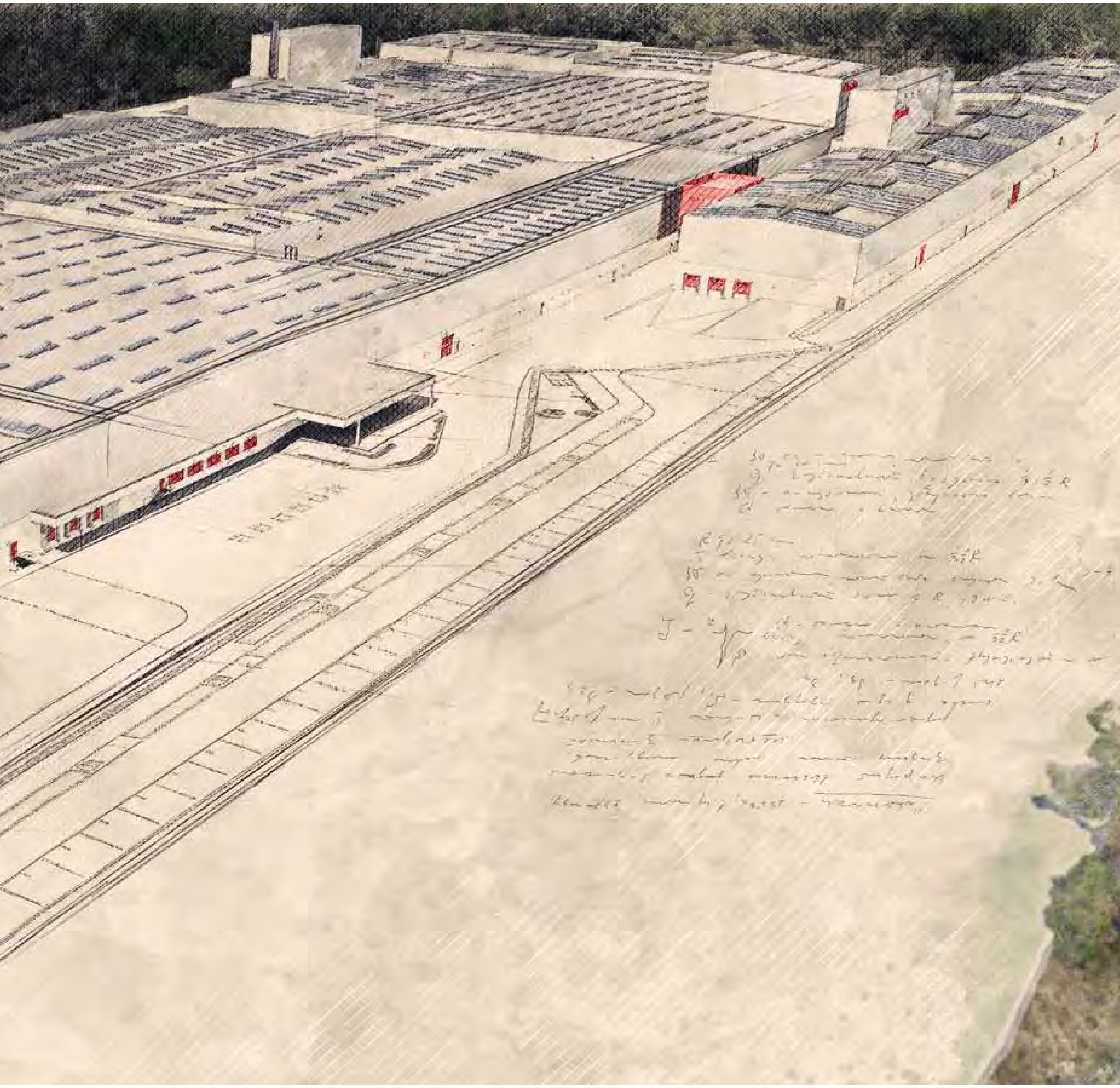
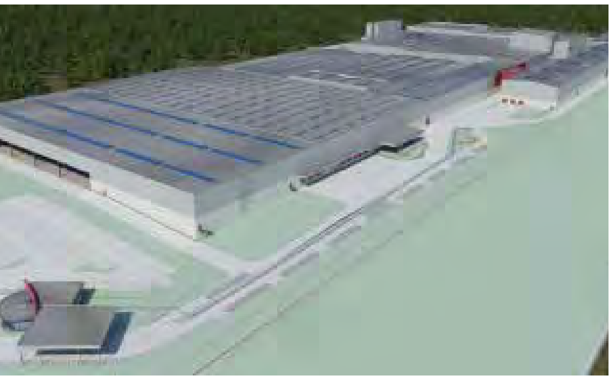
BEING AT THE FOREFRONT, NEXT TO OUR CUSTOMERS

BREMBO
ANNUAL
REPORT
2016

The results for the year just ended are driving the Company forward, into a future marked by strong geographical consolidation and a growing dynamic dialogue with its customers worldwide. Although its heart remains in Italy, the major successes achieved by Brembo are the outcome of a company that continues to invest and produce over four continents, fully exploiting its competitive strengths. In fact, in its pursuit of an effective global expansion strategy, the Group has boosted growth, consolidating its presence both in fast-developing markets, such as China and India, and in Brembo's key markets, such as North America and Europe. The expansion of the Polish plant in Dabrowa, the inauguration in record times of the new Mexican plant in Escobedo together with the start of works on the adjoining cast-iron foundry, the completion of the new Homer plant in the USA — which is running at full production — and the start-up of works on a new plant to produce aluminium calipers in Nanjing in China: all this not only represents the tangible signs of Brembo's determination to develop these markets even more, but are also major projects that demonstrate the Group's commitment to combining global vision and local presence, to support its customers in whichever country they may be located. Research and development are key to Brembo's success, together with its substantial capacity to achieve ever more ambitious objectives and the dynamic and reactive way it is preparing to tackle future technological and market challenges.

BREMBO
ANNUAL
REPORT
2016





The expansion
of the new Polish
foundry in Dabrowa.

CALLING OF THE GENERAL SHAREHOLDERS' MEETING

The Shareholders are convened to the Ordinary and Extraordinary Shareholders' Meetings to be held at the Company offices at Viale Europa 2, 24040 Stezzano (Bergamo) on **20 April 2017 at 10:30a.m.** CET (single call) to resolve on the following

AGENDA

Ordinary Meeting

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2016, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of the Company's Financial Reports. Ensuing resolutions.
2. Proposal for distribution of net income for the year. Ensuing resolutions.
3. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2016, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of Company's Financial Reports.
4. Authorisation for the buy-back and disposal of own shares. Ensuing resolutions.
5. Appointment of the Board of Directors:
   - 5.1. determination of the number of its members and the duration of their term of office;
   - 5.2. appointment of Directors;
   - 5.3. appointment of the Chairman and Deputy Chairman of the Board of Directors;
   - 5.4. definition of total remuneration of the members of the Board of Directors for each year of service. Ensuing resolutions.
6. Appointment of the Board of Statutory Auditors:
   - 6.1. appointment of three Acting Auditors and two Alternate Auditors;
   - 6.2. appointment of the Chairman of the Board of Statutory Auditors;
   - 6.3. Definition of total remuneration of the members of the Board of Statutory Auditors for each year of service. Ensuing resolutions.
7. Presentation of the Remuneration Report of Brembo S.p.A. Resolutions pursuant to Article 123-*ter* of TUF.
8. Proposal for voluntary withdrawal of the shares of Brembo S.p.A. from the STAR segment pursuant to Article 2.5.8 of the Rules of Borsa Italiana S.p.A. Related and ensuing resolutions.

Extraordinary Meeting

1. Increase in the total number of shares through a stock split, without any change in the amount of share capital, to be executed by the cancellation of the existing ordinary shares in issue and assigning five newly issued shares per each ordinary share withdrawn and cancelled. Amendment to Article 5 of the By-laws. Ensuing resolutions.

Stezzano, 3 March 2017

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

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LETTER FROM THE CHAIRMAN

Shareholders,

Worldwide economic activity, which Brembo must look at with ever increasing interest due its growing globalisation, performed better than expected in the second half of 2016, after a rather disappointing start, and, according to the IMF, should continue to strengthen, albeit at a slower pace than before the crisis. Italy also reported more encouraging growth than that predicted, although still a long way from the results recorded in the main European countries. The economy in the Eurozone is accelerating and companies are expanding at the fastest rate for almost six years. However, uncertainties remain about whether the problems that the most advanced countries have been experiencing for a decade have actually been resolved: growth in Europe is still considered to be fragile; Japan is struggling to get started again; in the United States, despite a burst of activity in the third quarter, 2016 saw an unexpected slowdown and the election of the new President has created fresh uncertainty on the world stage. As far as the main developing countries are concerned, the BRIC countries (Brazil, Russia, India and China) have been facing difficulties for some time: Brazil and Russia have stopped growing and fallen into recession; China continues to drive the world economy but has slowed its course and only India seems to be proceeding at a brisk pace.

In this scenario, the global light vehicle market, which generates more than three quarters of Brembo's turnover, reported 4.6% growth in 2016, more than double the previous year, due primarily to China and, surprisingly, to Europe. China, the world's top car market, returned to double-figure growth (+12.3%). In Europe, the Eastern European area (EU12) did even better (+15.9%), followed by Italy (+15.8%) and Spain (+10.9%), whilst Germany confirmed its number-one position in Europe for volumes of new registrations, albeit with a more modest increase. The U.S. market was virtually flat and the other main markets such as Russia, Brazil, Argentina and Japan contracted.

Brembo continued its growth, which had characterised the Group even during the turbulent years of the worldwide crisis. Turnover exceeded €2,279 million, up 9.9% compared to 2015; gross operating margin was nearly €444 million, with a 23.3% increase; net income exceeded €240 million, up 30.8%. The greatest contribution to growth was made by car applications, but significant increases were also recorded in commercial vehicle and motorbike applications.

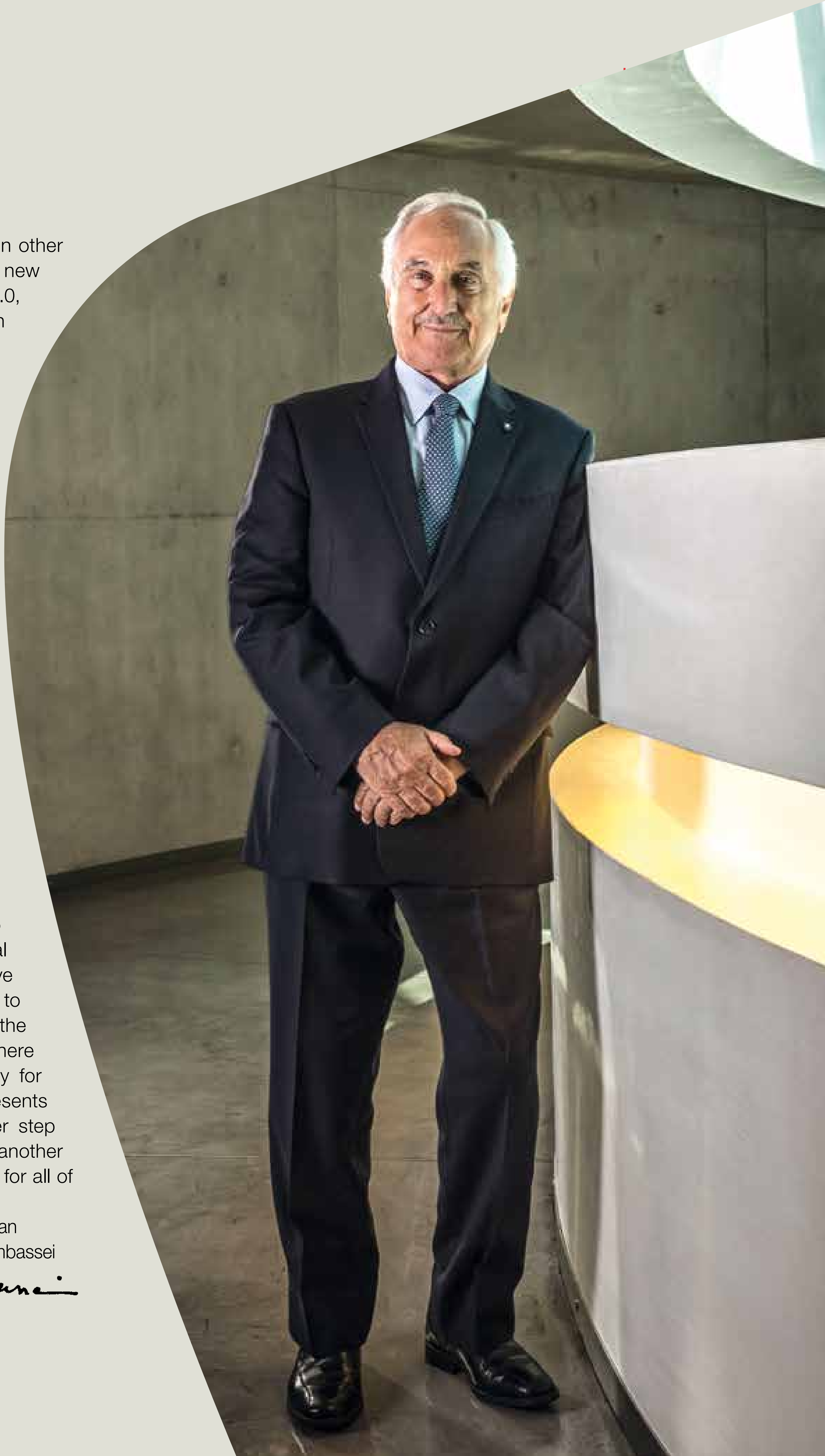
At geographical level, the increase in revenues related to all the areas in which the Group operates, with the sole exception of South America, which continued to fall but reported a 23.8% rise in the fourth quarter, thus pointing to a possible reversal of trend. In Europe, Germany, which is Brembo's second top market at 23.2% of sales, rose by 9.7%. There were also good results in the United Kingdom, Italy and France. North America (USA, Mexico and Canada), Brembo's number-one market with 28% of sales, reported a 5.9% increase. In the Far East, the positive increase in sales in India and Japan was accompanied by record growth in China where turnover rose by 67.9%, also thanks to the contribution of the newly acquired Asimco Meilian Braking Systems (the increase in revenues was 29.7% on a like-for-like consolidation basis).

In addition to the excellent results, 2016 marked a turning point in the extent of Brembo's industrial expansion, focused on its geographical location rooted close to customer companies for a more effective, direct and dynamic working partnership. New production hubs have been opened or started up in our main markets in just one year and, once these are fully operational, the Group's casting capacity will rise by more than 300,000 tonnes per year. The five plants that have come on stream or are being built in the United States, Mexico, China, Italy and Poland satisfy the highest technological standards from the standpoint of construction, production processes, logistics and sustainability. Constant innovation of processes and products — including at existing production hubs in Italy and in other countries — reflects the emerging new opportunities offered by Industry 4.0, with regard to both the digitalisation of specific phases of production and cutting-edge training of current and new professionals.

The year also saw, amongst other things, a significant increase in the workforce, which grew by almost 1,200. This increase was the result both of new recruitment to cope with the higher level of production, and the inclusion of 660 employees from Asimco Meilian Braking Systems. Today, the Group employs more than 9,000 people, including managers, middle managers, white-collar and blue-collar staff who work together in 15 countries over 3 continents with skill, passion, commitment and intelligence to maintain Brembo's technological leadership which is the foundation of our success.

The goals achieved by the Group from a financial standpoint, but also in terms of capitalisation, geographical footprint and operational size, have made it appropriate and logical to propose a voluntary withdrawal from the STAR segment of Borsa Italiana, where the Company has grown successfully for many years, but that no longer represents Brembo's true scope. This is another step taken looking to the future, toward another phase of growth and creation of value for all of our stakeholders.

The Chairman
Alberto Bombassei




brembo

Built in **record times**, our new integrated plant for the production of **aluminium calipers** in **Escobedo strengthens** the Group's presence in North America. Its casting capacity, in the region of **15,000 tonnes** a year, will allow an annual production of **2 million aluminium calipers**.

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).

COMPOSITION OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MAIN GOVERNANCE FUNCTIONS AT 31 DECEMBER 2016

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS (11)

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

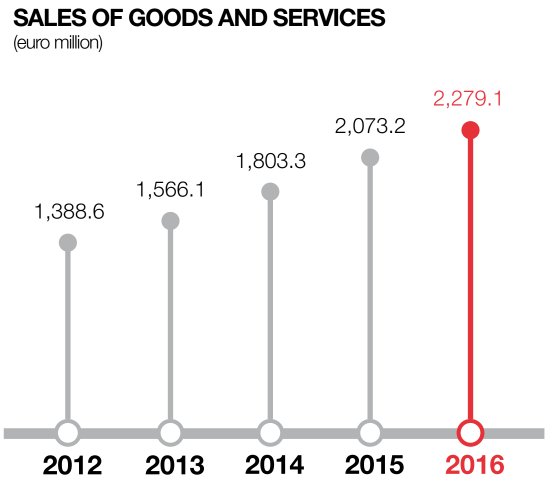
INDEPENDENT AUDITORS	EY S.p.A. (12)
MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS	Matteo Tiraboschi (13)

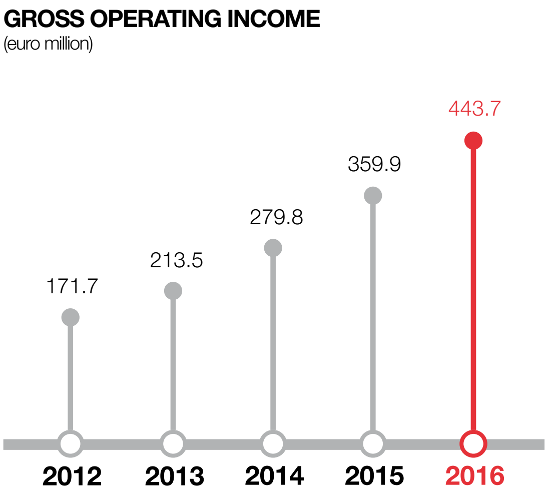
COMMITTEES

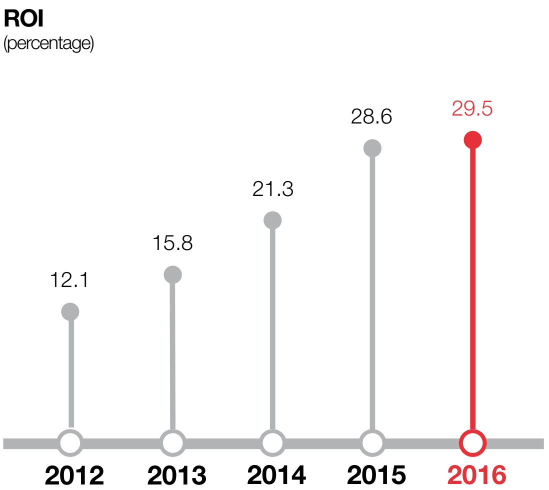
Audit & Risk Committee (14) (15)	Pasquale Pistorio **(Chairman)** Giovanni Cavallini Bianca Maria Martinelli (7)
Remuneration & Appointments Committee	Barbara Borra **(Chairwoman)** Giovanni Cavallini Umberto Nicodano
Supervisory Committee	Raffaella Pagani **(Chairwoman of the Board of Statutory Auditors)**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

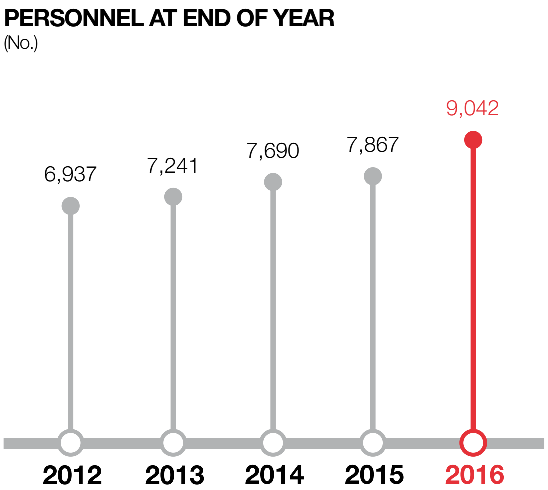
(1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
(2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
(3) The Board of Directors granted 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. Dallera (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









Economic results

(euro thousand)	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016	% 2016/2015
Sales of goods and services	1,388,637	1,566,143	1,803,335	2,073,246	2,279,096	*9.9%*
Gross operating income	171,709	213,502	279,800	359,919	443,714	*23.3%*
% on sales	*12.4%*	*13.6%*	*15.5%*	*17.4%*	*19.5%*	
Net operating income	89,543	122,848	178,449	251,282	327,464	*30.3%*
% on sales	*6.4%*	*7.8%*	*9.9%*	*12.1%*	*14.4%*	
Result before taxes	82,853	104,385	164,916	243,499	312,208	*28.2%*
% on sales	*6.0%*	*6.7%*	*9.1%*	*11.7%*	*13.7%*	
Net result for the year	77,845	89,016	129,054	183,962	240,632	*30.8%*
% on sales	*5.6%*	*5.7%*	*7.2%*	*8.9%*	*10.6%*	

Financial results

(euro thousand)	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016	% 2016/2015
Net invested capital (1)	741,221	776,735	839,510	878,569	1,110,693	*26.4%*
Equity	393,824	429,207	536,330	687,547	882,310	*28.3%*
Net financial debt (1)	320,694	320,489	270,387	160,688	195,677	*21.8%*

Personnel and investments

(euro thousand)	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016	% 2016/2015
Personnel at end of year (No.)	6,937	7,241	7,690	7,867	9,042	*14.9%*
Turnover per employee	200.2	216.3	234.5	263.5	252.1	*-4.4%*
Investments	140,601	133,078	126,776	155,908	263,570	*69.1%*

Main ratios

	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Net operating income/Sales	*6.4%*	*7.8%*	*9.9%*	*12.1%*	*14.4%*
Income before taxes/Sales	*6.0%*	*6.7%*	*9.1%*	*11.7%*	*13.7%*
Investments/Sales	*10.1%*	*8.5%*	*7.0%*	*7.5%*	*11.6%*
Net financial debt/Equity	*81.4%*	*74.7%*	*50.4%*	*23.4%*	*22.2%*
Net adjusted interest expense (*)/Sales	*0.8%*	*0.7%*	*0.7%*	*0.6%*	*0.4%*
Net adjusted interest expense (*)/Net operating income	*12.9%*	*9.1%*	*7.1%*	*4.9%*	*3.0%*
ROI (2)	*12.1%*	*15.8%*	*21.3%*	*28.6%*	*29.5%*
ROE (3)	*19.7%*	*20.8%*	*24.0%*	*27.0%*	*27.5%*

Notes
(1) A breakdown of these items is provided in the Statement of Financial Position included in this Directors' Report on Operations.
(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

BREMBO AND THE MARKET

Macroeconomic Context

In order to better assess Brembo's performance in 2016, the worldwide macroeconomic scenario should be taken into consideration, with particular reference to the markets in which the Group operates.

According to the estimates of the International Monetary Fund (IMF) published in the January 2017 World Economic Outlook, worldwide gross domestic product (GDP) should rise by 3.4% in 2017 and 3.6% in 2018. The IMF has revised the estimates upwards for China, the United Kingdom, the United States and the Eurozone, whilst it has cut those for Italy and Mexico. For the most advanced economies the estimates rose slightly overall, due primarily to the positive contribution made by economic performance in the second half of 2016 and the expectation of a budget stimulus by the new U.S. Government. As far as the Eurozone is concerned, the IMF estimates a 1.6% increase in GDP both in 2017 (after the +1.7% of 2016) and in 2018. Amongst the main Euro area countries, Washington economists see Germany's GDP rising by 1.5%, both this year and next, France's GDP up by 1.3% in 2017 and 1.6% in 2018 and Spain's GDP rising by 2.3% and 2.1%, respectively.

The new production hub in Nanjing, China.

For the **Eurozone**, in January 2017 the value of the composite PMI (Purchasing Manager's Index) was 54.3 points, well above the 50 point threshold. Although slightly slower compared to the 54.4 points in December, this does indicate an expansion phase in the area's activity. According to the IMF, the Italian economy will grow by 0.7% in 2017 (after the 0.9% of 2016), with a 0.2% reduction in forecasts compared to last October, and by 0.8% in 2018, with a 0.3% cut compared to previous estimates. The downward forecast for Italy is the only one amongst the major advanced economies, which, overall, are expected to advance by 1.9% in 2017 and 2.0% in 2018, with an increase of 0.1 and 0.2 percentage points respectively over previous estimates. For its part, the Bank of Italy confirms 0.9% growth in Italy's GDP both for 2016 and for 2017, reporting high values in manufacturing performance, electricity consumption and goods transport, as well as a positive trend in business confidence indicators.

In November, manufacturing in the Eurozone reported 1.5% growth compared to the previous month; this is indicated by Eurostat which also specifies that there was 3.2% growth compared to November 2015. A positive production trend is also reported in Italy where monthly growth was 0.7%, whilst it rose by 3.2% over 12 months (+2.3% in Germany, +2.0% in France). The Bank of Italy also confirmed positive figures in the January 2017 Bulletin, according to which the unemployment rate this year will remain at 11.6%, just as in 2016, and then fall to 11.3% in 2018 and 10.9% in 2019.

As far as the **United States** is concerned, the uncertainty about the polices of the new U.S. administration and its global ramifications is the main reason why the forecasts are less reliable. Gross Domestic Product in the third quarter of 2016 grew faster than forecast, reaching +3.5% on an annual basis (from 1.4% in the previous period), due primarily to the contribution of net exports and change in inventories, as well as the expansion in private consumption which remained robust, even though investment continued to remain stagnant. Information on the fourth quarter, particularly regarding the labour market and the forward-looking indicators, suggest that economic activity is still buoyant. According to Federal Reserve reports, manufacturing production in the USA in December rose more than forecast and at the fastest rate for more than two years, reporting a rise of 0.8% thanks to good performance in the manufacturing sector and utilities, a further sign of steady economic growth: the most sustained increase since November 2014.

According to the Bank of Italy Bulletin, GDP growth in **Japan** slowed down to 1.3% (from 1.8%) on an annual basis, reflecting the persistent weakness in consumption and investment. The most recent data for the autumn months show a still uncertain picture. In the future, the expansionary budget measures approved in the summer could boost domestic demand.

In **China**, GDP grew by 6.7% in 2016 and, although stuck at the lowest level since 1990, it nonetheless achieved the +6.5% to +7% per year objective set by the Government's five-year plan. In the World Economic Outlook report the IMF revised the 2017 growth forecasts for China upwards by 0.3 percentage points, taking them to 6.5%, but leaving the 2018 estimates unchanged at 6.0%.

Brazil's economy remained in recession, even though the outlook is positive, since IMF experts stated that the effects of the economic and political shocks that rocked 2015 and 2016 will lessen during 2017. The year 2016 closed with GDP growth estimates revised downwards (-0.2% and -0.3% for 2016 and 2017, respectively) for the third quarter, reporting a decrease of -3.5% for the whole of 2016.

For those countries most affected by the fall in commodities prices, the market's recent robustness offers some relief, but intervention remains urgent for global macroeconomic stability. In those countries that cannot rely on a fixed exchange rate, this implies implementation of a restrictive monetary policy to meet the constant rise in inflation and guarantee fiscal consolidation. According to information published by the IMF, the average oil price for the three Brent, Dubai and West Texas Intermediate (WTI) qualities fell by 15.9%. A price recovery is forecast for 2017, with an estimated growth of 19.9 percentage points.

Currency Markets

The **U.S. dollar**, after opening 2016 at 1.0465 (2 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. From June the value of the U.S. currency experienced a phase of gradual recovery up to mid-October, when it depreciated again below the annual average of 1.106598. From 9 November, with the election of Donald Trump to the Presidency of the United States, the dollar appreciated sharply to reach 1.0364 on 20 December. At the end of the year, the currency stood at 1.0541.

Regarding the currencies of the other main markets in which Brembo operates at industrial and commercial level, the **pound sterling**, after opening the year at 0.7381 (4 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. The fall against the euro became more marked in the second half of the year, reaching 0.90485 (17 October) followed by a reversal in trend up to the end of November. At the end of the year, the currency stood at 0.85618, above the annual average rate of 0.818896.

The **Polish zloty**, after opening 2016 down against the euro, gradually appreciated until it reached 4.234 (4 April), and then started to lose ground again up to June. Following a fluctuating phase in the third quarter, the last quarter of the year was marked by a constant fall in value, which resulted in the Polish currency reaching the level of 4.5005 (5 December) against the euro. At the end of the year, the currency stood at 4.4103, above the annual average rate of 4.363633.

The **Czech koruna** opened the year 2016 at 27.023 and then moved sideways in alternating phases of depreciation and appreciation, peaking at 27.151 (27 June). In July, the currency recovered against the euro up to the level of 27.014 (19 July), and then settled on values below the annual average of 27.034311. At the end of the year the currency stood at: 27.021.

The **Swedish krona** started the year down against the euro, and then recovered ground from the second half of February until it reached the rate of 9.1381 (22 April). This was followed by a steady downward trend up to 9 November, when it reached the level of 10.0025, after which it appreciated in December. At the end of the year, the currency stood at 9.5525, above the annual average rate of 9.467312.

In the east, the start of the year saw the **Japanese yen** gradually depreciate against the euro reaching the rate of 132.25 (29 January). It subsequently recovered value, rising steadily until it reached the rate of 111.17 (8 July). The second half of the year saw the Japanese currency enter a steady downward phase in November and December, after experiencing fluctuation up to the end of October. At the end of the year, the currency stood at 123.4, above the annual average rate of 120.313774.

The **Chinese yuan/renminbi** opened 2016 at 7.1208 against the euro (4 January) and then experienced alternating phases of depreciation and appreciation up to April, mainly below the annual average of 7.349579. From May the Chinese currency, after being initially high, moved sideways to settle mainly above the annual average and reaching the level of 7.5341 on 19 August. In the last quarter the currency appreciated again, ending the year at 7.3202.

The **Indian rupee** followed a similar trend to that of the Chinese yuan/renminbi. It opened the year at 72.617 against the euro (4 January) and then followed an overall downward trend to the level of 77.655 (11 February). The Indian currency then started to appreciate again, only to lose ground in April. Thereafter, it moved sideways, settling primarily on values above the annual average of 74.355278. It appreciated in the last quarter of the year until reaching 70.5475 on 20 December. At the end of the year, the currency stood at 71.5935.

In South America, the **Brazilian real** opened 2016 moving sideways around 4.4 against the euro up to the end of January, reaching 4.523. The Brazilian currency then recovered ground steadily until reaching 3.3872 (25 October). At the end of the year, the currency stood at 3.4305, below the annual average rate of 3.861627.

After starting the year at 18.5798, the **Mexican peso** experienced alternating phases of depreciation and appreciation up to May; it then followed a sideways movement with limited fluctuations up to September, when it lost value against the euro followed by recovery in October. In November, the Mexican currency depreciated again until reaching the level of 22.7062 (11 November). At the end of the year, the currency stood at 21.7719, above the annual average rate of 20.654970.

In the first two months of 2016, the **Argentinean peso** continued the downward trend recorded in the last quarter of 2015 and due to the introduction of a “flexible exchange rate” regime designed to deregulate the country’s economy. The Argentinian currency opened the year at 14.220418 against the euro and reached the level of 17.280551 on 1 March. Between April and June the currency trend reversed, partially recovering ground against the euro and then losing it again in July. For the rest of the year it settled at values above the average for the period of 16.333592. At the end of the year the currency stood at: 16.7488.

The **Russian rouble** fell against the euro at the start of the year, touching the level of 91.766 (21 January), followed by a sharp reversal in trend and then a steady recovery in value until it reached 62.9938 (28 December). At the end of the year, the currency stood at 64.3, below the annual average rate (74.222360).

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 9,000 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. Its range of products for car and the commercial vehicle applications includes brake discs, brake calipers, the side-wheel module and, increasingly often, the complete braking system, including integrated engineering services that back the development of new models produced by Brembo's customers. 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 safe range of products allows the company to meet the needs of nearly all European vehicles.

In 2016, Brembo's consolidated net sales amounted to €2,279,096 thousand, up 9.9% compared to €2,073,246 thousand in 2015.

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

Passenger Cars

In 2016, the global light vehicle market reported a 4.6% overall growth in sales compared to 2015, due primarily to China and both Western and Eastern Europe.

The Western European markets (EU15+EFTA) closed for the third consecutive year with a positive performance, with car registrations at +5.8% compared to 2015. All the main European markets contributed to growth, reporting sales increases: +4.5% in Germany, +2.3% in the United Kingdom, +5.1% in France, +15.8% in Italy and +10.9% in Spain. Germany remained the number-one country in Europe by sales volumes. The car registrations trend was also positive in Eastern Europe (EU12), reporting a 15.9% increase compared to 2015.

In Russia the negative trend started in 2013 continued, caused by the serious economic crisis suffered by the country. In 2016, light vehicle registrations fell by 11.0% compared to the previous year.

In the United States there was a slowdown in the recent years' growth of light vehicles sales, reporting a modest 0.5% rise compared to 2015. The Brazilian and Argentinean markets continued to shrink and closed 2016 with an overall decrease in sales of 14.1%.

In the Asian markets, China, after the slowdown in 2015, returned to a double-figure growth in light vehicle sales, recording an increase of +12.3% and once again confirming its number-one position in the world market. The Japanese market recovered though remaining negative, and in 2016 saw a 1.9% drop in sales (against the previous year's -10.0%).

In this context, Brembo's net sales of car applications in 2016 amounted to €1,736,159 thousand, accounting for 76.2% of Group turnover, up 12.3% on 2015. On a like-for-like consolidation basis, and hence excluding the contribution of Asimco Meilian Braking Systems (Langfang) Co. Ltd. from the 2016 results, there was a +9.3% increase in net sales for this segment.

Motorbikes

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

In western Europe, overall motorbike registrations increased by 12.5% in 2016 compared to the previous year. All the main markets contributed to this growth. The increases recorded in Spain (+18.9%), followed by Germany (+13.4%), the United Kingdom (+13.4%), Italy (+13.3%) and France (+5.3%), were particularly positive.

Enduro motorbikes reported the greatest increase in registrations of all Western European countries (+45.7%) followed by the sport/touring motorbike segment (+30.3%), whilst there was a decline in the touring motorbike segment (-8.3%). Motorbikes between 900cc and 1000cc recorded a sharp increase of +55.4%.

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles) reported an overall decrease of 3.3% compared to 2015. The most significant drop concerned the scooter (-12.0%) and ATV (-4.7%) segments, followed by the Dual (-4.4%) and ON-HWY motorbike segments (-4.2%). OFF-HWY is the only segment that reported growth (+7.7%).

In Japan new motorbike registrations fell overall by -9.3%, which falls to-1.6% if only two-wheel vehicles with more than 50cc power are considered.

In Brazil the decrease was -21.6%, almost double the previous year (-11.0%).

Against this background, Brembo's net sales of motorbike applications amounted to €205,099 thousand in 2016, up 5.8% compared to €193,878 thousand in the previous year.

Commercial and Industrial Vehicles

In 2016, the European commercial vehicles market (EU15+EFTA), Brembo's reference market, showed an 11.4% increase in registrations.

Sales of light commercial vehicles (up to 3.5 tonnes) increased overall by 11.3% compared to 2015. Italy, one of the top five European markets for volume of sales, reported a highly significant increase compared to last year (+50.0%). Similarly, all the other main countries grew: +8.5% Germany, +11.2% Spain, +8.2% France and +1.0% the UK. In Eastern European countries, sales rose by 15.6% compared to 2015.

The medium and heavy commercial vehicles segment (over 3.5 tonnes) also witnessed an uptrend in Europe in 2016, closing at +11.0% compared to the previous year. All the main European markets by sales volume reported growth: Italy led the way at +54.4%, followed by France +12.6%, Spain +10,1%, Germany +3,1% and the UK +1,5%. In Eastern Europe sales of commercial vehicles over 3.5 tonnes closed 2016 with a +17.1% increase on the previous year.

In 2016, Brembo's net sales of applications for this segment amounted to €224,480 thousand, up by 8.4% compared to €207,038 thousand for the previous year.

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 2016, Brembo recorded net sales of €112,279 thousand, down by 10.1% from €124,924 thousand in 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 +4.6%.

