LIGHTNESS IS THE FUTURE

BREMBO
ANNUAL
REPORT
2013

LIGHTNESS
IS THE FUTURE

BREMBO ANNUAL REPORT 2013

CALL TO ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETINGS

The Shareholders are convened to the Ordinary and Extraordinary Shareholders' Meetings to be held at the Company offices at Viale Europa 2, 24040 Stezzano (Bergamo) on 29 April 2014 at 11:00a.m. CET (first call) or, if necessary, on 30 April 2014, at the same place and time (second call), to resolve on the following

AGENDA

Ordinary Meeting

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2013, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of the Company's Financial Reports. Allocation of profit for the year and dividend distribution. Ensuing resolutions.
2. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2013, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of Company's Financial Reports.
3. Authorisation for the buy-back and disposal of own shares. Ensuing resolutions.
4. Appointment of the Board of Directors.
   - 4.1 Determination of the number of members of the Board of Directors' and their term of appointment.
   - 4.2 Appointment of Directors.
   - 4.3 Appointment of the Chairman and Deputy Chairman of the Board of Directors.
   - 4.4 Definition of total remuneration of the members of the Board of Directors for each year of service.
5. Appointment of the Board of Statutory Auditors.
   - 5.1 Appointment of three Statutory Auditors and two Alternate Auditors.
   - 5.2 Appointment of the Chairman of the Board of Statutory Auditors.
   - 5.3 Definition of total remuneration of the members of the Board of Statutory Auditors for each year of service.
6. Presentation of the Remuneration Report of Brembo S.p.A. Resolutions pursuant to Article 123-*ter* of TUF.

Extraordinary Meeting

1. Granting to the Board of Directors of the power to increase share capital, excluding option rights, pursuant to Articles 2443 and 2441, paragraph 4, section 2, of the Italian Civil Code. Amendment to Article 5 of the By-laws. Ensuing resolutions.

Stezzano, 6 March 2014

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

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LETTER FROM THE CHAIRMAN

Shareholders,

The eagerly awaited global economic recovery did not take place during the year that has just come to an end, which instead saw a slight slowdown of global growth. Throughout 2013, we were confronted with a world travelling at different speeds. Europe, where many countries — and Italy amongst them — are still in the throes of the crisis, proved unable overall to emerge from what is now a persistent recessionary period, in spite of a few mild encouraging signs late in the year. The United States and Japan appear to have embarked upon the path to a recovery that nonetheless still seems uncertain and uneven. Emerging countries — and China and India foremost amongst them — continued to drive the rest of the world, although they showed increasing signs of deceleration.

The economic crisis characterising Europe, which remains Brembo's main market of operation, continued to influence the performance of the automotive industry in 2013. Overall, in the 28 European Union member states, car registrations decreased for the sixth consecutive year, although the reduction (-1.7%) was milder than in the past, owing to a considerable recovery in the second half of the year. In the U.S., Brembo's number-two market by revenues, over 15.5 million light vehicles were registered, an increase of 7.6% compared to the previous year, while they declined in Japan, Russia and Brazil. Once more, the lion's share was attributable to China, which for several years has been the world's largest car market, with nearly 22 million new vehicles registered and an annual growth rate in excess of 14%.

For Brembo, 2013 closed once more — for the fourth consecutive year since the start of the global economic crisis — with positive, if not brilliant, results, considering the general and specific situation in our industry. Revenues exceeded €1,566 million, an increase of nearly 13% compared to the previous year, with net income of almost €90 million (+14.4%) and gross operating income of over €212 million, up by 23.5%. The internationalisation strategy that the Group has pursued in recent years, and which it still continues to implement, is one of the fundamental elements of this success. In fact, our growth goes hand-in-hand with the expansion of Brembo's production in those markets that are showing the greatest development potential in the international scenario. Our presence on the more traditional markets is also being consolidated. In 2013, investments exceeded €133 million. They were mostly concentrated in Italy (28%), Eastern Europe (23%), China (15%) and, above all, the United States and Brazil (30%).

In China, investments continued for the completion of the new integrated manufacturing hub in Nanjing, which has been operational since 2012 and includes a foundry and a facility for processing brake calipers and discs for cars and commercial vehicles, as well as a Technical Development Centre.

In Eastern Europe, investments aimed at increasing production capacity are still underway in the integrated industrial hubs in Dabrowa Górnicza (Poland) and Ostrava-Hrabová (Czech Republic), devoted respectively to the casting and processing of brake discs for cars and commercial vehicles, and the casting, processing and assembly of brake calipers and other aluminium components. Investments in Italy chiefly referred to the purchase of production plant, machinery and equipment.

In the American region, where significant investments were made in the past, Brembo will invest about €115 million in the United States and Brazil during the three financial years between 2013 and 2015. These investments aim at meeting the Group's increasing production needs following the acquisition of new important orders.

The second element underlying our success is the high level of technology and reliability of Brembo's products. This is what has allowed our Group to achieve and maintain — for several years now — the position of global leader and recognised innovator in the area of disc braking systems technology for vehicles, as well as of supplier of the world's most prestigious manufacturers of cars, motorbikes and commercial vehicles. As many as five Formula 1 teams (Ferrari, Mercedes, Red Bull, Sauber and Toro Rosso) used Brembo technology in 2013, as did most of the motorbike teams that took part in the MotoGP. Leadership in competitions translates into leadership of the market, but this did not cause Brembo to become complacent with its results.

At our Research and Development Centres, work proceeds on the study and design of increasingly challenging systems from the standpoint of technology and innovation. Reducing the weight and environmental impact of its brake systems by cutting atmospheric particulate emissions is one of the goals which Brembo is committed to. To achieve this objective, the Group has just launched a four-year research programme, involving an investment of €116 million, to be conducted at its Research and Development Centre at the Kilometro Rosso Science and Technology Park.

Since 2009, the second year after the start of the global economic crisis, Brembo has increased its revenues by nearly 90% (+89.6%), more than doubled its gross operating income (+109.6%) and increased its yearly net income by 7.5 times (+745.4%). If it is true, as some say, that the crisis is nearly over, we have overcome it with renewed vigour. And we are poised to aim for even more ambitious goals. Thanks to the commitment of all those who work at Brembo, in Italy and around the world, day after day, with dedication, passion and intelligence.

The Chairman
Alberto Bombassei

COMPANY OFFICERS

Based on the one sole list submitted by the main shareholder Nuova FourB S.r.l., the General Shareholders' Meeting of the Parent Company Brembo S.p.A., held on 29 April 2011, appointed the current Board of Directors, with the exception of Director Andrea Abbati Marescotti, who was co-opted on 6 June 2011 and confirmed in his position by the General Shareholders' Meeting of 20 April 2012 until the expiry of the current term of the Board of Directors, i.e., until the General Shareholders' Meeting of 29 April 2014 called to approve the Financial Statements for the year ended 31 December 2013.

At 31 December 2013, Company Officers included:

BOARD OF DIRECTORS

Chairman	Alberto Bombassei (1) (8)
Executive Deputy Chairman	Matteo Tiraboschi (2) (8)
Chief Executive Officer and General Manager	Andrea Abbati Marescotti (3) (8)
Directors	Cristina Bombassei (4) (8) Giovanni Cavallini (5) Giancarlo Dallera (5) Giovanna Dossena (6) Umberto Nicodano (7) Pasquale Pistorio (5) (9) Gianfelice Rocca (5) Pierfrancesco Saviotti (5)

BOARD OF STATUTORY AUDITORS (10)

Chairman	Sergio Pivato
Auditors	Enrico Colombo Mario Tagliaferri
Alternate Auditors	Gerardo Gibellini Marco Salvatore

INDEPENDENT AUDITORS Reconta Ernst & Young S.p.A. (11)

MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS Matteo Tiraboschi (12)

COMMITTEES

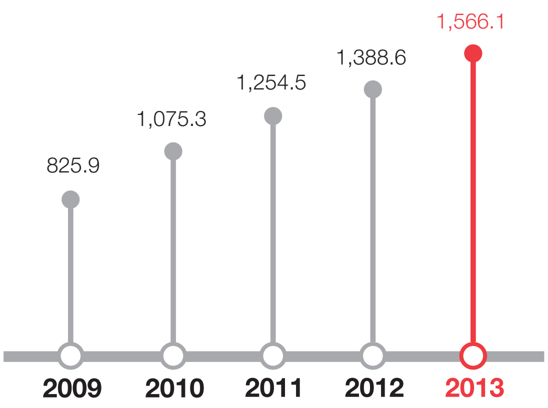
Audit & Risk Committee (13)	Giovanni Cavallini **(Chairman)** Giancarlo Dallera Pasquale Pistorio
Remuneration & Appointments Committee	Umberto Nicodano **(Chairman)** Giovanni Cavallini Pierfrancesco Saviotti
Supervisory Committee	Marco Bianchi **(Chairman)** (14) Giancarlo Dallera Alessandra Ramorino (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 and General Manager special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.
(4) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System.
(5) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of TUF (as required by Articles 147-*ter*, paragraph 4, and 147-*quater* of TUF), Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A. and Article 3.C.1 of the Corporate Governance Code of Brembo S.p.A.
(6) Independent and Non-executive Director pursuant to Article 148, paragraph 3, of TUF (as required by Articles 147-*ter*, paragraph 4, and 147-*quater* of TUF).
(7) Non-executive Director.
(8) Executive Director.
(9) This Director also holds the position of Lead Independent Director.
(10) This Board holds the role of Audit Committee and Accounting Audit pursuant to Article 19 of Legislative Decree No. 39/2010.
(11) The Shareholders' Meeting held on 23 April 2013, on the basis of motivated opinion of the Board of Statutory Auditors, assigned the mandate for statutory auditing of the Financial Statements until approval of 2021 Financial Statements.
(12) Appointed by the Board of Directors on 29 April 2011. He also holds the position of Investor Relator.
(13) This Committee also acts as the Related Party Transactions Committee.
(14) Private practice lawyer - Studio Castaldi Mourre & Partners, Milan.
(15) Internal Audit Director of the Brembo Group.

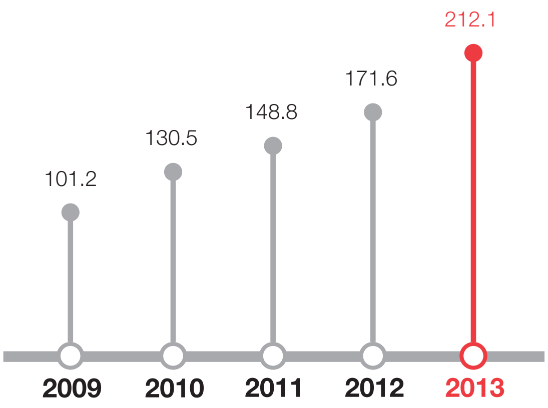
Brembo S.p.A. Registered offices: CURNO (BG) – Via Brembo 25
Share capital: €34,727,914.00 – Bergamo Register of Companies:
Tax code and VAT Code No. 00222620163

BREMBO: SUMMARY OF GROUP RESULTS

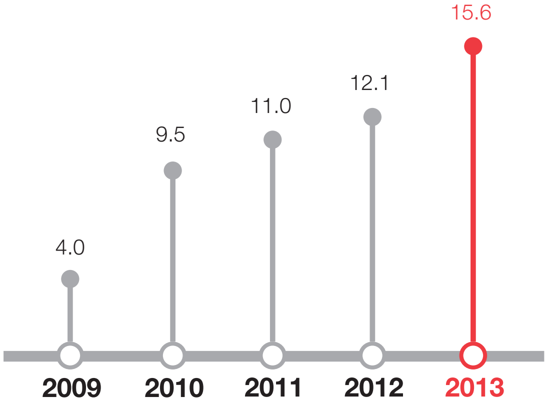
SALES OF GOODS AND SERVICES
(euro million)



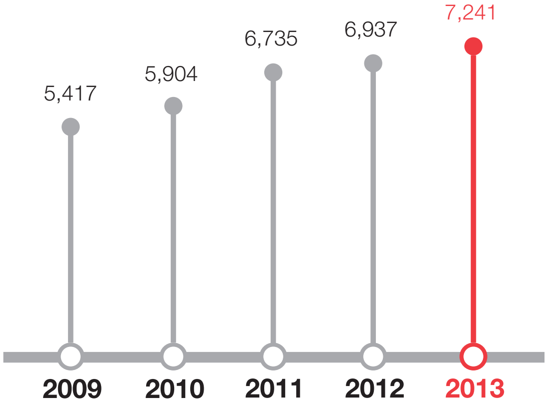
GROSS OPERATING INCOME
(euro million)



ROI
(percentage)



PERSONNEL AT END OF YEAR
(No.)



For comparative purposes, it should be noted that certain values of the 2011 and 2012 Consolidated Financial Statements have been restated in accordance with the transitional provisions set forth in the amendment to IAS 19. For further information, reference is made to the Explanatory Notes under section "Change in Accounting Standards and Disclosures."

Economic results

(euro thousand)	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	% 2013/2012
Sales of goods and services	825,897	1,075,252	1,254,513	1,388,637	1,566,143	*12.8%*
Gross operating income	101,182	130,542	148,785	171,709	212,092	*23.5%*
% on sales	*12.3%*	*12.1%*	*11.9%*	*12.4%*	*13.5%*	
Net operating income	22,645	56,396	73,347	89,543	121,438	*35.6%*
% on sales	*2.7%*	*5.2%*	*5.8%*	*6.4%*	*7.8%*	
Result before taxes	10,677	45,433	54,696	82,853	104,385	*26.0%*
% on sales	*1.3%*	*4.2%*	*4.4%*	*6.0%*	*6.7%*	
Net result for the year	10,528	32,271	42,937	77,845	89,016	*14.4%*
% on sales	*1.3%*	*3.0%*	*3.4%*	*5.6%*	*5.7%*	

Financial results

(euro thousand)	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	% 2013/2012
Net invested capital (1)	568,361	592,387	668,499	741,221	776,735	*4.8%*
Equity	291,466	325,859	333,934	393,824	429,207	*9.0%*
Net financial debt (1)	254,990	246,318	315,003	320,694	320,489	*-0.1%*

Personnel and investments

	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	% 2013/2012
Personnel at end of year (No.)	5,417	5,904	6,735	6,937	7,241	*4.4%*
Turnover per employee (euro thousand)	152.5	182.1	186.3	200.2	216.3	*8.0%*
Investments (euro thousand)	47,465	77,164	165,326	140,601	133,078	*-5.4%*

Main ratios

	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013
Net operating income/Sales	*2.7%*	*5.2%*	*5.8%*	*6.4%*	*7.8%*
Income before taxes/Sales	*1.3%*	*4.2%*	*4.4%*	*6.0%*	*6.7%*
Investments/Sales	*5.7%*	*7.2%*	*13.2%*	*10.1%*	*8.5%*
Net financial debt/Equity	*87.5%*	*75.6%*	*94.3%*	*81.4%*	*74.7%*
Net interest expense(*)/Sales	*1.1%*	*0.9%*	*0.9%*	*0.8%*	*0.7%*
Net interest expense (*)/Net operating income	*40.3%*	*16.6%*	*14.8%*	*12.9%*	*9.2%*
ROI (2)	*4.0%*	*9.5%*	*11.0%*	*12.1%*	*15.6%*
ROE (3)	*3.3%*	*9.8%*	*13.0%*	*19.7%*	*20.8%*

Notes:
(1) A breakdown of these items is provided in the reclassified Statement of financial position on page 52.
(2) Net operating income / Net invested capital x annualisation factor (days in the year/days in the reporting period).
(3) Net income (loss) before minority interests / Equity x annualisation factor (days in the year/days in the reporting period).
(*) This item does not include exchange gains and losses.

Directors' Report on Operations

BREMBO AND THE MARKET

Macroeconomic Context

The reporting year was replete with conflicting factors that shaped the global economic and financial situation. This again raised questions regarding the future prospects of the international economy. Following a rather difficult first half of the year, the global economic scenario strengthened in the second half thanks to the recovery of mature economies, pointing to the prospect of an improvement in the near term.

The major problems faced by Western developed economies that are slowing the global economic recovery include excessive government debt levels: for example, Japan's debt is the highest in the world at over 230% of GDP; U.S. debt exceeds 100%, whereas the Eurozone, while in a less pressing position that a year earlier, has a government debt-to-GDP ratio of 95.5%, although situations vary widely between countries. The certainty shown by many mature countries that this problem may be dealt with by relying solely upon austerity policies has only yielded persistent weak growth or even, in some cases, recession. According to one of the most recent studies published by the International Monetary Fund (IMF), the level of government debt reached by many countries is so high that it cannot be resolved solely through economic growth, but rather requires delicate restructuring.

According to the data published by the IMF in the World Economic Outlook (WEO) Update in January 2014, global GDP is expected to increase by 3% in 2013: a slightly slower growth rate compared to 2012 which indicates a further slowdown of the global economy. However, analysts also made a slight upwards revision to the IMF's October forecasts (+0.1), owing above all to the recovery of domestic demand in certain mature countries, though counterbalanced by lower-than-expected growth in many emerging countries and the protraction of the crisis in the Eurozone.

The mitigation of risks of a further recession in mature countries — although the situation remains extremely fragile — also led the IMF to make slight upwards revisions of its growth estimates for 2014, forecasting growth of 3.7% at the global level (+0.1 points compared to the October estimate).

In order to ensure that the economic recovery continues, advanced economies will be required to take supporting and stabilising measures aimed at achieving sustainable levels of debt in the medium/long term. For their part, emerging economies will need to choose amongst policies supporting the weakest activities and measures geared towards preventing capital outflows. To this end, many governments and central banks of major emerging markets are working to stem capital flight and solve the problem of inflation.

Throughout 2013, we were confronted with a world travelling at different speeds: in Europe many countries are still struggling to break out of the recession, the United States and Japan are capable of picking themselves up and resuming growth, although with the persistent risk of a new slowdown in economic activity or even a possible default, and emerging countries are still capable of driving global economic growth, while slowing more rapidly than expected by analysts.

The economic scenario of the Eurozone continues to pose the highest concerns. According to the IMF's most recent estimates, in 2013 this area's GDP is expected to decline by a further -0.4%, however marking a slight recovery compared to the figure reported in 2012. The recessionary phase continued throughout the reporting year, although the first signs of a possible emergence from the crisis began to show, mainly in the fourth quarter. In further detail, in 2013 the IMF estimated a further sharp decrease in GDP for Italy (-1.8%) and Spain (-1.2%) and a slight growth for France (+0.2%) and Germany (+0.5%).

Outside the Euro Area, one of the few positive notes relates to the United Kingdom, for which the IMF revised its latest GDP growth estimates for 2013 sharply upwards (+0.3 points compared to October), raising them to +1.7%. In addition, the IMF expects that the Eurozone will truly emerge from the recessionary phase only in the coming year, with slight GDP growth in 2014, estimated to reach +1.0%. In short, in the Eurozone the recovery will require more time and could widen the gap between the countries within the European Union. According to Eurostat data, industrial production in the Eurozone (EA17) increased by 1.8% in November (+1.5% in the EU28) month on month, following two consecutive declines. In other words, in annual terms the figure is up by as many as three percentage points compared to November 2012. In any event, the general climate characteristic of the economic situation remains highly uncertain and has severe consequences for the job market. In November, the unemployment rate in the Eurozone reached 12.1%. Among Member States, the lowest unemployment rates were reported in Austria (4.8%) and Germany (5.2%), whereas the highest were seen in Spain (26.7%) and Greece (27.8% in October 2013). In Italy, the unemployment rate stood at 12.7% in November, far above the Eurozone average. In December, the composite PMI (Purchasing Managers Index) was 52.1 points, increasing compared to 51.7 for the previous month and in line with analysts' projections. According to the first estimates by the European Union's statistics office (Eurostat), inflation should have decrease to 0.8% in the Eurozone in December 2013, compared to 0.9% in November 2013.

Although the second half of 2013 witnessed several signs of recovery, the economic crisis characterising Europe, Brembo's main market of operation, has certainly influenced the performance of the automotive industry throughout the year. After a first increase in the third quarter, registrations of motor vehicles in Europe (EU27) continued to show growth in the fourth quarter as well.

Despite the incipient turnaround, it must be considered that the decline during the second half of 2012 neared 10%. In Italy, motor vehicle registrations presented a decline of 3% in the fourth quarter of 2013, closing the year at just 1.3 million vehicles registered, down over 7 percentage points compared to 2012. The figure is even greater cause for concern considering that it is in addition to the decline of 17.6% in the fourth quarter of 2012. In Germany, Europe's main market, and in France registrations rose slightly in the fourth quarter (up 1.6% and 2.9%, respectively), but the annual figure remained nonetheless negative at -4.2% and -5.7%, respectively. By contrast, the United Kingdom showed highly positive figures as registrations in the past three months rose by an impressive +10.8%, with volumes of nearly 2.3 million vehicles registered.

