



**SIX
MONTHLY
REPORT
2020**



Human beings
come first.
With their **need**
to express and
realise themselves.
And to reach their
full **potential**.





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Company Officers

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 23 April 2020 confirmed the number of Board members at 11 and appointed the Board of Directors for the three-year period 2020-2022, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.

Composition of the Board of Directors, Board Committees and Main Governance Functions at the Date of Approval of the Six Monthly Financial Report 2020 (29 July 2020)

Board of Directors

Chairman	Alberto Bombassei ⁽¹⁾ ⁽⁸⁾
Executive Deputy Chairman	Matteo Tiraboschi ⁽²⁾ ⁽⁸⁾
Chief Executive Officer	Daniele Schillaci ⁽³⁾ ⁽⁸⁾
Directors	Valerio Battista ⁽⁴⁾ ⁽⁹⁾
	Cristina Bombassei ⁽⁵⁾ ⁽⁸⁾
	Laura Cioli ⁽⁴⁾
	Nicoletta Giadrossi ⁽⁴⁾ ⁽⁶⁾
	Elisabetta Magistretti ⁽⁴⁾
	Umberto Nicodano ⁽⁷⁾
	Elizabeth M. Robinson ⁽⁴⁾
	Gianfelice Rocca ⁽⁴⁾

Board of Statutory Auditors ⁽¹⁰⁾

Chairwoman	Raffaella Pagani ⁽⁶⁾
Acting Auditors	Mario Tagliaferri
	Paola Tagliavini
Alternate Auditors	Myriam Amato ⁽⁶⁾
	Stefania Serina



Independent AuditorsEY S.p.A.⁽¹¹⁾**Manager in Charge of
the Company's Financial Reports**Andrea Pazzi⁽¹²⁾**Committees****Audit, Risk & Sustainability Committee**⁽¹³⁾

Laura Cioli **(Chairwoman)**
 Nicoletta Giadrossi
 Elisabetta Magistretti

Remuneration & Appointments Committee

Nicoletta Giadrossi **(Chairwoman)**
 Laura Cioli
 Elizabeth M. Robinson

Supervisory Committee

Giovanni Canavotto **(Chairman)**⁽¹⁴⁾
 Elisabetta Magistretti
 Alessandra Ramorino⁽¹⁵⁾

- (1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
- (2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
- (3) The Board of Directors granted the Chief Executive Officer, Daniele Schillaci, special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.
- (4) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of TUF (as required by Articles 147-ter, paragraph 4, and 147-quater of TUF) and Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A. and the Corporate Governance Code of Brembo S.p.A. (Article 3.C.1).
- (5) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System, as well as of Chief CSR Officer.

- (6) Director/Statutory Auditor elected from a minority list.
- (7) Non-executive Director.
- (8) Executive Directors.
- (9) This Director also holds the position of Lead Independent Director.
- (10) This Board holds the role of Internal Control & Audit Committee pursuant to Article 19 of Legislative Decree No. 39/2010.
- (11) The General Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.
- (12) Appointed by the Board of Directors on 23 April 2020 pursuant to Article 27-bis of the By-laws. The appointment remains valid until the expiry of the current Board of Directors' term of office, i.e., until the General Shareholders' Meeting approving the Financial Statements for the year ending 31 December 2022.
- (13) This Committee also acts as the Related Party Transactions Committee.
- (14) External Advisor.
- (15) Chief Internal Audit Officer.

Brembo S.p.A.

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

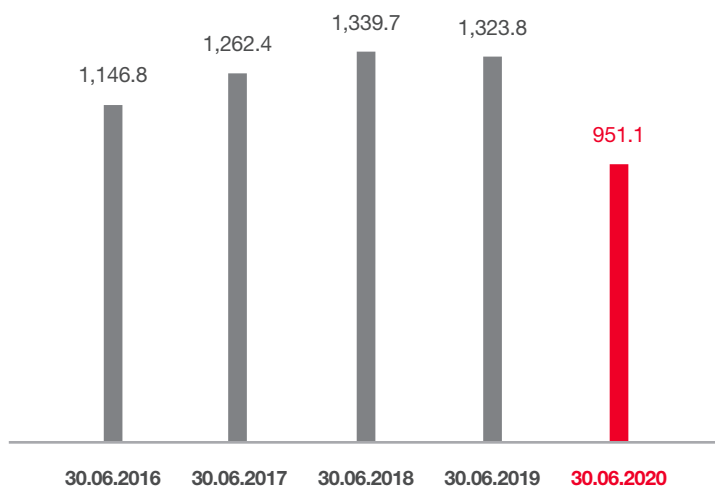




Summary of Group Results

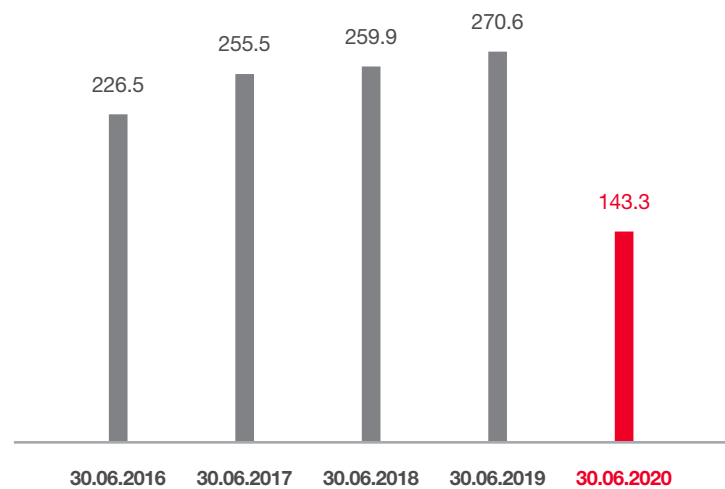
Revenue from contracts with customers

(euro million)



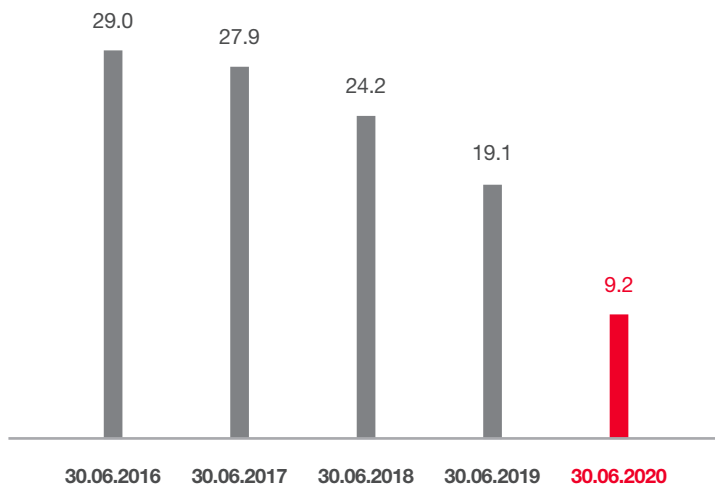
Gross operating income

(euro million)



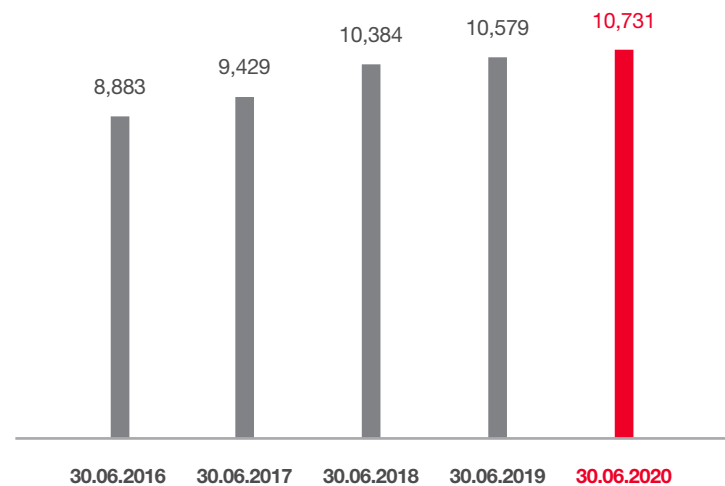
ROI

(percentage)



Personnel at end of period

(No.)



Economic results

(euro thousand)	30.06.2016	30.06.2017	30.06.2018	30.06.2019	30.06.2020	% 2020/2019
Revenue from contracts with customers	1,146,838	1,262,448	1,339,687	1,323,840	951,113	-28.2%
Gross operating income	226,501	255,528	259,880	270,582	143,291	-47.0%
% on revenue from contracts with customers	19.8%	20.2%	19.4%	20.4%	15.1%	
Net operating income	173,339	189,497	186,105	174,455	38,791	-77.8%
% on revenue from contracts with customers	15.1%	15.0%	13.9%	13.2%	4.1%	
Result before taxes	166,018	186,477	180,609	167,875	24,678	-85.3%
% on revenue from contracts with customers	14.5%	14.8%	13.5%	12.7%	2.6%	
Net result for the period	127,079	136,688	140,113	123,448	19,958	-83.8%
% on revenue from contracts with customers	11.1%	10.8%	10.5%	9.3%	2.1%	

Financial results

(euro thousand)	30.06.2016	30.06.2017	30.06.2018	30.06.2019	30.06.2020	% 2020/2019
Net invested capital	1,046,967	1,232,875	1,415,082	1,743,190	1,994,850	14.4%
Equity	756,064	943,055	1,124,531	1,288,478	1,373,132	6.6%
Net financial debt	259,432	259,697	263,050	434,477	597,499	37.5%

Personnel and investments

(euro thousand)	30.06.2016	30.06.2017	30.06.2018	30.06.2019	30.06.2020	% 2020/2019
Personnel at end of period (No.)	8,883	9,429	10,384	10,579	10,731	1.4%
Turnover per employee	129.1	133.9	129.0	125.1	88.6	-29.2%
Net investments	113,210	161,496	120,829	101,860	73,374	-28.0%

Main ratios

	30.06.2016	30.06.2017	30.06.2018	30.06.2019	30.06.2020	
Net operating income/ Revenue from contracts with customers	15.1%	15.0%	13.9%	13.2%	4.1%	
Income before taxes/ Revenue from contracts with customers	14.5%	14.8%	13.5%	12.7%	2.6%	
Net investments/Revenue from contracts with customers	9.9%	12.8%	9.0%	7.7%	7.7%	
Net financial debt/Equity	34.3%	27.5%	23.4%	33.7%	43.5%	
Adjusted net interest expense(*)/Revenue from contracts with customers	0.4%	0.3%	0.3%	0.6%	0.7%	
Adjusted net interest expense (*)/Net operating income	2.6%	2.3%	2.4%	4.4%	17.0%	
ROI	29.0%	27.9%	24.2%	19.1%	9.2%	
ROE	29.5%	26.9%	24.2%	17.9%	9.4%	

Notes:

ROI: Net operating income (rolling 12 months)/Net invested capital

ROE: Net income (loss) before minority interests (rolling 12 months) (net of Result from discontinued operations)/Equity.

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





Directors' Report on Operations

This is the true **challenge**: aiming for **objectives** that just yesterday were inconceivable, in **harmony** with humankind and the **environment**.





Brembo and the Market

Macroeconomic Context

In order to properly assess Brembo's performance for the first half of 2020, as well as its outlook for the future, an analysis of the worldwide macroeconomic scenario is given here below, with particular reference to the markets in which the Group operates.

The current environment necessitates particular caution in conducting analyses and preparing forecasts, including in light of the most recent estimates published by the IMF (International Monetary Fund), which revised downwards its economic growth estimates for 2020, while also announcing that the recovery next year would be even slower than initially predicted. A stronger impact than foreseen and a slower recovery than expected: these were the lines along which the IMF updated its global economic forecast during the Covid-19 pandemic, which continues to create uncertainty amongst businesses at the international level. The IMF observed that voluntary social distancing and heightened workplace safety standards continued to have an adverse impact on the recovery of economic activity even after businesses reopened. In the event of a second wave of the disease, the timing of this recovery would be pushed back into 2021.

As regards the **global economy**, the IMF forecasts a 4.9% decline in GDP (Gross Domestic Product) in 2020, 1.9 percentage points below the estimates published in April — a figure that is obviously marked by the utmost uncertainty. IMF's Chief Economist Gita Gopinath stated: "We are now projecting a deeper recession in 2020 and a slower recovery in 2021" compared to the April forecasts. In 2021, global GDP is expected to grow by 5.4% (compared to the 5.8% forecast in April). In 2021, GDP would thus be approximately 6.5 percentage points lower than the January 2020 forecasts, before the pandemic. Global trade will contract by nearly 12%. The world's main developed economies will be most severely affected in 2020, with the United States forecast to contract by 8%, whereas the Eurozone is expected to decline by 10.2%. In both cases, the growth rates are down by 2 percentage points compared to the April estimates. A negative outlook for

2020 is also in store for the economies of Latin America, where Covid-19 transmission is on the rise, with Brazil's economy set to shed 9.1%, Mexico's 10.5% and Argentina's 9.9%. China — where businesses began to reopen earlier and case numbers were very low — was the only major global economy for which growth is forecast in 2020, now estimated at 1.0% compared to the 1.2% forecast in April.

The **Eurozone's** economy is expected to decline by 10.2% in 2020, followed by a 6.0% bounce back in 2021. According to the IMF's updated estimates, the German economy will contract by 7.8% this year to then expand by 5.4% in 2021. The Fund expects that France's GDP will fall by 12.5% in 2020 and grow by 7.3% in 2021, whereas Spain is forecast to decrease by 12.8% and then expand by 6.3% in 2021. In the United Kingdom, which is out of the EU and at grips with Brexit, the decline will exceed 10.0%. However, there seem to be some positive signs from the Eurozone's economy: the indications provided by the PMI (Purchasing Managers Index), which measures the opinions of purchasing managers at major companies within the area, support confidence in a recovery in the third quarter of 2020. "While second quarter GDP of the Eurozone is still likely to have dropped at an unprecedented rate, the rise in the PMI adds to expectations that the lifting of restrictions will help bring the downturn to an end," commented Chris Williamson, Chief Business Economist at IHS Markit, "although it will likely take up to three years before the Eurozone regains its pre-pandemic level of GDP."

Unfortunately, the worst estimates are those for **Italy**, where GDP is expected to decline by 12.8% in 2020, an additional 3.7 percentage points beyond the previous estimate of



-9.1%. Growth in 2021 has been revised upwards to +6.3%, 1.5 percentage points higher than forecast in April. The consequences of the coronavirus are also being felt at the level of government debt and the deficit for the current year. From 134.8% in 2019, debt is expected to rise to 166.1% of GDP in 2020, to then decline to 161.9% in 2021. According to an analysis by the Confindustria Research Centre, in April industrial production decreased by 19.1% (-28.4% in March), with sharp declines in automotive, textiles/apparel, rubber/plastic and transport.

Turning to the **American situation**, in 2020 the GDP of the United States — the country most severely affected by the pandemic — will decline by 8%, to then expand by 4.5% in 2021. This is the picture painted by the WEO (World Economic Outlook) published by the IMF. Compared to the April forecasts, the 2020 figure has been revised downwards by 2.1 percentage points, whereas the 2021 figure has been revised downwards by 0.2 percentage points. The Federal Reserve, the U.S. central bank, which has also decided to keep rates unchanged until the end of 2022 to contain the economic shock caused by the Covid-19 pandemic and to aid the recovery, has released negative GDP estimates: -6.5% in 2020, followed by a bounce back of 5% in 2021 and of 3.5% in 2022. The job market will also be considerably affected by the negative situation caused by the pandemic: the unemployment

rate will climb to 9.3% in 2020, to then fall to 6.5% in 2021 and then further to 5.5% in 2022.

The economy of the BRICS (Brazil, Russia, India and China) has been very severely affected by the current situation. **Brazil** will see its economy contract by 9.1% in 2020, with a recovery of 3.6% in 2021. **India**, where transmission continues to increase, will see its GDP decline by 4.5%, whereas the decline in **Russia** is expected to amount to 6.6%. Within this scenario, **China** is the exception: in April it began to end its lockdown, and the IMF continues to forecast that it will achieve overall growth in 2020, although it will only reach 1.0%, its lowest level since the 70s. The growth rate will increase robustly in 2021 (to over 8.0%) — naturally assuming that the risk of a second wave of Covid-19 transmission is avoided.

According to the IMF, Japan's economy will limit its losses to 5.8%, although the recovery in 2021 will be smaller (+2.4%). The slower recovery was immediately reflected in oil prices: the IMF, in its update to the WEO published in June, sets the estimate of the arithmetic average of the prices of the three qualities of oil, Brent, Dubai and WTI (West Texas Intermediate), at 36.18 dollars a barrel for the end of 2020 and 37.54 dollars a barrel for the end of 2021, up from a low of 19 dollars a barrel in April. This indicates a recovery, albeit still of a very partial extent, in the demand for oil at the international level, following the sharp decline due to the epidemic.

Currency Markets

In the first half of 2020, the world's main currencies were affected by the impact of the Covid-19 pandemic on the major global economies. Currencies experienced severe volatility, due in part to the measures taken by the main central banks in response to the health and economic emergency.

The **U.S dollar** began by appreciating sharply against the single currency until mid-February, to then reverse course completely and depreciate to its highest rate for the period of 1.1456 (9 March). The U.S. currency then entered a phase of rapid appreciation, driving the rate down to the low for the first six months of 1.0707 (20 March), followed by a lateral phase. It ended the half-year with further abrupt depreciation to 1.1198, above the average half-yearly rate of 1.1015.

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level, the **pound sterling** opened the period in a lateral phase at around 0.85, to then appreciate to its low for the period of 0.8299 (18 February). The currency then abruptly reversed course to reach a high for the period of 0.9299 (19 March), and then appreciated again, returning to around the average for the period of 0.8743 and closing at 0.9124.

The **Polish zloty** began the first half of 2020 by appreciating slightly, reaching a low rate for the period of 4.2219 (14 January). After a brief lateral phase, the currency then depreciated sharply, reaching a high of 4.6146 (24 March). The currency then moved in a lateral channel of 4.50-4.60 to then appreciate around mid-





May to values equal to the period average of 4.4136, a channel that was maintained until period-end at 4.4560.

The **Czech koruna** began the first half of 2020 by appreciating slightly, reaching a low for the period of 24.7930 on 17 February. This was followed by a sharp depreciation that drove the rate up to the high for the period of 27.8080 (24 March). After a volatile phase in the channel 27-27.50, the koruna appreciated around mid-May, climbing above the average for the period of 26.3421 to end the half-year at 26.7400.

The **Swedish krona** began the first half of 2020 in a lateral channel between 10.50 and 10.70 to then undergo sharp, constant depreciation, reaching a high of 11.1523 (19 March). It then appreciated sharply and steadily, reaching the low for the period of 10.3978 (8 June). The currency began to depreciate slightly near the end of the half-year. At the end of the period, the currency stood at 10.4948, below the half-yearly average rate (10.6610).

In the East, the **Japanese yen** began the period by depreciating slightly to around 123, after which it reversed course consistently, despite severe volatility, reaching the low for the period of 114.6500 (6 May). The currency then depreciated sharply, reaching its high for the period of 123.7700 on 5 June. At the end of the period, the currency again appreciated sharply to 120.6600, above the half-yearly average rate (119.2072).

The **Chinese yuan/renminbi** began the first half of 2020 by appreciating to around 7.60 to then reach a low for the period of 7.5538 (19 February). The currency then depreciated sharply, bringing it to around 8, to then once again reverse course around mid-March. After the ensuing lateral phase, around mid-May, the renminbi depreciated sharply, reaching a high for the period of 8.0349 (5 June). At the end of the period, the currency appreciated slightly to 7.9219, far above the half-yearly average rate (7.7481).

The **Indian rupee** began the half-year by appreciating constantly and uninterruptedly, driving the rate down to a low for the period of 77.2345 on 19 February. The rupee

then entered a period of depreciation, with the rate rising to over 85, to then appreciate once again around early March. After a lateral phase that lasted until mid-May, the currency depreciated further, reaching the high for the period of 86.0570 (11 June). There was slight appreciation in the final phase of the half-year to close at 84.6235, above the average rate for the period of 81.6766.

In the Americas, the **Brazilian real** began the reporting period at the low for the half-year of 4.4870. A long, constant period of depreciation then began, bringing the rate to a high for the period of 6.3925 on 14 May. The currency then entered a period of sharp appreciation around early June, to close the half-year, after further depreciation, at 6.1118, above the half-yearly average of 5.4169.

The **Mexican peso** opened the period at around 21, to then fluctuate laterally. It ended the period appreciating slightly, reaching its low for the half year of 20.0690 on 19 February. The currency then depreciated decisively, reaching its high for the half year of 27.0896 on 6 April. The peso then moved in a lateral channel, with slight appreciation around mid-May, to close the period with further depreciation to 25.9470, far above the average rate for the half-year of 23.8571.

The **Argentine peso** began the half-year with a lateral phase that led it to reach a low for the period of 66.1395 on 28 January. It then initially depreciated around early March to above 71. After slight appreciation, the Argentine peso then entered a long phase of constant depreciation, driving the rate to a high for the period of 79.1918 on 29 June, after which it closed at 78.7859, far in excess of the average rate for the period of 71.0329.

Finally, the **Russian rouble** began the period by reaching the low for the period of 68.0410 on 10 January. The currency then depreciated sharply, reaching its high for the period of 88.1385 on 30 March. In the second part of the half-year the currency appreciated slowly and constantly, nearing the average for the period around early June. In the final part of the half-year, it depreciated slightly, closing at 79.6300, a value far above the average rate for the period of 76.6825.



Group Activities and Reference Market

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

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

In the first half of 2020, Brembo's consolidated net sales amounted to €951,113 thousand, down by 28.2% compared to the same period of 2019 (€1,323,840 thousand).

Information on the performance of the individual applications and their related markets — as available to the Company — is provided under the following headings. All markets shrank markedly, mainly due to the severe measures that all countries adopted to combat the spread of the Covid-19 pandemic. The lockdown restrictions were initially implemented in China, to then spread at a global level in Europe, Asia, the USA and South America.

Passenger Cars



During the first five months of 2020, the global light vehicle market showed a significant decrease in sales (29.7%).

The Western European market (EU14+EFTA+United Kingdom) closed the first five months of 2020 with a -43.5% decline in registrations compared to the first five months of 2019. All the main markets reported a decline: Germany -35%, France -48.5%, Italy -50.4%, the United Kingdom -51.4%, and Spain -54.2%. The trend was also negative in Eastern Europe (EU12), with car registrations down by 35.4% compared to the first five months of 2019.

In Russia, light vehicle registrations closed the first five months of 2020 down 25.7% compared to the same period of the previous year.

In the United States, the first five months of 2020 showed a decline, with light vehicle sales decreasing by 22.9% overall, compared to the same period of 2019. In the reporting period, Brazil and Argentina also reported an overall 39.5% decline in sales.

In Asian markets, China closed the first five months of 2020 on a negative note with light vehicle sales down -24.8% compared to the same period of 2019. Japan also closed the same period negatively, with a 19.3% decline in sales.

Within this scenario, Brembo's net sales of car applications in the first half of 2020 amounted to €709,317 thousand, accounting for 74.7% of the Group's turnover, down by 27.7% compared to the same period of 2019 (€981,709 thousand).



