# BRENBO
SIX MONTHLY
REPORT
**2014**

**BREMBO**
SIX MONTHLY
REPORT
**2014**

# CONTENTS

# COMPANY OFFICERS

The General Shareholders' Meeting of the Parent Company Brembo S.p.A. held on 29 April 2014 appointed the Board of Directors for the three-year period 2013-2016, 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).

At 30 June 2014, Company Officers included:

**BOARD OF DIRECTORS**

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

**BOARD OF STATUTORY AUDITORS (10)**

| | |
|---|---|
| Chairwoman | Raffaella Pagani (6) |
| Auditors | Sergio Pivato<br>Milena T. Motta |
| Alternate Auditors | Marco Salvatore<br>Myriam Amato (6) |

| | |
|---|---|
| **INDEPENDENT AUDITORS** | Reconta Ernst & Young S.p.A. (11) |
| **MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS** | Matteo Tiraboschi (12) |

## COMMITTEES

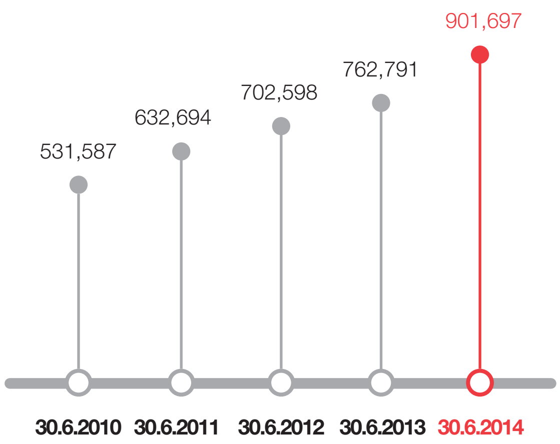
| | |
|---|---|
| Audit & Risk Committee [13] | Giovanni Cavallini *(Chairman)*<br>Giancarlo Dallera<br>Bianca Maria Martinelli [6] |
| Remuneration & Appointments Committee | Barbara Borra *(Chairwoman)*<br>Giovanni Cavallini<br>Umberto Nicodano |
| Supervisory Committee | Raffaella Pagani (*Chairwoman of the Board of Statutory Auditors)* [6]<br>Sergio Pivato *(Acting Auditor)*<br>Milena T. Motta *(Acting Auditor)*<br>Alessandra Ramorino [14]<br>Mario Bianchi [15]<br>Mario Tagliaferri [16] |

(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 (provisions of 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.
(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 the 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) 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).
(7) Non-executive Director.
(8) Executive Directors.
(9) This Director also holds the position of Lead Independent Director.
(10) This Board holds the role of Audit Committee and Accounting Audit pursuant to Article 19 of Legislative Decree No. 39/2010.
(11) The Shareholders' Meeting held on 23 April 2013 assigned the mandate for statutory auditing until approval of the 2021 Financial Statements.
(12) Appointed by the Board of Directors on 29 April 2014. He also holds the position of Investor Relator.
(13) This Committee also acts as the Related Party Transactions Committee.
(14) Internal Audit Director of the Brembo Group and Person in charge of Internal Control.
(15) Private practice lawyer - Studio Castaldi Mourre & Partners, Milan.
(16) Certified Public Accountant and Certified Auditor, Private practice, Studio Lexis – Dottori Commercialisti associati in Crema.

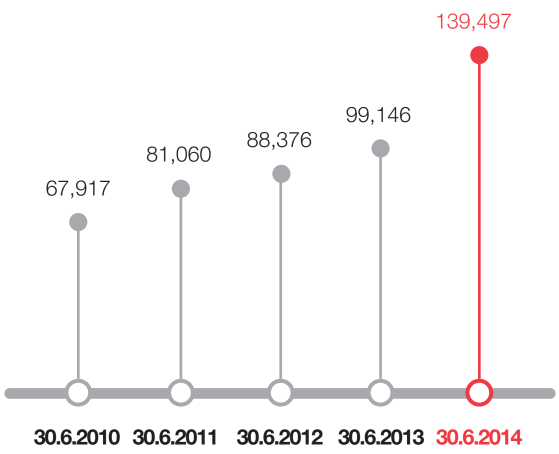
**Brembo S.p.A.** Registered offices: CURNO (Bergamo) – Via Brembo 25
Share capital: €34,727,914.00 – Bergamo Register of Companies:
Tax Code and VAT Code No. 00222620163

# BREMBO: SUMMARY OF GROUP RESULTS

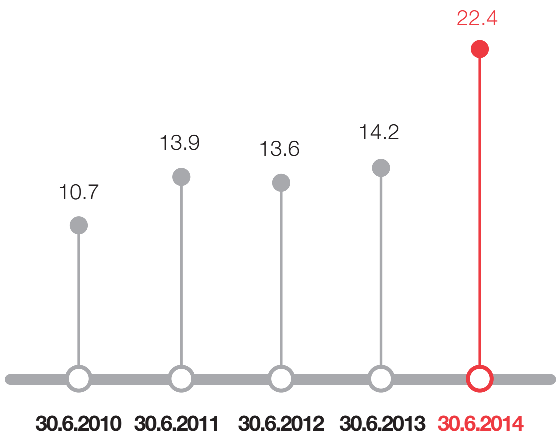
## SALES OF GOODS AND SERVICES
(euro thousand)



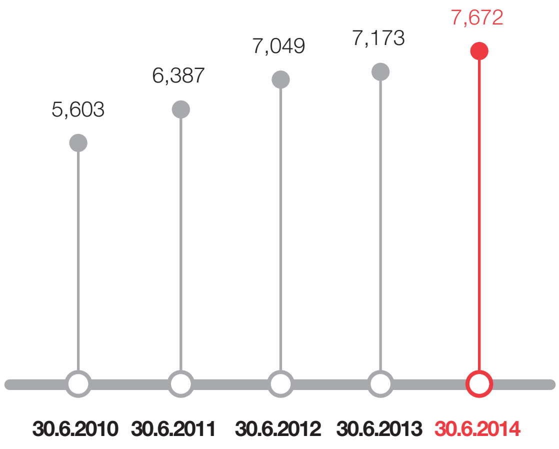

## GROSS OPERATING INCOME
(euro thousand)




## ROI
(Percentage)




## PERSONNEL AT PERIOD-END
(No.)



## Economic results

| (euro thousand) | 30.06.2010 | 30.06.2011 | 30.06.2012 | 30.06.2013 | 30.06.2014 | % 2014/2013 |
|---|---|---|---|---|---|---|
| Sales of goods and services | 531,587 | 632,694 | 702,598 | 762,791 | 901,697 | *18.2%* |
| Gross operating income | 67,917 | 81,060 | 88,376 | 99,146 | 139,497 | *40.7%* |
| *% on sales* | *12.8%* | *12.8%* | *12.6%* | *13.0%* | *15.5%* | |
| Net operating income | 31,843 | 42,880 | 49,274 | 55,448 | 90,874 | *63.9%* |
| *% on sales* | *6.0%* | *6.8%* | *7.0%* | *7.3%* | *10.1%* | |
| Result before taxes | 26,612 | 37,847 | 44,238 | 46,956 | 86,982 | *85.2%* |
| *% on sales* | *5.0%* | *6.0%* | *6.3%* | *6.2%* | *9.6%* | |
| Net result for the period | 18,650 | 24,735 | 35,572 | 43,236 | 64,004 | *48.0%* |
| *% on sales* | *3.5%* | *3.9%* | *5.1%* | *5.7%* | *7.1%* | |

## Financial results

| (euro thousand) | 30.06.2010 | 30.06.2011 | 30.06.2012 | 30.06.2013 | 30.06.2014 | % 2014/2013 |
|---|---|---|---|---|---|---|
| Net invested capital (1) | 601,915 | 624,034 | 731,142 | 789,881 | 816,837 | *3.4%* |
| Equity | 312,270 | 323,407 | 354,175 | 392,993 | 462,218 | *17.6%* |
| Net financial debt (1) | 268,782 | 280,919 | 351,459 | 369,234 | 325,358 | *-11.9%* |

## Personnel and investments

| (euro thousand) | 30.06.2010 | 30.06.2011 | 30.06.2012 | 30.06.2013 | 30.06.2014 | % 2014/2013 |
|---|---|---|---|---|---|---|
| Personnel at period-end (No.) | 5,603 | 6,387 | 7,049 | 7,173 | 7,672 | *7.0%* |
| Turnover per employee | 94.9 | 99.1 | 99.7 | 106.3 | 117.5 | *10.5%* |
| Investments | 33,837 | 77,249 | 68,969 | 72,429 | 61,068 | *-15.7%* |

## Main ratios

| | 30.06.2010 | 30.06.2011 | 30.06.2012 | 30.06.2013 | 30.06.2014 |
|---|---|---|---|---|---|
| Net operating income/Sales | *6.0%* | *6.8%* | *7.0%* | *7.3%* | *10.1%* |
| Income before taxes/Sales | *5.0%* | *6.0%* | *6.3%* | *6.2%* | *9.6%* |
| Investments/Sales | *6.4%* | *12.2%* | *9.8%* | *9.5%* | *6.8%* |
| Net financial debt/Equity | *86.1%* | *86.9%* | *99.2%* | *94.0%* | *70.4%* |
| Net interest expense(*)/Sales | *0.8%* | *0.7%* | *0.8%* | *0.9%* | *0.6%* |
| Net interest expense(*)/Net operating income | *12.9%* | *10.2%* | *11.5%* | *12.5%* | *6.4%* |
| ROI (2) | *10.7%* | *13.9%* | *13.6%* | *14.2%* | *22.4%* |
| ROE (3) | *11.9%* | *15.7%* | *20.2%* | *21.9%* | *27.9%* |

Note:
(1) A breakdown of these items is provided in the reclassified Statement of Financial Position on page 22.
(2) Net operating income / Net invested capital x annualisation factor (days in the year/days in the reporting period).
(3) Net income (loss) before minority interests / Equity x annualisation factor (days in the year/days in the reporting period).
(*) This item does not include exchange gains and losses.


DUCATI
DUCATI
DUCATI
riello ups
ZF

# DIRECTORS' REPORT ON OPERATIONS

# BREMBO AND THE MARKET

## Macroeconomic Context

The global economy experienced considerable turbulence in the first half of the year, due in part to varied factors that contributed to slowing growth: these included the U.S. unparalleled cold winter, financial turmoil and the conflict in Ukraine.

Despite these difficulties, the recovery in mature economies supported by the gradual strengthening of domestic demand and buoyed by emerging economies — though to a lesser extent than in the past — contributed to bettering the global economic scenario to some degree, by pointing to a near-term improvement. However, the main problems that continue to slow growth in Western advanced economies include unfavourable job market conditions and excessive debt levels.

According to the World Bank's Global Economic Prospects report, issued in June, global gross domestic product (GDP) is expected to increase by 2.8% in 2014. Although this is a faster rate of growth than in 2013, it is considerably lower than the 3.2% estimated at the beginning of the year. It is also too low, analysts believe, to ensure job creation and improve the conditions of the less affluent.

Within this overall picture, it is the Eurozone's economic scenario that analysts are watching with the utmost attention and concern. Among the main risks of a downward trend associated with this area are the fall in overseas demand from Asia and tensions in Eastern Europe. According to the World Bank's most recent June estimates, GDP in the Eurozone is expected to grow by 1.1% in 2014. This is one of the few figures that the World Bank did not revise downwards with respect to the estimates it had published at year-start.

Furthermore, in the Eurozone the recovery will take longer than previously predicted: according to the latest Eurostat data, in May industrial production decreased by 1.1% compared to April, far below economists' forecasts. The same type of performance was also seen at the level of the EU-28. All of the main Western European countries showed negative indices: Germany -1.4%, France -1.7%, Italy -1.2%, and Spain -0.9%. In contrast, in April both areas grew by 0.7%. Compared to the same period of 2013, growth was 0.5% in the Eurozone and 1.1% in EU-28, respectively. The uncertainty pervading the labour market is also weighing down recovery. The unemployment rate in the Eurozone reached 11.6% in May: stable compared to April, but down from 12.0% in May 2013. In the same area (the EU-18), the youth (under 25) unemployment rate also declined in May, falling to 23.3% from 23.9% in May 2013.

In its most recent June estimates, the World Bank revised sharply down to 2.1% the expected United States GDP growth for 2014 from 2.8% estimated at the beginning of the year. After the US economy recorded a +2.6% growth in the fourth quarter of 2013 — affirming itself as the only so-called mature economy able to actively contribute to international growth — according to data published by the U.S. Department of Commerce the first quarter of 2014 saw a 2.9% reduction compared to the previous quarter, due in part to the winter

storms. This was the first such contraction since 2011, following 14 consecutive quarters of GDP growth. However, the rate of increase (an average of 2%) was among the lowest levels recorded for a period of recovery following a crisis since the Second World War. Nonetheless, the recovery is expected to resume as early as the second quarter of 2014.
Following a 0.3% decline in April, industrial production rose by 0.5% in May and 0.2% in June. This latter figure, although positive, fell short of analysts' expectations.

In the case of Japan, the World Bank's most recent estimates have been revised slightly downwards to a GDP growth of 1.3% compared to the 1.4% estimated in January. Whereas in the fourth quarter of 2013 Japanese GDP performance fell well short of expectations, in the first quarter of 2014 growth even exceeded the indications provided when releasing preliminary data. In the first three months of this year, the Japanese economy grew at an annualised rate of 6.7%, compared to the previously indicated 5.9%, primarily due to the purchasing rush that occurred leading up to the increase of the consumption tax from 5% to 8% decided upon by the Japanese government effective 1 April. For the same reason, once the early purchasing wave has subsided, subsequent quarters could show a significant contraction.

In China, GDP in the first quarter of 2014 grew by 7.4% compared to the same period of 2013, down compared to the year-on-year +7.7% recorded in the first quarter of 2013. There was a mild recovery in the second quarter, resulting in a growth rate of 7.5%, slightly above analysts' expectations. According to its June estimates, the World Bank foresees that China will achieve GDP growth of 7.6% in 2014, 7.5% in 2015 and 7.4% in 2016. While positive, these figures should be compared with GDP increases of 7.7% in each of the past two years, 9.3% in 2011 and 10.5% in 2010. Although this slowdown has an impact in terms of global growth, it may not be bad news since currently the growth of the Chinese economy is neither homogeneous nor sustainable. In fact, only certain zones and cities, rather than the whole country, are driving growth. It is therefore important to understand the reason for this slowdown, as it seems to be linked mainly to the reforms introduced by the government which values the quality of the growth more than its quantity. The result at the level of GDP growth alone no longer appears to be regarded as a priority. It is other aspects that count, such as for example growth in jobs, as well as the income of the urban population and agricultural workers. In fact, the old growth model, based on exports and domestic investment, is inefficient and, above all, unsustainable in the long term. In June, industrial production rose by 9.2%, following improvements of 8.8% in May and 8.7% in April. In June, retail sales increased by 12.4% compared to 12.5% in the previous month. While the industrial production figure exceeded expectations, retail sales were in line with the experts' forecasts.

On the eve of the World Football Championships, the economic trend in Brazil was not one of the best, and the short-term outlook was not particularly positive. The World Bank estimates GDP growth of 1.5% in 2014, down sharply compared to both the 2013 figure (+2.2%) and estimates from the beginning of the year (+2.4%). In the first quarter of the year, growth was just 0.2% compared to the previous quarter and a mere 0.8% on an annual basis. The positive sign was due solely to increased government spending, whereas all other indicators were negative. The country has thus changed from being a country of the future able to overcome without major problems the 2008 world financial crisis to an economy on the verge of a recession. The main factors that have slowed down the country's growth rates include strong inflationary pressures, the recent reduction of domestic demand and, lastly, pressures on the labour market and transport sector. It is widely believed that only a real and solid recovery in the United States and Europe can reinvigorate Brazil's exports and the entire national economy. In the interim, it may only be hoped that the world soccer championships provided the half-point boost to the country's GDP anticipated by the government.

Turning to commodities trends, in the second quarter of the year the average price of oil increased compared to the first quarter. The arithmetic mean of the prices of the three West Texas Intermediate (WTI), Dubai and U.K. Brent qualities, increased to 106.6 dollars a barrel, up 2.6% on the previous quarter and slightly over 7% on the same period of the previous year.

# Currency Markets

In the first half of 2014, following initial appreciation to 1.3495 (6 February), the dollar lost value, after which it recovered in March and April, to then depreciate once more to a low of 1.3953 (8 May). It then appreciated once again, bringing the exchange rate to close below the average for the half-year (1.370471), despite a turnaround at the end of the period.

Regarding the currencies of the main markets in which Brembo operates on a industrial and commercial level, the pound sterling, following an initial appreciation, depreciated to 0.8383 (18 March), and then recovered reaching 0.7974 (16 June). Despite slight depreciation at the end of the period, the currency closed below the half-yearly average exchange rate (0.821362).

The Polish zloty began the half-year by depreciating to 4.2488 (31 January), after which it appreciated in February and fluctuated until May, when it recovered its value, reaching a high of 4.0997 (9 June). The Polish currency began to depreciate near the end of the half-year, nonetheless closing below the average exchange rate for the period (4.175528).

The Czech koruna initially depreciated against the euro down to 27.594 (30 January), then gradually appreciated to 27.325 (26 February), to lastly stabilise in the last quarter at values fluctuating, but in line with the quarterly average (27.443577).

The Swedish krona depreciated overall during the half-year. Its initial appreciation to 8.7661 (23 January) was followed by nearly constant depreciation, bringing it to a low of 9.1962 (27 June) and leading it to close at above the half-yearly average exchange-rate of 8.954455.

In the East, the Japanese yen opened the half-year at a low of 143.82 (2 January), after which it constantly regained value against the euro until the first half of February, when it reached a high of 136.78 (5 February). It then depreciated once more until early May, when it made a partial recovery, leading it to close below the average exchange-rate for the period of 140.395605.

The Chinese yuan/renminbi showed an appreciating trend at the start of the period to 8.177 (6 February), followed by a constant depreciation of the currency against the euro down to a maximum of 8.6891 (8 May), to then appreciate at the end of the period, closing at a value of 8.451694, in line with the half-year average.

The Indian rupee, which in the first two months fluctuated above the average of the period with a maximum depreciation peak at 86.184 (27 January), then appreciated conspicuously in the second half of March, reaching 79.7472 (23 May) and closing below the average of the period (83.293002).

In the Americas, the Brazilian real showed a lateral movement for the first two and a half months, reaching the maximum depreciation of 3.3189 (13 February). In the second half of March, the currency began to regain value considerably, bringing it to the high for the period of 2.9905 (27 June), and leading it to close well below the average annual exchange rate of 3.149482.

The Mexican peso began the period with a trend towards gradual depreciation that culminated on 24 January (18.4583). The currency then underwent lateral movement until April, which was only interrupted by significant appreciation in the second half of March. In May, the currency recovered its value against the euro, reaching a high of 17.4833 on 30 May and closing below the average exchange rate for the half-year (17.976568).

Finally, the Argentinean peso showed a trend towards overall depreciation against the euro that culminated on 8 May at 11.165318, after which it fluctuated constantly above the half-yearly average exchange rate (10.740727).

# 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 16 countries on 3 continents, through its production and business sites, and employs over 7,000 people worldwide. Manufacturing plants are located in Italy, Poland (Czestochowa and Dabrowa Górnicza), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), the Slovak Republic (Zilina), Germany (Meitingen), Mexico (Apodaca), Brazil (Betim and Santo Antônio de Posse), Argentina (Buenos Aires), China (Nanjing), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), France (Levallois Perret), Germany (Leinfelden-Echterdingen), China (Beijing and Qingdao) and Japan (Tokyo) carry out distribution and sales activities.

Brembo's reference market is represented by the most important manufacturers of cars, motorbikes, commercial vehicles and racing cars and motorbikes.

Constant focus on innovation, as well as technological and process development, factors that have always been fundamental to Brembo's philosophy, have earned the Group a strong international leadership position in the research, design and production of high-performance braking systems for a wide range of road and racing vehicles. Brembo operates in both the original equipment market and the aftermarket. Brembo's range of products for car and commercial vehicle application includes brake discs, brake calipers, the side-wheel module and, increasingly often, the complete braking system, including integrated engineering services. All of these back the development of new models produced by vehicle manufacturers. Manufacturers of motorbikes are also offered brake discs, brake calipers, brake master cylinders, light-alloy wheels and complete braking systems. In the 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. The Group also specialises in the design and manufacture of clutch systems for racing vehicles and the passive safety segment (seats, seat belts and accessories).

In the first half of 2014, Brembo's consolidated net sales amounted to €901,697 thousand, up by 18.2% compared to the same period of 2013 (€762,791 thousand).

Information on the performance of the individual applications and their related markets is provided under the following headings.