In the United States, according to the IMF's most recent estimates of January 2014, 2013 GDP grew by 1.9%, up 0.3 percentage points compared to the figures published in October 2013. Following a third quarter in which growth amounted to 4.1%, in the fourth quarter the U.S. economy is believed to have laid the foundations for stabilisation and further economic progress in 2014. According to the data published by the Federal Reserve, industrial production

Curno motorbike plant (Italy). Caliper processing.

increased by 0.3% in December, in line with analysts' projections, compared to a growth of 1% in November. In terms of production capacity, the facility utilisation rate grew by 0.1 points to 79.2%. In December 2013, inflation increased by 0.3% month on month, in line with the consensus. The increase over the previous year was +1.5% (+1.2% compared to November). Further proof that much remains to be done and that the risk of a new economic slowdown in the United States has not been completely overcome is represented by the unemployment rate. In absolute terms, the rate fell to 6.7% in December from 7.0% in the previous month; yet if one analyses the reasons behind this performance, the greatest effect was due to the decline in the labour force participation rate, which fell to 62.8%, amongst the lowest levels of the past 35 years. In fact, only 74,000 jobs were created in the non-farm sector in December, certainly fewer than the over 190,000 expected by analysts and the over 240,000 created in November. Retail sales figure for December showed growth slightly in excess of expectations, up by 0.2% compared to the previous month. Light vehicle sales closed the fourth quarter of 2013 with a growth rate of approximately 6% after the nearly 9% recorded in the previous quarter; if the entire year is considered, the increase was approximately 7.6%, with a volume of light vehicles registered in excess of 15.5 million.

In Japan, the IMF's latest estimates for 2013 forecast a 1.7% increase in GDP, down compared to October estimates. Japan has been making dramatic changes to its economic policy since the end of the first quarter of the reporting year. Thanks to the liquidity injection programme launched by the Central Bank, deflation has finally come to a halt and seemingly leaving space for significant recovery. This is in addition to other positive aspects, such as the unemployment rate that was stable at 4% in November. In the same month, industrial production declined slightly by 0.1%. Although the figure did decline, it should be considered in light of the +3.9% recorded by machinery orders, which suggests that corporate investments will increase. In the fourth quarter, the light vehicle segment increased at a high rate, yet was unable to reverse the trend for the year, which reported a slight decline overall. The greatest cause of concern remains the sustainability of the public debt and such an aggressive economic policy.

Whereas in mature economies authorities are implementing a range of highly divergent economic and monetary policies aimed at achieving a hard-fought recovery, in the main emerging countries, which thus far have driven the global economy, growth has slowed. According to the IMF, global GDP increase in 2013 will be +1.3% in mature economies and +4.7% in emerging economies, both showing a lower growth than in the previous year.

In the fourth quarter, Chinese economy underwent a slight slowdown. Between October and December, GDP rose by +7.7%, a figure that, albeit above expectations, was lower compared to +7.8% for the previous quarter. Year-on-year, GDP growth was unchanged compared to 2012 (+7.7%). In the fourth quarter of the year, industrial production increased by 9.7% year-on-year, falling short of analysts' expectations, which called for growth of 9.8%, and above all lower than +10% recorded in the previous month. Retail sales also declined, falling from +13.7% year-on-year in November to +13.6% in December. Light vehicle sales continued to grow rapidly, resulting in overall growth in the fourth quarter of nearly 19%, falling slightly short of the 22 million vehicles recorded in 2013, with an annual growth rate of more than 14%.

In India, the IMF's latest estimates have been revised upwards and a 4.4% increase in GDP has been forecast for the current fiscal year (1 April 2013 - 31 March 2014). Growth exceeded that recorded during the previous period, yet remained too modest for a developing economy such as that of India. The Indian economy's difficulty in resuming its progress is also borne out by the decrease in non-farm jobs to be created in the coming years compared to the previous period. According to the forecasts published by an independent Indian research agency, the Indian economy will create 25% fewer jobs, making it increasing difficult for young Indians to migrate from rural areas of the country to urban areas in search of new earnings opportunities. Moreover, inflation continued to rise, further complicating the Indian government's effort to combine monetary policy and growth.

Brazil's economic performance is particularly strong, and the country's prospects for the near future are not especially positive. For the first time since the first quarter of 2009, the third quarter of 2013 witnessed a GDP decrease. The IMF estimates that GDP growth will amount to +2.3% in 2013 following the modest +1% in 2012. Brazil has thus shifted from a country of the future, capable of overcoming the 2008 financial crisis without serious problems, to a clearly struggling economy following the abrupt slowdown witnessed in 2011. The causes that resulted in a rate of growth below 3% are manifold: severe inflationary pressures, rising import prices and pressures on the job market and transport sector (which triggered protests during the recent Confederations Cup). In 2013, inflation was 6%, exceeding both analysts' projections and previous' year figure. In November, industrial production declined by 0.2% compared to the previous month, after a 0.6% increase in October. The November figure, albeit negative, exceeded analysts' projections, who forecast a drop above one percentage point. On an annual basis, industrial production increased by 0.4% against a 0.8% decrease forecast by analysts. The new motto for growth in Brazil thus seems to be: "not as bad as forecast." The government is caught in a bind in which, on the one hand, it needs to apply measures that slow price increases and inflation, while, on the other, it has to implement policies that drive growth and reverse the recessionary phase. Negative signs were also forthcoming from car registrations, which according to the most recent data published by Anfavea (an association representing automobile manufacturers operating in the country) were 3% lower in the fourth quarter of 2013 than in the same period of 2012, closing the year down 1.6%.

In the case of Russia, in January 2014 IMF confirmed the growth estimates published in October 2013, thus forecasting a +1.5% GDP increase in 2013. Although the economy continues to grow, it is slowing as a result of both internal factors, such as the decline in domestic demand, and external factors. In order to return to expressing its enormous potential as an emerging country, Russia needs to implement reforms aimed at improving the business climate and to make efforts in the area of innovation. In the automotive sector, according to the data published by the local automobile manufacturers' association AEB (Association of European Businesses), registrations of cars and light commercial vehicles slowed by 2.3% in the fourth quarter of 2013, closing the year with an overall decline of 5.5%.

Turning to commodities trends, in the last quarter of the year the average price of oil decreased compared to the previous quarter. The sharp downward pressure, due primarily to the increase in supply from Saudi Arabia, was offset by the level of supply provided by Libya, far below its potential. In the fourth quarter of 2013, the arithmetic mean of the prices of the three qualities — WTI, Dubai and Brent — fell below the threshold of 105 dollars a barrel (to 104.7), down by as much as 2.6 percentage points compared to the previous quarter and up by 2.6% compared to the same period of 2012. In October the price decreased by 3.0% and 2.8%, respectively, to then rise

The light and innovative Extrema front caliper is designed for Ferrari supercars.

again by 2.8% in December. The prices for non-energy commodities dropped slightly in the last quarter of 2013 (-0.7%) compared to the previous quarter. The increase in the price of metals (+0.9%) was offset by the decline in the prices of food products.

Currency Markets

In 2013, the dollar depreciated against the euro overall. After initially appreciating to 1.2768 (27 March), the U.S. currency gave ground in the following nine months of the year, falling to a low of 1.3814 (27 December), and closing the year in line with this figure (1.3791).

Turning to the currencies of the major markets in which Brembo operates at an industrial and commercial level, the British pound showed a trend towards depreciation in the first quarter from its initial high (0.81075 on 3 January) to 0.8789 (25 February). It then reversed the trend, entering a period of overall appreciation that led it to close the year at 0.8337.

The Polish zloty recorded a very different performance against the euro in the two halves of the year. From January to June, the Polish currency depreciated from its initial high for the year (4.0727 on 2 January) to a low of 4.35 (24 June). In the second part of the year, the trend was reversed and the zloty appreciated constantly to close the year at 4.1543.

The Czech koruna, at a high against the euro at the beginning of the year (opening at 25.218), moved laterally until October, remaining consistently around 25.8.

In October, the Czech Republic's central bank decided on monetary policy measures aimed at improving the country's competitiveness on the export side and depreciated the currency past 27.5. The Czech koruna remained at this level until the end of the year, depreciating further to 27.734 (18 December) and closing at 27.427.

Overall, the Swedish krona depreciated against the euro in 2013. Following an initial appreciation in the first quarter (to a high of 8.2931 reached on 13 March), the Swedish currency lost ground to the euro, depreciating to 9.0604 (12 December), only to recoup part of the losses in the second half of December (closing rate: 8.8591).

In the East, the Japanese yen depreciated constantly against the euro. It fell from 113.93 at the beginning of the year (on 3 January) to 145.02 (on 27 December), closing at 144.72.

The Chinese yuan/renminbi fluctuated very widely against the euro. It depreciated sharply early in the year, reaching a low of 8.4965 on 1 February, and then abruptly reversed the trend until July, reaching a high of 7.8601 on 10 July. In the second half of the year it depreciated overall to around 8.4, where it settled also at the end of the period (8.3491).

The Indian rupee began the year with essentially lateral movement around 73, reaching its high of 69.541 during this phase (27 March). In the second half of May, it then began to depreciate rapidly, as did all emerging market currencies during this period of the year, reaching 92.065 on 28 August. In September, it regained part of the ground it had lost, closing the year around 85 (closing rate: 85.366).

In the Americas, the Brazilian real initially appreciated against the euro to 2.5283 (11 March), then depreciated past 3.25 in mid-year (May-August). It recovered in September and October, reaching near 2.95, and then resumed depreciation in the final part of the year, closing at 3.2576.

The Mexican peso began 2013 with strong appreciation against the euro, reaching 15.6385


40
type-approved
colours
brembo
More than
40 type-approved colours
for aluminium calipers

on 15 May. It lost ground in the second part of the year, depreciating considerably through the end of the year. It reached a low of 18.1236 on 27 December, where it essentially remained at, closing at 18.0731.

The Argentinean peso continued to depreciate constantly against the euro throughout 2013, following a trend that intensified in the fourth quarter and closing the year at 8.989140. In 2013 it lost nearly 38% of its value compared to the opening figure of 6.52644.

Group Activities and Reference Market

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

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

In 2013, Brembo's consolidated net sales amounted to €1,566,143 thousand, up 12.8% compared to €1,388,637 in 2012.

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

Cars

The global light vehicle market closed 2013 with an overall sales growth of 3.8% compared to 2012. This positive result was mainly driven by China and the United States.

By contrast, the Western European car market recorded a decline in sales for the sixth consecutive year, showing a decrease in registrations of 1.9% compared to 2012, despite the recovery reported in the second half of the year. The performances of the top five European markets diverged widely: the United Kingdom and Spain closed the year with positive results of 10.8% and 3.3%, respectively; on the other hand, sales decreased in Italy, France and Germany by -7.1%, -5.7% and -4.2%, respectively. However, Germany remained the number-one country in Europe by sales volumes. In Eastern European countries, car registrations remained essentially stable, with an annual change of -0.1% compared to 2012.

After three years of growth, Russia also closed 2013 with a negative performance: light vehicle sales decreased by 5.5% overall.

The United States continued on the uptrend of recent years and light vehicle sales increased by 7.6% overall compared to 2012. In South America, Brazil recorded its first decline of the past ten years, closing 2013 with an overall decrease in light vehicle sales of -1.6%, whereas Argentina (a notoriously volatile market) reported growth of more than 10%.

In the Asian markets, China continued to grow, closing the year on a very strong note with light vehicle sales up by 14.2%, allowing it to remain the world's number-one market by volume, whereas the Japanese market recorded a slight decline of -0.3% compared to 2012.

Within this scenario, Brembo reported €1,097,813 thousand in net sales for car applications in 2013, representing 70.1% of the Group's turnover, up by 16.9% compared to 2012.

Motorbikes

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

In Europe, overall motorbike registrations declined by 10.9% in 2013 compared to the previous year (813,016 motorbikes compared to 912,328).

In Europe, the Italian market recorded the greatest decline compared to the previous year (-25.8%), but registrations also decreased in France (-12.9%), Spain (-5.9%) and Germany (-1.5%), whereas the United Kingdom closed the year with a slightly positive performance (+0.8%).

At the global level, all displacements were penalised compared to the previous year, except for those between 350 and 500cc (+19.4%) and those between 750 and 900cc (+13.3%).

In the United States, motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) recorded an overall increase of 1.1% over 2012 (694,088 vehicles compared to 686,554). In detail, for two-wheel vehicles the most significant growth was reported in the dual motorbike (+7.8%) and off-road motorbike (+5.7%) segments, whereas registrations of scooters decreased by 15.5%.

In this scenario of sharp decline, the Japanese market as a whole grew slightly compared to 2012 (419,398 compared to 401,895 units or +4.4%). If only two-wheel vehicles with displacements over 50cc are considered, growth was much more robust (180,612 compared to 155,800 units or +15.9%), as a result of significant increases in both the 125-250cc (+20.4%) and over-250cc (+23.5%) segments.

In Brazil, registrations decreased by 7.4% (1,515,689 compared to 1,637,507 units).

Against this background, Brembo's net sales of motorbike applications amounted to

€150,329 thousand in 2013, up 6.3% compared to €141,431 in the previous year.

Commercial and Industrial Vehicles

The commercial vehicles market in Europe (EU + EFTA), Brembo's market of reference, closed 2013 with a slight increase on the previous year (+0.8%) due to the sharp recovery in the fourth quarter of the year compared to the same period of 2012, especially with regard to vehicles over 16 tonnes. The light commercial vehicles segment (up to 3.5 tonnes) declined slightly (-0.4%).

Turning to a more detailed review of the main markets of reference in Western Europe for this segment, Italy showed the sharpest decline, with a drop in registrations of -12.5%, followed by France (-4.3%) and Germany (-3.1%), whereas the United Kingdom and Spain closed the year with growth of +13.1% and +11.0%, respectively. In Eastern European countries, the year-end figure for vehicles up to 3.5 tonnes was +3.6%.

The medium and heavy commercial vehicles market (over 3.5 tonnes) closed 2013 with an overall increase in registrations of 6.2% compared to 2012, a sharp recovery on the

Curno car plant (Italy). Assembly of a caliper.

decrease of more than 11% recorded in mid-year. The growth was tied to the increase in sales of heavy vehicles over 16 tonnes and was concentrated in the final part of the year, primarily in December. Although the European economic scenario remains quite difficult, the imminent introduction of the new emissions standards for heavy vehicles in Europe has resulted in increased demand for Euro 5 vehicles, the list prices for which are slightly lower than those for vehicles with engines already compliant with the Euro 4 standard, which will enter into force from 1 January 2014. Registrations remained essentially unchanged (-0.2%) in the over 3.5 tonnes segment on the German market. In France, sales fell by 1.6%. In both cases, the figures represent a sharp recovery compared to those recorded at mid-year, when the decline for both countries exceeded 13 percentage points. Spain closed the year with slight growth (+2.4%). The situation of the Italian market was also cause for concern, with a decline of over 8% in this segment of the market as well. In Eastern European countries, sales of medium and heavy commercial vehicles showed a strong recovery in the final months of 2013, closing the year with growth of +17.1%.

In 2013, Brembo's net sales of applications for this segment amounted to €191,756 thousand, up by 4.0% compared to €184,459 thousand for the previous year.

Racing

In the racing sector, where Brembo has maintained undisputed supremacy for years, the Group operates through four leading brands: Brembo Racing (braking systems for race cars and motorbikes), AP Racing (braking systems and clutches for race cars), Marchesini (magnesium and aluminium wheels for race motorbikes), and Sabelt (seats and seat belts).

In 2013, Brembo reported a 3.9% increase in net sales, which amounted to €120,044 compared to €115,574 in 2012.

SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

Net sales breakdown by geographical area and application

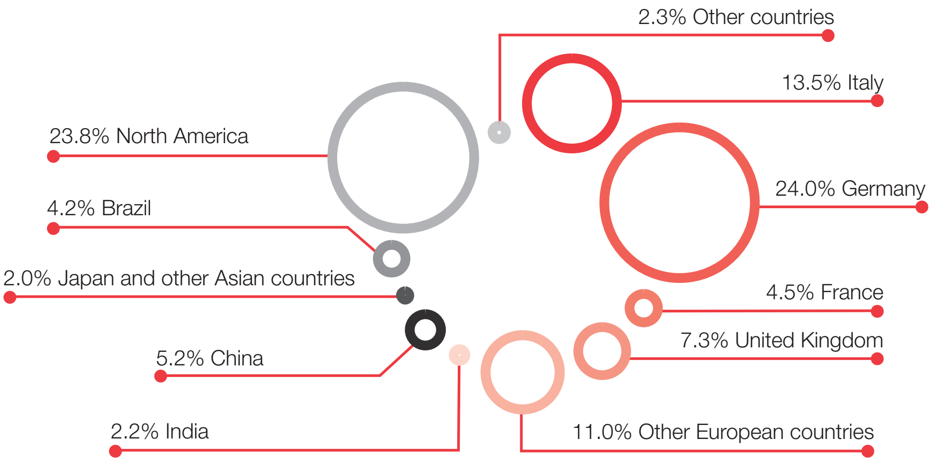
GEOGRAPHICAL AREA

(euro thousand)	31.12.2013	%	31.12.2012	%	Change	%
Italy	212,114	*13.5%*	207,677	*15.0%*	4,437	*2.1%*
Germany	376,007	*24.0%*	329,585	*23.7%*	46,422	*14.1%*
France	69,737	*4.5%*	58,177	*4.2%*	11,560	*19.9%*
United Kingdom	114,696	*7.3%*	100,565	*7.2%*	14,131	*14.1%*
Other European countries	173,050	*11.0%*	163,955	*11.8%*	9,095	*5.5%*
India	35,175	*2.2%*	34,001	*2.4%*	1,174	*3.5%*
China	81,283	*5.2%*	59,873	*4.3%*	21,410	*35.8%*
Japan	21,779	*1.4%*	19,628	*1.4%*	2,151	*11.0%*
Other Asian countries	9,423	*0.6%*	8,464	*0.6%*	959	*11.3%*
Brazil	66,171	*4.2%*	67,060	*4.8%*	(889)	*-1.3%*
North America (USA, Canada and Mexico)	372,809	*23.8%*	312,139	*22.5%*	60,670	*19.4%*
Other countries	33,899	*2.3%*	27,513	*2.1%*	6,386	*23.2%*
Total	**1,566,143**	***100.0%***	**1,388,637**	***100.0%***	**177,506**	***12.8%***

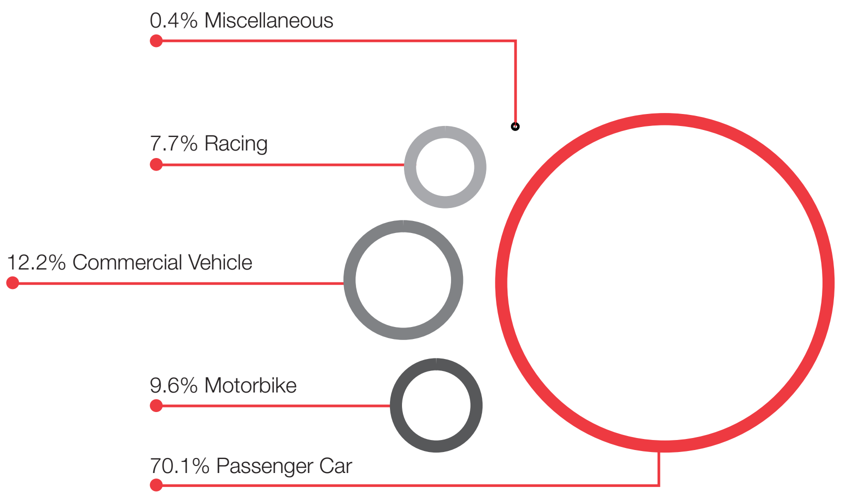
APPLICATION

(euro thousand)	31.12.2013	%	31.12.2012	%	Change	%
Passenger Car	1,097,813	*70.1%*	939,456	*67.7%*	158,357	*16.9%*
Motorbike	150,329	*9.6%*	141,431	*10.2%*	8,898	*6.3%*
Commercial Vehicle	191,756	*12.2%*	184,459	*13.3%*	7,297	*4.0%*
Racing	120,044	*7.7%*	115,574	*8.3%*	4,470	*3.9%*
Miscellaneous	6,201	*0.4%*	7,717	*0.5%*	(1,516)	*-19.6%*
Total	**1,566,143**	***100.0%***	**1,388,637**	***100.0%***	**177,506**	***12.8%***

Net sales breakdown by geographical area
(percentage)



Net sales breakdown by application
(percentage)



RESEARCH AND DEVELOPMENT

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

In the field of cast-iron discs, in 2013 work has continued successfully on optimising the technical and technological parameters which determine the disc's vibration properties (own frequencies), so that the latter may be managed as early as the planning stage in order to improve the system's comfort performance. It is within this context that Brembo is developing a new technical solution designed to significantly reduce vehicle comfort issues.