Motorbikes



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

In Europe, the top motorbike markets in terms of registrations are: Italy, Germany, France, Spain and the United Kingdom. In the first five months of 2020, sales of motorbikes and scooters in Italy decreased by 38.0% compared to the same period of 2019 (motorbikes: -40.2%; motorbikes with displacements over 500cc alone: -41.0%; scooters: -37.0%). Similarly, all other main European countries reported a decrease compared to the first five months of 2019: -31% in France, -37% in Spain, -3% in Germany, and -36% the UK.

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) declined by 3.3% in the first quarter of 2020 compared to the same period of 2019. ATVs alone decreased by 1.6%, while motorbikes and scooters together dropped by 4.0%.

In the first five months of the year, the Japanese market, considering displacements over 50cc overall, showed a 4.2% decrease, whereas the figure for motorbikes with displacements over 125cc alone was +3.2%.

India (motorbikes and scooters) decreased by 44.3% in the first four months of 2020, whereas Brazil reported a 32.4% decline in registrations.

Brembo's net sales of motorbike applications in the first half of 2020 amounted to €90,338 thousand, decreasing by 34.0% over the same period of 2019 (€136,892 thousand).

Commercial and Industrial Vehicles



In the first five months of 2020, the European commercial vehicles market (EU+EFTA+United Kingdom) — Brembo's reference market — showed a 38.1% decrease in registrations compared to the same period of 2019.

In detail, sales of light commercial vehicles (up to 3.5 tonnes) declined overall by 36.4% in Europe. Among the top European markets by sales volume, a negative performance compared to the first five months of the previous year was reported by Italy (-42.4%), Germany (-26.6%), Spain (-51.2%), France

(-40.3%) and the United Kingdom (-49.6%). In Eastern European countries this segment decreased by 23.7% compared to the same period of 2019.

Similarly, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) declined in Europe in the first five months of 2020, closing at -38.6% compared to the same period of the previous year. Among the top European markets by sales volume, a negative performance was reported by Germany (-33.4%), France (-41.0%) and Italy (-29.4%). In Eastern European countries, sales of commercial vehicles over 3.5 tonnes decreased by 16.6% in the first five months of the year compared to the same period of the previous year.

In the first half of 2020, Brembo's net sales of applications in this segment amounted to €102,170 thousand, down by 25.6% compared to €137,383 thousand for the same period of 2019.

Racing



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

In the first half of 2020, Brembo's net sales of applications in this segment amounted to €48,894 thousand, down by 27.5% compared to €67,412 thousand for the first half of 2019.







Sales Breakdown by Geographical Area and Application

Geographical area

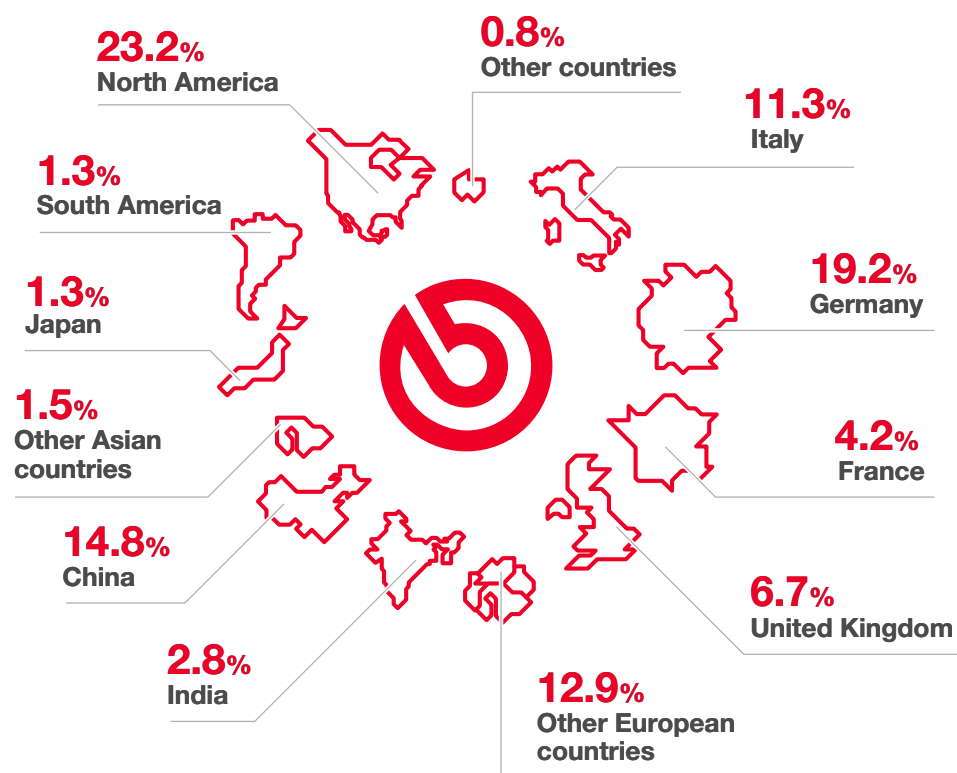
(euro thousand)	30.06.2020	%	30.06.2019	%	Change	%
Italy	107,873	11.3%	144,990	11.0%	(37,117)	-25.6%
Germany	182,136	19.2%	269,773	20.4%	(87,637)	-32.5%
France	40,376	4.2%	52,128	3.9%	(11,752)	-22.5%
United Kingdom	63,397	6.7%	106,503	8.0%	(43,106)	-40.5%
Other European countries	123,145	12.9%	158,815	12.0%	(35,670)	-22.5%
India	26,724	2.8%	47,207	3.6%	(20,483)	-43.4%
China	140,596	14.8%	144,022	10.9%	(3,426)	-2.4%
Japan	12,082	1.3%	13,750	1.0%	(1,668)	-12.1%
Other Asian countries	13,793	1.5%	15,370	1.2%	(1,577)	-10.3%
South America (Argentina and Brazil)	12,737	1.3%	22,721	1.7%	(9,984)	-43.9%
North America (USA, Mexico and Canada)	220,212	23.2%	337,739	25.5%	(117,527)	-34.8%
Other countries	8,042	0.8%	10,822	0.8%	(2,780)	-25.7%
Total	951,113	100.0%	1,323,840	100.0%	(372,727)	-28.2%

Application

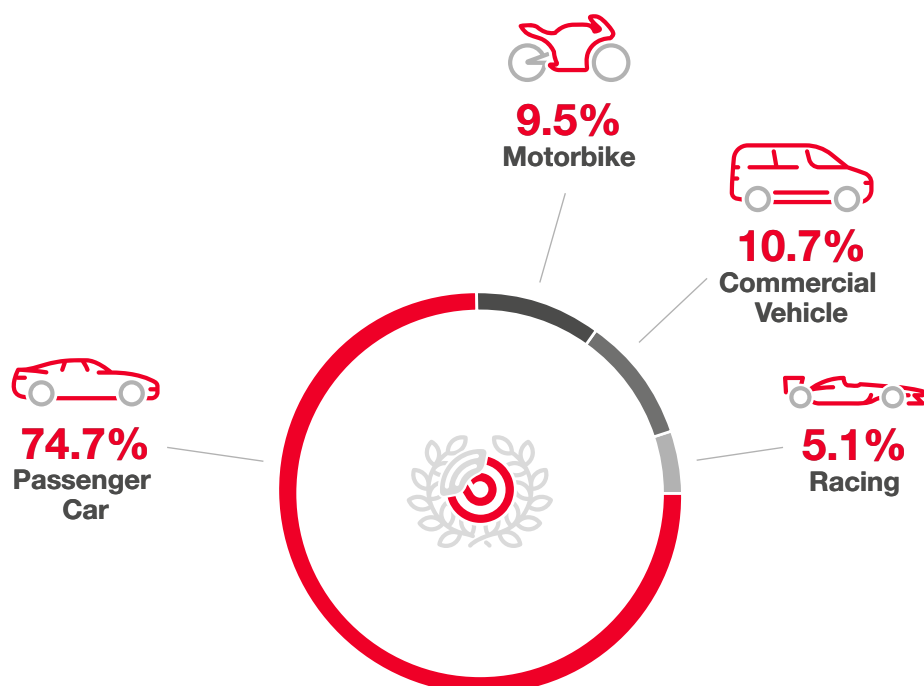
(euro thousand)	30.06.2020	%	30.06.2019	%	Change	%
Passenger Car	709,317	74.7%	981,709	74.2%	(272,392)	-27.7%
Motorbike	90,338	9.5%	136,892	10.3%	(46,554)	-34.0%
Commercial Vehicle	102,170	10.7%	137,383	10.4%	(35,213)	-25.6%
Racing	48,894	5.1%	67,412	5.1%	(18,518)	-27.5%
Miscellaneous	394	0.0%	444	0.0%	(50)	-11.3%
Total	951,113	100.0%	1,323,840	100.0%	(372,727)	-28.2%



Sales Breakdown by Geographical Area



Sales Breakdown by Application





Brembo's Consolidated Results

Consolidated Statement of Income

(euro thousand)	30.06.2020	30.06.2019	Change	%
Revenue from contracts with customers	951,113	1,323,840	(372,727)	-28.2%
Cost of sales, operating costs and other net charges/income (*)	(607,624)	(823,816)	216,192	-26.2%
Income (expense) from non-financial investments	1,884	5,901	(4,017)	-68.1%
Personnel expenses	(202,082)	(235,343)	33,261	-14.1%
GROSS OPERATING INCOME	143,291	270,582	(127,291)	-47.0%
% on revenue from contracts with customers	15.1%	20.4%		
Depreciation, amortisation and impairment losses	(104,500)	(96,127)	(8,373)	8.7%
NET OPERATING INCOME	38,791	174,455	(135,664)	-77.8%
% on revenue from contracts with customers	4.1%	13.2%		
Net interest income (expense) and interest income (expense) from investments	(14,113)	(6,580)	(7,533)	114.5%
RESULT BEFORE TAXES	24,678	167,875	(143,197)	-85.3%
% on revenue from contracts with customers	2.6%	12.7%		
Taxes	(4,503)	(36,991)	32,488	-87.8%
Result from discontinued operations	62	(6,753)	6,815	-100.9%
RESULT BEFORE MINORITY INTERESTS	20,237	124,131	(103,894)	-83.7%
% on revenue from contracts with customers	2.1%	9.4%		
Minority interests	(279)	(683)	404	-59.2%
NET RESULT	19,958	123,448	(103,490)	-83.8%
% on revenue from contracts with customers	2.1%	9.3%		
Basic and diluted earnings per share (euro)	0.06	0.38		

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



In the first half of 2020, Brembo's net sales amounted to €951,113 thousand, down by 28.2% compared to the same period of 2019, following the lockdown measures adopted in all the countries where the Group operates to contain the spread of the Covid-19 virus. Details on the lockdown restrictions implemented by the Group's companies are given in section "Impacts of the Covid-19 Pandemic on the Condensed Six Monthly Financial Report at 30 June 2020" of this Report.

Car applications, which accounted for 74.7% of Group's sales, closed the reporting period with a 27.7% decrease, as a result of the strong decline in the light vehicle market. In the first half of 2020, a negative performance was also reported by the other sectors in which the Group operates: applications for commercial vehicles (-25.6%), the motorbike segment (-34.0%) and the racing segment (-27.5%).

At geographical level, and with specific reference to Europe, Germany dropped by 32.5% compared to the first half of 2019. Similarly, all other European countries reported a decrease: France (-22.5%), Italy (-25.6%), and the United Kingdom (-40.5%). In North America (USA, Mexico and Canada), sales decreased by 34.8%, whereas South America reported a 43.9% decline. In the Far East, Brembo recorded a slightly decreasing performance in China (-2.4%) that, after a drop in the first quarter (-29.3%), recovered sharply in the second quarter (+23.2%), whereas Japan and, especially, India reported a more marked decline (-12.1% and -43.4%, respectively).

During the first half of 2020, the **cost of sales and other net operating costs** amounted to €607,624 thousand, with a ratio of 63.9% to sales, up on 62.2% for the first half of 2019. Within this item, development costs capitalised under intangible assets amounted to €10,975 thousand compared to €14,035 thousand in the first half of the previous year.

Income (expense) from non-financial investments amounted to €1,884 thousand and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€5,901 thousand in the first half of 2019).

Personnel expenses amounted to €202,082 thousand, with a ratio to revenues of 21.2%, increasing compared to that of the same period of the previous year (17.8%). At 30 June 2020, workforce numbered 10,731 (10,868 at 31 December 2019 and 10,579 at 30 June 2019); the average workforce in the period amounted to 10,832 (10,655 for the first half of 2019).

Gross operating income was €143,291 thousand compared to €270,582 thousand for the first half of 2019, with a ratio to sales of 15.1% (20.4% for the same period of 2019). Margins declined due to the decrease in volumes generated by the spread of the Covid-19 virus at global level, offset however by the measures adopted by Brembo, as described in further detail in the relevant section of this Report.

Net operating income amounted to €38,791 thousand (4.1% of sales), compared to €174,455 thousand (13.2% of sales) for the first half of 2019, after depreciation, amortisation and impairment losses of €104,500 thousand, compared to depreciation, amortisation and impairment losses amounting to €96,127 thousand in the same period of 2019.

Net interest expense amounted to €14,168 thousand (€6,703 thousand in the first half of 2019) and consisted of net exchange rate losses of €7,589 thousand (gains of €1,045 thousand in the first half of 2019) and interest expense of €6,579 thousand (€7,748 thousand for the first half of 2019).

Net interest expense from investments, which amounted to €55 thousand (net interest income of €123 thousand in the first half of 2019) were attributable to the effects of valuing investments in associates using the equity method.

Result before taxes was positive at €24,678 thousand compared to €167,875 thousand in the first half of 2019. Based on tax rates applicable for the year under current tax regulations, estimated taxation amounted to €4,503 thousand, with a tax rate of 18.2% compared to 22.0% for the same period of the previous year.

The **result from discontinued operations** was positive for €62 thousand (negative for €6,753 thousand in the first half of 2019), and was attributable to the contribution of the company Brembo Argentina S.A. in dissolution and winding up procedure, reclassified to this item following the Group's decision, taken in June 2019, on discontinuation of its industrial operations at the Buenos Aires plant.

The **Group's net result** for the reporting period amounted to €19,958 thousand (2.1% of sales), declining compared to €123,448 thousand for the first half of 2019 (9.3% of sales).



Statement of Financial Position

(euro thousand)	30.06.2020	31.12.2019	Change
Property, plant and equipment	1,205,357	1,258,800	(53,443)
Intangible assets	224,103	228,281	(4,178)
Net financial assets	222,090	50,227	171,863
Other receivables and non-current liabilities	64,219	58,046	6,173
Fixed capital	1,715,769	1,595,354	120,415
			7.5%
Inventories	379,235	342,203	37,032
Trade receivables	347,320	391,925	(44,605)
Other receivables and current assets	105,648	95,870	9,778
Current liabilities	(506,484)	(623,404)	116,920
Provisions/deferred taxes	(46,579)	(42,956)	(3,623)
Net working capital	279,140	163,638	115,502
			70.6%
Net invested capital from discontinued operations	(59)	(354)	295
NET INVESTED CAPITAL	1,994,850	1,758,638	236,212
			13.4%
Equity	1,373,132	1,388,015	(14,883)
Employees' leaving entitlement and other personnel provisions	25,471	25,584	(113)
Medium/long-term financial debt	751,338	375,005	376,333
Short-term net financial debt	(153,839)	(28,816)	(125,023)
Net financial debt	597,499	346,189	251,310
			72.6%
Net financial debt from discontinued operations	(1,252)	(1,150)	(102)
COVERAGE	1,994,850	1,758,638	236,212
			13.4%



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

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

Net Invested Capital at the end of the first half of 2020 amounted to €1,994,850 thousand, up by €236,212 thousand compared to €1,758,638 thousand at 31 December 2019.

Net financial debt at 30 June 2020 was €597,499 thousand, compared to €346,189 thousand at 31 December 2019.

The €251,310 thousand increase for the period was mainly attributable to the combined effect of the following factors:

- the positive effect of gross operating income of €143,291 thousand, with a €134,756 thousand decrease in working capital;
- net investments totalling €73,374 thousand;
- payment of taxes totalling €22,936 thousand;
- dividends received by the associate BSCCB S.p.A. amounting to €5,000 thousand;
- acquisition of the 2.78% interest in Pirelli S.p.A. for €106,509 thousand and of the 20% stake in Infibra Technologies S.r.l. for €800 thousand.
- signing of an equity swap derivative contract for €70,000 thousand, classified under "Net financial assets".

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



Statement of Cash Flows

(euro thousand)	30.06.2020	30.06.2019
NET FINANCIAL POSITION AT BEGINNING OF PERIOD (*)	(346,189)	(136,911)
Net operating income	38,791	174,455
Depreciation, amortisation and impairment losses	104,500	96,127
Gross operating income	143,291	270,582
Investments in property, plant and equipment	(59,715)	(86,362)
<i>of which right of use assets</i>	<i>(4,508)</i>	<i>(15,686)</i>
Investments in intangible assets	(14,168)	(18,620)
Investments in financial assets	(177,590)	(113)
IFRS 16 initial recognition	0	(177,113)
Disposals	509	3,122
Net investments	(250,964)	(279,086)
Change in inventories	(52,051)	(28,671)
Change in trade receivables	43,734	(48,471)
Change in trade payables	(108,203)	(62,733)
Change in other liabilities	(7,463)	(31,556)
Change in receivables from others and other assets	(3,704)	(2,365)
Translation reserve not allocated to specific items	(7,069)	(349)
Change in working capital	(134,756)	(174,145)
Change in provisions for employee benefits and other provisions	25,967	(4,296)
Operating cash flows	(216,462)	(186,945)
Interest income and expense	(13,950)	(6,394)
Result from discontinued operations	62	(6,753)
Current taxes paid	(22,936)	(25,902)
Dividend paid in the period to minority shareholders	(640)	(800)
Interest (income)/expense from investments, net of dividends received	3,196	179
Dividends paid in the period	0	(71,541)
Net cash flows	(250,730)	(298,156)
Effect of translation differences on net financial position	(580)	590
NET FINANCIAL POSITION AT END OF PERIOD (*)	(597,499)	(434,477)

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



Alternative Performance Measures

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

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

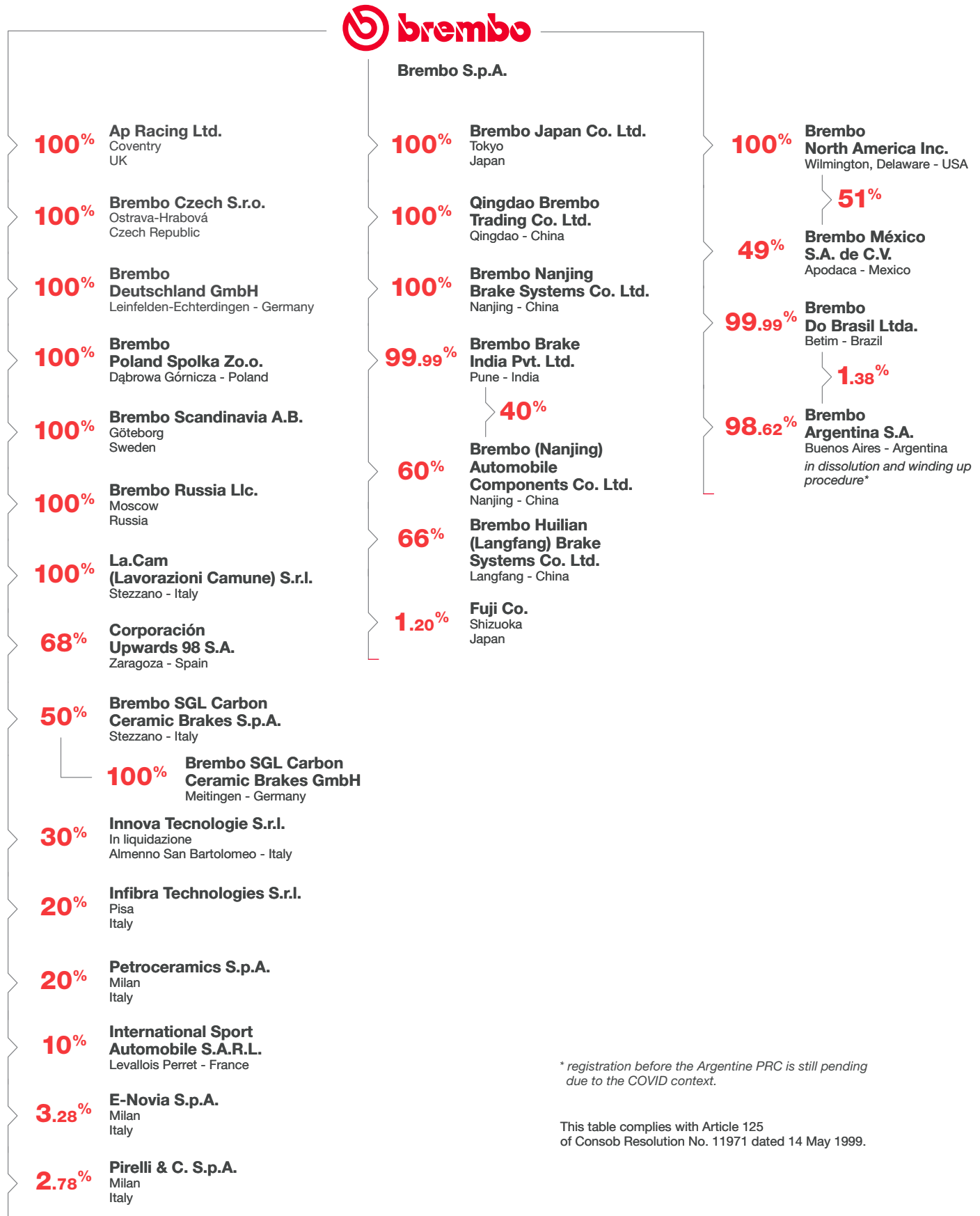
1. these indicators are constructed starting from the Group's historical data only and are not indicative of the Group's future performance;
2. the APMs are not laid down by the IFRS and are not subject to audit, although they are taken from the Group's Consolidated Financial Statements;
3. the APMs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

The APMs indicated below have been selected and represented in the Directors' Report on Operations:

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



Group Structure



* registration before the Argentine PRC is still pending due to the COVID context.

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







Performance of Brembo Companies

The following figures were taken from the accounting situations and/or draft financial statements at 30 June 2020 prepared by the companies in accordance with IAS/IFRS and approved by the respective Boards of Directors.

Brembo S.p.A.

Curno (Italy)



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

The first half of 2020 closed with revenue from contracts with customers of €363,824 thousand compared to €494,524 thousand for the first half of 2019. The item "Other revenues and income" amounted to €20,183 thousand compared to €28,491 thousand for the same period of 2019, whereas capitalised development costs in the half-year totalled €8,528 thousand compared to €10,460 thousand for the same period of the previous year.

Gross operating income amounted to €42,769 thousand (11.8% of sales) compared to €92,344 thousand (18.7% of

sales) in the first half of 2019. Net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €31,956 thousand, closed at €10,813 thousand compared to €64,885 thousand for the same period of the previous year.