## Cars

During the first half of 2014, the global light vehicles market showed a 4.4% increase in sales, due primarily to the Chinese and American markets and the recovery in Western European countries. The latter (EU-15+EFTA) closed the first six months of 2014 with car registrations up 5.8% compared to the same period of 2013. All five of the top markets reported increases in car sales: Spain +16.3%, the United Kingdom +11.6%, Germany +3.4%, Italy +3.2%, France +3.0%. The trend was also positive in Eastern Europe (EU-13), with an increase in car registrations of 17.9%.

In Russia, light vehicle registrations closed the first half of 2014 down 5.6% compared to the same period of the previous year.

In the United States, following a sluggish start to the year due to unfavourable meteorological conditions, light vehicle sales resumed, closing the half-year up by 4.9% compared to the same period of 2013. The trend was negative on the Brazilian and Argentinean markets, which closed with an overall decrease in sales of 9.2%.

With reference to Asian markets, China witnessed a very positive trend, with a +10.3% increase in sales of light vehicles compared to the first half of 2013, once again confirming its position as the world's top market. The increase on the Chinese market was also driven by concerns of possible future restrictions of vehicle sales in cities with the aim of reducing pollution. Also the Japanese market reported a positive performance, closing the first six months of the year with an increase of 13.5%.

Within this scenario, Brembo reported €632,083 thousand in net sales of car applications in the first half of 2014, accounting for 70.1% of the Group's turnover, up by 22.2% compared to €517,268 thousand for the same period of 2013.

## Motorbikes

In Europe, motorbike registrations showed a 7.4% growth in the first half of 2014 compared to the same period of 2013. Sales increased in all main reference markets and particularly in the United Kingdom (14.3%), Spain (18.9%), Germany (8.5%), Italy (4.3%) and France (2.1%). The increase in registrations extended to all displacements, with the exception of 125 to 250cc (-3.6%) and 500 to 650cc (-21.7%). From the standpoint of segments, naked motorbikes showed an increase of 22% during the half-year, whereas superbikes continued on the downtrend seen in previous years, with a decrease of 20.4% in the first half of 2014 compared to the same period of the previous year.

If all displacements above 50cc are considered collectively, the Japanese market recorded significant growth, closing the half-year up

21.3%. The greatest increase was seen in displacements above 250cc (+54%), followed by those between 125 and 250cc (+32%), whereas the increase for displacements between 50 and 125cc was just 3.7%.

The Indian market showed a significant rise in scooter registrations (+32%) and more modest growth for motorbikes (+9%). Overall (motorbikes plus scooters), the market grew 13% in the first half of 2014 compared to the same period of the previous year.

In the first six months of the year, the Brazilian market showed a 1.5% decline in registrations.

Brembo's net sales of motorbike applications in the first half of 2014 amounted to €95,131 thousand, increasing 16.8% compared to €81,463 thousand for the same period of 2013.

## Commercial and Industrial Vehicles

In the first six months of 2014, the global European commercial vehicles market (EU28+EFTA), Brembo's reference market, showed a 8.6% increase in registrations compared to the same period of 2013.

Total sales of light commercial vehicles (up to 3.5 tonnes) increased overall by 9.7%. All the top five European markets by sales volumes grew compared to the first half of 2013: +0.4% in France, +7.7% in Germany, +13.3% in the United Kingdom, and an impressive +44.7% in Spain. In Italy, the increase of registrations exceeded 16 pps. In the first half of 2014, Eastern Europe (EU-13) alone showed an increase of 15.4% compared to the same period of 2013.

The market for commercial vehicles above 3.5 tonnes also grew in Europe in the first six months of 2014, although performances were uneven, closing the half-year up 3.3% compared to the same period of 2013. In the German market, registrations increased by 11%, while sales declined by 6.8% in France, and 27.6% in Great Britain. The Italian market, although still outside the top five in terms of sales volumes, increased by approximately 6%. In the Eastern European countries, sales of heavy and medium-sized commercial vehicles grew sharply, closing the first half of 2014 at +16.5% compared to the same period of the previous year.

In the first half of 2014, Brembo's net sales of applications in this segment amounted to €99,239 thousand, increasing by 5% compared to €94,526 thousand for the same period of 2013.

## Racing

In the racing sector, where Brembo has maintained undisputed supremacy for years, the Group operates through four 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 race motorbikes), and Sabelt (seats and seat belts).

In the first half of 2014, Brembo reported a 8.9% increase in net sales, which amounted to €72,154 thousand compared to €66,282 thousand in the same period of 2013.

# SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

## Net sales breakdown by geographical area and application

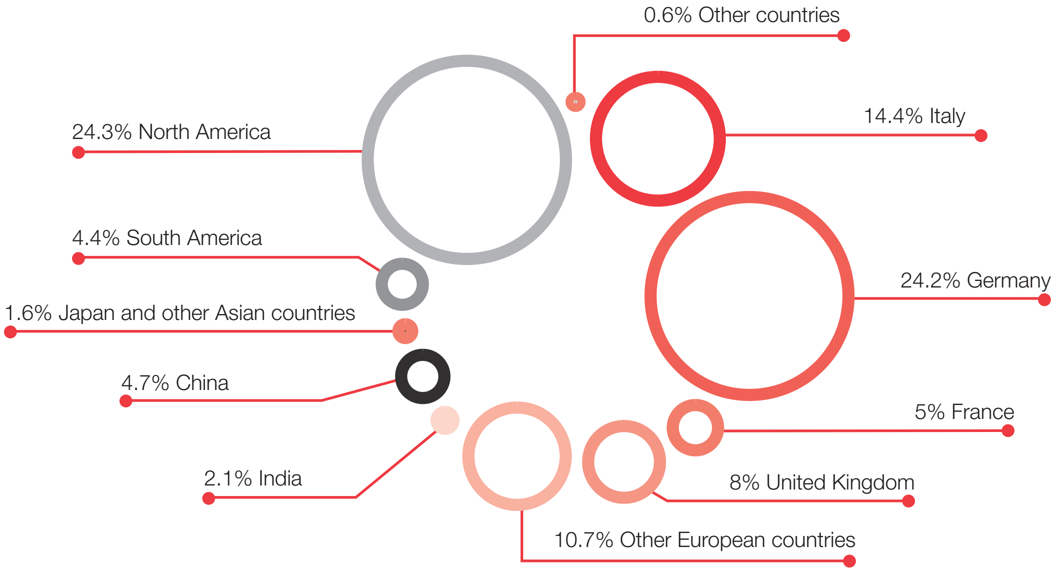
### GEOGRAPHICAL AREA

| (euro thousand) | 30.06.2014 | % | 30.06.2013 | % | Change | % |
|---|---|---|---|---|---|---|
| Italy | 129,975 | *14.4%* | 110,962 | *14.5%* | 19,013 | *17,1%* |
| Germany | 218,029 | *24.2%* | 182,609 | *23.9%* | 35,420 | *19,4%* |
| France | 44,718 | *5.0%* | 35,408 | *4.6%* | 9,310 | *26,3%* |
| United Kingdom | 72,530 | *8.0%* | 55,289 | *7.2%* | 17,241 | *31,2%* |
| Other European countries | 96,134 | *10.7%* | 89,868 | *11.8%* | 6,266 | *7,0%* |
| India | 19,191 | *2.1%* | 17,583 | *2.3%* | 1,608 | *9,1%* |
| China | 42,098 | *4.7%* | 36,910 | *4.8%* | 5,188 | *14,1%* |
| Japan | 10,195 | *1.1%* | 9,523 | *1.2%* | 672 | *7,1%* |
| Other Asian countries | 4,519 | *0.5%* | 4,160 | *0.5%* | 359 | *8,6%* |
| South America (Argentina and Brazil) | 39,404 | *4.4%* | 46,912 | *6.2%* | (7,508) | *-16,0%* |
| North America (USA, Canada and Mexico) | 219,243 | *24.3%* | 169,175 | *22.2%* | 50,068 | *29,6%* |
| Other countries | 5,661 | *0.6%* | 4,392 | *0.8%* | 1,269 | *28,9%* |
| **Total** | **901,697** | ***100.0%*** | **762,791** | ***100.0%*** | **138,906** | ***18,2%*** |

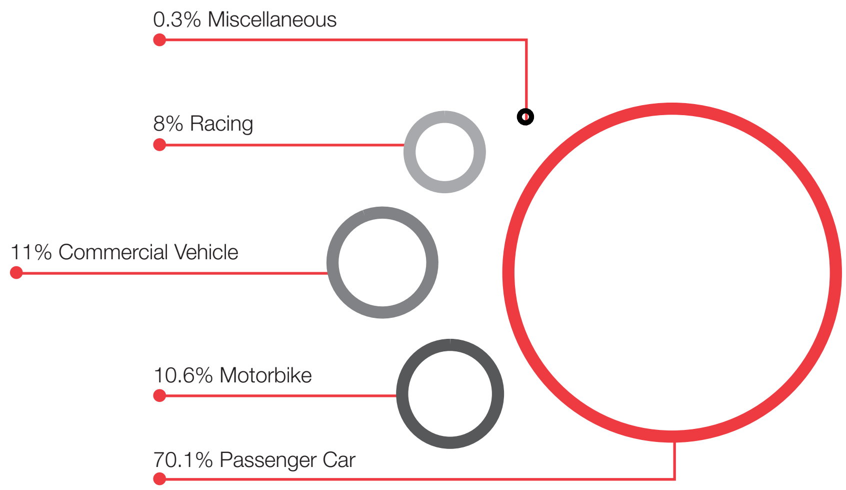
### APPLICATION

| (euro thousand) | 30.06.2014 | % | 30.06.2013 | % | Change | % |
|---|---|---|---|---|---|---|
| Passenger car | 632,083 | *70.1%* | 517,268 | *67.8%* | 114,815 | *22.2%* |
| Motorbike | 95,131 | *10.6%* | 81,463 | *10.7%* | 13,668 | *16.8%* |
| Commercial vehicle | 99,239 | *11.0%* | 94,526 | *12.4%* | 4,713 | *5.0%* |
| Racing | 72,154 | *8.0%* | 66,282 | *8.7%* | 5,872 | *8.9%* |
| Miscellaneous | 3,090 | *0.3%* | 3,252 | *0.4%* | (162) | *-5.0%* |
| **Total** | **901,697** | ***100.0%*** | **762,791** | ***100.0%*** | **138,906** | ***18.2%*** |

## NET SALES BREAKDOWN BY GEOGRAPHICAL AREA
(percentage)




## NET SALES BREAKDOWN BY APPLICATION
(percentage)



# BREMBO'S CONSOLIDATED RESULTS

## Statement of Income

| (euro thousand) | 30.06.2014 | 30.06.2013 | Change | % |
|---|---|---|---|---|
| **Sales of goods and services** | **901,697** | **762,791** | **138,906** | ***18.2%*** |
| Cost of sales, operating costs and other net charges/income* | (596,189) | (512,939) | (83,250) | *16.2%* |
| Personnel expenses | (166,011) | (150,706) | (15,305) | *10.2%* |
| **GROSS OPERATING INCOME** | **139,497** | **99,146** | **40,351** | ***40.7%*** |
| *% on sales of goods and services* | *15.5%* | *13.0%* | | |
| Depreciation, amortisation and impairment losses | (48,623) | (43,698) | (4,925) | *11.3%* |
| **NET OPERATING INCOME** | **90,874** | **55,448** | **35,426** | ***63.9%*** |
| *% on sales of goods and services* | *10.1%* | *7.3%* | | |
| Net interest income (expense) from investments | (3,892) | (8,492) | 4,600 | *-54.2%* |
| **RESULT BEFORE TAXES** | **86,982** | **46,956** | **40,026** | ***85.2%*** |
| *% on sales of goods and services* | *9.6%* | *6.2%* | | |
| Taxes | (23,087) | (4,207) | (18,880) | *448.8%* |
| **RESULT BEFORE MINORITY INTERESTS** | **63,895** | **42,749** | **21,146** | ***49.5%*** |
| *% on sales of goods and services* | *7.1%* | *5.6%* | | |
| Minority interests | 109 | 487 | (378) | *-77.6%* |
| **NET RESULT** | **64,004** | **43,236** | **20,768** | ***48.0%*** |
| *% on sales of goods and services* | *7.1%* | *5.7%* | | |
| **Basic and diluted earnings per share** (euro) | **0.98** | **0.66** | | |

*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".

The upward trend in sales performance for the first half of 2014 again confirmed the Group's expectations. Net sales at 30 June 2014 amounted to €901,697 thousand, up by 18.2% compared to the same period of 2013.

All applications contributed to revenue growth. The greatest contribution was provided by the car applications sector, which closed the half-year with an increase of 22.2% compared to the same period of 2013, but there were also significant increases in motorbike applications (+16.8%) and the racing sector (+8.9%), whereas the increase in the commercial vehicles sector was more modest, up 5.0% compared to the first half of 2013.

At geographical level, almost all the areas in which the Group operates reported growth. In Europe, Germany, which is Brembo's top market accounting for 24.2% of sales, recorded an increase of 19.4% compared to the first half of 2013. There were also strong performances in Italy (+17.1%), the United Kingdom (+31.2%) and France (+26.3%). North America, which is one of Brembo's top markets with 24.3% of sales, grew by 29.6%, whereas South America showed a 16.0% decrease. In the Far East, China and Japan showed a good performance (+14.1% and +7.1%, respectively). The Indian market also posted a good performance with a 9.1% growth.

During the first six months of 2014, the cost of sales and other net operating costs amounted to €596,189 thousand, with a ratio of 66.1% to sales, in line with 67.2% for the same period of the previous year. Within this item, development costs capitalised as intangible assets amounted to €5,682 thousand, compared to €5,527 thousand for the first half of 2013.

Personnel expenses amounted to €166,011 thousand, with a ratio to sales of 18.4%, decreasing compared to 19.8% for the first half of the previous year. At 30 June 2014, workforce numbered 7,672 (7,241 at 31 December 2013 and 7,173 at 30 June 2013). The increase of 431 resources compared to the end of the previous year referred primarily to newly hired personnel in the Czech Republic, North America and Poland in order to sustain the heightened level of production activities relating to the increase in turnover.

Gross operating income for the first half of the year was €139,497 thousand compared to €99,146 thousand in the same period of 2013, with a 15.5% ratio to sales.

Net operating income amounted to €90,874 thousand (10.1% of sales), compared to €55,448 thousand (7.3% of sales) in the first half of 2013, after depreciation, amortisation and impairment losses of €48,623 thousand, compared to €43,698 thousand in the same period of 2013.

Net interest expense amounted to €6,488 thousand (€7,752 thousand in the first half 2013) and consisted of net exchange rate losses of €673 thousand (gains of €823 thousand in the first half of 2013) and interest expense of €5,815 thousand (€6,929 thousand for the first half of 2013). Net income from investments, which amounted to €2,596 thousand (€740 thousand in the first half of 2013), was attributable to the effects of valuing investments in associate companies using the equity method.

Result before taxes was €86,982 thousand, compared to €46,956 thousand in the first half of 2013.
Estimated taxation, calculated according to the tax rates provided for the year in current legislation, amounted to €23,087 thousand, yielding a tax rate of 26.5%, compared to 9% in the first half of the previous year.

Group net result was €64,004 thousand in the reporting period, up 48% compared to €43,236 thousand for the first half of 2013.

## Reclassified Statement of Financial Position

| (euro thousand) | 30.06.2014 | 31.12.2013 | Change |
|---|---|---|---|
| Property, plant and equipment | 516,389 | 503,142 | 13,247 |
| Intangible assets | 100,321 | 100,397 | (76) |
| Net financial assets | 24,759 | 22,142 | 2,617 |
| Other receivables and non-current liabilities | 46,205 | 49,014 | (2,809) |
| *(a) Fixed capital* | *687,674* | *674,695* | *12,979* |
| | | | *1.9%* |
| Inventories | 235,430 | 208,963 | 26,467 |
| Trade receivables | 303,740 | 251,525 | 52,215 |
| Other receivables and current assets | 41,636 | 42,854 | (1,218) |
| Current liabilities | (433,736) | (382,568) | (51,168) |
| Provisions / deferred taxes | (17,907) | (18,734) | 827 |
| *(b) Net working capital* | *129,163* | *102,040* | *27,123* |
| | | | *26.6%* |
| **(c) NET INVESTED CAPITAL (a)+(b)** | **816,837** | **776,735** | **40,102** |
| | | | ***5.2%*** |
| *(d) Equity* | *462,218* | *429,207* | *33,011* |
| *(e) Employees' leaving entitlement and other personnel provisions* | *29,261* | *27,039* | *2,222* |
| Medium/long-term financial debt | 305,411 | 259,212 | 46,199 |
| Short-term net financial debt | 19,947 | 61,277 | (41,330) |
| *(f) Net financial debt* | *325,358* | *320,489* | *4,869* |
| | | | *1.5%* |
| **(g) COVERAGE (d)+(e)+(f)** | **816,837** | **776,735** | **40,102** |
| | | | ***5.2%*** |

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

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

Net invested capital at the end of the period amounted to €816,837 thousand, with an increase of €40,102 thousand compared to €776,735 thousand at 31 December 2013. Net financial debt at 30 June 2014 was €325,358 thousand compared to €320,489 thousand at 31 December 2013.

Net financial debt increased by €4,869 thousand during the reporting period, mainly due to the following factors:

- the gross operating income of €139,497 thousand had a positive effect, with an overall €37,336 thousand decrease in working capital;
- net investments in property, plant and equipment and intangible assets totalled €60,441 thousand;
- the Parent Company paid the approved dividends in May, in the amount of €32,519 thousand;
- taxes paid amounted to €14,998 thousand.

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

## Reclassified Statement of Cash Flows

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| **Net financial position at beginning of period (*)** | **(320,489)** | **(320,694)** |
| **Net operating income** | **90,874** | **55,448** |
| Depreciation, amortisation and impairment losses | 48,623 | 43,698 |
| **Gross operating income** | **139,497** | **99,146** |
| Investments in property, plant and equipment | (52,038) | (63,017) |
| Investments in intangible assets | (9,030) | (9,412) |
| Disposals | 627 | 424 |
| **Net investments** | **(60,441)** | **(72,005)** |
| Change in inventories | (32,226) | (16,554) |
| Change in trade receivables | (52,591) | (59,367) |
| Change in trade payables | 36,946 | 45,821 |
| Change in other liabilities | 7,156 | (1,112) |
| Change in receivables from others and other assets | 1,214 | (3,366) |
| Translation reserve not allocated to specific items | 2,165 | (3,020) |
| **Change in working capital** | **(37,336)** | **(37,598)** |
| Change in provisions for employee benefits and other provisions | 6,533 | 3,529 |
| **Operating cash flows** | **48,253** | **(6,928)** |
| Interest income and expense | (5,981) | (7,265) |
| Current taxes paid | (14,998) | (8,332) |
| Capital increase of consolidated companies by minority shareholders | 376 | 0 |
| Dividends paid | (32,519) | (26,015) |
| **Net cash flows** | **(4,869)** | **(48,540)** |
| **Net financial position at end of period (*)** | **(325,358)** | **(369,234)** |

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

# BREMBO 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 SPOLKA ZO.O.** Czestochowa, Poland
- 100% **LA.CAM (LAVORAZIONI CAMUNE) S.R.L.** Stezzano - Italy
- 68% **CORPORACION UPWARDS 98 S.A.** Zaragoza - Spain
- 65% **SABELT S.P.A.** Turin, Italy
  - 100% **BELT & BUCKLE S.R.O.** Zilina, Slovak Republic
- 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.** Almenno San Bartolomeo, Italy
- 20% **PETROCERAMICS S.P.A.** Milan, Italy
- 10% **INTERNATIONAL SPORT AUTOMOBILE S.A.R.L.** Levallois Perret - France
- 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 CHINA BRAKE SYSTEMS CO. LTD.** Beijing - China
- 100% **BREMBO NANJING BRAKE SYSTEMS CO. LTD.** Nanjing - China
- 99.99% **BREMBO BRAKE INDIA PVT. LTD.** Pune - India
- 1.20% **FUJI CO.** Tokyo, Japan
- 100% **BREMBO NORTH AMERICA INC.** Wilmington, Delaware - USA
  - 51% **BREMBO MEXICO S.A. DE C.V.**
- 49% **BREMBO MEXICO S.A. DE C.V.** Apodaca - Mexico
- 99.99% **BREMBO DO BRASIL LTDA.** Betim, Brazil
  - 2.24% **BREMBO ARGENTINA S.A.**
- 97.76% **BREMBO ARGENTINA S.A.** Buenos Aires - Argentina

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

# PERFORMANCE OF BREMBO COMPANIES

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

### BREMBO S.P.A.
CURNO (ITALY)

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

Brembo closed the first half of 2014 with sales of goods and services of €368,529 thousand compared to €327,208 thousand in the first half of 2013. The item "Other revenues and income" amounted to €13,444 thousand in 2014 compared €13,620 thousand in 2013, whereas capitalised development costs in the period amounted to €5,084 thousand, decreasing compared to the first half of the previous year.