Specifically regarding heavy commercial vehicle cast-iron discs, work has continued on optimising the materials, mass characteristics and cooling and ventilation capacity, without penalising performance levels, thanks to the application of complex calculation and simulation programs. The new technical solutions developed allowed us to increase the number of series applications using these concepts and also broaden the range of new customers potentially interested in adopting them. It is along these lines that work on developing specific friction materials for these applications evolves constantly.

For cast iron discs used in automotive applications, the third quarter of 2013 saw Brembo launch, in addition to the normal application developments with the world's major car manufacturers, an absolutely ground-breaking light disc concept, guaranteeing a weight reduction of up to 15%. The new concept, conceived by Daimler with Brembo as its lead partner in the development, combines two different materials: cast iron for the braking ring and a thin steel laminate for the disc hat. This disc gives impressive results in terms of weight saving, reducing the car's fuel consumption and the resultant environmental impact (reduced CO_2 emissions), the baseline for the automotive market and all Brembo's development work.

Moreover, the development continues of new "light" disc concepts, particularly through the study of forms, materials, technologies and surface treatments that could meet the requirements of new-generation vehicles (electric and hybrid), with particular attention to the environmental impact characteristics (CO_2 and particulate emission). With the same environmental aim in mind, Brembo is developing techniques that could help minimise wear for cast iron discs as well. The utmost importance is also attached to the joint development with innovative friction materials, complying with future legislative limits, designed for these types of disc. Brembo can be considered to be the only manufacturer with the in-house expertise for this type of development.

As far as the motorbike market is concerned, the first carbon-ceramic disc prototypes have been tested with promising results and the product costs are being analysed to decide whether to resume the trials.

Development of the polymer clutch cylinder came to a positive conclusion and the concept was presented to major customers in 2013, to examine the possibility of launching application projects based on the patents and technology developed by Brembo. The adoption of the lever ratio variation concept for 2015 off-road vehicles is currently being evaluated by customers.

The year also saw completion of the development of the floating three-piston caliper and related cylinder for integral systems bound for the Indian market, whilst validation of the combined delay/apportioning valve is scheduled for the early months of 2014.

New projects included the start of a technical evaluation of magnesium alloys as a possible material for brake calipers and master cylinders for road applications; magnesium alloys are already used for wheels, but the corrosion component related to the brake fluid requires a very detailed assessment phase before the go-ahead can be given to develop calipers and cylinders. An innovative casting process, which could be the ideal solution for the hydraulic components, will also be appraised in parallel.

The reporting year also saw the first motorbike mechatronic caliper application to the Spyder BRP vehicle (three wheels) with a caliper fitted with an electric parking mechanism; initial tests have given positive results and the supply of specimens to the customer for internal tests is currently being evaluated.

Within the racing applications field the fine tuning of the new carbon material for F1 and GT applications has been completed and a material developed entirely by Brembo will be used on the track for the first time since 1999. Again as regards innovative composite material discs, mention should be made of the good performance of the first CCM-R prototype discs for motorbike applications, which will be further developed in 2014. In addition, all F1 brake systems have been completed, extending the product range with new caliper, disc drive and hydraulic actuation solutions. The regulatory change planned for 2014 has also enabled the introduction of new systems integrated by the team within their Brake By Wire system.

In the motorbike field it is important to highlight that almost all motorbikes racing in the MotoGP have Brembo brake systems. A variety of new brake system features that were demonstrated to all customers during the reporting year will be developed and tested in 2014. In other motorbike developments, mention should be made of the massive introduction in the Superbike category of the new aluminium wheels under the Marchesini brand (a Brembo Group brand). These wheels yield considerable advantages in terms of weight over competitors' products, thanks to the complex simulation activities performed in late 2012 and in 2013. The Brake By Wire system for racing motorbikes finalised in the first half of the year was used and developed further during the second half. Further new developments are expected in 2014 with other customers as well.

The aeronautic project, which calls for the development of various new products (crash-worthy seat, brake system complete with electro-hydraulic parking device, wheels and brake pumps) and new processes in order to comply with flight safety regulations, entered into the component procurement phase in order to permit testing of the new products.

Engineering work (calculation and testing) in support of Sabelt is fully underway for various strategic projects, and new simulation and calculation work is in the initial phase. In recent months, partnership contracts were also formalised and finalised with several universities (including the Milan Polytechnic and the University of Padua) in pursuit of important goals in various areas of technical development: from electronic control systems to the development of new system concepts, simulations of carbon components, tests of aeronautic components and other subjects.

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

In R&D activity, research into new technical solutions continues with the ultimate aim of reducing the environmental footprint of the brake system to zero. On this front, low copper content materials, which are able to ensure the maintenance of high performance levels, are now applied as standard in car development. Thanks to increasing technical expertise, new technologies, the development of laboratories and testing activities, Brembo's next challenge will be to offer clients fully copper-free materials starting in early 2014. Regarding friction materials coupled with carbon-ceramic discs, the production of hybrid materials (i.e., a combination of organic and ceramic materials) is now underway. They combine the comfort level of organic materials with the strength and durability of ceramic materials for sporting applications.

In other work aimed at increasing the presence of green components in its line of products, Brembo is in the process of developing new technical solutions for reducing the environmental impact of brake systems during braking, as well as carbon dioxide (CO_2) emissions during the pad manufacturing process.

In addition, research on unconventional materials and brake types continues with the aim of meeting future market needs. The use of aluminium alloys for car calipers, obtained by bringing the alloy to a thixotropic state (in other words, to lower temperatures than the casting process) has been validated, whilst the use of special aluminium alloys for forging is under development and expected to be validated in 2014.

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

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

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

The continual evolution of simulation methodologies is focused on aspects linked to brake system comfort. Brembo's current objective is to develop the simulation capacity for the latest brake system component not yet simulated: friction material. From this standpoint, the possibility of using the friction project and, hence, having an in-house friction materials producer, is one of Brembo's strengths which can position itself as a supplier of complete brake systems.

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

10% of workforce employed on Research and Development

10%

Research and Development

Rebrake logo.
Research project funded by the EU.

reduction solutions. The high level of integration will bring the brake system into dialogue with other vehicle systems, such as electric traction motors and new suspension/steering concepts. Such integration will allow for increased active safety and the optimisation of functions, such as regenerative braking.

Within this context, Brembo is continuing to develop a brake by wire system, with the aim of hastening the development of individual brake system components and holding on to its lead as a product innovator. This system concept will be able to be applied to all future vehicles: not only cars, but also commercial vehicles and motorbikes. With this in mind, a collaboration agreement is currently being drawn up with Universities aimed at developing expertise on motorbike dynamics, to be used as the basis for future brake by wire developments. Again in the brake by wire field, the start of development of two demonstration systems, one for Ducati and one for Harley Davidson is currently under evaluation. The mission and hence the system architectures are very different from each other and this will allow Brembo to acquire important information on brake by wire functionalities in the motorbike field.

Additional developments involving system integration are in the study phase, particularly with electric drive systems and the associated next-generation architecture.

At the same time, mass production applications are being identified for the first mechatronic systems developed by Brembo, such as, in particular, electric parking brakes (EPB). In 2013, two EPB system applications featuring electronic control unit, with hardware and software developed by Brembo itself, were launched. This electronic control system will represent the state-of-the-art for these products, with full compliance with the new ISO 26262 standard. Several Electric Parking Brake projects where the electronic control is integrated in the ABS units have been set up in parallel. In this case, Brembo is also developing the software part relating to the parking function, in addition to the calipers and discs.

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

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

INVESTMENTS

In 2013, Brembo's investment management policy developed in accordance with the guidelines that have already been followed for several years, aiming to strengthen the Group's presence both in Italy and at the international level.
The most significant investments were concentrated in Italy (28%), Eastern Europe (23%), China (15%) and, particularly in the United Stated and Brazil (30%).

Investments in Italy chiefly involved the purchase of production plant, machinery and equipment, in addition to €11,951 thousand for development costs.

In Eastern Europe, investments aimed at increasing production capacity are still underway in the integrated industrial hubs in Dabrowa Górnicza (Poland) and Ostrava-Hrabová (Czech Republic), devoted respectively to the casting and processing of brake discs for cars and commercial vehicles, and the casting, processing and assembly of brake calipers and other aluminium components.

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

As part of the international expansion strategy, in the three financial years between 2013 and 2015, Brembo's investments in the American region will amount to approximately €115 million in the United States and Brazil, in accordance with the development strategy of the Group, which calls for the strengthening of production capacity in the areas where costumers demand a greater product volume and a higher service level.

In the United States, investments will total €83 million, leading to a significant increase in Brembo's production capacity at the Homer industrial hub, near Detroit, Michigan. The expansion of the plant has become necessary after the acquisition of new businesses and further market shares with Brembo's main North American customers, such as Chrysler, General Motors and Ford. In Brazil, investments will amount to €32 million, aimed at transferring the current plant in São Paulo to Santo Antônio de Posse (in the north of São Paulo), where a wider and cutting-edge plant will meet the increasing production needs which Brembo has to face.

Overall, Group's total investments undertaken in 2013 at all operating units amounted to €133,078 thousand, of which €115,435 thousand was invested in property, plant and equipment and €17,643 thousand in intangible assets.

RISK MANAGEMENT POLICY

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

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

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

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

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

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

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

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

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

Strategic Risks

Brembo is exposed to risks associated with the evolution of technology, in other words, the risk that competing products will be developed that are technically superior because they are built based on innovative technologies. While this risk cannot be eliminated, Brembo minimises it by investing sizeable resources in Research and Development, with regard both to existing technologies, as well as new technologies such as mechatronics. For additional information, see the "Research and Development" section in the Report on Operations.

Product and process innovations — those currently being used, as well as those that may be used for production in the future — are patented to protect the Group's technological leadership.

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

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

Operating Risks

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

Risks associated with raw materials can be related to price volatility. Furthermore, Brembo is exposed to risks resulting from its

Brembo Racing.
New forged Rally caliper.

reliance on strategic suppliers who, if they were to unexpectedly discontinue their supplier relationships, could create problems for the production process and Brembo's ability to process customer orders on schedule. To mitigate this risk, the Purchasing Department identifies alternate suppliers to ensure the availability of critical materials (supplier risk management programme). The supplier selection process, including an assessment of suppliers' financial solidity — an aspect that is taking on growing importance in the current scenario — has been reinforced. By diversifying its sources, Brembo can also reduce its risk exposure to price increases (a risk that is however partially offset by reflecting price increases in sales prices).

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

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

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

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

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

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

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

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

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

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

Financial Risks

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

Interest Rate Risk Management

Since most of the Group's financial debt is subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To partially reduce this risk, the Group has entered into several medium/long-term fixed-rate loan agreements, as well as specific hedging contracts (IRS), accounting for approximately 10% of gross financial position.

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

Exchange Rate Risk Management

Since Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate these risks, the Group uses natural

Pune motorbike plant (India).

hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly short-term financing denominated in the currency to be hedged. Other hedging instruments used by the company, where advisable, include forward contracts, which are also used to offset differences between receivables and payables. This policy reduces exchange risk exposure.

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

- **credit risk**: is the probability that a customer or one of the parties to a financial instrument will cause a financial loss by failing to perform an obligation. Exposure to credit risk arises mainly in relation to trade receivables. Most parties with which Brembo does business are leading car and motorbike manufacturers with strong credit standing; the current macroeconomic situation requires that Brembo continuously monitor the credit worthiness of its customers in order to anticipate situations where customers are unable to pay or must pay late;
- **liquidity risk:** liquidity risk can arise from a company's inability to obtain the financial resources necessary to guarantee its operation. The Central Treasury & Credit Department implements the main measures indicated below in order to minimise such risk:
  - it constantly assesses financial requirements to ensure that appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
  - obtains adequate credit lines;
  - optimises liquidity, where feasible, through cash-pooling arrangements;
  - ensures that the composition of net financial debt is adequate for the investments carried out;
  - ensures a proper balance between short- and long-term debt.

Legal and Compliance Risks

Brembo is exposed to risks arising from the failure to rapidly comply with changing laws and new regulations in the sectors and markets in which it operates. To mitigate this risk, each business unit stays abreast of relevant regulations, with the assistance of outside consultants, where necessary.

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

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

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

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

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

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

For information concerning compliance risks, including those arising as a result of Brembo's listing within Borsa Italiana's STAR Segment, see the Corporate Governance and Ownership Structure Report included in this Report on Operations. Compliance risks include the reporting risk, which is the risk that the financial information reported by the Group is not sufficiently accurate and reliable. To improve its Internal Control System (especially with regard to subsidiaries), as well as the quality, promptness and comparability of information provided by its consolidated companies, a single ERP (Enterprise Resource Planning) IT program is applied in almost all the Group's companies. During 2013, Brembo continued to analyse and update its organisation, management and control instruments in accordance with the provisions of Legislative Decree 231/2001, as amended, including through activities carried out by the Persons Responsible for the 231 Model, with the aim of ensuring that the such 231 Model remains constantly effective and adequate in light of changes in the law and the development of the Group's business mission and organisational structure.

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

Risk Management Process: Risk Financing

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

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

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

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

HUMAN RESOURCES AND ORGANISATION

During 2013, numerous activities and measures were carried out on business units, Central Functions and foreign companies, in the areas of both organisational profile and the management of human resources, with the aim of increasing the efficacy of Brembo's action in the current global economic scenario.

In measures relating to Central Functions, with the aim of providing further impetus for R&D processes, spreading a culture of innovation even more thoroughly and optimising the technical development of products and system performance, the new position of Chief Technical Officer (CTO) was created. Reporting directly to the Chief Executive Officer, it is charged with providing guidance, direction and control of the Advanced R&D and Technical Development areas.

The CTO is vested with primary and exclusive responsibility for the former and shared responsibility with the Division/Business Unit Managers for the latter. Within the Technical Development area, the Product Development Methodologies function was also established, with the aim of improving synergies among the Divisions/Business Units through transversal methodologies, as well as of better supervising, promoting and disseminating innovation at the company level.

The Purchasing Department reinforced its organisation, starting with its senior management, in pursuit of a deeper relationship with its Divisions/Business Units and geographical areas, through the creation of the roles of Division/Business Unit Purchasing Coordinators, reporting to both the Purchasing Manager and the manager of the Division/Business Unit concerned. The Purchasing areas of Brembo Poland and Brembo Czech have been integrated into the Eastern Europe Purchasing function, which reports to both Country General Managers, with the aim of rationalising resources and optimising purchasing processes on a basis of geographical proximity.

The Quality & Environmental Department launched a process aimed at developing its organisation aimed at geographical and process coordination of all areas for which it is responsible, so as to ensure increasingly closer international integration of the function.

In addition, a CSR (corporate social responsibility) Steering Committee and a CSR Officer were instituted with the aim of promoting Brembo Group's commitment in corporate social responsibility and coordinating initiatives, projects and activities in this area.

Within the sales area, the top management of the Aftermarket Business Unit and Sales Department of the Brake Discs Division has been renewed. Moreover, within the Systems Division, commercial coverage of the important German market was reinforced, in part through the identification of a new position, tasked with developing relations with the Group's German costumers and interfacing with both the sales area and technical area. The Performance Group revised the structure of the Brembo Performance's Market Department and that of Sabelt's Racing Market. Finally, Brembo China redefined the management of the sales unit with the aim of ensuring that the Discs Division and Systems Division enjoy consolidated commercial coverage providing direct contact and coordinating the entire Asia-Pacific area.

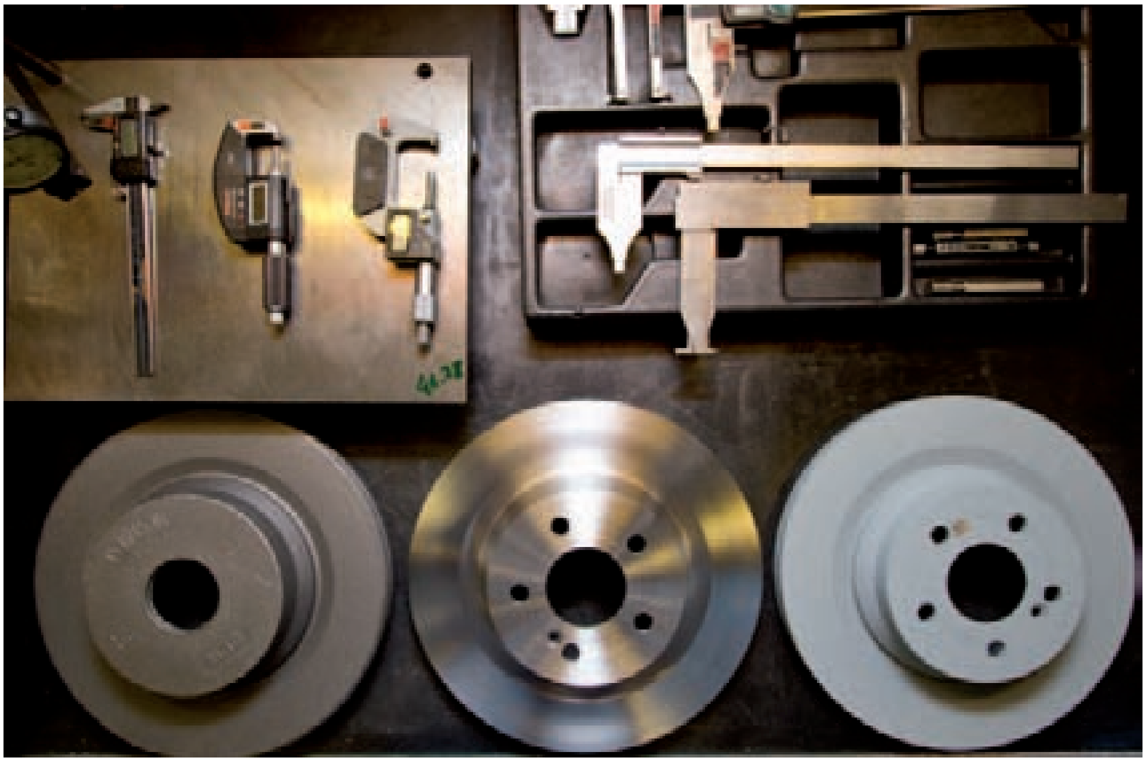
At the level of the industrial companies, within the Discs Division a new structure was designed for the Foundry Operations Department with the aim of creating greater international synergies and ensuring uniformity between the Group's three iron foundries, whereas the departments at the Czestochowa and Ostrava plants were revised. At this latter plant, production processes were organised into two separate, self-sufficient units (Foundry/Processing and Assembly), with the aim of better responding to the development of the market and providing better customer service, while also ensuring the centralisation of the transversal functions Quality, Maintenance and Logistics.

Finally, within Brembo do Brasil and Brembo Argentina, skills transversal to all levels of management were reinforced, with the aim of achieving a significant level of interaction.

In terms of training and management of human resources, it bears emphasising that over the years Brembo has always refined and enriched its range of training and development offerings for its human resources. Its extensive catalogue of courses and tools is suited not only to meet the needs of those responsible for their resources, but also to anticipate those needs, so as to best rise to the challenges posed by the business and organisation itself, through the use of effective, innovative solutions identified on the basis of constant, attentive interaction with the internal and external world.

The annual process of surveying training needs conducted at the Group level is fundamental for this purpose: the results underline the Company's skill needs at a global level, immediately directing the resources required to respond accordingly in terms of training and development activities. Those activities are then directly managed by the headquarters for the Group's Italian companies and indirectly for its foreign

Mapello Plant (Italy).
Disc processing.



offices, through constant dialogue and open discussion.