Net interest expense from financing activities amounted to €1,723 thousand compared to €1,673 thousand for the first half of 2019. Income from investments amounted to €9,512 thousand and was attributable to the distribution of dividends by some subsidiaries. In addition, a provision for current taxes and deferred tax assets and liabilities was made in the amount of €925 thousand.

In the reporting period, net income amounted to €17,677 thousand, compared to €89,976 thousand for the same period of 2019.

At 30 June 2020, the workforce numbered 3,118, with a reduction of 36 compared to 3,154 at the end of the first half of 2019.

Companies Consolidated on a Line-by-Line Basis

AP Racing Ltd.

Coventry (United Kingdom)



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

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

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

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

Net sales for the first half of 2020 amounted to GBP 15,101 thousand (€17,272 thousand) compared to GBP 25,611 thousand (€29,317 thousand) in the first half of 2019. In the reporting period, net income amounted to GBP 113 thousand (€130 thousand), compared to GBP 2,605 thousand (€2,982 thousand) in the same period of 2019.

At 30 June 2020, the workforce numbered 146, two more than at the end of June 2019.



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 2020, net sales amounted to INR 2,559,067 thousand (€31,332 thousand), with a net income of INR 128,312 thousand (€1,571 thousand). In the same period of 2019, net sales totalled INR 4,248,354 thousand (€53,696 thousand), with a net income of INR 381,967 thousand (€4,828 thousand). The workforce numbered 583 at 30 June 2020, compared to 334 at the end of the first half of 2019.

Brembo Czech S.r.o.

Ostrava-Hrabová (Czech Republic)



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

The company was formed in 2009 and started its production activity in 2011. It carries out the casting, processing and assembly of brake calipers and other aluminium components. In the first half of 2020, net sales amounted to CZK 1,883,249 thousand (€71,492 thousand) compared to CZK 2,997,325 thousand (€116,701 thousand) in the first half of 2019. Net loss for the reporting period was CZK 344,847 thousand (€13,091 thousand) compared to a net income of CZK 46,045 thousand (€1,793 thousand) for the first half of 2019.

The workforce numbered 961 at 30 June 2020, increasing by 39 compared to the same period of 2019.

Brembo Deutschland GmbH

Leinfelden – Echterdingen (Germany)



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

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

At 30 June 2020, net sales amounted to €1,107 thousand (€1,160 thousand for the first half of 2019), with a net income of €430 thousand, compared to €472 thousand in the first half of 2019.

Its workforce numbered eight.

Brembo Do Brasil Ltda.

Betim (Brazil)



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

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

Net sales for the first half of 2020 amounted to BRL 66,281 thousand (€12,236 thousand), with a net loss of BRL 4,997 thousand (€922 thousand). In the same period of 2019, net sales amounted to BRL 95,493 thousand (€22,000 thousand), with a net income of BRL 2,574 thousand (€593 thousand).

The workforce at 30 June 2020 numbered 222, compared to 240 at the same date of the previous year.



Brembo Huilian (Langfang) Brake Systems Co. Ltd.

Langfang (China)



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

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

Net sales for the first half of 2020 amounted to CNY 233,249 thousand (€30,104 thousand) and net income to CNY 11,072 thousand (€1,429 thousand). In the first half of 2019, net sales amounted to CNY 260,526 thousand (€33,980 thousand) and net income was CNY 15,182 thousand (€1,980 thousand).

At 30 June 2020, the workforce numbered 617, compared to 639 for the first half of 2019.

Brembo Japan Co. Ltd.

Tokyo (Japan)



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

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

Net sales for the first half of 2020 amounted to JPY 317,051 thousand (€2,660 thousand) compared to JPY 334,084 thousand (€2,688 thousand) for the first half of 2019. Net income for the reporting period was JPY 32,010 thousand (€269 thousand), compared to JPY 37,438 thousand (€301 thousand) for the first half of 2019.

At 30 June 2020, the workforce totalled 18 employees, one less than in the first half of 2019.

Brembo México S.A. de C.V.

Apodaca (Mexico)



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

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

In the first half of 2020, net sales amounted to USD 111,588 thousand (€101,310 thousand), with net income for the period totalling USD 5,759 thousand (€5,229 thousand). In the first half of 2019, net sales amounted to USD 135,448 thousand (€119,890 thousand), with net income for the period totalling USD 10,642 thousand (€9,420 thousand).

The workforce numbered 1,087 at 30 June 2020, increasing compared to 1,039 at the same date of the previous year.

Brembo (Nanjing) Automobile Components Co. Ltd.

Nanjing (China)



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

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

Net sales amounted to CNY 364,405 thousand (€47,032 thousand), with a net loss of CNY 2,290 thousand (€296 thousand); in the first half of 2019, net sales amounted to CNY 354,690 thousand (€46,262 thousand) and net loss was CNY 584 thousand (€76 thousand).

At 30 June 2020, the workforce numbered 333, compared to 303 at the same date of the previous year.



Brembo Nanjing Brake Systems Co. Ltd.

Nanjing (China)



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

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

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

At 30 June 2020, net sales amounted to CNY 444,578 thousand (€57,379 thousand) and net income was CNY 26,032 thousand (€3,360 thousand); in the first half of 2019, net sales amounted to CNY 489,301 thousand (€63,819 thousand) and net income was CNY 27,107 thousand (€3,536 thousand).

The workforce numbered 571 at 30 June 2020, compared to 587 at the end of the first half of 2019.

Brembo North America Inc.

Wilmington, Delaware (USA)

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

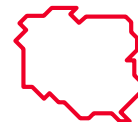
Brembo North America Inc. is based in Homer, Michigan. It produces and sells OEM and aftermarket brake discs, as well as high-performance car braking systems. In 2010, a Research and Development Centre was opened at the facility in Plymouth (Michigan) to develop and market new solutions in terms of materials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

At 30 June 2020, net sales amounted to USD 121,222 thousand (€110,057 thousand); in the same period of the previous year, the company reported net sales amounting to USD 215,258 thousand (€190,532 thousand). Net income was USD 2,528

thousand (€2,295 thousand) at 30 June 2020 compared to USD 21,396 thousand (€18,938 thousand) in the first half of 2019. At the end of the period, the workforce numbered 642, a decrease of 41 compared to the end of the first half of 2019.

Brembo Poland Spolka Zo.O.

Dąbrowa-Górnica (Poland)



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

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

Net sales amounted to PLN 805,789 thousand (€182,569 thousand) in the first half of 2020 compared to PLN 1,106,746 thousand (€257,866 thousand) in the first half of 2019. Net income at 30 June 2020 amounted to PLN 39,948 thousand (€9,051 thousand) compared to net income of PLN 128,959 thousand (€30,047 thousand) for the same period of the previous year.

The workforce numbered 2,150 at period-end, decreasing compared to 2,211 at the end of the first half of 2019.

Brembo Russia LLC.

Moscow (Russia)



Activities: promotion of the sale of car brake discs.

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

In the first half of 2020, net sales amounted to RUB 27,299 thousand (€356 thousand) and net income was RUB 1,725 thousand (€22 thousand); in the first half of 2019, net sales amounted to RUB 31,930 thousand (€433 thousand) and net income was RUB 14,811 thousand (€201 thousand).

At 30 June 2020, the workforce numbered 3, unchanged compared to the same period of the previous year.



**Brembo Scandinavia A.B.**

Göteborg (Sweden)

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

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

Net sales for the period amounted to SEK 5,586 thousand (€524 thousand), with a net income of SEK 3,119 thousand (€293 thousand), compared to net sales of SEK 5,325 thousand (€506 thousand) and net income of SEK 2,571 thousand (€244 thousand) for the first half of 2019.

At 30 June 2020, the workforce numbered 2, one more compared to 30 June 2019.

Corporación Upwards '98 S.A.

Zaragoza (Spain)

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

The company carries out sales activities exclusively for the aftermarket.

Net sales amounted to €9,934 thousand in the first half of 2020, compared to €15,528 thousand in the first half of 2019. Net income was €327 thousand, compared to €992 thousand for the first six months of 2019.

The workforce numbered 71 at 30 June 2020, four less compared to the end of June 2019.

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

Stezzano (Italy)

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

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

In the first half of 2020, net sales amounted to €14,247 thousand and were almost entirely to Brembo Group companies. Net income totalled €148 thousand. In the same period of the previous year, net sales were €20,171 thousand, with a net income of €858 thousand.

The workforce numbered 168 at 30 June 2020, compared to 176 at 30 June 2019.

Qingdao Brembo Trading Co. Ltd.

Qingdao (China)

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

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

In the first half of 2020, net sales amounted to CNY 125,932 thousand (€16,253 thousand), compared to CNY 157,977 thousand (€20,605 thousand) for the same period of the previous year.

The company closed the first half of the year with a net income of CNY 5,823 thousand (€752 thousand), compared to a net income of CNY 4,059 thousand (€529 thousand) in the first half of 2019.

The workforce numbered 31 at 30 June 2020, unchanged compared to the same date of 2019.



Companies Valued Using the Equity Method

Brembo SGL Carbon Ceramic Brakes S.p.A.

Stezzano (Italy)



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

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

At 30 June 2020, net sales amounted to €17,651 thousand, compared to €30,108 thousand for the same period of 2019. Net income for the reporting period was €7,354 thousand compared to a net income of €14,807 thousand for the first half of 2019. The workforce numbered 150 at 30 June 2020, increasing by one compared to the same date of the previous year.

Brembo SGL Carbon Ceramic Brakes GmbH

Meitingen (Germany)



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

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

Net sales for the first half of 2020 amounted to €47,725 thousand, compared to €58,209 thousand for the same period of the previous year. At 30 June 2020, net income was €3,076 thousand, compared to €6,961 thousand for the same period of the previous year.

The workforce numbered 384 at 30 June 2020, decreasing by 12 compared to the same date of the previous year.

Petroceramics S.p.A.

Milan (Italy)



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

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

Net sales for the first half of 2020 totalled €761 thousand, compared to €1,427 thousand for the same period of the previous year. The company closed the reporting period with a net income of €215 thousand, compared to €508 thousand for the same period of 2019.

Infibra Technologies Srl.

Pisa (Italy)



Activities: development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems.

On 5 February 2020, Brembo acquired a 20% interest in Infibra Technologies S.r.l., for a consideration of €800 thousand. The company is specialised in the development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems and photonic subsystems for sensing and communications. The agreement with the current shareholders envisages Brembo's right to exercise a call option on the remaining 80% interest in the second half of 2024.

Net sales for the first half of 2020 amounted to €17 thousand. The company closed the half year with a net loss of €11 thousand.



Investments

In the first half of 2020 Brembo's investment management policy, albeit in scaled-down form due to the lockdowns implemented in various countries to combat the effects of the Covid-19 pandemic, continued in line with the guidelines followed to date, with the aim of strengthening the Group's presence not only in Italy, but also at the international level.

Group's total net investments undertaken in the first half of 2020 at all operations amounted to €73,374 thousand, of which €54,712 thousand was invested in property, plant and equipment, €14,127 thousand in intangible assets, and €4,535 thousand in leased assets. The most significant investments were concentrated in Italy (45.2%), North America (22.0%), Poland (12.7%) and the Czech Republic (10.0%).

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

used by the racing teams in all major motor competitions, starting with F1 and MotoGP. The building occupies an area of approximately 7,000 square metres, in addition to the 10,000 square metres of green space, parking and logistics and storage areas planned as part of the project. After having installed and started up the first systems in the previous year, additional machines will continue to be installed in 2020 for a gradual increase in production capacity, reaching full operation in 2022.

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

With regard to investments in intangible assets, development costs for the first half of 2020 amounted to €10,934 thousand, borne by the Parent and the U.S. subsidiary.





Research and Development

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

For many years Brembo has been conducting specific research on mechatronic products, which are increasingly widespread in the automotive sector, thus honing skills that have been applied to systems such as electric parking brakes and Brake-By-Wire systems for some time now.

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

In the first half of 2020, R&D activities mainly focused on the following aspects.

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

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

According to precise guidelines applied throughout the automotive sector and all of Brembo's development activities, considerable attention is paid to new solutions that are able to reduce disc

weight, as a lower weight translates into lower vehicle fuel consumption, and consequently a smaller environmental impact (reduced CO₂ emissions). This is an aspect that has become even more important due to the entry into force of the new European Regulation setting the new emissions limits for manufacturers.

Work on discs for heavy commercial vehicles — an application segment which is of particular interest to Brembo — continued with a focus on improving performance. Research activities therefore intensified with several customers, also outside Europe. The applications developments related to such customers will be started and should then be finalised during the next two years. In addition, a share of the business of an important new European customer was acquired, further increasing market share in this specific segment of the market.

In car applications, after having worked with a major German customer to develop the concept for the light brake disc currently installed in the entire platform of core vehicles, Brembo was also selected as the supplier of this product for the next generation of vehicles within this platform. The application development phase for the new models — some of which are fully electric — to be presented in the second half of the year was completed in the first half of 2020.

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



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

In addition, work proceeded on researching, developing and testing unconventional solutions — also resulting in the filing of several patent applications — to be applied to cast-iron brake discs, with a focus on the study of shapes, materials, technologies and surface treatments in collaboration with European research centres and suppliers. Particular attention is being devoted to the new needs of hybrid and electric vehicles, which use regenerative braking and thus introduce new requirements for brake discs.

These new solutions, which aim to reduce environmental impact (lower emissions of CO₂, fine particulates and wheel dust) and improve aesthetics and corrosion resistance, have met with strong interest among Brembo's main clients. In addition to the application developments that are underway with some of these customers, production of the first vehicles equipped with this type of disc by a German customer has begun in the first half of 2020.

The Technical Development Centres at the Group's U.S. and Chinese facilities continued to strengthen their expertise, allowing Brembo to acquire valuable orders within local markets and increasingly act as a strategic supplier of brake discs to major global players.

The development target for composite street motorbike discs has been confirmed; new samples will soon be arriving so that concept validation may be finalised.

The revision of costs of the next-generation handlebar master cylinders project is still ongoing and a decision regarding the competitiveness of the new concept is expected by the third quarter of 2020.

The design phase of the first calipers with the new styling for the Indian market was completed in the first half of 2020. The design of the four-piston front calipers and handlebar master cylinder was also formulated.

In-vehicle development of the new low-vibration disc/hat concept continued. An advanced configuration that facilitates assembly of the component has been identified; this configuration will be developed in detail and tested in the second half of 2020.

Motorbike Brake-By-Wire systems have reached the second development phase, requiring a considerable commitment to finalise new system features. This phase will be completed in the second half of 2020, when project status will be presented to the customer.

The definition of the second testing plan for high-performance discs using innovative materials has instead been postponed. As regards the disc weight/performance issue, another new concept for motorbike discs will be assessed in the second half of 2020.

The planning of the second phase of development of Affida pads for motorbike applications has been postponed to the second half of 2020.

The requirement-setting phase for the new off-road range also continues. The caliper content has been defined and definition of the handlebar master cylinder content (brake and clutch) will be completed soon.

The product plan for developing specific components for the scooters to be manufactured by Brembo Brake India is being prepared.

New product types in the two-wheel segment are being evaluated and the Motorbike Innovation Road Map, which includes ten additional projects beyond those mentioned above, has also been drawn up. In the second half of 2020 the requirements for each project will be set, the resources to be assigned will be determined and the timetable will be drawn up.

Regarding the **racing world**, the Carbon/Carbon brake system for racing applications project (F1, LMP – Le Mans Prototype, IRL – Indy Racing League, and Super-Formula) includes three distinct areas, whose activities were further ongoing in the first half of 2020 and will continue in the years to come:

- the fine tuning of disc production (to date with very interesting results in qualitative terms) and the stabilisation/improvement of Carbon/Carbon pad performance. This area of production technology development and improvement also includes the operations at the new Carbon Factory plant, where nearly all the production technologies required to develop and manufacture carbon discs and pads are now available. At present, installed capacity is limited to a small monthly quantity, which, however, is sufficient to commence the manufacture of the first prototypes of the F1 2021-22 discs, which will be completely different to those in use today;
- development of new systems — on the basis of the F1 disc — for the other categories as well; launch of research activity relating to the architecture and fibre used in the F1 disc and pads, with pad research on mechanical, thermal and friction characteristics;
- development of new F1 systems for the 2021-22 season, and discs in particular.



An ambitious 48 V electro-mechanical Brake-By-Wire project with hydraulic actuator and a safety concept based on F1 experience was launched with a major customer of a World Motorsport Championship. The project was used in a race on four wheels at the beginning of the 2019-20 season and a further development has been already agreed upon for 2021.

Finally, negotiations are in progress with a major customer to introduce an update of the racing-derived CCMR Brembo carbon ceramic disc for their upcoming Gran Turismo vehicles. As regards the simulation field, testing is continuing of new calculation methodologies for the structural part and thermal properties of the disc, for the thermoelastic and fatigue calculation, as well as for integrating the calculation within the customer wheel unit — in other words, mechanical and thermal calculations with computational fluid dynamics (CFD) solutions. The new methodology based on friction mapping for brake sizing is now well established and further experimental and theoretical development of the concept moved forward in the first half of 2020.

In the MotoGP class of motorbike applications, new systems are available to all clients, including a new brake caliper ensuring amplified force and an anti-drag system. Along the lines of the F1 initiatives, a series of new projects were confirmed with a major Italian motorbike manufacturer. The projects will be governed by a development contract with the manufacturer and will concern new brake and clutch systems.

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

Mention should also be made of collaboration between Brembo and E-novia for electronic development, as well as development synergies that will allow both organisations to grow in the coming years. E-Novia brought an ABS brake system for bicycles based on the concept developed and patented by Brembo Performance in 2016, whereas Brembo brought to the racetrack electromechanical systems with electronics developed by eNovia according to Brembo's specifications.

Due to the extensive experience it has gained over the years, **Brembo Friction** may now be considered a well established project, constantly focused on continuous improvement. Today's customers are expecting increasingly flexible and customised friction materials, with requests that can only be met specifically and reactively through synergistic research and

development work with all other Brembo departments. Brake pads with increasingly advanced performance characteristics, paired with both carbon ceramic and cast iron discs, designed for applications with increasingly more challenging objectives, require extremely sophisticated development processes.

Once again, the market is showing every confidence in Brembo Friction, whose excellence is confirmed by the most demanding car manufacturers, which choose Brembo's pads for their top-end applications. All main markets — including the European one, which is very demanding when it comes to performance, and markets that are more demanding in terms of comfort, such as the U.S. and Asia, but also the more innovative markets, such as those focusing on electric calipers — can now benefit from Brembo's know-how on Cu-free (i.e. copper-free) friction materials.

The constant drive to innovation enabled the development of friction materials for light discs with extreme thermo-mechanical durability, such as those for the German market, coated with Si-Sic (silicon-silicon carbide).

Statistical models such as DOE and Montecarlo also began to see constantly increasing use starting last year, as such models are capable of optimising friction material formulations and identifying the raw materials that most influence their chemical and physical properties.

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

AFFIDA, the natural extension of the COBRA project (which was part of the European Life+ project), in collaboration with the Mario Negri Institute, seeks to bring the innovative technology already developed by COBRA to the OE market. The project involves the study of cement-based materials to replace the phenolic binders commonly used in all friction materials. The new materials must perform on a par with their traditional predecessors, while also meeting the high-performance standards required by the sporting applications and limiting fine particulate emissions and environmental impact. Various car and motorbike manufacturers are asking to use AFFIDA pads when developing their new applications. The prototype pre-industrialisation phase has now been successfully completed using a press created with ad hoc technology that enables customers' demands to be met and specific activity involving the individual brand has been launched to ensure further optimisation of the process,



yielding optimal performance and comfort. The introduction of the cement-based binder proved decisive in reducing volatile organic compound (VOC) emissions, with important positive repercussions for the environment.

The LIBRA project, which has been ongoing since 2015, eliminated the steel backing plate in brake pads, replacing it with high-performance composite materials. The advantages are clear: from a lighter pad, with the resulting reduction in the overall brake system's weight, to a shorter production process. One of the top U.S. automotive firms is currently involved in intensive development, which has resulted in increasing recognition of the competitiveness and innovation achieved by the LIBRA project, and has even decided to use these components in its parking systems. A press fully devoted to manufacturing these specific pads was installed at the end of 2019 to prepare for SOP (Start of Production) of the product and the shift to mass production. The new goal to be achieved by the end of 2020 is to transfer the innovation and technology applied to these pads, now used for parking, to rear brake pads. Finally, the constant demand from the market for brake systems increasingly integrated into the new vehicles resulted in the development of a new concept for a brake pad with embedded sensors. In the first half of 2020, using specific sensors embedded in the friction material, the first tests were performed, showing that real-time measurement of braking torque is possible.

With reference to the **Car and Commercial Vehicle Division**, the goal of using the braking system to help reduce vehicle consumption and resultant CO₂ emissions and particulates is being pursued through the development of new solutions. In detail, the use of methodologies to minimise caliper mass for the same performance, the improvement of caliper functionality by defining new characteristics for the pairing of seal and piston and optimisation of a new-concept pad sliding system continue to feature among the main areas of development.

After consolidating the technical solutions for fixed calipers, resulting in the assignment in 2019 of a share of the business relating to a platform of fully electric vehicles created by a major German manufacturer, the Group's focus shifted to the study and application of floating calipers for commercial vehicles. The concept approval phase was successfully completed and the product, which represents the current state of the art, was proposed to a major European customer for the renewal of its range of commercial vehicles, which was assigned in the first half of 2020.

The product and process improvement work is constantly ongoing in the same way as the search for solutions to reduce mass, optimise performance and improve styling. Two examples of this continuous improvement are the Dyadema® caliper, which entered into production in the second half of 2019 and has been designed with the goal of considerably reducing track operating temperatures, and the Flexira™ caliper, developed to meet the needs of several new market segments.

In 2016, Brembo had started the small-series production of a caliper produced using thixotropic aluminium alloys, i.e., at a lower temperature than casting. This process, for which Brembo has filed a patent application, is known as "BSSM" (Brembo Semi-Solid Metal casting) and offers a reduction in weight of 5 to 10%, depending on caliper geometry, without any decrease in performance. Concept approval is currently underway, whereas start of production for the first vehicles is expected in late 2022. Brembo's first mechatronic products, namely various configurations of electric parking brakes, already approved in-house both for cars and commercial vehicles, are being promoted with the Group's customers.

In commercial vehicle applications, Brembo has developed, and continues to develop, mechatronic parking solutions for vehicles up to 7.5 tonnes. The production is underway with a major Italian manufacturer.

With regard to next-generation electric-drive vehicles, brake systems will change considerably in the coming years, above all as regards braking management and the interface with the vehicle. systems, which Brembo has long been studying, have now reached a high level of performance and functionality, thus ensuring that the electrical braking system is ready for industrialisation and distribution. The industrialisation and launch planning phase has begun and pre-development activity is in progress with an important US manufacturer, with Brembo set to become the first in the world to enter into production in 2022.

Forming partnerships with the new players that have entered the electric vehicles market is a strategic priority: within this framework, a US customer has entrusted Brembo with supplying a front brake system for an electric commercial vehicle.

The ongoing evolution of simulation methodologies is focused on aspects linked to brake system comfort and caliper functionality. Brembo's objective is to develop the simulation capacity for the entire brake system, including the friction material. From this standpoint, the ability to rely on the know-how and installed capacity within the Brembo Friction project represents a strength for the Group, which can position itself as a supplier of



complete brake systems. On the other hand, the development of a methodology for simulating caliper functionality is aimed at establishing, during the design stage, the caliper characteristics that influence a constant performance over time and the car's pedal feel.