Gross operating income amounted to €49,798 thousand (13.5% of sales) compared to €35,615 thousand (10.9% of sales) in the first half of 2013. Net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €19,347 thousand, closed at €30,451 thousand compared to €16,289 thousand for the first half of the previous year.

Net interest expense from financing activities were €3,247 thousand compared to €3,538 thousand in the first half of 2013. In addition, provisions for current taxes and deferred tax assets and liabilities amounted to €10,571 thousand.

During the reporting period, net income amounted to €41,938 thousand, compared to €7,423 thousand for the first half of 2013.

At 30 June 2014, the workforce numbered 2,969, increasing by 34 compared to 2,935 at the end of the first half of 2013.

## Companies Consolidated on a Line-by-Line Basis

### AP RACING LTD.
COVENTRY (UNITED KINGDOM)

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

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

The company designs, assembles and sells cutting-edge, high-tech products throughout the world for the main F1, GT, Touring and Rally teams. It also produces and sells original equipment brakes and clutches for prestige car manufacturers.

Net sales in the first half of 2014 amounted to GBP 19,606 thousand (€23,870 thousand), compared to GBP 18,812 thousand (€22,101 thousand) in the first half of 2013. In the reporting period, net income amounted to GBP 2,720 thousand (€3,312 thousand) compared to GBP 2,514 thousand (€2,953 thousand) for the same period of 2013.

At 30 June 2014, the workforce numbered 130, one less than at the end of June 2013.

## BELT & BUCKLE S.R.O.

ZILINA (SLOVAK REPUBLIC)

**Activities: processing of seatbelts for children's seats and jumpsuits for the racing industry.**

Fully owned by Sabelt S.p.A., this company engages in the sewing of seatbelts for children and jumpsuits for the racing industry.

At 30 June 2014, net sales amounted to €3,134 thousand, compared to €3,504 thousand in the same period of 2013, with net income for the period amounting to €1 thousand compared to €125 thousand for the first half of 2013.

The workforce numbered 85 at 30 June 2014, 15 less compared to 100 at 30 June 2013.

## BREMBO ARGENTINA S.A.

BUENOS AIRES (ARGENTINA)

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

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

Net sales for the period amounted to ARS 98,145 thousand (€9,138 thousand), with a net loss of ARS 8,750 thousand (€815 thousand); in the first half of 2013, net sales amounted to ARS 79,450 thousand (€11,801 thousand) and net loss was ARS 3,880 thousand (€576 thousand).

The workforce numbered 122 at 30 June 2014, four less than at 30 June 2013.

## BREMBO BRAKE INDIA PVT. LTD.

PUNE (INDIA)

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

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

In the first half of 2014, net sales amounted to INR 1,735,022 thousand (€20,830 thousand), with a net income of INR 150,720 thousand (€1,810 thousand). Net sales for the same period of 2013 were INR 1,371,437 thousand (€18,967 thousand), with a net income of INR 107,678 thousand (€1,489 thousand).

The workforce numbered 219 at 30 June 2014, compared to 210 at the end of the first half of 2013.

## BREMBO CHINA BRAKE SYSTEMS CO. LTD.

BEIJING (CHINA)

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

The company, fully owned by Brembo S.p.A., sold to the Parent Company its 31.12% stake in Brembo Nanjing Brake Systems Co. Ltd. in 2014. Following a reorganisation of the Group's activities in China, the company only deals with promotion and development initiatives on the Chinese market.

At 30 June 2014, the company did not record any net sales. Net income at 30 June 2014 was CNY 27,951 thousand (€3,307 thousand) and referred to gains on the transfer of the stake in BNBS Co. Ltd. to Brembo S.p.A. In the same period of 2013, net loss amounted to CNY 475 thousand (€58 thousand).

At 30 June 2014, the company had no employees.

## BREMBO CZECH S.R.O.

OSTRAVA-HRABOVÁ (CZECH REPUBLIC)

**Activities: production and sale of braking systems for cars.**

The company was formed in 2009 and started its production activity in 2011. It carries out the casting, processing and assembly of brake calipers and other aluminium components.

In the first half of 2014, net sales amounted to CZK 2,468,401 thousand (€89,945 thousand) compared to CZK 1,387,367 thousand (€53,989 thousand) in the first half of 2013. The company closed the period with a net income of CZK 77,430 thousand (€2,821 thousand) compared to a net loss of CZK 113,808 thousand (€4,429 thousand) in the first half of 2013.

The workforce numbered 586 at 30 June 2014, 56 more than at the end of 2013.

## BREMBO DEUTSCHLAND GMBH

LEINFELDEN – ECHTERDINGEN (GERMANY)

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

The company, which is 100% owned by Brembo S.p.A., was formed in 2007. It specialises in buying cars for tests and encouraging and simplifying communication between Brembo and its German customers in the various phases of planning, purchase, development and project management.

At 30 June 2014, net sales amounted to €99 thousand (110 thousand for the first half of 2013), with a net income of €15 thousand (net loss of €10 thousand in the first half of 2013).

The company has no employees and uses outside consultants only.

## BREMBO DO BRASIL LTDA.

BETIM (BRAZIL)

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

The company is headquartered in Betim, Minas Gerais, and promotes the presence of Brembo in the South American original-equipment market for car braking systems. The company produces also flywheels for the car industry in the Santo Antônio de Posse plant.

Net sales for the first half of 2014 amounted to BRL 91,876 thousand (€29,172 thousand) and net loss was BRL 10,260 thousand (€3,258 thousand). In the same period of 2013, net sales amounted to BRL 90,626 thousand (€33,958 thousand), with a net loss of BRL 3,414 thousand (€1,279 thousand).

The workforce numbered 472 at 30 June 2014, compared to 429 at the same date of the previous year.

## BREMBO JAPAN CO. LTD.

TOKYO (JAPAN)

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

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

Net sales for the first half of 2014 amounted to JPY 307,206 thousand (€2,188 thousand), up compared to JPY 282,695 thousand (€2,253 thousand) for the same period of 2013. Net income for the reporting period was JPY 30,247 thousand (€215 thousand), compared to JPY 21,599 thousand (€172 thousand) for the first half of 2013.

The workforce numbered 18 at 30 June 2014, increasing compared to 16 in the first half of 2013.

## BREMBO MÉXICO S.A. DE C.V.

APODACA (MEXICO)

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

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 and 49% owned by Brembo S.p.A.

In the first half of 2014, net sales amounted to USD 50,034 thousand (€36,509 thousand), with net income for the period of USD 4,241 thousand (€3,095 thousand). In the first half of 2013, net sales amounted to USD 39,074 thousand (€29,749 thousand), with a net income for the period of USD 1,085 thousand (€826 thousand).

The workforce numbered 246 at 30 June 2014, decreasing compared to 260 at the same date of the previous year.

## BREMBO NANJING BRAKE SYSTEMS CO. LTD.

NANJING (CHINA)

**Activities: production and sale of 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. The Brembo Group acquired control over the company in 2008. In 2013, the Brembo Group acquired full control from the Chinese partner Donghua Automotive Industrial Co. Ltd.

At 30 June 2014, net sales amounted to CNY 299,612 thousand (€35,450 thousand) and net loss was CNY 16,503 thousand (€1,953 thousand); in the first half of 2013, net sales amounted to CNY 252,091 thousand (€31,010 thousand) and net loss was CNY 9,344 thousand (€1,149 thousand).

The workforce numbered 218 at 30 June 2014, 44 more than at the end of the first half of 2013.

## BREMBO NANJING FOUNDRY CO. LTD.

NANJING (CHINA)

**Activities: development, 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 Automotive Industrial Co. Ltd., belonging to the SAIC group, the leading Chinese car and commercial vehicle manufacturer. The aim was to create 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 171,783 thousand (€20,325 thousand) at 30 June 2014, with a net income of CNY 14,469 thousand (€1,712 thousand), compared to net sales of CNY 147,493 thousand (€18,143 thousand) and a net loss of CNY 954 thousand (€117 thousand) for the first half of 2013.

The workforce numbered 174 at 30 June 2014, 19 more than at the end of June 2013.

## BREMBO NORTH AMERICA INC.

WILMINGTON, DELAWARE (USA)

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

Brembo North America Inc. is based in Homer, Michigan. It produces and sells OEM and aftermarket brake discs, as well as high-performance car braking systems. In 2010 a

Research and Development Centre was opened at the facility in Plymouth (Michigan) to develop and market new solutions in terms of materials and designs for the U.S. market, backed by Brembo S.p.A. and local technical staff.

Net sales for the first half of 2014 amounted to USD 206,944 thousand (€151,002 thousand); in the same period of the previous year, net sales amounted to USD 128,116 thousand (€97,541 thousand). Net income was USD 7,983 thousand at 30 June 2014 (€5,825 thousand), compared to net income of USD 6,922 thousand (€5,270 thousand) in the first half of 2013.

The workforce numbered 500 at period-end, 117 more compared to the end of the first half of 2013.

## BREMBO POLAND SPOLKA ZO.O.

DABROWA GÓRNICZA (POLAND)

**Activities: production and sale of brake discs for cars and commercial vehicles.**

The company has a foundry for the production of cast-iron discs destined for use in its own production plant or by other Group companies.

In the first half of 2014, net sales amounted to PLN 445,191 thousand (€106,619 thousand), compared to PLN 401,198 thousand (€96,025 thousand) for the first half of 2013. At 30 June 2014, net income was PLN 102,296 thousand (€24,499 thousand), compared to PLN 125,621 thousand (€30,067 thousand) for the same period of the previous year.

The workforce numbered 1,115 at the end of the period, increasing compared to 987 at the end of the first half of 2013.

## BREMBO SCANDINAVIA A.B.

GÖTEBORG (SWEDEN)

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

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

Net sales for the period amounted to SEK 4,053 thousand (€453 thousand), with a net income of SEK 1,003 thousand (€112 thousand), compared to net sales of SEK 4,154 thousand (€487 thousand) and net income of SEK 1,513 thousand (€177 thousand) for the first half of 2013.

The workforce numbered 1 at 30 June 2014, unchanged compared to the same date of the previous year.

## BREMBO SPOLKA ZO.O.

CZESTOCHOWA (POLAND)

**Activities: production and sale of braking systems for cars and commercial vehicles.**

The plant located in Czestochowa produces brake discs and braking systems for the original equipment of cars and commercial vehicles.

Net sales for the first half of 2014 amounted to PLN 279,862 thousand (€67,024 thousand) compared to PLN 224,905 thousand (€53,830 thousand) for the first half of 2013. Net income at 30 June 2014 was PLN 26,359 thousand (€6,313 thousand), compared to PLN 18,109 thousand (€4,334 thousand) for the same period of the previous year.

The workforce numbered 446 at period-end, increasing compared to 435 at 30 June 2013.

## 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 has phased out productive activities to focus almost only on sales activities.

Net sales for the first half of 2014 amounted to €11,034 thousand, compared to €10,485 thousand for the same period of 2013. Net income was €912 thousand, compared to a net income of €356 thousand for the first half of 2013.

The workforce numbered 72 at 30 June 2014, compared to 74 at the end of June 2013.

## LA.CAM (LAVORAZIONI CAMUNE) S.R.L.
STEZZANO (ITALY)

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

The company was incorporated by Brembo S.p.A. on 4 October 2010 and on 22 October of the same year it leased two companies from an important Brembo Group's supplier that was experiencing financial difficulties. The goal was to safeguard the continuity of supply, the expertise and technological assets obtained by these companies in their many years of collaboration with the Group. The lease transaction involved Immc S.n.c. and Iral S.r.l. These companies specialise in processing aluminium, steel and cast-iron pistons for brake calipers intended for use in the car, motorbike and industrial vehicle sectors, and in the production of other types of components, including small high-precision metallic parts and bridges for car brake calipers, as well as aluminium caliper supports for the motorbike sector, chiefly produced for the Brembo Group. In 2012 La.Cam. acquired the business units of both companies.

In the first half of 2014, net sales amounted to €17,241 thousand, referring almost exclusively to Brembo Group companies, with a net income of €259 thousand. In the same period of the previous year, net sales were €15,528 thousand, with a net loss of €543 thousand.

Workforce numbered 205 at 30 June 2014, compared to 206 at 30 June 2013.

## 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 activities within the Qingdao technological hub.

In the first half of 2014, net sales amounted to CNY 74,958 thousand (€8,869 thousand), compared to CNY 85,054 thousand (€10,462 thousand) for the same period of the previous year. The company closed the first half of the year with a net income of CNY 2,661 thousand (€315 thousand), compared to a net income of CNY 4,996 thousand (€615 thousand) in the first half of 2013.

The workforce numbered 16 at 30 June 2014, one more than at the same date of 2013.

### SABELT S.P.A.
TURIN (ITALY)

**Activities: design, manufacture, assembly and sale of accessories and components for the car industry, including footwear and articles of apparel in general for the racing market.**

The company joined the Brembo Group in 2008 and is 65% owned by Brembo S.p.A. Its operating offices are located in Moncalieri, Turin.

At 30 June 2014, net sales amounted to €17,806 thousand and net loss was €1,261 thousand, compared to €16,328 thousand and €510 thousand, respectively, for the first half of 2013.

The workforce numbered 78 at 30 June 2014, compared to 76 at the end of June 2013.

## Companies Valued Using the Equity Method

### BREMBO SGL CARBON CERAMIC BRAKES GMBH
MEITINGEN (GERMANY)

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

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

Net sales for the first half of 2014 amounted to €38,911 thousand, compared to €20,898 thousand for the same period of the previous year.

At 30 June 2014, the company's net income amounted to €3,211 thousand, compared to a net loss of €1,935 thousand for the same period of the previous year.

### 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 carbon ceramic brake discs for the original equipment of top-performance cars, as well as research and development activities concerning new materials and applications.

At 30 June 2014, net sales amounted to €20,372 thousand, compared to €12,702 thousand for the same period of 2013. Net income for the period amounted to €2,107 thousand compared, to a net income of €388 thousand for the first half of 2013.

The workforce numbered 112 at 30 June 2014, 4 more than at the same date of the previous year.

### INNOVA TECNOLOGIE S.R.L.
ALMENNO SAN BARTOLOMEO (ITALY)

**Activities: development, promotion, construction, renovation, leasing and sub-leasing of real estate.**

The company was formed in 2008, has its registered office in the Province of Bergamo, and is 30% owned by Brembo S.p.A.

### PETROCERAMICS S.P.A.
MILAN (ITALY)

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

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

Net sales for the first half of 2014 amounted to €870 thousand, with a net income of €177 thousand. Net sales for the first six months of 2013 were €935 thousand and net income amounted to €276 thousand.

## Other Group Companies

### INTERNATIONAL SPORT AUTOMOBILE S.A.R.L.
LEVALLOIS PERRET (FRANCE)

**Activities: sale of products for racing cars and motorbikes.**

International Sport Automobile S.a.r.l. is 10% held by Brembo S.p.A. Its business targets the distribution of products for racing cars and motorbikes on the French market.

# RESEARCH AND DEVELOPMENT

All of Brembo's R&D activities can be related to a single "friction system" concept, which permeates the specific qualities of each Divisions and Business Unit. According to this concept, each component (calipers, discs, pads, suspensions) is complementary to the others in optimising the braking function (the "friction system" as an element that integrates all of the components), which is constantly improved in all respects, not merely in terms of pure performance, but also of comfort, duration, aesthetics, etc.

In many sectors, mechatronic products — an area to which Brembo may apply the expertise it has developed in its research activities since 2000 (electric parking brake and brake-by-wire) — are becoming increasingly widespread.

Some of Brembo's several activities in the various sectors are illustrated in the following paragraphs.

In the field of cast-iron discs, work has continued successfully on optimising the technical and technological parameters which determine the disc's vibration properties (own frequencies), so that the latter may be managed as early as the planning stage in order to improve the system's comfort performance. It is within this context that Brembo is developing a new technical solution designed to significantly reduce vehicle comfort issues.

Specifically regarding heavy commercial vehicle cast-iron discs, work has continued on optimising the materials, mass characteristics and cooling and ventilation capacity, without penalising performance levels.

For cast-iron discs used in automotive applications, in addition to the normal application developments with the world's major car manufacturers, Brembo began the production in the plants in Europe, China and the United States of an absolutely ground-breaking light disc, which will equip all the new Mercedes MRA platform, guaranteeing a weight reduction of up to 15%. The new concept, conceived by Daimler with Brembo as its lead partner in the development, combines two different materials: cast iron for the braking ring and a thin steel laminate for the disc hat. This disc gives impressive results in terms of weight saving, reducing the car's fuel consumption and the resultant environmental impact (reduced $CO_2$ emissions), the baseline for the automotive market and all Brembo's development work.

Moreover, the development continues of new "light" disc concepts, particularly through the study of forms, materials, technologies and surface treatments that could meet the requirements of new-generation vehicles (electric and hybrid), with particular attention to the environmental impact characteristics ($CO_2$ and particulate emission).

With the same environmental aim in mind, Brembo is developing techniques that could help minimise wear for cast iron discs as well. The utmost importance is also attached to the joint development with innovative friction materials, complying with future legislative limits, designed for these types of disc. Brembo can be considered to be the only manufacturer with the in-house expertise for this type of development.

The market of road motorbikes is showing interest in the carbon-ceramic discs currently under development, the first technical and economic applications of which are expected to become available in September 2014.

Development of the polymer clutch cylinder was brought to a positive conclusion and the concept was presented to an important client. Production is expected to begin in 2016. The possible adoption of the lever ratio variation concepts, MCS and XCS, is currently being evaluated together with customers.

The first integral system for the Indian market was approved and presented at the Delhi Motor Show and production is planned for late 2014. Additional development work aimed at broader application to low-displacement vehicles is currently being studied.

Design work is underway for a braking system that is to adopt the sliding disc concept, applied for the first time by the Motorbikes BU following the positive results of testing on prototypes.

The company has begun the process of acquiring vehicle dynamics expertise in support of future brake-by-wire development, while optimisation projects are currently in progress for BBW components for motorbike applications, at the level of both individual parts and system architectures.

Within the racing applications field, the fine tuning of the new carbon material for F1 and GT applications has been completed and a material developed entirely by Brembo will be used on the track for the first time since 1999.

The first half of 2014 also saw the introduction of new methods for calculating and simulating carbon discs aimed at including in simulations the "constructive" disc variability caused by the production process.

Again as regards innovative composite material discs, mention should be made of the good performance of the first CCM-R prototype discs for motorbike applications, which will be further developed in 2014.

At the systems level, the new products developed and finalised late in the previous year continued to be used successfully by the various teams. In particular, these included all of the new hydraulic systems that Brembo proposed in order to meet clients' needs in the brake-by-wire area, which are integrated with the new power units and braking energy recovery systems currently permitted under the F1 and Le Mans Prototype 1 rules.

In the motorbike field, it is important to emphasise that all of the MotoGP motorbikes are equipped with Brembo brake systems (wheels, brakes and pumps), and a new brake caliper concept is also being successfully used by two world-renowned drivers. In other motorbike developments, widespread use continues to be made of the new Marchesini (a Brembo Group brand) aluminium wheels in the Superbike category. These wheels yield significant advantages in terms of weight in comparison to the competitors' products.

The Aeronautic project yielded two significant results in the first few months of the year. The first of these was obtaining AP-DOA technical certification for Brembo from EASA (the European Aviation Safety Agency). The second highly important result relates to the complete brake system project (including calipers, discs, wheels, parking brakes and pumps), which was officially awarded to Brembo in June 2014.

Partnership contracts continued with several universities (including the Milan Polytechnic and the University of Padua) in pursuit of important goals in various areas of technical development: from electronic control systems to the development of new system concepts, simulations of carbon components, tests of aeronautic components and other subjects.

In the friction materials sector, Brembo constantly consolidates its market position by acquiring important new projects. An increasing number of car manufacturers are selecting Brembo Friction pads for their top-of-the-line vehicles, recognising that Brembo's formulations ensure high performance, reliability and quality.

In light of U.S. regulations requiring brake pad manufacturers to eliminate copper, regarded as a pollutant, from their formulations, as well as the resulting requests from most of our clients,

new copper-free products were developed for both European and U.S. applications, containing an increasingly lower percentage of copper.
The true challenge — which Brembo succeeded in overcoming — is modifying traditional formulations without decreasing the performance, characteristics and quality of the material itself.

Regarding friction materials coupled with carbon-ceramic discs, the production of hybrid materials (i.e., a combination of organic and ceramic materials) is now underway. They combine the comfort level of organic materials with the strength and durability of ceramic materials for sporting applications.