The full range consists of a catalogue offering a wide variety of tools, methods and approaches that, as mentioned above, are constantly evolving. The catalogue features both basic managerial training (an area in which the Personal Efficacy Development course, Assertiveness workshops and basic Economics course stand out) and advanced managerial training (where attention should be drawn to the advanced level of the Finance course and the various ad-hoc team-building programmes in which various organisational units participate each half-year). It then continues with technical and specialist training, an area in which innovative problem-solving techniques and tools — amongst other subjects — meet with such a degree of consensus that they become essential aids for everyday working life. In addition, language courses and safety and environment training continue to provide constant support for individual and group performance.

During the year that has just come to an end, training also included two important institutional programmes: development programmes for executives and new hires (white-collar and blue-collar workers).

In detail, one of the programmes with the greatest strategic impact in 2013 was the executive programme, which took place over a period of approximately five months and involved the entire most recent generation of leaders recently appointed from within the Group or newly hired from outside it. The programme began with development activities (a development centre and resource assessment based on a comprehensive questionnaire) and then continued by offering specific coverage of skills in the areas of finance, marketing and leadership, which are fundamental to the company's present and future management. The balanced alternation of classroom sessions, self-development processes and group work was also functional to the development of real business projects launched by the top management during the kick-off: to put them directly into practice, participants had the opportunity to put the skills they had acquired in the classroom into work immediately, with the result that most such projects are already in the implementation stage.

As part of the Brembo Induction Programme, over a period of two months the top management launched classroom activities, which then continued with work involving managers and function heads, as well as a visit to two production plants and technical development facilities. All of this represented an excellent training opportunity for newly hired employees, who deepened their understanding of the Group, its organisation, markets, products and processes, without neglecting transversal projects and individuals.

Finally, also worthy of note is the development of in-classroom and on-the-job training programmes for young people hired under apprenticeship contracts, whose professional growth is monitored with particular care and attention.

All of this falls within the broader context of the talent management system, which at Brembo offers many other tools for individual growth and improvement, within the framework of structured, methodologically advanced processes such as performance management and talent-scouting: the self-development media library, coaching (group and individual), the feedback desk, comprehensive assessment processes and group and individual development centres. Training activities in 2013 were rounded out by the participation of many internal specialists in significant initiatives, inter-company external training events or conventions, bearing witness to the constant exchange of information and expertise between the outside world and its internal system that have consistently made Brembo a competent, cutting-edge organisation.

Overall, 731 training initiatives were implemented in 2013 for a total of 291 courses, 37,516 training hours and 4,140 participants.

ENVIRONMENT, SAFETY AND HEALTH

For Brembo protecting health, workplace safety and the environment is a fundamental aspect of the Group's policies: these values are set out in the company's Code of Ethics and have always represented goals to be achieved and constantly improved in industrial and non-industrial processes.

The Parent Company, as well as all the subsidiaries, are committed to ensuring that these principles are respected on their sites, both through full implementation of applicable local laws, and the adoption of the operating procedures defined within the safety and environment management system: this system, defined at corporate level by the Quality & Environment Department, is disseminated and applied in all Group company sites.

The management system, which is compliant with ISO 14001 and OHSAS 18001 international standards, was completely revised during 2013 to bring it in line with the new requirements arising within such a dynamic company as Brembo. For example, the procedures concerning the methods of carrying out risk assessment, internal audits and the quantification of greenhouse effect gases emitted into the atmosphere were revised. The procedures have been published on the company's Intranet site to ensure maximum dissemination.

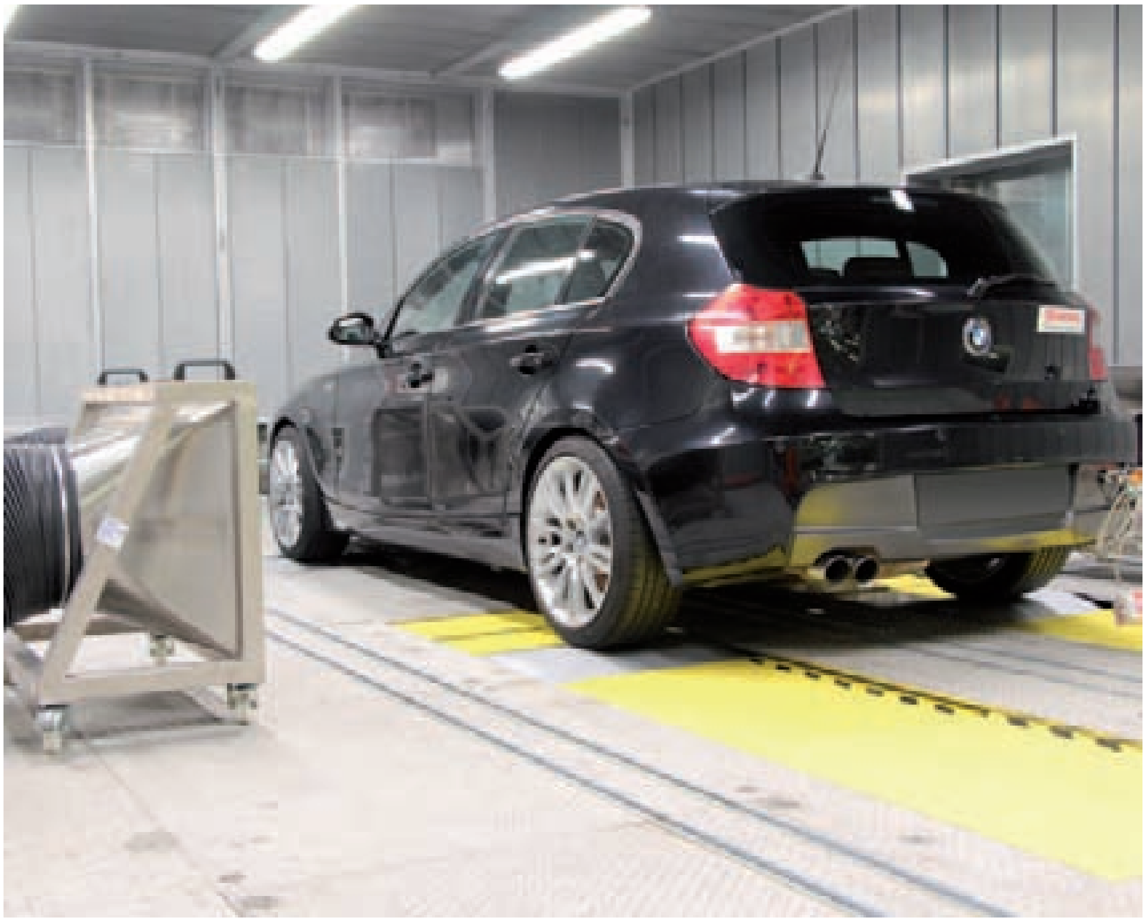
The management system provides for every site to prepare annually, usually at the beginning of the year, the "Management Plan", a document that defines (based on Group policies, applicable laws and risk assessment results) the activities and objectives to be achieved during the year to ensure a continuing process of performance improvement. The objectives achieved by the sites include those relating to staff training and the reduction in energy consumption and workplace noise. For example, training has been organised so as to be delivered in full before personnel access the workplace, despite an Italian regulation stating that the company should complete the training path within 60 days of the person joining a department.

All the tasks that have to be carried out during the year (regular equipment checks, renewals of current authorisations, workplace surveys, etc.) are monitored through the Supervision Plan, a document that describes how each Brembo site has to plan all activities for the monitoring, control, supervision and regulation of the environmental and safety aspects of their own processes, in order to ensure compliance with legislation, the safety and environment policy and the objectives defined. The activities are hence planned to ensure that the sites are run in the prescribed conditions and prevent situations in which failure to apply these procedures could result in unacceptable non-conformities.

All potential emergency situations that could be generated on the sites are also evaluated within the management system: in this case it is the Emergency Plan that formalises all the actions that personnel, without distinction, or emergency and first aid teams, specifically, have to implement to minimise any damage that could be caused by the generation of emergency situations. The sites carry out annual tests simulating the most diverse emergency situations (including of environmental nature) in order to test the provisions of the Emergency Plan: any areas for improvement that might be revealed provide the opportunity to continually improve the Plan and its actual effectiveness.

The management system review process, usually carried out by sites at the end of the year, allows the system's actual level of operation, its efficacy and adequacy to be evaluated. This is a very important moment, which it is imperative should be repeated regularly so as to evaluate how much has been done over the year and lay the foundations for the next year's activities and objectives.

Regarding the general results achieved in the Group, mention should be made that at the end of 2013 a total of 22 sites had been certified or were completing the certification stages, for both the environmental and safety parts. During 2013, 16 new certifications were obtained for sites, including 11 relating to workplace safety regulations and 6 to environmental regulations. The Injury Severity Index, an indicator that monitors accident figures, recorded a good general trend: it closed at 0.59 (up slightly on 2012 which reported a positive record of 0.54), the best value if compared with the previous decade's results (time period 2002-2011).



Testing Department in Stezzano (Italy). New dynamic roller test bed.


-50%
a carbon-ceramic disc
weighs 50% less
than a cast iron disc

GROUP'S STRUCTURE

Effective 6 August 2013, Brembo S.p.A. acquired 30% of Brembo Nanjing Brake Systems Co. Ltd. from its Chinese partner Donghua Automotive Industrial Co. Ltd. for a total consideration of RMB 90 million (€11.2 million);

Following the said acquisition, the Brembo Group achieved the full control of BNBS Co. Ltd., through the control exercised by Brembo S.p.A. (currently holding 68.88%) and its subsidiary Brembo China Brake Systems Co. Ltd. (currently holding 31.12%).

On 16 September 2013, the Group acquired full control of Brembo Argentina S.A. through the acquisition of the residual 25% stake by Brembo S.p.A. (currently holding 96%) and Brembo do Brasil Ltda (currently holding 4%).

No other changes were made to the Group structure in 2013.

Motorbikes.
GP4-RX 130 caliper,
designed for
specific use
on the Yamaha R1.

BREMBO S.P.A.

- 100% AP RACING LTD. – Coventry, UK
- 100% BREMBO CZECH S.R.O. – Ostrava-Hrabová, Czech Republic
- 100% BREMBO DEUTSCHLAND GMBH – Leinfelden-Echterdingen - Germany
- 100% BREMBO POLAND SPOLKA ZO.O. – Dabrowa Gornicza - Poland
- 100% BREMBO SCANDINAVIA A.B. – Göteborg, Sweden
- 100% BREMBO SPOLKA ZO.O. – Czestochowa, Poland
- 100% BREMBO UK LTD. – London, UK
- 100% LA.CAM (LAVORAZIONI CAMUNE) S.R.L. – Stezzano - Italy
- 68% CORPORACION UPWARDS 98 S.A. – Zaragoza - Spain
- 65% SABELT S.P.A. – Turin, Italy
  - 100% BELT & BUCKLE S.R.O. – Zilina, Slovak Republic
- 50% BREMBO SGL CARBON CERAMIC BRAKES S.P.A. – Stezzano - Italy
  - 100% BREMBO SGL CARBON CERAMIC BRAKES GMBH – Meitingen - Germany
- 30% INNOVA TECNOLOGIE S.R.L. – Almenno San Bartolomeo, Italy
- 20% PETROCERAMICS S.P.A. – Milan, Italy
- 10% INTERNATIONAL SPORT AUTOMOBILE S.A.R.L. – Levallois Perret - France
- 100% BREMBO JAPAN CO. LTD. – Tokyo, Japan
- 100% BREMBO NANJING FOUNDRY CO. LTD. – Nanjing - China
- 100% QINGDAO BREMBO TRADING CO. LTD. – Qingdao - China
- 100% BREMBO CHINA BRAKE SYSTEMS CO. LTD. – Beijing - China
  - 31.12% BREMBO NANJING BRAKE SYSTEMS CO. LTD.
- 68.88% BREMBO NANJING BRAKE SYSTEMS CO. LTD. – Nanjing - China
- 99.99% BREMBO BRAKE INDIA PVT. LTD. – Pune - India
- 1.20% FUJI CO. – Tokyo, Japan
- 100% BREMBO NORTH AMERICA INC. – Wilmington, Delaware - USA
  - 51% BREMBO MEXICO S.A. DE C.V.
- 49% BREMBO MEXICO S.A. DE C.V. – Apodaca - Mexico
- 99.99% BREMBO DO BRASIL LTDA. – Betim, Brazil
  - 4% BREMBO ARGENTINA S.A.
- 96% BREMBO ARGENTINA S.A. – Buenos Aires - Argentina

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

BREMBO'S CONSOLIDATED RESULTS

Consolidated Statement of income

(euro thousand)	31.12.2013	31.12.2012 restated	Change	%
Sales of goods and services	**1,566,143**	**1,388,637**	**177,506**	***12.8%***
Cost of sales, operating costs and other net charges/income*	(1,051,623)	(939,102)	(112,521)	*12.0%*
Personnel expenses	(302,428)	(277,826)	(24,602)	*8.9%*
GROSS OPERATING INCOME	**212,092**	**171,709**	**40,383**	***23.5%***
% on sales of goods and services	*13.5%*	*12.4%*		
Depreciation, amortisation and impairment losses	(90,654)	(82,166)	(8,488)	*10.3%*
NET OPERATING INCOME	**121,438**	**89,543**	**31,895**	***35.6%***
% on sales of goods and services	*7.8%*	*6.4%*		
Net interest income (expense) from investments	(17,053)	(6,690)	(10,363)	*154.9%*
RESULT BEFORE TAXES	**104,385**	**82,853**	**21,532**	***26.0%***
% on sales of goods and services	*6.7%*	*6.0%*		
Taxes	(15,282)	(5,088)	(10,194)	*200.4%*
RESULT BEFORE MINORITY INTERESTS	**89,103**	**77,765**	**11,338**	***14.6%***
% on sales of goods and services	*5.7%*	*5.6%*		
Minority interests	(87)	80	(167)	*-208.8%*
NET RESULT	**89,016**	**77,845**	**11,171**	***14.4%***
% on sales of goods and services	*5.7%*	*5.6%*		
Basic and diluted earnings per share (euro)	**1.36**	**1.19**		

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

The increase in sales during the year once more confirmed the Group's forecasts, translating into a continuation of the growth trend in sales. Net sales amounted to €1,566,143 thousand in 2013, up by 12.8% compared to 2012. All product sectors contributed to the achievement of this result.

The car applications sector performed particularly well, closing the year with an increase of 16.9% compared to 2012. There were strong gains for motorbike applications (+6.3%), whereas the commercial vehicles and racing sectors recorded more moderate increases of +4% and +3.9% compared to the previous year, respectively. At the geographical level, sales in Europe rose primarily due to the significant increases in Germany (+14.1%), which remains the Group's top market (24% of sales), in the United Kingdom (+14.1%) and in France (+19.9%), whereas Italy showed a considerably lower increase (+2.1%). North America (USA, Canada, Mexico) also reported excellent growth at +19.4%, thus continuing to represent the Group's second reference market (23.8% of sales). Asian markets also presented a strong increase in sales, with a peak in China (+35.8%), followed by Japan (+11%), whereas India recorded a more modest gain (+3.5%). Brazil declined slightly, closing 2013 with a reduction of 1.3%.

During 2013, the cost of sales and other net operating costs amounted to €1,051,623 thousand, with a ratio of 67.1% to sales, as against 67.6% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €11,154 thousand compared to €11,499 thousand for 2012.

Personnel expenses amounted to €302,428 thousand in 2013, with a 19.3% ratio to net sales, slightly lower than the previous year (20.0%). At 31 December 2013, workforce numbered 7,241 (6,937 at 31 December 2012). The rise of 304 resources is due to the need to manage the increased level of production arising from the rise in sales.

Gross operating income for 2013 was €212,092 thousand compared to €171,709 thousand in the previous year, with a ratio to sales of 13.5% (12.4% in 2012).

Net operating income amounted to €121,438 thousand (7.8% of sales), compared to €89,543 thousand (6.4% of sales) in 2012, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets for €90,654 thousand, compared to €82,166 thousand in 2012. The increase in the item "Depreciation, amortisation and impairment losses" relates primarily to the start of the amortisation process for new production investments recently put in place.

Net interest expense amounted to €18,446 thousand (€6,476 thousand in 2012) and consists of net exchange losses of €7,266 thousand (gains of €5,114 thousand in 2012) and other net interest expense of €11,180 thousand (€11,590 thousand in the previous year).

Interest income from investments amounted to €1,393 thousand (compared to interest expense of €214 thousand in 2012) and was attributable to the effects of the measurement of investments in associate companies using the equity method.

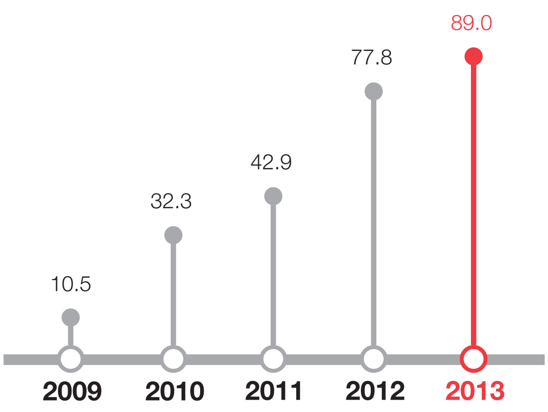
Result before taxes was €104,385 thousand, compared to €82,853 thousand for the previous year. Estimated taxation amounted to €15,282 thousand, with a tax rate of 14.6% compared to 6.1% for 2012.

Group net result was €89,016 thousand, up 14.4% compared to €77,845 thousand for the previous year.

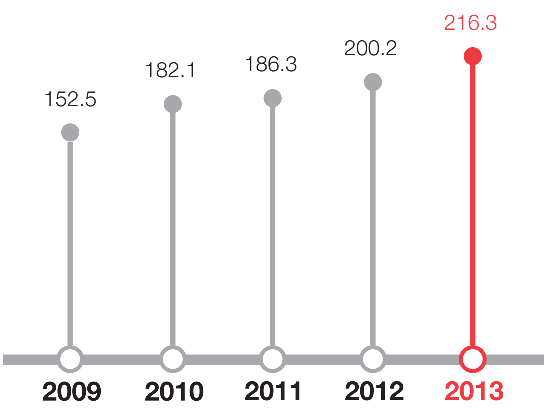
Consolidated Statement of financial position

(euro thousand)	31.12.2013	31.12.2012 restated	Change
Property, plant and equipment	503,142	475,390	27,752
Intangible assets	100,397	103,215	(2,818)
Net financial assets	22,142	20,677	1,465
Other receivables and non-current liabilities	49,014	40,699	8,315
(a) Fixed capital	*674,695*	*639,981*	*34,714*
			5.4%
Inventories	208,963	207,087	1,876
Trade receivables	251,525	202,315	49,210
Other receivables and current assets	42,854	44,461	(1,607)
Current liabilities	(382,568)	(336,238)	(46,330)
Provisions / deferred taxes	(18,734)	(16,385)	(2,349)
(b) Net working capital	*102,040*	*101,240*	*800*
			0.8%
(c) NET INVESTED CAPITAL (a)+(b)	**776,735**	**741,221**	**35,514**
			4.8%
(d) Equity	*429,207*	*393,824*	*35,383*
(e) Employees' leaving entitlement and other personnel provisions	*27,039*	*26,703*	*336*
Medium/long-term financial debt	259,212	270,479	(11,267)
Short-term net financial debt	61,277	50,215	11,062
(f) Net financial debt	*320,489*	*320,694*	*(205)*
			(0.1%)
(g) COVERAGE (d)+(e)+(f)	**776,735**	**741,221**	**35,514**
			4.8%

GROUP NET RESULT
(euro million)



TURNOVER PER EMPLOYEE
(euro thousand)



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

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

Net Invested Capital at the end of the year amounted to €776,735 thousand with an increase of €35,514 thousand compared to €741,221 thousand at 31 December 2012.

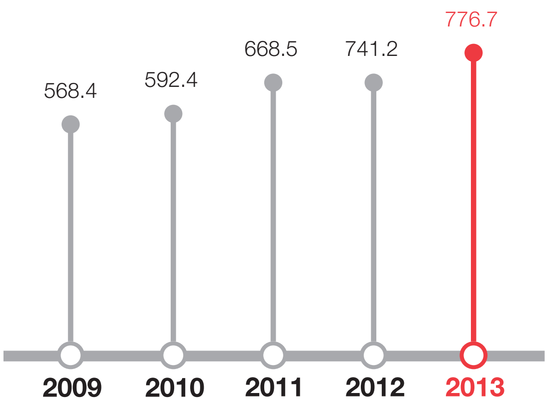
Net financial debt was €320,489 thousand in 2013, compared to €320,694 thousand at 31 December 2012.