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

Brembo is continuing to develop and refine a new Brake-By-Wire system, whose peculiarity lies in its “decentralised” architecture, in which each wheel side has its own electromechanical actuator for generating and controlling the required braking force. This architecture is proving ideally suited to future vehicles with high-level autonomous driving capability, in addition to ensuring a greater control of the vehicle dynamics also in traditional vehicles.

The functions ensured by a Brake-By-Wire system optimise braking energy regeneration using electric-drive motors and containment of the average wear and tear of the entire brake system, with positive effects in terms of environmental impact. Mechatronics and system integration entail the development of new components for Brembo's products, including sensors, mechanisms and electric motors. Brembo is therefore coordinating a group of companies based in the Lombardy region within the framework of the funded project “Improves”,

with the aim of creating brushless motors based on permanent magnets offering very high levels of performance, specifically designed for the brakes of the future. The first prototypes of motors designed by Brembo for its Brake-By-Wire actuators were created in 2019, while a prototyping line for these motors is under construction in 2020.

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

Another initiative in this area is Brembo's investment in Infibra Technologies, a spin-off of the academic institution Scuola Superiore Sant'Anna di Pisa, specialised in developing photonic sensors through the use of fibre-optics as the sensor element. After the success of the LowBraSys project — funded by the European Union as part of its Horizon 2020 programme with the aim of proving that fine particle emissions can be reduced, work continued with other projects financed at the European level, such as MODALES (MODify Drivers' behaviour to Adapt for Lower EmissionS), involving Brembo as a development partner.

The goal of the MODALES project is to promote an understanding of the variability due to user (driver) behaviour and that due to vehicular emissions from powertrain, brakes and tyres. Its aim is to modify users' behaviour also through dedicated training.





Risk Management Policy

Effective risk management is a key factor in maintaining the Group's value over time. In this regard, within the framework of its Corporate Governance system, the Group defined Brembo's Internal Control and Risk Management System (ICRMS) in compliance with the principles set out in Article 7 of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. (hereafter referred to as "Corporate Governance Code")¹ and, more generally, with national and international best practices.

This system represents the set of organisational structures, rules and procedures that allows the main business risks within the Group to be identified, measured, managed and monitored, while helping the company to be run in a manner that is sound, correct and consistent with the objectives defined by the Board of Directors, and favouring the adoption of informed decisions consistent with the risk profile, as well as dissemination of a proper understanding of risks, lawfulness and corporate values. The Board of Directors is tasked with defining the general guidelines of the ICRMS, so that the main risks pertaining to Brembo S.p.A. and Group subsidiaries are properly identified, as well as adequately measured, managed and monitored. It shall also set criteria to ensure that such risks are compatible with sound and proper management of the Company. The Board of Directors is aware that the control processes cannot provide absolute assurances that the company objectives will be achieved and the intrinsic risks of business prevented; however, it believes that the ICRMS may reduce and mitigate the likelihood and impact of risk events associated with wrong decisions, human error, fraud, violations of laws, regulations and company procedures, as well as unexpected events. The ICRMS is therefore subject to regular examination and controls, taking account of developments in the Company's operations and reference context, as well as national and international best practices.

The Board of Directors has identified² the other main corporate

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

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

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

¹ It means the Corporate Governance Code currently in force (July 2018).

² In this regard, see the following documents published on Brembo's website in *Investor Relations/Corporate Governance/Principles and Codes* section: Corporate Governance Manual, Brembo S.p.A.'s Organisational, Management and Control Model, the Brembo Group's Reference Layout for preparing accounting documents, Guidelines for the Brembo S.p.A. Internal Control and Risk Management System.

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

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

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

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

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

External risks

Country Risk

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

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

Covid-19 risk

Following the spread of the Covid-19 pandemic, operations at all Group's plants (Italy, the United Kingdom, Poland, Czech Republic, the United States, Mexico, Brazil, China and India) were temporarily suspended for a period that varied from one country to the next.

Brembo has been following developments relating to the spread of the pandemic very closely since its outbreak, establishing a dedicated task force and promptly adopting all necessary measures to prevent, monitor and contain the virus at all of its locations worldwide, with the aim of protecting the health of employees and contractors (rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, blood tests, hygiene rules and social distancing, extended remote working, etc.).

Brembo continues to monitor events very closely and will promptly adopt further containment measures, should the crisis continue. For further details see section "Impacts of the Covid-19 Pandemic on the Condensed Six Monthly Financial Report at 30 June 2020" of this Report.

Strategic Risks

Innovation

Brembo is exposed to risks associated with the evolution of technology, in other words, the risk that competing products will be developed that are technically superior because they are built based on innovative technologies. In order to maintain its competitive edge, Brembo invests sizeable resources in R&D, conducting applied and basic research on both existing and newly applied technologies, such as mechatronics.

For additional information, see the "Research and Development" section in this Directors' Report on Operations. Product and process innovations — those currently being used, as well as those that may be used for production in the future — are patented to protect the Group's technological leadership.

Market

Brembo targets the top-end segments of the automotive sector and, in terms of geography, generates most of its sales in Europe, North America and China. In order to reduce the risk of segment/market saturation in the countries where it operates, the Group has long ago implemented a strategy aimed at diversifying into other geographical areas and is gradually



broadening its product range, also by focusing on the mid-premium segment.

Investments

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

Corporate Social Responsibility

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

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

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

Operating Risks

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

Supply Chain

Supply chain risk manifests as the volatility of raw material prices and dependence on strategic suppliers, which could jeopardise the company's production process and ability to fill orders from clients in a timely manner by suddenly suspending supply arrangements. To mitigate this risk, the Purchasing Department constantly monitors the market in order to identify alternate suppliers to ensure, where possible, the availability of critical materials (supplier risk management programme). The supplier selection process also includes an assessment of suppliers' financial solidity. Any fluctuations in the main cost factors are covered by passing them on in sales prices through an indexing mechanism.

Business Interruption

Natural or accidental events (such as earthquakes or fires), malicious behaviour (acts of vandalism) or malfunctioning of systems may result in damage to assets, the unavailability of production facilities and discontinuity of operation of such facilities. Brembo therefore reinforced its risk mitigation process, through the planning of loss prevention engineering based on standards recognised at an international level. The aim of this process was to reduce as much as possible the risk of occurrence of these events and to implement protective measures aimed at limiting the impact of this risk, thereby constantly enhancing the current operating continuity levels of the Group's production facilities.

Product Quality

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



standards, in addition to constantly optimising its Failure Mode & Effect Analysis (FMEA).

Information Technology

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

Environment, Safety and Health

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

- inadequate protection of employee health and safety, which can lead to serious accidents or work-related illnesses;
- environmental pollution resulting from sources such as uncontrolled emissions, inadequate waste disposal or the spreading of dangerous substances onto the ground;
- partial or non-compliance with laws and regulations governing the sector, also in light of the changing legal framework of some countries.

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

Brembo therefore implements all the activities necessary to allow it to effectively monitor and manage these aspects while scrupulously complying with applicable laws.

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

- "Management Plans" for Safety and the Environment that define the objectives to be achieved;
- "Supervisory Plans", which list all the activities to be carried

out under the laws governing the sector or regulations imposed by the Group (e.g., authorisation renewals, periodic controls, reports to public entities, etc.);

- "Audit Plans", which check and monitor the extent to which the System is being applied and encourage continuous improvement.

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

The internationalisation strategies and, particularly, international industrial footprint development have also highlighted the need to strengthen operational management able to operate locally and communicate effectively with the Global Business Units and Global Central Functions, in order to improve the efficiency and effectiveness of the quality system and the capacity of production processes.

Legal & Compliance

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

With reference to the risk of non-compliance with tax laws and regulations, or of operating in conflict with the principles or spirit of the systems in the jurisdictions in which the Group operates, in accordance with the guidelines laid down in the Global Tax Strategy and the Brembo S.p.A.'s Tax Strategy adopted in 2019, Brembo pursues the goal of proactively managing the tax risk by ensuring that such risk is timely recognised, properly measured, monitored and contained through the Tax Control Framework implemented in 2019 and fully applied beginning in 2020.

With regard to compliance risk on issues related to workers' health and safety and environmental protection, and in light of the complexity and lack of clarity of the applicable laws and regulations, and the uncertain and often lengthy period of time



needed to obtain the necessary authorisations and patents, the Group relies on specific functions, such as the Health & Safety function and the Energy & Environment Department (see Operating Risks – Environment, Safety and Health section), tasked with handling the related complexities.

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

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

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

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

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

The probability that liability for offences committed outside Italy may be ascribed to the Parent is regarded as remote in light of the connection criteria set forth in the Italian Penal Code. However, it is theoretically plausible that a top manager or

employee of Brembo S.p.A. might take action outside Italy in the context of his or her duties to the Parent or an international subsidiary. In the matter of corruption involving public officials, given the nature of its business, the Brembo Group does not engage in dealings with government officials, except in managing permits (such as building permits). As a result, offence-risk opportunities are considered to be very limited.

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

- mapping (and periodic updates) by the Legal & Corporate Department of statutes that provide for administrative liability for companies in effect in all foreign countries in which the Group operates;
- reporting to the Country Committees of subsidiaries through a specific monitoring system on the main issues of concern in the areas of compliance, governance, legal/contracts and litigation;
- adoption and implementation (through training sessions) of a multiple-tier compliance system:
 - Brembo's Corporate & Compliance Tools (such as, for example, the Code of Ethics, the Anti-Bribery Code, the operating procedures applicable pursuant to Legislative Decree No. 231/2001, the authorisation matrices, etc.), disseminated and applied worldwide, laying down ethical and behavioural guidelines for managing stakeholder relations, including in light of the extraterritorial application of certain statutes such as the FCPA (USA) and Bribery Act (UK);
 - the launch of specific compliance programmes at the local level, so as to check the adequacy of measures aimed at preventing the commission of offences;
 - the Brembo Compliance Guidelines and Group Policies and Procedures issued by the Parent and disseminated and applied worldwide;
 - the Tax Control Framework, which is a further tool for preventing offences that may give rise to administrative and criminal liability and thus reinforces Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001;
 - the 231 Model, prepared by the Parent pursuant to Legislative Decree No. 231/2001, from which the Brembo



Compliance Guidelines disseminated throughout the Group have been drawn and that the management deems adequate and capable of effectively preventing offences.

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

Planning and Reporting

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

Financial Risks

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

Market Risk

Interest Rate Risk Management

Since the Group's financial debt is partly subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To reduce this risk, the Group has entered into several medium-/long-term fixed rate loan agreements, as well as specific hedging contracts (IRS), which account — including lease liabilities — for approximately 38% of gross financial position. The objective is to eliminate the variability of the borrowing costs associated with a portion of debt and benefit from fixed rates. The Group's Central Treasury & Credit Department constantly monitors rate trends in order to evaluate in advance the need for any changes to the financial indebtedness structure.

Exchange Rate Risk Management

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

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In the first half of 2020, no specific hedging transactions were undertaken. However, it should be recalled that existing contracts with major customers provide for automatic periodic adjustment on the basis of commodities prices.

Liquidity Risk

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

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

Credit Risk

Credit risk is the probability that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk arises, in particular, in relation to trade receivables. In this sense, it should be noted that the parties with whom Brembo has commercial dealings are primarily leading car and motorbike makers with a high credit standing. The current macroeconomic context has made continuous credit monitoring increasingly important, so that situations where there is a risk of insolvency or late payment can be anticipated.



Risk Management Process: Risk Financing

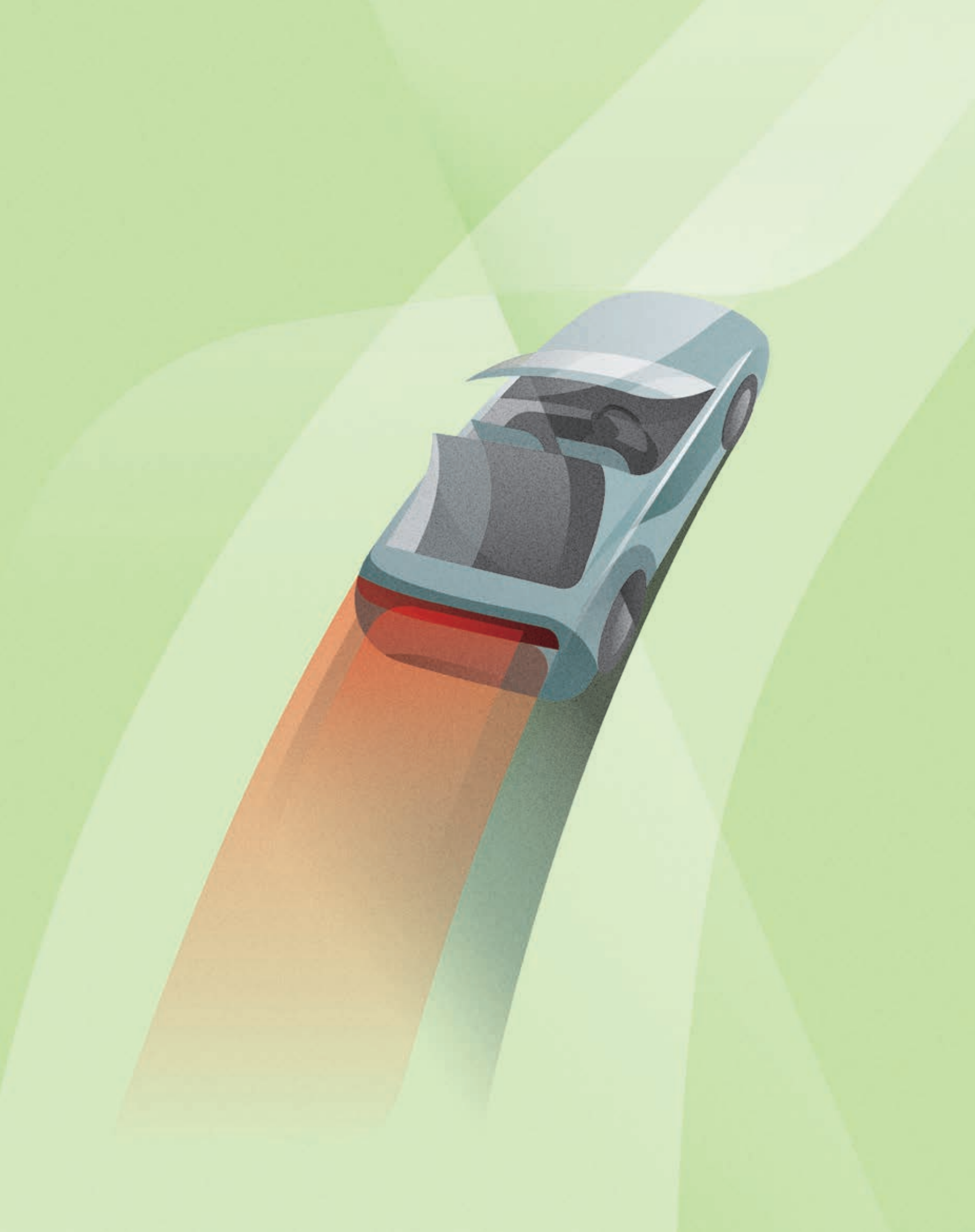
Following on from the above mitigation measures, and in order to minimise the volatility and financial impact of any detrimental event, under its Risk Management Policy, Brembo has provided for the residual risks to be transferred to the insurance market, provided that they are insurable.

Brembo's changing needs through the years have been specifically reflected in its insurance coverage, which has been optimised to significantly decrease the company's exposure

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

Insurance analysis and transfer of the risks to which the Group is exposed are conducted in collaboration with a high-standing 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.







New intuitions.
New **plants**.
In pursuit of
organic, global
growth.
Tangible **goals**
to be achieved
quickly.





Human Resources and Organisation

In the first half of 2020 the Brembo Group implemented a new organisational model designed to ensure that it is successful in overcoming the future challenges posed by the international and market scenario.

Under the new model, centred on customer relations and global product development, within the framework of a reinforced, coherent brand strategy, Global Business Units (GBUs), Global Central Functions (GCFs) and Regions/Countries remain the organisation's key components. However, interactions between them are balanced to ensure optimal management of the Company's future complexity and size, with the aim of providing the Group with increasingly global processes. The new organisation also features simpler reporting lines, clear responsibilities for each role, increasingly streamlined, empowered processes and a strong commitment to, and focus on, Advanced R&D, digitalisation and artificial intelligence applications.

The five Global Business Units, which continue to report to the CEO, are fully, exclusively responsible at the global level for setting commercial strategy, managing customer relations and conducting product technical development.

The Global Central Functions, which report to the Chairman, Executive Deputy Chairman and CEO, formulate functional strategies at the Group level to provide effective support for the implementation of business plans and design common processes, systems and standards through resources specifically assigned to each GBU through an internal customer report. At the global level, the GCFs also provide guidance, direction and monitoring, methods, uniform know-how, teaching and service on an ongoing basis within each function, thereby ensuring the development of its professional family.

The Advanced R&D area has also been expanded; it will continue to focus on long-term product innovation, accompanying it with a focus on artificial intelligence and digital transformation applied to products and processes.

Finally, the Business Process Transformation and Cost Efficiency area has been created; it will be tasked with proposing and coordinating projects designed to achieve cost efficiency and reengineer processes across all areas of the company, in addition to managing cost-engineering processes.

Under the new model, the Regions/Countries will be responsible for implementing the strategies of the GBUs at the local level, contributing to the formulation of business strategies within their respective geographical areas and ensuring the execution of the function strategy at the level of the Region or Country concerned, with full responsibility for profit and loss in the relevant Region or Country and the power to represent the Group before local authorities/institutions.

In the first half of 2020, severely impacted by the Covid-19 pandemic, the Company continued to focus its efforts on designing training activities for the Group personnel.

There is a wide range of management and technical skills that has been organised within courses disseminated via a new online flexible and constantly updated catalogue, designed to make it easier to identify a learning path dedicated to a specific skill or created for a particular professional family.

"Knowledge Management" is one of the key projects in 2020, focusing on certification of employees with specific types of know-how who, after a specific training and mentoring process, will be able to spread their knowledge within the organisation. Some of them, like the external professionals, will become teachers at the Brembo Academy in addition to the 50 trainers already certified and active for a considerable institutional, managerial and technical section of the internal catalogue. The two Professional Family Academies, R&D and Manufacturing, are examples of this, as are the transversal workshops such as Data Science, EPB (Electric Parking Brake) and Train-the-Trainer. The planning and execution of courses were of course suspended in mid-February 2020, in accordance with the decrees of the President of the Council of Ministers and the restrictions established by the Company to contain the spread of Covid-19.

However, Brembo Academy — the company organisation accredited by the Region of Lombardy to provide training services — remained active, focusing its energies on identifying



the tools needed to be able to continue to provide, immediately after the lockdown, mandatory training on health and safety pursuant to Legislative Decree No. 81/06, on a virtual basis and thus also accessible to those working remotely.

In the first half of 2020, training modules, available directly on the specific Brembo platform, began worldwide distribution of training courses designed to offer basic, practical managerial skills, available in Italian and English, in addition to institutional

knowledge such as the new release of Data Classification & Protection.

The new Cyber-Security and Phishing course, divided into various steps, is another important worldwide training project provided via e-learning. Designed by Training and ICT, it is intended to train all personnel assigned company e-mail accounts in techniques for protecting the Company's data and know-how from dangerous outside attacks.



Environment, Safety and Health

Brembo's commitment to environmental sustainability and safety continues to be an increasingly strategic and essential factor for developing the Group's business.

Environment and Energy

The process launched within Brembo for the ongoing improvement of environmental sustainability issues continues in view of concrete pursuit of the SDGs of the UN Agenda for Sustainable Development, for which the Group has pledged its support.

In view of the serious global health situation caused by Covid-19, which affected the entire Group's normal operations, in most of the first half of 2020 the project timetable was mainly focused on refining the management tools prepared in previous years rather than on launching new initiatives or projects.

The decision to adopt this approach was made to streamline the existing tools, so as to provide more effective support to improve performance when business resumes. In particular, the areas of activity touched on the aspects described below. Energy Management: development of the Brembo Energy Platform, a tool that allows constant monitoring of the energy consumption of all the Group's plants, was completed. Release for the final sites to be connected is currently in progress. The platform for monitoring types of consumption other than electricity, such as water, natural gas and compressed air, is also being extended in parallel.

Environment and Energy Management System: approximately three years after the launch of Brembo's new Environment and Energy Management System, a process of developing and optimising the System's procedures and requirements has been launched to simplify its application by the plants.

The development of a software application that will support environmental governance processes at the Group's plants

was also completed in the first half of 2020; more specifically, these processes relate to risk assessment and those necessary to ensure satisfaction of the application requirements of both a mandatory and voluntary nature. The platform will be made available to the plants in the second half of the year.

Circular Economy: in the first half of 2020, one of the Group's cast iron foundries was awarded authorisation by the competent authorities to begin the testing phase for the replacement of certain raw materials with other materials sourced from waste recovery processes. Testing will be launched in the first few months of the second half of the year and will take approximately one year.

Sustainability and energy efficiency goals: the sustainability goal for 2020 (calculated as a percent reduction in CO₂ emissions due to improvement actions with respect to the previous year's emissions) has been set at 2.5%. In addition, starting in 2020 all the Group's factories located in Mexico are to be powered by electrical energy from renewable sources and certificates of origin are to be obtained in sufficient quantity to cover all electricity consumed by the Italian factories.

The energy efficiency goal (calculated as a percent reduction in energy consumption due to improvement actions compared to the previous year) has been set at 1.75%. When setting the goal, the effects that the Covid-19 state of emergency has had on Brembo's factories, forced to undergo long periods of inactivity, were taken into consideration. The related energy efficiency projects have already been launched.



Workplace Safety

With regard to workplace health and safety issues, the first half of 2020 was severely conditioned by the Covid-19 pandemic, which absorbed most of the resources and activities planned. On the one hand, the extended lockdown resulted in the prolonged absence of the workforce from facilities, while, on the other, it allowed the measures required for safe resumption of business to be prepared.

In particular, the entire Health & Safety function collaborated with the Human Resources Department, occupational physicians, the employer and Worker Health Representatives to formulate protocols for the measures to combat and contain the spread of the virus and the actions to be taken to ensure the highest possible level of safety upon the resumption of business and to reduce the impact of the pandemic on Brembo.

The main actions taken by Brembo were:

- creation of the Brembo protocol for measures to combat and contain the spread of the Covid-19 virus, which, based on national legislation, lays down the requirements and directives for a safe return to business; this protocol applies to Brembo personnel and external personnel who access Brembo's facilities;
- verification of the interpretations and review of the protocols issued at the national and local level to identify all applicable provisions and practices to be adopted with institutional organisations (at all Brembo facilities);
- preparation of plant committees for the creation and constant updating/verification/circulation of plant protocols;
- information and engagement of personnel (distribution to personnel of the protocol established and training activity);
- design and implementation of actions to ensure, at the facilities, admittance controls, distancing between personnel, the use of adequate protective devices, cleaning and sanitisation of working environments;
- creation of a management process for potential symptomatic cases.