There is also a need for increasingly lower copper levels in friction materials for CCM applications without compromising performance. In addition, research continues in the field of unconventional friction materials for motorbikes, heavy commercial vehicles to be paired with Brembo discs and vehicles for special applications, as does research into unconventional materials and brake types aimed at meeting upcoming market needs. The use of aluminium alloys for car calipers, obtained by bringing the alloy to a thixotropic state (in other words, to lower temperatures than the casting process) has been validated, whilst the use of special aluminium alloys for forging is under development and expected to be validated by the end of 2014.

New solutions, aimed at reducing vehicle fuel consumption and the resultant $CO_2$ and particulate emissions through the brake system, are at the development stage; in particular, work is underway to improve caliper functionality by defining new lining/piston coupling characteristics.

In parallel, product and processing improvement work to bring cutting-edge products to the emerging markets as well (e.g., China) is continuing, alongside the study of new types of fixed calipers aimed at winning new market segments (A, B and city cars), the use of which is expected in late 2014.

The planned growth of Technical Development Centres intended to support Brembo's expansion in China and the USA proceeds at a pace consistent with the acquisition of important orders on these two markets. Promotion with Brembo clients of mechatronic products, i.e., electric parking brakes in the various configurations, which have already received internal approval, is fully underway. The presentation of products with functioning cars is already underway in some of the most important European manufacturers.

The continual evolution of simulation methodologies is focused on aspects linked to brake system comfort. 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 and, hence, having an in-house friction materials producer, is one of Brembo's strengths which can position itself as a supplier of complete brake systems.

Advanced R&D activities focus on mechatronic systems for the brake systems of the future and on developing new structural materials. Through these activities, Brembo is preparing to face the next decade, when the strong drive towards vehicle electrification will result in a significant integration of the brake system with the rest of the vehicle and a constant search for weight-reduction solutions.

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.

Within this context, Brembo is continuing to develop a brake-by-wire system, with the aim of hastening the development of individual brake system components and holding on to its lead as a product innovator. This system concept will be able to be applied to all future vehicles: not only cars, but also commercial vehicles and motorbikes.

Further system integration developments are currently being studied, in particular with electric drive systems and the associated next-generation architecture, as is an innovative vehicle wheel-side architecture with an electric traction motor and integrated, electronically controlled brake-by-wire systems.

At the same time, mass production applications are being identified for the first mechatronic systems developed by Brembo, such as, in particular, electric parking brakes (EPB). Moreover, several EPB projects where the electronic control is integrated in the ABS units have been set up. In this case, Brembo is also developing the software part relating to the parking function, in addition to the calipers and discs.

Brembo continued to conduct R&D activities in cooperation with international Universities and Research Centres with the aim to constantly seek out new solutions to apply to brake discs and calipers, in terms of new materials, innovative technologies and mechanical components. The need to reduce product weight is leading the research function to evaluate the use of unconventional materials, such as technopolymers or reinforced light metal alloys, to produce structural components.
These partnerships also extend to methodological activities relating to development, involving the creation and use of increasingly sophisticated simulation and calculation tools.

In this context, the Rebrake project — funded by the European Union and co-ordinated by Brembo, the Royal Institute of Technology of Stockholm (KTH) and the University of Trento — represents a significant step forward in understanding the phenomena behind tribology, i.e., the science which studies the behaviour and wear of friction materials. The project, launched in March 2013, is set to last 48 months.

The COBRA project, funded as part of the European Life+ programmes, is also set to begin in 2014. The aim of the project is to develop a technology with a low environmental impact for manufacturing friction materials that involve the use of unconventional raw materials.

# INVESTMENTS

In the first half of 2014, Brembo's investment management policy developed along the lines that have been followed for several years, aiming to strengthen the Group's presence both in Italy and, above all, at the international level.
The most significant investments were concentrated in Italy (31%), Poland (21%), the Czech Republic (25%), North America and Brazil (19%).

Investments in Italy chiefly involved the purchase of production plant, machinery and equipment, in addition to €5,452 thousand for development costs.

As part of its strategy of consolidation and development at the global level, Brembo has identified the United States as its preferred industrial hub for expanding and internationalising the Group. The first half of 2014 saw the official inauguration of the renovated and expanded brake system production plant in Homer, Michigan.
With a planned investment of €83 million in 2013-2015, the plant will allow the Group to gain additional market share, while also raising the level of service it provides to its major automotive clients in the North American market.

In Eastern Europe, investments aimed at increasing production capacity are still underway in the integrated industrial hubs in Dabrowa Górnicza (Poland) and Ostrava-Hrabová (Czech Republic), devoted respectively to the casting and processing of brake discs for cars and commercial vehicles, and the casting, processing and assembly of brake calipers and other aluminium components. A new investment plan was also launched simultaneously and will be developed from 2014 to 2017, for a total expenditure of approximately €34 million, aimed at building and starting up a new plant in Niepolomice (Poland) devoted to processing steel disc hats to be assembled onto the light discs manufactured at the Group's plants located in Poland, China and the United States.

In China, investments continued for the completion of the new integrated production hub in Nanjing, which has been operating since April 2012, including a foundry and a facility for processing brake calipers and discs for cars and commercial vehicles, as well as a Technical Development Centre (R&D).

Group's total investments undertaken in the first half of 2014 at all operating units amounted to €61,068 thousand, of which €52,038 thousand was invested in property, plant and equipment and €9,030 thousand in intangible assets.

# RISK MANAGEMENT POLICY

Effective risk management is a key factor in maintaining the Group's value over time.
In order to optimise this value, since 2012 Brembo has fully and formally adopted the principles laid down in Article 7 of the 2011 Corporate Governance Code, updating the Internal Control System and integrating it with risk management, formerly an integral part of the corporate governance system. The structure and role of the main functions involved have been better defined and include:

- 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 Risk Committee, responsible for identifying and assessing 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 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 assessment and monitoring are included in the Corporate Governance Manual, 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 on 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.

Internal Audit evaluates the effectiveness and efficiency of Risk Management and the overall Internal Control 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.

The types of risks whose profile has not substantially changed compared to the previous year are the following:

a. strategic risks;
b. operating risks;
c. financial risks;
d. legal and compliance risks.

The international model used by Brembo as a reference is the CoSO (Committee of Sponsoring Organizations), which defines internal control as "a process, effected by an entity's Board of Directors, management, and all personnel, designed to provide reasonable assurance regarding the achievement of effectiveness and efficiency objectives of operating activities, the reliability of financial reporting and compliance with applicable laws and regulations." In late 2013, the new Group Risk Management Policy was approved on the basis of the internationally recognised risk management standard UNI ISO 31000, while the fourth quarter marked the launch of a project aimed at developing the Enterprise Risk Management (ERM) model with the goal of promoting pro-active risk management and offering an optimised tool in support of the main company decision-making processes.

The risks to which Brembo is exposed (classified into the above categories) are discussed below. The order in which they are discussed does not imply classification in terms of probability of occurrence or possible impact.

## Strategic Risks

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. While this risk cannot be eliminated, Brembo minimises it by investing sizeable resources in Research and Development, with regard both to existing technologies, as well as new technologies such as mechatronics. For additional information, see the "Research and Development" section in the 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.

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, the Group has long ago implemented a strategy aimed at diversifying into the geographical areas where the highest growth rates are reported and anticipated (China, India, and Brazil) and is broadening its product range, also by focusing on the mid-premium segment.

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 must be accurately coordinated in all their aspects in order to mitigate any investment risks.

## Operating Risks

The main operating risks to which Brembo is exposed are associated with the price and availability of raw materials, the international economy, issues involving health, job safety and the environment and, to a lesser extent, the regulatory framework of the countries in which the Group operates.

Risks associated with raw materials can be related to price volatility. Furthermore, Brembo is exposed to risks resulting from its reliance on strategic suppliers who, if they were to unexpectedly discontinue their supplier relationships, could create problems for the production process and Brembo's ability to process customer orders on schedule. 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 is taking 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).

The risk of purchasing components with quality levels not compliant with Brembo's quality standards has also been significantly mitigated by setting up a dedicated function: the Supplier Quality Assurance function, which operates worldwide.

In relation to the current economic situation, the management of trade union relations has become more critical, mainly in Italy and India, albeit for different reasons.

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 on 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 top 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.

## Financial Risks

In conducting its business, the Brembo Group is exposed to various financial risks, including, in particular, the main components of market risk: interest rate fluctuations and fluctuations in the foreign currencies in which the company operates. Financial risk management is the responsibility of the Parent Company's Central Treasury & Credit Department, which, together with the Group's CFO, evaluates all the company's main financial transactions and the related risk management policies.

### 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, as well as specific hedging contracts (IRS), accounting for approximately 6.3% 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.

Further information on other types of financial risks is reported below:

- **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 mainly in relation to trade receivables. Most parties with which Brembo does business are leading car and motorbike manufacturers with strong credit standing; the current macroeconomic situation requires that Brembo continuously monitor the credit worthiness of its customers in order to anticipate situations where customers are unable to pay or must pay late;
- **liquidity risk** can arise from a company'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.);

– obtains adequate credit lines;
– optimises liquidity, where feasible, through cash-pooling arrangements;
– ensures that the composition of net financial debt is adequate for the investments carried out;
– ensures a proper balance between short- and long-term debt.

## Legal and Compliance Risks

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 business unit stays abreast of relevant regulations, with the assistance of outside consultants, where necessary.

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, Finance & Control 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.

The Group relies on dedicated personnel within the Quality Department to manage risks arising in relation to employee safety and environmental protection. These risks are often associated with factors that are external to the Group, making it only partially possible to organise or define activities that can minimise their potential impact.

These external factors, which underlie some of the major risks facing the company, include:

- the complexity of laws and regulations;
- the lack of clarity of laws and regulations, which leaves too much room for interpretations;
- the uncertain, and often lengthy, period of time needed to obtain the necessary authorisations and licenses.

The risks associated with these issues mainly arise from the fact that the incorrect interpretation of a law or the failure to recognise all the laws that govern a specific matter could lead to an unintentional lack of compliance on the part of the Group.

To minimise this risk, the Group makes a constant effort to research and obtain updated information about legislative matters, with the support of specialised companies, the relevant functions within Confindustria (Italian Manufacturers' Association) and other trade associations.

For information concerning 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 risks include the reporting risk, which is the risk that the financial information reported by the Group is not sufficiently accurate and reliable. To improve its Internal Control System (especially with regard to subsidiaries), as well as the quality, promptness and comparability of information provided by its consolidated companies, a single ERP (Enterprise Resource Planning) IT program is applied in almost all the Group's companies. During the first half of 2014, Brembo continued to analyse and update its organisation, management and control instruments in accordance with the provisions of Legislative Decree No. 231/2001, as amended, including through activities carried out by the Persons Responsible for the 231 Model, with the aim of ensuring that the such 231 Model remains constantly effective and adequate in light of changes in the law and the development of the Group's business mission and organisational structure.

The updated edition (Brembo's 231 Model) is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).

## 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 requirements of local legislation or collective labour contracts and/or corporate agreements or regulations.

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

# HUMAN RESOURCES AND ORGANISATION

In the first half of 2014, the necessary evolution measures were implemented to ensure the ongoing improvement of the organisational system, the constant balance between its three main company dimensions (businesses, functions and geographical areas) and the consistency of the organisational structure with the business.

In terms of business areas, both the Systems Division and Discs Division revised their Sales Departments' structure: the former appointed new management, whereas the latter implemented a reorganisation to achieve greater streamlining of roles and consolidation of international synergies, primarily through enhancement of the Disc Global Program & Project Management function.

The Systems Division also reorganised the structure of its industrial area by establishing two Operations functions, one devoted to Aluminium Foundries, and the other to Processing and Assembly facilities. In these roles, these functions draw directly — each to the extent of its competence — on the Plant Management of Brembo S.p.A. and their respective Technology functions, as well as, in functional terms, the Plant Management of subsidiaries included in the Systems Division.

In order to ensure increasingly effective internal coordination, given the complexity inherent in managing an area that includes various businesses, legal entities and geographical regions, the Performance Group reorganised its structure to consist of five transversal functions that provide know-how and are tasked with ensuring the integration of the various departments (Innovation and R&D, Quality Assurance, Financial Controlling, Purchasing Coordination and Marketing) and four separate, autonomous business areas that maintain direct responsibility for the Market, Technical Development and Operations (Brembo Racing, Sabelt, AP Racing and Aerospace). In addition, following the above reorganisation and the arrival of its new Chief Executive Officer and General Manager, Sabelt reorganised the structure of its Technical and Markets area.

To ensure increasingly thorough coverage of HR activities at the level of both the various businesses and countries, the Human Resources and Organisation Department reinforced its management structure and established a single coordination for Plant HR Managers within Brembo S.p.A. and Italian industrial relations.

Finally, with regards to the Group's international companies, Brembo Czech appointed its new top management and reorganised the functions of its Administration, Finance and Control area in view of more direct collaboration with the Department, whereas the AFC function was reorganised in both the Indian and Chinese areas by appointing a new CFO.

Motivated by the desire to ensure that the Brembo Group's employees enjoy access to a constantly renewed and consistently innovative skill-set, in addition to continuing to offer programmes suited to the Company's business development strategies, training began 2014 with a view to studying, developing and designing new tools and methods aimed at constantly developing the human potential that sets the Group apart.

Accordingly, the first six months of the year saw a complete re-thinking of many basic and advanced management training courses to include increasingly innovative and effective methods: one example of this is the revamped range of finance training courses for non-specialists, organised into three levels. Created in response to ever-increasing demand, this year's editions also benefited from hands-on workshops that allowed participants transitioning from one level to the next to refresh the skills they had learned. Another new development in advanced management training consisted of a multi-competence course (public speaking, marketing, customer management and project management) designed to provide practical tools for internal and external customer management.

Considerable new additions were also made to the catalogue of technical and specialist training programmes, resulting in the inclusion of courses such as the following, alongside the customary offerings, which continue to ensure access to the specific skills required for Brembo's R&D: Design of Experiment, Robust Design and Statistics, with multiple teachers for each course, involving the participation of lecturers from renowned Italian universities. In addition, specialist training is being expanded through the formulation of the courses plan of Brembo's first R&D school, where teaching is done exclusively by specialised internal teachers and function heads capable of providing a complete overview of the "life" of a braking system, from the creation of the concept to production. Sharing and continuing to emphasise the past and present of Brembo's research are essential to ensuring that our technical staff remain highly creative and able to innovate, now and in the future.

At the same time, classic training programmes continue to meet with consistent interest: particular attention should be drawn to the always-in-demand transversal course focusing on managing interpersonal relations effectively, in the area of management training, as well as to the Triz workshop focusing on creative problem-solving, in the area of technical and specialist training. Classes at the language school were also full this year. Classroom and on-the-job training of the over 50 apprentices who have joined the Group from January 2013 to the present was highly demanding, including from an administrative standpoint. Finally, there was certainly no lesser emphasis placed on training obligations in the area of safety and the environment, which accounted for a considerable number of per-capita training hours, not only for recently hired employees.

In development measures, the process and tool used in the Brembo Yearly Review (BYR) were restyled with the aim of increasing the effectiveness of individual performance management and stimulating the drive towards self-development by fostering a streamlined, effective form that allows for increasingly widespread application.

In measures aimed at developing the Group's recruiting and university relations strategies, satisfactory results may be reported in the form of the arrival at the Company of resources recruited from top Italian universities as part of LIFT – Leadership International Fast Track, the Brembo Group's first graduate programme of a fully interfunctional nature.

In short, 403 training initiatives were implemented in the first half of 2014 for a total of 194 courses, 26,000 training hours and 2,446 participants.

# ENVIRONMENT, SAFETY AND HEALTH

"For Brembo, protecting health, workplace and collective safety and the environment is a fundamental aspect of the Group's activities: as a result, this principle may not be breached in any corporate decision or by any employee. Brembo is firmly committed to promoting sustainable and responsible industrial development that is appreciated by the community.

Brembo pursues this primary objectives both by implementing state-of-the-art technology in all its facilities and through training and outreach initiatives aimed at sensitising all Brembo employees to the issues involved."

(Code of Ethics – Workplace Health and Safety and the Environment)

Within its organisation, Brembo has explicitly adopted these principles in the form of its Safety and Environmental Policy, which lays down the activities, objectives and commitments applicable throughout the Group. This Policy is distributed to all staff and stakeholders through the website, the Company's Intranet, posters and/or leaflets. The efforts made in recent years by Brembo have been aimed at putting these principles into practice by translating them into actions and behaviour.

In view of this goal, Brembo has established an organisational structure divided into two levels: corporate and production/operational facilities. This arrangement has allowed two apparently conflicting aspects to be reconciled: the implementation of common guidelines throughout the Group, set at the corporate level, and the observation of specific local circumstances, including those of a legislative nature, present in the countries in which Brembo operates. The Health and Environment Supervisors present at all Group facilities are responsible for adapting and adhering to such specific circumstances.

Brembo's workplace health and safety and environmental protection measures are carried out in a wide range of areas and at a variety of levels:

- development of all industrial processes also aims to minimise risks for workers and environmental impacts. For example, systems intended to treat the waste water or atmospheric emissions produced by plants are designed and built not only to comply with legal limits, but also to ensure values well below those limits. This is ensured by working with suppliers from the contract negotiation phase to establish technical specifications outlining the characteristics of the plant that is to be built and limits to be observed by the plant in excess of the legal requirements;

- training and information for personnel represent one of the pillars upon which Brembo's organisation is based. Each year, specific courses are planned and held for all positions that in various ways interact with aspects of workplace safety and the environment. Workers, employers, executives, safety supervisors, workers' safety representatives, managers of internal ecological areas, the purchasing function and guest workers periodically participate in training projects aimed at increasing their levels of knowledge and awareness. Function heads, as well as the facility's Safety and Environment Supervisor, are also involved annually in surveying training needs for safety and environmental aspects, a process that is followed by the drafting of the training plan and the execution of specific courses;

- the Safety and Environment Plan, a document drawn up annually by each facility, centres around the plan for improvement measures that the facility undertakes to carry out, and which are periodically monitored to assess the degree to which they have been implemented and proved effective. These objectives relate, for example, to the reduction of accidents, the optimisation of the use of resources and the reduction of energy consumption;
- highly structured auditing activity ensures constant monitoring of the actual application of company policies and procedures. Each year, a plan is prepared and then executed, detailing audits by third parties (external entities conduct audits of certification and legislative assessments), audits by second parties (by corporate bodies of individual sites) and audits conducted directly by plant bodies of their own organisations. An overview of the wide array of information deriving from such activities permits the identification of further improvements to be made to the management system with the aim of increasing its suitability in light of company policies.

All of these activities are governed by management systems based on the best international standards, such as ISO 14001 and OHSAS 18001. The certification obtained by sites of their management systems represents a guarantee that those management systems have been applied effectively.

# 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 considers the contents of the Consob Recommendation and its wishes regarding the first revision of the procedure to have already been adopted.

Detailed information on the Company's Related Party Transactions is provided in the Explanatory Notes to the condensed Consolidated Six Monthly Financial Report (Note 31). During the reporting year, no atypical or unusual transactions were carried out with Related Parties.

Furthermore, commercial transactions with Related Parties, also other than the Group companies, were carried out at fair market conditions. The financing transactions undertaken during the year with Related Parties are also discussed in Note 31 to the Condensed Consolidated Six Monthly Financial Report.

# FURTHER INFORMATION

## Significant Events During the Six-month Period

On 25 February 2014, the Parent Company Brembo S.p.A. acquired full control of BNBS Co. Ltd. from Brembo China Brake Systems Co. Ltd. On 11 March 2014, the voluntary winding up of Brembo UK Ltd. was completed.

Brembo's General Shareholders' Meeting held on 29 April 2014 approved the Financial Statements for the year ended 31 December 2013 and the distribution of a gross dividend of €0.50 per share outstanding at ex-coupon date, with the exclusion of the Company's own shares.

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

The General Shareholders' Meeting held on 29 April 2014 passed a new plan for the buy-back and sale of own shares with the following objectives:

- undertaking investments, with the possible aim of supporting the liquidity of Company's stock, so as to foster the regular conduct of trading beyond normal fluctuations related to market performance;
- giving effect to any share-based incentive plans for the directors, employees and collaborators of the company and/or its subsidiaries; and
- pursuing any swap transactions with equity investments as part of industrial projects.

The maximum number of shares that may be purchased is 1,600,000 which, together with 1,747,000 own shares already in Brembo's portfolio (2.616% of share capital), represents 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 €30.00 (thirty euro), for a maximum expected outlay of €48,000,000. The authorisation to buy back own shares has a duration of 18 months from the date of the Shareholders' resolution.

Brembo has neither bought nor sold own shares during the first half of 2014.

# 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 five subsidiaries based in four countries not belonging to the European Union that are of significant importance, as defined under Paragraph 2 of the same Article 36, and therefore fall within the scope of application of the Regulations.