20 October 2016, the Chairman Alberto Bombassei cuts the ribbon to open the new Escobedo plant in Mexico.


brembo

SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

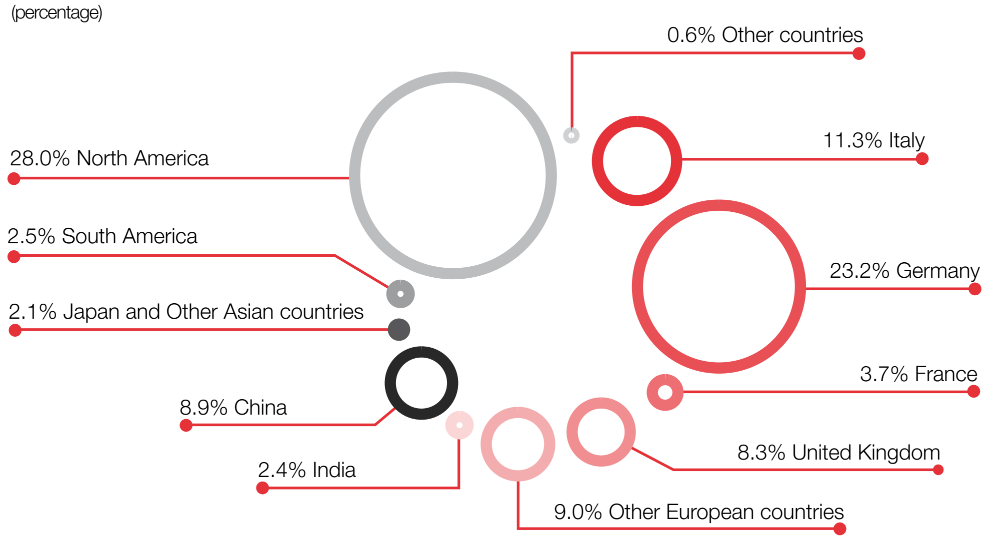
GEOGRAPHICAL AREA

(euro thousand)	31.12.2016	%	31.12.2015	%	Change	%
Italy	256,646	*11.3%*	247,652	*11.9%*	8,994	*3.6%*
Germany	528,299	*23.2%*	481,439	*23.2%*	46,860	*9.7%*
France	83,425	*3.7%*	80,906	*3.9%*	2,519	*3.1%*
United Kingdom	188,251	*8.3%*	167,533	*8.1%*	20,718	*12.4%*
Other European countries	205,860	*9.0%*	203,732	*9.8%*	2,128	*1.0%*
India	55,770	*2.4%*	51,824	*2.5%*	3,946	*7.6%*
China	202,085	*8.9%*	120,333	*5.8%*	81,752	*67.9%*
Japan	36,256	*1.6%*	32,268	*1.6%*	3,988	*12.4%*
Other Asian countries	12,496	*0.5%*	9,683	*0.5%*	2,813	*29.1%*
South America (Argentina and Brazil)	56,016	*2.5%*	62,484	*3.0%*	(6,468)	*-10.4%*
North America (U.S.A., Mexico and Canada)	637,458	*28.0%*	601,754	*29.1%*	35,704	*5.9%*
Other countries	16,534	*0.6%*	13,638	*0.6%*	2,896	*21.2%*
Total	**2,279,096**	***100.0%***	**2,073,246**	***100.0%***	**205,850**	***9.9%***

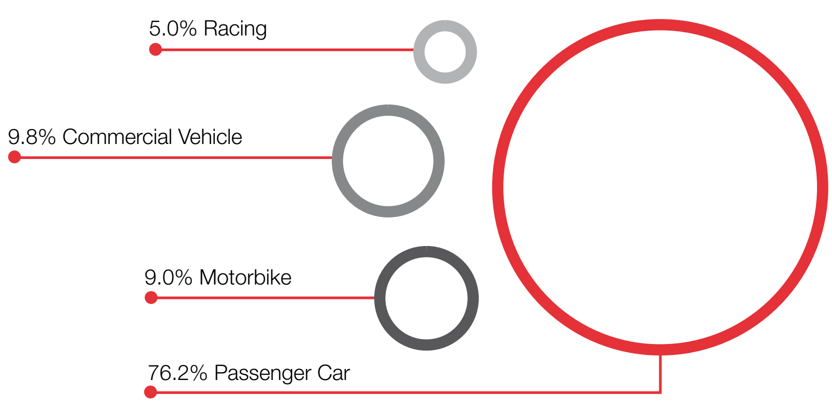
APPLICATION

(euro thousand)	31.12.2016	%	31.12.2015	%	Change	%
Passenger Car	1,736,159	*76.2%*	1,546,193	*74.6%*	189,966	*12.3%*
Motorbike	205,099	*9.0%*	193,878	*9.4%*	11,221	*5.8%*
Commercial Vehicle	224,480	*9.8%*	207,038	*10.0%*	17,442	*8.4%*
Racing	112,279	*5.0%*	124,924	*5.9%*	(12,645)	*-10.1%*
Miscellaneous	1,079	*0.0%*	1,213	*0.1%*	(134)	*-11.0%*
Total	**2,279,096**	***100.0%***	**2,073,246**	***100.0%***	**205,850**	***9.9%***

SALES BREAKDOWN BY GEOGRAPHICAL AREA
(percentage)



SALES BREAKDOWN BY APPLICATION
(percentage)



BREMBO'S CONSOLIDATED RESULTS

Statement of Income

(euro thousand)	31.12.2016	31.12.2015	Change	%
Sales of goods and services	**2,279,096**	**2,073,246**	**205,850**	**9.9%**
Cost of sales, operating costs and other net charges/income*	(1,458,752)	(1,366,349)	(92,403)	6.8%
Income (expense) from non-financial investments	11,010	9,391	1,619	17.2%
Personnel expenses	(387,640)	(356,369)	(31,271)	8.8%
GROSS OPERATING INCOME	**443,714**	**359,919**	**83,795**	**23.3%**
% on sales of goods and services	*19.5%*	*17.4%*		
Depreciation, amortisation and impairment losses	(116,250)	(108,637)	(7,613)	7.0%
NET OPERATING INCOME	**327,464**	**251,282**	**76,182**	**30.3%**
% on sales of goods and services	*14.4%*	*12.1%*		
Net interest income (expense) from investments	(15,256)	(7,783)	(7,473)	96.0%
RESULT BEFORE TAXES	**312,208**	**243,499**	**68,709**	**28.2%**
% on sales of goods and services	*13.7%*	*11.7%*		
Taxes	(69,213)	(57,694)	(11,519)	20.0%
RESULT BEFORE MINORITY INTERESTS	**242,995**	**185,805**	**57,190**	**30.8%**
% on sales of goods and services	*10.7%*	*9.0%*		
Minority interests	(2,363)	(1,843)	(520)	28.2%
NET RESULT	**240,632**	**183,962**	**56,670**	**30.8%**
% on sales of goods and services	*10.6%*	*8.9%*		
Basic and diluted earnings per share (euro)	**3.70**	**2.83**		

* 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".

Also in 2016, the Group recorded a very positive performance in terms of sales, thus confirming the constant uptrend of turnover it has been experiencing for several years. Net sales in 2016 amounted to €2,279,096 thousand, up 9.9% compared to the previous year. On a like-for-like consolidation basis — thus excluding the contribution of the results of the newly acquired Asimco Meilian Braking Systems (Langfang) Co. Ltd. for 2016 and those of Sabelt S.p.A. and Belt & Buckle S.r.o. for 2015, as they were disposed of in the previous year — Group's sales grew by 8.6%.

Nearly all applications contributed to revenue growth. Car applications contributed the most, closing the year with a 12.3% increase compared to 2015 (+9.3% excluding the contribution of Asimco Meilian Braking Systems (Langfang) Co. Ltd.), followed respectively by applications for commercial vehicles (+8.4%) and motorbikes (+5.8%), whereas the racing segment saw a 10.1% decrease due 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 for this segment was +4.6%.

At geographical level, almost all the areas in which the Group operates reported growth. In Europe, Germany — Brembo's second reference market with 23.2% of sales — rose by 9.7% compared to 2015; a good sales performance was also recorded in the United Kingdom (+12.4%), whereas Italy and France saw a more modest growth (+3.6% and +3.1%, respectively). North America (USA, Mexico and Canada), Brembo's top market at 28.0% of sales, rose by 5.9%, whereas South America showed a 10.4% decrease. In the Far East, Brembo grew sharply in China (+67.9%), also thanks to the contribution of the newly acquired Asimco Meilian Braking Systems (Langfang) Co. Ltd. (on a like-for-like consolidation basis there was a 29.7% growth). India and Japan also showed a good performance (+7.6% and +12.4%, respectively).

In 2016, **the cost of sales and other net operating costs** amounted to €1,458,752 thousand, with a ratio of 64.0% to sales, slightly down compared to 65.9% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €18,971 thousand compared to €11,982 thousand for 2015.

Income (expense) from non-financial investments amounted to €11,010 thousand, attributable to the result of the valuation of the BSCCB Group using the equity method (€8,841 thousand in 2015, in addition to €550 thousand relating to the disposal of Sabelt S.p.A. and Belt & Buckle S.r.o).

Personnel expenses for 2016 amounted to €387,640 thousand, with a 17.0% ratio to net sales, slightly down compared to the previous year (17.2%). At 31 December 2016, workforce numbered 9,042 (7,867 at 31 December 2015). The significant increase in Group's personnel (+1,175 people) was attributable both to the need to manage the increased level of production linked to the turnover growth, and to the inclusion of 660 staff of Asimco Meilian Braking Systems (Langfang) Co. Ltd., of which Brembo acquired control during the year.

Gross operating income for 2016 was €443,714 thousand compared to €359,919 thousand in the previous year, with a ratio to sales of 19.5% (17.4% in 2015).

Net operating income amounted to €327,464 thousand (14.4% of sales), compared to €251,282 thousand (12.1% of sales) in 2015, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets for €116,250 thousand, compared to €108,637 thousand in 2015.

Net interest expense amounted to €15,367 thousand (€7,801 thousand in 2015) and consisted of net exchange losses of €5,483 thousand (net exchange gains of €4,600 thousand in 2015) and other net interest expense of €9,884 thousand (€12,401 thousand in the previous year).

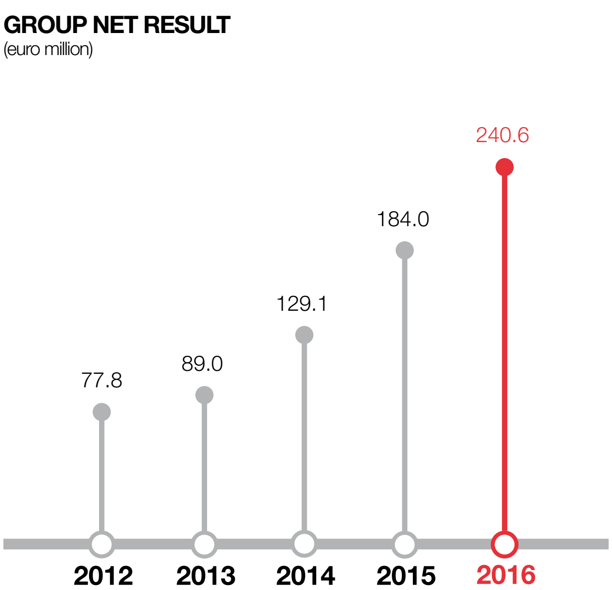
Interest income from investments amounted to €111 thousand (€18 thousand in 2015) and was mainly attributable to the effects of valuing investments in associates using the equity method.

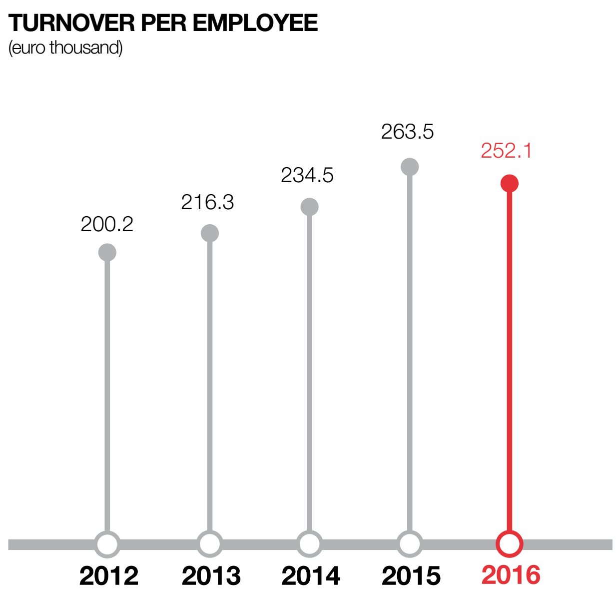
Result before taxes was positive at €312,208 thousand, compared to €243,499 thousand for the previous year. Estimated taxation amounted to €69,213 thousand, with a tax rate of 22.2% compared to 23.7% for 2015.

Group net result was €240,632 thousand, up 30.8% compared to €183,962 thousand for the previous year.

Statement of Financial Position

(euro thousand)	31.12.2016	31.12.2015	Change
Property, plant and equipment	746,932	589,777	157,155
Intangible assets	190,263	99,291	90,972
Net financial assets	33,856	36,630	(2,774)
Other receivables and non-current liabilities	53,832	59,642	(5,810)
(a) Fixed capital	*1,024,883*	*785,340*	*239,543*
			30.5%
Inventories	283,191	247,661	35,530
Trade receivables	357,392	311,217	46,175
Other receivables and current assets	43,830	36,386	7,444
Current liabilities	(542,767)	(470,910)	(71,857)
Provisions / deferred taxes	(55,836)	(31,125)	(24,711)
(b) Net working capital	*85,810*	*93,229*	*(7,419)*
			(8.0%)
(c) NET INVESTED CAPITAL (a)+(b)	**1,110,693**	**878,569**	**232,124**
			26.4%
(d) Equity	*882,310*	*687,547*	*194,763*
(e) Employees' leaving entitlement and other personnel provisions	*32,706*	*30,334*	*2,372*
Medium/long-term financial debt	215,904	215,149	755
Short-term net financial debt	(20,227)	(54,461)	34,234
(f) Net financial debt	*195,677*	*160,688*	*34,989*
			21.8%
(g) COVERAGE (d)+(e)+(f)	**1,110,693**	**878,569**	**232,124**
			26.4%





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

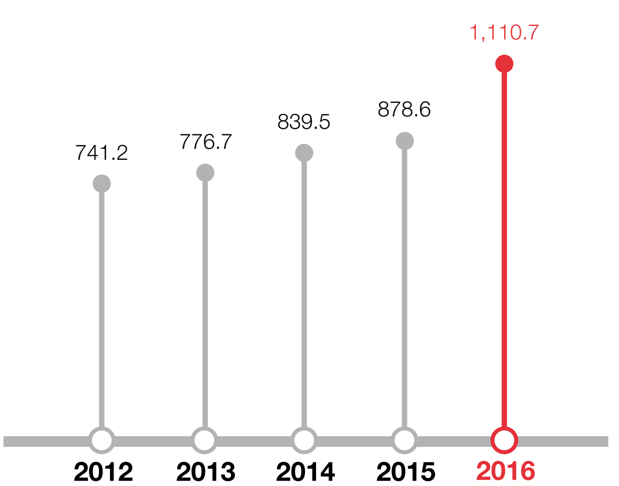
- "Net financial assets" include the following items: "Shareholdings" and "Other financial assets";
- the item "Other receivables and non-current liabilities" is made up of the following items: "Receivables and other non-current liabilities", "Deferred tax assets" and "Other non-current liabilities";
- "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 year amounted to €1,110,693 thousand, up by €232,124 thousand compared to €878,569 thousand at 31 December 2015. **Net financial debt** for 2016 was €195,677 thousand, compared to €160,688 thousand at 31 December 2015. The €34,989 thousand increase in net financial debt for the year was mainly due to the following factors:

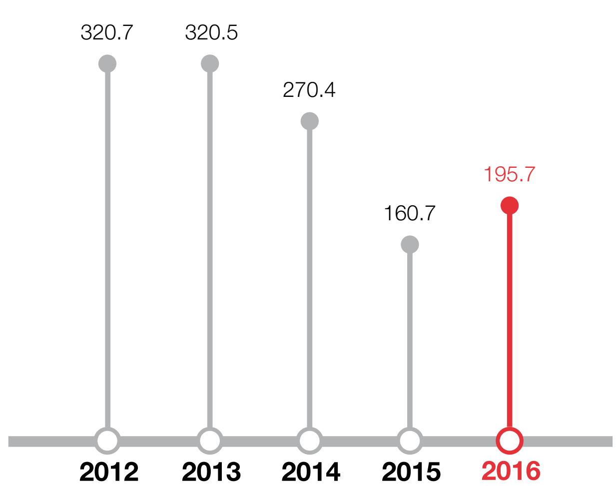
- gross operating income (€443,714 thousand) had a positive effect, with a €19,013 thousand decrease in working capital;
- net investments in property, plant, equipment and intangible assets totalled €260,749 thousand;
- the Parent paid the approved dividends, in the amount of €52,030 thousand;
- taxes paid amounted to €69,944 thousand;
- the consideration paid for the acquisition of a 66% stake in Asimco Meilian Braking Systems (Langfang) Co. Ltd., net of the net financial position acquired amounted to €72.8 million;
- dividends received by the associate BSCCB S.p.A. amounted to €9,000 thousand.

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

NET INVESTED CAPITAL
(euro million)



NET FINANCIAL DEBT
(euro million)



Statement of Cash Flows

(euro thousand)	31.12.2016	31.12.2015
Net financial position at beginning of year (*)	**(160,688)**	**(270,387)**
Net operating income	**327,464**	**251,282**
Depreciation, amortisation and impairment losses	116,250	108,637
Gross operating income	**443,714**	**359,919**
Investments in property, plant and equipment	(231,431)	(137,511)
Investments in intangible assets	(32,139)	(18,397)
Investments in financial assets	0	(209)
Disposals	2,821	1,807
Amounts (paid)/received for the acquisition / disposal of subsidiaries, net of the relevant net financial position	(72,801)	12,396
Net investments	**(333,550)**	**(141,914)**
Change in inventories	(35,070)	(27,502)
Change in trade receivables	(26,637)	(37,021)
Change in trade payables	54,051	54,207
Change in other liabilities	(19,311)	12,322
Change in receivables from others and other assets	5,807	(8,607)
Translation reserve not allocated to specific items	2,147	4,927
Change in working capital	**(19,013)**	**(1,674)**
Change in provisions for employee benefits and other provisions	21,275	11,823
Operating cash flows	**112,426**	**228,154**
Interest income and expense	(14,617)	(7,012)
Current taxes paid	(69,944)	(61,186)
(Interest income)/expense from investments, net of dividends received	(2,010)	2,629
Dividends paid in the year	(52,030)	(52,030)
Dividends paid in the year to minority interests	(800)	0
Net cash flows	**(26,975)**	**110,555**
Effect of translation differences on net financial position	(8,014)	(856)
Net financial position at end of year (*)	**(195,677)**	**(160,688)**

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

Alternative Performance Measures

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

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

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

The APMs indicated below have been selected and represented in the Report on Operations since the Group maintains that:

- net financial debt, combined with other indicators such as Investments/Revenues, Net financial debt/Equity, Net interest expense (less exchange gains or losses)/revenues and net financial charges (less exchange gains or losses)/Net operating income, allow a better assessment of the overall level of debt, capital solidity and debt repayment capacity;
- Net Working Capital, Fixed Capital and Net Invested Capital allow a better assessment of both the ability to meet short-term trade commitments through current trade assets and the consistency between the structure of the use and that of the sources of financing over time;
- Gross Operating Margin (EBITDA) and Net Operating Margin (EBIT), combined with other relative profitability indicators, allow changes in operating performance to be illustrated and provide useful information on the Group's capacity to sustain the debt; these indicators are also commonly used by analysts and investors in the sector to which the Group belongs, to evaluate company performance.

GROUP STRUCTURE

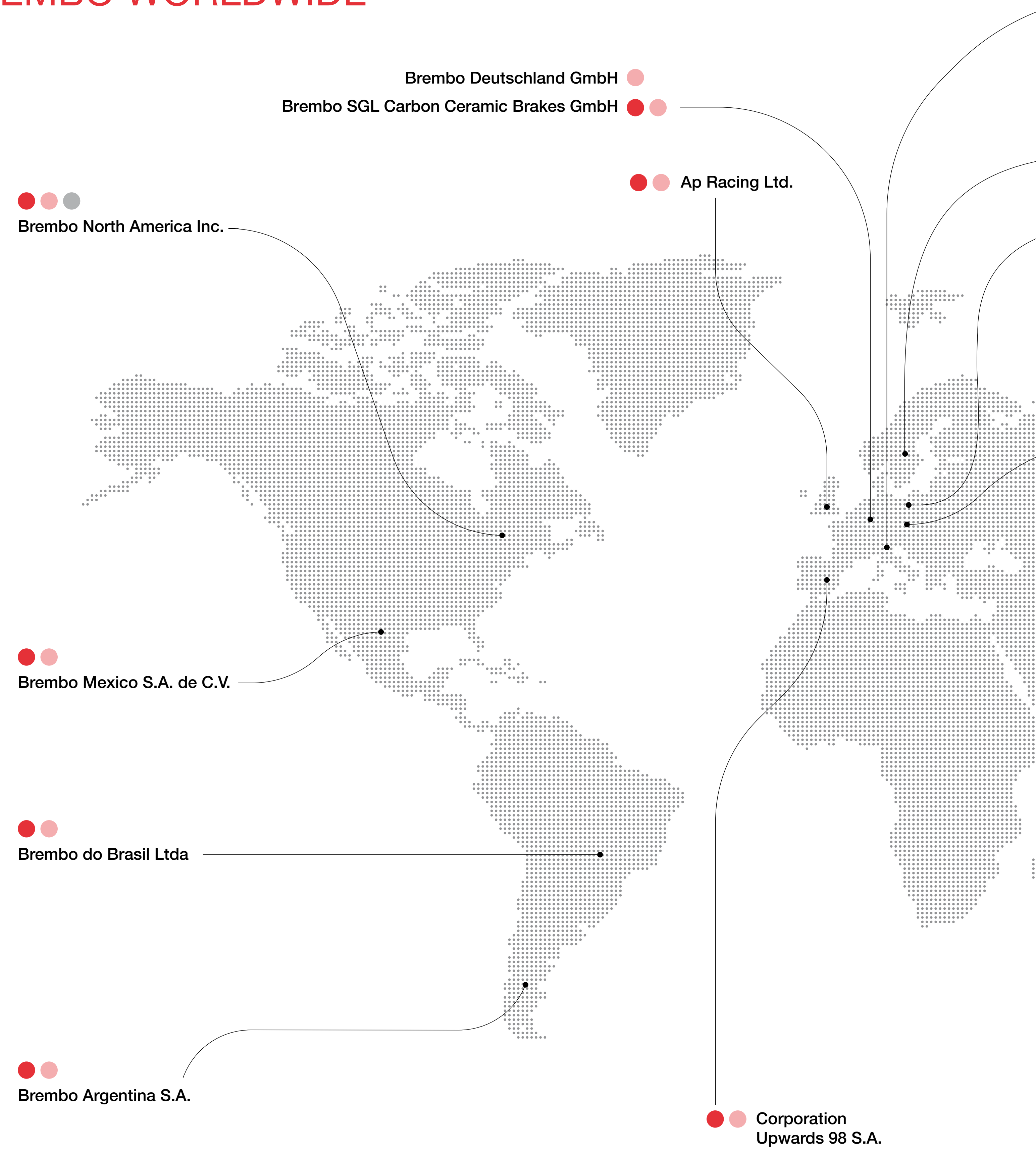
BREMBO S.P.A.

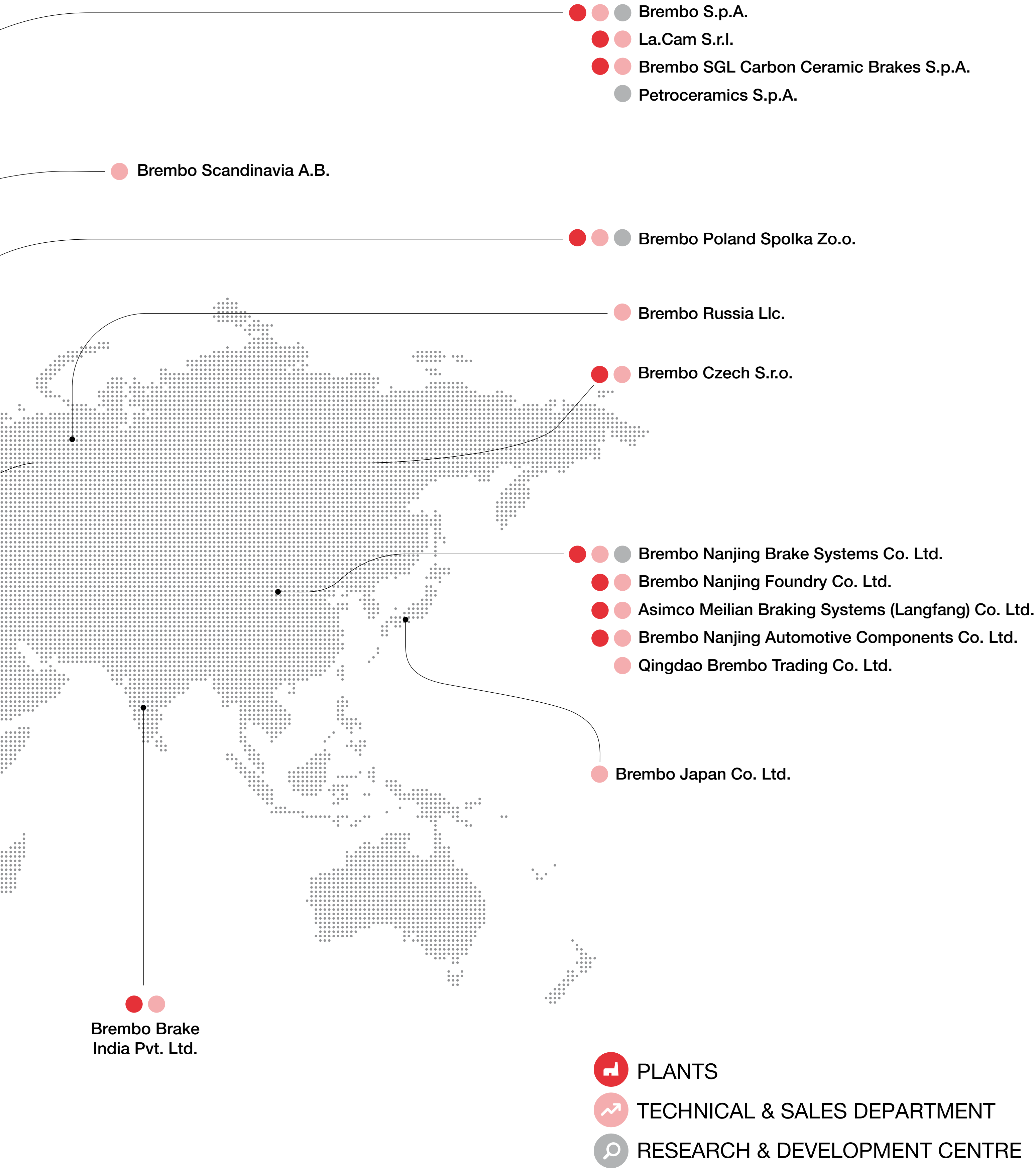
- 100% **AP RACING LTD.** Coventry UK
- 100% **BREMBO CZECH S.R.O.** Ostrava-Hrabová Czech Republic
- 100% **BREMBO DEUTSCHLAND GMBH** Leinfelden-Echterdingen - Germany
- 100% **BREMBO POLAND SPOLKA ZO.O.** Dabrowa Gornicza - Poland
- 100% **BREMBO SCANDINAVIA A.B.** Göteborg Sweden
- 100% **BREMBO RUSSIA LLC.** Moscow Russia
- 100% **LA.CAM (LAVORAZIONI CAMUNE) S.R.L.** Stezzano - Italy
- 68% **CORPORACION UPWARDS 98 S.A.** Zaragoza - Spain
- 50% **BREMBO SGL CARBON CERAMIC BRAKES S.P.A.** Stezzano - Italy
  - 100% **BREMBO SGL CARBON CERAMIC BRAKES GMBH** Meitingen - Germany
- 30% **INNOVA TECNOLOGIE S.R.L.** In liquidazione Almenno San Bartolomeo - Italy
- 20% **PETROCERAMICS S.P.A.** Milan Italy
- 10% **INTERNATIONAL SPORT AUTOMOBILE S.A.R.L.** Levallois Perret - France
- 2.8% **E-NOVIA S.R.L.** Milan Italy
- 100% **BREMBO JAPAN CO. LTD.** Tokyo Japan
- 100% **BREMBO NANJING FOUNDRY CO. LTD.** Nanjing - China
- 100% **QINGDAO BREMBO TRADING CO. LTD.** Qingdao - China
- 100% **BREMBO NANJING BRAKE SYSTEMS CO. LTD.** Nanjing - China
- 100% **BREMBO (NANJING) AUTOMOBILE COMPONENTS CO. LTD.** Nanjing - China
- 99.99% **BREMBO BRAKE INDIA PVT. LTD.** Pune - India
- 66% **ASIMCO MEILIAN BRAKING SYSTEMS (LANGFANG) CO. LTD.** Langfang - China
- 1.20% **FUJI CO.** Shizuoka Japan
- 100% **BREMBO NORTH AMERICA INC.** Wilmington, Delaware - USA
  - 51% **BREMBO MEXICO S.A. DE C.V.** Apodaca - Mexico
- 49% **BREMBO MEXICO S.A. DE C.V.** Apodaca - Mexico
- 99.99% **BREMBO DO BRASIL LTDA.** Betim Brazil
  - 1.38% **BREMBO ARGENTINA S.A.** Buenos Aires - Argentina
- 98.62% **BREMBO ARGENTINA S.A.** Buenos Aires - Argentina

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

Brembo Red for the ribbon that was cut by the Chairman Alberto Bombassei at the opening of the new integrated plant at Escobedo.

BREMBO WORLDWIDE




Brembo S.p.A.
La.Cam S.r.l.
Brembo SGL Carbon Ceramic Brakes S.p.A.
Petroceramics S.p.A.
Brembo Scandinavia A.B.
Brembo Poland Spolka Zo.o.
Brembo Russia Llc.
Brembo Czech S.r.o.
Brembo Nanjing Brake Systems Co. Ltd.
Brembo Nanjing Foundry Co. Ltd.
Asimco Meilian Braking Systems (Langfang) Co. Ltd.
Brembo Nanjing Automotive Components Co. Ltd.
Qingdao Brembo Trading Co. Ltd.
Brembo Japan Co. Ltd.
Brembo Brake India Pvt. Ltd.
PLANTS
TECHNICAL & SALES DEPARTMENT
RESEARCH & DEVELOPMENT CENTRE

PERFORMANCE OF BREMBO COMPANIES

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

BREMBO S.p.A.
CURNO (ITALY)

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

The year 2016 closed with sales of goods and services of €843,630 thousand, up 8.0% compared to €780,802 thousand in 2015. The item "Other revenues and income" amounted to €40,819 thousand in 2016 against €32,984 thousand in 2015, whereas capitalised development costs in the year amounted to €17,055 thousand.

Gross operating income went from €112,156 thousand (14.4% of sales) in 2015 to €143,628 thousand (17.0% of sales) in 2016. Net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €35,816 thousand, closed at €107,812 thousand compared to €77,297 thousand for the previous year.

Net interest expense from financing activities amounted to €3,378 thousand, compared to €3,767 thousand for 2015. Income from investments amounted to €68,447 thousand and was mainly attributable to the distribution of dividends by some subsidiaries (Brembo Poland Spolka Zo.o., Brembo Scandinavia A.B., AP Racing Ltd., Corporacion Upwards '98 S.A. and Brembo SGL Carbon Ceramic Brakes S.p.A.).

During the reporting year, net income amounted to €138,393 thousand, compared to €103,313 thousand in 2015.

At 31 December 2016, the workforce numbered 3,034, increasing by 63 compared to 2,971 at the end 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 for 2016 amounted to GBP 45,075 thousand (€55,044 thousand), compared to GBP 38,083 thousand (€52,457 thousand) in 2015. In the reporting year, net income amounted to GBP 4,390 thousand (€5,361 thousand), compared to GBP 3,882 thousand (€5,348 thousand) in 2015.

At 31 December 2016, the workforce numbered 134, eight more than at the end of 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. Under the agreement, the remaining 34% of the share capital continued to be owned by the public company Langfang Assets Operation Co. Ltd., controlled by the Municipality of Langfang. The consideration paid for the transaction amounted to CNY 580,060 thousand (approximately €79.6 million).

Net sales as of 1 May 2016 were CNY 337,913 thousand (€45,977 thousand) and net income amounted to CNY 49,751 thousand (€6,769 thousand).

At 31 December 2016, the workforce numbered 660.

BREMBO ARGENTINA S.A.

BUENOS AIRES (ARGENTINA)

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

In 2011, Brembo acquired a 75% stake in the company based in Buenos Aires, Argentina. 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 amounted to ARS 325,524 thousand (€19,930 thousand), with a net loss of ARS 51,032 thousand (€3,124 thousand). In 2015, net sales amounted to ARS 191,205 thousand (€18,655 thousand) and net loss to ARS 29,447 thousand (€2,873 thousand).

At 31 December 2016, the workforce numbered 114, ten fewer than at 31 December 2015.

BREMBO BRAKE INDIA PVT. LTD.

PUNE (INDIA)

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

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

In 2016, net sales totalled INR 4,726,954 thousand (€63,573 thousand), with a net income of INR 365,242 thousand (€4,912 thousand). In 2015, net sales amounted to INR 3,959,154 thousand (€55,625 thousand), with a net income of INR 278,236 thousand (€3,909 thousand).

At 31 December 2016, the workforce numbered 262, compared to 232 at 31 December 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 2016, net sales amounted to CZK 7,423,202 thousand (€274,584 thousand) compared to CZK 6,428,851 thousand (€235,618 thousand) in 2015, closing the year with a net income of CZK 527,984 thousand (€19,530 thousand) compared to a net income of CZK 437,062 thousand (€16,018 thousand) in 2015.

At 31 December 2016, the workforce numbered 891, increasing compared to 788 at the same date of the previous year.

BREMBO DEUTSCHLAND GMBH

LEINFELDEN – ECHTERDINGEN (GERMANY)

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

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

At 31 December 2016, net sales amounted to €1,859 thousand (€209 thousand for 2015), with a net income of €376 thousand (€28 thousand for 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 production and sales of car brake discs in the South American OEM.

Net sales for 2016 amounted to BRL 133,767 thousand (€34,640 thousand), with a net loss of BRL 31,848 thousand (€8,247 thousand). In 2015, net sales amounted to BRL 156,642 thousand (€42,432 thousand), with a net loss of BRL 76,134 thousand (€20,624 thousand).

At 31 December 2016, the workforce numbered 242, compared to 333 at the end 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 Group companies operating in Japan.

Net sales for 2016 amounted to JPY 613,614 thousand (€5,100 thousand), compared to JPY 587,030 thousand (€4,371 thousand) in 2015. Net income for the reporting year amounted to JPY 67,651 thousand (€562 thousand), compared to JPY 54,342 thousand (€405 thousand) in 2015.

At 31 December 2016, the workforce numbered 17, two more compared to the end 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 2016, net sales amounted to USD 133,722 thousand (€120,841 thousand), with a net income of USD 6,390 thousand for the year (€5,774 thousand).

In 2015, net sales amounted to USD 103,948 thousand (€93,679 thousand), with a net income of USD 4,554 thousand (€4,104 thousand).

At 31 December 2016, the workforce numbered 500, compared to 353 at the end of 2015.

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. Brembo is in fact building a new plant for the production of aluminium calipers in Nanjing, China, near the current one. The new production hub, which will cover 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.

At 31 December 2016, net loss was CNY 3,234 thousand (€440 thousand) and had a workforce of 13.

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 31 December 2016, net sales amounted to CNY 1,055,582 thousand (€143,625 thousand) and net income was CNY 3,314 thousand (€451 thousand); in 2015, sales amounted to CNY 756,262 thousand (€108,456 thousand) and net loss was CNY 701 thousand (€101 thousand).