After the containment measures had been implemented and personnel returned to production facilities, a monitoring and

supervision plan was prepared and applied to ensure constant verification of compliance with and application of the measures contained in the protocols. An audit plan has been drawn up on the basis of specific check-lists also involving the Plant Manager, Plant Health and Safety Supervisor and Department Managers. For this initial phase, the frequency of these audits is planned to be at least fortnightly.

In addition to management of the pandemic, the work that is expected to lead the Group's facilities to achieve ISO 45001 certification of its Workplace Health and Safety Management System continued.

In detail:

- training of the Health and Safety functions of all Group plants was completed;
- the new Management System, composed of a Group Policy, a Manual and Guidelines to be adapted by the facilities as local procedures, was formally released.

In addition, the pilot project of the Behaviour-Based Safety programme was launched to correct behaviour in view of health and safety at the Dabrowa plant. The project, which involves approximately 2,000 Polish workers, was inspired by the consideration that approximately 75% of accidents are due to engaging in improper behaviour or to distractions.

This programme is based on the observation of operators during working activities by specifically trained personnel in order to reinforce their positive behaviours and correct the behaviours regarded as improper or more at risk of causing accidents. Involving factory personnel is fundamental; after adequate training, they are tasked with observing and identifying these behaviours.

With regard to the performance of safety indicators, in the first five months of 2020 there was a sharp improvement in the Incident Rate, which amounted to 1.07 (1.16 in the same period of 2019). There was also a significant improvement in terms of accident severity: throughout the Group there were no accidents with permanent injury and only five accidents of a total of 44 qualify as severe (in any event without permanent injury).



Accelerating,
steering, **braking**,
always pursuing
new **milestones**.
Environmentally
friendly speed can
count on **us**.





Related Party Transactions

In compliance with Consob Regulation adopted with Resolution No. 17221 of 12 March 2010, as amended, Brembo S.p.A. adopted the Related Party Transactions Procedure. The procedure was approved for the first time by the Board of Directors of Brembo S.p.A. during the meeting held on 12 November 2010, after receiving the favourable opinion of the Audit, Risk & Sustainability Committee, which also acts as Related Party Transactions Committee since it meets the requirements set out by the above-mentioned regulations. Said procedure was constantly updated to comply with the regulatory provisions in force from time to time, as well as with the existing practices. The procedure aims to ensure the full transparency and propriety of Related Party Transactions. The updated edition of Brembo's Related Party Transaction Procedure is available on Brembo's website (www.brembo.com, section Company, Corporate Governance, Governance Documents).

Brembo has examined and assessed the impact of Legislative Decree No. 49/2019 which transposed into Italian law the Directive EU 2017/828 (the so called "Shareholders' Rights II") on related parties and is expecting implementing regulations to be issued by Consob to implement any necessary amendments to the Procedure (reference legislation — Legislative Decree No. 49/2019, Article 1).

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



Further Information

Impacts of the Covid-19 pandemic on the Condensed Six Monthly Financial Report at 30 June 2020

The World Health Organization (WHO) announced the spread of the disease Covid-19 from China, particularly from the Wuhan district in early January 2020; it then declared Covid-19 a global health emergency of international concern on 30 January. February saw the virus spread to Europe and America, resulting to the global lockdown in March and April.

Brembo has been following developments relating to the spread of the Covid-19 very closely since its outbreak, establishing a dedicated task force and promptly adopting all necessary measures to monitor, prevent and contain the pandemic at all of its locations worldwide.

In the first half of 2020, all Group's plants were subject to lockdown periods, whose length varied from one country to the next: China (from 24 January to 13/16 February), Italy (from 16 March to 27 April), United States (from 23 March to 17 May), Brazil (from 24 March to 24 May), United Kingdom (from 25 March to 14 April), India (from 25 March to 4 May), Poland (from 27 March to 2 April), Czech Republic (from 28 March to 2 April) and Mexico (from 6 April to 18 May).

In view of the production sites' reopening, the Group has defined all necessary measures aimed at combating the virus and protecting the health of employees and contractors such as: rearrangement of production layouts, sanitisation of the premises, purchases of personal protective equipment, temperature measurement with heat scans, circulation of hygiene rules and social distancing, and extended remote working.

Moreover, after an initial donation of €150,000 in support of treatment facilities at Bergamo's Pope John XXIII Hospital, Brembo decided to support research into combating Covid-19 by donating €1 million to three première Bergamo institutions: Pope John XXIII Hospital, the Bergamo Hospital Research Foundation (FROM) and the Mario Negri Institute, which are committed to the area most severely affected by the pandemic, through a combination of clinical and pharmacological research. With reference to financial aspects, in adopting the prudential approach proposed by the Board of Directors in its extraordinary

meeting on 20 March 2020, the Shareholders' Meeting held on 23 April resolved not to distribute dividends drawing on the 2019 profit. This decision was made in order to support the Group's financial solidity and limit future economic and financial impacts. To face this difficult time for the market, between April and May 2020, the Group's financial structure was further reinforced by entering into new medium/long-term loans for a total amount of €425 million, in addition to available short-term credit lines for €384 million, which have not been used. These new loans enabled the Group to extend the average life of its debt, at costs in line with current levels.

Redundancy schemes and other forms of public support were activated to protect workers in all countries and contain the cost of idle personnel. In addition, plans were drawn up to contain discretionary, sponsorship and marketing costs and reduce or postpone investments, while also renegotiating several supply and lease contracts and implementing measures to contain working capital.

When preparing the Condensed consolidated half-yearly financial statements, the main financial and operational risks to which the Group is exposed (as described in the "Risk Management Policy" chapter of this Report) have been analysed to assess any negative effects deriving from the Covid-19 pandemic. With specific regard to credit risk, it should be noted that Brembo's main counterparties — major car and motorbike manufacturers with high credit ratings — essentially discharged their commercial obligations at the end of June. In addition, there are no problems with the supply chain or particular financial tensions involving the Group's strategic suppliers to be reported. In general, the analysis conducted did not identify any critical issues capable of having significant impacts on the Group's operating results and financial position.

When preparing the Condensed Consolidated Six Monthly Financial Report, impairment tests are conducted on the values of recognised goodwill whenever impairment indicators are detected. Since the Covid-19 pandemic, in light of its intensity and unpredictability, represents an external potential impairment



indicator, the impairment tests have been recalculated, assessing the performance of the various CGUs according to a more up-to-date forecast of the current year and multi-scenario assumptions for the following years, while applying corrections

to the volumes and margins of the company business plans prepared prior to Covid-19. For further details please refer to the Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report.

Significant Events during the Six-month Period

In March 2020, Brembo adopted a non-speculative long-term approach and acquired a 2.22% interest (equal to €86,509 thousand) in the share capital of Pirelli S.p.A., a company that stands out in its sector as a player of excellence in terms of history, brand, leadership and pursuit of innovation. In the second quarter of 2020, Brembo acquired a further stake for €20,000 thousand, increasing its interest to 2.78%. At 30 June 2020, the equity investment was measured at fair value, pursuant to IFRS 9, leading to a €1,662 thousand impairment of its value and of Group Equity, as reported in the Consolidated Statement of Comprehensive Income. An equity swap derivative contract with a nominal value of €70 million, maturing on 23 July 2020, for the purchase of an additional 20 million shares of Pirelli S.p.A., was also entered into on 13 May 2020.

On 5 February 2020, Brembo acquired a 20% interest in Infibra

Technologies S.r.l., for a consideration of €800 thousand. The company is specialised in the development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems and photonic subsystems for sensing and communications. The agreement with the current shareholders envisages Brembo's right to exercise a call option on the remaining 80% interest in the second half of 2024.

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 23 April 2020 approved the Financial Statements for the financial year ended 31 December 2019, allocating net income for the year amounting to €179,152,879.80 thousand as follows:

- to the reserve pursuant to Article 6(2) of Legislative Decree No. 38/2005 €1,125,037.09;
- the remaining amount carried forward.

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 23 April 2020 passed a new plan for the buy-back and sale of own shares with the following objectives:

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

The maximum number of shares that may be purchased is 8,000,000 that, with the 10,035,000 own shares already held (3.005% of share capital), represents 5.401% of the Company's share capital.

Own shares can be bought back and disposed of up to a maximum of €144 million:

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

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

Brembo has neither bought nor sold own shares in the first half of 2020.



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

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

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

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

Opt-out from the Obligations to Publish Disclosure Documents

The Company has adopted the opt-out system envisaged by Article 70, paragraph 8, and Article 71, paragraph 1-*bis* of the Rules for Issuers (Board's Resolution dated 17 December 2012), thus opting out from the obligation to publish the required

disclosure documents in the case of significant mergers, de-mergers, capital increase by way of contributions in kind, acquisitions and disposals.



Significant Events After 30 June 2020

On 23 July 2020, the equity swap derivative contract signed in May was finalised. Accordingly, Brembo S.p.A. acquired 20 million shares in Pirelli S.p.A. for a total consideration of €75,454 thousand, increasing

its stake to 4.78%.

No further significant events occurred after the end of the first half of the year and until 29 July 2020.

Foreseeable Evolution

The strategies adopted by the Company and the measures taken in response to the severe Covid-19 pandemic described above allowed it to weather these difficult months while protecting the Group's margin levels and its financial solidity.

Hoping that the worst stage has passed, the Group looks to the future with the confidence that its solid fundamentals will consolidate the sustainability of the business.

Stezzano, 29 July 2020

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







Performance
that opens up to
environmental
issues while
retaining all of its
appeal.
Gaining **relevance,**
depth and
prestige.





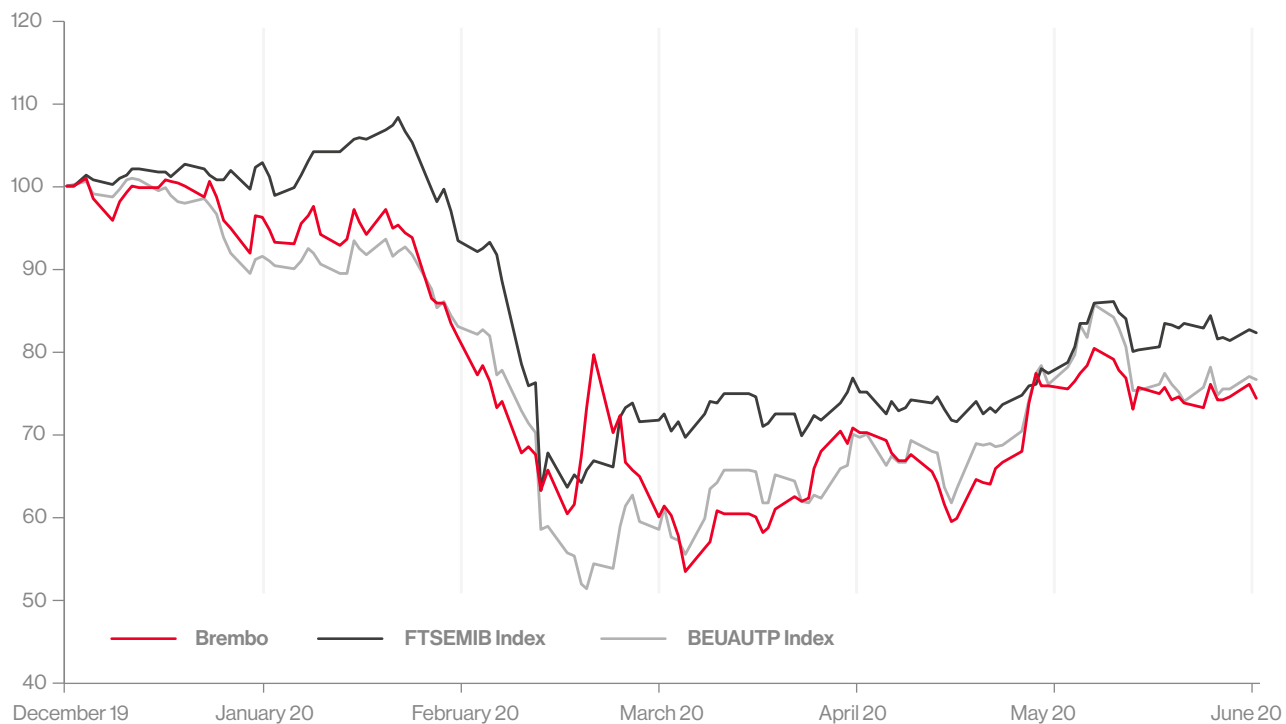
Brembo S.p.A. Stock Performance

Brembo stock closed the first half of 2020 at €8.225, down 25.6% compared to 31 December 2019. The stock reached a high for the period of €11.17 on 2 January and a low of €5.91 on 3 April 2020.

During the same period, the FTSE MIB index closed the year

down 17.6%, and the BBG EMEA Automobiles Parts index declined by 23.3%.

After an essentially stable kick-off, the first half of 2020 was impacted by the crisis generated by the Covid-19 pandemic, whose effects are still severely affecting the global economy and financial markets, and in particular the automotive sector.



An overview of stock performance of Brembo S.p.A. at 30 June 2020 is given in the following table, compared with that at 31 December 2019.

(euro thousand)	30.06.2020	31.12.2019
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	333,922,250	333,922,250
Equity (excluding net income for the period) (euro)	615,510,558	438,667,185
Net income for the period (euro)	17,676,839	179,152,880
Trading price (euro)		
<i>Minimum</i>	5.91	8.20
<i>Maximum</i>	11.17	11.88
Period end	8.23	11.06
Market capitalisation (euro million)		
<i>Minimum</i>	1,973	2,738
<i>Maximum</i>	3,730	3,967
Period end	2,748	3,693
Gross dividend per share	N/A	0.00 (*)

(*) Approved by the General Shareholders' Meeting of 23 April 2020.

Further information and updates regarding stock performance and recent corporate information are available on Brembo's website at www.brembo.com – Investors section
Investor Relations Manager: Laura Panseri.





Condensed Consolidated Six Monthly Financial Report at 30 June 2020

There is a type of
innovation that
springs from
sustainable
thinking, which
looks to **tomorrow**,
weighing it in terms
of quality of **life**.





Consolidated Financial Statements at 30 June 2020

Consolidated Statement of Financial Position

Assets

(euro thousand)	Notes	30.06.2020	of which with related parties	31.12.2019	of which with related parties	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	1,016,936		1,064,307		(47,371)
Right of use assets	1	188,421		194,493		(6,072)
Development costs	2	91,006		87,241		3,765
Goodwill and other indefinite useful life assets	2	82,113		83,883		(1,770)
Other intangible assets	2	50,984		57,157		(6,173)
Shareholdings valued using the equity method	3	40,789		43,149		(2,360)
Other financial assets (including investments in other companies and derivatives)	4	181,301	107,916	7,078	3,716	174,223
Receivables and other non-current assets	5	14,358		12,901		1,457
Deferred tax assets	6	62,901		54,617		8,284
TOTAL NON-CURRENT ASSETS		1,728,809		1,604,826		123,983
CURRENT ASSETS						
Inventories	7	379,235	3	342,203	219	37,032
Trade receivables	8	347,320	1,993	391,925	2,094	(44,605)
Other receivables and current assets	9	105,648		95,870		9,778
Current financial assets and derivatives	10	2,352		1,439		913
Cash and cash equivalents	11	415,254		304,793		110,461
TOTAL CURRENT ASSETS		1,249,809		1,136,230		113,579
ASSETS FROM DISCONTINUED OPERATIONS		1,452		1,435		17
TOTAL ASSETS		2,980,070		2,742,491		237,579



Equity and liabilities

(euro thousand)	Notes	30.06.2020	of which with related parties	31.12.2019	of which with related parties	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	76,760		107,325		(30,565)
Retained earnings/(losses)	12	1,211,513		983,809		227,704
Net result for the period	12	19,958		231,301		(211,343)
TOTAL GROUP EQUITY		1,342,959		1,357,163		(14,204)
TOTAL MINORITY INTERESTS		30,173		30,852		(679)
TOTAL EQUITY		1,373,132		1,388,015		(14,883)
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	579,291		196,558		382,733
Long-term lease liabilities	13	171,117		177,283		(6,166)
Other non-current financial payables and derivatives	13	930		1,164		(234)
Other non-current liabilities	14	13,040	5,272	9,472	3,782	3,568
Non-current provisions	15	15,781		12,494		3,287
Provisions for employee benefits	16	25,471	3,420	25,584	2,633	(113)
Deferred tax liabilities	6	28,318		28,410		(92)
TOTAL NON-CURRENT LIABILITIES		833,948		450,965		382,983
CURRENT LIABILITIES						
Current payables to banks	13	242,923		257,655		(14,732)
Short-term lease liabilities	13	19,204		18,700		504
Other current financial payables and derivatives	13	1,640		1,061		579
Trade payables	17	365,793	7,254	473,996	8,223	(108,203)
Tax payables	18	2,753		6,135		(3,382)
Current provisions	15	2,480		2,052		428
Other current liabilities	19	137,938	1,937	143,273	1,988	(5,335)
TOTAL CURRENT LIABILITIES		772,731		902,872		(130,141)
LIABILITIES FROM DISCONTINUED OPERATIONS		259		639		(380)
TOTAL LIABILITIES		1,606,938		1,354,476		252,462
TOTAL EQUITY AND LIABILITIES		2,980,070		2,742,491		237,579



Consolidated Statement of Income

(euro thousand)	Notes	30.06.2020	of which with related parties	30.06.2019	of which with related parties	Change
Revenue from contracts with customers	20	951,113	130	1,323,840	241	(372,727)
Other revenues and income	21	8,147	1,847	15,490	1,969	(7,343)
Costs for capitalised internal works	22	10,975		14,035		(3,060)
Raw materials, consumables and goods	23	(431,363)	(15,169)	(623,790)	(30,903)	192,427
Income (expense) from non-financial investments	24	1,884		5,901		(4,017)
Other operating costs	25	(195,383)	(4,594)	(229,551)	(2,821)	34,168
Personnel expenses	26	(202,082)	(2,248)	(235,343)	(4,169)	33,261
GROSS OPERATING INCOME		143,291		270,582		(127,291)
Depreciation, amortisation and impairment losses	27	(104,500)		(96,127)		(8,373)
NET OPERATING INCOME		38,791		174,455		(135,664)
Interest income	28	88,216		24,492		63,724
Interest expense	28	(102,384)		(31,195)		(71,189)
Net interest income (expense)	28	(14,168)	18	(6,703)	8	(7,465)
Interest income (expense) from investments	29	55		123		(68)
RESULT BEFORE TAXES		24,678		167,875		(143,197)
Taxes	30	(4,503)		(36,991)		32,488
Result from discontinued operations	32	62		(6,753)		6,815
RESULT BEFORE MINORITY INTERESTS		20,237		124,131		(103,894)
Minority interests		(279)		(683)		404
NET RESULT FOR THE PERIOD		19,958		123,448		(103,490)
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	0.06		0.38		



Consolidated Statement of Comprehensive Income

(euro thousand)	30.06.2020	30.06.2019	Change
RESULT BEFORE MINORITY INTERESTS	20,237	124,131	(103,894)
<i>Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period:</i>			
Effect of actuarial income/(loss) on defined benefit plans	(980)	(533)	(447)
Tax effect	170	195	(25)
Fair value measurement of investments	(1,662)	0	(1,662)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period	(2,472)	(338)	(2,134)
<i>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period</i>			
Effect of hedge accounting (cash flow hedge) of derivatives	(1,127)	(616)	(511)
Tax effect	233	148	85
Change in translation adjustment reserve	(31,114)	8,672	(39,786)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period	(32,008)	8,204	(40,212)
COMPREHENSIVE RESULT FOR THE PERIOD	(14,243)	131,997	(146,240)
Of which attributable to:			
- Minority Interests	(39)	844	(883)
- the Group	(14,204)	131,153	(145,357)



Consolidated Statement of Cash Flows

(euro thousand)	30.06.2020	30.06.2019
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	168,559	195,871
Result before taxes	24,678	167,875
Depreciation, amortisation/impairment losses	104,500	96,127
Capital gains/losses	(555)	(1,236)
Income/expense from investments, net of dividends received	3,160	75
Financial portion of provisions for defined benefits and payables for personnel	199	290
Long-term provisions for employee benefits	1,206	1,192
Other provisions net of utilisations	26,749	(2,903)
Result from discontinued operations	62	(6,753)
Cash flows generated by operating activities	159,999	254,667
Current taxes paid	(22,936)	(25,902)
Uses of long-term provisions for employee benefits	(1,988)	(2,585)
<i>(Increase) reduction in current assets:</i>		
inventories	(52,051)	(28,671)
financial assets	85	(54)
trade receivables	43,734	(48,471)
receivables from others and other assets	(2,751)	(1,712)
<i>Increase (reduction) in current liabilities:</i>		
trade payables	(108,203)	(62,733)
payables to others and other liabilities	(3,558)	(27,607)
Translation differences on current assets	(3,199)	63
Net cash flows from/(for) operating activities	9,132	56,995



(euro thousand)	30.06.2020	30.06.2019
<i>Investments in:</i>		
property, plant and equipment	(59,715)	(86,362)
<i>of which right of use assets</i>	(4,508)	(15,686)
intangible assets	(14,168)	(18,620)
financial assets	(177,590)	(113)
Price for disposal or reimbursement value of fixed assets	1,064	4,358
Net cash flows from/(for) investing activities	(250,409)	(100,737)
Dividends paid in the period	0	(71,541)
Dividend paid to minority shareholders in the period	(640)	(800)
Change in fair value of derivatives	(1,184)	(1,822)
New lease agreements	3,664	15,686
Reimbursement of lease liabilities	(12,183)	(12,578)
Loans and financing granted by banks and other financial institutions in the period	425,000	101,279
Repayment of long-term loans and other financing	(62,614)	(50,714)
Net cash flows from/(for) financing activities	352,043	(20,490)
Total cash flows	110,766	(64,232)
Translation differences on cash and cash equivalents	(4,960)	564
CASH AND CASH EQUIVALENTS AT END OF PERIOD	274,365	132,203



Consolidated Statement of Changes in Equity

(euro thousand)	Other reserves			Retained earnings (losses)
	Share capital	Reserves	Treasury shares	
Balance at 1 January 2019	34,728	122,260	(13,476)	817,219
Allocation of profit for the previous year				166,808
Payment of dividends				
<i>Components of comprehensive income:</i>				
Effect of actuarial income/(loss) on defined benefit plans				(338)
Effect of hedge accounting (cash flow hedge) of derivatives		(468)		
Change in translation adjustment reserve		8,511		
Net result for the period				
Balance at 30 June 2019	34,728	130,303	(13,476)	983,689
Balance at 1 January 2020	34,728	132,130	(24,805)	983,809
Allocation of profit for the previous year		1,125		230,176
Payment of dividends				
<i>Components of comprehensive income:</i>				
Effect of actuarial income/(loss) on defined benefit plans				(810)
Fair value measurement of investments				(1,662)
Effect of hedge accounting (cash flow hedge) of derivatives		(894)		
Change in translation adjustment reserve		(30,796)		
Net result for the period				
Balance at 30 June 2020	34,728	101,565	(24,805)	1,211,513



Net result for the period	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
238,349	1,199,080	3,127	26,615	29,742	1,228,822
(166,808)	0	(3,127)	3,127	0	0
(71,541)	(71,541)		(800)	(800)	(72,341)
	(338)			0	(338)
	(468)			0	(468)
	8,511		161	161	8,672
123,448	123,448	683		683	124,131
123,448	1,258,692	683	29,103	29,786	1,288,478
231,301	1,357,163	1,760	29,092	30,852	1,388,015
(231,301)	0	(1,760)	1,760	0	0
	0		(640)	(640)	(640)
	(810)			0	(810)
	(1,662)			0	(1,662)
	(894)			0	(894)
	(30,796)		(318)	(318)	(31,114)
19,958	19,958	279		279	20,237
19,958	1,342,959	279	29,894	30,173	1,373,132



Advanced
technology designed
for **innovative**
production
processes. Yet first,
a **responsible**
approach and a
long-term
perspective.





Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report at 30 June 2020

Brembo's Activities

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

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

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

Form and Content of the Condensed Consolidated Six Monthly Financial Report at 30 June 2020

Introduction

The Condensed Consolidated Six Monthly Financial Report at 30 June 2020 has been prepared in accordance with Article 154-ter of Legislative Decree No. 58/98 and applicable Consob provisions, as well as the provisions of IAS 34 – *Interim Financial Reporting*, and has been subjected to a limited audit according to the criteria recommended by Consob. In further detail, the Financial Report for the period ended 30 June 2020 has been prepared in condensed form and does not contain all the information and notes required for the consolidated annual financial statements. Consequently, the Report should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2019.

The Condensed Consolidated Six Monthly Financial Report comprises the Consolidated Statement of Financial Position, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, and these Explanatory Notes; it includes the situation at 30 June 2020 of Brembo S.p.A., the Parent, and the companies controlled by Brembo S.p.A. pursuant to IFRS 10.

On 29 July 2020, the Board of Directors approved the Condensed Consolidated Six Monthly Financial Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.



Basis of Preparation and Presentation

The accounting standards, consolidation principles and measurement criteria adopted to prepare the Condensed Consolidated Six Monthly Financial Report comply with those used to prepare the Consolidated Financial Statements at 31 December 2019, to which specific reference is made.

With reference to the new standards or amendments already issued that were applied for the first time from 1 January 2020, the following is reported.

Amendment to IFRS 16 – Leases: Covid-19-Related Rent Concessions (issued on 28 May 2020)

On 28 May 2020, the IASB (International Accounting Standards Board) published an amendment to IFRS 16 governing the accounting treatment by lessees of changes, if any, granted by lessors to instalments relating to operating lease contracts. The amendment introduces a practical expedient that simplifies the accounting treatment of such concessions when they are a direct consequence of the Covid-19 pandemic, exempting the lessee from assessing whether they entail a lease modification, and instead allowing it to account for them as a variable lease payment in the period in which the concession is granted.

The amendment will only be applicable to European companies after it is endorsed by the European Union, which is expected to occur in the third or fourth quarter of 2020.

As of 30 June 2020, Brembo Group was in negotiations with the main owners of the properties with which it has ongoing operating lease contracts. Any significant reductions in rent, whether already granted or resulting from the negotiations, will be accounted for after endorsement from the EU, where possible by applying the practical expedient.

The other standards that entered into effect on 1 January 2020 (Amendments to IFRS 3: *Definition of a Business*; Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*; Amendments to IAS 1 and IAS 8: *Definition of Material and Conceptual Framework for Financial Reporting* issued on 29 March 2018) did not have any impact on the Group's Condensed Consolidated Six Monthly Financial Report.

Other standards or amendments, not yet entered into force at the reporting date, are summarised in the following table:

Description	Endorsed at the reporting date	Date of entry into force of the standard
Amendments to IFRS 4 – <i>Insurance Contracts</i> – deferral of IFRS 19 (issued on 25 June 2020)	YES	1 January 2021
Amendments to IAS 1 – <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current</i>	NO	1 January 2022
Amendments to <ul style="list-style-type: none"> • IFRS 3 – <i>Business Combinations</i>; • IAS 16 – <i>Property, Plant and Equipment</i>; • IAS 37 – <i>Provisions, Contingent Liabilities and Contingent Assets</i> • Annual Improvements 2018-2020 (all issued on 14 May 2020) 	NO	1 January 2022
IFRS 17– <i>Insurance Contracts</i> (issued in May 2017)	NO	1 January 2023

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

The Condensed Consolidated Six Monthly Financial Report has been prepared on the basis of the half-yearly financial statements at 30 June 2020 drawn up by the Boards of Directors of the relevant consolidated companies.



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

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

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

Discretionary Valuations and Significant Accounting Estimates

Preparing financial statements in compliance with the applicable accounting standards requires management to make estimates that may have a significant effect on the items reported in the accounts. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances and given the information available at the reporting date. Actual results may differ from these estimates. Estimates and associated assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which such estimates are revised. Management's decisions that have a significant impact on the financial statements and estimates, and have a significant risk of material adjustments to the book value of assets and liabilities in the next accounting period, are discussed in the notes to the individual financial statement entries.

The main estimates are used to recognise the capitalisation of development costs, taxes (including the estimate of any tax liabilities associated with tax litigation, underway or that is likely to occur), impairment of non-financial assets, and the actuarial assumptions used in the valuation of defined benefit plans. Other estimates relate to provisions for contingencies, product warranties, inventory obsolescence, useful lives of certain assets, the designation of lease contracts and the determination of the fair value of financial instruments, including derivatives.

It should also be noted that certain measurement processes, particularly the most complex ones such as the determination of any impairment for non-current assets, are typically carried out in full only during preparation of the Annual Financial Statements, when all necessary information is available, unless impairment indicators require immediate analysis. Since the Covid-19 pandemic, in light of its intensity and unpredictability, represents an external potential impairment indicator, impairment tests have been conducted, as described in detail in Note 3 of these Explanatory Notes. Actuarial valuations necessary to determine provisions for employee benefits are conducted in complete form when preparing the Annual Financial Statements and in simplified form when preparing this Six Monthly Financial Report.

Consolidation Area

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

Compared to the first half of 2019 and 31 December 2019, no corporate transactions impacting the Group consolidation area were performed in the first half of 2020.



As of 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant with the ensuing placement in liquidation of the subsidiary Brembo Argentina S.A. Pursuant to IFRS 5, the company's assets and liabilities have been reclassified to "Assets/Liabilities from discontinued operations", whereas its Statement of Income items have been reclassified to "Result from discontinued operations". Further information on the details of these items is given in Note 32 of these Explanatory Notes.

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

Euro against other currencies	30.06.2020	Average at June 2020	30.06.2019	Average at June 2019
U.S. Dollar	1.119800	1.101452	1.138000	1.129771
Japanese Yen	120.660000	119.207159	122.600000	124.293309
Swedish Krona	10.494800	10.660961	10.563300	10.518739
Polish Zloty	4.456000	4.413618	4.249600	4.291943
Czech Koruna	26.740000	26.342135	25.447000	25.683785
Mexican Peso	25.947000	23.857114	21.820100	21.653889
Pound Sterling	0.912430	0.874320	0.896550	0.873585
Brazilian Real	6.111800	5.416938	4.351100	4.340674
Indian Rupee	84.623500	81.676639	78.524000	79.118191
Argentine Peso	78.785900	71.032888	48.567800	46.814389
Chinese Renminbi	7.921900	7.748053	7.818500	7.666976
Russian Rouble	79.630000	76.682517	71.597500	73.721479

Group Activities, Segments and Further Information

Segment Report

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

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

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

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

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

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



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

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

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

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in the first half of 2020 who accounted for over 10% of consolidated net revenues. None of the single car manufacturers comprising such groups exceeded this limit.



The following table shows segment information on operating data at 30 June 2020 and 30 June 2019:

	Total		Discs/Systems/Motorbikes		After Market/ Performance Group		Interdivision		Non-segment data	
(euro thousand)	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Sales	972,400	1,354,259	799,133	1,147,197	175,523	208,813	(1,633)	(1,839)	(623)	88
Allowances and discounts	(18,630)	(23,506)	(1,718)	(3,201)	(16,912)	(20,302)	0	0	0	(3)
Net sales	953,770	1,330,753	797,415	1,143,996	158,611	188,511	(1,633)	(1,839)	(623)	85
Transport costs	7,274	9,700	4,598	7,006	2,675	2,675	0	0	1	19
Variable production costs	586,024	823,088	484,225	702,941	102,698	120,636	(1,633)	(1,839)	734	1,350
Contribution margin	360,472	497,965	308,592	434,049	53,238	65,200	0	0	(1,358)	(1,284)
Fixed production costs	192,468	197,856	179,668	186,107	11,555	10,857	0	0	1,245	892
Production gross operating income	168,004	300,109	128,924	247,942	41,683	54,343	0	0	(2,603)	(2,176)
BU personnel costs	83,239	98,231	52,603	63,811	22,559	25,008	0	0	8,077	9,412
BU gross operating income	84,765	201,878	76,321	184,131	19,124	29,335	0	0	(10,680)	(11,588)
Costs for Central Functions	50,100	51,103	36,337	38,868	6,120	6,489	0	0	7,643	5,746
OPERATING INCOME (LOSS)	34,665	150,775	39,984	145,263	13,004	22,846	0	0	(18,323)	(17,334)
Extraordinary costs and revenues	5,879	14,864	0	0	0	0	0	0	5,879	14,864
Financial costs and revenues	(14,411)	(7,521)	0	0	0	0	0	0	(14,411)	(7,521)
Income (expense) from investments	1,921	6,006	0	0	0	0	0	0	1,921	6,006
Non-operating costs and revenues	(3,314)	(3,002)	0	0	0	0	0	0	(3,314)	(3,002)
Result before taxes	24,740	161,122	39,984	145,263	13,004	22,846	0	0	(28,248)	(6,987)
Taxes	(4,503)	(36,991)	0	0	0	0	0	0	(4,503)	(36,991)
Result before minority interests	20,237	124,131	39,984	145,263	13,004	22,846	0	0	(32,751)	(43,978)
Minority interests	(279)	(683)	0	0	0	0	0	0	(279)	(683)
NET RESULT	19,958	123,448	39,984	145,263	13,004	22,846	0	0	(33,030)	(44,661)



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

(euro thousand)	30.06.2020	30.06.2019
REVENUE FROM CONTRACTS WITH CUSTOMERS	951,113	1,323,840
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(4,359)	(7,669)
Differences between internal and statutory reports relating to developments activities	6,566	6,415
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	421	1,463
Effect of adjustment of transactions among consolidated companies	(134)	(69)
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	942	621
Reclassification of Brembo Argentina's revenues	0	6,095
Other	(779)	57
NET SALES	953,770	1,330,753

(euro thousand)	30.06.2020	30.06.2019
NET OPERATING INCOME	38,791	174,455
Differences between internal and statutory reports relating to developments activities	2,809	(1,228)
Other differences between internal and statutory reports	(2,613)	(3,166)
Income (expense) from non-financial investments	(1,884)	(5,901)
Claim compensation and subsidies	(2,569)	(7,487)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	(108)	(252)
Different classification of banking expenses (in the segment report it is included in "Financial costs and revenues")	301	442
Reclassification of Brembo Argentina	23	(6,360)
Other	(85)	272
OPERATING RESULT	34,665	150,775

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



Segment information on Statement of Financial Position data at 30 June 2020 and 31 December 2019 is provided in the following table:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Property, plant and equipment	1,205,357	1,258,800	1,092,842	1,156,099	73,950	69,931	5	5	38,560	32,765
Intangible assets	133,097	141,040	108,914	116,272	17,506	18,374	0	0	6,677	6,394
Financial assets and other non-current assets/liabilities	138,703	63,356	384	443	0	0	0	0	138,319	62,913
(a) Total fixed assets	1,477,157	1,463,196	1,202,140	1,272,814	91,456	88,305	5	5	183,556	102,072
Inventories	379,941	342,254	268,861	249,074	110,190	92,241	0	0	890	939
Current assets	470,122	495,826	291,968	353,795	59,807	44,827	(8,223)	(15,312)	126,570	112,516
Current liabilities	(524,146)	(631,815)	(294,422)	(416,045)	(83,971)	(87,489)	8,223	15,312	(153,976)	(143,593)
Provisions for contingencies and charges and other provisions	(39,107)	(33,699)	(493)	0	0	0	0	0	(38,614)	(33,699)
(b) Net working capital	286,810	172,566	265,914	186,824	86,026	49,579	0	0	(65,130)	(63,837)
NET INVESTED OPERATING CAPITAL (a+b)	1,763,967	1,635,762	1,468,054	1,459,638	177,482	137,884	5	5	118,426	38,235
Extraordinary components	230,883	122,876	53	53	0	0	0	0	230,830	122,823
NET INVESTED CAPITAL	1,994,850	1,758,638	1,468,107	1,459,691	177,482	137,884	5	5	349,256	161,058
Group equity	1,342,959	1,357,163	0	0	0	0	0	0	1,342,959	1,357,163
Minority interests	30,173	30,852	0	0	0	0	0	0	30,173	30,852
(d) Equity	1,373,132	1,388,015	0	0	0	0	0	0	1,373,132	1,388,015
(e) Provisions for employee benefits	25,471	25,584	0	0	0	0	0	0	25,471	25,584
Medium/long-term financial debt	751,338	375,005	0	0	0	0	0	0	751,338	375,005
Short-term financial debt	(155,091)	(29,966)	0	0	0	0	0	0	(155,091)	(29,966)
(f) Net financial debt	596,247	345,039	0	0	0	0	0	0	596,247	345,039
(g) COVERAGE (d)+(e)+(f)	1,994,850	1,758,638	0	0	0	0	0	0	1,994,850	1,758,638

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

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



Financial Risk Management

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

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

Market Risk

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

Interest Rate Risk

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

In order to fix the financial burden relating to a part of its debt, Brembo has entered into fixed-rate financing contracts and interest rate swaps. However, the Company continues to be exposed to interest-rate risk due to the fluctuation of variable rates.

A sensitivity analysis was performed to analyse the effects of a change in interest rates of +/- 50 base points compared to the rates at 30 June 2020 and 31 December 2019, with other variables held constant. The potential impacts were calculated on the variable-rate financial liabilities at 30 June 2020. The aforementioned change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,273 thousand (€683 thousand at 31 December 2019), gross of the tax effect.

The average weekly gross financial debt was used to provide the most reliable information possible.

Exchange Rate Risk

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

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

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

Starting with the exposures at the end of June 2020 and at the end of 2019, a change calculated as the standard deviation of the exchange rate with respect to the average exchange rate was applied to the average exchange rates for the first half of 2020 and for all 2019 to measure exchange rate volatility.



(euro thousand)	30.06.2020			31.12.2019		
	Change %	Effect of exchange rate increase	Effect of exchange rate decrease	Change %	Effect of exchange rate increase	Effect of exchange rate decrease
EUR/CNY	1.66%	(67.7)	69.9	1.37%	(48.3)	49.6
EUR/GBP	2.82%	1.9	(2.0)	2.36%	10.4	(10.9)
EUR/JPY	1.73%	(78.1)	80.9	2.23%	(16.1)	16.9
EUR/PLN	2.84%	60.9	(64.4)	0.78%	(5.7)	5.8
EUR/SEK	1.75%	7.7	(8.0)	1.47%	16.5	(17.0)
EUR/USD	1.59%	66.3	(68.4)	1.22%	16.9	(17.3)
EUR/INR	3.11%	3.6	(3.8)	1.50%	0.4	(0.4)
EUR/CZK	3.71%	1.7	(1.8)	0.49%	(0.3)	0.3
EUR/CHF	0.88%	(0.2)	0.2	1.67%	0.1	(0.1)
PLN/CNY	2.99%	6.0	(6.4)	1.42%	7.2	(7.4)
PLN/EUR	2.85%	(149.0)	157.7	0.77%	(73.5)	74.7
PLN/GBP	2.02%	0.2	(0.2)	2.25%	0.3	(0.3)
PLN/JPY	4.16%	1.1	(1.2)	2.62%	0.8	(0.9)
PLN/USD	3.70%	6.0	(6.4)	1.67%	(2.7)	2.8
PLN/CZK	1.16%	0.8	(0.8)	0.53%	0.0	0.0
PLN/CHF	3.49%	2.9	(3.1)	2.01%	6.5	(6.8)
GBP/EUR	2.82%	10.8	(11.4)	2.35%	39.8	(41.7)
GBP/USD	2.97%	3.2	(3.4)	2.62%	(5.8)	6.1
GBP/AUD	3.37%	(2.9)	3.1	2.13%	(0.9)	1.0
USD/CNY	1.03%	4.7	(4.8)	2.15%	(3.4)	3.5
USD/EUR	1.59%	187.6	(193.7)	1.22%	54.8	(56.2)
USD/MXN	10.58%	44.2	(54.7)	1.41%	30.8	(31.7)
BRL/EUR	11.31%	0.9	(1.1)	3.07%	15.1	(16.0)
BRL/USD	11.54%	37.5	(47.2)	4.06%	16.7	(18.1)
JPY/EUR	1.74%	3.9	(4.0)	2.23%	5.1	(5.3)
JPY/USD	1.49%	0.6	(0.7)	1.46%	0.9	(1.0)
CNY/EUR	1.64%	63.0	(65.1)	1.38%	246.2	(253.1)
CNY/JPY	2.03%	3.9	(4.0)	3.41%	4.9	(5.2)
CNY/USD	1.04%	(40.1)	40.9	2.15%	(100.5)	104.9
INR/EUR	3.13%	40.2	(42.8)	1.49%	(11.2)	11.6
INR/JPY	3.85%	32.1	(34.6)	2.37%	35.2	(36.9)
INR/USD	2.85%	18.4	(19.5)	1.47%	(5.2)	5.4
CZK/EUR	3.75%	78.5	(84.6)	0.49%	15.6	(15.7)
CZK/GBP	2.17%	(0.3)	0.3	2.22%	(0.5)	0.5
CZK/PLN	1.16%	0.2	(0.2)	0.53%	4.6	(4.7)
CZK/USD	4.40%	(16.5)	18.0	1.40%	(0.4)	0.4



Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In the first half of 2020, no specific hedging transactions were undertaken. However, it should be recalled that existing contracts with major customers provide for automatic periodic adjustment on the basis of commodities prices.

Liquidity Risk

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

To mitigate liquidity risk, the Treasury & Credit area:

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

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

For fixed- and variable-rate financial liabilities, both principal and interest were considered for the different maturity periods; for variable-rate liabilities, the rate at 30 June 2020 plus the relevant spread was used.

(euro thousand)	Carrying value	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Non-derivative financial liabilities					
Short-term credit lines and bank overdrafts	140,889	140,889	140,889	0	0
Payables to banks (loans and bonds)	681,325	705,899	106,861	358,094	240,944
Payables to other financial institutions	1,204	1,207	275	920	12
Lease liabilities	190,321	190,321	19,204	59,514	111,603
Trade and other payables	376,860	376,860	376,860	0	0
Derivative financial liabilities					
Derivatives	1,366	1,366	1,366	0	0
Total	1,391,965	1,416,542	645,455	418,528	352,559

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

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

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

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



The values of these covenants are monitored at the end of each quarter, and at 30 June 2020 the Group had complied with the covenants in question by a considerable margin. On the basis of the most updated estimates for 2020, the aforementioned financial ratios are expected to be met.

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

In further detail, at 30 June 2020, unused bank credit facilities were 73% of the total (a total of €525.4 million in credit facilities were available).

Credit Risk

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

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

Fair Value Measurement

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

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

(euro thousand)	30.06.2020			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value						
Forward contracts denominated in foreign currency	0	1,087	0	0	(347)	0
Interest rate swaps	0	(1,362)	0	0	(252)	0
Embedded derivative	0	0	1,213	0	0	1,480
Equity swaps	0	70,229	0	0	0	0
Total financial assets (liabilities) measured at fair value	0	69,954	1,213	0	(599)	1,480
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(669,720)	0	0	(325,275)	0
Current and non-current lease liabilities	0	(190,322)	0	0	(195,983)	0
Other current and non-current financial liabilities	0	(1,205)	0	0	(1,439)	0
Total assets (liabilities) for which fair value is indicated	0	(861,246)	0	0	(522,697)	0

The equity swap derivative amounting to €70,229 thousand includes €3,947 thousand cash not yet used by the banking counterparty for the purchase of shares, whereas the remainder is attributable to the value of the shares already purchased by the bank and their fair value adjustment at 30 June 2020.



Movements for the period of Level 3 were as follows:

(euro thousand)	30.06.2020
Opening value	1,480
Movements from reserve for payment/collection of differentials	(267)
Closing value	1,213

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

(euro thousand)	Carrying value		Fair value	
	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Available-for-sale financial assets	106,687	1,788	106,687	1,788
Loans, receivables and financial liabilities valued at amortised costs:				
Current and non-current financial assets (excluding derivatives)	4,433	5,249	4,433	5,249
Trade receivables	347,320	391,925	347,320	391,925
Loans and receivables	61,250	57,813	61,250	57,813
Cash and cash equivalents	415,254	304,793	415,254	304,793
Current and non-current payables to banks	(822,214)	(454,213)	(850,923)	(461,509)
Current and non-current lease liabilities	(190,321)	(195,983)	(190,321)	(195,983)
Other current and non-current financial liabilities	(1,204)	(1,626)	(1,204)	(1,626)
Trade payables	(365,793)	(473,996)	(365,793)	(473,996)
Other current liabilities	(137,938)	(143,273)	(137,938)	(143,273)
Other non-current liabilities	(13,040)	(9,472)	(13,040)	(9,472)
Derivatives	71,167	881	71,167	881
Total	(524,399)	(516,114)	(553,108)	(523,410)

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

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



Related Parties

The Group carries out transactions with parents, subsidiaries, associates, joint ventures, directors, key management personnel and other related parties. The Parent Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.523% of its share capital. Brembo did not engage in dealings with its parent in the first half of 2020.