Brembo Group believes that its current administrative, accounting and reporting systems are adequate to ensure that the Parent Company's management and auditing firm receive any information regarding statement of income, statement of financial position and statement of cash flows figures, as necessary for preparing the consolidated financial statements.

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

# Opt-out from the Obligations to Publish Disclosure Documents

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

# SIGNIFICANT EVENTS AFTER 30 JUNE 2014

On 23 July 2014, Brembo announced the start of construction of a cast-iron foundry in Michigan (USA), in an area adjacent to the new Homer plants, marking the launch of the vertical integration process for its production capacity in the United States as well. Works will begin in 2015 and are expected to be completed in 2017. As a result, all production phases will take place in a single site, thus establishing a more efficient production process.

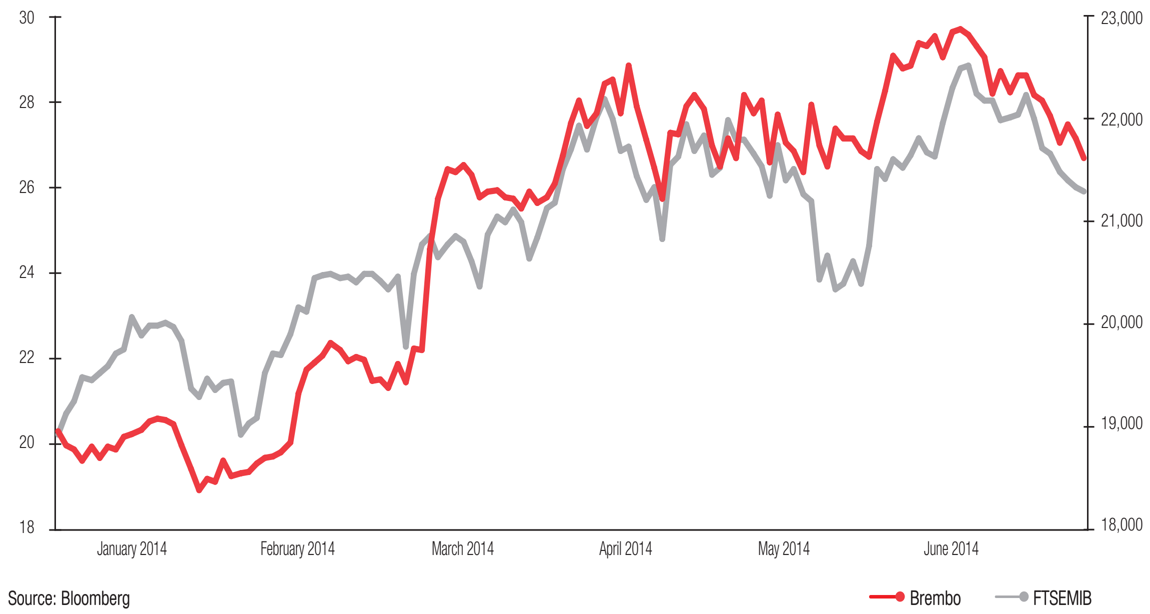
The investment programme, amounting to €74 million, will be funded through Group cash generation and will benefit the incentives granted by the State of Michigan.

The building of an integrated hub in Michigan confirms and strengthens the company's interest towards the North American market, which has recorded a very strong increase over the past five years and is now about to become Brembo's main market of reference by the end of 2014.

# FORESEEABLE EVOLUTION

The order book confirms that revenues and margins will show a good growth also for the remainder of the year.

# BREMBO S.P.A. STOCK PERFORMANCE




Brembo stock closed the first half of 2014 with a very positive performance, increasing by 31.46% compared to the beginning of the year. After having reached a low for the period of €18.88 on 27 January and a high of €29.66 on 9 June, the stock closed the half-year at €26.66.

During the reporting period, Brembo stock significantly outperformed the FTSE MIB index, which closed with an increase of 12.43%, the Italian STAR Segment index (+6.2%) and, finally, the BBG EMEA Automobile Parts, which closed the half-year up 7.47%.

The most representative equity indices showed disappointing growth in the United States in the first quarter of the year, only partially offset by the gains subsequently reported in the second quarter, whereas the Eurozone showed slow growth, emerging from the deep crisis of recent years.

Brembo's stock price did not vary significantly after the end of the first half of the year, with a quotation of €27.16 on 15 July 2014.

An overview of stock performance of Brembo S.p.A. at 30 June 2014 is given in the following table, compared with that at 31 December 2013.

| | 30.06.2014 | 31.12.2013 |
|---|---|---|
| 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) | 189,100,313 | 181,547,994 |
| Trading price (euro) | | |
| *Minimum* | 18.88 | 9.740 |
| *Maximum* | 29.66 | 20.790 |
| Period end | 26.66 | 19.580 |
| Market capitalisation (euro million) | | |
| *Minimum* | 1,261 | 650 |
| *Maximum* | 1,981 | 1,388 |
| Period end | 1,780 | 1,308 |
| Dividend per share | NA | 0.50 |

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.

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


brembo
MAN

# CONDENSED **CONSOLIDATED SIX MONTHLY** FINANCIAL REPORT AT 30 JUNE **2014**

# CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2014

## Consolidated Statement of Financial Position

### ASSETS

| (euro thousand) | Notes | 30.06.2014 | *of which with related parties* | 31.12.2013 | *of which with related parties* | *Change* |
|---|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | | |
| Property, plant, equipment and other equipment | 1 | 516,389 | | 503,142 | | 13,247 |
| Development costs | 2 | 44,566 | | 45,333 | | (767) |
| Goodwill and other indefinite useful life assets | 2 | 40,469 | | 39,556 | | 913 |
| Other intangible assets | 2 | 15,286 | | 15,508 | | (222) |
| Shareholdings valued using the equity method | 3 | 24,547 | | 21,926 | | 2,621 |
| Other financial assets (including investments in other companies and derivatives) | 4 | 212 | | 216 | | (4) |
| Receivables and other non-current assets | 5 | 6,409 | | 7,044 | | (635) |
| Deferred tax assets | 6 | 48,669 | | 46,923 | | 1,746 |
| **TOTAL NON-CURRENT ASSETS** | | **696,547** | | **679,648** | | **16,899** |
| **CURRENT ASSETS** | | | | | | |
| Inventories | 7 | 235,430 | | 208,963 | | 26,467 |
| Trade receivables | 8 | 303,740 | *3,415* | 251,525 | *3,147* | 52,215 |
| Other receivables and current assets | 9 | 41,636 | *20* | 42,854 | | (1,218) |
| Financial current assets and derivatives | 10 | 9,795 | *9,360* | 9,962 | *9,233* | (167) |
| Cash and cash equivalents | 11 | 183,670 | *74,507* | 106,092 | *31,818* | 77,578 |
| **TOTAL CURRENT ASSETS** | | **774,271** | | **619,396** | | **154,875** |
| **TOTAL ASSETS** | | **1,470,818** | | **1,299,044** | | **171,774** |

## EQUITY AND LIABILITIES

| (euro thousand) | Notes | 30.06.2014 | *of which with related parties* | 31.12.2013 | *of which with related parties* | *Change* |
|---|---|---|---|---|---|---|
| **GROUP EQUITY** | | | | | | |
| Share capital | 12 | 34,728 | | 34,728 | | 0 |
| Other reserves | 12 | 96,743 | | 93,397 | | 3,346 |
| Retained earnings/(losses) | 12 | 261,618 | | 207,209 | | 54,409 |
| Net result for the period | 12 | 64,004 | | 89,016 | | (25,012) |
| **TOTAL GROUP EQUITY** | | **457,093** | | **424,350** | | **32,743** |
| **TOTAL MINORITY INTERESTS** | | **5,125** | | **4,857** | | **268** |
| **TOTAL EQUITY** | | **462,218** | | **429,207** | | **33,011** |
| **NON-CURRENT LIABILITIES** | | | | | | |
| Non-current payables to banks | 13 | 298,568 | *25,447* | 250,328 | *19,385* | 48,240 |
| Other non-current financial payables and derivatives | 13 | 6,843 | | 8,884 | | (2,041) |
| Other non-current liabilities | 14 | 8,873 | *3,514* | 4,953 | *1,844* | 3,920 |
| Provisions | 15 | 7,794 | | 6,194 | | 1,600 |
| Provisions for employee benefits | 16 | 29,261 | *5,199* | 27,039 | *4,236* | 2,222 |
| Deferred tax liabilities | 6 | 10,113 | | 12,540 | | (2,427) |
| **TOTAL NON-CURRENT LIABILITIES** | | **361,452** | | **309,938** | | **51,514** |
| **CURRENT LIABILITIES** | | | | | | |
| Current payables to banks | 13 | 207,973 | *28,093* | 171,543 | *41,248* | 36,430 |
| Other current financial payables and derivatives | 13 | 5,439 | | 5,788 | | (349) |
| Trade payables | 17 | 338,531 | *13,037* | 301,585 | *15,693* | 36,946 |
| Tax payables | 18 | 15,103 | | 4,122 | | 10,981 |
| Other current payables | 19 | 80,102 | *1,538* | 76,861 | *1,869* | 3,241 |
| **TOTAL CURRENT LIABILITIES** | | **647,148** | | **559,899** | | **87,249** |
| **TOTAL LIABILITIES** | | **1,008,600** | | **869,837** | | **138,763** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,470,818** | | **1,299,044** | | **171,774** |

# Consolidated Statement of Income

| (euro thousand) | Notes | 30.06.2014 | *of which with related parties* | 30.06.2013 | *of which with related parties* | *Change* |
|---|---|---|---|---|---|---|
| **Sales of goods and services** | 20 | **901,697** | ***2,703*** | **762,791** | ***28,871*** | **138,906** |
| Other revenues and income | 21 | 6,060 | *1,617* | 6,397 | *1,699* | (337) |
| Costs for capitalised internal works | 22 | 5,682 | | 5,527 | | 155 |
| Raw materials, consumables and goods | 23 | (464,823) | *(32,662)* | (386,265) | *(15,297)* | (78,558) |
| Other operating costs | 24 | (143,108) | *(3,279)* | (138,598) | *(2,791)* | (4,510) |
| Personnel expenses | 25 | (166,011) | *(2,584)* | (150,706) | *(2,090)* | (15,305) |
| **GROSS OPERATING INCOME** | | **139,497** | | **99,146** | | **40,351** |
| Depreciation, amortisation and impairment losses | 26 | (48,623) | | (43,698) | | (4,925) |
| **NET OPERATING INCOME** | | **90,874** | | **55,448** | | **35,426** |
| *Interest income* | 27 | *19,382* | | *15,216* | | *4,166* |
| *Interest expense* | 27 | *(25,870)* | | *(22,968)* | | *(2,902)* |
| Net interest income (expense) | 27 | (6,488) | *(418)* | (7,752) | *(848)* | 1,264 |
| Interest income (expense) from investments | 28 | 2,596 | | (740) | | 3,336 |
| **RESULT BEFORE TAXES** | | **86,982** | | **46,956** | | **40,026** |
| Taxes | 29 | (23,087) | | (4,207) | | (18,880) |
| **RESULT BEFORE MINORITY INTERESTS** | | **63,895** | | **42,749** | | **21,146** |
| Minority interests | | 109 | | 487 | | (378) |
| **NET RESULT FOR THE PERIOD** | | **64,004** | | **43,236** | | **20,768** |
| BASIC/DILUTED EARNINGS PER SHARE (euro) | 30 | **0.98** | | **0.66** | | |

# Consolidated Statement of Comprehensive Income

| (euro thousand) | Notes | 30.06.2014 | 30.06.2013 | Change |
|---|---|---|---|---|
| **RESULT BEFORE MINORITY INTERESTS** | | **63,895** | **42,749** | **21,146** |
| **Other comprehensive income/(losses) that will be not subsequently reclassified to income/(loss) for the period** | | | | |
| Effect (actuarial income/loss) on defined benefit plans | | (2,786) | (1,011) | (1,775) |
| Tax effect | | 698 | 249 | 449 |
| **Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period** | | **(2,088)** | **(762)** | **(1,326)** |
| **Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period** | | | | |
| Effect of hedge accounting (cash flow hedge) of derivatives | | 40 | 177 | (137) |
| Tax effect | | (11) | (49) | 38 |
| Change in translation adjustment reserve | | 3,318 | (16,931) | 20,249 |
| **Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period** | | **3,347** | **(16,803)** | **20,150** |
| **COMPREHENSIVE RESULT FOR THE PERIOD** | | **65,154** | **25,184** | **39,970** |
| **Of which attributable to:** | | | | |
| *- the Group* | | *65,262* | *25,589* | *39,673* |
| *- Minority Interests* | | *(108)* | *(405)* | *297* |

# Consolidated Statement of Cash Flows

| (euro thousand) | Notes | 30.06.2014 | 30.06.2013 |
|---|---|---|---|
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | 11 | **42,511** | **41,145** |
| **Result before taxes** | | **86,982** | **46,956** |
| Depreciation, amortisation/impairment losses | | 48,623 | 43,698 |
| Capital gains/losses | | (185) | (203) |
| Write-ups/Write-downs of shareholdings | | (2,571) | 761 |
| Financial portion of provisions for defined benefits and payables for personnel | | 482 | 467 |
| Long-term provisions for employee benefits | | 511 | 1,331 |
| Other provisions net of utilisations | | 7,755 | 3,838 |
| **Cash flows generated by operating activities** | | **141,597** | **96,848** |
| Paid current taxes | | (14,998) | (8,332) |
| Uses of long-term provisions for employee benefits | | (1,733) | (1,640) |
| *(Increase)/ reduction in current assets:* | | | |
| inventories | | (32,226) | (16,554) |
| financial assets | | 4 | (32) |
| trade receivables | | (52,591) | (59,367) |
| receivables from others and other assets | | 950 | (6,745) |
| *(Increase)/ reduction in current liabilities:* | | | |
| trade payables | | 36,946 | 45,821 |
| payables to others and other liabilities | | 6,480 | 157 |
| Translation differences on current assets | | 2,832 | (2,609) |
| **NET CASH FLOWS FROM / (FOR) OPERATING ACTIVITIES** | | **87,261** | **47,547** |

| (euro thousand) | Notes | 30.06.2014 | 30.06.2013 |
|---|---|---|---|
| *Investments in:* | | | |
| Intangible assets | | (9,030) | (9,412) |
| Property, plant and equipment | | (52,038) | (63,017) |
| Price for disposal or reimbursement value of fixed assets | | 812 | 627 |
| **Net cash flows from / (for) investing activities** | | **(60,256)** | **(71,802)** |
| Dividends paid in the period | | (32,519) | (26,015) |
| Change in fair value of derivatives | | 352 | (42) |
| Capital contributions to consolidated companies by minority shareholders | | 376 | 0 |
| Loans and financing granted by banks and other financial institutions in the period | | 105,259 | 132,133 |
| Repayment of long-term loans | | (53,293) | (97,600) |
| **Net cash flows from / (for) financing activities** | | **20,175** | **8,476** |
| **Total cash flows** | | **47,180** | **(15,779)** |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 11 | **89,691** | **25,366** |

# Consolidated Statement of Changes in Equity

| (euro thousand) | Share capital | Other reserves | Hedging reserve (*) | Retained earnings (losses) |
|---|---|---|---|---|
| **Balance at 1 January 2013** | **34,728** | **109,711** | **(274)** | **161,332** |
| Allocation of profit for the previous year | | | | 51,831 |
| Payment of dividends | | | | |
| Reclassification | | | | (1) |
| *Components of comprehensive income:* | | | | |
| Effect of hedge accounting (cash flow hedge) of derivatives (*) | | | 128 | |
| Effects arising from the application of IAS 19R | | | | (762) |
| Change in translation adjustment reserve | | (17,013) | | |
| Net result for the period | | | | |
| **Balance at 30 June 2013** | **34,728** | **92,698** | **(146)** | **212,400** |
| **Balance at 1 January 2014** | **34,728** | **93,513** | **(116)** | **207,209** |
| Allocation of profit for the previous year | | | | 56,497 |
| Payment of dividends | | | | |
| Capital increase of consolidated companies by minority shareholders | | | | |
| *Components of comprehensive income:* | | | | |
| Effect of hedge accounting (cash flow hedge) of derivatives (*) | | | 29 | |
| Effects arising from the application of IAS 19R | | | | (2,088) |
| Change in translation adjustment reserve | | 3,317 | | |
| Net result for the period | | | | |
| **Balance at 30 June 2014** | **34,728** | **96,830** | **(87)** | **261,618** |

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

| Net result for the period | Equity | Result of Minority Interests | Share capital and reserves of Minority Interests | Equity of Minority Interests | Equity |
|---|---|---|---|---|---|
| **77,845** | **383,342** | **(80)** | **10,562** | **10,482** | **393,824** |
| (51,831) | **0** | 80 | (80) | **0** | **0** |
| (26,015) | **(26,015)** | | | **0** | **(26,015)** |
| 1 | **0** | | | **0** | **0** |
| | | | | | |
| | **128** | | | **0** | **128** |
| | **(762)** | | | **0** | **(762)** |
| | **(17,013)** | | 82 | **82** | **(16,931)** |
| 43,236 | **43,236** | (487) | | **(487)** | **42,749** |
| **43,236** | **382,916** | **(487)** | **10,564** | **10,077** | **392,993** |
| **89,016** | **424,350** | **87** | **4,770** | **4,857** | **429,207** |
| (56,497) | **0** | (87) | 87 | **0** | **0** |
| (32,519) | **(32,519)** | | | **0** | **(32,519)** |
| | **0** | | 376 | **376** | **376** |
| | | | | | |
| | **29** | | | **0** | **29** |
| | **(2,088)** | | | **0** | **(2,088)** |
| | **3,317** | | 1 | **1** | **3,318** |
| 64,004 | **64,004** | (109) | | **(109)** | **63,895** |
| **64,004** | **457,093** | **(109)** | **5,234** | **5,125** | **462,218** |

# CONDENSED CONSOLIDATED SIX MONTHLY REPORT AT 30 JUNE 2014 – EXPLANATORY NOTES

## Brembo's Activities

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

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

Manufacturing plants are located in Italy, Poland (Czestochowa and Dabrowa Górnicza), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), the Slovak Republic (Zilina), Germany (Meitingen), Mexico (Apodaca), Brazil (Betim and Santo Antônio de Posse), Argentina (Buenos Aires), China (Nanjing), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), France (Levallois Perret), Germany (Leinfelden-Echterdingen), the United States (Plymouth, Michigan), China (Beijing and Qingdao) and Japan (Tokyo) carry out distribution and sales activities.

## Form and Content of the Condensed Consolidated Six Monthly Financial Report at 30 June 2014

### Introduction

The Condensed Consolidated Six Monthly Report at 30 June 2014 has been prepared in accordance with Article 154-*ter* of Legislative Decree No. 58/98 and applicable Consob provisions or the provisions of IAS 34 - Interim Financial Reporting, and has been subjected to a limited audit according to the criteria recommended by Consob. In further detail, the Financial Statements for the period ended 30 June 2014 have been prepared in condensed form and do not contain all the information and notes required for the consolidated annual financial statements. Consequently, they should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2013.

The Condensed Consolidated Six Monthly Report comprise the Statement of Financial Position, the Statement of Income, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, and these Explanatory Notes, in accordance with IFRS requirements;

it includes the situation of Brembo S.p.A., the Parent Company, and the companies controlled by Brembo S.p.A. pursuant to IFRS (IFRS 10) at 30 June 2014.

On 31 July 2014, the Board of Directors approved the Condensed Consolidated Six Monthly Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.

## Basis of Preparation and Presentation

Consolidation procedures, accounting standards and valuation criteria are the same as those adopted for the Consolidated Financial Statements for the year ended 31 December 2013, to which explicit reference is made, except as specified in the paragraph below.

Due to the type of business, data included in the Condensed Consolidated Six Monthly Report are not influenced by material seasonal or cyclical effects, compared to full year data.

The valuation and measurement criteria used are based on IFRS effective at 30 June 2014 and endorsed by the European Union; IFRS effective at 31 December 2014 may differ from those used in preparing this document due to future endorsements of new standards, interpretations and guidelines.

The nature and impact of new principles/amendments are described here below:

***IFRS 10 Consolidated Financial Statements, IAS 27 (2011) — Separate Financial Statements***

IFRS 10 introduces a single control model to be applied to all companies, including special purpose entities. IFRS 10 replaces the part of IAS 27 — Consolidated and Separate Financial Statements regulating the preparation and presentation of consolidated financial statements, and SIC-12 — Consolidation - Special Purposes Entities. IFRS 10 changes the definition of control, establishing that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and at the same time has the ability to affect those returns through its power over the investee. An investor must possess all of the following to be deemed to control an investee: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to exert power over the investee to affect the amount of its returns. IFRS 10 did not have any impact on the consolidation of the Group's shareholdings.