At 31 December 2016, the workforce numbered 318, compared to 284 at the end 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 calipers and discs for the car and commercial vehicle markets.

Net sales amounted to CNY 437,458 thousand at 31 December 2016 (€59,522 thousand), with a net income of CNY 128,551 thousand (€17,491 thousand), compared to net sales of CNY 335,378 thousand (€48,097 thousand) and a net income of CNY 4,364 thousand (€626 thousand) for 2015.

At 31 December 2016, the workforce numbered 221, compared to 207 at the end of 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 2016 amounted to USD 484,108 thousand (€437,474 thousand) compared to net sales amounting to USD 467,501 thousand (€421,314 thousand) for the previous year.

Net income was USD 21,568 thousand (€19,491 thousand) at 31 December 2016, compared to net income of USD 34,361 thousand (€30,966 thousand) for 2015.

At the end of the year, the workforce numbered 666, an increase of 106 compared to the end 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.

The company produces OEM braking systems for cars and commercial vehicles in the Czestochowa plant. In the Dabrowa Górnicza plant, it has a foundry for the production of cast-iron discs destined for use in its own production plant or by other Group companies. The Niepolomice plant processes steel disc hats to be assembled onto the light discs manufactured at the Group's plants located in China, the United States, and in the Dabrowa Górnicza plant as well.

In 2016, net sales amounted to PLN 1,790,093 thousand (€410,230 thousand), compared to PLN 1,559,500 thousand (€372,838 thousand) for 2015. At 31 December 2016, net income was PLN 402,473 thousand (€92,233 thousand), compared to

PLN 343,609 thousand (€82,148 thousand) for the previous year.

At the end of the year, the workforce numbered 1,672, compared to 1,581 at the end of 2015.

BREMBO RUSSIA LLC.
MOSCOW (RUSSIA)

Activities: promotion of the sale of car brake discs.

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

Net sales reported amounted to RUB 33,418 thousand (€450 thousand) compared to RUB 24,965 thousand (€367 thousand) in 2015; net income was RUB 11,856 thousand (€160 thousand) compared to RUB 8,697 thousand (€128 thousand) at 31 December 2015.

At the end of the year, the workforce numbered 2, unchanged compared to the end of 2015.

BREMBO SCANDINAVIA A.B.
GÖTEBORG (SWEDEN)

Activities: promotion of the sale of car brake discs.

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

Net sales for the reporting year amounted to SEK 6,832 thousand (€722 thousand), with a net income of SEK 1,664 thousand (€176 thousand), compared to net sales of SEK 8,404 thousand (€898 thousand) and net income of SEK 2,845 thousand (€304 thousand) for 2015.

At 31 December 2016, the workforce numbered 1, 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 activity exclusively for the aftermarket.

Net sales for 2016 amounted to €27,889 thousand, compared to €26,942 thousand for 2015. Net income amounted to €1,785 thousand compared to a net income of €420 thousand for 2015.

At 31 December 2016, the workforce numbered 75, compared to 71 at the end of 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. in 2010. In the same year, it leased two companies from an important Brembo Group's supplier specialising in processing aluminium, steel and cast-iron pistons for brake calipers intended for use in the car, motorbike and industrial vehicle sectors, and in the production of other types of components, including small high-precision metallic parts and bridges for car brake calipers, as well as aluminium caliper supports for the motorbike sector, chiefly produced for the Brembo Group. In 2012, La.Cam. acquired the business units of both companies.

In 2016, net sales, which were mainly to Brembo Group companies, amounted to €39,151 thousand compared to €35,872 thousand in 2015. Net income for 2016 was €1,952 thousand, compared to a net income of €993 thousand at the end of 2015.

At 31 December 2016, the workforce numbered 189, compared to 198 for the previous year.

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 for the aftermarket only.

Net sales for 2016 amounted to CNY 262,413 thousand (€35,704 thousand), compared to CNY 150,372 thousand (€21,565 thousand) for the previous year. Net income for the year was CNY 14,302 thousand (€1,946 thousand), up compared to CNY 4,414 thousand (€633 thousand) for 2015.

At 31 December 2016, the workforce numbered 23, two 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.

Net sales at 31 December 2016 amounted to €52,054 thousand, in line with €52,784 thousand for 2015. Net income for the year war €12,927 thousand, compared to net income of €7,746 thousand for 2015.

At 31 December 2016, the workforce numbered 125, five fewer than at the end of 2015.

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 2016 amounted to €103,608 thousand, up compared to €91,693 thousand for the previous year. At 31 December 2016, net income totalled €14,935 thousand, compared to a net income of €11,148 thousand for the previous year.

At 31 December 2016, the workforce numbered 301, compared to 296 at the end of 2015.

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 2016 amounted to €2,439 thousand, with a net income of €556 thousand. In 2015, net sales were €1,594 thousand and net income amounted to €58 thousand.

INVESTMENTS

In line with the direction followed until today, Brembo's investment management policy continued to develop in 2016, aiming to strengthen the Group's presence both in Italy and, above all, internationally. The most significant investments were concentrated in North America (42%), Italy (22%), Poland (18%) and China (13%).

Investments in Italy chiefly involved the purchase of plant, machinery and equipment to step up production automation, in addition to €17,055 thousand for development costs.

As part of its strategy of consolidation and development of Brembo's presence at the global level, the Group continued to invest in North America, its preferred industrial hub for expanding 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 20 October 2016, a new plant was officially opened at Escobedo (Mexico) for the manufacture and assembly of brake calipers. When fully operational, this plant will be able to produce 2 million aluminium calipers a year, bound for the major Original Equipment Manufacturers (OEM) in Europe, Asia, the United States and Mexico. The new production complex, one of the Group's most modern and cutting-edge plants, extends over an area of more than 35 thousand square metres and has involved an investment of €32 million. During the opening ceremony, Brembo also announced the start of construction of a casting foundry, adjacent to the new plant, which will extend over an area of 25 thousand square metres and will be operational by 2017. When fully operational, it will have a casting capacity of about 100 thousand tonnes a year. The products manufactured in the new plant will be destined to leading European, American and Asian OEM manufacturers with production plants in Mexico. The total investment to be completed in 2017 will amount to €85 million.

In Eastern Europe, Brembo continued to implement its investment plan to be completed in 2017 and 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. Brembo has also started to implement the plan to expand the production hub in Dabrowa Górnicza (Poland), which provides for the construction of a third casting line and new machining lines over a covered area of an additional 22 thousand square metres. The new plant, which will increase casting capacity by 100 thousand tonnes a year, will produce both 'grey' iron (used for brake discs) and 'spheroidal' cast iron (used for calipers bound for light commercial vehicles) in response to the steady rise in demand for floating brake discs and calipers recorded in Europe.

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

Group's total investments undertaken in 2016 at all operations amounted to €263,570 thousand, of which €231,431 thousand was invested in property, plant and equipment and €32,139 thousand in intangible assets.

Dabrowa, Poland.

Once completed, the new production hub in **Nanjing** will lead the way in terms of integration and **automation of processes.** The plant, which extends over an area of about **40,000 square metres,** will employ **450 people.**

RESEARCH AND DEVELOPMENT

Constant monitoring of developments in transport vehicles and search for the best brake system for the new vehicles of the future: this is the guiding principle of Brembo's R&D activities. Based on 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, duration, aesthetics and sustainability.

Since 2000, Brembo has devoted special research activities to mechatronic products, which are increasingly widespread in the automotive sector. In this area, Brembo has developed expertise that has been applied for years in the Electric Parking Brake and Brake By Wire (BBW) systems, among others. To meet the market's demand for increasingly tight development times, Brembo is committing significant resources to perfecting ever more sophisticated virtual simulation methodologies and uniform development processes in Brembo's Technical Centres located in Italy, North America, China and India.

In 2016, R&D activities mainly focused on the following aspects.

With reference to **cast-iron discs**, the Division's R&D departments continued the joint development of a new simulation methodology that also includes process parameters that may influence the disc's vibratory capacities (own frequencies). The year 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 stage.

Work on cast-iron discs for heavy commercial vehicles — an application segment of particular interest for Brembo — has continued with a view to improving their performance, and contacts with potential new customers have been intensified. The study of new geometries has resulted, among other things, 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 that are due to start in production in the first half of 2017.

Product and process improvement work progressed for cast-iron discs for car applications. These improvements will be subsequently introduced in normal application developments for the world's leading car manufacturers. In addition, further analysis is being carried out of methods for disc fluid-dynamic calculation, considering the air flows inside the entire wheel side unit.

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_2 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%.

Disc aesthetics was also studied and improved, with a proof of concept 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 are 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_2 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. In this field Brembo can be considered to be the only manufacturer with the in-house expertise needed to develop new solutions.

In the **motorbike sector**, the development of composite materials for use on series discs is proceeding in two directions featuring different technologies. In January 2017, tests started with friction materials formulated for use with carbon-ceramic discs.

During 2016, the first front cylinder application project was configured using the "Mid-Range" concept which is expected to enter into series production at the end of 2018. A prototype with the same concepts, integrated in an innovative design, has also been developed for an important customer, which is currently assessing possible series applications.

The rear cylinder application project with the integrated microswitch is progressing and the joint trials of the new CBS actuator had a positive outcome with two important Indian customers: the supply contracts are currently being defined and, in parallel, discussions have been started with a new customer for developing the CBS version for scooters.

A new brake system that uses the recently patented caliper concept was tested positively on the vehicle and presented to a key customer for its appraisal. At the same time, the application of the new concept on other types of motorbike is being studied.

Trials of the new floating disc concept in the version with hat are planned for the beginning of 2017, whilst on-vehicle tests of the floating band version are continuing.

2016 also saw the start of a study of a new front brake caliper concept for small-displacement vehicles, with a major weight and cost reduction content; the prototype trials are planned for the first quarter of 2017 and the patent application is already being prepared.

The new front caliper for top-of-the-range vehicles, which is far lighter and features a lower operating temperature, has completed the first test phase positively and the start of production is planned for the end of 2017.

Finally, a new range of front cylinders, designed for the new generations of vehicles produced also for the European market, both in the mono-disc and dual-disc versions, are starting production at Brembo's Indian plant.

With reference to activities related to the **racing world**, 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 (which continued until early 2017, with very interesting results in terms of disc quality), 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 punching 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 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 BBW systems with the introduction of a further innovative system.

In the racing sector simulation is used even more than in other sectors and in 2017 many plants will be approved with a double validation for the first time: testing and calculation. 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 give an idea of the development framework for the calculation methodologies started by Brembo as soon as in 2012.

Another important area of work for 2016 was the fine tuning of the first complete BBW system that Brembo has supplied to an F1 team. Until 2014-2015, Brembo had developed BBW systems in which the control part of the hydraulic actuation was integrated by the F1 team. In 2016, for the first time Brembo's fully integrated BBW system was developed, in which the brake hydraulic functionality is integrated with the car's hydraulic control. This project and its future planned developments require the final assembly and inspection phase (currently carried out at a well-known American aeronautic hydraulic components company with an Italian branch 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 at Brembo in the first months of 2017.

In the motorbike field, in the MotoGP class, one team, following on from specific development contracts, continues 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. In regulatory terms, 2016 saw several innovations in the Moto GP 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: two development cycles were needed to obtain the same performance as the aluminium-lithium system. However, the effort made at the end of 2015 was repaid: in fact, no problems were encountered in races during 2016.

It also bears recalling that the tyre supplier was 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.

Finally, again as regards the racing sector, the studies to evaluate the potential performance of motorbike carbon clutches carried out by the subsidiary AP Racing were completed in 2016, with the production of prototypes. The prototypes have also worked perfectly on a motorbike and the next step will entail exploring prospects for future developments, including mechatronic.

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, which is currently being tested.

Regarding Brembo's collaboration with Universities, existing agreements 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 a part of the project to be delivered in 2017; 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, in February 2016 Brembo took part in the tender for the European "Clean Sky 2" project for the "development of materials and advanced systems for light aircraft (airplanes and helicopters) brake systems" section, the result of which is not yet known.

Brembo's need to offer customers an ever more integrated and efficient product, as reflected in the Group's philosophy, is fully expressed with the development of the entire brake system, including discs, calipers and pads. **Brembo Friction**, an entity dedicated to the study and production of brake pads, has set itself the goal of producing this fundamental brake system component, alongside the more traditional caliper and disc products so characteristic of Brembo's historic know-how. As the result of its constant research work, Brembo Friction can today boast a broad and varied offer, with materials designed and tailored to meet the needs of a vast range of customers, who value and demand Brembo pads more and more in their calipers. Brembo's materials catalogue includes more traditional product categories for use on cast-iron discs, with specialist solutions both for the more performance-focused European market and for the American and Asian markets, which are more comfort-oriented. It also extends to particular applications such as carbon-ceramic discs for racing cars and meets the most diverse needs, maintaining high quality and performance standards in each sector.

Following the most recent legislative directives, Brembo Friction has also already been engaged for several years in research and development into copper-free materials. This work has led to the successful assignment of a number of projects, both for the European market and for the Asian and U.S. markets, where series production will start in 2017. The continuous innovation that characterises Brembo Friction, just like the entire Brembo Group, is not limited to internal needs and customer requirements, but extends to partnership projects shared with other company divisions; projects that, more than any other, are able to express the potential of a brake system produced completely in-house. This branch of research includes: the development of materials for electric parking calipers, which are fitted more and more frequently on modern vehicles; research into materials for discs made of cast iron coated with chromium and tungsten carbides, which promise to achieve a lightness and wear resistance currently not achievable with conventional cast-iron discs; the development of mixtures for co-cast steel discs; research into materials for carbon-ceramic discs coated in silicon and silicon carbide for the German market.

However, achieving better and better performance is not the only driver of the ongoing research and innovation that characterizes Brembo Friction: an important objective is also to reduce the brake pad component's polluting agents and greenhouse gas emissions. These activities receive considerable support from the Friction laboratory, which in recent years has benefited from major investment in terms of equipment and is now able to carry out advanced analyses on different aspects of the pad system and raw materials. Further investment is planned for the future but the laboratory is already today a valuable instrument for achieving the evermore ambitious objectives that Brembo Friction has set itself.

Brembo pursues the goal of using the braking system to help reduce vehicle consumption and resultant CO_2 emissions and particulates 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. In this area a new caliper designed specifically for high-performance cars is in the course of being developed, with the purpose of significantly reducing the on-track operating temperature and hence raise system performance.

The conquest of new market segments is being pursued through the study of new types of brake caliper. An initial type of caliper with innovative characteristics 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 innovative 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 reduction, with the same performance, ranging from 5% to 10% based on caliper geometry.

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 chosen by a major U.S. customer to supply a caliper with integrated electric parking for a commercial vehicle. Production is scheduled to start in 2018. On new design electric traction vehicles the brake system will undergo important changes, particularly as regards braking management and the interface with the vehicle. BBW systems, which Brembo has been studying for some time, have achieved a high performance and functional level. The industrialisation and planning stage for a production launch has already started and will be able to take shape as soon as the interest of some customers is confirmed by agreement.

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.

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.

Advanced R&D activities, in which the new virtual and augmented reality technologies are playing an ever greater role in the simulation and product development areas, are focusing on mechatronic systems for future vehicle brake systems and the development of new structural materials. Within this context, Brembo is continuing to develop a BBW 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. Also an innovative vehicle wheel-side architecture with electric drive motor and integrated, electronically controlled BBW brakes is in an advanced stage of study and was already unveiled at the Frankfurt Motor Show in September 2015.

Within the **Advanced R&D** activities as well, 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 to produce structural components, such as technopolymers or reinforced light metal alloys. 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 project started in March 2013 and is now in its final months, being due to end in February 2017. The skills acquired will be applied in many new projects implemented in the next few years and the relations with the Universities and Research Centres involved in the "Rebrake" project will continue well beyond the end of the project itself.

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, early 2015 saw the funding of the LIBRA project, which is still ongoing and aims to develop brake pads that use composite material (typically resin) rather than steel, with the ensuing advantages in terms of weight reduction.

Escobedo, Mexico.

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 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, lawfullness 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[1] 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

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

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 risk management policy are:

a External risks

b. Strategic Risks

c. Operating Risks

d. Financial Risks

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

External risks

Country risk

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

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

Strategic Risks

Innovation

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

Market

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

Investments

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

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, 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 16.0% 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 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.

Escobedo is one of the Group’s most **modern and cutting-edge** plants, and was recently inaugurated by Chairman Alberto Bombassei.
The plant, which extends over an area of **35,000 square metres**, will create about **500 new jobs.**

HUMAN RESOURCES AND ORGANISATION

Organisational changes were introduced in 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.

Within the Central Departments, the new role of Chief Manufacturing Officer was introduced, in view of the competitive business context in which Brembo operates, the Group's industrial complexity and the growing need to ensure constant improvement in the efficiency of production processes at global level, as well as 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 and sole responsibility for the second one. In addition, as part of the cross-business management of the manufacturing area, Brembo launched a process of plant managers rotation in the Motorbike plant in Curno (Italy), the Systems plant in Czestochowa (Poland) and the Disc Machining plants in Mapello (Italy), Dabrowa (Poland) and Nanjing (China). This is aimed at developing the professional skills and expertise of the respective professional family.

Moreover, in view of the Company's challenging organic and non-organic growth objectives and in keeping with the strategic plans and development activities of the Divisions and Business Units, the organisational placement of the Business Development & Marketing Department was changed, so that it reports to the Executive Vice President, and its current scope was extended through the creation of a Merger & Acquisition area.

With reference to the business areas, the function of Market Analysis and Product Planning Manager was introduced in the Systems Division, with the task of providing constant analysis of the state of the market for vehicles produced by the System Division and assessing the innovative product requirements emerging from the ongoing relationship with customers. Within Performance Group, Brembo Performance Commercial, Technical, Operations, Quality Assurance and Purchasing functions were created in order to ensure possible synergies inside its various areas based in the headquarters and meet the specific needs of individual businesses.

As far as Group companies are concerned, in China the organisational structure of the technical area was revised with the creation of the role of China Technical Center Manager, who oversees the design, project engineering and testing functions. Again in this area the new role of APAC Aftermarket Director was introduced, with direct responsibility for all the Aftermarket activities for the Asia-Pacific region and the Qingdao site. AP Racing saw a management change, with the arrival of its new Managing Director.

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

With this goal in mind, the new course catalogue, supplemented by a number of new and diverse training and development initiatives, particularly in the R&D and Manufacturing areas, was produced to accompany the launch of the 2016-2017 report on training needs. A structured technical-specialist skills mapping project started at the beginning of the year for the Manufacturing area produced a clear snapshot of training requirements, also in view of the digitalisation of Brembo's production sites throughout the world: a crucial aspect for leading the way for industrial revolution 4.0, as Brembo intends to do.

The development path for newly appointed Executives or those recently recruited from outside the Group was particularly important for management training in 2016, in addition to the routine delivery of catalogue courses. Now in its XII edition, "Leaders in Action" offered new managers strategic, economic-financial, leadership and business planning skills. Started in May, this training plan concluded at the end of the year with the presentation of actual business projects — produced as an integral part of the development process — before top managers, who expressed a high level of satisfaction.

Another key event, like every year, was the Brembo Induction Programme (BIP), which offered the year's new recruits (white-collar staff, middle managers and executives) a comprehensive company overview presented by managers and specialists in as many as 30 classroom hours spread over two months. Now in its XIV edition, the BIP was translated simultaneously and directly streamed over the Intranet portal.

Catalogue management training was very well attended particularly for the "Finance for non experts" (on all 3 levels), and the "Developing interpersonal relations" sessions (on 2 levels). Finally, in 2016 a number of training paths, such as those focused on personnel management, were extended to some of the Group's European companies.

Technical-specialist training met with great interest both as regards specific skills for mechatronics in the safety field (with differentiated training paths based on the different roles, professional expertise and responsibilities in the R&D area) and in terms of the Systems Division's R&D Academy, where every course incorporates the latest Research and Development innovations.

In addition, as part of the diversified initiatives run by Brembo with various Universities in the broader University Relations programme, the third Brake Academy course received particularly positive feedback. This consisted of 8 sessions run by Brembo's R&D specialists for students at the Milan Polytechnic.

Training results are fully monitored through the satisfaction and effectiveness end-of-course data recorded both through feedback questionnaires and the difference between the entry and exit knowledge tests completed by those attending each training initiative Both these tools, measured and analysed together with a number of other indicators, have assured ISO 2008/EA 37 certification for the Brembo Academy this year as well.

Again in the Brembo Academy area, 2016 also saw the launch of the certification process for in-house trainers: specialists and in-house personnel with valuable know-how who, after a thorough recruitment, training and assessment process, run classroom training with the same quality and the same satisfaction indicators recorded by external professional trainers.

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.

In short, 727 training initiatives were implemented in 2016 for a total of 357 courses, 58,545 training hours and 5,772 participants.

Nanjing, China.

ENVIRONMENT, SAFETY AND HEALTH

The 2016 results confirm the consistency of the strategy adopted by Brembo to tackle the safety and environmental issues as an integrated element in the sustainable business model, with the aim of meeting the expectations of all internal and external stakeholders.

A summary of the main results achieved during the year is given below.

Workplace Safety

In 2016, both the accident severity rate[1] and the frequency rate[2] fell significantly compared to previous years. The indicators used in Brembo for monitoring the accident phenomenon reported an overall reduction in terms of both occurrences and the average number of days lost per accident.

This highly positive result was achieved by reinforcing not only lagging actions, but also leading actions most of all. Three aspects contributed most to the reduction in accident rates:

- more refined problem-solving techniques, required to avoid similar occurrences being repeated;
- an extension of analyses of causes of "near misses" required to identify unsafe situations;
- a sharing of experiences amongst the Group's various sites, regarding the causes of accidents and ways of preventing them.

To pursue further improvements in this area, work is currently underway to refine the software that analyses occurrences, identify improvement measures and support sites in:

- guiding the process of analysing the occurrence 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 occurrence.

Environmental sustainability

As in the past, one of the most significant actions in the environmental sustainability field is membership of the Carbon Disclosure Project (CDP) campaign, an international initiative launched in 2000, which aims to assess the strategies for responding to the challenge of climate change by companies. As in previous years, Brembo responded to the Climate Change questionnaire on CO_2 emissions and, for the first time, also to the Water questionnaire on water use.

In brief, the main developments compared to previous years were:

- extension of the reporting scope, both for carbon dioxide emissions and water usage, to all the Group's production sites; in fact, after gradually adding new sites to the monitoring and reporting activity over the years, this year saw the initiative being extended to all of the Group's production sites. This provided a complete picture not only of CO_2 emissions, but also of the mitigation actions designed to reduce the environmental impact created by the sites during the year. In fact, more than 20 important projects have been completed, allowing GHG emissions to be significantly reduced;

1 Accident severity rate: average number of calendar days lost due to an accident by each employee over a year.

2 Frequency rate: number of accidents occurring in one year, every 100 employees.

- with reference to emissions in 2016, tonnes of CO_2 emitted overall by the Group, totalled about 460,000[3], with a 7% increase compared to 2015. In absolute emission terms, the change is due to the increase in production volume. It should be noted that CO_2 emissions were reduced on average by 1.3% per tonne cast and 4.0% per piece produced. The final value of tonnes of CO_2 emitted will be published in the official CDP report scheduled for October 2017;
- the definition of medium and long-term targets for reducing CO_2 emissions (-19% in 2025 and -41% in 2040 compared to 2015 figures). The reduction targets have been set considering the commitments defined during the 2015 Paris Conference (COP21), the goal of which is to contain the rise in average global temperature;
- participation for the first time, as mentioned above and again on a voluntary basis, in a further initiative promoted by CDP and relating to water resources; in this case as well, just as for GHG emissions, Brembo reported annual water consumption and related uses for all of the Group's sites, responding to the Water questionnaire (mains, industrial and plant cooling water etc.).

3 Value for emissions classified as Scope 1 and Scope 2.

The Climate Change questionnaire[4] scored A-, making Brembo one of the best performers in the industry sector in which the company is placed (consumer discretionary); the Water questionnaire scored B.

In addition to signing up to the Carbon Disclosure Project, for years Brembo has been constantly engaged on several fronts to ensure that its business develops in an eco-sustainable way. For instance, it is no coincidence that the most recently constructed plants have been built with the best technologies available, pre-tested on sites that are already operating, and significantly reducing the environmental impact.

4 The score refers to 2015 since the figure is provided by CDP in October of the year after the reference year.

Dabrowa, Poland.

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.

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

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

It should be noted that the Audit & Risks Committee, in its role as Related Party Transactions Committee, met on 5 May 2016 to preview the proposal for a settlement agreement with Impresa Fratelli Rota Nodari S.p.A., the majority shareholder of Innova Tecnologie S.r.l. in liquidazione, and with the latter itself. Having assessed the interests of the company on reaching the settlement and that the respective conditions were expedient and substantially correct, and having examined the possible risks, the Committee expressed a favourable opinion for signing the settlement agreement between the parties, the conditions of which are specified at point 4 of the Notes to the Consolidated Financial Statements.

Inside the new cast-iron foundry
in Homer, Michigan (USA).

FURTHER INFORMATION

Significant Events During the Year

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 21 April 2016 approved the Financial Statements for the year ended 31 December 2015, allocating the net income 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 shares, 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.

After receipt of the required authorisations from the Regulator, the public shareholder, MOFCOM (Ministry of Commerce) and AIC (Administration for Industry and Commerce), 19 May 2016 saw the closing of Brembo's acquisition of 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. Under the agreement signed on 28 September 2015, 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.

The consideration for the transaction 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 in 2016.

Opt-out from the Obligations to Publish Disclosure Documents

The Company has adopted the opt-out system envisaged by Article 70, paragraph 8, and Article 71, paragraph 1-*bis*, of the Rules for Issuers (Board's Resolution dated 17 December 2012), thus opting out from the obligation to publish the required disclosure documents in the case of significant mergers, de-mergers, capital increase by way of contributions in kind, acquisitions and disposals.

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

In accordance with the requirements of Articles 36 and 39 of the Market Regulations (adopted with Consob Regulation No. 16191 of 29 October 2007 and amended with Resolution No. 16530 of 25 June 2008), the Brembo Group identified six subsidiaries

Escobedo, Mexico.

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.

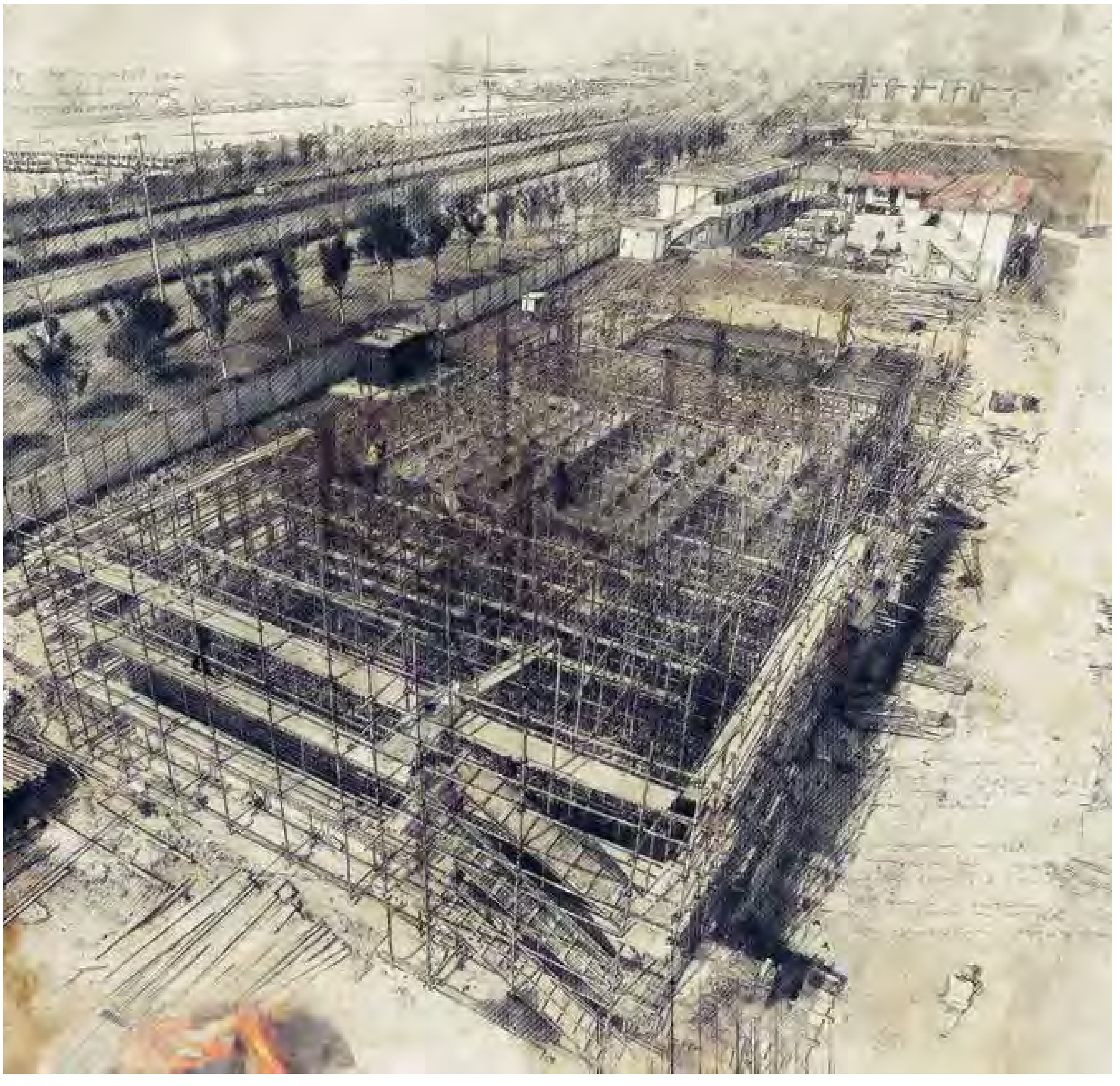
Reconciliation Statement of Brembo S.p.A.'s Equity/Result With Consolidated Equity/Result

The reconciliation of Equity and Result for the year, as reported in the Parent's financial statements, and the Equity and Result for the year recognised in the Consolidated Financial Statements reveals that the Group's Equity at 31 December 2016 was €463,199 thousand higher than the figure reported in the Brembo S.p.A. Financial Statements. Consolidated Net Result for the year, amounting to €240,632 thousand, was €102,239 thousand higher than that of Brembo S.p.A.

(euro thousand)	Net income 2016	Equity 31.12.2016	Net income 2015	Equity 31.12.2015
Brembo S.p.A.	**138,393**	**394,714**	**103,313**	**309,463**
Consolidation adjustments:				
Equity of consolidated companies and allocation of their result	164,774	761,575	124,967	617,033
Goodwill and other allocated surplus	0	54,698	0	8,696
Elimination of intra-Group dividends	(79,593)	0	(56,480)	0
Book value of consolidated shareholdings	0	(364,377)	0	(263,152)
Valuation of shareholdings in associate companies/JVs measured using the equity method	2,121	3,631	(2,683)	1,661
Elimination of intra-Group income	(576)	(6,624)	84	(6,001)
Other consolidation adjustments	17,876	38,693	16,604	19,847
Equity and result for the year attributable to minority interests	(2,363)	(24,397)	(1,843)	(5,695)
Total consolidation adjustments	**102,239**	**463,199**	**80,649**	**372,389**
GROUP CONSOLIDATED EQUITY AND RESULT	**240,632**	**857,913**	**183,962**	**681,852**

FORESEEABLE EVOLUTION

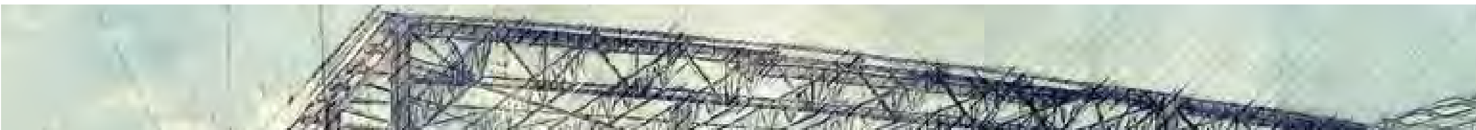
The data for the first few months of the year allow us to look to the future with prudent optimism, despite the scenario of severe global volatility.



Nanjing, China.

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

Brembo S.p.A.'s Corporate Governance and Ownership Structure Report pursuant to Article 123-*bis* of the Consolidated Law on Finance presented in an individual report, separate from the Directors' Report on Operations, has been published at the same time as the latter and is available on Brembo's website (www.brembo.com, Company, Corporate Governance, Corporate Governance Reports).



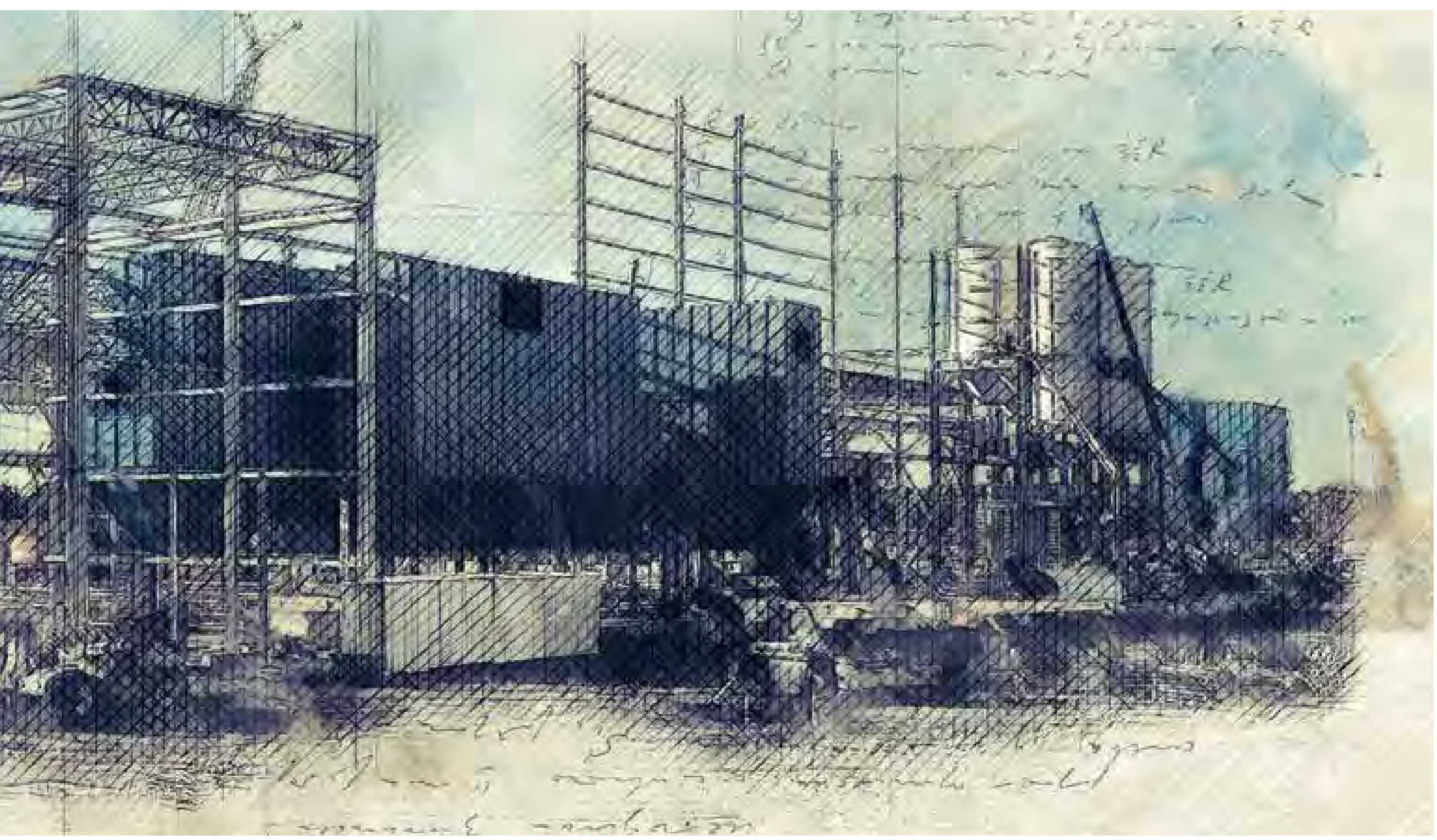
INFORMATION ABOUT THE BREMBO S.P.A. DIVIDEND PROPOSAL

To conclude the description of the performance of the Brembo Group for the year ended 31 December 2016, based also on the examination of our Report concerning the Consolidated Financial Statements of the Brembo Group and the separate Financial Statements of Brembo S.p.A., in which we outlined the guidelines and operations, we submit for your approval our proposal for distributing Brembo S.p.A.'s net income amounting to €138,392,654.82, as follows:

- to the Shareholders, a gross ordinary dividend of €1.0 per ordinary share outstanding, excluding own shares (payment as of 24 May 2017, ex-coupon date 22 May 2017, and record date 23 May 2017);
- the remaining amount carried forward.