Net financial debt decreased by €205 thousand during the reporting year, mainly due to the following factors:

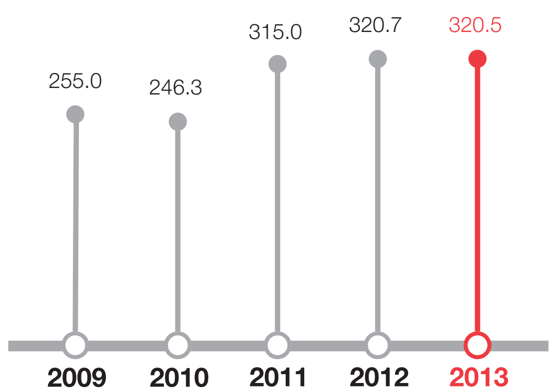
- the gross operating income of €212,092 thousand had a positive effect, with a €12,261 thousand decrease in working capital;
- investments in property, plant, equipment and intangible assets totalled €133,078 thousand;
- the Parent Company paid the approved dividends in May, in the amount of €26,015 thousand;
- taxes paid amounted to €20,038 thousand.

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

NET INVESTED CAPITAL
(euro million



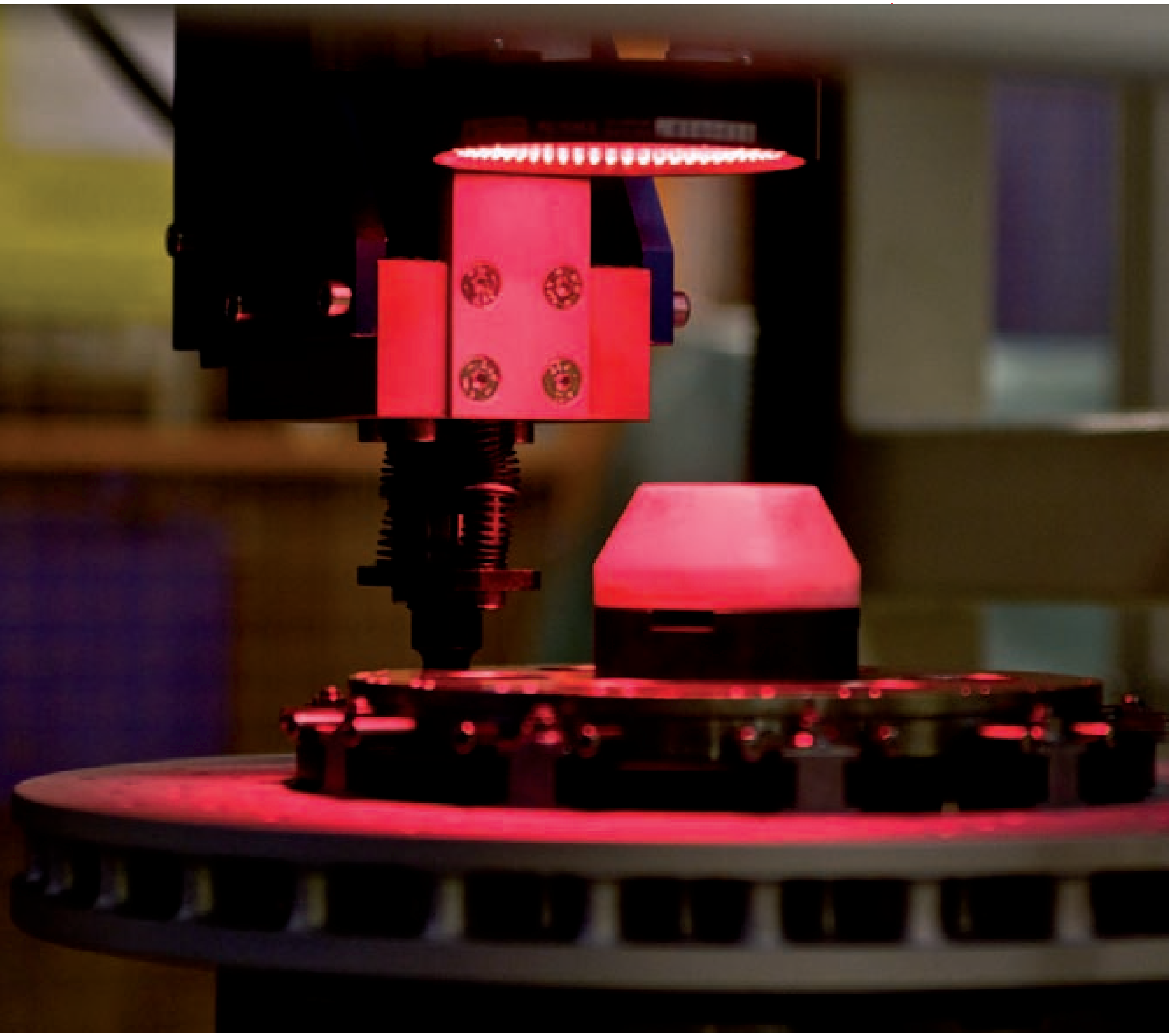
NET FINANCIAL DEBT
(euro million)



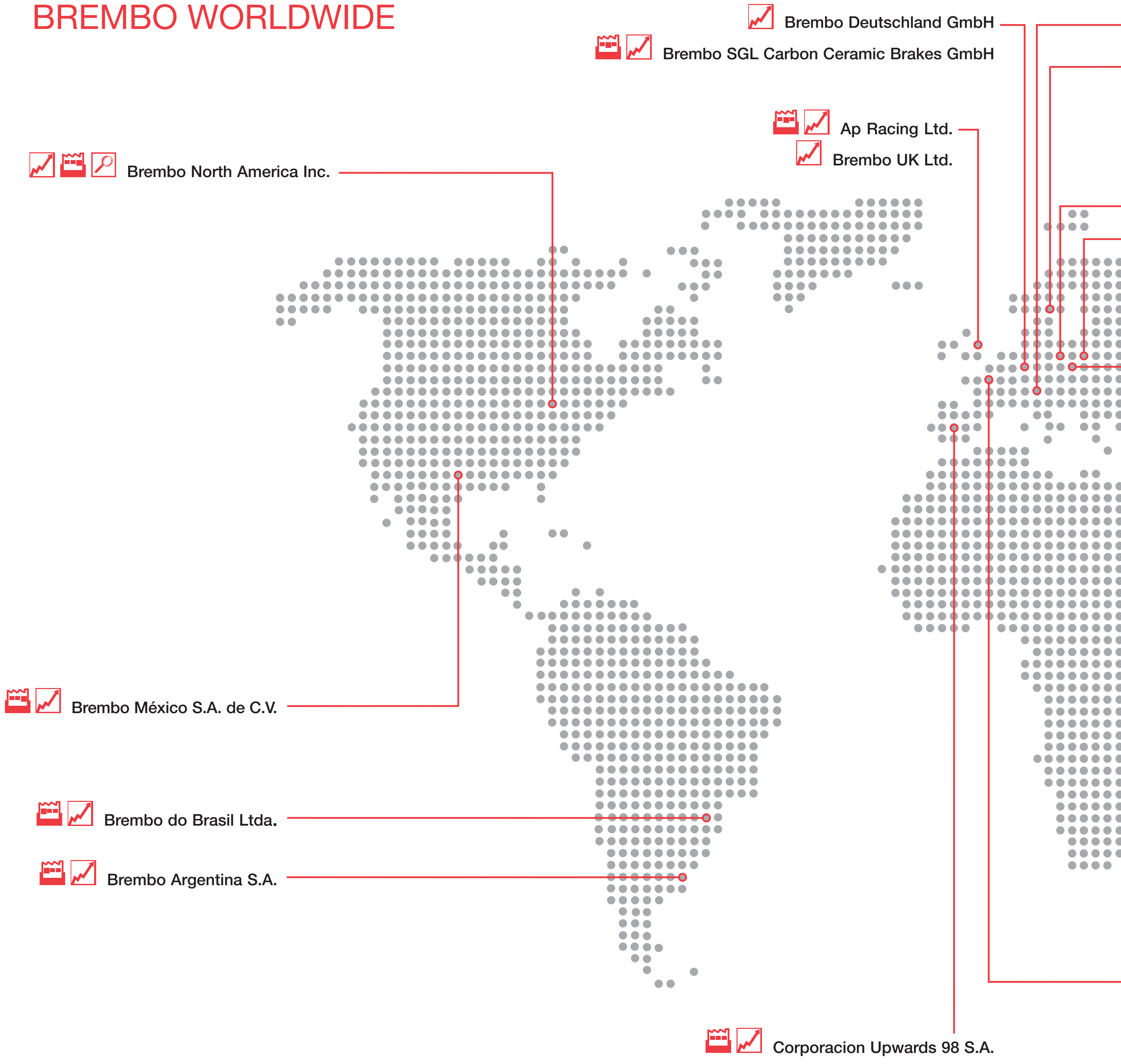
Statement of cash flows

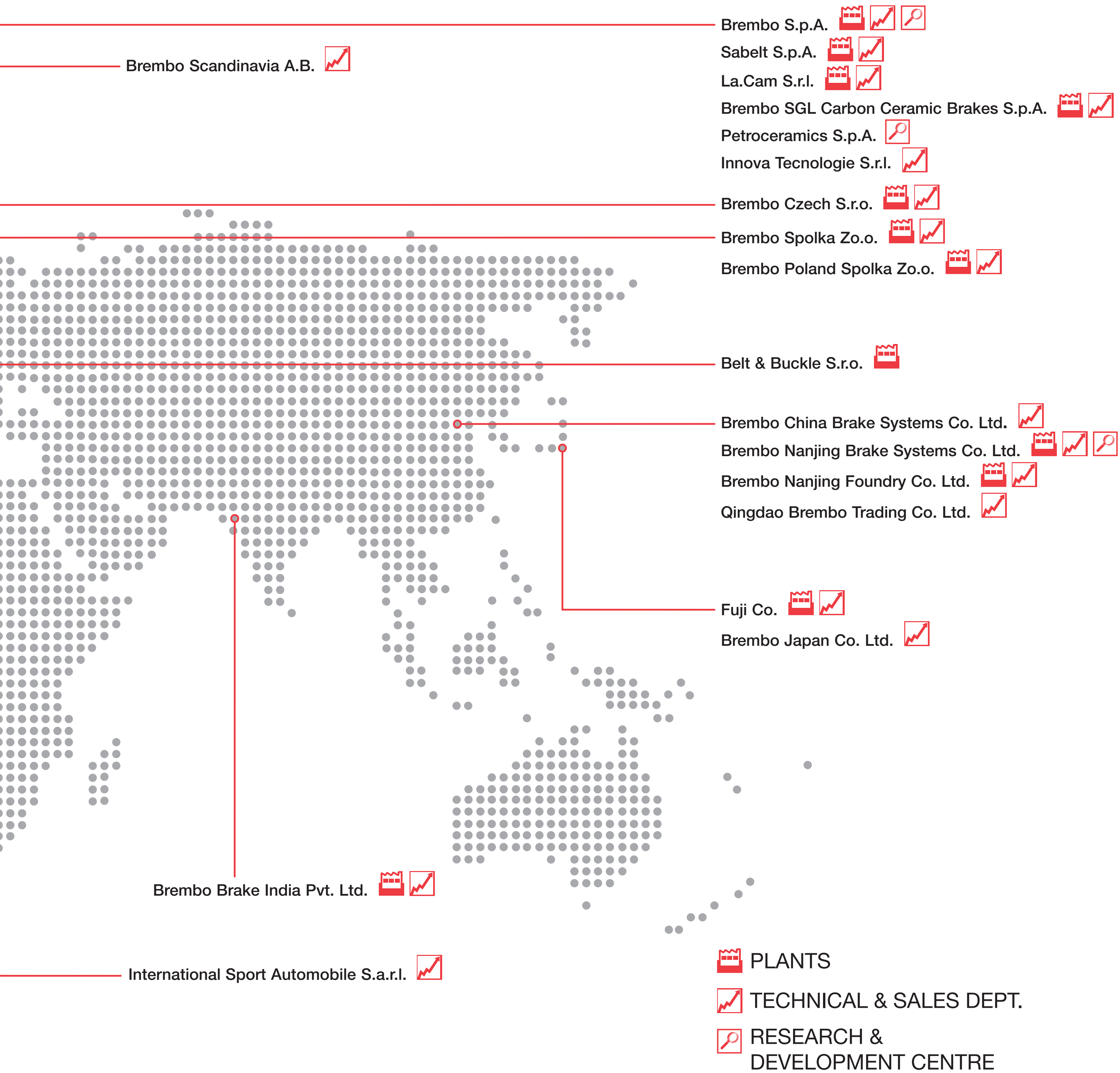
(euro thousand)	31.12.2013	31.12.2012 restated
Net financial position at beginning of year (*)	**(320,694)**	**(315,003)**
Net operating income	**121,438**	**89,543**
Depreciation, amortisation and impairment losses	90,654	82,166
Gross operating income	**212,092**	**171,709**
Investments in property, plant and equipment	(115,435)	(121,447)
Investments in intangible assets	(17,643)	(19,154)
Capital contributions to consolidated companies by minority shareholders	0	435
Acquisition of 100% in Brembo Argentina SA and BNBS Co. Ltd. third-party shareholders	(11,673)	0
Effect of the business combination La.Cam. Srl. on the net financial position	0	(3,873)
Disposals	1,719	4,966
Net investments	**(143,032)**	**(139,073)**
Change in inventories	(10,633)	16,760
Change in trade receivables	(48,321)	4,925
Change in trade payables	54,322	(19,310)
Change in other liabilities	(2,003)	11,920
Change in receivables from others and other assets	(4,400)	(1,074)
Translation reserve not allocated to specific items	(1,226)	(5,675)
Change in working capital	**(12,261)**	**7,546**
Change in provisions for employee benefits and other provisions	6,973	2,503
Operating cash flows	**63,772**	**42,685**
Interest income and expense	(17,514)	(5,413)
Current taxes paid	(20,038)	(23,452)
Cash flows before dividends	**26,220**	**13,820**
Dividends paid	(26,015)	(19,511)
Net cash flows	**205**	**(5,691)**
Net financial position at end of year (*)	**(320,489)**	**(320,694)**

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



BREMBO WORLDWIDE




Brembo S.p.A.
Sabelt S.p.A.
La.Cam S.r.l.
Brembo SGL Carbon Ceramic Brakes S.p.A.
Petroceramics S.p.A.
Innova Tecnologie S.r.l.
Brembo Scandinavia A.B.
Brembo Czech S.r.o.
Brembo Spolka Zo.o.
Brembo Poland Spolka Zo.o.
Belt & Buckle S.r.o.
Brembo China Brake Systems Co. Ltd.
Brembo Nanjing Brake Systems Co. Ltd.
Brembo Nanjing Foundry Co. Ltd.
Qingdao Brembo Trading Co. Ltd.
Fuji Co.
Brembo Japan Co. Ltd.
Brembo Brake India Pvt. Ltd.
International Sport Automobile S.a.r.l.
PLANTS
TECHNICAL & SALES DEPT.
RESEARCH & DEVELOPMENT CENTRE

PERFORMANCE OF BREMBO COMPANIES

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

BREMBO S.P.A.
CURNO (ITALY)

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

Brembo S.p.A. closed 2013 with sales of goods and services amounting to €638,022 thousand, down 0.4% compared to €640,455 thousand in 2012. The item "Other revenues and income" amounted to €28,246 thousand in 2013 compared to €24,456 thousand in 2012, whereas capitalised development costs in the year totalled €9,920 thousand.

Gross operating income went from €50,654 thousand (7.9% of sales) in 2012 to €67,574 thousand (10.6% of sales) in 2013. Net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €38,660 thousand, closed at €28,913 thousand compared to €11,103 thousand for the previous year.

Net interest expenses from financing activities amounted to €7,491 thousand, compared to €7,876 thousand for 2012. Income from shareholdings amounted to €29,406 thousand and was mainly attributable to the distribution of dividends by some subsidiaries (Brembo Japan Co. Ltd., Brembo Poland Spolka Zo.o., Brembo México S.A. de C.V., Brembo Scandinavia A.B. and Petroceramics S.p.A.).

During the reporting year, net income amounted to €41,391 thousand, compared to €35,269 thousand in 2012.

At 31 December 2013, the workforce numbered 2,848, decreasing by 41 compared to 2,889 at the end of 2012.

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 amounted to GBP 35,710 thousand (€42,049 thousand) in 2013, compared to GBP

33,419 thousand (€41,202 thousand) in 2012. In the reporting year, net income amounted to GBP 3,488 thousand (€4,108 thousand), compared to GBP 3,174 thousand (€3,913 thousand) in 2012.

At 31 December 2013, the workforce numbered 132, six more than at the end of 2012.

BELT & BUCKLE S.R.O.
ZILINA (SLOVAK REPUBLIC)

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

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

At 31 December 2013, net sales — which consisted solely of intragroup sales — amounted to €6,118 thousand, compared to €6,028 thousand for 2012, with a net income for the year of €121 thousand compared to €20 thousand in 2012.

At 31 December 2013, the workforce numbered 96, compared to 98 at 31 December 2012.

BREMBO ARGENTINA S.A.
BUENOS AIRES (ARGENTINA)

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

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

Net sales amounted to ARS 163,484 thousand (€22,466 thousand), with a net loss of ARS 13,732 thousand (€1,887 thousand). In 2012, net sales amounted to ARS 117,852 thousand (€20,161 thousand) and net loss to ARS 6,056 thousand (€1,036 thousand).

The workforce numbered 123 at 31 December 2013, slightly down compared to 126 at 31 December 2012.

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 2013, net sales totalled INR 2,950,912 thousand (€37,893 thousand), with a net income of INR 252,474 thousand (€3,242 thousand). In 2012, net sales amounted to INR 2,548,496 thousand (€37,134 thousand), with a net income of INR 201,419 thousand (€2,935 thousand).

The workforce numbered 200 at 31 December 2013, compared to 207 at 31 December 2012.

BREMBO CHINA BRAKE SYSTEMS CO. LTD.
BEIJING (CHINA)

Activities: promotion and development of the Chinese market.

The company, fully owned by Brembo S.p.A., holds a 31.12% stake in Brembo Nanjing Brake Systems Co. Ltd. following the transaction performed on 6 August 2013, which led the Brembo Group to acquire full control from the

New plant in Santo Antônio de Posse (Brazil).

Chinese partner Donghua Automotive Industrial Co. Ltd.

The company only deals with promotion and development initiatives on the Chinese market. At 31 December 2013, it did not record any sales. In 2013, net income was CNY 1,623 thousand (€199 thousand), compared to a net loss of CNY 1,008 thousand (€124 thousand) in 2012.

At the end of the year, the company had no employees.

BREMBO CZECH S.R.O.

OSTRAVA-HRABOVÁ (CZECH REPUBLIC)

Activities: production and sale of braking systems for cars.

The company was formed in 2009 and started its production activity in 2011 on the new site, in an existing industrial building. It carries out the casting, processing and assembly of brake calipers and other aluminium components and aims at becoming an integrated industrial hub able to offer high-tech, quality braking systems to the European market.

In 2013, net sales amounted to CZK 3,459,938 thousand (€133,140 thousand) compared to CZK 1,387,388 thousand (€55,174 thousand) in 2012, closing the year with a net loss of CZK 132,379 thousand (€5,094 thousand) compared to a net loss of CZK 161,870 thousand (€6,437 thousand) in 2012.

The workforce numbered 515 at 31 December 2013, increasing compared to 421 for the previous year.

BREMBO DEUTSCHLAND GMBH

LEINFELDEN – ECHTERDINGEN (GERMANY)

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

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

At 31 December 2013, net sales amounted to €221 thousand (€253 thousand for 2012), with a net income of € 30 thousand (€21 thousand for 2012).

The company has no employees and uses outside consultants only.

BREMBO DO BRASIL LTDA.

BETIM (BRAZIL)

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

The company is headquartered in Betim, Minas Gerais, and promotes the presence of Brembo in the South American original-equipment market for car brake discs. Since 2009, the company has been producing also flywheels for the car industry.

Net sales for 2013 amounted to BRL 185,395 thousand (€64,666 thousand) and net loss to BRL 13,558 thousand (€4,729 thousand). In 2012, net sales amounted to BRL 167,024 thousand (€66,551 thousand) and net income was BRL 9,154 thousand (€3,647 thousand).

The workforce numbered 457 at 31 December 2013, compared to 367 at the end of the previous year.