***IFRS 11 Joint Arrangements and IAS 28 (2011) - Investments in Associates and Joint Ventures***

IFRS 11 replaces IAS 31 - Interests in Joint Ventures and SIC 13 - Jointly Controlled Entities - Non-Monetary Contributions by Venturers and eliminates the option to account for joint ventures by using the proportional consolidation method. If companies are considered joint ventures according to IFRS 11 definitions, they must be accounted for using the equity method.

IFRS 11 had no impact on the shareholdings in associate company or joint ventures held by the Group.

***IFRS 12 Disclosure of Interests in Other Entities***

IFRS 12 establishes disclosure requirements for interests held by an entity in subsidiaries, joint ventures, associates and structured entities. Those disclosure requirements do not apply to condensed interim financial statements, unless material events and/or transactions during the period entail a need to provide such disclosures. Accordingly, the Group has not provided the disclosures envisaged in IFRS 12 in its Condensed Consolidated Six Monthly Report.

***Investment entities - Amendments to IFRS 10, IFRS 12 and IAS 27***

These amendments provide for an exemption from consolidation for entities that meet the definition of investment entities provided in IFRS 10 - Consolidated Financial Statements. The exemption from consolidation requires that investment entities measure their subsidiaries at fair value through profit or loss. These amendments had no impact on the Group in that none of the Group's entities qualify as an investment entity as defined in IFRS 10.

***Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32***

The amendments provide clarifications on the meaning of legally enforceable right of set-off and on the application of offsetting rules regarding settlement systems (such as centralised clearing systems) that settle on a non-simultaneous gross basis. These amendments had no impact on the Group's Financial Statements.

***Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39***

These amendments allow for the continuation of hedge accounting when the novation of a hedging derivative meets certain requirements. These amendments did not have any impact on the Group, because it did not replace its derivatives during the current or previous years.

***Recoverable Amount — Disclosures for Non-Financial Assets – Amendments to IAS 36***

These amendments remove the unintentional consequences of IFRS 13 for the disclosures required by IAS 36. In addition, these amendments require disclosure of the recoverable amount of assets or CGUs for which an impairment loss has been recognised or reversed during the year. The Group has applied these disclosure requirements early to its Consolidated Financial Statements at 31 December 2013.

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

The Condensed Consolidated Six Monthly Report has been prepared on the basis of the half-yearly situations as at 30 June 2014 prepared by the Boards of Directors of the various subsidiaries.

The Condensed Consolidated Six Monthly Report has been prepared in accordance with the general principle of providing a true and fair presentation of the Group's assets and liabilities, financial position, results and cash flows, based on the following general assumptions: going concern, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting, and comparative information.

The Condensed Consolidated Six Monthly Report is presented in euro, which is the functional currency of the Parent Company, Brembo S.p.A., and all amounts are rounded to the nearest thousand unless otherwise indicated.

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. Estimates have not changed in nature compared to those of the previous year and are mainly used in reporting provisions contingencies, inventory obsolescence, depreciation and amortisation, useful life of certain assets, write-downs of receivables, employee benefits, taxes and other provisions, and in determining the fair value of financial instruments, including derivatives. It should also be noted that certain measurement processes, such as the determination of impairment for non-current assets, are typically carried out only during preparation of the annual financial statements when all necessary information is available, unless impairment indicators require immediate analysis. Actuarial valuations necessary to determine provisions for employee benefits are conducted in complete form when preparing the annual financial statements and in simplified form when preparing this six monthly report.

## Consolidation Area

The list of consolidated subsidiaries, associate companies and joint ventures that are accounted for using the equity method, along with information regarding their registered offices and the percentage of capital held, is included in Note 33 hereof.

Compared to the first half of 2013, the following corporate transactions were carried out:

- on 6 August 2013, Brembo S.p.A. acquired 30% of Brembo Nanjing Brake Systems Co. Ltd. from its Chinese partner Donghua Automotive Industrial Co. Ltd. for a total consideration of RMB 90 million (€11.2 million). Following that acquisition, Brembo Group achieved full control of BNBS Co. Ltd., including through the subsidiary Brembo China Brake Systems Co. Ltd. Subsequently, on 25 February 2014, the Parent Company Brembo S.p.A. acquired full control of BNBS Co. Ltd. from Brembo China Brake Systems Co. Ltd.;
- on 16 September 2013, the Group acquired full control of Brembo Argentina S.A. through the acquisition of the residual 25% stake by Brembo S.p.A. (currently holding 97.76%) and Brembo do Brasil Ltda. (currently holding 2.24%).

  The transactions described above did not impact the consolidation area, as both companies had already been fully consolidated;
- on 11 March 2014, the voluntary winding up of Brembo UK Ltd. was completed and the company is no longer part of the Group structure.

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

| Euro against other curencies | 30.06.2014 | June 2014 average | 30.06.2013 | June 2013 average | 31.12.2013 |
|---|---|---|---|---|---|
| US Dollar | 1.365800 | 1.370471 | 1.308000 | 1.313458 | 1.379100 |
| Japanes Yen | 138.440000 | 140.395605 | 129.390000 | 125.465889 | 144.720000 |
| Swedish Krona | 9.176200 | 8.954455 | 8.777300 | 8.529668 | 8.859100 |
| Polish Zloty | 4.156800 | 4.175528 | 4.337600 | 4.178082 | 4.154300 |
| Chzech Koruna | 27.453000 | 27.443577 | 25.949000 | 25.697403 | 27.427000 |
| Mexican Peso | 17.712400 | 17.976568 | 17.041300 | 16.505704 | 18.073100 |
| Pound Sterling | 0.801500 | 0.821362 | 0.857200 | 0.851162 | 0.833700 |
| Brazilian Real | 3.000200 | 3.149482 | 2.889900 | 2.668794 | 3.257600 |
| Indian Rupia | 82.202300 | 83.293002 | 77.721000 | 72.306971 | 85.366000 |
| Argentine Peso | 11.106800 | 10.740727 | 7.040290 | 6.732594 | 8.989140 |
| Chinese Renminbi | 8.472200 | 8.451694 | 8.028000 | 8.129384 | 8.349100 |

# ANALYSIS OF EACH ITEM

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 1. Property, Plant, Equipment and Other Equipment

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 | 23,989 | 174,377 | 656,404 | 150,352 | 28,906 | 27,854 | **1,061,882** |
| Accumulated depreciation | 0 | (45,554) | (385,129) | (129,652) | (24,124) | 0 | **(584,459)** |
| Write-down provision | 0 | 0 | (1,918) | (4) | 0 | (111) | **(2,033)** |
| **Balance at 1 January 2013** | **23,989** | **128,823** | **269,357** | **20,696** | **4,782** | **27,743** | **475,390** |
| **Changes:** | | | | | | | |
| Translation differences | (171) | (4,126) | (5,881) | (386) | (22) | (938) | **(11,524)** |
| Reclassification | 0 | 559 | 9,875 | 469 | 72 | (11,456) | **(481)** |
| Acquisitions | 46 | 1,604 | 29,485 | 4,566 | 731 | 26,585 | **63,017** |
| Disposals | 0 | (9) | (313) | (95) | (2) | 0 | **(419)** |
| Depreciation | 0 | (3,688) | (25,937) | (4,085) | (1,211) | 0 | **(34,921)** |
| Impairment losses | 0 | 0 | (2) | (5) | 0 | 0 | **(7)** |
| **Total changes** | **(125)** | **(5,660)** | **7,227** | **464** | **(432)** | **14,191** | **15,665** |
| Historical cost | 23,864 | 171,566 | 680,579 | 153,985 | 29,353 | 42,038 | **1,101,385** |
| Accumulated depreciation | 0 | (48,403) | (402,506) | (132,816) | (25,003) | 0 | **(608,728)** |
| Write-down provision | 0 | 0 | (1,489) | (9) | 0 | (104) | **(1,602)** |
| **Balance at 30 June 2013** | **23,864** | **123,163** | **276,584** | **21,160** | **4,350** | **41,934** | **491,055** |
| Historical cost | 23,833 | 186,470 | 721,461 | 157,592 | 30,220 | 20,699 | **1,140,275** |
| Accumulated depreciation | 0 | (53,319) | (419,954) | (136,439) | (25,546) | 0 | **(635,258)** |
| Write-down provision | 0 | 0 | (1,430) | 0 | 0 | (445) | **(1,875)** |
| **Balance at 1 January 2014** | **23,833** | **133,151** | **300,077** | **21,153** | **4,674** | **20,254** | **503,142** |
| **Changes:** | | | | | | | |
| Translation differences | 42 | 62 | 472 | 48 | 26 | 205 | **855** |
| Reclassification | 128 | 6,928 | (6,476) | 9,376 | 1,772 | (11,976) | **(248)** |
| Acquisitions | 0 | 2,165 | 23,337 | 4,733 | 1,041 | 20,762 | **52,038** |
| Disposals | 0 | 0 | (208) | (328) | 0 | (91) | **(627)** |
| Depreciation | 0 | (4,150) | (29,020) | (4,416) | (1,163) | 0 | **(38,749)** |
| Impairment losses | 0 | 0 | 0 | (21) | 0 | (1) | **(22)** |
| **Total changes** | **170** | **5,005** | **(11,895)** | **9,392** | **1,676** | **8,899** | **13,247** |
| Historical cost | 24,003 | 196,249 | 730,983 | 176,347 | 33,816 | 29,598 | **1,190,996** |
| Accumulated depreciation | 0 | (58,093) | (441,364) | (145,780) | (27,466) | 0 | **(672,703)** |
| Write-down provision | 0 | 0 | (1,437) | (22) | 0 | (445) | **(1,904)** |
| **Balance at 30 June 2014** | **24,003** | **138,156** | **288,182** | **30,545** | **6,350** | **29,153** | **516,389** |

During the first half of 2014 investments in property, plant and equipment amounted to €52,038 thousand, including €20,762 thousand in assets in course of construction. As already mentioned in the interim Report, the Group continued its international development programme. This involved significant investments in production plants, machinery and equipment in Poland, the Czech Republic, China, as well as in Italy, the United States, and Brazil.

Net disposals amounted to €627 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for the first half of 2014 amounted to €38,749 thousand (€34,921 thousand at 30 June 2013).

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

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

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 patent and similar rights C | Other intangible assets D | Total other intangible assets C+D | Total |
|---|---|---|---|---|---|---|---|---|
| Historical cost | **94,224** | 60,165 | 1,033 | **61,198** | 29,251 | 65,656 | **94,907** | **250,329** |
| Accumulated amortisation | **(49,699)** | 0 | 0 | **0** | (23,775) | (53,010) | **(76,785)** | **(126,484)** |
| Write-down provision | **(719)** | (19,402) | (3) | **(19,405)** | (506) | 0 | **(506)** | **(20,630)** |
| **Balance at 1 January 2013** | **43,806** | **40,763** | **1,030** | **41,793** | **4,970** | **12,646** | **17,616** | **103,215** |
| **Changes:** | | | | | | | | |
| Translation differences | **(1)** | (1,072) | 0 | **(1,072)** | (7) | (39) | **(46)** | **(1,119)** |
| Reclassification | **6** | 0 | 0 | **0** | 9 | 2 | **11** | **17** |
| Acquisitions | **6,141** | 0 | 0 | **0** | 415 | 2,856 | **3,271** | **9,412** |
| Disposals | **0** | 0 | 0 | **0** | (5) | 0 | **(5)** | **(5)** |
| Amortisation | **(4,763)** | 0 | 0 | **0** | (930) | (2,743) | **(3,673)** | **(8,436)** |
| Impairment losses | **(334)** | 0 | 0 | **0** | 0 | 0 | **0** | **(334)** |
| **Total changes** | **1,049** | **(1,072)** | **0** | **(1,072)** | **(518)** | **76** | **(442)** | **(465)** |
| Historical cost | **100,040** | 58,484 | 1,033 | **59,517** | 29,564 | 68,496 | **98,060** | **257,617** |
| Accumulated amortisation | **(54,455)** | 0 | 0 | **0** | (24,607) | (55,774) | **(80,381)** | **(134,836)** |
| Write-down provision | **(730)** | (18,793) | (3) | **(18,796)** | (505) | 0 | **(505)** | **(20,031)** |
| **Balance at 30 June 2013** | **44,855** | **39,691** | **1,030** | **40,721** | **4,452** | **12,722** | **17,174** | **102,750** |
| Historical cost | **105,886** | 57,660 | 1,033 | **58,693** | 30,080 | 69,506 | **99,586** | **264,165** |
| Accumulated amortisation | **(59,832)** | 0 | 0 | **0** | (25,574) | (57,999) | **(83,573)** | **(143,405)** |
| Write-down provision | **(721)** | (19,134) | (3) | **(19,137)** | (505) | 0 | **(505)** | **(20,363)** |
| **Balance at 1 January 2014** | **45,333** | **38,526** | **1,030** | **39,556** | **4,001** | **11,507** | **15,508** | **100,397** |
| **Changes:** | | | | | | | | |
| Translation differences | **8** | 913 | 0 | **913** | (2) | (40) | **(42)** | **879** |
| Reclassification | **0** | 0 | 0 | **0** | 117 | (250) | **(133)** | **(133)** |
| Acquisitions | **5,822** | 0 | 0 | **0** | 360 | 2,848 | **3,208** | **9,030** |
| Amortisation | **(5,413)** | 0 | 0 | **0** | (819) | (2,436) | **(3,255)** | **(8,668)** |
| Impairment losses | **(1,184)** | 0 | 0 | **0** | 0 | 0 | **0** | **(1,184)** |
| **Total changes** | **(767)** | **913** | **0** | **913** | **(344)** | **122** | **(222)** | **(76)** |
| Historical cost | **110,726** | 59,072 | 1,033 | **60,105** | 30,539 | 70,500 | **101,039** | **271,870** |
| Accumulated amortisation | **(65,254)** | 0 | 0 | **0** | (26,377) | (58,871) | **(85,248)** | **(150,502)** |
| Write-down provision | **(906)** | (19,633) | (3) | **(19,636)** | (505) | 0 | **(505)** | **(21,047)** |
| **Balance at 30 June 2014** | **44,566** | **39,439** | **1,030** | **40,469** | **3,657** | **11,629** | **15,286** | **100,321** |

### Development costs

The item "Development costs" includes internal and external costs for development amounting to gross historical cost of €110,726 thousand. During the period, this item changed due to higher costs incurred for works begun in the first half of 2014, for orders received both during the half-year period and in previous periods, for which additional development costs were incurred; amortisation of €5,413 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 €15,027 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item "Costs for capitalised internal works" in the reporting period amounted to €5,682 thousand (first half of 2013: €5,527 thousand).

Impairment losses totalled €1,184 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 Company, Brembo S.p.A., in relation to projects that, consistently with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

### Goodwill

The item "Goodwill" arose from the following business combinations:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Corporación Upwards '98 (Frenco S.A.) | 2,006 | 2,006 |
| Ap Racing Ltd. | 12,951 | 12,450 |
| Brembo North America Inc. (Hayes Lemmerz) | 12,497 | 12,377 |
| Brembo México S.A. de C.V. (Hayes Lemmerz) | 761 | 753 |
| Brembo Nanjing Brake Systems Co. Ltd. | 826 | 838 |
| Brembo Brake India Pvt. Ltd. | 8,011 | 7,715 |
| Sabelt Group | 2,387 | 2,387 |
| **Total** | **39,439** | **38,526** |

The increase compared to 31 December 2013 was entirely attributable to the change in consolidation differences.

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

The main assumptions used to determine the value in use of the cash-generating unit related to the discount rate and growth rate. Specifically, calculations used cash-flow projections for the 2015-2017 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 discount rate used was 8% (WACC), which reflected the current market assessments of the time value of money and the risks specific to the asset in question.

Impairment tests are conducted on the values of recognised goodwill in the presence of impairment indicators when preparing the condensed consolidated six monthly financial report.

The impairment test performed on Sabelt Group goodwill did not indicate the need to recognise any impairment loss. In the event of a change in the WACC from 8% to 8.5% and the growth rate from 1% to 0.5% (or from 1.5% to 1%), 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 in the WACC and the use of growth rates near zero would have resulted in impairment.

**Intangible assets with indefinite useful lives**

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

**Other intangible assets**

Acquisitions of "Other intangible assets" totalled €3,208 thousand and refer for €360 thousand to the purchase of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting period associated with the gradual implementation and the development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group.

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

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

| (euro thousand) | 31.12.2013 | Write-ups/ Write-downs | Reclassificaton | 30.06.2014 |
|---|---|---|---|---|
| Brembo SGL Carbon Ceramic Brakes S.p.A. | 21,757 | 2,621 | 0 | 24,378 |
| Innova Tecnologie S.r.l. | 0 | (50) | 50 | 0 |
| Petroceramics S.r.l. | 169 | 0 | 0 | 169 |
| **Total** | **21,926** | **2,571** | **50** | **24,547** |

The shareholding in Innova Tecnologie S.r.l. — reduced to zero at 31 December 2013 — was further written down by an additional €50 thousand to account for losses for the reporting period.

The shareholding in Brembo SGL Carbon Ceramic Brakes S.p.A. was written up by €2,621 thousand, mainly in relation with profit for the period.

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

This item is broken down as follows:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Shareholdings in other companies | 99 | 99 |
| Other | 113 | 117 |
| **Total** | **212** | **216** |

The item “Shareholdings in other companies” mainly includes the 10% interest in International Sport Automobile S.a.r.l. and 1.20% interest in Fuji Co. “Other” includes interest-free security deposits for utilities and car rental agreements.

## 5. Receivables and Other Non-current Assets

This item is broken down as follows:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Receivables from others | 6,125 | 6,293 |
| Income tax receivables | 250 | 717 |
| Non-income tax receivables | 34 | 34 |
| **Total** | **6,409** | **7,044** |

The item “Receivables from others” mainly includes the amount related to contributions towards a client for the acquisition of a ten-year exclusive supply arrangement to be released to the Statement of Income in accordance with the supply schedule for the client, set to begin in the second half of 2014.

Tax receivables mostly refer to applications for tax refunds.

## 6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 30 June 2014 is broken down as follows:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Deferred tax assets | 48,669 | 46,923 |
| Deferred tax liabilities | (10,113) | (12,540) |
| **Total** | **38,556** | **34,383** |

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

Movements for the period are reported in the following table:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| **Balance at beginning of period** | **34,383** | **29,030** |
| Deferred tax liabilities generated | (6) | (6,022) |
| Deferred tax assets generated | 10,861 | 19,583 |
| Use of deferred tax assets and liabilities | (7,385) | (6,568) |
| Exchange rate fluctuations | 12 | (1,225) |
| Tax rate changes | 0 | (126) |
| Reclassification | 0 | (166) |
| Other movements | 691 | (123) |
| **Balance at end of period** | **38,556** | **34,383** |

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 particular, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. resides in a "special economic zone" and is entitled to deduct 50% of its investments from its current taxes owed through 2020. Based on the new investments made during the reporting period, the company calculated the estimate of the benefit recovery for the period, also on the basis of the estimate of benefit that can be used over a three-year timeframe, which is the reference period of the plans drawn up by the company. Therefore, the company recognised deferred tax assets amounting to Pln 41,102 thousand at 30 June 2014 (€9,888 thousand).

In addition, it should be noted that:

- Brembo Czech Sro. did not recognise a potential future tax benefit of CZK 312.1 million (approximately €11.4 million), valid until 2018; on the basis of current forecasts, there is no certain evidence that the aforementioned benefit may be used before they expire;
- BNF Co. Ldt. did not recognise deferred tax assets for RMB 44.1 million (approximately €5.2 million) calculated based on tax loss carryforwards amounting to RMB 175.4 million (€20.7 million);
- Sabelt S.p.A. did not recognise deferred tax assets for €3.1 million, calculated based on tax loss carryforwards amounting to €11.4 million;
- unrecognised taxes of Corporación Upwards '98 SA based on tax loss carryforwards amounting to €0.8 million totalled €0.3 million;
- no deferred tax liabilities were recognised for taxes on undistributed profits of subsidiaries, associates or joint ventures, as currently the Group does not deem that such profits will be distributed in the foreseeable future.

## 7. Inventories

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

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Raw materials | 95,545 | 77,267 |
| Work in progress | 43,617 | 45,146 |
| Finished products | 87,075 | 74,926 |
| Goods in transit | 9,193 | 11,624 |
| **Total** | **235,430** | **208,963** |

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

| (euro thousand) | 31.12.2013 | Provisions | Uses/ Releases | Exchange rate fluctuations | 30.06.2014 |
|---|---|---|---|---|---|
| Inventory write-down provision | 28,204 | 7,896 | (2,294) | 157 | 33,963 |

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

## 8. Trade Receivables

At 30 June 2014, the balance of trade receivables compared to the balance at the end of the previous year was as follows:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Trade receivables | 302,168 | 249,413 |
| Receivables from associate companies and joint ventures | 1,572 | 2,112 |
| **Total** | **303,740** | **251,525** |

The increase in trade receivables is mainly related to the growth in business volumes.