Stezzano, 3 March 2017

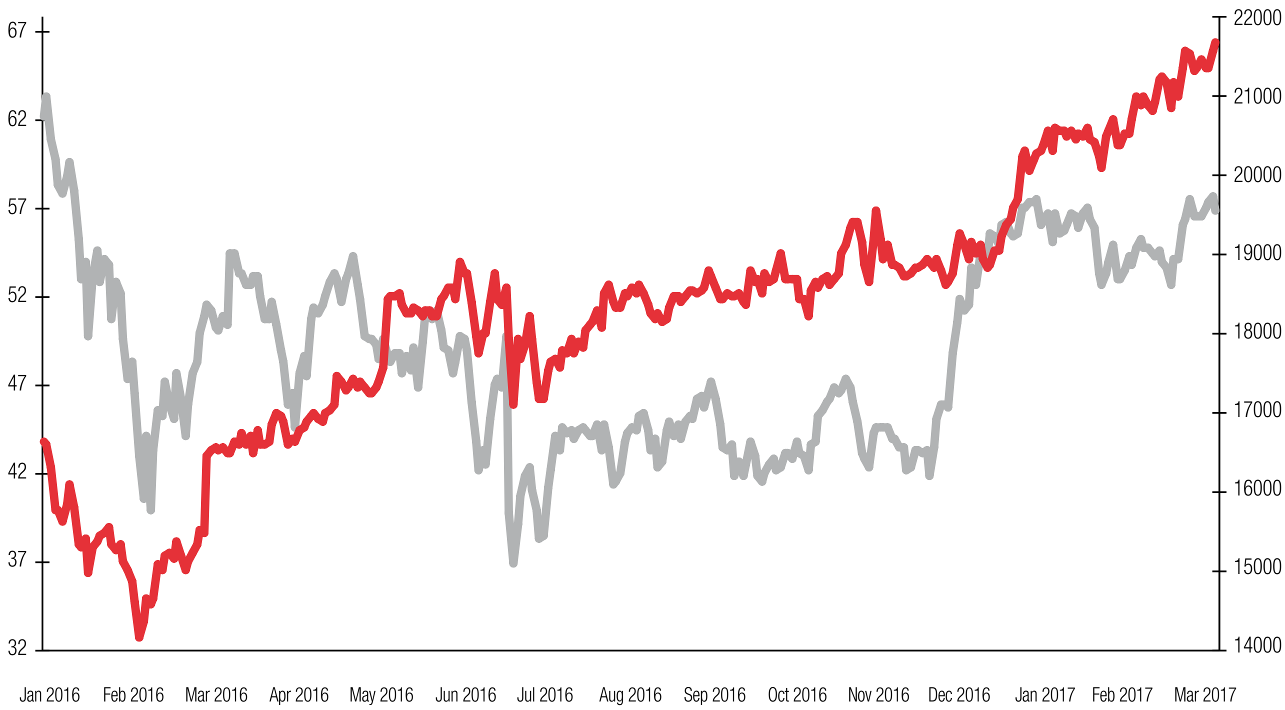
On behalf of the Board of Directors
The Chairman
Alberto Bombassei



Homer, Michigan.

The new integrated plant in **Nanjing** will produce **aluminium calipers** with a casting capacity of more than **15,000 tonnes** and a production capacity of **more than 2 million pieces a year** (including calipers and spindles).

BREMBO S.P.A. STOCK PERFORMANCE



Source: Bloomberg Finance LP

Brembo stock closed 2016 at €57.50, with an increase of 31.12% compared to year-start. The stock performed extremely well, reaching a low for the period of €32.78 on 8 February and a high of €57.50 on 30 December. Over the year, Brembo overperformed both the FTSE MIB index, which closed down 7.24%, and the European Euro Stoxx Total Market Value Small (+2.82%) index, as well as against the BBG EMEA Automobiles Parts index, which at the year-end fell 0.37%.

During 2016, the most representative stock indices on the financial markets, except for Italy, performed positively. The year 2016 will definitely be remembered for the events linked to the Brexit referendum in the United Kingdom, the election of Donald Trump in the United States and the "no" victory in the Italian Constitutional Referendum. These events will presumably also have repercussions in 2017.

For 2017, world growth is expected to improve, despite the slowdown in the Eurozone and China.

In the first few months of 2017, the Brembo stock rose by a further 15.56 percentage points, closing at a new high of €66.45 on 14 March 2017.

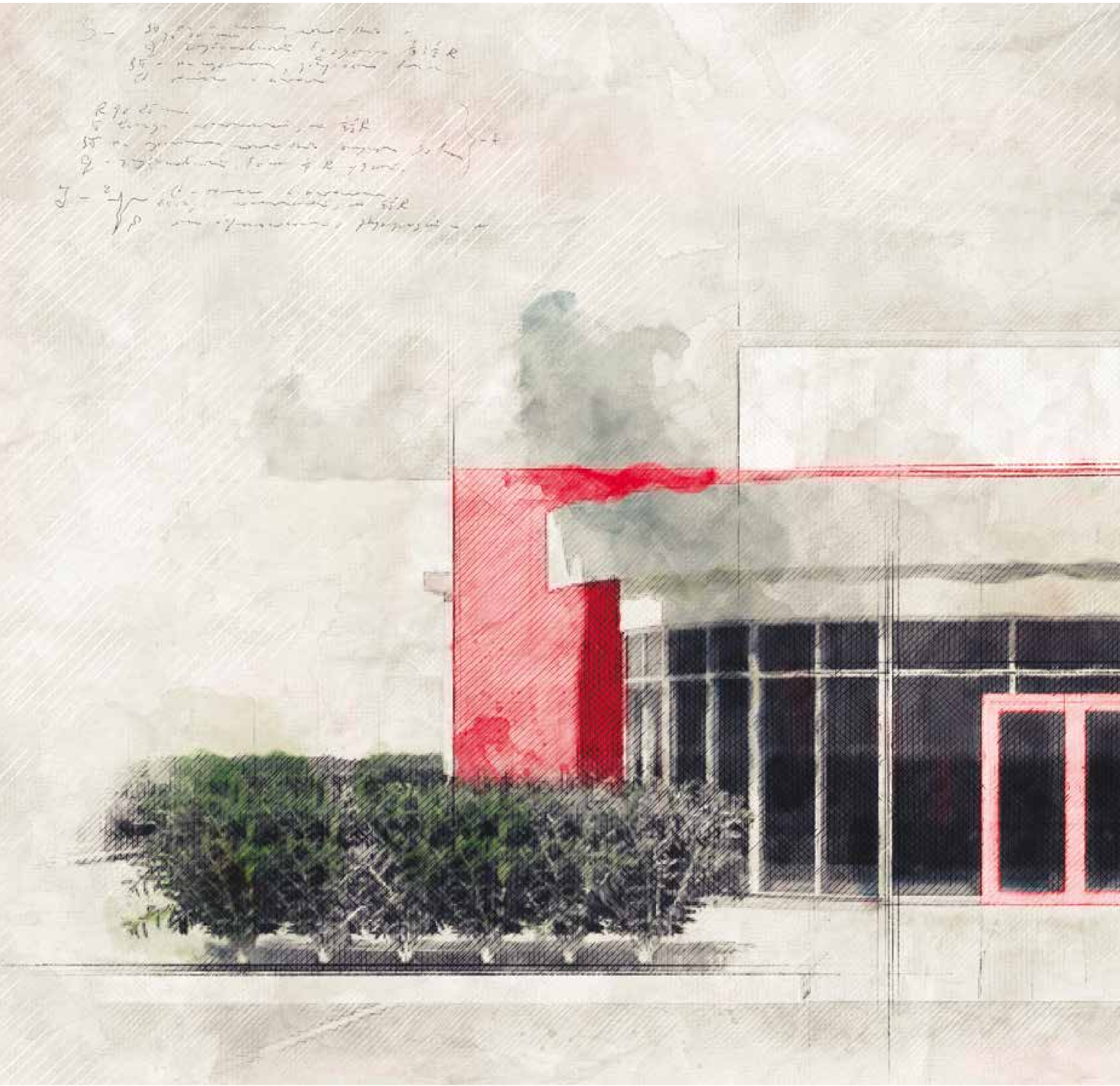
An overview of stock performance of Brembo S.p.A. is given below, compared with that of the previous year.

	31.12.2016	31.12.2015
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	66,784,450	66,784,450
Equity (excluding net income for the year) (euro)	256,321,515	206,149,731
Net income for the year (euro)	138,392,655	103,312,837
Trading price (euro)		
Minimum	32.78	26.42
Maximum	57.50	44.96
Year end	57.50	44.68
Market capitalisation (euro million)		
Minimum	2,189	1,764
Maximum	3,840	3,002
Year end	3,840	2,984
Gross dividend per share	1.0 (*)	0.8

(*) To be approved by the General Shareholders' Meeting convened on 20 April 2017.

Further information and updates regarding stock performance and recent corporate information are provided on Brembo's website at: www.brembo.com – Investors section.
Investor Relator: Matteo Tiraboschi.

New Testing plant in Stezzano (Italy).



Palmares 2016

BREMBO Brake systems

CARS

"Open wheels" Championships

Formula 1 (calipers)	
Drivers	Nico Rosberg - Mercedes AMG Petronas Motorsport's
Manufacturers	Mercedes AMG Petronas Motorsport's
GP2	
Drivers	Pierre Gasly - Prema Racing
Team Championship	Prema
GP3	
Drivers	Charles Leclerc - ART Grand Prix
Team Championship	ART
500 miglia Indianapolis	
Drivers	Alexander Rossi - Andretti Autosport Honda
European F3 Championship	
Drivers	Lance Stroll - Prema Powerteam
Team Championship	Prema Powerteam
Verizon IndyCar Series	
Drivers	Simon Pagenaud - #22 Team Penske
Team Championship	Team Penske
Formula V8 3.5 Series	
Drivers	Tom Dillmann - AVF
Team Championship	Arden Motorsport
Super Formula	
Drivers	Yuji Kunimoto - Team P.mu/Cerumo-Inging
Team Championship	P.mu/Cerumo-Inging
F3 Championship Japan	
Drivers	Kenta Yamashita - Team Tom's
Team Championship	Tom's

The new cast-iron foundry in Homer, Michigan (USA).

CARS

"Closed Wheels" championships

FIA World Endurance Championship	
LMP1	R. Dumas, M. Lieb, N. Jani - #2 Porsche 919 Hybrid
LMP2	G. Menezes, N. Lapierre, S. Richelmi 36 Signatech Alpine
GTE PRO	N.Thiim, M. Sorensen - #95 Aston Martin Vantage
GTE AM	F. Perrodo, E. Collard, R. Aguas - #83 Ferrari 458
24 Hours of Le Mans	
LMP1	R. Dumas, N. Jani, M. Lieb - #2 Porsche 919 Hybrid
LMP2	G. Menezes, N. Lapierre, S. Richelmi - #36 Signatech Alpine
GTE PRO	J. Hand, D. Muller, S. Bourdais - #68 Ford GT
GTE AM	W. Sweedler, T. Bell, J. Segal - #62 Ferrari 458
Blancpain GT Series	
Drivers	D. Baumann, M. Buhk
Team Championship	Mercedes AMG - Team HTP Motorsport
IMSA WeatherTech SportsCar Championship	
LMPC	A. Popow, R. van der Zande - #8 LMPC Oreca FLM09
GTD	C. Neilsen, A. Balzan - #63 Ferrari 488
Pirelli World Challenge GT Series	
GTS	Manufacturers: Ford
GTA	Drivers: Martin Fuentes - Ferrari 458 Italia GT3
Sprint-X GT	Drivers: D. Von Moltke
Sprint-X GTS	Drivers: K. Wilson
	Team Championship: TRG Aston Martin
NASCAR Camping World Truck Series	
Drivers	J. Sauter - #21 GMS Racing Allegiant Travel Chevrolet
SCORE International Overall & Trophy Truck Class	
Drivers	S. Eugenio - #7 Chevrolet Silverado
SCORE International Tecate SCORE Baja 1000	
Team	R. MacCachren - #11 Ford F-150

Rally Championships

WRC2	
Team	E. Lappi, J. Ferme - Skoda Fabia R5
Rally Raid - Dakar	
Team	S. Peterhansel, J.P. Cottret - Peugeot 2008 DKR

AP RACING Brake systems and clutches

CARS

"Open wheels" Championships

Formula 1 (clutches)		
	Drivers	Nico Rosberg - Mercedes AMG Petronas Motorsport's
	Manufacturers	Mercedes AMG Petronas Motorsport's
IRL		
	Drivers	Simon Pagenaud - Team Penske
500 miglia Indianapolis		
	Drivers	Alexander Rossi - Andretti Herta Motorsport
GP2		
	Drivers	Pierre Gasly - Prema Racing
GP3		
	Drivers	Charles Leclerc - ART Grand Prix
European F3 Championship		
	Drivers	Lance Stroll - Prema Powerteam

"Closed Wheels" championships

FIA World Endurance Championship		
LMP1	Drivers	R. Dumas, N. Jani, M. Lieb - Porsche 919 Hybrid
LMP1 - Indipendents	Drivers	D. Kraihamer, A. Imperatori, M. Tuscher - Rebellion Racing - Oreca
LMP2	Drivers	G. Menezes, N. Lapierre, S. Richelmi - Alpine A460 Nissan
24 Hours of Le Mans		
LMP1	Drivers	R. Dumas, N. Jani, M. Lieb - Porsche 919 Hybrid
LMP2	Drivers	G. Menezes, N. Lapierre, S. Richelmi - Alpine A460 Nissan
Nascar		
Sprint Cup	Drivers	J. Johnson - Hendricks Motorsport
Tudor United SportsCar Championship		
P Class	Drivers	D. Cameron, E. Curran - Action Express - Coyote
LMPC Class	Drivers	A. Popow, R. van der Zande - Starworks Motorsport
GTLM Class	Drivers	O. Gavin, T. Milner - Corvette
ELMS		
LMP2	Drivers	S. Dolan, H. Tincknell, G. van der Garde - Oreca 05
Blancpain		
GT	Drivers	A. Buncombe, W. Reip, K. Chiyo - Nissan GTR Nismo GT3
	Team Championship	RJN - Nissan GTR Academy - Nissan GTR Nismo GT3

CARS

Open Class			
	Drivers	A. Parente, M. Ramos - McLaren 650S	
	Team Championship	Toe Martin Motorsport - McLaren 650S	
Touring Car			
	British	Drivers	G. Sheddon - Team Dynamic - Honda
		Manufacturers	Honda Yuasa Racing
	DTM	Drivers	M. Wittmann - BMW Team RMG
	WTC	Drivers	J. M. Lopez - Citroën C-Elysee
		Team Championship	Citroën Sport
	Australian V8 Supercar	Drivers	S. Van Gisbergen - Red Bull Racing Holden
		Team Championship	Triple Eight Racing
	International TCR	Drivers	Stefano Comini - VW Golf GTI TCR
		Team Championship	Leopard Racing
Japanese Super GT			
	500 Class	Drivers	H. Kovalainen, K. Hirate
		Team Championship	Lexus Team SARD
	300 Class	Drivers	T. Tsuchiya, I. Matsui
		Team Championship	Viva team

Rally Championships

FIA Rally Raid			
	FIA Rally Raid	Drivers	Nasser Al-Attiyah - Mini All4 Racing X-Raid

BREMBO Brake systems

MOTORBIKES

Motorbike

Moto GP	
Drivers	Marc Márquez - #93 Repsol Honda Team
Moto2	
Drivers	Johann Zarco - #5 Ajo Motorsport
Manufacturers	Kalex
Moto3	
Drivers	Brad Binder - Red Bull KTM Ajo
Manufacturers	KTM

World SBK Championships

WSBK World Superbike	
Drivers	Jonathan Rea - Kawasaki Provec Team
Manufacturers	Kawasaki
World Superstock 1000	
Drivers	Raffaele De Rosa - Althea Racing
BSB British Superbike	
Drivers	Shane Byrne - Be Wiser Ducati
American Superbike	
Drivers	Cameron Beaubier - Monster Energy Graves Yamaha
JSB Superbike Giappone	
Drivers	Katsuyuki Nakasuga - Yamaha Factory
Tourist Trophy Senior Superbike	
Drivers	Michael Dunlop - BMW Hawk Racing
North West 200 Senior Superbike	
Drivers	Michael Dunlop - BMW Hawk Racing
Macau Road Race Superbike	
Drivers	Peter Hickman - BMW Team Bathams
Endurance	
EWC	Anthony Delhalle - Suzuki Endurance Racing Team
Superstock	
Drivers	Alex Cudlin - Moto Ain CRT Aprilia

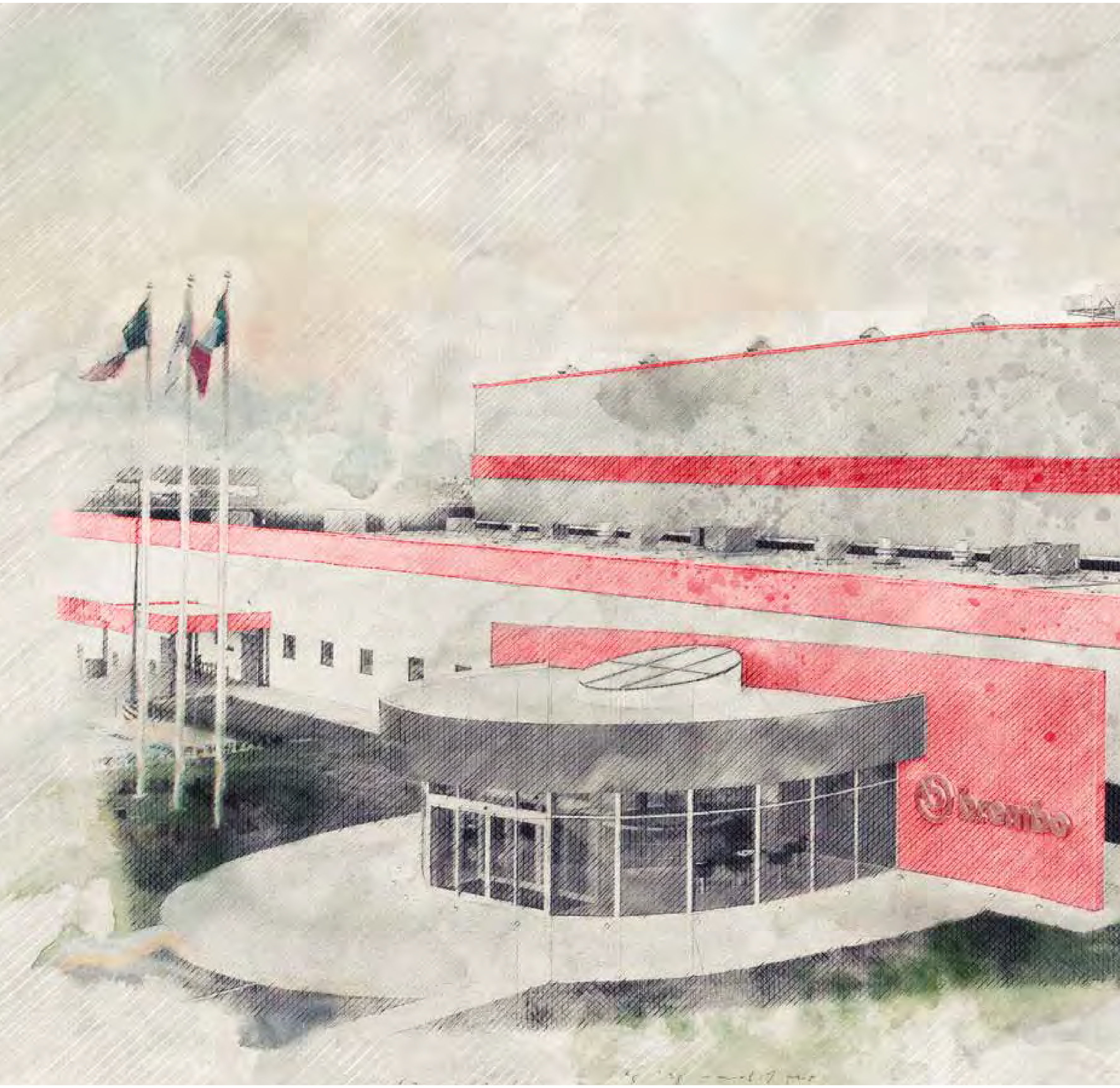
Off-Road Championships

Motocross	
MX2	Jeffrey Herlings - Red Bull Factory Team
Trial	
TR1 World Championship	Toni Bou - Montesa - HRC
Rally Raid	
Dakar	Toby Price - KTM Factory Racing

MARCHESINI Wheels

MOTORBIKES

World Superbike	
Drivers	Jonathan Rea - Kawasaki
JSB	
Drivers	Katsuyuki Nakasuga - Yamaha
GP2	
Drivers	Yuuki Takahashi - Moriwaki


brembo

Consolidated Financial Statements **2016**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

Consolidated Statement of Financial Position

ASSETS

(euro thousand)	Notes	31.12.2016	*of which with related parties*	31.12.2015	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	746,932		589,777		157,155
Development costs	2	49,324		40,843		8,481
Goodwill and other indefinite useful life assets	2	88,880		43,946		44,934
Other intangible assets	2	52,059		14,502		37,557
Shareholdings valued using the equity method	3	26,969		24,999		1,970
Other financial assets (including investments in other companies and derivatives)	4	6,887	*5,676*	11,631	*9,710*	(4,744)
Receivables and other non-current assets	5	4,794		5,116		(322)
Deferred tax assets	6	57,691		55,552		2,139
TOTAL NON-CURRENT ASSETS		**1,033,536**		**786,366**		**247,170**
CURRENT ASSETS						
Inventories	7	283,191	*4*	247,661		35,530
Trade receivables	8	357,392	*2,711*	311,217	*3,302*	46,175
Other receivables and current assets	9	43,830	*7*	36,386		7,444
Current financial assets and derivatives	10	901		814		87
Cash and cash equivalents	11	245,674	*9,104*	202,104	*14,405*	43,570
TOTAL CURRENT ASSETS		**930,988**		**798,182**		**132,806**
TOTAL ASSETS		**1,964,524**		**1,584,548**		**379,976**

The new integrated plant for the production of aluminium calipers in Escobedo, Mexico.

EQUITY AND LIABILITIES

(euro thousand)	Notes	31.12.2016	*of which with related parties*	31.12.2015	*of which with related parties*	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	135,719		137,250		(1,531)
Retained earnings/(losses)	12	446,834		325,912		120,922
Net result for the year	12	240,632		183,962		56,670
TOTAL GROUP EQUITY		**857,913**		**681,852**		**176,061**
TOTAL MINORITY INTERESTS		**24,397**		**5,695**		**18,702**
TOTAL EQUITY		**882,310**		**687,547**		**194,763**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	210,659	*904*	211,886	*1,796*	(1,227)
Other non-current financial payables and derivatives	13	5,245		3,263		1,982
Other non-current liabilities	14	8,653	*1,914*	1,026		7,627
Non-current provisions	15	21,667		15,294		6,373
Provisions for employee benefits	16	32,706	*7,397*	30,334	*7,627*	2,372
Deferred tax liabilities	6	31,622		13,001		18,621
TOTAL NON-CURRENT LIABILITIES		**310,552**		**274,804**		**35,748**
CURRENT LIABILITIES						
Current payables to banks	13	225,592	*41,474*	147,398	*16,878*	78,194
Other current financial payables and derivatives	13	756		1,059		(303)
Trade payables	17	428,530	*7,868*	349,941	*9,740*	78,589
Tax payables	18	11,837		14,052		(2,215)
Current provisions	15	2,547		2,830		(283)
Other current payables	19	102,400	*2,460*	106,917	*11,980*	(4,517)
TOTAL CURRENT LIABILITIES		**771,662**		**622,197**		**149,465**
TOTAL LIABILITIES		**1,082,214**		**897,001**		**185,213**
TOTAL EQUITY AND LIABILITIES		**1,964,524**		**1,584,548**		**379,976**

Consolidated Statement of Income

(euro thousand)	Notes	31.12.2016	*of which with related parties*	31.12.2015	*of which with related parties*	Change
Sales of goods and services	20	**2,279,096**	***5,002***	**2,073,246**	***5,110***	**205,850**
Other revenues and income	21	28,117	*3,230*	13,759	*3,369*	14,358
Costs for capitalised internal works	22	18,971		11,982		6,989
Raw materials, consumables and goods	23	(1,125,968)	*(81,037)*	(1,053,804)	*(74,762)*	(72,164)
Income (expense) from non-financial investments	24	11,010		9,391		1,619
Other operating costs	25	(379,872)	*(5,267)*	(338,286)	*(6,347)*	(41,586)
Personnel expenses	26	(387,640)	*(6,250)*	(356,369)	*(5,583)*	(31,271)
GROSS OPERATING INCOME		**443,714**		**359,919**		**83,795**
Depreciation, amortisation and impairment losses	27	(116,250)		(108,637)		(7,613)
NET OPERATING INCOME		**327,464**		**251,282**		**76,182**
Interest income	28	*36,156*		*36,590*		*(434)*
Interest expense	28	*(51,523)*		*(44,391)*		*(7,132)*
Net interest income (expense)	28	(15,367)	*(740)*	(7,801)	*(501)*	(7,566)
Interest income (expense) from Investments	29	111		18		93
RESULT BEFORE TAXES		**312,208**		**243,499**		**68,709**
Taxes	30	(69,213)		(57,694)		(11,519)
RESULT BEFORE MINORITY INTERESTS		**242,995**		**185,805**		**57,190**
Minority interests		(2,363)		(1,843)		(520)
NET RESULT FOR THE YEAR		**240,632**		**183,962**		**56,670**
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	**3.70**		**2.83**		

Consolidated Statement of Comprehensive Income

(euro thousand)	31.12.2016	31.12.2015	Change
RESULT BEFORE MINORITY INTERESTS	**242,995**	**185,805**	**57,190**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:			
Effect (actuarial income/loss) on defined benefit plans	(2,609)	1,786	(4,395)
Tax effect	553	(585)	1,138
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method	(153)	20	(173)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**(2,209)**	**1,221**	**(3,430)**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:			
Effect of hedge accounting (cash flow hedge) of derivatives	0	69	(69)
Tax effect	0	(19)	19
Change in translation adjustment reserve	(10,406)	16,575	(26,981)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**(10,406)**	**16,625**	**(27,031)**
COMPREHENSIVE RESULT FOR THE YEAR	**230,380**	**203,651**	**26,729**
Of which attributable to:			
- Minority Interests	*2,289*	*1,841*	*448*
- the Group	*228,091*	*201,810*	*26,281*

Consolidated Statement of Cash Flows

(euro thousand)	31.12.2016	31.12.2015
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**111,817**	**99,347**
Result before taxes	**312,208**	**243,499**
Depreciation, amortisation/impairment losses	116,250	108,637
Capital gains/losses	(654)	(674)
Income/expense from investments, net of dividends received	(2,121)	2,611
Financial portion of provisions for defined benefits and payables for personnel	750	789
Long-term provisions for employee benefits	1,935	802
Other provisions net of utilisations	22,827	13,612
Cash flows generated by operating activities	**451,195**	**369,276**
Paid current taxes	(69,944)	(61,186)
Uses of long-term provisions for employee benefits	(3,487)	(2,591)
(Increase) reduction in current assets:		
inventories	(35,070)	(27,502)
financial assets	293	(389)
trade receivables	(26,637)	(37,021)
receivables from others and other assets	5,119	1,150
Increase (reduction) in current liabilities:		
trade payables	54,051	54,207
payables to others and other liabilities	(17,712)	12,788
Translation differences on current assets	3,052	3,550
Net cash flows from/(for) operating activities	**360,860**	**312,282**

(euro thousand)	31.12.2016	31.12.2015
Investments in:		
intangible assets	(32,139)	(18,397)
property, plant and equipment	(231,431)	(137,511)
financial assets (shareholdings)	0	(209)
Price for disposal or reimbursement value of fixed assets	3,475	2,481
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of cash and cash equivalents	(69,465)	9,280
Net cash flows from/(for) investing activities	**(329,560)**	**(144,356)**
Dividends paid in the year	(52,030)	(52,030)
Dividends paid to minority interests in the year	(800)	0
Change in fair value of derivatives	308	(684)
Loans and financing granted by banks and other financial institutions in the year	50,000	130,002
Repayment of long-term loans	(69,649)	(233,657)
Net cash flows from/(for) financing activities	**(72,171)**	**(156,369)**
Total cash flows	**(40,871)**	**11,557**
Translation differences on cash and cash equivalents	**(7,017)**	**913**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**63,929**	**111,817**

Consolidated Statement of Changes in Equity

(euro thousand)	Share capital	Other reserves: Reserves	Other reserves: Treasury Shares	Retained earnings (losses)
Balance at 1 January 2015	**34,728**	**122,745**	**(13,476)**	**257,922**
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)
Components of comprehensive income: Effect (actuarial income/loss) on defined benefit plans				1,201
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method				20
Effect of hedge accounting (cash flow hedge) of derivatives		50		
Change in translation adjustment reserve		16,577		
Net result for the year				
Balance at 1 January 2016	**34,728**	**150,726**	**(13,476)**	**325,912**
Allocation of profit for the previous year		277		131,655
Payment of dividends				
Acquisition of Asimco Meilian Braking Systems (Langfang) Co. Ltd.				
Reclassification		8,524		(8,524)
Components of comprehensive income: Effect (actuarial income/loss) on defined benefit plans				(2,056)
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method				(153)
Change in translation adjustment reserve		(10,332)		
Net result for the year				
Balance at 31 December 2016	**34,728**	**149,195**	**(13,476)**	**446,834**

Net result for the year	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
129,054	**530,973**	**(370)**	**5,727**	**5,357**	**536,330**
(77,024)	**0**	370	(370)	**0**	**0**
(52,030)	**(52,030)**			**0**	**(52,030)**
	1,129		(1,503)	**(1,503)**	**(374)**
	(30)			**0**	**(30)**
	0			**0**	**0**
	1,201			**0**	**1,201**
	20			**0**	**20**
	50			**0**	**50**
	16,577		(2)	**(2)**	**16,575**
183,962	**183,962**	1,843		**1,843**	**185,805**
183,962	**681,852**	**1,843**	**3,852**	**5,695**	**687,547**
(131,932)	**0**	(1,843)	1,843	**0**	**0**
(52,030)	**(52,030)**		(800)	**(800)**	**(52,830)**
	0		17,213	**17,213**	**17,213**
	0			**0**	**0**
	(2,056)			**0**	**(2,056)**
	(153)			**0**	**(153)**
	(10,332)		(74)	**(74)**	**(10,406)**
240,632	**240,632**	2,363		**2,363**	**242,995**
240,632	**857,913**	**2,363**	**22,034**	**24,397**	**882,310**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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 Consolidated Financial Statements

Introduction

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2016 have been prepared in compliance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2016, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations. IFRS means all international accounting standards and all interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The Consolidated Financial Statements include the 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.

On 3 March 2017, the Board of Directors approved the consolidated Annual Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.

The new facilities of the Testing Department in Stezzano (Italy).

Basis of Preparation and Presentation

The Consolidated Financial Statements were prepared on the basis of draft Financial Statements for the year ended 31 December 2016, prepared by the Boards of Directors or, when available, of Financial Statements approved at the Shareholders' Meetings of the relevant consolidated companies, appropriately adjusted to align them with Group classification criteria and accounting standards.

The Consolidated Financial Statements have been prepared in accordance with the general principle of providing a true and fair presentation of the Group's assets and liabilities, financial position, statement of income results and cash flow, based on the following general assumptions: going concern, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting and comparative information.

The administrative period and the closing date for preparing the Consolidated Financial Statements correspond to the ones for the Financial Statements of the Parent and all the consolidated companies. The Consolidated Financial Statements are presented in euro, which is the functional currency of the Parent, Brembo S.p.A., and all amounts are rounded to the nearest thousand unless otherwise indicated.

The Consolidated Financial Statements provide comparison figures for the previous year. When applying an accounting standard or retroactively recognising an adjustment, or reclassifying financial statement items, the Group includes an additional column showing the Statement of Financial Position for the first comparison year.

The Group made the following choices in relation to the presentation of the Financial Statements:

- for the Statement of Financial Position, there is separate disclosure of the current and non-current assets and the current and non-current liabilities. Current assets, which include cash and cash equivalents, are those assets which will be realised, sold or consumed within the Group's normal operating cycle; current liabilities are obligations that will be liquidated within the Group's normal operating cycle or within twelve months of the close of the accounting period;
- in the Statement of Income, expense and income items are stated based on their nature;
- the Statement of Comprehensive Income has been reported in a separate statement;
- for the Statement of Cash Flow, the indirect method was used, as indicated in IAS 7.

The Financial Statements presented herein comply with Consob resolution No. 15519 of 27 July 2006.

Discretionary Valuations and Significant Accounting Estimates

Preparing financial statements in compliance with the applicable accounting standards requires management to make estimates that may have a significant effect on the items reported in the accounts. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances and given the information available at the reporting date. Actual results may differ from these estimates. Estimates and associated assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which such estimates are revised. 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 recognise the capitalisation of development costs, recognition of taxes, impairment of non-financial assets, the actuarial assumptions used in the valuation of defined-benefit plans and measurement of the fair value of assets and liabilities acquired under business combinations. Other estimates relate to provisions for contingencies, inventory obsolescence, useful lives of certain assets, the recognition of lease contracts and the determination of the fair value of financial instruments, including derivatives.

In particular, the following items should be noted:

– Capitalisation of development costs: the initial capitalisation is based on management's judgment about the technical and economic feasibility of the project, usually when the project has reached a certain phase of the development plan. The project's expected future cash flows, the discount rates to be applied and the periods in which expected benefits will be generated are taken into consideration to determine the amounts to be capitalised. Further information is given in Note 2 of these Explanatory Notes.

– Recognition of taxes: deferred tax assets are recognised for all unused tax losses, to the extent that it is considered probable that there will be sufficient future taxable profit against which the loss can be utilised. Deferred tax liabilities for taxes on non-distributed profits of subsidiaries, associates or joint ventures are not recognised to the extent that it is considered probable that they will not be distributed in the foreseeable future. Therefore management has to make a significant estimate to determine the amount of deferred tax assets that can be recognised and deferred tax liabilities that it is possible not to recognise, based on the amount of future taxable profit, when it will be achieved and tax planning strategies. In light of the wide range of international commercial relations, the long-term nature and the complexity of current contractual agreements, any differences between actual results and formulated hypothesis, or future changes of those assumptions may require future adjustments to previously recognised income taxes and expenses. Further information is given in Note 6 of these Explanatory Notes.

– Impairment of non-financial assets: an impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. Value in use is calculated according to a discounted cash flow model. Recoverable amount is highly dependant on the discount rate used in the discounted cash flow model, the expected future cash flows and the growth rate used for extrapolation. The key assumptions used to determine the recoverable amounts of the various cash-generating units, including a sensitivity analysis, are described in detail in Note 2 hereto.

– Actuarial assumptions used in the measurement of defined-benefit plans: the cost of defined benefit pension plans and other post-employment medical care and the present value of the defined benefit obligation are determined according to an actuarial assessment. The actuarial assessment requires the use of various assumptions, which may differ from actual future developments. Such assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, such estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. Further details are provided in Note 16 hereto.

– Measurement of fair value of assets and liabilities acquired under business combinations: on the date of acquisition the Group must recognise separately at their fair value assets, liabilities and contingent liabilities identifiable and acquired or assumed under the business combination. This process requires the preparation of estimates, based on valuation techniques, that will require an assessment in the future cash flow forecast as well as the development of other assumptions. Further details are given in the "Other information - Business combinations" paragraph hereto.