BREMBO JAPAN CO. LTD.
TOKYO (JAPAN)

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

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

Net sales for 2013 amounted to JPY 613,722 thousand (€4,733 thousand), compared to JPY 626,794 thousand (€6,108 thousand) in 2012. Net income for the reporting year amounted to JPY 45,580 thousand (€352 thousand), compared to JPY 68,217 thousand (€665 thousand) in 2012.

At 31 December 2013, the workforce numbered 17, unchanged compared to the figure at the end of 2012.

BREMBO MÉXICO S.A. DE C.V.
APODACA (MEXICO)

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

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

In 2013, net sales amounted to USD 84,375 thousand (€63,529 thousand), with a net income of USD 3,919 thousand for the year (€2,950 thousand).

In 2012, net sales amounted to USD 69,406 thousand (€53,987 thousand), with a net income of USD 4,190 thousand (€3,259 thousand).

At 31 December 2013, the workforce numbered 260, compared to 220 at the end of 2012.

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

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

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

At 31 December 2013, net sales amounted to CNY 533,348 thousand (€65,317 thousand) and net income was CNY 1,237 thousand (€151 thousand); in 2012, net sales amounted to CNY 423,504 thousand (€52,224 thousand) and net income was CNY 6,881 thousand (€849 thousand).

The workforce numbered 184 at 31 December 2013, compared to 235 at the end of 2012.

BREMBO NANJING FOUNDRY CO. LTD.
NANJING (CHINA)

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

The company, set up in 2009 and 100% held by Brembo S.p.A., acquired the foundry activities in 2010 from the Chinese company Donghua, belonging to the SAIC group, the leading Chinese car and commercial vehicle manufacturer.

The project — now in its advanced implementation stage — envisages the gradual development of an integrated industrial hub, including foundry and manufacture of brake calipers and discs for the car and commercial vehicle markets.

Net sales amounted to CNY 319,725 thousand at 31 December 2013 (€39,156 thousand), with a net income of CNY 3,999 thousand (€490 thousand), compared to net sales of CNY 226,244 thousand (€27,899 thousand) and a net loss of CNY 53,936 thousand (€6,651 thousand) for 2012.

The workforce numbered 159 at 31 December 2013, compared to 131 at the end of 2012.

BREMBO NORTH AMERICA INC.
WILMINGTON, DELAWARE (USA)

Activities: development, 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. At its facilities in Plymouth, Michigan, the company, backed by Brembo S.p.A. and local technical staff, also develops and markets new solutions in terms of materials and design for the U.S. market. The products are manufactured for the main carmakers and several component manufacturers operating in the United States.


Mapello Plant (Italy).
Disc processing.

Net sales for 2013 amounted to USD 309,687 thousand (€233,174 thousand) compared to net sales amounting to USD 229,515 thousand (€178,527 thousand) for the previous year.

Net income was USD 20,060 thousand (€15,104 thousand) at 31 December 2013, compared to net income of USD 19,433 thousand (€15,116 thousand) for 2012.

The workforce numbered 443 at the end of the year, an increase of 79 compared to the end of 2012.

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

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

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

In 2013, net sales amounted to PLN 806,192 thousand (€192,084 thousand), compared to PLN 739,765 thousand (€176,794 thousand) for 2012. At 31 December 2013, net income was PLN 222,162 thousand (€52,933 thousand), compared to PLN 222,517 thousand (€53,179 thousand) for the previous year.

The workforce numbered 1,036 at the end of the year, compared to 972 at the end of 2012.

BREMBO SCANDINAVIA A.B.
GÖTEBORG (SWEDEN)

Activities: promotion of the sale of car brake discs.

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

Net sales for the reporting year amounted to SEK 7,844 thousand (€907 thousand), with a net income of SEK 2,490 thousand (€288 thousand), compared to net sales of SEK 8,425 thousand (€968 thousand) and net income of SEK 3,009 thousand (€346 thousand) for 2012.

The workforce numbered 1 at 31 December 2013, unchanged compared to the same date of the previous year.

BREMBO SPOLKA ZO.O.
CZESTOCHOWA (POLAND)

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

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

Net sales for 2013 amounted to PLN 474,171 thousand (€112,976 thousand), compared to PLN 397,360 thousand (€94,964 thousand) in 2012.

Net income at 31 December 2013 was PLN 40,988 thousand (€9,766 thousand), compared to PLN 32,617 thousand (€7,795 thousand) in the previous year.

The workforce numbered 436 at the end of the year, increasing compared to 424 at the end of 2012.

BREMBO UK LTD.
LONDON (UNITED KINGDOM)

Activities: sale of brake discs for the aftermarket.

As of 2013, Brembo UK's sales activities have been transferred to Brembo S.p.A., which thus continues to supply AM products to the UK market through local independent distributors. The company's administrators have started a process of voluntary liquidation that will be completed in 2014.

Therefore, the company did not report any sales in 2013 and had no employees.

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

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

The company has phased out productive activities, to focus almost only on sales activities.

Net sales for 2013 amounted to €20,215 thousand, compared to €19,703 thousand for 2012. Net income amounted to €1,265 thousand compared to a net income of €135 thousand reported for 2012.

The workforce numbered 73 at 31 December 2013, compared to 76 at the end of 2012.

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

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

The company was incorporated by Brembo S.p.A. on 4 October 2010 and on 22 October of the same year it leased two companies from an important Brembo Group's supplier that was experiencing financial difficulties. The goal was to safeguard the continuity of supply, the expertise and technological assets obtained by these companies in their many years of collaboration with the Group.

The lease transaction involved Immc S.n.c. and Iral S.r.l. These companies specialise in processing aluminium, steel and cast-iron pistons for brake calipers intended for use in the car, motorbike and industrial vehicle sectors, and in the production of other types of components, including small high-precision metallic parts and bridges for car brake calipers, as well as aluminium caliper supports for the motorbike sector, chiefly produced for the Brembo Group.

Nanjing disc plant (China).

In 2012 La.Cam. acquired the business units of both companies.

In 2013, net sales amounted to €31,465 thousand compared to €31,821 thousand in 2012, mainly to Brembo Group companies. Net income for 2013 was €170 thousand, compared to a net loss of €22 thousand at the end of 2012.

The workforce numbered 206 at 31 December 2013, compared to 208 for the previous year.

QINGDAO BREMBO TRADING CO. LTD.

QINGDAO (CHINA)

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

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

In 2013, net sales amounted to CNY 166,642 thousand (€20,408 thousand), compared to CNY 116,234 thousand (€14,333 thousand) for the previous year. Net income for the year was CNY 9,020 thousand (€1,105 thousand), up compared to CNY 7,191 thousand (€887 thousand) for 2012.

The workforce numbered 15 at 31 December 2013, one more than at the same date of 2012.

SABELT S.P.A.

TURIN (ITALY)

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

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

At 31 December 2013, the company's net sales amounted to €29,726 thousand and net loss for the year was €1,214 thousand, compared to €25,316 thousand and €360 thousand, respectively, for 2012.

The workforce numbered 78 at 31 December 2013, compared to 77 at the end of 2012.

Companies Valued Using the Equity Method

BREMBO SGL CARBON CERAMIC BRAKES GMBH

MEITINGEN (GERMANY)

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

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

Net sales for 2013 amounted to €56,293 thousand, up compared to €40,258 thousand for the previous year. At 31 December 2013, net income totalled €1,600 thousand, compared to a net loss amounting to €1,503 thousand in the previous year.

The workforce numbered 246 at 31 December 2013, compared to 226 at the end of 2012.

BREMBO SGL CARBON CERAMIC BRAKES S.P.A.
STEZZANO (ITALY)

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

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

Net sales at 31 December 2013 totalled €26,704 thousand, down compared to €28,162 thousand in 2012. In the reporting year, net income amounted to €1,138 thousand compared to €1,203 thousand in 2012.

The workforce numbered 109 at 31 December 2013, one more than in 2012.

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

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

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

In the first nine months of 2013, net loss was €127 thousand, compared to a net loss of €188 thousand for 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 2013 amounted to €1,637 thousand, with a net income of €196 thousand. In 2012, net sales were €1,497 thousand and net income amounted to €220 thousand.

Other Group Companies

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

Activities: sale of products for racing cars and motorbikes.

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

RELATED PARTY TRANSACTIONS

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

In 2013, on the basis of a favourable opinion from the Audit & Risk Committee, the Board of Directors unanimously resolved not to proceed with amendments to the Related Party Procedure of Brembo S.p.A., partly in light of the efficacy shown in applied practice and partly because it had already been revised in previous years. The Board thus considers the contents of the Recommendation and the wishes expressed by Consob regarding the first revision of the procedure to have already been adopted.

Detailed information on the Company's Related Party Transactions is provided in a special section of the Explanatory Notes to the Consolidated Financial Statements (Note 31). During the reporting year, no atypical or unusual transactions were carried out with Related Parties. Furthermore, commercial transactions with Related Parties, also other than the Group companies, were carried out at fair market conditions. The financing transactions undertaken during the year with Related Parties are also discussed in Note 31 to the Consolidated Financial Statements.

In its capacity as Related Party Transactions Committee, the Audit & Risk Committee met on 21 January 2013 to conduct a prior review of the intercompany financing transaction involving Innova Tecnologie (a related party to Brembo S.p.A.). This transaction is not exempt from the Procedure because Innova Tecnologie is an associate company the activities of which, as defined in its company object, are not akin to those of Brembo S.p.A.

After assessing the company's interests in undertaking the transaction, as well as the soundness and substantial fairness of the conditions of the transaction, deemed in line with market conditions (also considering the related party relationship between Brembo and Innova Tecnologie), and reviewing the possible risks, the Committee expressed a favourable opinion on the performance of the transaction in accordance with current company procedures.

FURTHER INFORMATION

Significant Events During the Year

In February 2013, Giorgio Ascanelli joined the Brembo Group as Chief Technical Officer (CTO) and head of the Advanced Research and Technical Development areas. Drawing on its thorough technical experience in car racing, Brembo intends to bring new impetus and skills to an area that has always been one of the company's main drivers.

The Brembo's General Shareholders' Meeting held on 23 April 2013 approved the Financial Statements for the year ended 31 December 2012 and the distribution of a gross dividend of €0.40 per share outstanding at ex-coupon date, with the exclusion of the Company's own shares. Payment was made on 16 May 2013 with an ex-coupon date of 13 May 2013.

On 6 August 2013, Brembo S.p.A. acquired 30% of Brembo Nanjing Brake Systems Co. Ltd. from its Chinese partner Donghua Automotive Industrial Co. Ltd. for a total consideration of RMB 90 million (about €11.2 million). Following the said acquisition, the Brembo Group achieved the full control of BNBS Co. Ltd., through the control exercised by Brembo S.p.A. (currently holding 68.88%) and its subsidiary Brembo China Brake Systems Co. Ltd. (currently holding 31.12%).

On 16 September 2013, the Group achieved full control of Brembo Argentina S.A. through the acquisition of the residual 25% stake by Brembo S.p.A. (96%) and Brembo do Brasil Ltda (4%).

Opt-out from the Obligations to Publish Disclosure Documents

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

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

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

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

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

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

The reconciliation of equity and result for the year, as reported in the Parent Company's Financial Statements, and the equity and result for the year recognised in the Consolidated Financial Statements shows that the Group's equity at 31 December 2013 was €201,411 thousand higher than the figure reported in the Brembo S.p.A. Financial Statements. Consolidated net result for the year, amounting to €89,016 thousand, was €47,625 thousand higher than that of Brembo S.p.A.

(euro thousand)	Net income 2013	Equity at 31.12.2013	Net income 2012	Equity at 31.12.2012
Brembo S.p.A.	**41,391**	**222,939**	**35,269**	**207,061**
Consolidation adjustments:				
Equity of consolidated companies and allocation of their result	78,708	443,172	77,901	403,279
Goodwill and other allocated surplus	0	9,725	0	10,886
Elimination of intra-Group dividends	(34,281)	0	(36,318)	0
Book value of consolidated shareholdings	0	(249,257)	0	(226,400)
Valuation of shareholdings in associate companies and join ventures using the equity method	1,371	(1,799)	(214)	(3,186)
Elimination of intra-Group income	(745)	(5,307)	316	(4,892)
Other consolidation adjustments	2,659	9,734	811	7,076
Equity and result for the year attributable to minority interests	(87)	(4,857)	80	(10,482)
Total consolidation adjustments	**47,625**	**201,411**	**42,576**	**176,281**
CONSOLIDATED EQUITY AND RESULT FOR THE YEAR	**89,016**	**424,350**	**77,845**	**383,342**

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2013

No significant events occurred after the end of 2013 and up to 6 March 2014.

FORESEEABLE EVOLUTION

The order book confirms a positive performance also for the first part of 2014. Throughout the year, Brembo will continue to strengthen its industrial presence in all its areas of operation.

84th F1 Italian Grand Prix. Alberto and Cristina Bombassei present Niki Lauda with the 2013 Bernie Ecclestone Award.


-40%
the surface
of a ceramic pad
is 40% smaller
than that of an
organic pad

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

pursuant to Article 123-*bis* of the Consolidated Law on Finance

Approved by the Board of Directors of Brembo S.p.A. on 6 March 2014

GLOSSARY

Brembo/Issuer/Company: Brembo S.p.A., with registered offices in Curno (Bergamo), via Brembo 25, tax code and VAT code No. 00222620163.

2011 Code /2011 Corporate Governance Code: the Code of Corporate Governance for Listed Companies, approved in December 2011 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime e Confindustria. The recommendations of the 2011 Code have been fully adopted by Brembo during the year 2011.

Civil Code: the Italian Civil Code.

Board/Board of Directors/BoD: the Board of Directors of Brembo S.p.A.

CoSO Report: the Committee of Sponsoring Organisations of the Treadway Commission "Internal Control – Integrated Framework".

Financial year: the financial year which the Report refers to, specifically the financial year ended 31 December 2013.

Group: the Brembo Group.

Borsa Italiana Instructions: Instructions on the Rules of Markets organised and managed by Borsa Italiana S.p.A.

Brembo's Corporate Governance Manual: the document defining Brembo's corporate governance rules, fully incorporating the 2011 Corporate Governance Code. It includes all the documents defining Brembo S.p.A.'s corporate governance rules consistently with the applicable regulations. The Sixth edition (December 2012) is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).

Brembo's 231 Model: the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 of Brembo S.p.A. – Fourth Edition (last update: April 2013), which is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).

Related Party Transactions Procedure: the Related Party Transactions Procedure adopted by Brembo S.p.A. on 12 November 2010, in compliance with Consob Resolution No. 17221 of 12 March 2010, and subsequently amended by Consob Resolution No. 17389 of 23 June 2010; the Procedure (latest update of 18 January 2013) is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).

Consob Regulation on Related Party Transactions: the Consob regulation introduced by Resolution No. 17221 of 12 March 2010 as further amended by resolution No. 17389 of 23 June 2010.

SC: Supervisory Committee.

Rules of Borsa Italiana: the Rules of Markets organised and managed by Borsa Italiana S.p.A.

Rules for Issuers: the Rules for issuers established by Consob with Resolution No. 11971 of 1999, as amended and extended.

Market Regulations: the Market Regulations established by Consob with Resolution No. 16191 of 2007, as amended and extended.
Report: the Corporate Governance and Ownership Structure Report that companies have to prepare pursuant to Articles 123-*bis* and 89-*bis* of Rules for Issuers.
By-laws: the By-laws of Brembo S.p.A., brought in line with the provisions of Law No. 120/2011 (Regulation on equal access to the management and supervisory bodies of listed companies) by the Board of Directors on 12 November 2012. Its latest update is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).
ICRMS: Internal Control and Risk Management System.
TUF: Legislative Decree No. 58 of 24 February 1998 (Consolidated Law on Finance).

Introduction

Brembo S.p.A. is a world leader in the design, development and manufacture of braking systems and components for cars, motorbikes and industrial vehicles in the original equipment, the aftermarket and racing sectors, as well as passive safety design and manufacture sector.

Brembo operates on national and international markets in accordance with best practices, and in compliance with applicable regulations and the principles of Italian governance, which also take into account the Group's listing on the STAR segment of Borsa Italiana.

Leadership from a technical, industrial, product and market standpoint is also increasingly expressed through actions intended to develop global policies involving all Group companies in the areas of compliance, ethics, responsibility, sustainability and transparency. Brembo considers these values to be the foundation of the precious 'intangible' heritage formed by its brand, its reputation and the set of principles that characterise the way in which a socially responsible company acts. In this regard, a CSR Steering Committee and the role of CSR Officer, entrusted to Cristina Bombassei [1], were instituted in 2013 with the aim of promoting Brembo Group's commitment in Corporate Social Responsibility and coordinating initiatives, projects and activities in the area. They have the following tasks:

- proposing CSR projects and initiatives relating to in accordance with the guidelines set by the Steering Committee;
- ensuring the coordination and consistency of company projects and activities in this field;
- monitoring the various organisational units' action plans in the CSR field;
- monitoring outside best practices and managing relations with stakeholders.

Pursuant to the By-laws, Brembo S.p.A. has adopted a traditional form of administration and control. Accordingly, the company's management is attributed to the Board of Directors, the supervisory functions to the Board of Statutory Auditors and the statutory and accounting audit of the company's accounts to the independent auditors appointed by the General Shareholders' Meeting.

The Brembo S.p.A. Corporate Governance System is based on a set of rules that reflects the Corporate Governance Code issued by Borsa Italiana S.p.A., in the December 2011 edition.

The Report provides a general description of the corporate governance system adopted by the Group and information on its ownership

1 Director in charge with overseeing the Internal Control and Risk Management System.

structure, as required by current laws and regulations. The Report was filed with Borsa Italiana in the manner and within the timeframe required by applicable laws and is available on Brembo's website (www.brembo.com - Investors section, Corporate Governance).

1. INFORMATION ON OWNERSHIP STRUCTURE (at 31 December 2013)

Structure of share capital

Brembo's subscribed and fully paid-up share capital amounts to €34,727,914 and is divided into 66,784,450 ordinary shares of a par value of €0.52, each bearing voting rights.

Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

Significant shareholdings

Significant shareholdings in the share capital, based on communications received pursuant to Article 120 of TUF and the Shareholders' Register as of 31 December 2013, are listed on the table below.

Securities carrying special rights

No securities have been issued that carry special rights with regard to control of the company.

Employee share ownership scheme: exercise of voting rights

There are no employee share ownership schemes in place.

Restrictions on voting rights

There are no restrictions on voting rights.

Shareholders' agreements

There are no syndicate agreements or other Shareholders' agreements pursuant to Article 122 of TUF.

Change of control clauses

In carrying out its business, Brembo has in place several joint venture agreements or supply and cooperation or financing agreements, which contain clauses entitling each party to terminate or modify such agreements in case of resolution and/or withdrawal and/or modification of such agreements in case of change of direct and/or indirect control of one of the parties to the agreement.

Power to increase the share capital

At the reporting date, no capital increases were authorised pursuant to Article 2443 of the Civil Code, nor were powers granted to issue equity instruments.

Declarant	Direct shareholder	No. of shares	% on share capital with voting rights
BOMBASSEI ALBERTO	NUOVA FOURB SRL	35,744,753	53.522
BREMBO S.P.A.	BREMBO S.P.A.	1,747,000	2.616
GOODMAN & COMPANY			
INVESTMENT COUNSEL LTD	DYNAMIC GLOBAL VALUE FUND	1,391,090	2.083
	DYNAMIC GLOBAL VALUE CLASS	267,000	0.400
	Total	**1,658,090**	**2.483**
GAMCO INVESTORS INC.	GABELLI FUNDS LLC	1,225,000	1.834
	GAMCO ASSET MANAGEMENT INC.	330,000	0.494
	GAMCO INVESTORS INC.	10,000	0.015
	TOTAL	**1,565,000**	**2.343**

Authorisation to repurchase own shares

The General Shareholders' Meeting of Brembo S.p.A. held on 23 April 2013 approved a plan for the buy-back of own shares under which Brembo can buy up to 2,680,000 of its own shares (6.63% of share capital), in one or more tranches. This authorisation entails:

- validity for a maximum term of 18 months from 23 April for a purchase price per share of a minimum of €0.52 and a maximum of €14.00;
- the methods for determining the minimum consideration in the event of disposal (a price of no less than the official price of Brembo stock during the trading session prior to each individual disposal transaction);
- the following purposes of purchase/sale:
  - i) undertaking investments, also with the aim of supporting the liquidity of Company's stock, so as to foster the regular conduct of trading beyond normal fluctuations related to market performance;
  - ii) giving effect to any share-based incentive plans for the Directors, employees and collaborators of the company and/or its subsidiaries; and
  - iii) pursuing any swap transactions with equity investments as part of industrial projects.

