Minority interests	20,385	5,695	0	0	0	0	0	0	20,385	5,695
<b>(d) Equity</b>	<b>756,064</b>	<b>687,547</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>756,064</b>	<b>687,547</b>
<b>(e) Provisions for employee benefits</b>	<b>31,471</b>	<b>30,334</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,471</b>	<b>30,334</b>
Medium/long-term financial debt	232,462	215,149	0	0	0	0	0	0	232,462	215,149
Short-term financial debt	26,970	(54,461)	0	0	0	0	0	0	26,970	(54,461)
<b>(f) Net financial debt</b>	<b>259,432</b>	<b>160,688</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>259,432</b>	<b>160,688</b>
<b>(g) COVERAGE (d+e+f)</b>	<b>1,046,967</b>	<b>878,569</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,046,967</b>	<b>878,569</b>

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 shareholdings;
- current assets and liabilities mainly consist of trade receivables and payables;
- provisions for contingencies and charges and other provisions are not allocated.

### 34. 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 Nanjing Foundry Co. Ltd.	Nanjing	China	Cny	315,007,990	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.	Dabrowa 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 Beijing Brake Systems Co. Ltd.	Beijing	China	Cny	125,333,701	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	177,022,179	100%	Brembo S.p.A.
Brembo Russia L.L.C.	Moscow	Russia	Rub	1,250,000	100%	Brembo S.p.A.
Brembo (Nanjing) Automobile Components Co. Ltd.	Nanjing	China	Cny	39,470,400	100%	Brembo S.p.A.
Brembo Argentina S.A.	Buenos Aires	Argentina	Ars	113,171,200	98.62%	Brembo S.p.A.
					1.38%	Brembo do Brasil Ltda.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,837	49%	Brembo S.p.A.
					51%	Brembo North America Inc.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	67,303,201	99.99%	Brembo S.p.A.
Corporacion Upwards 98 S.A.	Zaragoza	Spain	Eur	498,043	68%	Brembo S.p.A.
Asimco Meilian Braking Systems (Langfang) 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.

### 35. Commitments

The Group had no commitments at 30 June 2016.

### 36. 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 2016 the company has not carried out any atypical and/or unusual transactions, as defined by the said Notice.



Recognised goodwill is attributable to the synergies and other economic benefits created by aggregating the commercial activities and transactions of Asimco Meilian Braking Systems (Langfang) Co. Ltd. with those of the Group. Goodwill is not tax deductible.

The intangible assets identified using the acquisition method are indicated in **Note 2** and the respective fair value has been determined, with the support of an external advisor, based on the methods commonly used for this purpose by international valuation practice (such as for example the multi-period excess earnings method, for Customer Relationships, and relief from royalty, for Technology and Trademark).

Transaction costs of €1.3 million (including €1.1 million in 2015) have been charged to income under Consultancy and Legal expenses and are included in operating cash flows in the Statement of Cash Flows.

Sales generated by Asimco Meilian Braking Systems (Langfang) Co. Ltd. after the acquisition date amounted to €11,290 thousand and net income to €1,393 thousand.

### **38. Significant Events After 30 June 2016**

No other significant events occurred after the end of the first half of 2016 and up to 28 July 2016.

Stezzano, 28 July 2016

On behalf of the Board of Directors  
The Chairman  
*Alberto Bombassei*



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

Tel: +39 035 3592111  
Fax: +39 035 3592250  
ev.com

## 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 2016. 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 2016 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, 28 July 2016

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*

EY S.p.A.  
Sede Legale: Via Po, 32 - 00198 Roma  
Capitale Sociale € 2.750.000,00 (i)  
iscritta alla S.O. del Registro delle imprese presso la C.C.I.A.A. di Roma  
Codice Fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904  
P.IVA 00891219003  
iscritta all'Albo Revisori Legali al n. 70945 Pubblicata sulla G.U. Suppl. 13 - IV Serie Speciale per l'7/2/1998  
iscritta all'Albo Speciale delle società di revisione  
Consob al progressivo n. 2 delibera n. 10831 del 16/7/1997  
A member firm of Ernst & Young Global Limited.



**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, Alberto Bombassei, in his capacity as Chairman, and Matteo Tiraboschi, 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 2016 to 30 June 2016:
  - 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 2016 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, 28 July 2016  
 Alberto Bombassei  
 Chairman

Matteo Tiraboschi  
 Manager in Charge of the Company's  
 Financial Reports

BREMBO S.p.A.	Sede legale	Sede amministrativa e uffici		
	Via Brembo, 25 24035 CURNO Bergamo (Italy)	Viale Europa, 2 24040 STEZZANO Bergamo (Italy)	Tel. +39 035 605 1111 Fax +39 035 605 2300 Cap. Soc. € 34.727.914 Export M BG 020900	R.E.A. 134667 Registro Imprese BG Codice Fiscale e Partita IVA n° 00222620163



BREMBO S.p.A.

Headquarters c/o Kilometro Rosso Science and Technology Park

Viale Europa, 2 - 24040 Stezzano (BG) Italy

Tel. +39 035 605.2111 - [www.brembo.com](http://www.brembo.com)

E-mail: [press@brembo.it](mailto:press@brembo.it) - [ir@brembo.it](mailto:ir@brembo.it)

**Editorial consulting by** C-Consulting snc (Milan)

**Graphic project by** Briefing sas (Milan)

**Typeset by** Secograf (S. Giuliano Mil.)

**Images by** Fabrizio Spadini, Simona Bonora

**Translated by** Koinè (Trieste)