Change in Accounting Standards and Disclosures

The valuation and measurement criteria used are based on IFRS in force as of 31 December 2016 and endorsed by the European Union.

The following standards, amendments and interpretations were applied for the first time from 1 January 2016:

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 financial years beginning on or after 1 January 2016 and their early adoption 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 financial years starting on or after 1 January 2016 and early adoption 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, had no impact on the Group 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 financial years starting on or after 1 January 2016 and early adoption is allowed. These amendments had no impact on the Group.

Amendments to IAS 1 — *Disclosure Initiative*

Amendments to IAS 1 clarify some of the existing requirements. 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 are effective for financial years starting on or after 1 January 2016 and early adoption is allowed. These amendments had no impact on the Group.

Investment entity: application of the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)

The amendments cover the issues that have arisen in the application of the exception relating to the investment entities envisaged by IFRS 10 — *Consolidated Financial Statements.* They clarify that the exemption from consolidation applies to the parent entity that is the subsidiary of an investment entity, when the investment entity itself measures all its subsidiaries at fair value. The amendments also clarify that only a subsidiary of an investment entity that is not itself an investment entity and that provides support services to the investment entity is consolidated, whilst all the other subsidiaries are measured at fair value. The amendments to IAS 28 — *Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to elect to measure associates or joint ventures of an investment entity at fair value in measuring of their own investments in subsidiaries. These amendments have to be applied retrospectively and have no impact on the Group since it does not apply the consolidation exemption.

The following accounting standards and interpretations have already been issued but were not yet in force on the date these financial statements were prepared. The company intends to adopt these standards as of the date they enter into force.

IFRS 9 — *Financial Instruments*

In July 2015, the IASB issued the final version of IFRS 9 — *Financial Instruments*, which replaces IAS 39 — *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. This standard combines all aspects relating to financial instrument reporting: classification and measurement, impairment and hedge accounting. The standard is effective for the financial years beginning on or after 1 January 2018 and early adoption is allowed. With the exception of hedge accounting (which applies prospectively, but for a few exceptions), the principle has to be applied retrospectively, but it is not mandatory to provide comparative information. The Group will adopt the new standard as of the date it enters into force.

a) Classification and measurement

The Group does not expect that application of the classification and measurement requirements specified in IFRS 9 will have significant impacts on its financial statements. Loans, as well as trade receivables, are held for collection on the contractual due dates and are expected to generate cash flows consisting solely of the collection of principal and interest. The Group therefore expects that, in accordance with IFRS 9, they will continue to be measured at amortised cost. The Group will, however, analyse the features of the contractual cash flows of these instruments in greater detail before concluding whether they all meet the amortised cost measurement criteria in accordance with IFRS 9.

b) Impairment losses

IFRS 9 requires the Group to record expected impairment losses for all its own obligations, loans and trade receivables, on an annual basis or based on the residual term. The Group, which is planning to adopt the simplified approach, does not expect significant impacts on its equity given that its trade receivables are largely due from counterparties with a high credit rating (primarily car manufacturers), although it will perform a more detailed analysis that considers all reasonable and supported information, including forecasts.

c) Hedge accounting

The Group expects that all existing hedges currently designated as effective hedges will continue to qualify for hedge accounting in accordance with IFRS 9. Given that IFRS 9 does not alter the general principle whereby an entity recognises effective hedges, the Group does not expect any significant impact from application of the standard. In the future, the Group will assess in greater detail the possible changes regarding the reporting of the time value of options, forward points and difference between the interest rates for two currencies.

IFRS 15 — *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and introduces a new five-step model that will be applied to revenues from contracts with customers. IFRS 15 provides for revenues to be measured for an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The new standard will replace all current requirements set out in IFRS standards on revenue recognition. The standard takes effect for financial years beginning on or after 1 January 2018, and will be applied using the full retrospective or modified approach. Early adoption is allowed. The Group plans to apply the new standard from the mandatory effective date, using the modified retrospective method.

The evaluation of the effects of the new standard is at the preliminary stage of a project plan that will be developed during 2017. In particular, the Group sells brake systems, equipment and study and design services based on written contracts or contracts implicit in commercial practice.

Application of the new standard is not expected to have an impact on contracts with customers in which the sale of the brake system is the only obligation. In fact, the Group is expecting that revenues will be recognised when control of the asset has been transferred to the customer, generally when the goods are delivered (the guarantees set out in the contracts are also general and not extended and, as a result, the Group expects that they will continue to be reported in accordance with IAS 37).

The Group also supplies equipment and study and design services, sold both separately and together with the brake systems. The Group currently considers these to be distinct elements and, generally, recognises such revenues when the risks and benefits are transferred to the customer. In accordance with IFRS 15, the allocation will take place based on the individual transaction price. As a result, there could be impacts on price allocation and the timing of recognition of the revenues relating to these sales. In general terms, the Group does not expect significant impacts on its own equity, although it will carry out a more detailed analysis considering all the information it has available, as indicated above.

IFRS 16 — *Leases* (not yet endorsed by the EU)

IFRS 16 was published in January 2016 and replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for recognising, measuring, presenting and reporting leases. It requires lessees to recognise all leases on thebasis of a single lessee accounting model similar to that used to recognise finance leases in accordance with IAS 17. The standard provides for two exemptions for lessees' recognition: low-value leases (e.g., personal computers) and short-term leases (e.g., lease terms of 12 months or less). Upon lease commencement, the lessee recognises a liability for payments specified in the lease contract and right-of-use asset for the period of the contract. Lessees will recognise separately interest paid on the leasing liability and amortisation of the right-of-use asset. The lease liability is to be remeasured to reflect changes (for example: the lease contract conditions, a change in future lease payments caused by a change in an index or rate used to determine those payments). The lessee will generally recognise the remeasured amount of the lease liability as an adjustment to the right-of-use asset. Treatment as provided for by IFRS 16 will remain substantially unchanged for lessors, who will continue to classify each lease as an operating lease or a finance lease as provided for by IAS 17.

IFRS 16 will enter into force for years starting 1 January 2019 or thereafter with full retrospective or modified application. Early adoption is allowed, but not before the entity has adopted IFRS 15. The Group plans to apply the new standard as of the mandatory effective date, using the modified retrospective method.

Finally, other standards or amendments not yet endorsed by the European Union are summarised in the following table:

Description	Endorsed at the reporting date	Expected date of entry into force
IFRS 14 — *Regulatory Deferral Accounts*	NO	1 January 2016
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued in September 2014)	NO	not defined
Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses* (issued in January 2016)	NO	1 January 2017
Amendments to IAS 7: *Disclosure Initiative* (issued in January 2016)	NO	1 January 2017
Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* (issued in June 2016)	NO	1 January 2018
Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on 12 September 2016)	NO	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued in December 2016)	NO	1 January 2018
IFRIC Interpretation 22 — *Foreign Currency Transactions and Advance Consideration* (issued in December 2016)	NO	1 January 2018
Amendments to IAS 40: *Transfers of Investment Property* (issued In December 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.

Consolidation Criteria

The Consolidated Financial Statements include the Financial Statements of the Parent, Brembo S.p.A., at 31 December 2016, and the Financial Statements of the companies controlled by Brembo S.p.A. pursuant to IFRS 10.

Control arises when the Group is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to influence those returns through its power over the said investee.

Specifically, the Group controls an investee if, and only if, the Group has:
- power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- ability to exert power over the investee to affect the amount of the investor's returns.

It is generally presumed that the majority of voting rights confers control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:
- contractual agreements with other vote-holders;
- rights under contractual agreements;
- the Group's actual and potential voting rights.

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control. The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group obtains control until the date the Group no longer controls the company.

Income (loss) for the year and other comprehensive income components are allocated to the shareholders of the Parent and minority interests, even if this results in a negative balance for the minority interests. Where necessary, the appropriate adjustments are applied to the financial statements of subsidiaries, so as to ensure compliance with the Group's accounting policies. All intragroup assets and liabilities, equity, revenues, costs and cash flows relating to transactions between Group entities are completely eliminated during the consolidation process.

Changes in percent interests in a subsidiary that do not entail a loss of control are accounted for at equity.

If the Group loses control of a subsidiary, it eliminates the related assets (including goodwill), liabilities, minority interests and other components of equity, while any profit or loss is recognised in the Statement of Income. The residual interest, if any, is measured at fair value.

Consolidation Area

The list of consolidated subsidiaries, associates and joint ventures that are accounted for using the equity method, along with information regarding their registered offices and the percentage of capital held, is included in section "Information About the Group" hereto. Corporate transactions carried out in 2016 are listed below:

- 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 saw 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 agreement, effective retroactively from 1 May 2016, marked the entry of Asimco Meilian Braking Systems(Langfang) Co. Ltd. in the Group's consolidation area.
- The new company Brembo (Nanjing) Automobile Components Co. Ltd., with registered office in Nanjing, was formed on 8 April 2016. Once fully operational, the company, which is wholly owned by Brembo S.p.A., will carry out casting, processing and assembly of brake systems for cars and commercial vehicles.
- In October 2016, the winding up process of Brembo Beijing Brake Systems Co. Ltd. was concluded and the company was excluded from the Group's consolidation area.

Accounting Standards and Valuation Criteria

Business Combinations and Goodwill

Business combinations (established after the date of transition to IFRS) are accounted for using the purchase accounting method described in IFRS 3.

The value of the entity included in the aggregation is the sum of the fair value of the assets acquired and liabilities assumed, including contingent liabilities.

The cost of a business combination is identified as the fair value, at the date control is obtained, of the assets acquired, liabilities assumed and equity instruments issued for the purposes of the combination. That cost is then compared with the fair value of the identifiable assets, liabilities and contingent liabilities upon acquisition. Any excess of cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities upon acquisition are recognised as goodwill. Any negative differences are charged directly to the Statement of income. If the initial cost of a business combination can only be determined provisionally, adjustments to the initial provisional values must be made within twelve months of the acquisition date. Minority interests are recognised on the basis of the fair value of the net assets acquired. If a business combination involves more than one transaction, with successive share purchases, each transaction is treated separately using the cost of the transaction and fair value information on the assets, liabilities and contingent liabilities at the date of each transaction to determine the amount of any differences. When the Group obtains control of a company through a subsequent share purchase, the previously held interests are accounted for based on the fair value of identifiable assets, liabilities and contingent liabilities, at the date control is acquired.

The acquiree measures contingent consideration at fair value at acquisition date. The change in fair value of contingent consideration classified as an asset or liability, in that it is a financial instrument falling within the scope of IAS 39, must be recognised in profit or loss or in Other Comprehensive Income. If the additional consideration is not within the scope of IAS 39, it is measured in accordance with the relevant IFRS. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and its subsequent settlement is recognised in equity.

Goodwill is initially recognised at cost, as the difference of the aggregate of the value of the consideration transferred and the amount attributed to minority interests compared to net identifiable assets acquired and liabilities assumed by the Group. If the consideration is lower than fair value of net assets of the acquired subsidiary, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units of the Group that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree have been assigned to those units.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill associated with the operation disposed of is measured on the basis of the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Equity Investments in Associates and Joint Ventures

An associate is a company over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control, which exists only when decisions about the relevant activities require the unanimousconsent of all parties sharing control.

Considerations used to determine significant influence or joint control are similar to those required to determine control of subsidiaries.

The Group's equity investments in associates and joint ventures are accounted for using the equity method. Under the equity method, an equity investment in an associate or a joint venture is initially recognised at cost. The carrying amount is increased or decreased to recognise the investor's share of the investee's profit or loss realised after the acquisition date. The goodwill related to the associate or joint venture is included in the carrying amount of the investment and is not tested separately for impairment.

The Statement of income reflects the Group's share of the profits or losses of the associate or joint venture. All changes in Other Comprehensive Income relating to such investees have been presented in the Group's Statement of other Comprehensive Income. In addition, when an associate or a joint venture recognises a change directly in equity, the Group recognises its share of that change, where applicable, in its Statement of Changes in Equity. Unrealised gains and losses on transactions between the Group and associates or joint ventures are eliminated in proportion to the interest held in the associates or joint ventures.

The aggregate share of the net result of associates and joint ventures attributable to the Group is recognised in the Statement of Income and represents the income or loss after taxes and the amounts attributable to the other shareholders of the associate or joint venture.

The financial statements of associates and joint ventures are prepared at the same reporting date as the Group's

Financial Statements. Where necessary, such financial statements are adjusted to bring them into line with the Group's accounting standards.

Once the equity method has been applied, at each reporting date the Group assesses whether there is objective evidence that the investments in the associates or joint ventures have become impaired. In such cases, the Group calculates the amount of the loss as the difference between the recoverable amount of the associate or joint venture and the carrying amount of the investment in its financial statements, and then accounts for that difference in the Statement of Income.

When significant influence over an associate or joint control of a joint venture is lost, the Group measures and recognises the residual investment at fair value. The difference between the carrying amount of the investment at the date significant influence or joint control is lost and the fair value of the residual investment and consideration received is recognised in the Statement of Income.

Conversion of Items Denominated in Foreign Currencies

Conversion of the Financial Statements of Foreign Companies

The financial statements of the Group Companies included in the Consolidated Financial Statements are denominated in the currency used in the primary market in which they operate (functional currency). The Group Consolidated Financial Statements are denominated in euro, which is the functional currency of the Parent Brembo S.p.A.

At year end, the assets and liabilities of subsidiaries, associate companies and joint ventures whose functional currency is not the euro are translated into the currency used to prepare the consolidated Group accounts at the exchange rate prevailing at that date. Statement of Income items are translated at the average exchange rate for the period (as it is considered to represent the average of the exchange rates prevailing on the dates of the individual transactions). The differences arising from the translation of initial equity at end-of-period exchange rates, and the differences arising as a result of the different method used for translating the result for the period are recognised under a specific heading of equity. If consolidated foreign companies are subsequently sold, accumulated conversion differences are recognised in the Statement of Income.

The following table shows the exchange rates used in the translation of financial statements denominated in currencies other than the Group's functional currency (euro).

Euro against other currencies	31.12.2016	Average at December 2016	31.12.2015	Average at December 2015
U.S. Dollar	1.054100	1.106598	1.088700	1.109625
Japanese Yen	123.400000	120.313774	131.070000	134.286506
Swedish Krona	9.552500	9.467312	9.189500	9.354485
Polish Zloty	4.410300	4.363633	4.263900	4.182785
Czech Koruna	27.021000	27.034311	27.023000	27.285003
Mexican Peso	21.771900	20.654970	18.914500	17.599483
Pound Sterling	0.856180	0.818896	0.733950	0.725986
Brazil Real	3.430500	3.861627	4.311700	3.691603
Indian Rupee	71.593500	74.355278	72.021500	71.175220
Argentine Peso	16.748800	16.333592	14.097200	10.249537
Chinese Renminbi	7.320200	7.349579	7.060800	6.972997
Russian Rouble	64.300000	74.222360	80.673600	68.006843

Transactions in Currencies Other than the Functional Currency

Transactions in currencies other than the functional currency are initially converted into the functional currency using the exchange rate prevailing at the date of the transaction. At the closing date of the accounting period, monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at that date. Exchange differences arising from such translation are recognised in the Statement of Income.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are carried at cost are translated using the exchange rate prevailing at the transaction date, while those carried at fair value are translated using the exchange rate prevailing on the date the fair value is determined.

Property, Plant, Equipment and Other Equipment

Recognition and Measurement

Property, plant, equipment and other equipment are carried at cost, net of the related accumulated depreciation and any impairment in value. The cost includes the purchase or production price and direct costs incurred for bringing the asset to the location and condition necessary for it to be capable of being operated; interest expense is also included, if applicable under IAS 23.

Subsequent to initial recognition, the asset continues to be carried at cost and depreciated based on its remaining useful life net of any impairment in value, taking into account any residual value.

Land, including land linked to buildings, is recognised separately and is not depreciated since it is regarded as having an indefinite useful life.

Subsequent Costs

Costs for improvements and transformations that increase the value of assets (i.e., they result in probable future economic benefits that can be reliably measured) are recognised in the assets section of the Statements of Financial Position as increases to the assets in question or as separate assets. Costs are written off in the year in which they are incurred, where they relate to maintenance or repair and do not lead to any significant and measurable increase in productive capacity or in the useful life of the relevant asset.

Depreciation and Amortisation

Depreciation and amortisation represent the economic and technical loss of value of the asset and is charged from when the asset is available for use; they are calculated using the straight-line method based on the rate considered representative of the useful life of the asset.

The range of expected useful lives of property, plant and equipment used for calculating depreciation is reported below:

Category	Useful life
Land	Indefinite
Buildings	10 - 35 years
Plant and machinery	5 - 20 years
Industrial and commercial equipment	2.5 - 10 years
Other assets	4 - 10 years

The residual values, useful lives and depreciation methods applied to property, plant and equipment are reviewed at the end of each year and prospectively corrected, where appropriate. Useful lives are unchanged compared to the previous year.

Leases

Assets held under finance leases (where the Group assumes substantially all the risks and rewards of ownership) are recognised and recorded at the inception of the lease under property, plant and equipment at the lower of fair value of the leased asset or the present value of the lease payments. The corresponding liability to the lessor is recorded under financial debt. The methods used to calculate depreciation and the subsequent valuation of the asset are consistent with those used for directly owned assets. Finance leases where the lessor retains substantially all the risks and rewards incident to ownership are classified as operating leases. Lease payments are recognised in the Statement of income on a straight-line basis over the lease term.

Leasehold improvements

Improvements to third-party assets that can be considered fixed assets are capitalised to the appropriate asset category and depreciated over the shorter of their useful life or the lease term.

Development Costs and Other Intangible Assets

The Group recognises intangible assets when the following conditions are met:

- the asset is identifiable, or separable, or can be separated or removed from the entity;
- the asset is controlled by the Group, meaning that the company has the power to obtain future economic rewards from the asset;
- it is probable that the Group will enjoy future rewards attributable to the asset.

Intangible assets are initially measured at cost; subsequent to initial recognition, they are carried at cost less amortisation (except for goodwill and other intangible assets with indefinite useful lives), which is calculated using the straight-line method (beginning on the date the assets are available for use) over their useful lives, and net of any impairment losses, taking into account any residual value. The useful life of assets is reviewed periodically.

An intangible asset generated in the development phase of an internal project is recognised as asset if the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and the ability to use or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development;
- the ability to use the intangible asset generated.

Development costs are recognised in the Statement of Income. Similarly, in the case of externally acquired intangibles that qualify as research and development costs, only the costs attributable to the development phase are recognised as assets, given that the above requirements are met.

Such costs are capitalised under “Development costs” and amortised when the development phase is concluded and the asset developed generates economic rewards. In the period in which internal development costs that can be capitalised are incurred, these costs are excluded from the Statement of Income item “Increase on internal works capitalised” and recognised in the item “Costs for capitalised internal works”.

The range of expected useful lives of intangible fixed assets used for calculating amortisation is reported below:

Category	Useful life
Development costs	3 - 5 years
Goodwill and other fixed assets with indefinite useful lives	Indefinite
Industrial patents and similar rights	5 - 10 years
Other intangible assets	3 - 5 years

The residual values, useful lives and amortisation methods applied to intangible assets are reviewed at the end of each year and prospectively corrected, where appropriate. Useful lives are unchanged compared to the previous year.

Impairment of Non-Financial Assets

Goodwill, intangible assets with an indefinite life and development costs underway are systematically tested for impairment at least once a year, and whenever there are any indications of impairment.

Property, plant and equipment, as well as intangible assets that are subject to depreciation and amortisation are tested for impairment whenever indications of impairment arise.

Write-downs correspond to the difference between the carrying value and recoverable value of the assets in question. The recoverable value is the greater of the fair value of an asset or cash-generating unit less the costs of disposal and the value in use, determined as the present value of estimated future cash flows. The value in use is defined as the cash flows expected to arise from the use of an asset, or the sum of the cash flows in the case of more cash-generating units. The expected future cash flows are measured using the unlevered discounted cash flows method and each group of assets is discounted to the present value using the WACC method (weighted average cost of capital). If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount, and, as a general rule, the impairment loss is recorded in the Statement of Income. When the impairment loss of an asset (except for goodwill) is subsequently reversed, the carrying value of the asset (or cash-generating unit) is increased to the new estimate of recoverable value, without exceeding the value prior to write-down.

Inventories

Inventories of raw materials and finished products are stated at the lower of cost or market value and the corresponding net market value estimated from market trends.

The purchase cost includes costs incurred to bring each asset to the place it is stored. Manufacturing costs of finished products and semi-finished goods include direct costs and a portion of indirect costs that can be reasonably attributed to the products based on normal exploitation of the production capacity; interest expense is excluded. Work in progress is valued at production costs for the year, based on the progress report.

The cost of inventories of raw materials, finished goods, goods for resale and work-in-progress is calculated using the weighted mean cost method.

For raw materials, ancillaries and consumables, the presumable net realisable value corresponds to the replacement cost. For finished products and semi-finished goods, the presumable net realisable value corresponds to the estimated sales price in the ordinary course of business, less the estimated costs of completion and costs to sell.

Inventories that are obsolete or characterised by a long turnover period are written down on the basis of their possible useful life or realisable value, by creating a special inventory adjustment fund.

19 October 2016, laying of the first stone
for construction of the new cast-iron foundry
in Mexico, adjoining to the Escobedo plant.


brembo
FIRST STONE
MIZAR PROJECT
October 19th 2016

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, unrestricted deposits and other treasury investments with original maturities of up to three months. A treasury investment is considered as availability, when it is instantly convertible to cash with minimal risk of any fluctuation in value and, further, it is intended to meet short-term cash requirements and is not held as an investment.

For purposes of the Statement of Cash Flows, cash balances are stated net of bank overdrafts at the end of the period.

Provisions

Provisions include certain or probable costs of a specific nature, the amount or settlement date of which could not be determined at year end. A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the present value of the expected expenditure required to settle the obligation in question. Where the Group expects that some or all of the expenditure required to settle a provision to be reimbursed, such as for the case of insured risks, the reimbursement is treated as a separate asset and is recognised when, and only when, it is virtually certain that the reimbursement will be received. In this case, the expense relating to the provision is presented in the Statement of Income net of the amount recognised for the reimbursement. Provisions are periodically updated toreflect changes in cost estimates, timing and present value, if any; revisions to estimates are recognised under the same heading of the Statement of Income under which the original provision was recognised and in the Statement of Income of the period in which the change is made. When provisions are discounted to present value, the change resulting from the passage of time or interest rate fluctuations is recognised under "Net interest income (expense)".

Any provisions for restructuring costs are recognised when the company involved has approved a formal detailed plan and communicated it to affected parties.

Provisions for product warranty costs are recognised when products are sold. Initial recognition is based on historical experience. The initial estimate of the costs of warranty work is reviewed annually.

Employee Benefits

The difference between defined contribution plans, wholly unfunded defined benefit plans, wholly or partly funded defined benefit plans and other forms of long-term benefits is reported below.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a company pays contributions to an insurance company or pension fund and has no legal or constructive obligation to pay further contributions if, when the benefit right matures, the fund does not have sufficient assets to pay all benefits relating to employee service in the current or prior periods.

These contributions, which are paid for the services rendered by employees, are recognised in the same accounting period in which the services are rendered.

Defined benefit plans and other long-term benefits

Defined benefit plans are post-employment benefit plans that entail a future obligation for the company. The company assumes actuarial and investment risks in relation to the plan.

To determine the present value of its obligations relating to such plans and the related service costs, the Group uses the "Projected Unit Credit Method".

This actuarial calculation method requires the use of unbiased and mutually compatible actuarial assumptions about demographic variables (mortality rate and employee turnover rate) and financial variables (discount rates and future increases in salary and benefits). When a defined benefit plan is wholly or partly funded by contributions paid either into a fund that is legally separate from the company or to an insurance company, any plan assets are measured at fair value. The obligation is therefore stated net of the fair value of the plan assets that will be used to directly meet such obligation.

Remeasurements, which include actuarial gains and losses, any changes in the effect of the assets ceiling (excluding net interest) and return on plan assets (excluding net interest) are recognised immediately in the Statement of Financial Position, debiting or crediting retained earnings through Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified through profit or loss in the following years.

Other long-term benefits refer to employee benefits other than post-employment benefits. They are accounted for in the same manner as defined benefit plans.

Own Shares

Own shares reacquired are recognised at cost and are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, or cancellation of the company's own shares. The difference between the carrying amount and the consideration, in case of reissue, is recognised in the share premium reserve.

Government Grants

Government grants are recognised at fair value, when there is reasonable assurance that all necessary conditions attached to them have been satisfied and the grants will be received.

Grants received in recognition of specific expenses are recognised as liabilities and credited to the Statement of Income on a systematic basis over the periods necessary to match the grant income with the related expenditure. Grants received for defined assets that are recognised as fixed assets are accounted for as non-current liabilities and credited to the Statement of Income in relation to the period in which depreciation or amortisation is charged for the relevant assets.

Fair Value Measurement

The Group measures financial instruments, such as derivatives, at fair value at the end of each financial period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement assumes a sale of the asset or transfer of the liability taking place:

- in the principal market for the asset or liability; or
- in the absence of a principal market, the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible to the Group.

Fair value measurement takes into account the characteristics of the asset or liability being measured that market participants would consider when pricing the asset or liability, assuming that market participants act with the aim of best satisfying their economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques appropriate to the circumstances and for which sufficient data for fair value measurement are available, thus maximising observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, the fair value of which has been measured or recognised in the financial statements, are categorised based on the fair value hierarchy, as described below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - measurement techniques whereby inputs are unobservable inputs for the asset or liability.

The fair value measurement is categorised in its entirety in the hierarchy level of the lowest level input that has been used for the measurement.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether shifts have occurred between hierarchy levels and revises the categorisation (based on the lowest level input that is significant to the entire fairvalue measurement) at the end of each financial period.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Financial assets are initially recognised at cost, which corresponds to fair value plus ancillary costs. Upon initial recognition, financial assets are classified, depending on their nature, in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans, receivables and financial assets available for sale.

Loans and receivables (the category of greatest significance for the Group) are non-derivative financial assets, with fixed or determinable payments, that are not quoted in an active market. After initial recognition, such financial assets are measured at amortised cost, using the effective interest rate method, less impairment losses. Amortised cost is calculated by including any discounts, premiums or fees and/or costs, which are an integral part of the effective interest rate. The effective interest rate is recognised as interest income in the Statement of Income. Impairment losses are recognised in the Statement of Income as net interest expense. This category normally includes trade and other receivables.

When accounting for financial assets measured at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. The carrying amount of an asset is reduced by recognising a write-down provision, and the amount of the loss is recognised in the Statement of Income. Loans and the associated write-down provisions are derecognised when there is no realistic prospect that they may be recovered in future and the guarantees have been enforced or transferred to the Group. If, in a subsequent year, the amount of an estimated impairment loss increases or decreases because of an event occurring after the impairment is recognised, the previously recognised impairment loss is increased or decreased by adjusting the provision.

Financial assets are removed from the Statement of Financial Position when the right to receive cash flows ceases, the Group transfers the right to receive cash flows from the asset to a third party, or the Group assumes a contractual obligation to pay them in full and without delay, and (1) it has transferred substantially all of the risks and rewards of ownership of the financial asset, or (2) it has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred the rights to receive the cash flows from an asset, or has entered into a contractual arrangement whereby it retains its contractual right to receive the cash flows from the asset, but assumes a contractual obligation to pay cash flows to one or more beneficiaries (pass-through arrangement), it evaluates the extent to which it has retained the risks and rewards of ownership.

Equity investments in other entities are measured at fair value; when the fair value cannot be reliably determined, equity investments are measured at cost adjusted for impairment.

Financial Liabilities

Upon initial recognition, financial liabilities are classified among financial liabilities at fair value through profit or loss, loans and financing or derivatives designated as hedging instruments. All financial liabilities are initially recognised at fair value, in addition to directly attributable transaction costs, in the cases of loans, financing and payables. The Group's financial liabilities extend to trade payables and other payables, loans and financing, including account overdrafts, guarantees issued and derivative financial instruments.

Loans and payables (the category of greatest significance for the Group) are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Statement of Income when the liability is extinguished, as well as through the amortisation process.

Amortised cost is calculated by including the discount or premium, as well as costs and fees, which are an integral part of the effective interest rate. Amortisation at the effective interest rate is included among net interest expense in the Statement of Income, on the basis of their classification.

Financial guarantees issued are contracts that require a payment to reimburse the holder of a debt instrument for a loss incurred by the holder due to default by the debtor on payment at the contractual due date. When the Group issues financial guarantees, the financial guarantee contracts are initially recognised as liabilities at fair value, plus the transaction costs directly attributable to issuing the guarantee. The liability is then measured at the greater of the best estimate of the outlay required to meet the guaranteed obligation at the reporting date and the initially recognised amount, less cumulative amortisation.

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or discharged. Where one existing financial liability is replaced by another attributable to the same borrower with substantially different conditions, or the conditions of an existing liability are substantially modified, such exchange or modification is accounted for by derecognising the original liability and recognising a new liability, with any differences between carrying amounts recognised in the Statement of Income.

Offsetting of Financial Instruments

A financial asset and a financial liability may be set off against one another, and the net balance presented in the Statement of Financial Position, if there is a legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Loans, payables and other financial and/or trade liabilities with a fixed or determinable maturity are initially recognised at fair value, net of the transaction costs. After initial recognition, these payables are evaluated using the criterion of amortised cost at the effective interest rate.

Long-term debts for which an interest rate is not specified are recognised by discounting future cash flows at market rate, if the increase in payables arises from the passage of time, with subsequent recognition of interest through profit or loss, in item "Net interest income (expense)".

A financial liability is derecognised when the obligation underlying the liability is extinguished, cancelled or discharged.

Derivatives

Derivatives, including embedded derivatives separated from their host contracts, are initially recognised at fair value.

Derivatives are classified as hedging instruments when the relationship between the derivative and the object of the hedge is formally documented and the degree of coverage, which is periodically checked, is high.

When hedging derivatives hedge the risk of changes in the fair values of the hedged instruments, they are recognised at fair value through profit or loss. Accordingly, the hedged instruments are adjusted to reflect changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the hedges are designated on the basis of the exposure to changes in cash flows attributable to risks that may influence profit or loss at a later date. Such risks are generally associated with a recognised asset or liability (such as future payments of variable-rate debt).

The effective portion of the change in the fair value of the part of derivative contracts designated as hedges in accordance with the requirements of IAS 39 is recognised in the Statement of Comprehensive Income (hedging reserve). That reserve is then released to the profit or loss when the hedged transaction is recognised in Statement of Income.

By contrast, the ineffective portion of the change in fair value, along with the entire change in the fair value of derivatives not designated as hedges or that do not meet the requirements presented in IAS 39, is recognised directly in profit or loss.

Revenues, Other Revenues and Income

Revenues are recognised in the Statement of Income on an accrual basis and to the extent that it is probable that the economic benefits associated with the sale of goods or provision of services will flow to the Group and the revenue can be reliably measured.

Revenues are recognised net of sales returns, discounts, allowances and taxes that are directly associated with the sale of the product or provision of the service.

Sales of goods and services are recognised at the fair value of the consideration received when the following conditions are met:

- the risks and rewards associated with ownership of the good are substantially transferred;
- the revenue amount can be measured reliably;
- it is probable that the economic rewards arising from the sale will flow to the company;
- the costs incurred or that will be incurred can be measured reliably.

Revenues on the sale of equipment and study and design services to customers may be recognised as follows:

a) recognition of the full amount in a single instalment when the risks and rewards are transferred, if it is assessed as a separate contract from subsequent supply;

b) recognition of the amount through an increase in sales price of the products created, over a variable period of time in relation to the number of products sold, if it is assessed as a contract to be combined with the subsequent supply ("multiple element arrangement").

Interest Income (Expense)

Interest income/expense is recognised as interest income/expense after being measured on an accrual basis.

Income Taxes

Current tax assets and liabilities are measured as the amount that is expected to be recovered from or paid to the taxation authorities. The tax rates and laws used to calculate that amount are those enacted, or substantively enacted, at the reporting date in the countries in which the Group operates and generates its taxable income. Management periodically assesses the position assumed in the income tax return, where tax laws are subject to interpretation and recognises provisions, where appropriate.

Deferred tax assets and liabilities are recognised in order to reflect the temporary differences between the value attributed to an asset/liability for tax purposes and that attributed based on the accounting standards applied at the reporting date. They are measured using the tax rates that are expected to apply in the year when the assets will be realised or the liabilities will be settled, based on prevailing tax rates or those already enacted or substantially enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses eligible to be carried forward, to the extent it is probable that sufficient future taxable income will be available to permit the use of the deductible temporary differences, unused tax credits and unused tax losses carried forward, except for the cases of:

- the deferred tax asset related to the deductible temporary differences arises from initial recognition of an asset or liability in a transaction other than a business combination that does not affect accounting or taxable income at the time of the transaction;
- deductible temporary differences related to equity investments in subsidiaries, associates and joint ventures. In this case deferred tax assets are recognised solely to the extent it is probable that they will be reversed in the foreseeable future and there will be sufficient taxable income to permit such temporary differences to be recovered.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent it is no longer probable that there will be sufficient future taxable income to permit all or part of the credit concerned to be used. Unrecognised deferred tax assets are reviewed at each reporting date and are recognised to the extent it has become probable that taxable income will be sufficient to permit such deferred tax assets to be recovered.

Deferred tax liabilities are recognised on all taxable temporary differences, with the following exceptions:

- the deferred tax liabilities arise from the initial recognition of goodwill or an asset or liability in a transaction other than a business combination that does not affect accounting or taxable income at the time of the transaction;
- reversal of the taxable temporary differences related to equity investments in subsidiaries, associates and joint ventures may be controlled, and it is probable that it will not occur in the foreseeable future.

Tax balances (current and deferred) attributable to amounts recognised directly in Equity are also recognised directly in Equity.

Current and deferred tax assets and liabilities are offset only when the legal right of offset exists; such amounts are recognised as receivables or payables in the Statement of Financial Position.

Dividends

Dividends are recognised when the shareholders' right to receive payment is established under local law.

The Parent recognises a liability to account for the distribution to its shareholders of cash or non-cash assets once the distribution has been appropriately authorised and is no longer at the company's discretion. Under current Italian company law, a distribution is authorised when it has been approved by the shareholders. The corresponding amount is recognised directly in equity.

The new **cast-iron foundry** in **Homer**, Michigan, is launching a vertical integration process of Brembo’s production capacity in the United States as well. The plant is already on the way to full production with a capacity of **80,000 tonnes a year.**

Group activities, business areas, significant transactions and other information

Business Combinations

On 19 May 2016, Brembo S.p.A. acquired 66% of voting right stock in Asimco Meilian Braking Systems (Langfang) Co. Ltd., an unlisted company based in Langfang. This Chinese company owns a foundry and a plant for the manufacturing of cast-iron brake discs and supplies local car manufacturers, mainly including joint ventures among Chinese firms and European and U.S. top players.

The transaction has been accounted for using the acquisition method and the Group has decided to measure the minority interest in the acquired company based on the proportional amount of its interest in the net assets of the company acquired.

The Consolidated Financial Statements 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 breakdown of the acquisition date fair value of the assets and liabilities is as follows:

	Acquisition date fair value	
Net assets	(CNY thousand)	(euro thousand)
Property, plant and equipment	213,134	29,259
Intangible assets	239,709	32,908
Other receivables and non-current liabilities	2,432	334
Inventories	47,068	6,462
Trade receivables	148,240	20,351
Other receivables and current assets	25,511	3,502
Cash and cash equivalents	74,056	10,167
Trade payables	(178,739)	(24,538)
Other payables and current liabilities	(86,912)	(11,931)
Provisions / deferred taxes	(73,794)	(10,131)
Employees' leaving entitlement and other personnel provisions	(17,626)	(2,420)
Short-term financial debt	(24,298)	(3,336)
Total net assets measured at fair value	**368,781**	**50,627**
Minority interests (34% of net assets)	(125,386)	(17,213)
Group equity (66% of net assets)	(243,395)	(33,414)
Consideration agreed	**580,060**	**79,632**
Goodwill arising from acquisition	*336,665*	*46,218*
	Cash flows at acquisition	
Subsidiary's cash and cash equivalents	74,056	10,167
Amount paid	(580,060)	(79,632)
Net cash flows at acquisition	**(506,004)**	**(69,465)**

Trade receivables amounted to €20.4 million and correspond to their fair value, which represents the value that is expected to be received from these receivables.