At the same meeting, the Board of Directors granted all the powers necessary to implement the plan. No purchase or sale transactions were carried out in the context of the above-mentioned plan.

At 31 December 2013, the Company held a total of 1,747,000 own shares, representing 2.616% of the share capital, at an average book value of €7.71 per share and for an overall value of €13,475,897.

Direction and coordination

Brembo S.p.A. is not subject to the direction and coordination of any other company or entity pursuant to Article 2497-*bis* of the Italian Civil Code, despite it being controlled by another company. This is because, in accordance with the provisions of the 2011 Corporate Governance Code, all significant strategic and financial transactions carried out by Brembo S.p.A. and the Group are subject to the collective examination and exclusive approval of the Brembo S.p.A.'s Board of Directors which, *inter alia*, includes five independent Directors pursuant to the 2011 Corporate Governance Code. The professional competence and authority of non-executive and independent Directors are an additional guarantee that all Board's decisions are taken in the sole interest of Brembo S.p.A. without being subject to any direction or interference from third parties representing interests other than those of Brembo S.p.A. and the Group.

On the other hand, Brembo S.p.A. has power of direction, coordination and control on its subsidiaries pursuant to Article 2497 of the Civil Code. The requirements pursuant to Article 2497-*bis* of the Civil Code have been complied with.

* * *

The information required by Article 123-*bis*, first paragraph, letter i) of TUF *("agreements between the company and the Directors ... providing for compensation in case of resignation or dismissal without just cause or if their employment ceases as a result of a public tender offer")* are contained in the 2014 Remuneration Report in accordance with Article 123-*ter* of TUF, which is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Remuneration Policies).

* * *

The information required by Article 123-*bis*, first paragraph, letter l) of TUF *("the rules governing the appointment and replacement of Directors ... and amendments to the By-laws, if different from the otherwise applicable laws and regulations")* are illustrated in the section concerning the Board of Directors (Section 3 below).

2. COMPLIANCE WITH THE 2011 CORPORATE GOVERNANCE CODE (pursuant to Article123-*bis*, paragraph 2, letter a, of TUF)

Brembo endorses and complies with the Corporate Governance Code issued by Borsa Italiana (2011 edition). As per resolution of the Board of Directors dated 17 December 2012, the endorsement of the Code was implemented, *inter alia,* by updating Brembo's Corporate Governance Code and the Committees' Regulations which form an integral part of the Brembo S.p.A. Corporate Governance Manual.

In line with the 2011 Corporate Governance Code, the Code adopted by Brembo S.p.A. consists of nine articles, each of which is in turn sub-divided into Principles and Application Criteria, which represent simple recommendations that Brembo intends to implement in organising and managing its governance. Since these are not obligations, the so-called "comply or explain" approach is adopted, whereby when Brembo decides not to implement these recommendations, it explains the reasons for non-application or partial application through a specific Board resolution. [2]

3. BOARD OF DIRECTORS

3.1 Appointment and replacement of Company Directors

In line with legislative provisions on the so-called "traditional" management and control system adopted by the company, as well as the regulatory provisions in force, the By-laws govern the appointment of Directors through a "list-based voting" system and in accordance with the mandatory principle of gender representation [3], providing that:

- the Ordinary Shareholders' Meeting appoints the members of the Board of Directors based on candidate lists submitted by the Shareholders, so that one member of the Board is chosen from minority lists;
- Shareholders who, separately or jointly with other Shareholders, represent at least the minimum percentage of shares entitled to voting rights in the ordinary General Shareholders' Meeting envisaged in the regulatory provisions in force, published by Consob on 29 January 2014, of 1% of share capital, are entitled to submit lists;
- each Shareholder, as well as: (i) Shareholders belonging to the same group, the latter term being defined to include the party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and each subsidiary controlled by, or under the common control of the said party; or (ii) Shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF; or (iii) Shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and regulatory framework may submit, either on their own or jointly with other Shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list;
- the lists containing a number of candidates equal to or greater than three must include candidates of both genders (men and women); these lists must include a number of candidates of the under-represented gender such as to ensure that the composition of

2 Under primary or secondary regulations that are not compatible with the application of certain recommendations, no Board resolution is required to explain the reasons for partial or non-application.

3 The By-laws have been brought in line with the provisions of Law No. 120/2011 (Regulation on equal access to the management and supervisory bodies of listed companies) by Board of Directors' resolution dated 12 November 2012.

the Board of Directors complies with the laws and regulations on gender balance (men and women) from time to time in force, it being understood that where the application of the distribution criterion between genders results in a non integer number, this must be rounded up to the next higher unit;

- the lists of candidates, duly signed by the Shareholders submitting the same, or the Shareholder delegated to make the submission, together with all the other related documents as required under the By-laws, must be filed with the Company's registered offices at least 25 calendar days prior to the scheduled date of the General Shareholders' Meeting at first calling and public disclosure must be made both at its registered offices and on the Company's website, in the manner and form specified under applicable statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Shareholders' Meeting. The filing of voting lists pursuant to the provisions of Article 15-*bis* of the By-laws shall also be valid for General Meetings held at subsequent callings, if any.

3.2 Succession plans

On 6 June 2011, the Board of Directors of Brembo S.p.A. approved the Brembo Group's current organisational structure with the aim of reinforcing the Company's governance model, strengthening the top management team and gradually initiating internal succession mechanisms. Within this proven organisational structure and in accordance with the delegated powers assigned by the Board of Directors, Matteo Tiraboschi holds the position of Executive Deputy Chairman, Andrea Abbati Marescotti that of Chief Executive Officer and Chairman Alberto Bombassei has taken on a more strategic, less operational role.

For each major managerial role, Brembo also established guidelines for the relevant succession plan, summarised in specific documents shared with the persons concerned and approved by the top management team.

3.3 Composition

Pursuant to Article 15 of By-laws, the Board of Directors consists of:

- a minimum of 5 and a maximum of 11 members (executive and non-executive Directors), who may be re-elected and, unless otherwise resolved by the General Shareholders' Meeting, shall hold office for the period specified in the Shareholders' Meeting appointment resolution, up to a maximum of three years; they shall expire at the date set for the Shareholders' Meeting called to approve the Financial Statements for their last year of office, without prejudice to the causes for termination and forfeiture provided for by law and the By-laws;
- at least one of the members of the Board of Directors, or 2 members if the Board is made up of more than 7 directors, must meet the independence criteria set forth by Article 148, paragraph 3, of TUF;
- the composition of the Board of Directors must reflect gender balance, in accordance with the laws and regulations from time to time in force. The next time a new Company Boards are to be appointed, i.e., at Brembo S.p.A. General Shareholders' Meeting called on 29 April 2014 for the approval of the Financial Statements for the year ended 31 December 2013, one fifth of the seats on the said Boards are to be reserved to persons belonging to the under-represented gender, it being understood that the said reservation quota shall be raised to one third of the said seats at the two subsequent appointments of the Company Boards.

The General Shareholders' Meeting, held on 29 April 2011, confirmed the composition of the Board at 11, and appointed, based on the one sole list submitted by the main shareholder Nuova FourB S.r.l., the current Board of

Curno car plant (Italy). Assembly of a caliper.

Directors, with the exception of Director Andrea Abbati Marescotti, who was co-opted on 6 June 2011 and confirmed in his position by the General Shareholders' Meeting of 20 April 2012.

The Board of Directors' term of office will expire with the General Shareholders' Meeting called on 29 April 2014 for the approval of the Financial Statements for the year ended 31 December 2013.

At 31 December 2013, the Board of Directors was made up of the following members.

All the appointed Directors meet the requirements of personal integrity, professionalism and respectability imposed by applicable Italian statutory and regulatory provisions.

The non-executive directors and those who can qualify as independent directors meet the requirements set by the 2011 Corporate Governance Code and by Article 148, paragraph 3 of TUF, as indicated in the table above. The table also specifies the directors' respective roles within the company, their attendance rate at the Board of Directors' meetings held in 2013, their seniority of service, and the number of positions held with other companies that are relevant for the purposes of Brembo's Corporate Governance Manual.

The Board of Directors assessed the Directors' independence upon appointment and

Board of Directors											Audit & Risk Committee		Remuneration & Appointments Committee	
Office held	Name and surname	In office from	In office until	Seniority of service *	Exec.	Non-exec.	Indep. as per Code	Indep. as per TUF	(%) **	Other offices held ***	****	**	****	**
Chairman	Alberto Bombassei	29.04.11	(1)	21.12.84	x				100%	2				
Executive Deputy Chairman	Matteo Tiraboschi	29.04.11	(1)	24.04.02	x				100%	1				
Chief Executive Officer	Andrea Abbati Marescotti	20.04.12	(1)	06.06.11 (coopt.)	x				100%	–				
Manager	Cristina Bombassei	29.04.11	(1)	16.12.97 (coopt.)	x				86%	1				
Manager	Giovanni Cavallini	29.04.11	(1)	14.11.05 (coopt.)		x	x	x	100%	3	x	100%	x	100%
Manager	Giancarlo Dallera	29.04.11	(1)	28.04.03		x	x	x	71%	1	x	100%		
Manager	Giovanna Dossena	29.04.11	(1)	18.11.94 (coopt.)		x		x	100%	5				
Manager	Umberto Nicodano	29.04.11	(1)	03.05.00		x			86%	5			x	100%
Director (LID)	Pasquale Pistorio	29.04.11	(1)	29.04.08		x	x	x	86%	–	x	67%		
Manager	Gianfelice Rocca	29.04.11	(1)	29.04.11		x	x	x	43%	5				
Manager	Pierfrancesco Saviotti	29.04.11	(1)	29.04.08		x	x	x	14%	5			x	100%

Number of meetings held during the financial year: Board of Directors: 7
Audit & Risk Committee: 6
Remuneration & Appointments Committee: 1

NOTES:

(1) Appointed for a term expiring on the date of the General Shareholders' Meeting called on 29 April 2014 to approve the Financial Statements for the year ended 31 December 2013.

* This column shows the date on which the Director was appointed by the General Shareholders' Meeting as a Director of Brembo for the first time; co-option means the date of co-option by the Board of Directors.

** This column shows the percentage of Board of Directors' meetings and Committee meetings, respectively, attended by Directors (No. of times attended/No. of meetings held during the Director's term of office).

*** This column shows the number of Directorships or Auditorships held in other companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies.

**** The "X" in this column means that the Director is a member of the relevant Committee.

subsequently with annual frequency through to the most recent meeting of 6 March 2014, on the basis of the application criteria set forth in the 2011 Corporate Governance Code, privileging substance over form. On the basis of the principle of substance over form, the Board assessed and decided in favour of the continuing independence of Director Giancarlo Dallera on the grounds that, despite having exceeded nine years of service over the past twelve years, he has always demonstrated professionalism, dedication and pro-active, constant participation in meetings of the Board of Directors, Audit & Risk Committee and Supervisory Committee, as well as independent judgement in the performance of his duties. In the same meeting, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors. A profile of each Director is included hereinafter.

Alberto Bombassei

Company founder and Chairman of the Board of Directors since 1993. In 2004 he was granted the Italian honorary title of "Cavaliere del Lavoro". From 2001 to 2004, he served as President of Federmeccanica. From 2004 to 2012, he held the position of Vice President of Confindustria for Industrial Relations, Social Affairs and Social Security. In 2003, the President of the Italian Republic, Carlo Azeglio Ciampi, awarded him the Leonardo Prize "Italian Quality" for his contribution to exporting the Italian made products worldwide. Over the years he received several awards, including: the Prize "Eurostar 2004" for outstanding achievements at the helm of Brembo, and in 2007 the Prize "Amerigo Vespucci" for his contribution to the development of relations between Italy and Brazil; in 2008, he received the prize "ASFOR 2008 for career achievements" for his contribution to Italian economic and social development; in October 2012 the "Tiepolo Prize 2012" granted by the Italian Chamber of Commerce and Industry in Spain and the Chamber of Commerce and Industry of Madrid, and most recently, in November 2012, he was awarded the Ernst & Young Entrepreneur of the Year prize. He is a Director of Pirelli & C. S.p.A. and Nuovo Trasporto Viaggiatori S.p.A.

Matteo Tiraboschi

He has been a Director of Brembo since 2002, and in 2011 was appointed Executive Deputy Chairman.

From 2005 to 2011, he was Director of foreign subsidiaries within the Brembo Group, and in 2009 he was also appointed CFO. From 1996 to 2005, he worked as Certified Public Accountant and Certified Auditor.

He graduated in Economics and Business, and worked at a leading auditing firm from 1993 to 1996.

Andrea Abbati Marescotti

Chief Executive Officer and General Manager of the company since 6 June 2011. Born in Modena in 1964, he graduated in 1989 with honours and recommendation for publication in Electronic Engineering at the University of Bologna. In 1991 he joined the Fiat Group, where he held the position of Chief Operating Officer of Fiat-GM Powertrain Italy from 2002 to 2003; Vice-President Planning Strategies & Sales of Fiat-GM Powertrain from 2003 to 2005; Chief Restructuring Officer of Fiat Powertrain Technologies from 2005 to 2006 and Senior Vice-President Operations Construction Equipment of CNH from 2007 to 2009. From 2009 to 2011 he served as Chief Executive Officer of UFI Filters.

Cristina Bombassei

Director of the company since 1997. She has been Corporate Development Manager since 2003, and since April 2008 she has held the position of Executive Director in charge of overseeing the Internal Control System; this position has been renamed Director in charge of establishing and maintaining the Internal Control & Risk Management System. In 2013, she was appointed CSR Officer and tasked with promoting Brembo Group's commitment to Corporate Social Responsibility. She is a Director of Banca Popolare di Bergamo S.p.A., Kilometrorosso S.p.A. and Fondazione Cariplo Comunità Bergamasca, as well as member of the Steering Committee of Confindustria Bergamo where she is in charge of Education.

Giovanni Cavallini

Director of Brembo S.p.A. since 2005, he has been serving as Independent Director. He was born in Milan on 28 December 1950. After graduating in Civil Engineering from the Polytechnic in Milan, he obtained a Master in Business Administration from the Harvard Business School. From 1978 to 1987 he worked at The Boston Consulting Group, where he served as Vice President and Partner for three years. Founder and Chief Executive Officer of S.I.C. ("Società Iniziative Commerciali"), and Co-founder and Director of S.S.C. ("Società Sviluppo Commerciale") until 1994, he was then President of OBI Italia for two years.

Within the Interpump Group S.p.A. he served as Chief Executive Officer from 1996 to 2005 and as Chairman from 2005 to 2013. In 2009, he was also appointed Director of Migros Turk TSA, a company listed on the Istanbul stock exchange. In June 2012, he was granted the Italian honorary title of "Cavaliere del Lavoro". Since July 2013 he has been Chairman of ISI (Industrial Stars of Italy), a special-purpose acquisition company listed on the AIM of the Milan Stock Exchange.

Giancarlo Dallera

Since 2003, Giancarlo Dallera has been a Director and a member of the Audit & Risk Committee and the Supervisory Committee of the company. He serves as a member of the Board of Directors of CRE-LO.VE. S.p.A., Past President of the Industrial Entrepreneur Association of Brescia, Past Vice President of Federmeccanica, President of CROMODORA WHEELS S.p.A., a leading company in the production of light alloy wheels for original equipment and a supplier of major European manufacturers. From 1991 to 2003 he was President of Hayes Lemmerz International Inc., a multinational company in the automotive sector.

Giovanna Dossena

Director of the company since 1994. She is Professor of Economics and Business Administration at the University of Bergamo and practises as a Certified Public Accountant. She is the director of the Centre E-Lab - Entrepreneurial Lab at the University of Bergamo, which is engaged in research, training and experimentation on the subject of entrepreneurship with the aim of studying the role of entrepreneurs and entrepreneurship as a tool for economic development. She is the author of several international monographs on these issues and has extensive experience in private equity. She sits on the Board of Directors of Barovier & Toso S.r.l., B-Soft Group S.r.l., Goccia di Carnia S.p.A. and Banca Popolare di Vicenza.

Umberto Nicodano

Director since 2000, he is also a member of the Remuneration & Appointments Committee of the company. He is a Partner in the law firm Bonelli Erede and Pappalardo where he is mainly engaged in M&As. He is President of the Valentino Fashion Group, and a member of the Board of Directors of several other companies, including Industrie Ilpea S.p.A. and Roberto Cavalli S.p.A.

Pasquale Pistorio

Director of the company since 2008, he is a member of the Remunerations & Appointments Committee and serves as Lead Independent Director. After graduating in Electrotechnical Engineering with a specialisation in Electronics from the Polytechnic in Turin in 1963, he received honorary degrees from the Universities of Genoa, Malta, Pavia, Catania, Palermo, Sannio, Milan Bicocca and Bristol. In 1978, he was appointed General Manager of the Motorola's International Semiconductor Division. In 1980, he became

President and Chief Executive Officer of the SGS Group, which changed it name into ST Microelectronics after the merger with Thomson Semiconductors in 1987; he served this company as President and CEO up to retirement in March 2005, when he was appointed Honorary Chairman of the company's Board of Directors. He served as a member of the ICT Task Force set up by the United Nations. He was a Director of FIAT Auto S.p.A. from December 2004 to March 2012, and a Director of Telecom Italia from May 2004 to December 2007 and President of Telecom Italia from April to December 2007. He was Confindustria's Vice President for innovation and research from May 2004 to May 2008. He received the award of "Commendatore al Merito" of the Italian Republic in 1974 and that of "Cavaliere del Lavoro" in 1997. During his influential career, he received several awards and honours, both nationally and internationally (France, Morocco, Singapore, etc.). In addition to its role in Brembo S.p.A., he currently serves as Director in Atos SA (listed company; France), Stats ChipPac (listed company; Singapore), and XiD (private company; Singapore).

Gianfelice Rocca

Director of the company since 2011. He graduated with honours in Physics from the University of Milan and completed his studies at the Harvard Business School in Boston. In 2007 he was granted the Italian honorary title of "Cavaliere del Lavoro" and in 2009 he was awarded an honorary degree in Management Engineering from the Polytechnic of Milan. In 2010 the President of the Italian Republic, Giorgio Napolitano, awarded him the "2009 Leonardo Prize" for his contribution to the strengthening of the Italian international expansion in the steel, energy and infrastructure industries. He is Chairman of the Techint Group, a global leader operating in these three areas. He also sits on the Boards of Directors of Allianz S.p.A. and Buzzi Unicem S.p.A. Since June 2013, he has been President of Assolombarda. In the 90s, he founded the Istituto Clinico Humanitas in Milan, a general hospital among the most renowned in Europe: an international centre of research, teaching and case management of Harvard University. He is a member of the Steering Committee of the European Institute of Innovation and Technology (EIT). From 2004 to 2012 he was Vice President of Confindustria, where he was responsible for Education. In the international arena, he is a member of the Advisory Board of Allianz Group, the Aspen Institute Executive Committee, the Harvard Business School European Advisory Board and the Trilateral Commission.

Pierfrancesco Saviotti

Director since 2008, he is also a member of the Remuneration & Appointments Committee of the company. Since 2008 he has also served as Director in Banco Popolare S.p.A. and Nuovo Trasporto Viaggiatori S.p.A. Since 2009, he has been a Director of Moncler S.p.A. (formerly Moncler S.r.l.; listed as of 16 December 2013) and member of the Executive Committee and the Board of Directors of the Italian Banking Association (ABI). In 2000, he was appointed Director of Tod's S.p.A. and Stefanel S.p.A. Previously, he held top management positions in many other companies.

3.4 Maximum number of positions held at other companies

At the time of appointment, and annually thereafter, the Board of Directors verifies the compatibility of positions held by the Directors in other companies.

The Board of Directors decided not to define specific numerical criterion, with regard to the maximum number of offices held in other companies, but rather to carry out periodic assessments based on the statements of each Director and based on the following criteria:

- professional competence and independence of judgment expressed by the Directors;
- verification of Directors' commitment, active and constant participation in the meetings

of the Board, Committees and various management activities of the Company, also in light of their professional commitments;
- any relationship that may be or appear such as to compromise the independence of judgment of the Director.

Such assessment was carried out upon appointment and afterwards on an annual basis, until the last General Shareholders' Meeting of 6 March 2014. The outcome is given in the table above.

Induction Programme

The roles, authority, professional qualifications and seniority of service, as well as the experience gained in other Boards of Directors and/or senior management roles of other listed companies are such that training plans and/or induction programs are not a priority.

Dodge STR wheel side with Brembo system.