Information pertaining to the fees paid to Directors and Statutory Auditors of Brembo S.p.A. and of other Group companies and additional information required is reported below:

(euro thousand)	30.06.2020		30.06.2019	
	Directors	Auditors	Directors	Auditors
Emoluments and other incentives for the office held	2,895	98	1,045	98
Participation in committees and specific tasks	78	0	78	0
Salaries and other incentives	1,601	0	2,912	0

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



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

(euro thousand)

a) Weight of transactions or positions with related parties on items of the Statement of Financial Position	30.06.2020						31.12.2019					
	Carrying value	Related Parties					Carrying value	Related Parties				
		Total	Other*	Joint ventures	Associates	%		Total	Other*	Joint ventures	Associates	%
Other financial assets (including investments in other companies and derivatives)	181,301	107,916	104,899	0	3,017	59.5%	7,078	3,716	0	0	3,716	52.5%
Inventories	379,235	3	3	0	0	0.0%	342,203	219	0	219	0	0.1%
Trade receivables	347,320	1,993	7	1,928	58	0.6%	391,925	2,094	14	2,005	75	0.5%
Other non-current liabilities	(13,040)	(5,272)	(5,272)	0	0	40.4%	(9,472)	(3,782)	(3,782)	0	0	39.9%
Provisions for employee benefits	(25,471)	(3,420)	(3,420)	0	0	13.4%	(25,584)	(2,633)	(2,633)	0	0	10.3%
Trade payables	(365,793)	(7,254)	(1,107)	(5,909)	(238)	2.0%	(473,996)	(8,223)	(1,267)	(6,624)	(332)	1.7%
Other current liabilities	(137,938)	(1,937)	(1,810)	(127)	0	1.4%	(143,273)	(1,988)	(1,860)	(128)	0	1.4%

b) Weight of transactions or positions with related parties on items of the Statement of Income	30.06.2020						30.06.2019					
	Carrying value	Related Parties					Carrying value	Related Parties				
		Total	Other*	Joint ventures	Associates	%		Total	Other*	Joint ventures	Associates	%
Revenue from contracts with customers	951,113	130	0	130	0	0.0%	1,323,840	241	0	237	4	0.0%
Other revenues and income	8,147	1,847	12	1,745	90	22.7%	15,490	1,969	12	1,873	84	12.7%
Raw materials, consumables and goods	(431,363)	(15,169)	0	(15,122)	(47)	3.5%	(623,790)	(30,903)	(2)	(30,692)	(209)	5.0%
Other operating costs	(195,383)	(4,594)	(3,740)	(411)	(443)	2.4%	(229,551)	(2,821)	(1,698)	(500)	(623)	1.2%
Personnel expenses	(202,082)	(2,248)	(2,248)	0	0	1.1%	(235,343)	(4,169)	(4,163)	(6)	0	1.8%
Net interest income (expense)	(14,168)	18	18	(1)	1	-0.1%	(6,703)	8	(12)	(1)	21	-0.1%

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

Sales of products, supply of services and the transfer of fixed assets between Group companies were carried out at prices reflecting fair market conditions. The trading volumes reflect the internationalisation process aimed at constantly improving both operating and organisational standards and optimising synergies within the Company. From a financial standpoint, the subsidiaries operate independently, although some benefit from various forms of centralised financing. Since 2008, a zero-balance cash-pooling system has been effective, with Brembo S.p.A. as the pool leader. In 2013, an additional cash pooling arrangement was put in place, denominated in CNY, with Brembo Nanjing Brake Systems Co. Ltd. as pooler and Brembo Nanjing Automobile Components Co. Ltd., Qingdao Brembo Trading Co. Ltd. and Brembo Huilian (Langfang) Brake Systems Co. Ltd. as participants. The cash pooling is entirely based in China, and Citibank China is the service provider.



Information About the Group

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

COMPANY	HEADQUARTERS		SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES	
Brembo S.p.A.	Curno (Bergamo)	Italy	Eur	34,727,914		
AP Racing Ltd.	Coventry	United Kingdom	Gbp	135,935	100%	Brembo S.p.A.
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany	Eur	25,000	100%	Brembo S.p.A.
Brembo North America Inc.	Wilmington, Delaware	USA	Usd	33,798,805	100%	Brembo S.p.A.
Brembo Czech S.r.o.	Ostrava-Hrabová	Czech Republic	Czk	605,850,000	100%	Brembo S.p.A.
La.Cam (Lavorazioni Camune) S.r.l.	Stezzano (Bergamo)	Italy	Eur	100,000	100%	Brembo S.p.A.
Qingdao Brembo Trading Co. Ltd.	Qingdao	China	Cny	1,365,700	100%	Brembo S.p.A.
Brembo Japan Co. Ltd.	Tokyo	Japan	Jpy	11,000,000	100%	Brembo S.p.A.
Brembo Poland Spolka Zo.o.	Dąbrowa Górnicza	Poland	Pln	144,879,500	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	Sek	4,500,000	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	492,030,169	100%	Brembo S.p.A.
Brembo Russia LLC.	Moscow	Russia	Rub	1,250,000	100%	Brembo S.p.A.
Brembo Argentina S.A. <i>in dissolution and winding up procedure</i>	Buenos Aires	Argentina	Ars	62,802,000	98.62%	Brembo S.p.A.
					1.38%	Brembo do Brasil Ltda.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,836	49%	Brembo S.p.A.
					51%	Brembo North America Inc.
Brembo (Nanjing) Automobile Components Co. Ltd.	Nanjing	China	Cny	235,194,060	60%	Brembo S.p.A.
					40%	Brembo Brake India Pvt. Ltd.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	159,136,227	99.99%	Brembo S.p.A.
Corporación Upwards '98 S.A.	Zaragoza	Spain	Eur	498,043	68%	Brembo S.p.A.
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	Langfang	China	Cny	170,549,133	66%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano (Bergamo)	Italy	Eur	4,000,000	50%	Brembo S.p.A.
Petroceramics S.p.A.	Milan	Italy	Eur	123,750	20%	Brembo S.p.A.
Infibra Technologies S.r.l.	Pisa	Italy	Eur	53,133	20%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes GmbH	Meitingen	Germany	Eur	25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.



Commitments

The Group had no commitments at 30 June 2020.

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 2020 the Company did not carry out any atypical and/or unusual transactions, as defined by the said Notice.

Significant Events After 30 June 2020

On 23 July 2020, the equity swap derivative contract signed in May was finalised. Accordingly, Brembo S.p.A. acquired 20 million shares in Pirelli S.p.A. for a total consideration of €75,454 thousand, increasing its stake in the company to 4.78%.

No other significant events occurred after the end of the first half of the year and up to 29 July 2020.





Keeping one step
ahead of the **future**
is embedded in
Brembo's **DNA**.
Like **communicating**
its energy and
emotions,
engagement
and **passion**.





Analysis of each item

Statement of Financial Position

1. Property, Plant and Equipment

Property, Plant, Equipment and Other Equipment

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

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	31,301	398,384	1,261,071	227,951	63,006	108,796	2,090,509
Accumulated depreciation	0	(109,663)	(711,554)	(186,503)	(38,822)	0	(1,046,542)
Write-down provision	0	(13)	(2,242)	0	0	(375)	(2,630)
Balance at 1 January 2019	31,301	288,708	547,275	41,448	24,184	108,421	1,041,337
Changes:							
Translation differences	71	2,176	4,063	194	169	877	7,550
Reclassification	0	11,830	42,129	3,353	(194)	(57,090)	28
Acquisitions	8	2,268	22,466	5,939	1,689	38,306	70,676
Disposals	0	(768)	(702)	(37)	(13)	(166)	(1,686)
Other	0	0	(901)	(40)	(3)	(2)	(946)
Depreciation	0	(8,986)	(54,312)	(9,404)	(2,457)	0	(75,159)
Impairment losses	0	0	(8)	0	0	(59)	(67)
Total changes	79	6,520	12,735	5	(809)	(18,134)	396
Historical cost	31,380	414,797	1,326,160	236,905	63,792	90,667	2,163,701
Accumulated depreciation	0	(119,556)	(763,893)	(195,452)	(40,417)	0	(1,119,318)
Write-down provision	0	(13)	(2,257)	0	0	(380)	(2,650)
Balance at 30 June 2019	31,380	295,228	560,010	41,453	23,375	90,287	1,041,733
Historical cost	31,911	433,396	1,406,365	250,247	68,480	63,986	2,254,385
Accumulated depreciation	0	(128,980)	(811,555)	(203,968)	(42,830)	0	(1,187,333)
Write-down provision	0	(13)	(2,404)	(18)	0	(310)	(2,745)
Balance at 1 January 2020	31,911	304,403	592,406	46,261	25,650	63,676	1,064,307
Changes:							
Translation differences	(27)	(4,727)	(11,112)	(948)	(229)	(1,914)	(18,957)
Reclassification	294	2,224	26,967	5,459	330	(38,474)	(3,200)
Acquisitions	0	1,592	13,219	3,203	686	36,507	55,207
Disposals	0	0	(194)	(224)	0	(77)	(495)
Depreciation	0	(9,519)	(57,621)	(9,998)	(2,773)	0	(79,911)
Impairment losses	0	0	0	0	0	(15)	(15)
Total changes	267	(10,430)	(28,741)	(2,508)	(1,986)	(3,973)	(47,371)
Historical cost	32,178	429,751	1,414,597	255,039	68,596	59,999	2,260,160
Accumulated depreciation	0	(135,766)	(848,533)	(211,268)	(44,932)	0	(1,240,499)
Write-down provision	0	(12)	(2,399)	(18)	0	(296)	(2,725)
Balance at 30 June 2020	32,178	293,973	563,665	43,753	23,664	59,703	1,016,936



In the first half of 2020, investments in property, plant and equipment amounted to €55,207 thousand, including €36,507 thousand in assets in course of construction. Net disposals amounted to €495 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 2020 amounted to €79,911 thousand (€75,159 thousand at 30 June 2019).

Right of use assets

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

(euro thousand)	Land	Buildings	Other assets	Total
Historical cost	0	0	204	204
Accumulated depreciation	0	0	(99)	(99)
Balance at 1 January 2019	0	0	105	105
Changes:				
Translation differences	0	10	8	18
Effect of IFRS 16 FTA	0	166,640	10,473	177,113
New contracts/leases for the period	0	8,652	7,034	15,686
Unwinding of lease contract	0	(1,428)	(8)	(1,436)
Depreciation	0	(7,104)	(2,484)	(9,588)
Total changes	0	166,770	15,023	181,793
Historical cost	0	173,634	17,703	191,337
Accumulated depreciation	0	(6,864)	(2,575)	(9,439)
Balance at 30 June 2019	0	166,770	15,128	181,898
Historical cost	705	190,548	23,119	214,372
Accumulated depreciation	0	(13,978)	(5,901)	(19,879)
Balance at 1 January 2020	705	176,570	17,218	194,493
Changes:				
Translation differences	(25)	(2,901)	(266)	(3,192)
New contracts/leases for the period	7	1,039	3,462	4,508
Unwinding of lease contract	0	0	27	27
Other	3,683	0	0	3,683
Depreciation	(55)	(7,201)	(3,842)	(11,098)
Total changes	3,610	(9,063)	(619)	(6,072)
Historical cost	4,595	188,305	25,686	218,586
Accumulated depreciation	(280)	(20,798)	(9,087)	(30,165)
Balance at 30 June 2020	4,315	167,507	16,599	188,421

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



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

Development costs, goodwill and other intangible assets

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

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patents and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	182,299	92,911	1,401	94,312	39,008	127,840	166,848	443,459
Accumulated amortisation	(108,607)	0	0	0	(29,737)	(82,909)	(112,646)	(221,253)
Write-down provision	(388)	(11,587)	(3)	(11,590)	(1,089)	0	(1,089)	(13,067)
Balance at 1 January 2019	73,304	81,324	1,398	82,722	8,182	44,931	53,113	209,139
Changes:								
Translation differences	50	514	3	517	2	242	244	811
Reclassification	0	0	0	0	11	58	69	69
Acquisitions	14,009	0	0	0	401	4,210	4,611	18,620
Other	0	0	0	0	0	(474)	(474)	(474)
Amortisation	(5,411)	0	0	0	(658)	(4,262)	(4,920)	(10,331)
Impairment losses	(982)	0	0	0	0	0	0	(982)
Total changes	7,666	514	3	517	(244)	(226)	(470)	7,713
Historical cost	195,394	93,399	1,404	94,803	39,448	131,905	171,353	461,550
Accumulated amortisation	(114,036)	0	0	0	(30,421)	(87,200)	(117,621)	(231,657)
Write-down provision	(388)	(11,561)	(3)	(11,564)	(1,089)	0	(1,089)	(13,041)
Balance at 30 June 2019	80,970	81,838	1,401	83,239	7,938	44,705	52,643	216,852
Historical cost	209,139	94,665	1,404	96,069	42,542	138,436	180,978	486,186
Accumulated amortisation	(119,828)	0	0	0	(31,090)	(91,642)	(122,732)	(242,560)
Write-down provision	(2,070)	(12,183)	(3)	(12,186)	(1,089)	0	(1,089)	(15,345)
Balance at 1 January 2020	87,241	82,482	1,401	83,883	10,363	46,794	57,157	228,281
Changes:								
Translation differences	48	(1,765)	(5)	(1,770)	(16)	(341)	(357)	(2,079)
Reclassification	0	0	0	0	290	(3,040)	(2,750)	(2,750)
Acquisitions	10,934	0	0	0	175	3,059	3,234	14,168
Disposals	0	0	0	0	(31)	(10)	(41)	(41)
Amortisation	(6,232)	0	0	0	(699)	(4,560)	(5,259)	(11,491)
Impairment losses	(985)	0	0	0	(1,000)	0	(1,000)	(1,985)
Total changes	3,765	(1,765)	(5)	(1,770)	(1,281)	(4,892)	(6,173)	(4,178)
Historical cost	220,127	92,077	1,399	93,476	42,851	137,640	180,491	494,094
Accumulated amortisation	(126,066)	0	0	0	(31,680)	(95,738)	(127,418)	(253,484)
Write-down provision	(3,055)	(11,360)	(3)	(11,363)	(2,089)	0	(2,089)	(16,507)
Balance at 30 June 2020	91,006	80,717	1,396	82,113	9,082	41,902	50,984	224,103



Development costs

The item “Development costs” includes costs for development, internal and external, for a gross historical cost of €220,127 thousand. They refer to development projects, agreed upon with end customers and confirmed, that at the reporting date have neither been suspended or cancelled. During the reporting period, this item changed due to higher costs incurred for works begun in the first half of 2020, for orders received both during the half-year period and in previous periods, for which additional development costs were incurred; amortisation amounting to €6,232 thousand was recognised for development costs of orders regarding products that have already entered into production.

The gross amount includes development activities for projects underway totalling €45,351 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 €10,975 thousand (first half of 2019: €14,035 thousand).

Impairment losses totalled €985 thousand (€982 thousand in the first half of 2019) and are recognised in the Statement of Income under “Amortisation, depreciation and impairment losses”. Impairment losses refer to development costs incurred mainly by the Parent, Brembo S.p.A., in relation to projects that, consistent with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

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

(euro thousand)	30.06.2020	31.12.2019
Discs - Systems - Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	15,243	15,194
Brembo México S.A. de C.V. (Hayes Lemmerz)	928	925
Brembo Nanjing Brake Systems Co. Ltd.	884	895
Brembo Brake India Pvt. Ltd.	7,781	8,212
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	42,498	43,049
After Market – Performance Group:		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	11,377	12,201
Total	80,717	82,482

The change compared to 31 December 2019 was attributable to the change in consolidation differences.

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

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

When preparing the Condensed Consolidated Six Monthly Financial Report, impairment tests are conducted on the values of recognised goodwill whenever impairment indicators are detected. Since the Covid-19 pandemic, in light of its intensity and unpredictability, represents an external potential impairment indicator, although the



Group had positive net operating income at 30 June 2020 and its market capitalisation was far in excess of its equity, the impairment tests were conducted by assessing the performance of the various CGUs on the basis of a more up-to-date forecast of the current year (5+7 Forecast) and multi-scenario assumptions for the subsequent years. The 5+7 Forecast was prepared by using specific short-term forecasts for each region and GBU (global business unit) of reference, including the effects of the cost containment measures and investments defined during the lockdown, in addition to the information obtained through constant direct contact with customers. With regard to the subsequent years, on the basis of the forecasts prepared prior to the pandemic, various corrections were applied according to the specific outflow rates of the various CGUs for the fourth quarter or the second half of 2020. A break-even scenario, below which specific assets would need to be written down, was also simulated.

The scenario deemed most representative of those prepared was then identified, without using an average or applying probability or weighting indices. The Group's discount rate (Group WACC) used was 6.31% (7.29% in 2019), which reflected the current market assessments of the time value of money and the risks specific to the asset in question. The previously mentioned impairment tests did not indicate the need to recognise any impairment loss.

A sensitivity analysis was also performed on the most representative scenario by applying a variation in the WACC from 6.31% to 6.81% or in the growth rate from 1.0% to 0.5% (or from 1.5% to 1.0%). In this case as well, no goodwill not previously written down would become impaired.

Intangible assets with indefinite useful lives

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

The value of trademarks was tested for impairment as described in the previous section. For information concerning impairment-testing methods, the reader is referred to the above discussion relating to goodwill.

Other intangible assets

Acquisitions of "Other intangible assets" totalled €3,234 thousand and refer for €175 thousand to the filing of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting period associated with the development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group and the acquisition of other IT applications.

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

This item includes the amounts attributable to the Group related to the shareholdings valued using the equity method. The following table shows all relevant movements:

(euro thousand)	31.12.2019	Acquisitions and underwritings	Write-ups/ Write-downs	Dividends	30.06.2020
Brembo Group SGL Carbon Ceramic Brakes	42,224	0	1,884	(5,000)	39,108
Petroceramics S.p.A.	925	0	36	(80)	881
Infibra Technologies S.r.l.	0	800	0	0	800
Total	43,149	800	1,920	(5,080)	40,789



It should be noted that the impact on the Statement of Income of valuation of shareholdings using the equity method is classified in two items: “Income (expense) from non-financial investments”, attributable to the effect of the valuation using the equity method of the BSCCB Group, and “Interest income (expense) from investments”, attributable to the valuation of associates using the equity method.

The investment in Brembo SGL Carbon Ceramic Brakes S.p.A. was written up by €1,884 thousand, mainly to account for net income for the period.

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

This item is broken down as follows:

(euro thousand)	30.06.2020	31.12.2019
Shareholdings in other companies	106,687	1,788
Receivables from associates	3,017	3,716
Derivatives	70,820	712
Other	777	862
Total	181,301	7,078

The item “Shareholdings in other companies” includes the 10% interest in International Sport Automobile S.a.r.l., the 1.20% interest in Fuji Co., and the 3.28% interest in E-Novia S.p.A.

In March 2020, Brembo adopted a non-speculative long-term approach and acquired a 2.22% stake (equal to €86,509 thousand) in the share capital of Pirelli S.p.A., a company that stands out in its sector as a player of excellence in terms of history, brand, leadership and pursuit of innovation. In the second quarter of 2020, Brembo acquired additional shares for €20,000 thousand, increasing its stake to 2.78%. At 30 June 2020, the equity investment was measured at fair value, pursuant to IFRS 9, leading to a €1,662 thousand impairment of its value and of Group Equity, as reported in the Consolidated Statement of Comprehensive Income.

The further change of €52 thousand on 31 December 2019 is attributable to the Parent’s interest in consortium funds intended for research.

The item “Receivables from associates” includes the receivable deriving from the loan granted by Brembo to Innova Tecnologie S.r.l. in liquidazione, in which Brembo S.p.A. holds a 30% interest. The loan, the nominal amount of which is €9 million, was recognised for €3,017 thousand following the settlement agreement reached in 2016 with the majority shareholder of Innova Tecnologie S.r.l. in liquidazione, Impresa Fratelli Rota Nodari S.p.A. and Innova Tecnologie S.r.l. in liquidazione, and the subsequent €2,000 thousand reimbursement occurred in 2019 after the building was sold to third parties, as well as further €700 thousand in the first half of 2020. The residual value is deemed recoverable for €1,282 thousand, whereas the remaining part is covered by a provision for risks.

The item “Derivatives” refers to the fair value of derivative assets embedded in commercial contracts with customers to cover the exchange rate risk against USD and JPY. Moreover, an equity swap derivative contract with a nominal value of €70 million, maturing on 23 July 2020, for the purchase of an additional 20 million shares of Pirelli S.p.A., was entered into on 13 May 2020.

“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)	30.06.2020	31.12.2019
Receivables from others	14,000	12,589
Income tax receivables	324	278
Non-income tax receivables	34	34
Total	14,358	12,901

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

Income tax receivables mostly refer to applications for tax refunds.

6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 30 June 2020 is broken down as follows:

(euro thousand)	30.06.2020	31.12.2019
Deferred tax assets	62,901	54,617
Deferred tax liabilities	(28,318)	(28,410)
Total	34,583	26,207

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

Movements for the period are reported in the following table:

(euro thousand)	30.06.2020	30.06.2019
Balance at beginning of period	26,207	39,006
Deferred tax liabilities generated	(1,246)	(615)
Deferred tax assets generated	16,867	7,684
Use of deferred tax assets and liabilities	(3,150)	(13,383)
Exchange rate fluctuations	(1,821)	315
Other movements	(2,274)	342
Balance at end of period	34,583	33,349

The recognition of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In particular, it should be noted that the consolidated subsidiary



Brembo Poland Spolka Zo.o. is located in a “special economic zone” and is entitled to deduct a percentage from 25% to 50% of its investments from its current taxes owed through 2026. At 30 June 2020, the company had used all the existing credit at 31 December 2019 besides the credit accrued in the first half of 2020.

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

It should also be noted that:

- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years’ tax losses (BRL 133.10 million) eligible to be unlimitedly carried forward — amounted to BRL 45.26 million;
- unrecognised deferred tax assets of Brembo Czech Sro., calculated on tax losses for the period (CZK 247.5 million), amounted to CZK 47.02 million;
- at 30 June 2020, deferred tax liabilities of €2,796 thousand were recognised on profits of subsidiaries, associates or joint ventures which the Group considers may be distributed in the foreseeable future.

7. Inventories

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

(euro thousand)	30.06.2020	31.12.2019
Raw materials	160,691	143,177
Work in progress	70,012	68,010
Finished products	133,114	110,032
Goods in transit	15,418	20,984
Total	379,235	342,203

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

(euro thousand)	31.12.2019	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	30.06.2020
Inventory write-down provision	47,784	21,081	(4,984)	(1,078)	55	62,858

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 2020, the balance of trade receivables compared to the end of the previous year was as follows:

(euro thousand)	30.06.2020	31.12.2019
Accounts receivable from customers	345,334	389,845
Receivables from associates and joint ventures	1,986	2,080
Total	347,320	391,925

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

Accounts receivable from customers are recognised net of the provision for bad debts, which amounted to €5,325 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2019	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	30.06.2020
Provision for bad debts	4,448	1,227	(269)	(87)	6	5,325

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

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

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

(euro thousand)	30.06.2020	31.12.2019
Listed clients	267,902	318,086
Unlisted clients	84,743	78,287
Total	352,645	396,373

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

Listed clients

(euro thousand)	30.06.2020	Write-down 2020	31.12.2019	Write-down 2019
Current	247,002	0	293,047	0
Expired up to 30 days	3,842	0	7,983	0
Expired by 30 to 60 days	4,517	71	9,661	0
Expired by over 60 days	12,541	1,959	7,395	1,930
Total	267,902	2,030	318,086	1,930
% ratio of expired receivables not written down to total exposure	7.0%		7.3%	
Total expired receivables, not written down	18,870		23,109	



Unlisted clients

(euro thousand)	30.06.2020	Write-down 2020	31.12.2019	Write-down 2019
Current	74,329	0	69,450	30
Expired up to 30 days	1,190	0	2,346	2
Expired by 30 to 60 days	3,525	0	2,706	65
Expired by over 60 days	5,699	3,295	3,785	2,421
Total	84,743	3,295	78,287	2,518
<i>% ratio of expired receivables not written down to total exposure</i>	8.4%		8.1%	
Total expired receivables, not written down	7,119		6,349	

The increase in expired receivables from listed clients, referring essentially to leading car manufacturers, was mainly due to delays by the customer in accepting charges for development and equipment costs related to the lockdown due to the Covid-19 pandemic. These positions are expected to be recovered in the third quarter of 2020.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been defined and collected after the end of the first half of 2020.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2020	31.12.2019
Income tax receivables	58,432	50,680
Non-income tax receivables	32,510	28,256
Other receivables	14,706	16,934
Total	105,648	95,870

The item "Income tax receivables" includes the receivable recognised by the Parent in prior years in relation to the application of an IRES refund, concerning the non-deductibility for IRAP purposes of personnel expenses, and other applications for IRES and IRAP refund totalling €4,610 thousand, besides the €15,037 thousand R&D tax credit calculated pursuant to Ministerial Decree dated 27 May 2015.