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.

The intangible assets identified using the acquisition method are indicated in Note 2 and the respective fair value has been determined, initially provisionally to prepare the consolidated half-year report and now definitively, 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). The useful life of Customer Relationships was estimated at 15 years.

Transaction costs of €1.3 million (including €1.1 million in 2015) were 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 €45,977 thousand and net income to €6,769 thousand.

Segment Report

Based on the IFRS8 definition, an operating segment is a component of an entity:

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

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

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

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

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

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

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

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

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in 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 31 December 2016 and 31 December 2015:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Sales	2,292,679	2,087,724	1,980,193	1,799,376	310,654	293,225	(3,239)	(3,247)	5,071	(1,630)
Allowances and discounts	(28,124)	(25,436)	(6,649)	(9,881)	(21,472)	(15,552)	0	0	(3)	(3)
Net sales	**2,264,555**	**2,062,288**	**1,973,544**	**1,789,495**	**289,182**	**277,673**	**(3,239)**	**(3,247)**	**5,068**	**(1,633)**
Transport costs	18,115	16,437	13,276	12,583	4,839	3,854	0	0	0	0
Variable production costs	1,433,489	1,330,733	1,244,123	1,158,305	185,652	177,079	(3,239)	(3,247)	6,953	(1,404)
Contribution margin	**812,951**	**715,118**	**716,145**	**618,607**	**98,691**	**96,740**	**0**	**0**	**(1,885)**	**(229)**
Fixed production costs	297,703	268,432	279,343	246,940	18,056	17,478	(6)	(7)	310	4,021
Production gross operating income	**515,248**	**446,686**	**436,802**	**371,667**	**80,635**	**79,262**	**6**	**7**	**(2,195)**	**(4,250)**
BU personnel costs	137,169	122,730	89,189	77,578	37,270	37,518	0	0	10,710	7,634
BU gross operating income	**378,079**	**323,956**	**347,613**	**294,089**	**43,365**	**41,744**	**6**	**7**	**(12,905)**	**(11,884)**
Costs for Central Functions	80,636	72,509	63,232	53,939	8,829	10,421	0	0	8,575	8,149
Operating income (loss)	**297,443**	**251,447**	**284,381**	**240,150**	**34,536**	**31,323**	**6**	**7**	**(21,480)**	**(20,033)**
Extraordinary costs and revenues	19,310	(4,328)	0	0	0	0	0	0	19,310	(4,328)
Financial costs and revenues	(16,301)	(9,248)	0	0	0	0	0	0	(16,301)	(9,248)
Interest income (expense) from investments	11,121	6,399	0	0	0	0	0	0	11,121	6,399
Non-operating costs and revenues	635	(771)	0	0	0	0	0	0	635	(771)
Result before taxes	**312,208**	**243,499**	**284,381**	**240,150**	**34,536**	**31,323**	**6**	**7**	**(6,715)**	**(27,981)**
Taxes	(69,213)	(57,694)	0	0	0	0	0	0	(69,213)	(57,694)
Result before minority interests	**242,995**	**185,805**	**284,381**	**240,150**	**34,536**	**31,323**	**6**	**7**	**(75,928)**	**(85,675)**
Minority interests	(2,363)	(1,843)	0	0	0	0	0	0	(2,363)	(1,843)
Net result	**240,632**	**183,962**	**284,381**	**240,150**	**34,536**	**31,323**	**6**	**7**	**(78,291)**	**(87,518)**

Panoramic view of construction works
for the new cast-iron foundry in Escobedo in Mexico.

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

(euro thousand)	31.12.2016	31.12.2015
SALES OF GOODS AND SERVICES	**2,279,096**	**2,073,246**
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(12,578)	(14,057)
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	539	490
Effect of adjustment of transactions among consolidated companies	(1,057)	670
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	1,229	2,777
Other	(2,674)	(838)
NET SALES	**2,264,555**	**2,062,288**

(euro thousand)	31.12.2016	31.12.2015
NET OPERATING INCOME	**327,464**	**251,282**
Differences in preparation criteria of internal and statutory reports	(16,238)	9,135
Income (expense) from non-financial investments	(11,010)	(9,391)
Claim compensation and subsidies	(4,340)	(728)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	12	(470)
Different classification of banking expenses (in the segment report it is included in "Financial costs and revenues")	935	1,453
Other	620	166
OPERATING RESULT	**297,443**	**251,447**

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

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

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Property, plant and equipment	747,301	589,777	698,363	548,779	32,057	34,706	5	33	16,876	6,259
Intangible assets	140,610	58,448	117,734	35,812	15,680	15,850	0	0	7,196	6,786
Financial assets and other non-current assets/liabilities	60,719	70,146	0	341	0	0	0	0	60,719	69,805
(a) Total fixed assets	**948,630**	**718,371**	**816,097**	**584,932**	**47,737**	**50,556**	**5**	**33**	**84,791**	**82,850**
Inventories	283,206	247,316	205,107	178,528	78,099	68,889	0	(101)	0	0
Current assets	405,723	351,054	321,092	265,314	53,602	60,292	(65,393)	(29,858)	96,422	55,306
Current liabilities	(547,208)	(474,014)	(449,966)	(336,162)	(78,983)	(62,328)	65,393	29,858	(83,652)	(105,382)
Provisions for contingencies and charges and other provisions	(41,625)	(17,865)	0	0	0	0	0	0	(41,625)	(17,865)
(b) Net working capital	**100,096**	**106,491**	**76,233**	**107,680**	**52,718**	**66,853**	**0**	**(101)**	**(28,855)**	**(67,941)**
NET INVESTED OPERATING CAPITAL (a+b)	**1,048,726**	**824,862**	**892,330**	**692,612**	**100,455**	**117,409**	**5**	**(68)**	**55,936**	**14,909**
Extraordinary components	61,967	53,707	53	53	0	0	15,487	13,146	46,427	40,508
NET INVESTED CAPITAL	**1,110,693**	**878,569**	**892,383**	**692,665**	**100,455**	**117,409**	**15,492**	**13,078**	**102,363**	**55,417**
Group equity	857,913	681,852	0	0	0	0	0	0	857,913	681,852
Minority interests	24,397	5,695	0	0	0	0	0	0	24,397	5,695
(d) Equity	**882,310**	**687,547**	**0**	**0**	**0**	**0**	**0**	**0**	**882,310**	**687,547**
(e) Provisions for employee benefits	**32,706**	**30,334**	**0**	**0**	**0**	**0**	**0**	**0**	**32,706**	**30,334**
Medium/long-term financial debt	215,904	215,149	0	0	0	0	0	0	215,904	215,149
Short-term financial debt	(20,227)	(54,461)	0	0	0	0	0	0	(20,227)	(54,461)
(f) Net financial debt	**195,677**	**160,688**	**0**	**0**	**0**	**0**	**0**	**0**	**195,677**	**160,688**
(g) COVERAGE (d+e+f)	**1,110,693**	**878,569**	**0**	**0**	**0**	**0**	**0**	**0**	**1,110,693**	**878,569**

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.

Developed over an area of about **30,000 square metres**, the new cast-iron foundry in Michigan will provide about **250 new jobs.** The construction of an integrated hub in Michigan confirms and reinforces Brembo's interest in the North American market.

Financial Risk Management

The Brembo Group is exposed to market, commodity, liquidity and credit risk, all of which are tied to the use of financial instruments.

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

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices resulting from shifts in exchange rates, interest rates and equity security prices.

Interest Rate Risk

Interest rate risk applies to variable-rate financial instruments recognised in the Statement of Financial Position (particularly short-term bank loans, other loans, leases, bonds, etc.) that are not hedged by other financial instruments.

Since most of the Brembo's financial debt is subject to variable interest rates, Brembo is exposed to the risk of interest-rate fluctuations.

Brembo enters into interest rate hedging agreements (mainly interest rate swaps) to ensure guaranteed interest rates on a portion of its debt that are sustainable in relation to the hedges.

A sensitivity analysis was performed to analyse the effects of a change in interest rates of +/- 50 base points compared to the rates at 31 December 2016 and 31 December 2015, with other variables held constant. The potential impacts were calculated on the variable-rate financial assets and liabilities at 31 December 2016. The above change in interest rates would result in a higher (or lower) annual pre-tax expense of approximately €729 thousand (€750 thousand at 31 December 2015), gross of the tax effect.

The average quarterly net financial debt was used to provide the most reliable information possible.

Exchange Rate Risk

Brembo deals in international markets with currencies other than the euro and is therefore exposed to exchange rate risk.

To mitigate this risk, Brembo uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly short-term financing denominated in the currency to be hedged, in order to offset any unbalances; currency forward contracts are also used to hedge this risk category.

A sensitivity analysis is provided below to illustrate the effects on pre-tax result arising on a positive (negative) change in exchange rates.

Starting with the exposures at 31 December 2015 and 2016, a change calculated as the standard deviation of the exchange rate with respect to the average exchange rate was applied to the average exchange rates for 2015 and 2016 to measure exchange rate volatility.

	31.12.2016			31.12.2015		
(euro thousand)	Change %	Effect increase of exchange rate	Effect decrease of exchange rate	Change %	Effect increase of exchange rate	Effect decrease of exchange rate
EUR/CNY	1.51%	(1.8)	1.9	2.74%	(61.9)	65.4
EUR/GBP	5.44%	(8.0)	9.0	2.45%	4.2	(4.4)
EUR/JPY	4.55%	(18.0)	19.8	2.39%	4.3	(4.5)
EUR/PLN	1.42%	(1.0)	1.0	1.96%	(2.3)	2.4
EUR/SEK	2.16%	0.5	(0.5)	1.11%	(0.7)	0.7
EUR/USD	2.26%	(47.2)	49.3	2.59%	(52.5)	55.3
EUR/INR	1.86%	0.0	0.0	3.16%	(0.5)	0.5
EUR/CZK	0.07%	0.2	(0.2)	1.00%	2.0	(2.0)
EUR/CHF	0.92%	0.2	(0.2)	3.20%	13.4	(14.3)
EUR/AUD	3.02%	0.0	0.0	4.26%	0.1	(0.1)
PLN/CNY	2.29%	0.0	0.0	2.22%	(4.6)	4.8
PLN/EUR	1.42%	45.5	(46.8)	1.98%	(0.4)	0.4
PLN/GBP	5.94%	0.8	(0.9)	2.63%	0.5	(0.5)
PLN/SEK	2.44%	0.1	(0.1)	2.14%	0.0	0.0
PLN/USD	3.13%	(23.4)	25.0	2.73%	5.3	(5.6)
PLN/CZK	1.40%	0.3	(0.3)	2.36%	0.2	(0.2)
PLN/CHF	1.71%	0.7	(0.7)	2.68%	(2.2)	2.3
GBP/EUR	5.43%	7.4	(8.3)	2.40%	(2.5)	2.7
GBP/USD	6.25%	44.8	(50.8)	1.78%	(2.0)	2.1
GBP/AUD	7.98%	(6.4)	7.5	4.79%	(10.5)	11.5
USD/CNY	2.00%	2.9	(3.0)	1.41%	1.1	(1.1)
USD/EUR	2.30%	131.9	(138.1)	2.58%	113.5	(119.6)
USD/MXN	4.98%	(115.0)	127.1	5.10%	36.0	(39.9)
BRL/EUR	7.88%	114.3	(133.8)	12.10%	124.0	(158.2)
BRL/JPY	5.07%	0.6	(0.7)	N/A	N/A	N/A
BRL/USD	7.59%	(13.5)	15.7	13.02%	43.8	(56.9)
JPY/EUR	4.53%	2.6	(2.8)	2.40%	2.3	(2.4)
JPY/USD	5.24%	3.2	(3.5)	1.68%	0.3	(0.4)
CNY/EUR	1.52%	195.4	(201.5)	2.75%	178.6	(188.7)
CNY/JPY	5.73%	7.1	(8.0)	2.14%	1.1	(1.2)
CNY/USD	1.97%	(225.9)	234.9	1.40%	(61.6)	63.3
INR/EUR	1.88%	9.4	(9.8)	3.19%	19.5	(20.8)
INR/JPY	4.91%	18.2	(20.1)	2.44%	(8.2)	8.6
INR/USD	0.93%	14.5	(14.8)	2.53%	30.3	(31.9)
CZK/EUR	0.07%	8.5	(8.5)	0.99%	16.5	(16.9)
CZK/GBP	5.46%	26.0	(29.0)	1.91%	15.0	(15.5)
CZK/PLN	1.40%	3.3	(3.4)	2.34%	7.6	(8.0)
CZK/USD	2.26%	(2.4)	2.5	2.27%	(49.4)	51.7
ARS/BRL	11.07%	102.3	(127.8)	9.80%	47.3	(57.5)
ARS/EUR	3.94%	16.9	(18.3)	6.67%	(50.3)	57.5
ARS/USD	4.39%	1.8	(2.0)	6.87%	3.4	(3.9)

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2016, no specific hedging transactions were undertaken. However, it should be recalled that existing contracts with major customers provide for automatic periodic adjustment on the basis of commodities prices.

Liquidity Risk

Liquidity risk can arise from a company's inability to obtain the financial resources necessary to guarantee Brembo's operation.

To mitigate liquidity risk, the Treasury and Credit area:

- constantly assesses financial requirements to ensure the appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
- obtains adequate credit lines;
- ensures the appropriate composition of net financial debt, i.e., investments are financed with medium- to long-term debt (as well as with equity), and net working capital requirements are financed using short-term credit lines;
- includes the Group companies in cash pooling structures to optimise any excess liquidity of participating companies.

The following table provides information on payables, other payables and derivatives broken down by maturity. The maturities are determined based on the period from the date of the Statement of Financial Position to the expiry of the contractual obligations. The amounts shown in the table reflect undiscounted cash flows.

For fixed- and variable-rate financial liabilities, both principal and interest were considered for the different maturity periods; for variable-rate liabilities, the rate at 31 December 2016 plus the relevant spread.

(euro thousand)	Carrying value	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Non-derivative financial liabilities:					
Short-term credit lines and bank overdrafts	181,745	181,745	181,745	0	0
Payables to banks (loans and bonds)	254,506	263,741	47,202	216,539	0
Payables to other financial institutions	6,001	6,566	614	2,304	3,648
Trade and other payables	440,999	440,999	440,999	0	0
Derivative financial liabilities:					
Derivatives	0	0	0	0	0
Total	**883,251**	**893,051**	**670,560**	**218,843**	**3,648**

Some of the Group's loan agreements require the satisfaction of financial covenants and the obligation for the Group to meet certain financial ratio levels.

In detail, the following covenants and relevant maximum thresholds are to be complied with:

- Net financial debt/Gross operating income ≤3.5;
- Net financial Debt/Equity ≤1.7.

If the covenants are not met, the financial institutions can request early repayment of the relevant loan.

The value of the covenants is monitored at the end of each quarter. At 31 December 2016 these ratios were amply met by the Group.

Management believes that currently available lines of credit, apart from the cash flow generated by current operations, will allow Brembo to meet its financial requirements arising from investing activities, working capital management, and the payment of payables at their natural maturities.

In further detail, at 31 December 2016, unused bank credit facilities were 63.02% (a total of €492 million in credit facilities were available).

Credit Risk

Credit risk is the risk that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk for the Group arises mainly in relation to trade receivables. Most parties which the Group does business with are leadingcar and motorbike manufacturers with high credit standings.

The Group evaluates the creditworthiness of all new customers using assessments from external sources and then assigns a credit limit.

Fair Value Measurement

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

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

		31.12.2016			31.12.2015	
(euro thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value						
Embedded derivative	0	0	556	0	0	864
Total financial assets (liabilities) measured at fair value	**0**	**0**	**556**	**0**	**0**	**864**
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(258,050)	0	0	(256,898)	0
Other current and non-current financial liabilities	0	(3,405)	0	0	(4,307)	0
Total assets (liabilities) for which fair value is indicated	**0**	**(261,455)**	**0**	**0**	**(261,205)**	**0**

Movements for the year of Level 3 were as follows:

(euro thousand)	31.12.2016
Balance at beginning of year	864
Movements in Statement of Income	(308)
Balance at end of year	**556**

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

	Carrying value		Fair value	
(euro thousand)	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Available-for-sale financial assets	**307**	**307**	**307**	**307**
Loans, receivables and financial liabilities valued at amortised costs				
Current and non-current financial assets (excluding derivatives)	6,925	11,274	6,925	11,274
Trade receivables	357,392	311,217	357,392	311,217
Loans and receivables	32,071	32,931	32,071	32,931
Cash and cash equivalents	245,674	202,104	245,674	202,104
Current and non-current payables to banks	(436,251)	(359,284)	(444,793)	(367,385)
Other current and non-current financial liabilities	(6,001)	(4,322)	(6,001)	(4,322)
Trade payables	(428,530)	(349,941)	(428,530)	(349,941)
Other current payables	(102,400)	(106,917)	(102,400)	(106,917)
Other non-current liabilities	(8,653)	(1,026)	(8,653)	(1,026)
Derivatives	**556**	**864**	**556**	**864**
Total	**(338,910)**	**(262,793)**	**(347,452)**	**(270,894)**

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

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

Related Parties

The Group carries out transactions with parent companies, 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 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:

	31.12.2016		31.12.2015	
(euro thousand)	Directors	Auditors	Directors	Auditors
Emoluments for the office held	2,010	216	2,010	216
Participation in committees and specific tasks	100	0	100	0
Salaries and other incentives	4,701	0	5,699	0

The item “Salaries and other incentives” includes the estimate of the cost of the 2016-2018 three-year plan accrued in 2016 and reserved for company’s top managers, compensation 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)	31.12. 2016						31.12.2015					
		RELATED PARTIES						RELATED PARTIES				
a) Weight of transactions or positions with related parties on items of the Statement of Financial Position	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**
Other financial assets (including investments in other companies and derivatives)	6,887	5,676	0	0	5,676	*82.4%*	11,631	9,710	0	0	9,710	*83.5%*
Inventories	283,191	4	0	4	0	*0.0%*	247,661	0	0	0	0	*0.0%*
Trade receivables	357,392	2,711	812	1,833	66	*0.8%*	311,217	3,302	1,144	2,081	77	*1.1%*
Other receivables and current assets	43,830	7	7	0	0	*0.0%*	36,386	0	0	0	0	*0.0%*
Cash and cash equivalents	245,674	9,104	9,104	0	0	*3.7%*	202,104	14,405	14,405	0	0	*7.1%*
Non-current payables to banks	(210,659)	(904)	(904)	0	0	*0.4%*	(211,886)	(1,796)	(1,796)	0	0	*0.8%*
Other non-current liabilities	(8,653)	(1,914)	(1,914)	0	0	*22.1%*	(1,026)	0	0	0	0	*0.0%*
Provisions for employee benefits	(32,706)	(7,397)	(7,397)	0	0	*22.6%*	(30,334)	(7,627)	(7,627)	0	0	*25.1%*
Current payables to banks	(225,592)	(41,474)	(41,474)	0	0	*18.4%*	(147,398)	(16,878)	(16,878)	0	0	*11.5%*
Trade payables	(428,530)	(7,868)	(2,274)	(5,273)	(321)	*1.8%*	(349,941)	(9,740)	(1,380)	(8,099)	(261)	*2.8%*
Other current payables	(102,400)	(2,460)	(2,333)	(127)	0	*2.4%*	(106,917)	(11,980)	(11,853)	(127)	0	*11.2%*

	31.12. 2016						31.12.2015					
		RELATED PARTIES						RELATED PARTIES				
b) Weight of transactions or positions with related parties on items of the Statement of Income	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**
Sales of goods and services	2,279,096	5,002	4,567	434	1	*0.2%*	2,073,246	5,110	4,652	446	12	*0.2%*
Other revenues and income	28,117	3,230	26	3,040	164	*11.5%*	13,759	3,369	123	3,085	161	*24.5%*
Raw materials, consumables and goods	(1,125,968)	(81,037)	(174)	(80,156)	(707)	*7.2%*	(1,053,804)	(74,762)	(221)	(74,010)	(531)	*7.1%*
Other operating costs	(379,872)	(5,267)	(4,353)	(85)	(829)	*1.4%*	(338,286)	(6,347)	(5,499)	(296)	(552)	*1.9%*
Personnel expenses	(387,640)	(6,250)	(6,250)	0	0	*1.6%*	(356,369)	(5,583)	(5,583)	0	0	*1.6%*
Net interest income (expense)	(15,367)	(740)	(776)	0	36	*4.8%*	(7,801)	(501)	(726)	(1)	226	*6.4%*

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

Sales of products, supply of services and the transfers of fixed assets between Group companies were carried out at prices reflecting fair market conditions, as is customary. 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 company’s 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.

Information About the Group

The key figures of Group companies are commented upon in the section 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 Górnizca	Poland	Pln	144,879,500	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	Sek	4,500,000	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	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	101,484,000	100%	Brembo S.p.A.
Brembo Argentina S.A.	Buenos Aires	Argentina	Ars	62,802,000	98.62%	Brembo S.p.A.
					1.38%	Brembo do Brasil Ltda.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,836	49%	Brembo S.p.A.
					51%	Brembo North America Inc.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	103,803,201	99.99%	Brembo S.p.A.
Corporación Upwards '98 S.A.	Saragoza	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.

Independent Auditors' Fees

Details on the fees paid to the independent audit firm and other companies within its network pursuant to Article 149-*duodecies* of the Implementation Rules of Italian Legislative Decree No. 58 of 24 February 1998 are provided below:

(euro thousand)	31.12.2016	31.12.2015
Independent Auditors' fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	210	210
- to the subsidiaries (services provided by the network)	415	343
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	8	36
Independent Auditors' fees for the provision of other services:		
- to the Parent Brembo S.p.A.	3	0
- to the subsidiaries (services provided by the network)	14	75
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
- to the Parent Brembo S.p.A.	83	101
- other services rendered to subsidiaries	91	38

Commitments

The Group had no commitments at the closing date of the 2016 Financial Statements.

Position or Transactions from Atypical and/or Unusual Operations

Pursuant to Consob Notice No. 6064293 dated 28 July 2006, it is hereby specified that during 2016 the company has not carried out any atypical and/or unusual transactions, as defined by the said Notice.

Significant Events After 31 December 2016

No othersignificant events occurred after the end of 2016 and up to 3 March 2017.

The **cast-iron foundry** already operating in **Dabrowa** will be expanded by **22,000 square metres**, to increase its casting capacity by **100,000 tonnes a year.**

ANALYSIS OF EACH ITEM

STATEMENT OF FINANCIAL POSITION

1. Property, Plant, Equipment and Other Equipment

The changes in property, plant and equipment are shown in the table below and described in this section.

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	24,538	203,315	776,023	186,126	36,019	28,270	**1,254,291**
Accumulated depreciation	0	(62,595)	(468,418)	(152,207)	(28,854)	0	**(712,074)**
Write-down provision	0	(155)	(1,594)	(8)	0	(483)	**(2,240)**
Balance at 1 January 2015	**24,538**	**140,565**	**306,011**	**33,911**	**7,165**	**27,787**	**539,977**
Changes:							
Translation differences	55	2,211	7,700	577	198	439	**11,180**
Change in consolidation area	(559)	(2,035)	(1,001)	(965)	(69)	(150)	**(4,779)**
Reclassification	228	1,987	15,109	1,187	359	(18,820)	**50**
Acquisitions	104	4,223	41,497	12,017	2,248	77,422	**137,511**
Disposals	0	(1)	(1,375)	(202)	(26)	0	**(1,604)**
Other	0	0	(655)	0	0	0	**(655)**
Depreciation	0	(9,780)	(63,616)	(12,493)	(3,074)	0	**(88,963)**
Impairment losses	0	(2,738)	(201)	1	0	(2)	**(2,940)**
Total changes	**(172)**	**(6,133)**	**(2,542)**	**122**	**(364)**	**58,889**	**49,800**
Historical cost	24,366	208,500	819,455	194,266	37,030	87,160	**1,370,777**
Accumulated depreciation	0	(71,568)	(513,217)	(160,233)	(30,229)	0	**(775,247)**
Write-down provision	0	(2,500)	(2,769)	0	0	(484)	**(5,753)**
Balance at 1 January 2016	**24,366**	**134,432**	**303,469**	**34,033**	**6,801**	**86,676**	**589,777**
Changes:							
Translation differences	65	(1,803)	(2,024)	(336)	(2)	1,214	**(2,886)**
Change in consolidation area	0	11,293	16,836	361	544	225	**29,259**
Reclassification	(136)	41,663	27,146	(5,419)	953	(64,399)	**(192)**
Acquisitions	3,681	28,713	129,649	14,964	3,031	51,393	**231,431**
Disposals	(246)	174	(1,676)	(662)	(117)	(265)	**(2,792)**
Depreciation	0	(11,292)	(70,023)	(12,838)	(2,721)	0	**(96,874)**
Impairment losses	0	(458)	(310)	(19)	0	(4)	**(791)**
Total changes	**3,364**	**68,290**	**99,598**	**(3,949)**	**1,688**	**(11,836)**	**157,155**
Historical cost	27,730	285,872	977,772	192,684	43,304	75,117	**1,602,479**
Accumulated depreciation	0	(82,799)	(572,277)	(162,600)	(34,815)	0	**(852,491)**
Write-down provision	0	(351)	(2,428)	0	0	(277)	**(3,056)**
Balance at 31 December 2016	**27,730**	**202,722**	**403,067**	**30,084**	**8,489**	**74,840**	**746,932**

During 2016, investments in property, plant and equipment amounted to €231,431 thousand, including €51,393 thousand on assets in course of construction.

As already noted in the Report on Operations, the Group continued its international development programme. This involved significant investments in production plants, machinery and equipment in North America, Poland and China, as well as in Italy.

The change in the consolidation area amounted to €29,259 thousand and referred to the inclusion of Asimco Meilian Braking Systems (Langfang) Co. Ltd into the Group's consolidation area.

Net disposals amounted to €2,792 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for 2016 amounted to €96,874 thousand (€88,963 thousand in 2015).

The following is a breakdown by category of the net carrying value of owned assets and assets held under finance lease:

	31.12.2016		31.12.2015	
(euro thousand)	Leased	Not leased	Leased	Not leased
Land	0	27,730	0	24,366
Buildings	0	202,722	0	134,432
Plant and machinery	0	403,067	104	303,365
Industrial and commercial equipment	0	30,084	3	34,030
Other assets	222	8,267	274	6,527
Assets in course of construction and payments on account	0	74,840	0	86,676
Total	**222**	**746,710**	**381**	**589,396**

Dabrowa, Poland.

2. Intangible Assets (Development Costs, Goodwill and Other Intangible Assets)

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

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patents and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	**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)**
Balance at 1 January 2015	**43,705**	**39,759**	**1,030**	**40,789**	**3,637**	**11,027**	**14,664**	**99,158**
Changes:								
Translation differences	**118**	3,157	0	**3,157**	3	231	**234**	**3,509**
Change in consolidation area	**(4,260)**	0	0	**0**	(531)	(2)	**(533)**	**(4,793)**
Reclassification	**0**	0	0	**0**	20	(63)	**(43)**	**(43)**
Acquisitions	**12,141**	0	0	**0**	1,034	5,222	**6,256**	**18,397**
Disposals	**(177)**	0	0	**0**	(26)	0	**(26)**	**(203)**
Amortisation	**(9,689)**	0	0	**0**	(1,232)	(4,819)	**(6,051)**	**(15,740)**
Impairment losses	**(995)**	0	0	**0**	1	0	**1**	**(994)**
Total changes	**(2,862)**	**3,157**	**0**	**3,157**	**(731)**	**569**	**(162)**	**133**
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)**
Balance at 1 January 2016	**40,843**	**42,916**	**1,030**	**43,946**	**2,906**	**11,596**	**14,502**	**99,291**
Changes:								
Translation differences	**14**	(1,680)	(3)	**(1,683)**	(8)	(146)	**(154)**	**(1,823)**
Change in consolidation area	**0**	46,218	399	**46,617**	0	32,509	**32,509**	**79,126**
Reclassification	**0**	0	0	**0**	50	94	**144**	**144**
Acquisitions	**19,067**	0	0	**0**	1,464	11,608	**13,072**	**32,139**
Disposals	**0**	0	0	**0**	(20)	(9)	**(29)**	**(29)**
Amortisation	**(9,899)**	0	0	**0**	(1,031)	(6,954)	**(7,985)**	**(17,884)**
Impairment losses	**(701)**	0	0	**0**	0	0	**0**	**(701)**
Total changes	**8,481**	**44,538**	**396**	**44,934**	**455**	**37,102**	**37,557**	**90,972**
Historical cost	**137,593**	99,560	1,429	**100,989**	31,267	116,557	**147,824**	**386,406**
Accumulated amortisation	**(87,881)**	0	0	**0**	(27,403)	(67,859)	**(95,262)**	**(183,143)**
Write-down provision	**(388)**	(12,106)	(3)	**(12,109)**	(503)	0	**(503)**	**(13,000)**
Balance at 31 December 2016	**49,324**	**87,454**	**1,426**	**88,880**	**3,361**	**48,698**	**52,059**	**190,263**

Development costs

The item “Development costs” includes costs for development, internal and external, for a gross historical cost of €137,593 thousand. During the reporting year, this item changed due to higher costs incurred in 2016, for development orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €9,899 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 €24,642 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item "Costs for capitalised internal works" during the year amounted to €18,971 thousand (€11,982 thousand in 2015).

Impairment losses totalled €701 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)	31.12.2016	31.12.2015
Discs – Systems and Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	16,193	15,678
Brembo México S.A. de C.V. (Hayes Lemmerz)	986	954
China Systems (Brembo Nanjing Brake Systems Co. Ltd.)	956	991
Brembo Brake India Pvt. Ltd.	9,198	9,143
China Discs (acquisition of Asimco Meilian Braking Systems (Langfang) Co. Ltd.)	45,991	0
After Market — Performance Group:		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	12,124	14,144
Total	**87,454**	**42,916**

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 other cash-generating units relate to the discount rate and growth rate. Specifically, calculations used cash-flow projections for the 2017-2019 period covered by the corporate business plans. Cash flows for subsequent years were extrapolated using a prudential steady 1-1.5% medium- to long-term growth rate, on a case by case basis. The Group's discount rate used was 7.4% (Group WACC), which reflected the current market assessments of the time value of money and the risks specific to the asset in question. The previously mentioned impairment tests did not indicate the need to recognise any impairment loss.

In the event of a change in the WACC from 7.4% to 7.9% and the growth rate from 1% to 0.5% (or from 1.5% to 1%), no previously unimpaired goodwill would have become impaired.

In the event of a sales volume decrease that, depending on the CGU reference market, has been estimated in the range from -5% to -20%, no previously unimpaired goodwill would have become impaired.

The changes in the WACC, growth rate and sales volumes described above are deemed reasonable. In this respect, only changes beyond reasonable levels would have resulted in 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 61% 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. The impairment tests did not detect any impairment losses. The change in the consolidation area arising from the acquisition of Asimco Meilian Braking Systems (Langfang) Co. Ltd. equal to €399 thousand refers to the value of the Trademark.

Other intangible assets

Acquisitions of "Other intangible assets" totalled €13,072 thousand and refer for €1,464 thousand to the filing of specific patents and trademarks, and for the remaining amount, consist mainly of the share of the investment for the year associated with the gradual implementation and development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group and the acquisition of other IT applications.

The change in the consolidation area associated with the inclusion of Asimco Meilian Braking Systems (Langfang) Co. Ltd. amounted to €32,509 thousand and refers to the value attributed to Customer Relationship (€25,776 thousand), the value of Technology (€1,510 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:

	31.12.2015	Write-ups/ Write-downs	Dividends	Other changes	31.12.2016
Gruppo Brembo SGL Carbon Ceramic Brakes	24,650	11,010	(9,000)	(153)	26,507
Petroceramics S.r.l.	349	111	0	2	462
Total	**24,999**	**11,121**	**(9,000)**	**(151)**	**26,969**

The impact on the Statement of Income of shareholdings valued using the equity method refers to two items: the first, "Income (expense) from non-financial investments", is attributable to the effect of the valuation of the BSCCB Group using the equity method, whilst the second, "Interest income (expense) from investments", refers to the valuation of associates using the equity method.

The following is a breakdown of the assets, liabilities, costs and revenues associated with companies under common control and associate companies.

Joint Ventures

(euro thousand)	Brembo Group SGL Carbon Ceramic Brakes 31.12.2016	31.12.2015
Sales of goods and services	**151,406**	**140,413**
Other revenues and income	1,628	1,687
Raw materials, consumables and goods	(49,661)	(44,842)
Other operating costs	(34,539)	(35,545)
Personnel expenses	(32,725)	(30,190)
GROSS OPERATING INCOME	**36,109**	**31,523**
Depreciation, amortisation and impairment losses	(4,688)	(4,671)
NET OPERATING INCOME	**31,421**	**26,852**
Net interest income (expense)	(128)	(88)
RESULT BEFORE TAXES	**31,293**	**26,764**
Taxes	(9,441)	(7,883)
NET RESULT FOR THE YEAR	**21,853**	**18,881**
% ownership	*50%*	*50%*
Other consolidation adjustments	83	(600)
GROUP NET RESULT	**11,010**	**8,841**
Property, plant, equipment and other equipment	30,444	26,721
Other intangible assets	350	257
Other financial assets (including investments in other companies and derivatives)	131	131
Deferred tax assets	2,343	1,627
TOTAL NON-CURRENT ASSETS	**33,268**	**28,736**
Inventories	16,639	16,880
Trade receivables	8,190	13,909
Other receivables and current assets	2,758	2,209
Current financial assets and derivatives	0	1
Cash and cash equivalents	31,484	20,308
TOTAL CURRENT ASSETS	**59,071**	**53,307**
TOTAL ASSETS	**92,339**	**82,043**
Share capital	4,000	4,000
Other reserves	19,495	29,739
Retained earnings/(losses)	6,876	(3,943)
Net result for the year	21,853	18,881
TOTAL EQUITY	**52,224**	**48,677**
Other non-current liabilities	141	102
Non-current provisions	2,225	3,720
Provisions for employee benefits	3,412	2,943
Deferred tax liabilities	2	5
TOTAL NON-CURRENT LIABILITIES	**5,780**	**6,770**
Current payables to banks	2,323	0
Trade payables	18,354	16,853
Tax payables	7,123	4,127
Provisions	15	15
Other current payables	6,520	5,601
TOTAL CURRENT LIABILITIES	**34,335**	**26,596**
TOTAL LIABILITIES	**40,115**	**33,366**
TOTAL EQUITY AND LIABILITIES	**92,339**	**82,043**
% ownership	*50%*	*50%*
Goodwill	1,033	1,033
Other consolidation adjustments	(638)	(722)
CARRYING VALUE OF GROUP SHAREHOLDING	**26,507**	**24,650**

Associates

(euro thousand)	Petroceramics S.p.A. 31.12.2016	31.12.2015
Sales of goods and services	2,439	1,594
NET RESULT FOR THE YEAR	**556**	**58**
% ownership	*20%*	*20%*
GROUP NET RESULT	**111**	**12**
Total current assets	2,993	2,667
Total non-current assets	387	269
Total current liabilities	927	1,088
Total non-current liabilities	141	102
TOTAL EQUITY	**2,312**	**1,746**
% ownership	*20%*	*20%*
CARRYING VALUE OF GROUP SHAREHOLDING	**462**	**349**

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

This item is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Shareholdings in other companies	307	307
Receivables from associates	5,676	9,710
Derivatives	0	417
Other	904	1,197
Total	**6,887**	**11,631**

The item "Shareholdings in other companies" mainly 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 S.p.A. 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 €5,676 thousand following the settlement agreement reached in June with the majority shareholder of Innova Tecnologie S.r.l. in liquidazione, Impresa Fratelli Rota Nodari S.p.A. and with Innova Tecnologie S.r.l. in liquidazione.