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

Also in this reporting period, the Parent Company Brembo S.p.A. has sold certain receivables to factoring companies under arrangements without recourse, whereby the amounts of the receivables are paid immediately by the factor and all substantial risks associated with the receivables are transferred to the factor.

Trade receivables are recognised net of the provision for bad debts, which amounted to €4,575 thousand. Movements in the provision are shown below:

| (euro thousand) | 31.12.2013 | Provisions | Use/Release | Exchange rate fluctuations | 30.06.2014 |
|---|---|---|---|---|---|
| Provision for bad debts | 4,199 | 933 | (596) | 39 | 4,575 |

## 9. Other Receivables and Current Assets

This item is broken down as follows:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Income tax receivables | 6,010 | 6,693 |
| Non-income tax receivables | 24,080 | 26,556 |
| Other receivables | 11,546 | 9,605 |
| **Total** | **41,636** | **42,854** |

Tax receivables include the credit recognised by the Parent Company in relation to the application for an IRES refund, concerning the non-deductibility for IRAP purposes of personnel costs from 2007 to 2011 (Article 2 of Law Decree No. 201/2011) in the amount of €4,587 thousand and €545 thousand for other applications for IRES and IRAP refunds related to prior years.

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

## 10. Current Financial Assets and Derivatives

This item is broken down as follows:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Receivables from associate companies | 9,360 | 9,233 |
| Derivatives | 0 | 387 |
| Security deposits | 426 | 339 |
| Other receivables | 9 | 3 |
| **Total** | **9,795** | **9,962** |

The item "Receivables from associate companies" includes the receivable associated with the loan granted by Brembo S.p.A. to Innova Tecnologie S.r.l., of a nominal amount of €9 million, guaranteed by the latter's Parent Company (Impresa Fratelli Rota Nodari S.p.A.) with a strong comfort letter, the provisions of which include an obligation to make direct payment to Brembo S.p.A. of up to 70% of the amount owed by Innova Tecnologie S.r.l. Following default on the loan, pending possible restructuring of the loan, for which negotiations are still in progress, Brembo S.p.A. has applied for injunctive relief from Innova Tecnologie S.r.l. and its guarantor Impresa Fratelli Rota Nodari S.p.A.

It has been decided to continue to carry the receivable at its nominal amount (in addition to interest), in that there are no impediments to its full recovery.

## 11. Cash and Cash Equivalents

Cash and cash equivalents include:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Bank and postal accounts | 183,579 | 105,981 |
| Cash-in-hand and cash equivalents | 91 | 111 |
| **Total cash and cash equivalents** | **183,670** | **106,092** |
| Payables to banks: ordinary current accounts and foreign currency advances | (93,979) | (63,581) |
| **Cash and cash equivalents from Statement of Cash Flows** | **89,691** | **42,511** |

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.

## 12. Equity

Group consolidated equity at 30 June 2014 increased by €32,743 thousand compared to 31 December 2013. Movements are given in the relevant statement within the Condensed Consolidated Six Monthly Report.

### Share capital

The subscribed share capital is fully paid up and amounted to €34,728 thousand at 30 June 2014. It is divided into 66,784,450 shares with a nominal value of €0.52 each.

The table below shows the composition of the share capital and the number of shares outstanding at 31 December 2013 and 30 June 2014:

| (No. of shares) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| 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, the company neither purchased nor sold own shares in the first half of 2014.

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

The resolution by the General Shareholders' Meeting of the Parent Company, Brembo S.p.A., of 29 April 2014, allocating the net profit for 2013 of €41,391 thousand as follows, has been executed:

- a gross dividend for shareholders of €0.5 per ordinary share outstanding, for a total of €32,519 thousand, paid on 15 May 2014 (in 2013 €0.4 per ordinary share outstanding, for a total of €26,015 thousand);
- the remaining amount carried forward.

**Share Capital and Reserves of Minority Interests**

The main changes in this item related to loss replenishment and share capital increase of the consolidated company Sabelt S.p.A. by the minority shareholders.

## 13. Financial Debt and Derivatives

This item is broken down as follows:

| | 30.06.2014 | | | 31.12.2013 | | |
|---|---|---|---|---|---|---|
| (euro thousand) | Due within one year | Due after one year | Total | Due within one year | Due after one year | Total |
| **Payables to banks:** | | | | | | |
| - ordinary current accounts and advances | 93,979 | 0 | 93,979 | 63,581 | 0 | 63,581 |
| - loans | 113,994 | 298,568 | 412,562 | 107,962 | 250,328 | 358,290 |
| **Total** | **207,973** | **298,568** | **506,541** | **171,543** | **250,328** | **421,871** |
| Payables to other financial institutions | 5,323 | 6,823 | 12,146 | 5,616 | 8,845 | 14,461 |
| Derivatives | 116 | 20 | 136 | 172 | 39 | 211 |
| **Total** | **5,439** | **6,843** | **12,282** | **5,788** | **8,884** | **14,672** |

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

| (euro thousand) | Original amount | Amount at 31.12.2013 | Amount at 30.06.2014 | Portion due within one year | Portion due between 1 and 5 years | Portion due after 5 years |
|---|---|---|---|---|---|---|
| **Payables to banks:** | | | | | | |
| San Paolo I.M.I. loan Law 346/88 (reinforced aluminium project) | 3,091 | (104) | 0 | 0 | 0 | 0 |
| San Paolo IMI loan Law 100 (China project) | 4,653 | 461 | 0 | 0 | 0 | 0 |
| Centrobanca 2 loan (€25 million) | 25,000 | 1,250 | 0 | 0 | 0 | 0 |
| Centrobanca 3 loan (€30 million) | 30,000 | 12,839 | 8,562 | 8,581 | (19) | 0 |
| Creberg loan (€50 million) | 50,000 | 14,985 | 9,991 | 10,006 | (15) | 0 |
| Unicredit loan (€10 million) | 10,000 | 3,746 | 2,498 | 2,502 | (4) | 0 |
| UBI loan (€25 million) | 25,000 | 15,043 | 12,541 | 5,072 | 7,469 | 0 |
| Intesa San Paolo UK loan (€30 million) | 30,000 | 14,956 | 9,974 | 9,987 | (13) | 0 |
| Intesa San Paolo UK loan (€50 million) | 50,000 | 19,906 | 14,944 | 10,037 | 4,907 | 0 |
| Banca Popolare di Sondrio loan (€25 million) | 25,000 | 21,835 | 18,720 | 6,260 | 12,460 | 0 |
| Mediobanca loan (€35 million) | 35,000 | 34,909 | 34,837 | (69) | 34,906 | 0 |
| 2013 UBI loan | 30,000 | 24,255 | 20,534 | 7,540 | 12,994 | 0 |
| Mediobanca loan (€50 million) | 50,000 | 49,607 | 49,648 | 44 | 49,604 | 0 |
| BEI R&D loan (€55 million) | 55,000 | 0 | 52,869 | 8,056 | 32,592 | 12,221 |
| Mediobanca loan (€45 million) | 45,000 | 0 | 44,797 | (203) | 45,000 | 0 |
| Intesa San Paolo NY credit line | 7,029 | 14,507 | 14,655 | 14,655 | 0 | 0 |
| Intesa San Paolo NY loan | 16,982 | 2,593 | 1,309 | 1,309 | 0 | 0 |
| Unicredit NY loan (USD 25 million) | 18,270 | 18,137 | 16,399 | 3,661 | 12,738 | 0 |
| Unicredit NY loan (€40 million) | 40,000 | 39,997 | 35,837 | 8,000 | 27,837 | 0 |
| Citibank Shanghai loan (RMB 200 million) | 22,727 | 10,883 | 8,582 | 4,292 | 4,290 | 0 |
| Bank Handlowy loan (€40 million) | 40,000 | 22,222 | 17,778 | 8,889 | 8,889 | 0 |
| EIB loan (€30 million, New Foundry Project) | 30,000 | 30,000 | 28,578 | 3,810 | 15,242 | 9,526 |
| BNP CAPEX LINE (CNY 50 million) | 5,902 | 0 | 2,819 | 59 | 2,760 | 0 |
| Citibank Brazil loan (BRL 5 million) | 1,946 | 1,538 | 1,667 | 0 | 1,667 | 0 |
| Bradesco loan (BRL 15 million) | 5,006 | 4,725 | 5,023 | 1,506 | 3,517 | 0 |
| **Total payables to banks** | **655,606** | **358,290** | **412,562** | **113,994** | **276,821** | **21,747** |
| **Payables to other financial institutions:** | | | | | | |
| Production Activity Ministry Law 46/82 (CCM Project) | 2,371 | 846 | 868 | 303 | 565 | 0 |
| Finlombarda MIUR loan | 131 | 115 | 117 | 2 | 115 | 0 |
| MIUR BBW loan | 2,443 | 0 | 2,201 | 129 | 1,501 | 571 |
| Payables to factors | N,A, | 1,627 | 0 | 0 | 0 | 0 |
| MCC Law 598 Isofix | 120 | 152 | 131 | 44 | 87 | 0 |
| MCC Law 598/94 Research | 364 | 36 | 0 | 0 | 0 | 0 |
| Ministerio Industria España | 3,237 | 2,306 | 2,364 | 0 | 1,295 | 1,069 |
| Payables to minority shareholders of Sabelt S.p.A. | 3,087 | 965 | 0 | 0 | 0 | 0 |
| Renault Argentina S.A. loan | 797 | 469 | 336 | 199 | 137 | 0 |
| FINAME Brembo Do Brasil loan | 433 | 297 | 246 | 155 | 91 | 0 |
| Payables for leases | 26,727 | 7,648 | 5,883 | 4,491 | 1,392 | 0 |
| **Total payables to other financial institutions** | **39,710** | **14,461** | **12,146** | **5,323** | **5,183** | **1,640** |
| **TOTAL** | **695,316** | **372,751** | **424,708** | **119,317** | **282,004** | **23,387** |

As at 30 June 2014, the debt arising from the exercise of the put option for 35% of Sabelt S.p.A. held by the company's minority shareholders, exercisable from 1 January 2015, within a binding term of five years, was written off on the basis of the determination of its fair value according to the financial performance variables of the Sabelt business, as presented in Note 27.

On 18 December 2013, Brembo S.p.A. and the European Investment Bank (EIB) signed a financing contract for €55 million aimed at supporting the Bergamo-based company's research and development activity in the fields of control of the environmental impact and further reduction of the weight of braking systems. This loan was issued on 25 February 2014.

On 15 May 2014, Brembo S.p.A. contracted a new loan of €45 million from Mediobanca with the aim of extending the average duration of its debt.

It should be noted that there are several other loans which require the compliance with certain financial covenants. At the end of the reporting period, all of these covenants had been met. At 30 June 2014, there was no financial debt secured by collateral.

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

| (euro thousand) | | 30.06.2014 | | | 31.12.2013 | |
|---|---|---|---|---|---|---|
| | Instalment | Interest | Principal | Instalment | Interest | Principal |
| Within 1 year | 4,718 | 227 | 4,491 | 3,587 | 305 | 3,282 |
| Between 1 and 5 years | 952 | 222 | 730 | 3,917 | 299 | 3,618 |
| Beyond 5 years | 679 | 17 | 662 | 784 | 36 | 748 |
| **Total** | **6,349** | **466** | **5,883** | **8,288** | **640** | **7,648** |

The following table provides a breakdown of operating lease instalments:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Within 1 year | 14,380 | 16,150 |
| Between 1 and 5 years | 49,322 | 52,694 |
| Beyond 5 years | 57,994 | 36,792 |
| **Total** | **121,696** | **105,636** |

The following table shows the structure of debt towards other lenders and loans, broken down by annual interest rate and currency at 30 June 2014:

| | Fixed rate | Variable rate | Total |
|---|---|---|---|
| Euro | 30,616 | 342,982 | 373,598 |
| US Dollar | 0 | 32,363 | 32,363 |
| Chinese Renmimbi | 0 | 11,401 | 11,401 |
| Argentine Peso | 384 | 2 | 386 |
| Japanese Yen | 9 | 0 | 9 |
| Brazilian Real | 1,928 | 5,023 | 6,951 |
| **Total** | **32,937** | **391,771** | **424,708** |

The average variable rate applicable to the Group's debt is 2.48% and the average fixed rate is 2.76%.

In 2012, the Brembo Group entered into an IRS directly with the Parent Company, Brembo S.p.A., for a remaining notional amount of €15 million at 30 June 2014, hedging the interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge). The €40 thousand change in fair value at 30 June 2014 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

Changes in the cash flow hedge reserve are shown below, gross of tax effects:

| (euro thousand) | 30.06.2014 |
|---|---|
| **Balance at beginning of period** | **(159)** |
| Movements from reserve for fair value | (26) |
| Movements from reserve for the payment/collection of differentials | 66 |
| **Balance at end of period** | **(119)** |

**Net Financial Position**

The following table shows the reconciliation of the net financial position at 30 June 2014 (€325,358 thousand) and at 31 December 2013 (€320,489 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

| (euro thousand) | | 30.06.2014 | 31.12.2013 |
|---|---|---|---|
| A | Cash | 91 | 111 |
| B | Other cash equivalents | 183,579 | 105,981 |
| C | Derivatives and securities held for trading | 0 | 387 |
| **D** | **LIQUIDITY (A+B+C)** | **183,670** | **106,479** |
| E | Current financial receivables | 9,795 | 9,575 |
| F | Current payables to banks | 93,979 | 63,581 |
| G | Current portion of non-current debt | 113,994 | 107,962 |
| H | Other current financial debts and derivatives | 5,439 | 5,788 |
| **I** | **CURRENT FINANCIAL DEBT (F+G+H)** | **213,412** | **177,331** |
| **J** | **NET CURRENT FINANCIAL DEBT (I-E-D)** | **19,947** | **61,277** |
| K | Non-current payables to banks | 298,568 | 250,328 |
| L | Bonds issued | 0 | 0 |
| M | Other non-current financial debts and derivatives | 6,843 | 8,884 |
| **N** | **NON-CURRENT FINANCIAL DEBT (K+L+M)** | **305,411** | **259,212** |
| **O** | **NET FINANCIAL DEBT (J+N)** | **325,358** | **320,489** |

The various components that gave rise to the change in net financial position during the current period 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) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Social security payables | 1,261 | 669 |
| Payables to employees | 6,057 | 3,463 |
| Other payables | 1,555 | 821 |
| **Total** | **8,873** | **4,953** |

Payables to employees, social security payables and other payables primarily consisted of the liability for the reporting period associated with the 2013-2015 three-year incentive plan to be settled in 2016.

## 15. Provisions

This item is broken down as follows:

| (euro thousand) | 31.12.2013 | Provisions | Use/Release | Exchange rate fluctuations | 30.06.2014 |
|---|---|---|---|---|---|
| Provisions for contingencies and charges | 5,806 | 2,104 | (598) | 44 | 7,356 |
| Provision for loss replenishment in associate companies | 388 | 50 | 0 | 0 | 438 |
| **Total** | **6,194** | **2,154** | **(598)** | **44** | **7,794** |

Provisions for contingencies and charges totalled €7,356 thousand, including product guarantees, 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. The item Provision for loss replenishment in associate companies, amounting to €438 thousand, includes the provision linked to the evaluation using the equity method of not fully consolidated shareholdings.

## 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 United Kingdom subsidiary AP Racing Ltd. have the benefit of a corporate pension plan (AP Racing Pension Scheme), which is made up of two sections: the first is a defined contribution plan for employees hired after 1 April 2001 and the second is a defined benefit plan for those already in service at 1 April 2001 (and previously covered by the AP Group Pension Fund). The defined benefit plan is funded by employer and employee contributions made to a trustee that is legally separate from the enterprise providing benefits to its employees.

Brembo México S.A. de C.V., Brembo Nanjing Brake Systems Co. Ltd., Brembo Japan Co. Ltd. and Brembo Brake India Pvt. Ltd. offer pension plans to their employees 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 30 June 2014 are shown below:

| (euro thousand) | 31.12.2013 | Provisions | Use/ Release | Interest expense | Exchange rate fluctuations | Actuarial gains (losses) | 30.06.2014 |
|---|---|---|---|---|---|---|---|
| Employees' leaving entitlement | 20,812 | 0 | (802) | 355 | 0 | 1,861 | 22,226 |
| Defined benefit plans and other long-term benefits | 5,081 | 66 | (260) | 127 | 190 | 925 | 6,129 |
| Defined contribution plans | 1,146 | 445 | (671) | 0 | (14) | 0 | 906 |
| **Total** | **27,039** | **511** | **(1,733)** | **482** | **176** | **2,786** | **29,261** |

## 17. Trade Payables

At 30 June 2014, trade payables were as follows:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Trade payables | 326,710 | 287,979 |
| Payables to associates and joint ventures | 11,821 | 13,606 |
| **Total** | **338,531** | **301,585** |

The increase in this item is related to the expansion of the normal operating activities in the period.

## 18. Tax Payables

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

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Tax payables | 15,103 | 4,122 |

## 19. Other Current Payables

Other current payables at 30 June 2014 are shown below:

| (euro thousand) | 30.06.2014 | 31.12.2013 |
|---|---|---|
| Tax payables other than current taxes | 6,496 | 8,014 |
| Social security payables | 12,960 | 13,355 |
| Payables to employees | 34,686 | 31,505 |
| Other payables | 25,960 | 23,987 |
| **Total** | **80,102** | **76,861** |

The item "Other payables" also includes deferred income relating to a public grant received by Brembo Poland Spolka Zo.o. for the construction of the new foundry which is recognised through profit or loss in accordance with the relevant depreciation plan.

# CONSOLIDATED STATEMENT OF INCOME

## 20. Sales of Goods and Services

Breakdown of sales of goods and services was as follows:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| Italy | 129,975 | 110,962 |
| Abroad | 771,722 | 651,829 |
| **Total** | **901,697** | **762,791** |

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

## 21. Other Revenues and Income

These are made up of:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| Miscellaneous recharges | 2,495 | 3,298 |
| Gains on disposal of assets | 228 | 378 |
| Miscellaneous grants | 1,755 | 875 |
| Other revenues | 1,582 | 1,846 |
| **Total** | **6,060** | **6,397** |

## 22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the period, amounting to €5,682 thousand (first half of 2013: €5,527 thousand).

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

The item is broken down as follows:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| Purchase of raw materials, semi-finished and finished products | 426,096 | 352,430 |
| Purchase of consumables | 38,727 | 33,835 |
| **Total** | **464,823** | **386,265** |

## 24. Other Operating Costs

These costs are broken down as follows:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| Transports | 23,336 | 20,918 |
| Maintenance, repairs and utilities | 39,663 | 38,252 |
| Contracted work | 31,077 | 29,420 |
| Rent | 12,500 | 12,737 |
| Other operating costs | 36,532 | 37,271 |
| **Total** | **143,108** | **138,598** |

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

## 25. Personnel Expenses

Breakdown of personnel expenses is as follows:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| Wages and salaries | 116,818 | 105,053 |
| Social security contributions | 28,795 | 26,414 |
| Employees' leaving entitlement and other personnel provisions | 4,978 | 5,918 |
| Other costs | 15,420 | 13,321 |
| **Total** | **166,011** | **150,706** |

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

| | Executives | White-collars | Blue-collars | Total |
|---|---|---|---|---|
| First half of 2014: average | 109 | 2,266 | 5,206 | **7,581** |
| First half of 2013: average | 113 | 2,135 | 4,695 | **6,943** |
| **Changes** | **(4)** | **131** | **511** | **638** |
| Total at 30 June 2014 | 111 | 2,288 | 5,273 | **7,672** |
| Total at 30 June 2013 | 113 | 2,192 | 4,868 | **7,173** |
| **Changes** | **(2)** | **96** | **405** | **499** |

## 26. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| **Amortisation of intangible assets:** | | |
| Development costs | 5,413 | 4,763 |
| Industrial patents and similar rights for original work | 627 | 754 |
| Licences, trademarks and similar rights | 192 | 176 |
| Other intangible assets | 2,436 | 2,743 |
| **Total** | **8,668** | **8,436** |
| **Depreciation of property, plant and equipment:** | | |
| Buildings | 3,921 | 3,402 |
| Leased buildings | 229 | 286 |
| Plant and machinery | 28,592 | 25,152 |
| Leased plant and machinery | 428 | 785 |
| Industrial and commercial equipment | 4,414 | 4,083 |
| Leased industrial and commercial equipment | 2 | 2 |
| Other property, plant and equipment | 1,141 | 1,199 |
| Other leased property, plant and equipment | 22 | 12 |
| **Total** | **38,749** | **34,921** |
| **Impairment losses:** | | |
| Property, plant and equipment | 22 | 7 |
| Intangible assets | 1,184 | 334 |
| **Total** | **1,206** | **341** |
| **TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES** | **48,623** | **43,698** |

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

## 27. Net Interest Income (Expense)

This item is broken down as follows:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| Exchange rate gains | 16,483 | 13,578 |
| Interest income from employee's leaving entitlement and other personnel provisions | 541 | 450 |
| Interest income | 2,358 | 1,188 |
| **Total interest income** | **19,382** | **15,216** |
| Exchange rate losses | (17,156) | (14,401) |
| Interest expense from employees' leaving entitlement and other personnel provisions | (1,023) | (917) |
| Interest expense | (7,691) | (7,650) |
| **Total interest expense** | **(25,870)** | **(22,968)** |
| **TOTAL NET INTEREST INCOME (EXPENSE)** | **(6,488)** | **(7,752)** |

"Interest income (expense)" also includes the effect of an adjustment to the estimate of the amount due in relation to the put option on 35% of Brembo Sabelt S.p.A., granted to the minority shareholders under the agreements in force. Total net interest income amounted to €965 thousand (in the fist half of 2013, total net interest expense was €343 thousand).