The item "Non-income tax receivables" primarily includes VAT receivables of subsidiaries located in Poland and China.

"Other receivables" mainly include advances paid to suppliers for goods and services, and other accrued income.



10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2020	31.12.2019
Derivatives	1,713	768
Security deposits	524	656
Other receivables	115	15
Total	2,352	1,439

The item “Derivatives” refers to the fair value of derivative assets embedded in commercial contracts with customers to cover the exchange rate risk against USD and JPY.

11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	30.06.2020	31.12.2019
Bank and postal accounts	415,054	304,587
Cash-in-hand and cash equivalents	200	206
Total cash and cash equivalents	415,254	304,793
Payables to banks: overdrafts and foreign currency advances	(140,889)	(136,234)
Cash and cash equivalents from the Statement of Cash Flows	274,365	168,559

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

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the half year totalled €6,724 thousand (€6,382 thousand at 30 June 2019).

12. Equity

Group consolidated equity at 30 June 2020 increased by €14,204 thousand compared to 31 December 2019. Movements are given in the relevant statement within the Condensed Consolidated Six Monthly Financial Report.

Share capital

The subscribed and paid up share capital amounted to €34,728 thousand at 30 June 2020. It is divided into 333,922,250 ordinary shares.



The table below shows the composition of the share capital and the number of shares outstanding at 31 December 2019 and 30 June 2020:

(No. of shares)	30.06.2020	31.12.2019
Ordinary shares issued	333,922,250	333,922,250
Own shares	(10,035,000)	(10,035,000)
Total shares outstanding	323,887,250	323,887,250

As part of Brembo's buy-back plan, the Company neither purchased nor sold own shares in the first half of 2020.

Other reserves and retained earnings/(losses)

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 23 April 2020 approved the Financial Statements for the financial year ended 31 December 2019, allocating net income for the year amounting to €179,152,879.80 thousand as follows:

- to the reserve pursuant to Article 6(2) of Legislative Decree No. 38/2005 €1,125,037.09;
- the remaining amount carried forward.

Share capital and reserves of minority interests

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

13. Financial Debt and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2020			31.12.2019		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Payables to banks:						
- overdrafts and advances	140,889	0	140,889	136,234	0	136,234
- loans	102,034	579,291	681,325	121,421	196,558	317,979
Total	242,923	579,291	822,214	257,655	196,558	454,213
Lease liabilities	19,204	171,117	190,321	18,700	177,283	195,983
Payables to other financial institutions	274	930	1,204	462	1,164	1,626
Derivatives	1,366	0	1,366	599	0	599
Total	20,844	172,047	192,891	19,761	178,447	198,208



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

(euro thousand)	Amount at 31.12.2019	Amount at 30.06.2020	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:					
Banca Popolare di Sondrio loan (€75 million)	56,233	43,739	24,992	18,747	0
BNL loan (€80 million)	54,967	38,316	28,319	9,997	0
Mediobanca loan (€130 million)	44,964	24,986	24,986	0	0
BNL loan (€300 million)	0	299,220	0	149,420	149,800
Banca Popolare di Sondrio loan (€125 million)	0	125,123	223	74,914	49,986
BNL loan (€100 million)	99,889	99,923	52	62,383	37,488
UBI loan (USD 35 million)	20,753	15,618	10,419	5,199	0
Banamex loan (USD 30 million)	22,231	17,813	8,930	8,883	0
EIB loan (€30 million, New Foundry Project)	7,620	5,715	3,810	1,905	0
Citi Nanjing loan (RMB 100 million)	11,322	10,872	303	10,569	0
Total payables to banks	317,979	681,325	102,034	342,017	237,274

The most significant transactions finalised in the first half of 2020 included two medium-term loans granted by BNL in the amount of €300 million and Banca Popolare di Sondrio in the amount of €125 million.

It should be noted that several loans require compliance with certain financial covenants. At the end of the reporting period, all of these covenants had been met. Even on the basis of the most updated estimates for 2020, all the required financial ratios are expected to be met. At 30 June 2020, there was no financial debt secured by collateral.

The following table shows the structure of loans, broken down by annual interest rate and currency at 30 June 2020:

(euro thousand)	30.06.2020			31.12.2019		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	198,649	439,577	638,226	240,551	24,749	265,300
US Dollar	0	33,431	33,431	0	42,983	42,983
Chinese Renmimbi	0	10,872	10,872	0	11,322	11,322
Total	198,649	483,880	682,529	240,551	79,054	319,605

The average variable rate applicable to the Group's debt is 1.20% and the average fixed rate is 0.83%.

The Brembo Group entered into an IRS directly with the Parent, Brembo S.p.A., for a remaining notional amount of €100 million at 30 June 2020, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge).

The €1,282 thousand change in fair value at 30 June 2020 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)	30.06.2020
Opening value	225
Fair value reserve releases	1,282
Movements from reserve for payment/collection of differentials	(155)
Closing value	1,352

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

(euro thousand)	Amount at 31.12.2019	Amount at 30.06.2020	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Other financial liabilities:					
Payables to other financial institutions:					
MIUR BBW loan	188	0	0	0	0
Libra loan	75	69	11	46	12
Ministerio Industria España	1,363	1,135	263	872	0
Total payables to other financial institutions	1,626	1,204	274	918	12
Lease liabilities	195,983	190,321	19,204	59,514	111,603
Total other financial liabilities	197,609	191,525	19,478	60,432	111,615

Net Financial Position

The following table shows the reconciliation of the net financial position at 30 June 2020 (€597,499 thousand) and at 31 December 2019 (€346,189 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006:

(euro thousand)	30.06.2020	31.12.2019
A Cash	200	206
B Other cash equivalents	415,054	304,587
C Derivatives and securities held for trading	1,713	768
D LIQUIDITY (A+B+C)	416,967	305,561
E Current financial receivables	639	671
F Current payables to banks	140,889	136,234
G Current portion of non-current debt	102,034	121,421
H Other current financial debts and derivatives	20,844	19,761
I CURRENT FINANCIAL DEBT (F+G+H)	263,767	277,416
J NET CURRENT FINANCIAL DEBT (I-E-D)	(153,839)	(28,816)
K Non-current payables to banks	579,291	196,558
L Bonds issued	0	0
M Other non-current financial debts and derivatives	172,047	178,447
N NON-CURRENT FINANCIAL DEBT (K+L+M)	751,338	375,005
O NET FINANCIAL DEBT (J+N)	597,499	346,189



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

14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	30.06.2020	31.12.2019
Social security payables	1,659	1,087
Payables to employees	8,318	5,997
Other payables	3,063	2,388
Total	13,040	9,472

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

15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2019	Provisions	Use/Release	Exchange rate fluctuations	Other	30.06.2020
Provisions for contingencies and charges	4,891	1,070	(354)	(283)	4	5,328
Provision for product warranties	9,655	6,256	(2,799)	(179)	0	12,933
Total	14,546	7,326	(3,153)	(462)	4	18,261
of which short-term	2,052					2,480

Provisions totalled €18,261 thousand, including, in addition to the provision for product warranties, the supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway.

16. Provisions for Employee Benefits

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

Defined contribution plans include a plan relating to Brembo Huilian (Langfang) Brake Systems (Langfang) Co. Ltd and reserved for approximately 70 early retired employees, who have guaranteed monthly payments until they reach pension age.



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

Brembo México S.A. de C.V., Brembo Japan Co. Ltd. and Brembo Brake India Pvt. Ltd. offer to their employees specific pension plans that qualify as defined benefit plans.

Unfunded defined benefit plans include also the “Employees’ leaving indemnity” provided by the Group’s Italian companies, in accordance with current applicable regulations.

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

Liabilities at 30 June 2020 are given in the table below:

(euro thousand)	31.12.2019	Provisions	Use/Release	Interest expense	Exchange rate fluctuations	Other	30.06.2020
Employees’ leaving entitlement	18,755	0	(409)	104	0	(324)	18,126
Defined benefit plans and other long-term benefits	5,362	235	(521)	95	(484)	1,304	5,991
Defined contribution plans	1,467	971	(1,058)	0	(26)	0	1,354
Total	25,584	1,206	(1,988)	199	(510)	980	25,471

17. Trade Payables

At 30 June 2020, trade payables were as follows:

(euro thousand)	30.06.2020	31.12.2019
Trade payables	359,646	467,040
Payables to associates and joint ventures	6,147	6,956
Total	365,793	473,996

18. Tax Payables

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

(euro thousand)	30.06.2020	31.12.2019
Tax payables	2,753	6,135



19. Other Current Payables

Other current payables at 30 June 2020 are given in the table below:

(euro thousand)	30.06.2020	31.12.2019
Tax payables other than current taxes	10,189	9,653
Social security payables	16,724	18,750
Payables to employees	44,377	56,089
Other payables	66,648	58,781
Total	137,938	143,273

“Other payables” also include deferred income in the form of public grants received and released to the Statement of Income in accordance with the related amortisation plans to which they refer, in addition to deferred income amounting to €40,427 thousand (€35,436 thousand at 31 December 2019) in the form of grants received by customers towards brake system development activities suspended until the conclusion of the development activity and then recognised over the useful lives of the products to which the grants refer.



Statement of Income

20. Revenue from Contracts with Customers

The item is broken down as follows:

(euro thousand)	30.06.2020	30.06.2019
Revenue from sales of brake systems	937,430	1,304,716
Revenue from equipment	6,217	9,643
Revenue from study and design activities	6,973	8,828
Revenue from royalties	493	653
Total	951,113	1,323,840

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)	30.06.2020	30.06.2019
Miscellaneous recharges	2,070	3,050
Gains on disposal of assets	558	1,284
Miscellaneous grants	3,312	8,467
Other revenues	2,207	2,689
Total	8,147	15,490

The item "Miscellaneous grants" includes grants for research and development projects amounting to €135 thousand and a tax credit for research and development investment of €2,385 thousand, calculated pursuant to Ministerial Decree of 27 May 2015.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the period, amounting to €10,975 thousand (first half of 2019: €14,035 thousand).



23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	30.06.2020	30.06.2019
Purchase of raw materials, semi-finished and finished products	389,315	566,341
Purchase of consumables	42,048	57,449
Total	431,363	623,790

24. Income (Expense) from Non-Financial Investments

Income (expense) from non-financial investments amounted to €1,884 thousand and is attributable to the effects of valuing the investment in the BSCCB Group using the equity method (first half of 2019: €5,901 thousand).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	30.06.2020	30.06.2019
Transports	21,549	28,807
Maintenance, repairs and utilities	62,774	75,808
Contracted work	34,534	41,700
Rents (where IFRS 16 is not applicable)	9,648	11,511
Other operating costs	66,878	71,725
Total	195,383	229,551

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

26. Personnel Expenses

The breakdown of personnel expenses is as follows:

(euro thousand)	30.06.2020	30.06.2019
Wages and salaries	145,455	168,632
Social security contributions	33,384	37,617
Employees' leaving entitlement and other personnel provisions	6,389	7,781
Other costs	16,854	21,313
Total	202,082	235,343



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

	Managers	White-collar	Blue-collar	Total
H1 2020: average	143	3,118	7,571	10,832
H1 2019: average	142	3,133	7,380	10,655
Change	1	(15)	191	177
Total at 30 June 2020	142	3,128	7,461	10,731
Total at 30 June 2019	142	3,132	7,305	10,579
Change	0	(4)	156	152

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	30.06.2020	30.06.2019
Amortisation of intangible assets:		
Development costs	6,232	5,411
Industrial patents and similar rights for original work	527	495
Licences, trademarks and similar rights	172	163
Other intangible assets	4,560	4,262
Total	11,491	10,331
Depreciation of property, plant and equipment:		
Buildings	9,519	8,986
Plant and machinery	57,621	54,312
Industrial and commercial equipment	9,998	9,404
Other property, plant and equipment	2,773	2,457
Right of use assets	11,098	9,588
Total	91,009	84,747
Impairment losses:		
Property, plant and equipment	15	67
Intangible assets	1,985	982
Total	2,000	1,049
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	104,500	96,127

Further information on item "Impairment losses" is given in Note 2 of these Explanatory Notes.



28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	30.06.2020	30.06.2019
Exchange rate gains	86,674	22,984
Interest income from employee's leaving entitlement and other personnel provisions	350	413
Interest income	1,192	1,095
Total interest income	88,216	24,492
Exchange rate losses	(94,263)	(21,939)
Interest expense from employees' leaving entitlement and other personnel provisions	(549)	(703)
Lease interest expense	(2,508)	(2,489)
Interest expense	(5,064)	(6,064)
Total interest expense	(102,384)	(31,195)
TOTAL NET INTEREST INCOME (EXPENSE)	(14,168)	(6,703)

29. Interest Income (Expense) from Investments

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

30. Taxes

This item is broken down as follows:

(euro thousand)	30.06.2020	30.06.2019
Current taxes	17,092	32,192
Deferred tax (assets) and liabilities	(12,471)	6,314
Prior years' taxes and other tax payables	(118)	(1,515)
Total	4,503	36,991

The Group's actual tax rate was 18.2% (22.2% at 31 December 2019 - 22.0% at 30 June 2019).

31. Earnings Per Share

Basic earnings per share were €0.06 at 30 June 2020 (€0.38 at 30 June 2019), and were calculated by dividing the net income or loss for the period attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in the first half of 2020, amounting to 323,887,250 (325,187,250 in the first half of 2019). Diluted earnings per share are identical to basic earnings per share inasmuch as no share capital transactions were undertaken in the reporting period.



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

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

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

(euro thousand)	30.06.2020
Revenue from contracts with customers	211
Other operating costs	(160)
Personnel expenses	(29)
GROSS OPERATING INCOME	22
Depreciation, amortisation and impairment losses	0
NET OPERATING INCOME	22
Net interest income (expense)	40
RESULT FROM DISCONTINUED OPERATIONS	62
Trade receivables	188
Other receivables and current assets	12
Cash and cash equivalents	1,252
TOTAL CURRENT ASSETS	1,452
TOTAL ASSETS	1,452
Non-current provisions	(20)
TOTAL NON-CURRENT LIABILITIES	(20)
Trade payables	(152)
Other current payables	(87)
TOTAL CURRENT LIABILITIES	(239)
TOTAL LIABILITIES	(259)

Stezzano, 29 July 2020

On behalf of the Board of Directors

The Executive Deputy Chairman
Matteo Tiraboschi





It is **solidity**,
based on expertise
and **skill**,
that leads
to **excellence**.
And to being
Brembo.





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Review report on the interim condensed consolidated six monthly financial statements (Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Introduction

We have reviewed the condensed consolidated six monthly financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Brembo S.p.A. and its subsidiaries (the "Brembo Group") as of June 30, 2020. The Directors of Brembo S.p.A. are responsible for the preparation of the interim condensed consolidated six monthly financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Brembo Group as of June 30, 2020 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bergamo, July 29, 2020

EY S.p.A.

Signed by: Marco Malaguti, Statutory Auditor

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

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Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro R revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n. 10831 del 16/7/1997
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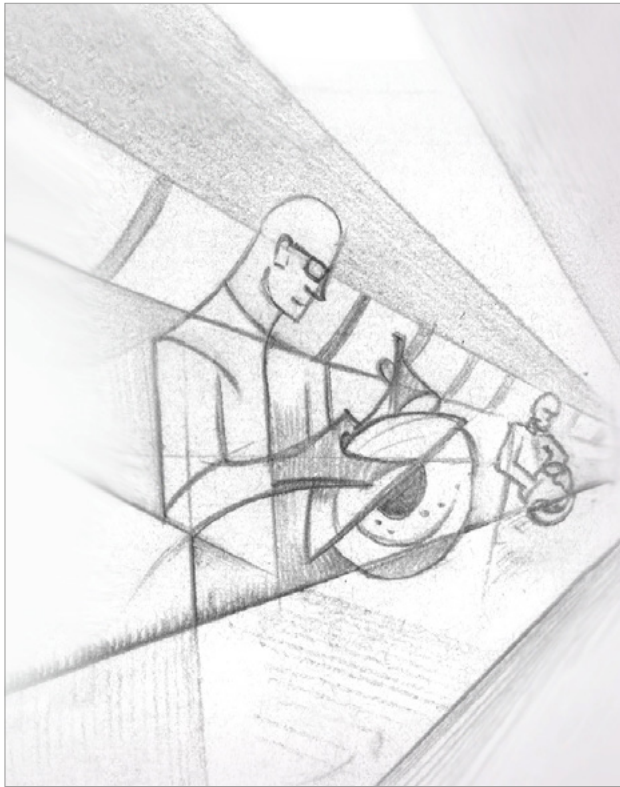
Attestation of the Condensed Six Monthly Financial Statements Pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive deputy Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the Condensed Six Monthly Financial Statements for the period from 1 January 2020 to 30 June 2020:
 - 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 2020 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.
3. The undersigned further declare that:
 - 3.1 The Condensed Six Monthly Financial Statements:
 - a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;
 - b) reflect the accounting books and records; and
 - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.
 - 3.2 The interim Report on Operations includes a reliable analysis of the significant events that occurred during the first six months of the financial year and the impact of such events on the Company's Condensed Six Monthly Financial Statements, along with a description of the main risks and uncertainties for the remaining six months of the year.
Furthermore, the interim Report on Operations contains a reliable analysis of significant related party transactions.

Stezzano, 29 July 2020

Matteo Tiraboschi
Executive Deputy Chairman

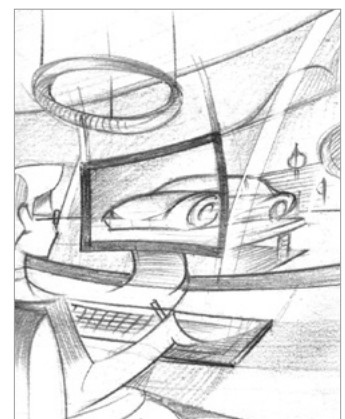
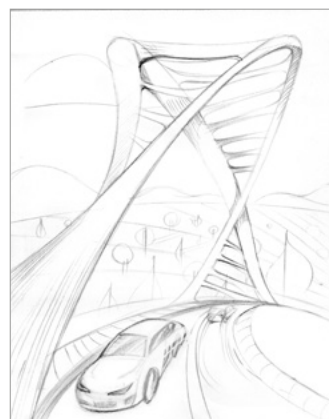
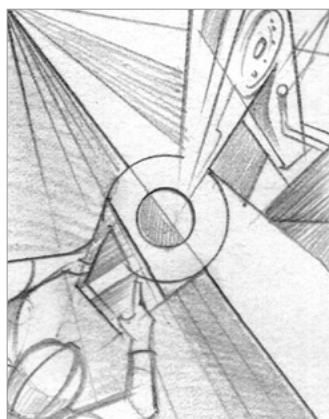
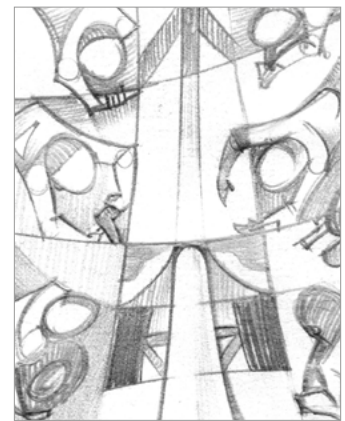
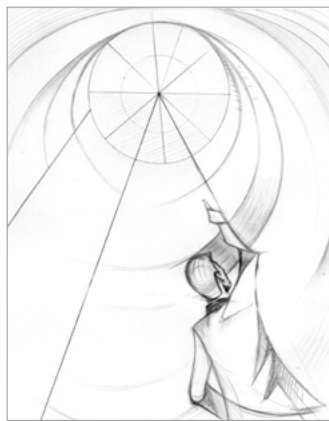
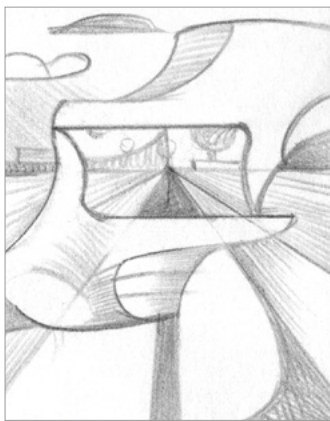
Andrea Pazzi
Manager in Charge of the Company's
Financial Reports



In the Beginning Was Sustainability

Above all for those who, like Brembo, take a responsible view of the future. It is against this backdrop that a story unfolds, interweaving illustrations and textual elements, drawing inspiration from modern and contemporary art, and clearly bringing into focus the aspects of innovation, energy and dynamism that set Brembo apart, in its way of thinking and acting. Brembo's commitment to sustainability is tangible and concrete in its every activity. From technological innovation of processes —aimed at reducing consumption and environmental impact— and waste recycling and disposal —ensuring constant respect for the environment— through to its most valuable asset: people. Tending to human relationships and to the quality of the work and life of its employees, together with helping disadvantaged communities, are unquestioned values for Brembo.

The story provides us with numbers, actions, concepts and strategies, all tied together by responsible thinking.





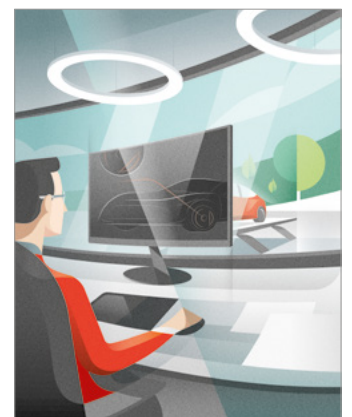
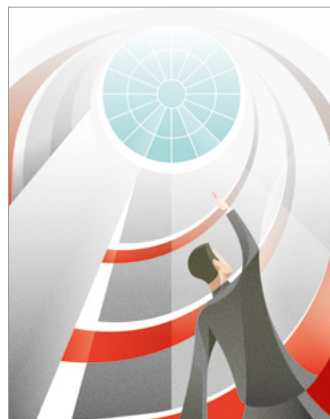
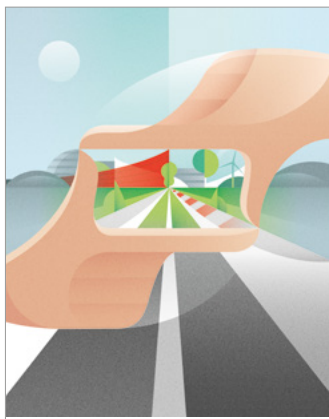
The Future

The style of the illustrations immediately evokes Futurism, adopting its themes: speed, dynamism, strength, power, concision, machine and technology.

Strong, dynamic lines cut across the images, fusing their subjects into a delicate, elegant composition in geometric balance.

Technology's unstoppable development constantly sets new milestones and poses new challenges to be faced and overcome. The original values remain unchanged, solid and unmoving, but the challenges change, shifting to the needs of a world of rapid progress.

Futurist language is thus reinterpreted from a contemporary perspective. Nature and humanity — the constant elements of the tale— are no longer antagonists but engage in dialogue, becoming a harmonious part of the whole, merging to form a single message and thus breathing life into a new vision of the Future.





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Art work: PoliedroStudio srl (Telgate, Bergamo)

Illustrations: Alessandro Vairo (Brescia)

Typeset: Secograf (San Giuliano Milanese)

Translation: Koinè (Trieste)