In short, this agreement, submitted to the approval of 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 2016 at the legal rate, i.e., €35 thousand; (iii) the payment by Innova Tecnologie S.r.l. in liquidazione to Brembo of a portion of the remaining receivable (€600 thousand); (iv) the payment of the residual portion 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)	31.12.2016	31.12.2015
Receivables from others	4,670	4,857
Income tax receivables	91	226
Non-income tax receivables	33	33
Total	**4,794**	**5,116**

The item "Receivables from others" includes the amount related to contributions towards a client for the acquisition of a ten-year exclusive supply arrangement, which was 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 is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Deferred tax assets	57,691	55,552
Deferred tax liabilities	(31,622)	(13,001)
Total	**26,069**	**42,551**

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 year are reported in the following table:

(euro thousand)	31.12.2016	31.12.2015
Balance at beginning of year	**42,551**	**41,028**
Change in consolidation area	(9,678)	293
Deferred tax liabilities generated	(9,362)	(1,384)
Deferred tax assets generated	24,081	21,696
Use of deferred tax assets and liabilities	(20,481)	(16,713)
Exchange rate fluctuations	(1,595)	(779)
Reclassification	0	(301)
Tax rate changes	0	(682)
Other movements	553	(607)
Balance at end of year	**26,069**	**42,551**

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

	Assets		Liabilities		Net	
(euro thousand)	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Property, plant, equipment and other equipment	11,869	12,482	30,613	18,167	(18,744)	(5,685)
Development costs	28	28	0	0	28	28
Goodwill and other assets with indefinite useful lives	0	0	0	12	0	(12)
Other intangible assets	96	87	9,022	1,960	(8,926)	(1,873)
Other financial assets	147	0	0	0	147	0
Trade receivables	7,456	4,004	53	141	7,403	3,863
Inventories	11,829	10,269	0	72	11,829	10,197
Other receivables and current assets	863	2	134	111	729	(109)
Other financial liabilities	222	527	13	75	209	452
Provisions	9,123	6,451	0	0	9,123	6,451
Provisions for employee benefits	7,942	9,944	1,196	1,225	6,746	8,719
Trade payables	7	437	0	3	7	434
Cash and cash equivalents	10	10	0	0	10	10
Other liabilities	7,458	4,549	2,055	0	5,403	4,549
Other	13,569	12,804	2,100	1,903	11,469	10,901
Tax losses	636	4,626	0	0	636	4,626
Compensation balance between deferred tax assets and liabilities	(13,564)	(10,668)	(13,564)	(10,668)	0	0
Total	**57,691**	**55,552**	**31,622**	**13,001**	**26,069**	**42,551**

The measurement of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In detail, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. is located in a “special economic zone” and is entitled to deduct from 25% to 50% of its investments from its current taxes owed through 2026. At 31 December 2016, the company had used all the existing credit at 31 December 2015 and the credit accrued in 2016.

Brembo Czech Sro. has two tax incentive plans, one of CZK 355.2 million (expiring in 2018) and another of CZK 133.7 million (expiring in 2021), on which the company has recognised deferred tax assets of CZK422.1 million (of which CZK 87.3 million used in 2016). At 31 December 2016, the unrecognised potential future tax benefit amounted to CZK 66.85 million (approximately €2.5 million), inasmuch as there is no certain evidence, according to current forecasts, that such benefit may be used before it expires.

It must be pointed out that:

- unrecognised deferred tax assets of Brembo Argentina Ltda., calculated on prior years’ losses and losses for the year (ARS 70.98 million), amounted to ARS 24.84 million;
- unrecognised deferred tax assets of Brembo do Brasil Ltda., calculated on prior years’ losses and losses for the year (BRL 98.82 million), amounted to BRL 33.6 million;
- at 31 December 2016, deferred tax liabilities of €1,370 thousand were recognised on profits of subsidiaries, associates or joint ventures, which the Group considers may be distributed in the foreseeable future.

- at 31 December 2016, the timing differences between the parent's share of the net assets of the subsidiary, associate or investee company, including the book value of goodwill, and the value of the investment or shareholding (cost) (as indicated in §38 of IAS 12) amounted to €372 million and were considered to be permanently reinvested, since these funds are used to fund current transactions and future business growth in those countries in which the same subsidiary is based; as a result, no deferred tax liability has been recognised on the taxable portion of such differences.

7. Inventories

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

(euro thousand)	31.12.2016	31.12.2015
Raw materials	109,322	98,906
Work in progress	57,339	48,549
Finished products	93,190	82,413
Goods in transit	23,340	17,793
Total	**283,191**	**247,661**

The movement in the item is due to the rise in the volume of the Group's business and €6,462 thousand represents the inclusion of Asimco Meilian Braking Systems (Langfang) Co. Ltd. within the Group's consolidation area.

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

(euro thousand)	31.12.2015	Provisions	Use/ Release	Exchange rate fluctuations	Reclassification	Change in consolidation area	31.12.2016
Inventory write-down provision	35,615	14,758	(7,968)	(788)	0	36	41,653

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

8. Trade Receivables

At 31 December 2016, the balance of trade receivables compared to the previous year was as follows:

(euro thousand)	31.12.2016	31.12.2015
Trade receivables	355,493	309,059
Receivables from associates and joint ventures	1,899	2,158
Total	**357,392**	**311,217**

Trade receivables grew due to the increase in sales volumes, in addition to the change in the consolidation area (€20,351 thousand).

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

Trade receivables are stated net of the provision for bad debts, which amounted to €6,923 thousand. Movements in the provision are shown below:

(euro thousand)	31.12.2015	Provisions	Use/ Release	Exchange rate fluctuations	31.12.2016
Provision for bad debts	6,110	3,358	(2,541)	(4)	6,923

The Brembo Group's maximum credit risk exposure is the book value of the gross financial assets recognised in the Statement of Financial Position net of any amounts offset in accordance with IAS 32 and impairment losses recognised in accordance with IAS 39.

Brembo has no credit insurance contracts; however, its business partners are leading car and motorbike manufacturers with high credit standing.

To express the creditworthiness of financial assets the Group has elected to distinguish between clients who are listed or not listed on the stock exchange. Listed clients are clients that are listed on a stock market, directly or indirectly controlled by a listed company or closely connected to listed companies.

(euro thousand)	31.12.2016	31.12.2015
Listed clients	259,947	174,518
Unlisted clients	104,368	142,809
Total	**364,315**	**317,327**

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

Listed clients

(euro thousand)	31.12.2016	Write-down 2016	31.12.2015	Write-down 2015
Current	240,027	2	155,922	39
Expired up to 30 days	1,944	0	2,244	79
Expired by 30 to 60 days	10,870	0	11,920	26
Expired by over 60 days	7,106	2,142	4,433	2,082
Total	**259,947**	**2,144**	**174,518**	**2,226**
% Ratio of expired receivables not written down to total exposure	*6.8%*		*9.4%*	
Total expired receivables, not written down	**17.778**		**16.409**	

Unlisted clients

(euro thousand)	31.12.2016	Write-down 2016	31.12.2015	Write-down 2015
Current	97,817	302	134,738	403
Expired up to 30 days	1,486	0	1,983	0
Expired by 30 to 60 days	998	0	2,329	195
Expired by over 60 days	4,067	4,477	3,760	3,286
Total	**104,368**	**4,779**	**142,809**	**3,884**
% Ratio of expired receivables not written down to total exposure	*2.0%*		*3.2%*	
Total expired receivables, not written down	**2.073**		**4.590**	

Expired receivables from listed clients mainly refer to leading car manufacturers, and almost all the related repayment plans were defined at the beginning of 2017.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2017.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Income tax receivables	16,462	8,345
Non-income tax receivables	13,203	16,862
Other receivables	14,165	11,179
Total	**43,830**	**36,386**

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 redund for an overall amount of €4,948 thousand, besides the tax credit for research and development calculated pursuant to Ministerial Decree of 27 May 2015, totalling €3,746 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)	31.12.2016	31.12.2015
Derivatives	556	447
Security deposits	342	365
Other receivables	3	2
Total	**901**	**814**

11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	31.12.2016	31.12.2015
Bank and postal accounts	245,535	201,980
Cash-in-hand and cash equivalents	139	124
Total cash and cash equivalents	**245,674**	**202,104**
Payables to banks: overdrafts and foreign currency advances	(181,745)	(90,287)
Cash and cash equivalents from the Statement of Cash Flows	**63,929**	**111,817**

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 €69,465 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 year totalled €9,975 thousand (€12,531 thousand in 2015).

12. Equity

Group consolidated equity at 31 December 2016 increased by €176,061 thousand compared to 31 December 2015. Movements for the year are given in the relevant statement.

Share Capital

The subscribed share capital of the Parent is fully paid up and amounted to €34,728 thousand at 31 December 2016. It is divided into 66,784,450 ordinary shares.

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

(No. of shares)	31.12.2016	31.12.2015
Ordinary shares issued	66,784,450	66,784,450
Own shares	(1,747,000)	(1,747,000)
Total shares outstanding	**65,037,450**	**65,037,450**

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

Other Reserves and Retained Earnings/(Losses)

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 21 April 2016 approved the Financial Statements for the financial year ended 31 December 2015, allocating the net income for 2015 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 €17,213 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)	31.12.2016 Due within one year	31.12.2016 Due after one year	31.12.2016 Total	31.12.2015 Due within one year	31.12.2015 Due after one year	31.12.2015 Total
Payables to banks:						
- Overdrafts and advances	181,745	0	181,745	90,287	0	90,287
- loans	43,847	210,659	254,506	57,111	211,886	268,997
Total	**225,592**	**210,659**	**436,251**	**147,398**	**211,886**	**359,284**
Payables to other financial institutions	756	5,245	6,001	1,059	3,263	4,322
Derivatives	0	0	0	0	0	0
Total	**756**	**5,245**	**6,001**	**1,059**	**3,263**	**4,322**

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 31.12.2016	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:						
BNL loan (€50 million)	50,000	(150)	42,761	14,232	28,529	0
UBI loan (€25 million)	25,000	5,019	0	0	0	0
Banca Popolare di Sondrio loan (€25 million)	25,000	9,367	3,124	3,124	0	0
UBI loan (€30 million)	30,000	9,355	1,874	1,874	0	0
EIB R&D loan (€55 million)	55,000	40,686	32,558	8,134	24,424	0
Mediobanca loan (€130 million)	130,000	129,537	129,643	(101)	129,744	0
Unicredit NY loan (USD 40.3 million)	37,101	36,989	25,494	12,774	12,720	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	19,052	3,810	15,242	0
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	0	0	0	0
Total payables to banks	**457,333**	**268,997**	**254,506**	**43,847**	**210,659**	**0**
Payables to other financial institutions:						
Production Activity Ministry Law 46/82 (CCM Project)	2,371	296	0	0	0	0
Finlombarda MIUR loan	275	229	166	65	101	0
MIUR BBW loan	2,443	1,565	1,241	337	904	0
Ministerio Industria España	3,237	2,070	1,907	263	1,052	592
Renault Argentina S.A. loan	797	147	91	91	0	0
Langfang municipality loan	7,558	0	2,596	0	0	2,596
FINAME Brembo Do Brasil Ltda. loan	433	9	0	0	0	0
Payables for leases	20	6	0	0	0	0
Total payables to other financial institutions	**17,134**	**4,322**	**6,001**	**756**	**2,057**	**3,188**
TOTAL	**474,467**	**273,319**	**260,507**	**44,603**	**212,716**	**3,188**

In 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 at 31 December 2016 amounting to €2.6 million).

It should be noted that several loans require compliance with certain financial covenants. At the reporting date, all of these covenants had been met. At 31 December 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.

	31.12.2016			31.12.2015		
(euro thousand)	Instalment	Interest	Principal	Instalment	Interest	Principal
Within 1 year	0	0	0	3	0	3
Between 1 and 5 years	0	0	0	3	0	3
Beyond 5 years	0	0	0	0	0	0
Total	**0**	**0**	**0**	**6**	**0**	**6**

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)	31.12.2016	31.12.2015
Within 1 year	25,186	21,727
Between 1 and 5 years	72,732	75,423
Beyond 5 years	75,726	107,977
Total	**173,644**	**205,127**

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

	31.12.2016			31.12.2015		
(euro thousand)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	68,136	164,191	232,327	68,929	156,351	225,280
US Dollar	0	25,493	25,493	0	36,989	36,989
Chinese Renminbi	2,596	0	2,596	0	7,436	7,436
Argentine Peso	91	0	91	147	0	147
Japanese Yen	0	0	0	6	0	6
Brazil Real	0	0	0	1,170	2,291	3,461
Total	**70,823**	**189,684**	**260,507**	**70,252**	**203,067**	**273,319**

The average variable rate applicable to the Group's debt is 1.26% and the average fixed rate is 1.67%.

Net Financial Position

The following table shows the breakdown of the net financial position at 31 December 2016 (€195,677 thousand), and at 31 December 2015 (€160,688 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006:

(euro thousand)		31.12.2016	31.12.2015
A	Cash	139	124
B	Other cash equivalents	245,535	201,980
C	Derivatives and securities held for trading	556	447
D	**LIQUIDITY (A+B+C)**	**246,230**	**202,551**
E	Current financial receivables	345	367
F	Current payables to banks	181,745	90,287
G	Current portion of non-current debt	43,847	57,111
H	Other current financial debts and derivatives	756	1,059
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**226,348**	**148,457**
J	**NET CURRENT FINANCIAL DEBT (I–E–D)**	**(20,227)**	**(54,461)**
K	Non-current payables to banks	210,659	211,886
L	Bonds issued	0	0
M	Other non-current financial debts and derivatives	5,245	3,263
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**215,904**	**215,149**
O	**NET FINANCIAL DEBT (J+N)**	**195,677**	**160,688**

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

14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Social security payables	1,439	28
Payables to employees	6,983	992
Other payables	231	6
Total	**8,653**	**1,026**

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 reserved for top managers, to be settled in 2019.

The new **Escobedo foundry** will produce **cast-iron discs**.
It will be operational by the end of 2017, with a casting capacity of about **100,000 tonnes a year**.

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	31.12.2016
Provisions for contingencies and charges	7,571	1,156	(1,257)	353	0	51	7,874
Provision for product warranties	10,553	9,169	(3,334)	(140)	92	0	16,340
Total	**18,124**	**10,325**	**(4,591)**	**213**	**92**	**51**	**24,214**
of which short-term	***2,830***						***2,547***

Provisions totalled €24,214 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". The item "Other employee provisions" also refers to other employee benefits.

Liabilities at 31 December 2016 are given in the table below:

(euro thousand)	31.12.2015	Change in consolidation area	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Other	31.12.2016
Employees' leaving entitlement	20,511	0	0	(878)	421	0	1,492	21,546
Defined-benefit plans and other long-term benefits	8,973	0	245	(635)	329	(1,145)	1,117	8,884
Defined contribution plans	850	2,420	1,690	(1,974)	0	(44)	(666)	2,276
Total	**30,334**	**2,420**	**1,935**	**(3,487)**	**750**	**(1,189)**	**1,943**	**32,706**

Defined benefit plans

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2016	31.12.2015	Funded Plan (Ap Racing plan) 31.12.2016	31.12.2015	Brembo México plan 31.12.2016	31.12.2015	Brembo Brake India plan 31.12.2016	31.12.2015	Brembo Japan plan 31.12.2016	31.12.2015
A. Change in defined benefit obligation										
1. Defined benefit obligation at the end of prior year	20,511	22,588	36,671	35,302	697	580	634	535	238	189
2. Service cost:										
Current service cost	0	0	0	0	130	76	94	108	50	28
Past service cost	0	0	0	0	(29)	0	0	0	0	0
3. Interest expense	421	393	1,247	1,387	44	41	46	54	2	3
4. Cash flows:										
Benefit payments from plan	0	0	(973)	(769)	0	0	(28)	(2)	0	0
Benefit payments from employer	(878)	(1,095)	0	0	(33)	(6)	(34)	(9)	(2)	(2)
Other significant events										
Increase (decrease) due to business combinations/ acquisitions/disposals	0	(229)	0	0	0	0	0	0	0	0
6. Remeasurements:										
Effects of changes in demographic assumptions	0	0	(794)	0	0	(5)	0	0	0	0
Effects of changes in financial assumptions	1,492	(1,146)	8,739	(996)	(111)	0	37	(40)	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(2,061)	(416)	48	50	(6)	(46)	0	0
7. Effect of changes in foreign exchange rates	0	0	(5,248)	2,163	(98)	(39)	6	34	14	20
8. Defined benefit obligations at end of year	**21,546**	**20,511**	**37,581**	**36,671**	**648**	**697**	**749**	**634**	**302**	**238**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2016	31.12.2015	Funded Plan (Ap Racing plan) 31.12.2016	31.12.2015	Brembo México plan 31.12.2016	31.12.2015	Brembo Brake India plan 31.12.2016	31.12.2015	Brembo Japan plan 31.12.2016	31.12.2015
B. Change in fair value of plan assets										
1. Fair value of plan assets at the end of prior year	**0**	**0**	**29,089**	**27,210**	**0**	**0**	**178**	**83**	**0**	**0**
2. Financial Income	0	0	996	1,078	0	0	12	11	0	0
3. Cash flows:										
Employer contributions	0	0	569	625	0	0	3	97	0	0
Employer direct benefit payments	878	1,095	0	0	33	6	34	9	0	0
Benefit payments from plan	0	0	(973)	(769)	0	0	(28)	(2)	0	0
Benefit payments from employer	(878)	(1,095)	0	0	(33)	(6)	(34)	(9)	0	0
4. Other significant events										
5. Remeasurements:										
Return on plan assets (excluding interest income)	0	0	4,727	(719)	0	0	1	(15)	0	0
6. Effect of changes in foreign exchange rates	0	0	(4,179)	1,664	0	0	1	4	0	0
7. Fair value of plan assets at end of year	**0**	**0**	**30,229**	**29,089**	**0**	**0**	**167**	**178**	**0**	**0**
E. Amounts recognised in the Statement of Financial Position										
1. Defined benefit obligation	21,546	20,511	37,581	36,671	648	697	749	634	302	238
2. Fair value of plan assets	0	0	30,229	29,089	0	0	167	178	0	0
3. Funded status	*21,546*	*20,511*	*7,352*	*7,582*	*648*	*697*	*582*	*456*	*302*	*238*
5. Net liability (asset)	**21,546**	**20,511**	**7,352**	**7,582**	**648**	**697**	**582**	**456**	**302**	**238**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2016	Unfunded Plan (Employee's leaving entitlement) 31.12.2015	Funded Plan (Ap Racing plan) 31.12.2016	Funded Plan (Ap Racing plan) 31.12.2015	Brembo México plan 31.12.2016	Brembo México plan 31.12.2015	Brembo Brake India plan 31.12.2016	Brembo Brake India plan 31.12.2015	Brembo Japan plan 31.12.2016	Brembo Japan plan 31.12.2015
F. Components of defined benefit cost										
1. Service cost:										
Current service cost	0	0	0	0	130	76	94	108	50	28
Past service cost	0	0	0	0	(29)	0	0	0	2	0
Total service costs	*0*	*0*	*0*	*0*	*101*	*76*	*94*	*108*	*52*	*28*
2. Net interest expense:										
Interest expense on DBO	421	393	1,247	1,387	44	41	46	54	0	2
Interest (income) on plan assets	0	0	(996)	(1,078)	0	0	(12)	(11)	0	0
Total net interest expense	*421*	*393*	*251*	*309*	*44*	*41*	*34*	*43*	*0*	*2*
3. Remeasurement on other long-term benefits	0	0	0	0	0	0	6	(79)	0	0
5. Defined benefit cost included in P&L	*421*	*393*	*251*	*309*	*145*	*117*	*134*	*72*	*52*	*30*
6. Remeasurements (recognised in Other Comprehensive Income):										
Effects of changes in demographic assumptions	0	0	(794)	0	0	(5)	0	0	0	0
Effects of changes in financial assumptions	1,492	(1,146)	8,739	(996)	(111)	0	30	(21)	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(2,061)	(416)	48	50	(6)	14	0	0
Return on plan assets (excluding interest income)	0	0	(4,727)	719	0	0	(1)	15	0	0
Total remeasurements included in OCI	*1,492*	*(1,146)*	*1,157*	*(693)*	*(63)*	*45*	*23*	*8*	*0*	*0*
7. Total defined benefit cost recognised in P&L and OCI	**1,913**	**(753)**	**1,408**	**(384)**	**82**	**162**	**157**	**80**	**52**	**30**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
G. Net defined benefit liability (asset) reconciliation										
1. Net defined benefit liability (asset)	20,511	22,588	7,582	8,092	697	580	456	452	238	189
2. Defined benefit cost included in P&L	421	393	251	309	145	117	134	72	52	31
3. Total remeasurements included in OCI	1,492	(1,146)	1,157	(693)	(63)	45	23	8	0	0
4. Other significant events										
Net transfers (including the effects of business combinations/disposals)	0	(229)	0	0	0	0	0	0	0	0
5. Cash flows:										
Employer contributions	0	0	(569)	(625)	0	0	(3)	(97)	0	0
Employer direct benefit payments	(878)	(1,095)	0	0	(33)	(6)	(34)	(9)	(2)	(2)
7. Effect of changes in foreign exchange rates	0	0	(1,069)	499	(98)	(39)	8	30	14	20
8. Net defined benefit liability (asset) at the end of year	**21,546**	**20,511**	**7,352**	**7,582**	**648**	**697**	**584**	**456**	**302**	**238**
H. Defined benefit obligation										
1. Defined benefit obligation by participant status										
Actives	21,546	20,511	0	0	648	697	751	633	0	0
Vested deferred	0	0	22,626	22,991	0	0	0	0	0	0
Retirees	0	0	14,955	13,681	0	0	0	0	0	0
Total	**21,546**	**20,511**	**37,581**	**36,672**	**648**	**697**	**751**	**633**	**0**	**0**
I. Plan assets										
1. Fair value of plan assets										
Cash and cash equivalents	0	0	51	10	0	0	0	0	0	0
Equity instruments	0	0	17,631	17,182	0	0	0	0	0	0
Debt instruments	0	0	12,549	11,899	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	167	177	0	0
Total	**0**	**0**	**30,231**	**29,091**	**0**	**0**	**167**	**177**	**0**	**0**
2. Fair value of assets that have quoted market prices										
Cash and cash equivalents	0	0	51	10	0	0	0	0	0	0
Equity instruments	0	0	17,631	17,182	0	0	0	0	0	0
Debt instruments	0	0	12,549	11,899	0	0	0	0	0	0
Total	**0**	**0**	**30,231**	**29,091**	**0**	**0**	**0**	**0**	**0**	**0**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
J. Significant actuarial assumptions										
Weighted-average assumptions to determine benefit obligations										
1. Discount rate	1.50%	2.10%	2.70%	3.85%	8.25%	7.00%	6.90%	7.75%	0.60%	0.85%
2. Rate of salary increase	0.00%	0.00%	N/A	N/A	4.50%	4.50%	9.50%	9.50%	N/A	N/A
3. Rate of price inflation	0.00%	0.00%	3.50%	3.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	1.50%	1.50%	3.50%	3.30%	3.50%	3.50%	0.00%	0.00%	2.50%	2.00%
Weighted-average assumptions to determine defined benefit cost										
1. Discount rate	2.10%	1.80%	3.85%	3.70%	7.00%	7.00%	7.75%	8.00%	N/A	N/A
2. Rate of salary increase	0.00%	0.00%	N/A	N/A	4.50%	4.50%	9.50%	11.00%	N/A	N/A
3. Rate of price inflation	0.00%	0.00%	3.30%	3.20%	0.00%	0.00%	0.00%	0.00%	N/A	N/A
4. Rate of expected salary increases	1.50%	1.75%	3.30%	3.20%	3.50%	3.50%	0.00%	0.00%	N/A	N/A

By applying a uniform change in the discount rate by ± 25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €2.5 million compared to the base liabilities value of €60.5 million.

The average duration of the plans is 16.68 years.

Dabrowa, Poland.

17. Trade Payables

At 31 December 2016, trade payables were as follows:

(euro thousand)	31.12.2016	31.12.2015
Trade payables	422,936	341,581
Payables to associates and joint ventures	5,594	8,360
Total	**428,530**	**349,941**

The increase in this item is due primarily to the rise in the level of investments and the normal business activities during the year, as well as the change in the consolidation area amounting to €24,538 thousand.

18. Tax Payables

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

(euro thousand)	31.12.2016	31.12.2015
Tax payables	11,837	14,052

19. Other Current Payables

Other current payables at 31 December 2016 are given in the table below:

(euro thousand)	31.12.2016	31.12.2015
Tax payables other than current taxes	8,997	8,636
Social security payables	16,948	18,945
Payables to employees	46,474	52,234
Other payables	29,981	27,102
Total	**102,400**	**106,917**

The movement in "Payables to employees", "Social security payables" and "Other payables" relates primarily to the payment made in may for the liability regarding the 2013-2015 three-year incentive plan reserved for the company's top managers.

The item "Other payables" also includes deferred income for a public grant received by Brembo Poland released to profit or loss in accordance with the related amortisation plans to which it refers.

Inside the new cast-iron foundry
at Homer, Michigan.

CONSOLIDATED STATEMENT OF INCOME

20. Sales of Goods and Services

Breakdown of sales of goods and services was as follows:

(euro thousand)	31.12.2016	31.12.2015
Italy	256,646	247,652
Abroad	2,022,450	1,825,594
Total	**2,279,096**	**2,073,246**

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

21. Other Revenues and Income

These are made up of:

(euro thousand)	31.12.2016	31.12.2015
Miscellaneous recharges	6,626	6,365
Gains on disposal of assets	1,767	1,058
Miscellaneous grants	6,952	2,217
Other revenues	12,772	4,119
Total	**28,117**	**13,759**

The item "Miscellaneous grants" includes grants for research and development projects amounting to €1,866 thousand and a tax credit for research and development investment of €3,746 thousand, already discussed in note 9.

"Other revenues" include an insurance refund for €7,816 thousand for the flooding caused by the Yun Tai Shan river 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 year, amounting to €18,971 thousand €11,982 thousand in 2015).

23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Purchase of raw materials, semi-finished and finished products	1,028,327	958,662
Purchase of consumables	97,641	95,142
Total	**1,125,968**	**1,053,804**

24. Income (Expense) from Non-financial Investments

Income (expense) from non-financial investments amounted to €11,010 thousand, attributable to the result of the valuation using the equity method of the BSCCB Group (€8,841 thousand, plus €550 thousand relating to the disposal of Sabelt S.p.A. and Belt & Buckle S.r.o, in 2015).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Transports	54,681	55,485
Maintenance, repairs and utilities	104,123	88,858
Contracted work	73,891	66,389
Rent	35,628	29,830
Other operating costs	111,549	97,724
Total	**379,872**	**338,286**

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)	31.12.2016	31.12.2015
Wages and salaries	280,720	255,180
Social security contributions	59,002	57,459
Employees' leaving entitlement and other personnel provisions	11,927	10,751
Other costs	35,991	32,979
Total	**387,640**	**356,369**

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

	Managers	White-collar	Blue-collar	Total
2016 average	125	2,609	5,914	**8,648**
2015 average	111	2,392	5,337	**7,840**
Change	**14**	**217**	**577**	**808**
Total at 31.12.16	129	2,693	6,220	**9,042**
Total at 31.12.15	112	2,450	5,305	**7,867**
Change	**17**	**243**	**915**	**1,175**

The significant rise in the Group's workforce (+1,175) can be attributed not only to the need to meet the increased production levels caused by a larger turnover, but also the inclusion of 660 employees of Asimco Meilian Braking Systems (Langfang) Co. Ltd., control of which was acquired during the year.

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Amortisation of intangible assets:		
Development costs	9,899	9,689
Industrial patents and similar rights for original work	799	940
Licences, trademarks and similar rights	232	292
Other intangible assets	6,954	4,819
Total	**17,884**	**15,740**
Depreciation of property, plant and equipment:		
Buildings	11,292	9,751
Leased buildings	0	29
Plant and machinery	70,023	63,565
Leased plant and machinery	0	51
Industrial and commercial equipment	12,836	12,491
Leased industrial and commercial equipment	2	2
Other property, plant and equipment	2,663	3,015
Other leased property, plant and equipment	58	59
Total	**96,874**	**88,963**
Impairment losses:		
Property, plant and equipment	791	2,940
Intangible assets	701	994
Total	**1,492**	**3,934**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**116,250**	**108,637**

Comments on impairment losses are provided in the notes to the Statement of Financial Position items.

28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Exchange rate gains	32,727	33,105
Interest income from employee’s leaving entitlement and other personnel provisions	996	1,077
Interest income	2,433	2,408
Total interest income	**36,156**	**36,590**
Exchange rate losses	(38,210)	(28,505)
Interest expense from employees’ leaving entitlement and other personnel provisions	(1,746)	(1,866)
Interest expense	(11,567)	(14,020)
Total interest expense	**(51,523)**	**(44,391)**
TOTAL NET INTEREST INCOME (EXPENSE)	**(15,367)**	**(7,801)**

29. Interest Income (Expense) from Investments

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

30. Taxes

This item is broken down as follows:

(euro thousand)	31.12.2016	31.12.2015
Current taxes	63,494	60,069
Deferred tax (assets) and liabilities	5,762	(2,917)
Estimated tax payables and taxes from previous years	(43)	542
Total	**69,213**	**57,694**

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

(euro thousand)	31.12.2016	31.12.2015
Theoretical income taxes	70,752	53,607
Prior years' taxes	(43)	542
Tax incentive effects	(19,269)	(14,438)
Unallocated DTA effect	6,234	7,440
Other differences	6,508	6,602
Current and deferred taxes (excluding IRAP)	**64,182**	**53,753**
Current and deferred IRAP	5,031	3,941
Total	**69,213**	**57,694**

The Group's tax rate was 22.2% (23.7% at 31 December 2015).

31. Earnings per Share

Basic earnings per share were €3.70 at 31 December 2016 (€2.83 at 31 December 2015) and were calculated by dividing the net result for the year attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in 2016, amounting to 65,037,450 (2015: 65,037,450). 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.

Stezzano, 3 March 2017

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

The new Polish foundry in **Dabrowa** will supply **discs** to the adjoining manufacturing plant, as well as **calipers and brackets,** with an innovative cast-iron production process with the **most advanced mechanical features**. Once fully operational, the new plant will employ about **200 people**.

STATUTORY AUDITORS' REPORT

Report of the Board of Statutory Auditors on the Consolidated Financial Statements for the Year Ended 31 December 2016

Shareholders of the Parent, Brembo S.p.A., this Statutory Auditors' Report concerns Brembo Group's Consolidated Financial Statements.

This Report was prepared in accordance with the tasks assigned to the Board of Statutory Auditors by Legislative Decree No. 58/1998 and Legislative Decree No. 39/2010, as amended by Legislative Decree 135/2016. In this regard, it refers to the Directors' Report on Operations accompanying the Financial Statements at 31 December 2016 of the Parent Brembo S.p.A.

Based on these assumptions, the Board of Statutory Auditors notes as follows[1]:

- it has obtained information and verified, within the limits of its competence, that the organisational structure of the company complies with the principles of proper administration. It has obtained information by direct observation, discussions with the executives involved in corporate duties, and from meetings with the Independent Auditors EY S.p.A., focused on a mutual exchange of relevant data and information;
- it has received from the Board of Directors, within the time limit prescribed by law, the Annual Report, consisting of the Report on Operations, the separate Financial Statements of the Parent Brembo S.p.A. for 2016 and the Consolidated Financial Statements for 2016;
- it has acknowledged that the Consolidated Financial Statements and the Report on Operations have been prepared in compliance with relevant regulations;
- it has verified that the Financial Statements of the main subsidiaries have been audited by independent auditors;
- it has acknowledged the Independent Auditors' Report issued on 20 March 2017, which does not present any points of issue.

During the monitoring activity, no significant facts have emerged that need to be mentioned in this Report.

BremboGroup's Consolidated Financial Statements for the year ended 31 December 2016 were prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2016, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations.

The comparative figures at 31 December 2015 have been restated according to the same principles as those used at 31 December 2016.

1 The Board of Statutory Auditors has been identified with the "Internal Control and Audit Committee" pursuant to Legislative Decree No. 39/2010, as amended, which assigns functions of supervision of the financial reporting process, the efficacy of internal control systems, internal auditing and risk management, the statutory auditing of the annual and consolidated accounts and the independence of the statutory auditors.

The Consolidated Financial Statements submitted to the forthcoming General Shareholders' Meeting for their analysis include the following summary results, expressed in thousands of euro:

Statement of Financial Position

(euro thousand)	
Non-current assets	1,033,536
Current assets	930,988
Non-current assets held for sale and/or disposal Groups and/or discontinued operations	–
Total assets	**1,964,524**
Equity and liabilities	
Equity	882,310
Non-current liabilities	310,552
Current liabilities	771,662
Non-current liabilities held for sale and/or included in discontinued operations	–
Total equity and liabilities	**1,964,524**

Statement of Income

(euro thousand)	
Gross operating income	443,714
Net operating income	327,464
Result before taxes	312,208
Net result before minority interests	242,995
Group net result	**240,632**

In our opinion, the Consolidated Financial Statements 2016 present a fair picture of Brembo Group's equity, financial situation and operating result for the year ended 31 December 2016, in compliance with generally accepted accounting standards for the Consolidated Financial Statements.

In conclusion, the Board of Statutory Auditors deems the Directors' Report on Group Operations correct, comprehensive and consistent with the Consolidated Financial Statements. Furthermore, in completion of this report, we refer you to the report drawn up by the Board of Statutory Auditors on the Separate Financial Statements of Brembo S.p.A. at and for the year ended 31 December 2016, which contains all information requested by the supervisory authority and applicable laws and regulations.

Stezzano, 20 March 2017

BOARD OF STATUTORY AUDITORS
signed Raffaella Pagani *(Chairwoman)*
signed Milena Motta *(Acting Auditor)*
signed Sergio Pivato *(Acting Auditor)*

Building a better working world

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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010

(Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Brembo Group, which comprise the statement of the financial position as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors of Brembo S.p.A. are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree n. 38, dated 28 February 2005.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with article 11 of Legislative Decree n. 39, dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Brembo Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with article 9 of Legislative Decree n. 38, dated 28 February 2005.

Report on other legal and regulatory requirements

Opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure with the consolidated financial statements

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion, as required by law, on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by article 123-bis, paragraph 4 of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements. The Directors of Brembo S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the consolidated financial statements of Brembo Group as at 31 December 2016.

Bergamo, 20 March 2017

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.