## 28. Interest Income (Expense) from Investments

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

## 29. Taxes

This item is broken down as follows:

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| Current taxes | 26,293 | 11,034 |
| Deferred tax assets and liabilities | (3,470) | (6,238) |
| Estimated tax payables and taxes from previous years | 264 | (589) |
| **Total** | **23,087** | **4,207** |

## 30. Earnings per Share

Basic earnings per share were €0.98 at 30 June 2014 (June 2013: €0.66), and were calculated dividing the net result for the year attributable to holders of ordinary equity instruments of the Parent Company by the weighted average number of ordinary shares outstanding in the first half of 2014, amounting to 65,231,002 (first half 2013: 65,231,002). The weighted average did not change since no share capital transactions took place during the reporting period. Diluted earnings per share are identical to basic earnings per share inasmuch as no diluting transactions were undertaken.

## 31. Related Parties

The Group carries out transactions with parent companies, subsidiaries, associate companies, joint ventures, directors, key management personnel and other related parties. The Parent Company 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 Company in the first half of 2014, 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 other Group companies and additional information required is reported below:

| | 30.06.2014 | | 30.06.2013 | |
|---|---|---|---|---|
| (euro thousand) | Directors | Auditors | Directors | Auditors |
| Emoluments for the office held | 1,013 | 101 | 965 | 98 |
| Participation in committees and specific tasks | 0 | 0 | 50 | 0 |
| Salaries and other incentives | 2,658 | 0 | 1,811 | 0 |

The item “Salaries and other incentives” includes the estimate of the cost of the 2013-15 plan accrued in the reporting period, compensation paid as salaries for the function of employee and provisions for bonuses still to be paid.

The following table contains a summary of related party transactions as they regard to balances of the Statement of Financial Position and Statement of Income:

| (euro thousand) | 30.06.2014 | | | | | | 31.12.2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | RELATED PARTIES | | | | | | RELATED PARTIES | | | | |
| **a) Weight of transactions or positions with related parties on items of the Statement of Financial Position** | **Carrying value** | **Total** | **Minority interests** | **Joint ventures** | **Unconsolidated investee companies** | **%** | **Carrying value** | **Total** | **Minority interests** | **Joint ventures** | **Unconsolidated investee companies** | **%** |
| Trade receivables | 303,740 | 3,415 | 1,843 | 1,524 | 48 | *1.1%* | 251,525 | 3,147 | 1,035 | 1,933 | 179 | *1.3%* |
| Other receivables and current assets | 41,636 | 20 | 20 | 0 | 0 | *0.0%* | 42,854 | 0 | 0 | 0 | 0 | *0.0%* |
| Current financial assets and derivatives | 9,795 | 9,360 | 0 | 0 | 9,360 | *95.6%* | 9,962 | 9,233 | 0 | 0 | 9,233 | *92.7%* |
| Cash and cash equivalents | 183,670 | 74,507 | 74,507 | 0 | 0 | *40.6%* | 106,092 | 31,818 | 31,818 | 0 | 0 | *30.0%* |
| Non-current payables to banks | (298,568) | (25,447) | (25,447) | 0 | 0 | *8.5%* | (250,328) | (19,385) | (19,385) | 0 | 0 | *7.7%* |
| Other non-current liabilities | (8,873) | (3,514) | (3,514) | 0 | 0 | *39.6%* | (4,953) | (1,844) | (1,844) | 0 | 0 | *37.2%* |
| Provisions for employee benefits | (29,261) | (5,199) | (5,199) | 0 | 0 | *17.8%* | (27,039) | (4,236) | (4,236) | 0 | 0 | *15.7%* |
| Current payables to banks | (207,973) | (28,093) | (28,093) | 0 | 0 | *13.5%* | (171,543) | (41,248) | (41,248) | 0 | 0 | *24.0%* |
| Trade payables | (338,531) | (13,037) | (1,216) | (11,411) | (410) | *3.9%* | (301,585) | (15,693) | (2,086) | (13,136) | (471) | *5.2%* |
| Other current payables | (80,102) | (1,538) | (1,411) | (127) | 0 | *1.9%* | (76,861) | (1,869) | (1,742) | (127) | 0 | *2.4%* |

| | 30.06.2014 | | | | | | 30.06.2013 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | RELATED PARTIES | | | | | | RELATED PARTIES | | | | |
| **b) Weight of transactions or positions with related parties on items of the Statement of Income** | **Carrying value** | **Total** | **Minority interests** | **Joint ventures** | **Unconsolidated investee companies** | **%** | **Carrying value** | **Total** | **Minority interests** | **Joint ventures** | **Unconsolidated investee companies** | **%** |
| Sales of goods and services | 901,697 | 2,703 | 2,533 | 164 | 6 | *0.3%* | 762,791 | 28,871 | 28,632 | 216 | 23 | *3.8%* |
| Other revenues and income | 6,060 | 1,617 | 2 | 1,547 | 68 | *26.7%* | 6,397 | 1,699 | 2 | 1,607 | 90 | *26.6%* |
| Raw materials, consumables and goods | (464,823) | (32,662) | (22) | (32,440) | (200) | *7.0%* | (386,265) | (15,297) | (9) | (15,101) | (187) | *4.0%* |
| Other operating costs | (143,108) | (3,279) | (2,906) | (23) | (350) | *2.3%* | (138,598) | (2,791) | (2,446) | 0 | (345) | *2.0%* |
| Personnel expenses | (166,011) | (2,584) | (2,584) | 0 | 0 | *1.6%* | (150,706) | (2,090) | (2,090) | 0 | 0 | *1.4%* |
| Net interest income (expense) | (6,488) | (418) | (544) | (1) | 127 | *6.4%* | (7,752) | (848) | (967) | (1) | 120 | *10.9%* |

Sales of products, supply of services and 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, notwithstanding 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 Chinese Renmimbi, 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.

## 32. Segment Report

The Group identified the following reportable operating segments based on the qualitative and quantitative criteria specified in the related standard:

- Discs — systems and motorbikes;
- After Market and Performance Group.

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

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in the first half of 2014 accounting for over 10% of consolidated net revenues. None of the single car manufacturers comprising such groups exceeded this limit.

The following table shows segment information on sales of goods and services and results at 30 June 2014 and 30 June 2013:

| | Total | | Discs/Systems/Motorbikes | | After Market / Performance Group | | Interdivision | | Non-segment data | |
|---|---|---|---|---|---|---|---|---|---|---|
| (euro thousand) | 30.06.2014 | 30.06.2013 | 30.06.2014 | 30.06.2013 | 30.06.2014 | 30.06.2013 | 30.06.2014 | 30.06.2013 | 30.06.2014 | 30.06.2013 |
| Sales | 907,740 | 768,760 | 764,903 | 647,438 | 147,813 | 137,235 | (1,510) | (3,532) | (3,466) | (12,381) |
| Allowances and discounts | (10,623) | (8,291) | (3,037) | (1,886) | (7,554) | (6,404) | 0 | 0 | (32) | (1) |
| **Net sales** | **897,117** | **760,469** | **761,866** | **645,552** | **140,259** | **130,831** | **(1,510)** | **(3,532)** | **(3,498)** | **(12,382)** |
| Transport costs | 9,054 | 9,622 | 7,136 | 7,450 | 1,918 | 2,172 | 0 | 0 | 0 | 0 |
| Variable production costs | 594,269 | 503,995 | 512,095 | 436,888 | 85,289 | 83,058 | (1,510) | (3,532) | (1,605) | (12,419) |
| **Contribution margin** | **293,794** | **246,852** | **242,635** | **201,214** | **53,052** | **45,601** | **0** | **0** | **(1,893)** | **37** |
| Fixed production costs | 117,303 | 108,092 | 105,927 | 97,504 | 10,502 | 10,347 | (3) | (3) | 877 | 244 |
| **Production gross operating income** | **176,491** | **138,760** | **136,708** | **103,710** | **42,550** | **35,254** | **3** | **3** | **(2,770)** | **(207)** |
| BU personnel costs | 54,818 | 52,640 | 33,073 | 32,441 | 18,959 | 17,578 | 0 | 0 | 2,786 | 2,621 |
| **BU gross operating income** | **121,673** | **86,120** | **103,635** | **71,269** | **23,591** | **17,676** | **3** | **3** | **(5,556)** | **(2,828)** |
| Costs for Central Functions | 35,189 | 32,697 | 24,076 | 22,068 | 5,683 | 5,797 | 0 | 0 | 5,430 | 4,832 |
| **Operating income (loss)** | **86,484** | **53,423** | **79,559** | **49,201** | **17,908** | **11,879** | **3** | **3** | **(10,986)** | **(7,660)** |
| Extraordinary costs and revenues | 509 | 222 | 0 | 0 | 0 | 0 | 0 | 0 | 509 | 222 |
| Financial costs and revenues | (7,027) | (8,664) | 0 | 0 | 0 | 0 | 0 | 0 | (7,027) | (8,664) |
| Income and charges from shareholdings | 2,571 | (761) | 0 | 0 | 0 | 0 | 0 | 0 | 2,571 | (761) |
| Non-operating costs and revenues | 4,445 | 2,736 | 0 | 0 | 0 | 0 | 0 | 0 | 4,445 | 2,736 |
| **Result before taxes** | **86,982** | **46,956** | **79,559** | **49,201** | **17,908** | **11,879** | **3** | **3** | **(10,488)** | **(14,127)** |
| Taxes | (23,087) | (4,207) | 0 | 0 | 0 | 0 | 0 | 0 | (23,087) | (4,207) |
| **Result before minority interests** | **63,895** | **42,749** | **79,559** | **49,201** | **17,908** | **11,879** | **3** | **3** | **(33,575)** | **(18,334)** |
| Minority interests | 109 | 487 | 0 | 0 | 0 | 0 | 0 | 0 | 109 | 487 |
| **Net result** | **64,004** | **43,236** | **79,559** | **49,201** | **17,908** | **11,879** | **3** | **3** | **(33,466)** | **(17,847)** |

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

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| **SALES OF GOODS AND SERVICES** | **901,697** | **762,791** |
| Scrap sales (in the segment report they are subtracted from "Variable production costs") | (7,217) | (6,900) |
| Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income") | 82 | 100 |
| Effect of adjustment of transactions among consolidated companies | 1,614 | 1,763 |
| Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income") | 1,019 | 2,346 |
| Other | (78) | 369 |
| **NET SALES** | **897,117** | **760,469** |

| (euro thousand) | 30.06.2014 | 30.06.2013 |
|---|---|---|
| **NET OPERATING INCOME** | **90,874** | **55,448** |
| Differences in preparation criteria of internal and statutory reports | (3,953) | (2,823) |
| Claim compensation and subsidies | (1,011) | (143) |
| Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues") | (102) | (138) |
| Different classification of the provision for receivable write-downs (in the segment report it is included in "Non-operating costs and revenues") | 27 | 16 |
| Different classification of the provision for inventory write-downs (in the segment report it is included in "Non-operating costs and revenues") | 16 | 16 |
| Different classification of banking expenses (in the segment report it is included in "Financial costs and revenues") | 562 | 933 |
| Other | 71 | 114 |
| **OPERATING RESULT** | **86,484** | **53,423** |

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

Statement of Financial Position data at 30 June 2014 and 31 December 2013 are provided in the tables below:

| | Total | | Discs/Systems/ Motorbikes | | After Market/ Performance Group | | Interdivision | | Non-segment data | |
|---|---|---|---|---|---|---|---|---|---|---|
| (euro thousand) | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 | 30.06.2014 | 31.12.2013 |
| Property, plant and equipment | 516,389 | 503,142 | 469,217 | 459,383 | 41,771 | 40,440 | 19 | 17 | 5,382 | 3,302 |
| Intangible assets | 55,754 | 55,063 | 31,206 | 31,750 | 17,621 | 17,183 | 0 | 0 | 6,927 | 6,130 |
| Financial assets and other non-current assets/liabilities | 70,422 | 69,841 | 516 | 515 | 0 | 0 | 3,267 | 1,064 | 66,639 | 68,262 |
| **(a) Total fixed assets** | **642,565** | **628,046** | **500,939** | **491,648** | **59,392** | **57,623** | **3,286** | **1,081** | **78,948** | **77,694** |
| Inventories | 234,786 | 208,920 | 159,745 | 138,063 | 77,142 | 73,399 | (101) | (101) | (2,000) | (2,441) |
| Current assets | 355,246 | 286,809 | 270,123 | 222,186 | 62,311 | 49,382 | (31,815) | (31,983) | 54,627 | 47,224 |
| Current liabilities | (442,960) | (374,727) | (355,316) | (308,391) | (52,899) | (49,321) | 31,815 | 31,983 | (66,560) | (48,998) |
| Provisions for contingencies and charges and other provisions | (5,455) | (5,457) | 0 | 0 | 0 | 0 | 0 | 0 | (5,455) | (5,457) |
| **(b) Net working capital** | **141,617** | **115,545** | **74,552** | **51,858** | **86,554** | **73,460** | **(101)** | **(101)** | **(19,388)** | **(9,672)** |
| **NET OPERATING INVESTED CAPITAL (a+b)** | **784,182** | **743,591** | **575,491** | **543,506** | **145,946** | **131,083** | **3,185** | **980** | **59,560** | **68,022** |
| IAS adjustments | 32,655 | 33,144 | 32 | 32 | 3,801 | 3,947 | 0 | 0 | 28,822 | 29,165 |
| **NET INVESTED CAPITAL** | **816,837** | **776,735** | **575,523** | **543,538** | **149,747** | **135,030** | **3,185** | **980** | **88,382** | **97,187** |
| Group equity | 457,093 | 424,350 | 0 | 0 | 0 | 0 | 0 | 0 | 457,093 | 424,350 |
| Minority interests | 5,125 | 4,857 | 0 | 0 | 0 | 0 | 0 | 0 | 5,125 | 4,857 |
| **(d) Equity** | **462,218** | **429,207** | **0** | **0** | **0** | **0** | **0** | **0** | **462,218** | **429,207** |
| **(e) Provisions for employee benefits** | **29,261** | **27,039** | **0** | **0** | **0** | **0** | **0** | **0** | **29,261** | **27,039** |
| Medium/long-term financial debts | 305,411 | 259,212 | 0 | 0 | 0 | 0 | 0 | 0 | 305,411 | 259,212 |
| Short-term financial debt | 19,947 | 61,277 | 0 | 0 | 0 | 0 | 0 | 0 | 19,947 | 61,277 |
| **(f) Net financial debt** | **325,358** | **320,489** | **0** | **0** | **0** | **0** | **0** | **0** | **325,358** | **320,489** |
| **(g) COVERAGE (d+e+f)** | **816,837** | **776,735** | **0** | **0** | **0** | **0** | **0** | **0** | **816,837** | **776,735** |

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.

## 33. Information About the Group

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

### List of Companies Consolidated on a Line-by-line Basis

| 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 Spolka Zo.o. | Czestochowa | Poland | Pln | 15,279,546 | 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 | 129,600,000 | 100% | Brembo S.p.A. |
| Brembo Scandinavia A.B. | Göteborg | Sweden | Sek | 4,500,000 | 100% | Brembo S.p.A. |
| Brembo China Brake Systems Co. Ltd. | Beijing | China | Cny | 125,333,701 | 100% | Brembo S.p.A. |
| Brembo Nanjing Brake Systems Co. Ltd. | Nanjing | China | Cny | 146,446,679 | 100% | Brembo S.p.A. |
| Brembo Brake India Pvt. Ltd. | Pune | India | Inr | 140,000,000 | 99.99% | Brembo S.p.A. |
| Brembo Argentina S.A. | Buenos Aires | Argentina | Ars | 69,918,500 | 97.76% | Brembo S.p.A. |
| | | | | | 2.24% | 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 do Brasil Ltda. | Betim | Brazil | Brl | 28,441,451 | 99.99% | Brembo S.p.A. |
| Corporación Upwards 98 S.A. | Zaragoza | Spain | Eur | 498,043 | 68% | Brembo S.p.A. |
| Sabelt S.p.A. | Turin | Italy | Eur | 1,000,000 | 65% | Brembo S.p.A. |
| Belt & Buckle S.r.o. | Zilina | Slovak Republic | Eur | 265,551 | 100% | Sabelt S.p.A. |

### List of Companies Valued Using the Equity Method

| COMPANY | HEADQUARTERS | | SHARE CAPITAL | | STAKE HELD BY GROUP COMPANIES | |
|---|---|---|---|---|---|---|
| Brembo SGL Carbon Ceramic Brakes S.p.A. | Stezzano (Bergamo) | Italy | Eur | 4,000,000 | 50% | Brembo S.p.A. |
| Innova Tecnologie S.r.l. | Almenno S. Bartolomeo (Bergamo) | Italy | Eur | 100,000 | 30% | 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. |

## 34. Commitments

The Group had no commitments at the closing date of the first half of 2014.

## 35. Position or Transactions from Atypical and/or Unusual Operations

Pursuant to Consob Notice No. 6064293 dated 28 July 2006, it is hereby specified that during the first half of 2014 the company has not carried out any atypical and/or unusual transactions, as defined by the said Notice.

## 36. Significant Events After 30 June 2014

On 23 July 2014, Brembo announced the start of construction of a cast-iron foundry in Michigan, in an area adjacent to the new Homer plants, marking the launch of the vertical integration process for its production capacity in the United States as well. Works will begin in 2015 and are expected to be completed in 2017. As a result all production phases will take place in a single site, thus establishing a more efficient production process. The investment programme, amounting to €74 million, will be funded through Group cash generation and will benefit the incentives granted by the State of Michigan.
The building of an integrated hub in Michigan confirms and strengthens the company's interest towards the North American market, which has recorded a very strong increase over the past five years and is now about to become Brembo's main market of reference by the end of 2014.

*Stezzano, 31 July 2014*

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

EY
Building a better working world

Reconta Ernst & Young S.p.A.
Viale Papa Giovanni XXIII, 48
24121 Bergamo

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

**Auditors' review report on the condensed consolidated six monthly financial statements**
*(Translation from the original Italian text)*

To the Shareholders of
Brembo S.p.A.

1. We have reviewed the condensed consolidated six monthly financial statements, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the related explanatory notes, of Brembo S.p.A. and its subsidiaries (the "Brembo Group") as of June 30, 2014. Management of Brembo S.p.A. is responsible for the preparation of the condensed consolidated six monthly financial statements in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the condensed consolidated six monthly financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the condensed consolidated six monthly financial statements as we expressed on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and the condensed consolidated six monthly financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued on March 24, 2014 and on July 31, 2013, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated six monthly financial statements of Brembo Group as of June 30, 2014 are not prepared, in all material respects, in conformity with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bergamo, July 31, 2014

Reconta Ernst & Young 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 Condensed Six Monthly Financial Statements Pursuant to Article 81-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, Alberto Bombassei, in his capacity as Chairman, and Matteo Tiraboschi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the Condensed Six Monthly Financial Statements for the period from 1 January 2014 to 30 June 2014:
   - are appropriate in relation to the company features; and
   - have been consistently applied.
2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the Condensed Six Monthly Financial Statements at 30 June 2014 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.
3. The undersigned further declare that:

   3.1 the Condensed Six Monthly Financial Statements:

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

   b) reflect the accounting books and records; and

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

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

   Furthermore, the interim Report on Operations contains a reliable analysis of significant related party transactions.

*Stezzano, 31 July 2014*

Alberto Bombassei
Chairman

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

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

BREMBO S.p.A.
Headquarters c/o Kilometro Rosso Science and Technology Park
Viale Europa, 2 - 24040 Stezzano (BG) Italy
Tel. +39 035 605.2111 - www.brembo.com
E-mail: press@brembo.it - ir@brembo.it

**Editorial consulting by** C·Consulting snc (Milan)
**Graphic Design by** Briefing snc (Milan)
**Typeset by** Secograf (Milan)
**Translated by** Koinè (Trieste)