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

1. We the undersigned, 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 consolidated financial statements for the period from 1 January to 31 December 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 Consolidated Financial Statements at 31 December 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 Consolidated Financial Statements:

    a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;

    b) reflect the accounting books and records; and

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

    3.2 The Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of the companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

3 March 2017

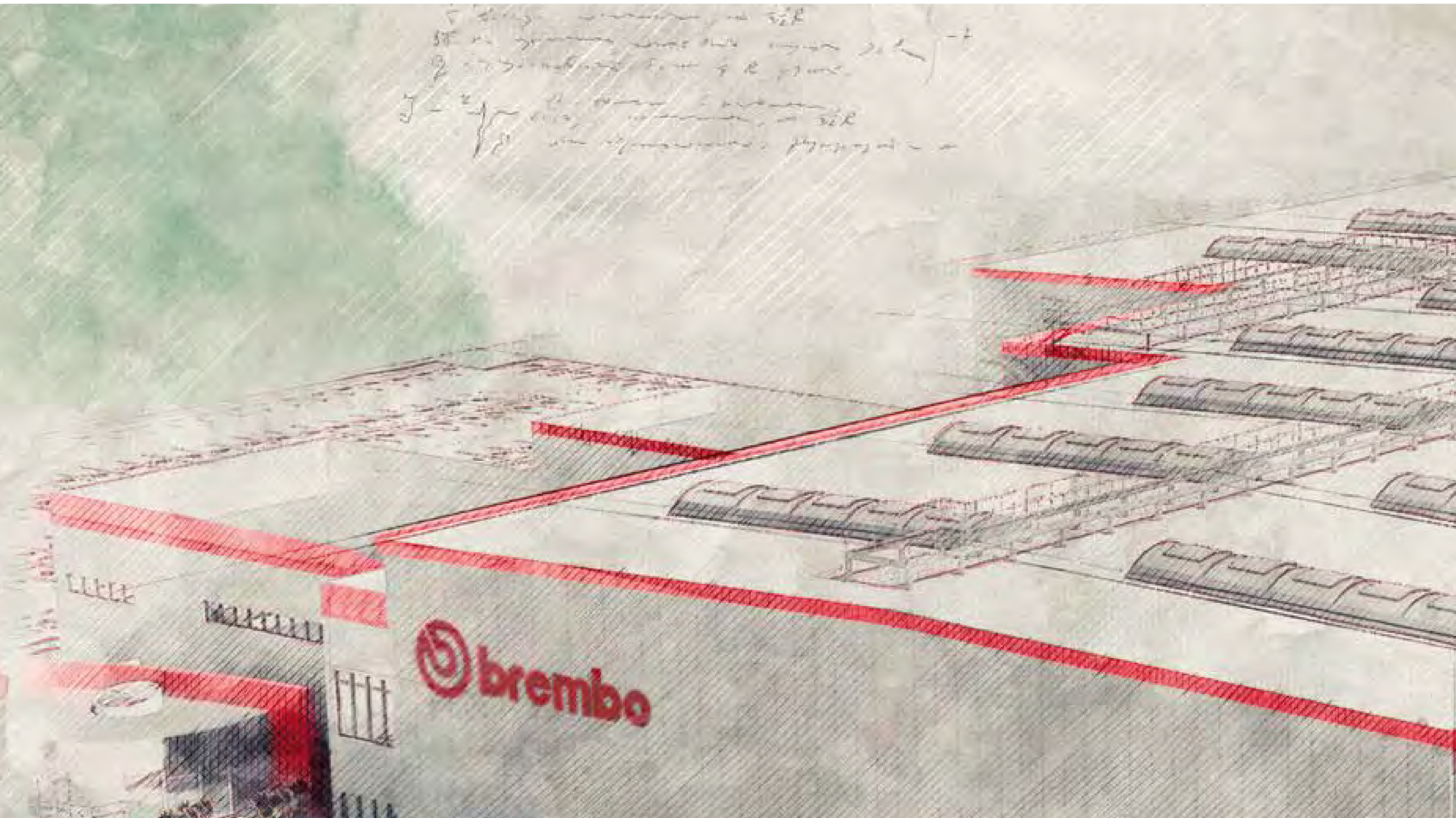
Alberto Bombassei
Chairman

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 celebrated 10 years of operations in India, opening a new large production facility near the plant already operating in Pune.


brembo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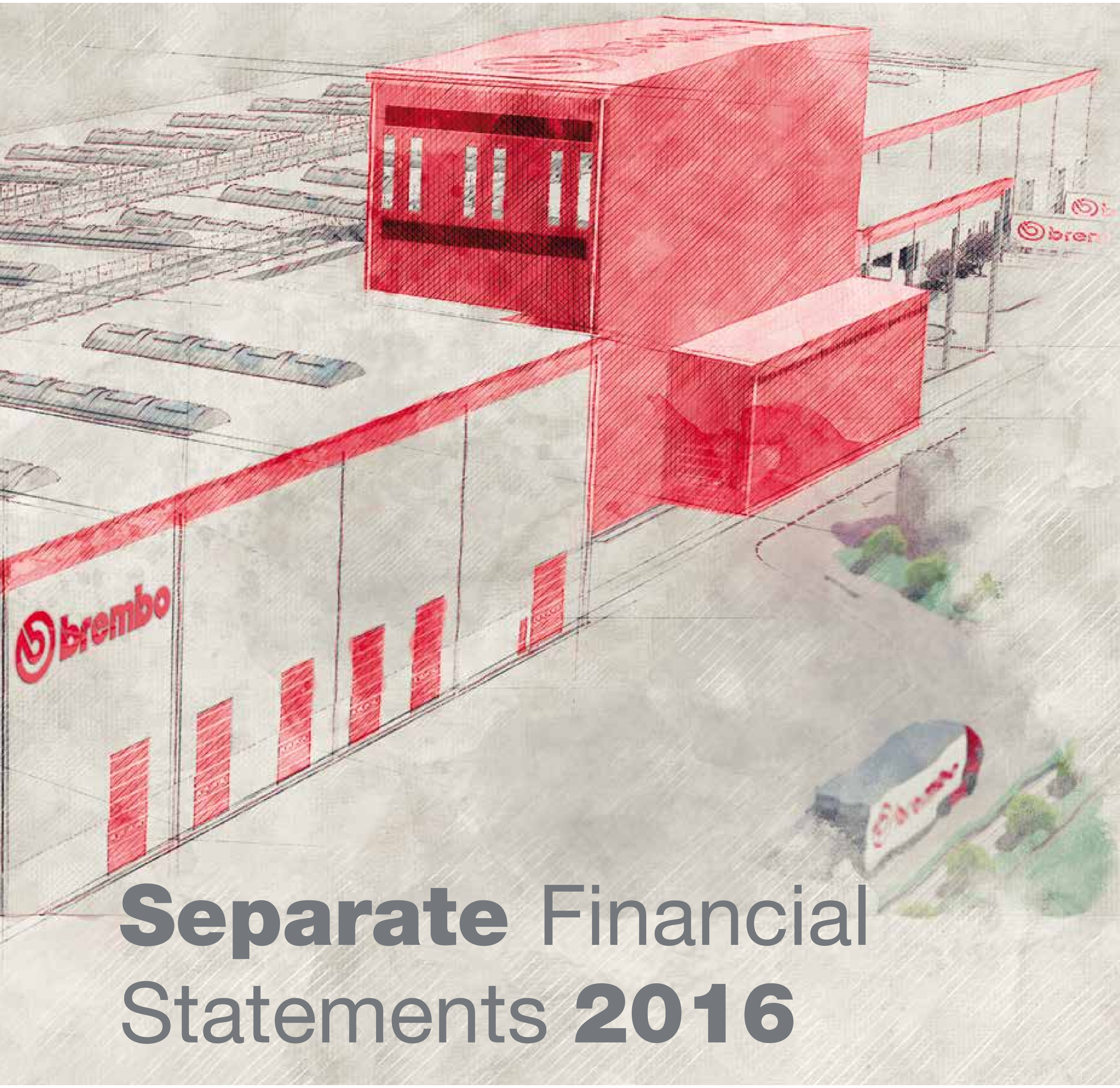

Separate Financial Statements **2016**

FINANCIAL STATEMENTS OF BREMBO S.P.A. AT 31 DECEMBER 2016

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

ASSETS

(euro)	Notes	31.12.2016	*of which with related parties*	31.12.2015	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	132,933,220		121,970,397		10,962,823
Development costs	2	46,595,703		39,614,818		6,980,885
Other intangible assets	2	13,368,630		11,911,779		1,456,851
Shareholdings	3	335,880,192		253,911,063		81,969,129
Other financial assets (including investments in other companies and derivatives)	4	6,022,929	*5,703,274*	10,517,429	*9,781,017*	(4,494,500)
Receivables and other non-current assets	5	124,616		178,783		(54,167)
Deferred tax assets	6	12,137,080		13,401,652		(1,264,572)
TOTAL NON-CURRENT ASSETS		**547,062,370**		**451,505,921**		**95,556,449**
CURRENT ASSETS						
Inventories	7	106,147,333		100,359,043		5,788,290
Trade receivables	8	184,989,843	*80,090,041*	155,475,372	*45,405,823*	29,514,471
Other receivables and current assets	9	14,686,341	*6,552*	14,313,249		373,092
Current financial assets and derivatives	10	12,478,280	*11,857,414*	35,145,757	*34,634,097*	(22,667,477)
Cash and cash equivalents	11	55,920,067	*8,596,259*	57,263,150	*12,743,804*	(1,343,083)
TOTAL CURRENT ASSETS		**374,221,864**		**362,556,571**		**11,665,293**
TOTAL ASSETS		**921,284,234**		**814,062,492**		**107,221,742**

The new cast-iron foundry in Escobedo, Mexico.

EQUITY AND LIABILITIES

(euro)	Notes	31.12.2016	*of which with related parties*	31.12.2015	*of which with related parties*	Change
EQUITY						
Share capital	12	34,727,914		34,727,914		0
Other reserves	12	130,743,218		130,670,191		73,027
Retained earnings/(losses)	12	90,850,383		40,751,626		50,098,757
Net result	12	138,392,655		103,312,837		35,079,818
TOTAL EQUITY		**394,714,170**		**309,462,568**		**85,251,602**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	182,696,529	*903,969*	167,264,097	*1,795,762*	15,432,432
Other non-current financial payables and derivatives	13	1,005,065		1,452,383		(447,318)
Other non-current liabilities	14	6,479,099	*1,913,574*	119,956		6,359,143
Non-current provisions	15	10,159,150		5,804,993		4,354,157
Provisions for employee benefits	16	21,075,472	*46,458*	20,048,037	*45,775*	1,027,435
TOTAL NON-CURRENT LIABILITIES		**221,415,315**		**194,689,466**		**26,725,849**
CURRENT LIABILITIES						
Current payables to banks	13	76,050,391	*17,211,819*	43,172,228	*12,378,280*	32,878,163
Other current financial payables and derivatives	13	13,584,838	*13,182,650*	45,472,010	*44,834,103*	(31,887,172)
Trade payables	17	159,405,982	*16,339,202*	144,270,442	*17,157,978*	15,135,540
Tax payables	18	2,001,867		6,822,538		(4,820,671)
Provisions	15	2,547,371		2,830,000		(282,629)
Other current payables	19	51,564,300	*2,355,553*	67,343,240	*11,675,668*	(15,778,940)
TOTAL CURRENT LIABILITIES		**305,154,749**		**309,910,458**		**(4,755,709)**
TOTAL LIABILITIES		**526,570,064**		**504,599,924**		**21,970,140**
TOTAL EQUITY AND LIABILITIES		**921,284,234**		**814,062,492**		**107,221,742**

Statement of Income of Brembo S.p.A.

(euro)	Notes	31.12.2016	*of which with related parties*	31.12.2015	*of which with related parties*	Change
Sales of goods and services	20	**843,630,455**	***147,556,893***	**780,801,597**	***105,095,348***	**62,828,858**
Other revenues and income	21	40,818,754	*30,682,926*	32,983,575	*27,236,184*	7,835,179
Costs for capitalised internal works	22	17,055,080		11,325,565		5,729,515
Raw materials, consumables and goods	23	(378,452,146)	*(92,565,092)*	(356,716,036)	*(88,901,752)*	(21,736,110)
Other operating costs	24	(172,717,688)	*(14,603,470)*	(156,520,325)	*(14,912,265)*	(16,197,363)
Personnel expenses	25	(206,706,244)	*(6,249,540)*	(199,718,431)	*(5,583,567)*	(6,987,813)
GROSS OPERATING INCOME		**143,628,211**		**112,155,945**		**31,472,266**
Depreciation, amortisation and impairment losses	26	(35,816,397)		(34,858,836)		(957,561)
NET OPERATING INCOME		**107,811,814**		**77,297,109**		**30,514,705**
Interest income	27	*3,877,435*		*7,558,222*		*(3,680,787)*
Interest expense	27	*(7,255,792)*		*(11,325,464)*		*4,069,672*
Net interest income (expense)	27	(3,378,357)	*288,547*	(3,767,242)	*(441,901)*	388,885
Interest income (expense) from investments	28	68,447,346	*86,333,234*	54,507,855	*71,378,612*	13,939,491
RESULT BEFORE TAXES		**172,880,803**		**128,037,722**		**44,843,081**
Taxes	29	(34,488,148)		(24,724,885)		(9,763,263)
NET RESULT		**138,392,655**		**103,312,837**		**35,079,818**

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

(euro)	31.12.2016	31.12.2015	Change
NET RESULT	**138,392,655**	**103,312,837**	**35,079,818**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year			
Effect (actuarial income/loss) on defined benefit plans	(1,461,964)	1,122,146	(2,584,110)
Tax effect	350,872	(468,116)	818,988
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**(1,111,092)**	**654,030**	**(1,765,122)**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year			
Effect of hedge accounting (cash flow hedge) of derivatives	0	67,829	(67,829)
Tax effect	0	(18,653)	18,653
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**0**	**49,176**	**(49,176)**
COMPREHENSIVE RESULT	**137,281,563**	**104,016,043**	**33,265,520**

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

(euro)	31.12.2016	31.12.2015
Cash and cash equivalents at beginning of year	**40,640,878**	**95,524,769**
Result before taxes	**172,880,803**	**128,037,722**
Depreciation, amortisation/impairment losses	35,816,397	34,858,836
Capital gains/losses	(407,762)	(330,792)
Write-ups/Write-downs of shareholdings	17,885,888	16,872,757
Financial portion of provisions for payables for personnel	411,438	381,460
Other provisions net of utilisations	12,128,507	5,451,090
Cash flows generated by operating activities	**238,715,271**	**185,271,073**
Paid current taxes	(35,268,127)	(32,418,686)
Uses of long-term provisions for employee benefits	(845,968)	(921,043)
(Increase) reduction in current assets:		
inventories	(10,798,978)	(6,399,578)
financial assets	(3,433,795)	(2,100)
trade receivables and receivables from other Group companies	(29,089,815)	(20,325,045)
receivables from others and other assets	(2,690,230)	692,096
Increase (reduction) in current liabilities:		
trade payables and payables to other Group companies	15,135,540	22,624,701
payables to others and other liabilities	(9,227,038)	9,407,012
Net cash flows from/(for) operating activities	**162,496,860**	**157,928,430**

(euro)	31.12.2016	31.12.2015
Investments in:		
intangible assets	(23,972,731)	(17,324,951)
property, plant and equipment	(32,571,659)	(22,178,697)
financial assets (shareholdings)	(112,276,480)	(9,703,882)
Price for disposal, or reimbursement value of fixed and intangible assets	1,698,044	772,704
Price for disposal, or reimbursement value of shareholdings	12,421,463	500,233
Net cash flows from/(for) investing activities	**(154,701,363)**	**(47,934,593)**
Dividends paid in the year	(52,029,960)	(52,029,960)
Loans to Group companies and amounts payable to companies participating in the centralised treasury system	(4,797,027)	(55,776,768)
Change in fair value valuation of derivatives	307,551	(684,214)
Loans and financing granted by banks and other financial institutions in the year	50,000,000	130,002,439
Repayment of long-term loans and other liabilities	(34,783,893)	(186,389,225)
Net cash flows from/(for) financing activities	**(41,303,329)**	**(164,877,728)**
Total cash flows	**(33,507,832)**	**(54,883,891)**
Cash and cash equivalents at end of year	**7,133,046**	**40,640,878**

Statement of Changes in Equity of Brembo S.p.A.

		Other reserves				
(euro)	Share capital	Reserves	Treasury Shares	Retained earnings/(losses)	Result for the year	Equity
Balance at 1 January 2015	**34,727,914**	**132,742,625**	**(13,475,897)**	**34,657,526**	**68,824,318**	**257,476,486**
Allocation of profit for the previous year		357,168		16,437,190	(16,794,358)	**0**
Payment of dividends					(52,029,960)	**(52,029,960)**
Reclassification (**)		10,997,119		(10,997,119)		**0**
Rounding off				(1)		**(1)**
Components of comprehensive income:						
Effect (actuarial income/loss) on defined benefit plans				654,030		**654,030**
Effect of hedge accounting (cash flow hedge) of derivatives (*)		49,176				**49,176**
Net result					103,312,837	**103,312,837**
Balance at 1 January 2016	**34,727,914**	**144,146,088**	**(13,475,897)**	**40,751,626**	**103,312,837**	**309,462,568**
Allocation of profit for the previous year		276,531		51,006,346	(51,282,877)	**0**
Payment of dividends					(52,029,960)	**(52,029,960)**
Reclassification (***)		(203,504)		203,504		**0**
Rounding off				(1)		**(1)**
Components of comprehensive income:						
Effect (actuarial income/loss) on defined benefit plans				(1,111,092)		**(1,111,092)**
Net result					138,392,655	**138,392,655**
Balance at 31 December 2016	**34,727,914**	**144,219,115**	**(13,475,897)**	**90,850,383**	**138,392,655**	**394,714,170**

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

(**) Restricted portion of Own share reserve from retained earnings following the General Shareholders' Meeting held on 23 April 2015 authorising the buy-back of own shares.

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

Work in progress on constructing the new cast-iron foundry, adjoining to the Escobedo plant.

Production of **the new cast-iron disc foundry** adjoining to the **Escobedo**, plant will be bound for the main original equipment manufacturers (OEM) in Europe, America and Asia operating in Mexico.
The new facility will extend over an **area of 25,000 square metres** and will employ about 200 people.

STATUTORY AUDITORS' REPORT

Report of the Board of Statutory Auditors to the Shareholders' Meeting for Approval of the Financial Statements for the Year Ended 31 December 2016

Shareholders,

This report refers to the activity carried out by the Board of Statutory Auditors[1] during the year ended 31 December 2016.

The Board of Statutory Auditors, whose term of office will expire with the General Shareholders' Meeting called on 20 April 2017 to approve the Financial Statements for the year ended 31 December 2016, carried out the supervisory activities requested by Article 2403 of the Italian Civil Code, Article 149 of Legislative Decree No. 58/1998 and, in its capacity as Internal Control & Audit Committee, it discharged its oversight duties as per Article 19 of Legislative Decree No. 39/2010, monitoring the observance of the principles of proper administration, and particularly the suitability of the organisational, administrative and accounting structures adopted by the Company and the concrete functioning thereof. They also monitored the concrete implementation of the corporate governance rules set forth by relevant applicable regulations. The Board of Statutory Auditors also monitored the independence of the Independent Auditors.

In performing its function, the Board of Statutory Auditors:

- in 2016 held 7 assessment meetings and attended all the General Shareholders' Meetings and the meetings of the Board of Directors (7 Board of Directors' meetings and 1 General Shareholders' Meeting, and, through the Chairwoman of the Board, the meetings of the Audit & Risk Committee (5 meetings) and Remuneration & Appointments Committee (1 meeting); the meetings of the Board of Statutory Auditors lasted about 3 hours on average;
- periodically received from Directors exhaustive and detailed information on business performance and foreseeable outlook, operations carried out and the most significant economic, financial and capital transactions performed by the Company or its Subsidiaries, as well as the status of activities and strategic projects underway;
- participated in the induction activities promoted by the Company to increase Directors' and Statutory Auditors' knowledge of Brembo's sector of operation and company dynamics, including visits to industrial facilities of Dabrowa Górnicza, Poland, and Stezzano, Italy.

In most cases, meetings of the Board of Statutory Auditors were held on the same day as the Audit & Risk Committee and Supervisory Committee meetings, covering a number of items discussed jointly in order to optimise the exchange of information and share opinions amongst parties with relevant duties in the area of internal controls.

1 The Board of Statutory Auditors composed of Raffaella Pagani (Chairwoman), Milena Motta (Acting Auditor), Sergio Pivato (Acting Auditor) was appointed by the General Shareholders' Meeting held on 29 April 2014 for the three years from 2014 to 2016, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2016. The Statutory Auditors were elected based on the two lists filed respectively by the majority shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding 2.11% of the share capital, overall). The members of the Board of Statutory Auditors are also members of the Supervisory Committee.

Pursuant to Article 153 of Legislative Decree No. 58/1998 and Article 2459, paragraph 2, of the Italian Civil Code, and in accordance with Consob recommendations, the following information is reported:

1. Based on available information, the Board of Statutory Auditors did not detect any violations of the law or By-laws, or outwardly imprudent or risky transactions, or transactions in contrast with the resolutions taken by the Shareholders' Meeting, or such as to jeopardise the integrity of the Company's assets or its ability to continue to operate as a going concern.
2. Amongst the most significant corporate transactions carried out during 2016, which also influenced the Group's organisational structure, the following should be mentioned:
   - the construction of a new aluminium caliper manufacturing complex in Nanjing, China, near the current brake disc manufacturing plant, scheduled to come on stream in early 2018;
   - the expansion of the foundry in Dabrowa Górnicza;
   - the closing on 19 May 2016 of the purchase of a 66% equity interest in ASIMCO Meilian Braking Systems;
   - the construction of a new foundry in Mexico for the manufacture of cast-iron discs, adjoining to the integrated aluminium caliper manufacturing plant inaugurated in October 2016.

   The Board of Statutory Auditors also acknowledged that the winding up procedures for the Chinese company Brembo China Brake Systems Co. Ltd. were completed and the company was de-registered in December 2016.
3. The Board of Statutory Auditors obtained knowledge of and, within its sphere of competence, supervised:
   - the organisational structure, which is deemed adequate and suitable for the size and the managerial and operating complexity of the Company and the Group;
   - the functioning of the internal control system and the administrative and accounting system, which are adequate and reliable and thus enable the Company to fairly represent operating events, in accordance with the principles of proper administration;
   - the adequacy of instructions issued by the Company to its Subsidiaries, as provided for by Article 114, paragraph 2, of Legislative Decree No. 58/1998;
   - the independence of the Independent Auditors.
4. During the meeting of 3 March 2016, the Board of Directors discussed the proposals to amend the By-laws, subsequently approved by the General Shareholders' Meeting on 21 April 2016, with the aim of:
   - bringing them in line with the changes in the law introduced by Legislative Decree No. 91 of 18 June 2012, known as the "shareholders' rights corrective";
   - ensuring increasingly close alignment of the corporate governance of the company and the Brembo Group with the corporate governance system set out in the Borsa Italiana Code of Corporate Governance for Listed Companies and best practices for listed companies;
   - better reflecting in the By-laws the development of the Group's business and the international profile it has now had for some time.
5. In 2016, the Company did not carry out any unusual or atypical transactions with third parties, intra-group companies or related parties, nor any transaction that could have a significant impact on the Company's operating, capital or financial situation.
6. With regard to ordinary intra-group transactions or related party transactions carried out in the period, about which the Company provided specific and detailed information in its interim financial reports, we acknowledge that such transactions were carried out in the interest of the Company and in accordance with the Related Party Transactions Procedure prepared on 12 November 2010, pursuant to Consob regulations[2] and no critical issues arose as per their consistency and compliance with Company's interests.

2 Resolution No. 17221 dated 12 March 2010 and Resolution No. 17389 dated 23 June 2010.

7. With reference to the Related Party Transactions Procedure, we point out that, on 10 May 2016, the Board of Directors, having heard the favourable opinion of the Audit & Risk Committee, approved the update to the aforesaid Procedure with the aim of incorporating the changes relating solely to organisational matters pertaining to the Company's Administration & Finance Department — as the Procedure was already in line with application practice. At the same time, the "threshold" for determining Low Value transactions was confirmed (€250,000) and the Significance Indices for the identification of Highly Significant Transactions based on the figures of the 2015 Consolidated Financial Statements approved by the General Shareholders' Meeting of 21 April 2016 were updated.

8. No purchase or sale transactions were carried out in the context of the plan for the buy-back and disposal of own shares, authorised by the General Shareholders' Meeting held on 21 April 2016, having heard the prior favourable opinion of the Board of Statutory Auditors. At 31 December 2016, the Company therefore held a total of 1,747,000 own shares, representing 2.616% of the share capital, at an average book value of €7.71 per share and for an overall value of €13,475,897.

9. During its periodic audits, the Board of Statutory Auditors met with the Manager in charge of the company's financial reports, the Internal Audit Director and representatives of the Independent Auditors[3], to obtain information on the activities carried out and auditing plans. No relevant data or information have emerged that need to be highlighted. The Board of Statutory Auditors and the Audit & Risk Committee also constantly and promptly exchanged information material to the performance of their respective tasks.

10. With reference to the financial reporting process, the Board of Statutory Auditors has verified the constant updating at Group level of the set of administrative and accounting rules and procedures aimed at controlling the process of preparation and disclosure of the financial reports and information, which are deemed suitable for the issuing of attestations pursuant to Article 154 of Legislative Decree No. 58/1998. The actual application and reliability of the accounting and administrative procedures has been verified by the Manager in charge of the Company' financial reports, also relying on the competent internal structures (the Internal Audit Function), through a monitoring plan that covered both the control and Governance environment and the key controls at the level of the relevant processes. Among other items, the outline for preparing the company's accounting and corporate documents pursuant to Article 154-*bis* (approved by the Board of Directors during its meeting of 3 March 2016, following review by the Audit & Risk Committee and the Board of Statutory Auditors) was updated. The relevant changes took account of the enhancement, in both qualitative and quantitative terms (new resources involved, new activities and dedicated IT tools, etc.) of the activities carried out with reference to Law No. 262, in particular the actions implemented in the area of testing, validation and monitoring of improvement plans, as well as tools for managing and recording tests through the use of a dedicated portal.

11. During the periodic assessments, the Board of Statutory Auditors constantly received reports on the financial situation and the loans granted to the Company by banking institutions. During the year, the Board of Statutory Auditors also passed resolutions to economically and financially support some of the Group companies through their recapitalisation (Brembo do Brasil Ltda. and Brembo Argentina S.A.) or releasing parent guarantees instrumental to the issuing of credit lines in favour of companies (Brembo México S.A. de C.V.).

12. With reference to the provisions of Article 36, paragraph 1, of the Market Regulations (Consob Resolution No. 16191 of 20 October 2007), which apply to the subsidiaries identified by Brembo as being significant to the system of audits on financial reporting: the Board of Statutory Auditors ascertained that the information flows provided by the non-EU subsidiaries within the scope of the above-mentioned regulation are adequate to ensure that the Company and independent auditors regularly receive any information regarding statement of income, statement of financial position and cash flow figures, as necessary for preparing the consolidated

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3 With regard to the audit appointment, it should be noted that, upon reasoned proposal submitted by the Board of Statutory Auditors, the Shareholders' Meeting of 23 April 2013 appointed EY S.p.A. as independent auditors for the years 2013 to 2021.

financial statements, thereby allowing the audit of the annual and interim accounts. In detail, as of 31 December 2016 the Companies to which such regulations apply are the subsidiaries indicated by Brembo as being significant for the control system and financial reporting purposes.

13. The Board of Statutory Auditors also oversaw the implementation methods of recommendations on corporate governance, as provided for by the Corporate Governance Code for Listed Companies issued by Borsa Italiana, which the Company has adopted. It also verified the Company's compliance with STAR segment requisites and the compliance of Brembo's corporate governance system with the recommendations of the above-mentioned code. Detailed information on such compliance is provided in the annual Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-*bis* of the Consolidated Law on Finance (TUF), approved by the Board of Directors on 3 March 2017 and published on the corporate website.
14. As part of the Corporate Social Responsibility project, during the meeting of 19 December 2016 the Board of Statutory Auditors acknowledged the plan launched by the company to produce and disseminate the Third Edition of the Code of Ethics to all Group companies.
15. The Board of Statutory Auditors verified the proper application of the control criteria and procedures adopted by the Board of Directors to assess that Directors have met and continue to meet the requirements of professionalism and independence, by acknowledging their respective statements. The outcome of such assessment is given in the Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-*bis* of the Consolidated Law on Finance (TUF). The Board of Statutory Auditors also verified that its members meet the requirements of personal integrity, professionalism and respectability required by current statutory and regulatory provisions as well as the independence requirements laid down in the Corporate Governance Code, and the observance of the limit on positions at other companies.
16. The Board of Statutory Auditors also received information on the results of the Board Performance Evaluation 2016 carried out by the Lead Independent Director, with the support of the Legal & Corporate Department, through a request to all Directors, on the one hand, to confirm and/or modify the answers provided for in the questionnaire completed in 2014 and 2015 and, on the other, to answer additional questions (BPE 2016) and thus indicate proposals for the future with the aim of conducting an end-of-term assessment and analysing the qualitative and quantitative composition of the Board of Directors, so as to provide guidance concerning the professional profiles whose presence is deemed appropriate to an optimal composition of the new Board of Directors.
17. The Board of Statutory Auditors also acknowledged that over 2016 — the final year of the Board's term of office — the Company continued to carry out induction activities, organising a programme of visits to Group sites, as indicated in the introduction. The aim was to promote and foster a more direct understanding by the members of the Board of Directors, including non-executive Directors, and Statutory Auditors of the diverse businesses of the Group and the specific features of each of the Group's entities, as well as more thoroughly analyse the industrial and development processes of Brembo's products.
18. The Board of Statutory Auditors also determined the adequacy of merit and procedural indications adopted by the Remuneration & Appointments Committee (whose meetings were attended by the Chairwoman of the Board of Statutory Auditors) to define and implement medium/long-term remuneration policies. Furthermore, it expressed a favourable opinion on the annual and three-year monetary incentive policies for the Governing Body, Executive Directors and Top Managers. The main aspects of the new short- and long-term remuneration policies for 2017, approved by the Board during the meeting held on 3 March 2017, after having heard the opinion of the Remuneration & Appointments Committee, are illustrated in the 2017 Remuneration Report, in accordance with Article 123-*ter* of TUF, which is available on Brembo's website (www.brembo.com, Company section, Corporate Governance, Remuneration Policies). Starting in 2016, a clawback clause has been included in both the short-term incentive system (MBO) and the new long-term incentive system (2016-2018 LTIP), in accordance with the Corporate Governance Code (Article 6.C.1(f)); the clause allows the Company

to request the partial or total refund of the variable components of remuneration (or to withhold deferred components of remuneration) that had been granted based on data and information which subsequently proved to be manifestly incorrect or resulting from cases of fraudulent behaviour or gross negligence on the part of the beneficiaries.

19. The Board of Statutory Auditors and the Audit & Risk Committee (on certain occasions and as a function of specific subject matter, through meetings held jointly) assessed and controlled the adequacy of the Risk Management System through:
    - quarterly meetings with the Internal Audit Director, aimed at receiving information about:
      (i) the results of the 2016 audits performed to identify and assess the main risks, check the Internal Control System, compliance with the laws, procedures and company processes, as well as the implementation of the respective improvement plans;
      (ii) the 2017 Audit Plan and the 2017 Budget of the Function, deemed adequate by the Audit & Risk Committee and the Board of Directors with respect to the size and risk profile of the business and the Group;
    - periodic meetings with the Risk Manager to acquire periodic information on:
      (i) the monitoring of enterprise risk management activities;
      (ii) the updates of Brembo's Risk Report.
20. On the basis of the reviews carried out and the information obtained, the Internal Control & Risk Management System has been found to be adequate as a whole and suited to preventing risks and to ensuring effective application of the rules of corporate conduct. The System's organisational structure also ensures coordination of the various parties and functions involved, including through constant exchange of information between the various participants. Accordingly, there are no remarks to be submitted to the General Shareholders' Meeting.
21. The Board of Statutory Auditors also acknowledged the results of the 2015 Management Letter issued by the Independent Auditors and the plans set out by Management that have enabled the Audit & Risk Committee and the Board of Directors to reiterate that the Internal Controland Risk Management System is adequate for the Group structure and the company's type of business.
22. The Board of Statutory Auditors, whose members also serve on the Supervisory Committee, attended all the 5 meetings of 2016, so as to constantly assess the updating processes of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 (hereinafter also called "Model 231"), its functioning, its suitability and effectiveness in preventing all liability in connection with the offences punishable under the relevant Legislative Decree through implementation of the appropriate procedures and preventative measures.

    The results of these activities are described in detail in the Committee's periodic reports to the Board of Directors. In general terms, the Supervisory Committee confirmed the stability of the general structure of the 231 Model, including in light of the legislative changes in 2016, and that the assurance/monitoring activities performed by the Internal Audit, the 231 Risk Assessment and the internal measures aimed at dissemination and training relating to 231 Model continue on an ongoing basis.
23. The Company, in particular, updated Brembo's Compliance Guidelines, Second Edition of November 2016, which summarise the main rules of conduct to be adopted within the Group to prevent crimes being committed. This constitutes a tool for:
    - their report pursuant to Article 19, paragraph 3, of Legislative Decree No. 39/2010 on 20 March 2017, in which they indicated that no fundamental issues or significant deficiencies in the internal control system with respect to the financial reporting process had emerged during their audit;
    - their report dated 20 March 2017 and issued pursuant to Article 14 of Legislative Decree No. 39/2010, containing a clean opinion, finding no significant deficiencies and without requests for additional information.
24. Legal compliance programmes have also continued at the Group's main Companies. These have enabled the state of progress of the various programmes and the respective training and dissemination initiatives to be verified.

25. The Supervisory Committee also constantly monitored the whistleblowing channel dedicated to the 231 Model, the Code of Ethics and the Anti-Bribery Code of Conduct and reviewed the reports submitted from time to time, none of which was found to be relevant for the intents and purposes of Legislative Decree No. 231/2001.
26. The Board of Statutory Auditors acknowledged the process started by the Company to prepare a Sustainability Report, based on the reporting guidelines issued by the Global Reporting Initiative (G4 version). This has entailed Brembo starting a materiality analysis process aimed at identifying the areas of major interest and having greatest risks-opportunities in terms of business development and value creation from a long-term sustainability perspective. The first sustainability report will be published in 2017.
27. The Board of Statutory Auditors met periodically with representatives of the Independent Auditors, EY S.p.A., and constantly received information concerning their work and audit plans, and the progress and results thereof. No relevant data and/or aspects deserving of mention were brought to light in connection with the matters in the purview of the Board of Statutory Auditors.
28. The Independent Auditors EY S.p.A. issued:
    - their report pursuant to Article 19, paragraph 3, of Legislative Decree No. 39/2010 on 20 March 2017, in which they indicated that no fundamental issues or significant deficiencies in the internal control system with respect to the financial reporting process had emerged during their audit;
    - their report dated 20 March 2017 and issued pursuant to Article 14 of Legislative Decree No. 39/2010, containing a clean opinion, finding no significant deficiencies and without requests for additional information.
29. The Board of Statutory Auditors also monitored the independence of the Independent Auditors pursuant to Article 19 of Legislative Decree No. 39/2010 and verified the nature and extent of the assignments received from Brembo S.p.A. and Group companies (based in Italy or abroad, both EU and non-EU) concerning services other than independent auditing, as described in the Notes to the Consolidated Financial Statements, pursuant to Article 149-*duodecies* of the Rules for Issuers on the disclosure of fees. A table summarising the tasks assigned to EY S.p.A. is set out below:

Audit services

(euro thousand)	31.12.2016	31.12.2015
Independent Auditors' fees for the provision of audit services:		
to the Parent Brembo S.p.A.	210	210
to the subsidiaries (services provided by the network)	415	343
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
to the Parent Brembo S.p.A.	8	36
Independent Auditors' fees for the provision of other services:		
to the Parent Brembo S.p.A.	3	0
to the subsidiaries (services provided by the network)	14	75
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
to the Parent Brembo S.p.A.	83	101
other services rendered to subsidiaries	91	38

The Board of Statutory Auditors has considered the non-audit services and related fees to be appropriate for the extent and complexity of the work carried out and hence compatible with the statutory audit function, there being no anomalies that impact the Independent Auditors' independence criteria.

30. During the year, the Board of Statutory Auditors also conducted inquiries and discussed with the Independent Auditors the changes to the law brought on by the adoption of Regulation (EU) No. 537/2014 and Legislative Decree No. 135 of 17 July 2016, which modified the legislative framework for statutory auditing, with particular regard to the quantitative limits on the consideration that may be paid to persons who perform auditing for services other than auditing and a more precise definition of the tasks of the Internal Control & Audit Committee which in the traditional model is identified with the Board of Statutory Auditors.
31. The Board of Statutory Auditors lastly acknowledged that no complaints pursuant to Article 2408 of the Italian Civil Code nor other similar reports were filed.

On the basis of the activity performed and information obtained, the Board of Statutory Auditors therefore believes that it may confirm that there have been no findings of omissions, censurable conduct, irregularities or other material facts that would need to be reported to the Oversight Authorities or mentioned in this Report. The Board of Statutory Auditors thus expresses a favourable opinion on the approval of Brembo's Financial Statements for the year ended 31 December 2016 and the proposed allocation of net income and distribution of dividend as formulated by the Board of Directors.

With this Shareholders' Meeting, the Board of Statutory Auditors expires having completed its three-year term. The Shareholders' Meeting is therefore called upon to appoint the new Supervisory Body for the three-year term 2017/2019.

Stezzano, 20 March 2017

BOARD OF STATUTORY AUDITORS
signed Raffaella Pagani *(Chairwoman)*
signed Milena Motta *(Acting Auditor)*
signed Sergio Pivato *(Acting Auditor)*

Production inside Brembo's newly constructed plant in Escobedo, Mexico, features highly-efficient integrated solutions.


Produccion real
Productividad
MANTENIMIENTO 1er NIVEL

Attestation of the Financial Statements of Brembo S.p.A. Pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, 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 financial statements for the period from 1 January to 31 December 2016:
    - are appropriate in relation to the company features; and
    - have been consistently applied.
2. The assessment of the appropriateness of the administrative and accounting procedures used in preparing the Financial Statements at 31 December 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 Financial Statements:

    a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;

    b) reflect the accounting books and records; and

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

    3.2 The Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

3 March 2017

Alberto Bombassei
Chairman

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

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Construction works for the new Escobedo foundry in Mexico.

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