3.5 Role of the Board of Directors

Tasks

In accordance with the law and pursuant to the By-laws, the Administrative Body is responsible for managing the company, except for the matters reserved to the General Shareholders' Meeting. In line with the recommendations of the 2011 Corporate Governance Code, the Board of Directors is also responsible for the functions and tasks defined in Article 1 of the Corporate Governance Code of Brembo S.p.A., including the analysis and sharing of the annual budgets and the strategic, industrial and financial plans of Brembo S.p.A. and the Group, as well as monitoring their implementation; the establishment of the system of corporate governance and Group structure; the assessment of the nature and level of risk which is consistent with Brembo's strategic objectives.

Meetings

The Board of Directors met seven times in 2013 (of which, five based on the corporate calendar issued to the public and two in extraordinary sessions) at the company's registered office. The meetings lasted 3 hours, on average. The Directors' rate of attendance during the year is shown in the table on page 78.

Based on the calendar approved by the Board and announced to the public on 25 November 2013, a total of four ordinary meetings are planned for 2014. At the date of publication of this Report, one ordinary meeting has already been held.

Pursuant to the By-laws:
- Board of Directors' meetings are called by registered letter, telegram, facsimile transmission or e-mail with confirmation of receipt, to be sent to all Board members and all the members of the Board of Auditors, at least five days, or in the cases of particular urgency, at least two days prior to the scheduled date of the Board meeting;
- Board meetings are valid, as well as their resolutions, even without a formal call, when all the Directors and Statutory Auditors in office are present;
- Board meetings may be held by telecommunication means that allow participation in the discussion and provide the same information to all those in attendance.

As provided for by Article 1.C.5 of Brembo's Corporate Governance Code, except in cases of particular urgency or confidentiality, each Director and Statutory Auditor is informed sufficiently in advance (five days before the meeting) on the items on the Agenda by means of a detailed and analytical report describing the various aspects to be evaluated (in narrative and quantitative terms) in order to take the relevant resolutions on an informed basis; this report is usually accompanied by summary schedules for each item.

To provide the necessary insights on specific issues referred for examination and approval by the Board of Directors, the Board's meetings are attended, in addition to the Secretary, by some

Executives of the company or Group companies, involved in the various projects or items under discussion by the Administrative Body.

During Board meetings and with the support of the Secretary, the Chairman makes sure that the necessary time is devoted to the items on the agenda in order to allow discussion between the members of the Board.

Activities carried out

The Board of Directors has the powers envisaged in the By-laws (Article 16) and the duties envisaged in Article 1.C.1 of the 2011 Corporate Governance Code. During 2013, the Board of Directors exercised its powers and performed its duties as summarised below.

During its meetings of 5 March 2013, 18 March 2013, 23 April 2013, 13 May 2013, 31 July 2013, 12 November 2013 and 17 December 2013, the Board of Directors examined and assessed:

- the general **performance and foreseeable evolution**, including through information received from the Delegated Bodies, when presenting and approving the interim results;
- the adequacy of the organisational structure of the company and the Group's subsidiaries, as well as of its administrative and accounting system, after receiving the opinions of the Audit & Risk Committee and the Board of Statutory Auditors, while constantly receiving information regarding the main organisational changes and the administrative and accounting standards observed;
- the implementation of specific plans relating to transactions with a significant strategic, operating, capital or financial impact for Brembo S.p.A. and all other Group subsidiaries within the scope of consolidation — for a list of subsidiaries the reader Is referred to the company's consolidated financial statements — regardless of their strategic relevance as per Article 36, paragraph 2, of the Rules for Issuers. The Board constantly monitors the degree of progress and authorises the necessary capital and financial support for certain Group companies;
- information concerning the exercise of the delegated powers granted, as well as significant transactions and those in potential conflict of interest, deeming them consistent with the resolutions passed;
- with regard to the **Internal Control and Risk Management System**, the Board constantly monitored the main aspects associated with the System in the context of the various development plans and different processes. Monitoring activities included the periodic reports received during the meetings of 31 July 2013 and 6 March 2014 from the Director responsible for the Internal Control and Risk Management System, from the Audit & Risk Committee and internal audit functions, as well as from the Supervisory Committee, thus confirming the adequacy of the Internal Control and Risk Management System.

In further detail, the Board of Directors:

- during its meeting of 5 March 2013, reviewed the reasoned proposal from the Board of Statutory Auditors for the conferral of a legal auditing engagement for the accounts for years 2013 to 2021, subject to review by the General Shareholders' Meeting on 23 April 2013, and thus awarded the engagement to Reconta Ernst & Young;
- during its meeting of 18 March 2013, with the participation of the main executives in the company's business and management areas, unanimously approved the **2013-2015 Three-Year Strategic Plan**, deeming the nature and level of risk to be compatible with the Plan's objectives;
- during its meeting of 31 July 2013, examined the contents of the 2012 Management Letter and, in light of the considerations expressed by the Audit & Risk Committee and the Board of Statutory Auditors, reiterated the **adequacy of the Internal Control & Risk**

Homer plant, Michigan (USA). Disc processing.

Management System to the structure of the Group and the type of business done by the company;

- during its meeting of 17 December 2013, examined and approved:
  - the figures relating to the **2014 Budget**, in addition to assessing the associated risks, deeming them to be compatible with the objectives for the period;
  - the development project for the new Enterprise Risk Management model and the **Group's Risk Management Policy**, described in further detail in section 9 below;
  - the **Audit Plan for 2014 and the Internal Audit 2014 Budget**.

With respect to the Group's organisational and corporate structure, the Board passed resolutions during its sessions of 31 July 2013, 12 November 2013 and 17 December 2013 concerning the following **corporate transactions**:

- the launch of the corporate streamlining process in China, which in 2013 entailed:
  - the acquisition in August 2013 of the entire minority interest (30%) in Brembo Nanjing Brake Systems Co. Ltd. with the aim of obtaining the entirety of share capital;
  - the launch of the process of the acquisition by Brembo S.p.A. of the interest in Brembo Nanjing Brake Systems Co. Ltd. held by Brembo China Brake Systems Co. Ltd., in view of the possible placement of the latter in liquidation.
- the acquisition in September 2013 of the entire minority interest (25%) in Brembo Argentina SA., with the aim of obtaining the entirety of share capital, which is now held as follows: 96% by Brembo S.p.A. and 4% by Brembo do Brasil Ltda.

In the area of the **remuneration of Directors and Key Management Personnel**:

- during its session of 18 March 2013, the Board of Directors, on the basis of the opinions and proposals expressed by the Remuneration & Appointments Committee, examined and approved:
  - the results of the 2010-2012 Incentive Plan for Executive Directors and Top Managers and, having deemed them positive and consistent with the objectives set, resolved to pay out the relative bonuses;
  - the proposed short-term annual incentive plan "MBO 2013";
  - the new 2013-2015 Incentive Plan for Executive Directors and Top Managers, to be entirely paid out in cash. Its beneficiaries — approximately 30-35 managers — hold the following positions: managers reporting directly to the Chairman, Executive Deputy Chairman, Chief Executive Officer, key personnel in Operation and Sales roles, in the Systems Division and the Discs Division, in addition to the Country General Managers and the new Chief Technical Officer;
  - the 2013 General Policies for the remuneration of Executive Directors, other Directors holding special positions and Key Management Personnel included in the Remuneration Report, in accordance with Article 123-*ter* of TUF (Section I);
  - the proposal to modify the total compensation of the Directors pursuant to Article 21 of the By-laws of Brembo S.p.A., raising it from €2,500,000 to €3,500,000, subject to approval by the 2013 General Shareholders' Meeting;
  - the 2013 Remuneration Report in accordance with Article 123-*ter* of TUF (Section I and Section II).

The main contents of the above-mentioned items are illustrated in the 2014 Remuneration Report, in accordance with Article 123-*ter* of the TUF, which is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Remuneration Policies).

- During the meeting of 23 April 2013, it allocated the total compensation of the Administrative Body, increased to €3,500,000 by the General Shareholders' Meeting, as follows:
  - it granted the Chairman compensation of €1,300,000 for 2013, an increase of €300,000 compared to €1,000,000 awarded during the previous eight years (from 2005 to 2012);
  - it maintained the other directors' remuneration unchanged;
  - it allocated the remainder to cover any pro-rated effects of the 2013-2015 Three-Year Incentive Plan on the Chairman's remuneration.

In keeping with the aim of strengthening and constantly improving its **Compliance system**, the Board of Directors approved:

- during its meeting of 23 April 2013, the update to the Special Section "Bribery and Solicitation of Bribery" of the 231 Model aimed at complying with the Italian anti-bribery Law No. 190 of 6 November 2012;
- during its meeting of 12 November 2013, the new **Brembo Group's new Anti-bribery Code of Conduct**, drafted on the basis of the more stringent rules of the Bribery Act of 2010 and international best practices. The Code was then circulated to all of the Group's employees with the goal of providing precise behavioural indications, consistent for the entire Group, to which referring in working activity with the aim of preventing illegal conduct in the area of public and private bribery. For further details, refer to section 9.5.

The constant monitoring and update activity performed by the Compliance & Internal Audit functions with reference to compliance with the 231 Model allowed the Board of Directors, at its meeting of 13 May 2013 — having acknowledged the opinion expressed by the Supervisory Committee in its Report of 4 March 2013 — to authorise the Chairman to send Borsa Italiana the Company's Notice pursuant to Article IA.2.10.2 of the Market Regulation Instructions (completed adoption of the Model pursuant to Article 6 of Legislative Decree No. 231/01).

The Board of Directors was also informed of the local compliance processes initiated at the various Group companies with the goal of verifying the compliance of existing processes and the relative control protocols with local legislation governing the liability of entities.

As in the previous years, the Board of Directors carried out the **2013 Board Performance Evaluation** of the size, composition and functioning of the Board and its Committees, instructing the Lead Independent Director, Pasquale Pistorio, to carry it out. The results of this activity were examined during the meeting of Independent Directors on 10 November 2013 and, subsequently, during the Board of Directors' plenary meeting held on the same day. For details on the evaluation process and results, see paragraph 3.9.

Based on the statements received by the Directors, the Board — having heard also the opinion of the Remuneration & Appointments Committee:

- identified **Directorships or Auditorships** held by the Directors in other companies pursuant to Article 1.C.2 of Brembo's Corporate Governance Code, and deemed them appropriate on the basis of the professionalism and independent judgment demonstrated and a verification of the individual Directors and Statutory Auditors' active and constant participation at the meetings of the Boards and at the various management activities of the company.;
- **periodically verified** that the **requirements of integrity, professionalism and independence** had been met and continued to be met, giving prompt public disclosure thereof; the outcome of this self-assessment activity is disclosed in this Report in the table above.

This check was conducted at the time of their appointment (29 April 2011), thereafter each year, and lastly, at the Board of Directors' meeting of 6 March 2014.

At those same meetings, the Board of Directors assessed the Directors' independence on the basis of the application criteria set forth in the 2011 Corporate Governance Code, while nonetheless privileging substance over form. In particular, in keeping with the principle of substance over form, the Board — having heard the opinion from the Remuneration & Appointments Committee — assessed and concluded in favour of the continuing independence of Director Giancarlo Dallera, who as despite having exceeded nine years of service in the past twelve years, has always shown professionalism, commitment and pro-active, constant participation in meetings of the Board of Directors, Audit & Risk Committee and Supervisory Committee, as well as independent judgment in the performance of his duties. In the same meeting, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors. No Directors notified circumstances warranting the submission of a report by them under Article 1.C.4 of Brembo's Corporate Governance Code (Departure from the competition principle).

With regard to the **Related Party Transactions Procedure**, during the year, based on proposals of the Audit & Risk Committee (in its capacity as the Related Party Transactions Committee), the Board of Directors:

- at the meeting of 13 May 2013, updated the Significance Indices for the identification of Highly Significant Transactions on the basis of data from the 2012 Financial Statements, and confirmed the amount of €250,000.00 as "threshold" for determining Low Value Transactions;
- at the meeting of 12 November 2013, resolved not to proceed with a further amendment of the Procedure in 2013, given the changes made in previous years and in light of the efficacy shown in applied practice, thus regarding the contents of the Recommendation and the wishes expressed by Consob in connection with its initial review of the Procedure as already adopted.

With regard to significant transactions, the company acts in accordance with the instructions for managing the requirements relating thereto included in the Corporate Governance Manual. Significant Transactions are the transfers of resources, services or obligations that by purpose, payment, procedures, or execution time may have an impact on the integrity of company assets or the completeness and fairness of information, including accounting information. These instructions also envisage quarterly disclosures of these transactions by Brembo's internal entities to the Board of Directors and by the Board of Directors to the Board of Statutory Auditors, as well as transactions involving potential conflicts of interest (as specified below) carried out by Brembo S.p.A. or its subsidiaries pursuant to Article 2359 of the Civil Code.

In the meeting held on 6 March 2014, the Board prepared the proposals to be submitted to the General Shareholders' Meeting convened on 29 April 2014.

3.6 Delegated Bodies

Chairman of the Board of Directors, Executive Deputy Chairman and Chief Executive Officer

The General Shareholders' Meeting held on 29 April 2011 confirmed the appointment of Alberto Bombassei as Chairman of Brembo S.p.A. through to the end of the term of the entire Board of Directors, i.e., until the General Shareholders' Meeting called on 29 April 2014 to approve the Financial Statements for the year ended 31 December 2013.

The Chairman is the legal representative of the company pursuant to the law and the By-laws, and he is also the Issuer's major shareholder.

Based on the organisational model (including with a view to succession planning) approved on 6 June 2011, the Board granted the Chairman, Executive Deputy Chairman and the Chief Executive Officer and General Manager the management powers as specified below.

The Chairman, in addition to the legal representation pursuant to the law and the By-laws, was granted the widest powers of direction, coordination and control according to his office, and the powers of ordinary administration, subject to the limitations established by law and some specific limitations concerning real estate leases and leases of companies and/or business units, purchase and sale of real estate, including registered real estate, companies and business units and, generally, any transactions on movable or unmovable property, purchase and sale of equity investments in Italy and abroad; the incorporation of new companies in Italy and abroad, having the power to choose the organisational system of the new company, as well as the issuance of letters of patronage, comfort letters, sureties and guarantees (subject to the periodic reporting to the Board of Directors) and taking out mortgage loans, loans or finance leases in the various existing forms.

The Executive Deputy Chairman was granted the authority to legally represent the company and, in addition to the tasks of direction, guidance, communication and control, he was granted extensive powers for the Group strategic direction, the development and proposal of guidelines concerning its international development and its financial and re-organisation policies. He was also granted powers, subject to specific limitations, for the purchase and sale of real estate, representation in trade union matters, the issuance of letters of patronage, comfort letters, sureties and guarantees (subject to the periodic reporting to the Board of Directors), as well as the power to take out mortgage loans, loans or finance leases in the different existing forms and to manage the company.

The Chief Executive Officer and General Manager has been given specific powers to manage the company and its business, powers relating to organisation, representation in trade union matters and the mandate pursuant to Article 2381 of the Italian Civil Code for the implementation, improvement and supervision of safety in the workplace, accident prevention and the protection of workers' health (environmental protection inside and outside the company, waste management, including the power to identify the person/s who is/are to be considered as Employer pursuant to Article 2, paragraph 1, letter B, of Legislative Decree No. 81/2008 for Brembo's different manufacturing units).

In accordance with laws and regulations and pursuant to the By-laws, the Delegated Bodies report on the activities carried out in the performance of their respective delegated powers, at least on a quarterly basis and in any case in the subsequent meeting.

The Board of Directors retains the power to decide, *inter alia*, on the purchase and sale of shareholdings in other companies (M&As), when these exceed the above-mentioned limitations, the issuance of guarantees to third parties by Brembo S.p.A., and responsibilities regarding annual budgets and strategic plans.

With the favourable opinion of the Remuneration & Appointments Committee, in addition to the Directors not holding special positions and the Acting Auditors, the following were identified as **Key Management Personnel** of the company: the Chairman, the Executive Deputy Chairman, the Manager in Charge pursuant to Law No. 262, the Chief Executive Officer and General Manager, as the only

Nanjing integrated industrial hub (China).

individuals, together with the Directors and the Acting Auditors, having the powers to influence and/or affect the development, future prospects and overall performance of the company and/or the Group.

Authority to delegate powers is vested solely in the Chairman of the Board, the Executive Deputy Chairman, and Chief Executive Officer (solely in relation with powers concerning safety and environment), on the basis of specific powers vested in the latter by the Board of Directors, without prejudice to specific Board resolutions.

Directors of Divisions and Business Units and other Central Directors who have been assigned specific company functions (generally coinciding with the organisational level of first-line Director) have been granted limited powers for ordinary management in relation to the performance of their respective offices and powers, regularly registered with the Company Register of Bergamo, to be exercised in accordance with company authorisation processes.

Employers have also been identified pursuant to Article 2, paragraph 1, letter B, of Legislative Decree No. 81/2008 for Brembo's various production units, to which all of the necessary powers of organisation, management and spending authority have been assigned for the performance of the role of employer, as defined in current legislation.

Solely on an exceptional basis (subject to review from time to time by the Executive Deputy Chairman, the Legal & Corporate Department, and the Human Resources Department), special powers are granted to employees whose job descriptions do not fall within the category mentioned above, but who, by reason of their assigned tasks, are required to represent Brembo in the latter's relations with public bodies, authorities and administrations (such as for instance, customs authorities, the Provincial Labour Department, etc.).

3.7 Other Executive Directors

In addition to the Chairman, the following Directors are considered as Executive Directors:

- Matteo Tiraboschi, Executive Deputy Chairman;
- Andrea Abbati Marescotti, CEO and General Manager of the company; and
- Cristina Bombassei, Director with responsibilities for the Internal Control and Risk Management System, as well as CSR Officer.

3.8 Independent Directors

Brembo's Board of Directors adopted the independence criteria for assessing the Directors' independence contained in the 2011 Corporate Governance Code by introducing in Article 3.C.1 of Brembo Corporate Governance Code several clarifications with respect to point m) "if he/she has been a Director of Brembo S.p.A. for more than nine years in the last twelve years," as specified below:

- if a Director, previously classified as independent, should exceed nine years in office over the last twelve years, the Board of Directors will carefully evaluate, on an annual basis, whether such a qualification continues to be satisfied also in the light of substantial compliance with the other requirements laid down by Article 3.C.1, the Director's conduct and the independence of judgment expressed in carrying out his/her assignment. However, even where such independence were to be confirmed, that independent Director will no longer be able to serve as Chairman in Board Committees;
- if a Director, previously classified as independent, should exceed twelve years in office, he/she:
  - may no longer be qualified as independent pursuant to Brembo S.p.A. Corporate Governance Code;
  - may not be a member of the Committees set up within the Board.

At the time of appointment (meeting of 29 April 2011) and thereafter on an annual basis, until the last meeting of 6 March 2014, the Board of Directors verified the continued satisfaction of the Directors' independence requirements laid down in the Corporate Governance Code and those set forth in TUF (see also section 3.2) giving due consideration to substantive aspects in addition to formal ones.

In the same meeting, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board of Directors.

On the basis of the principle of substance over form, the Board assessed and decided in favour of the continuing independence of Director Giancarlo Dallera on the grounds that, despite having exceeded nine years of service over the past twelve years, he has always demonstrated professionalism, dedication and pro-active, constant participation in meetings of the Board of Directors, Audit & Risk Committee and Supervisory Committee, as well as independent judgement in the performance of his duties.

Therefore, the following Directors are considered to be independent and non executive: Giovanni Cavallini, Giancarlo Dallera, Giovanna Dossena [4], Pasquale Pistorio, Gianfelice Rocca, Pierfrancesco Saviotti.

Director Umberto Nicodano was deemed as a non-independent director.

The **Independent Directors** meet at least once a year without the other Directors at a meeting coordinated by the Lead Independent Director. Minutes were taken for all the meetings. During the year under review they met twice (the average length of the meetings was approximately 1 hour), on the following dates:

- on 31 July 2013, to assess the position of Brembo in light of the current financial and market situation;
- on 10 November 2013, to examine the 2013 Board Performance Evaluation results and move proposals for the next time the Corporate Boards are appointed, i.e., at the General Shareholders' Meeting called on 29 April 2014 to approve the Financial Statements for the year ended 31 December 2013.

3.9 Lead Independent Director

Non-executive and independent Director Pasquale Pistorio was appointed as Lead Independent Director and will remain in office until the General Shareholders' Meeting called on 29 April 2014 to approve the Financial Statements for the year ended 31 December 2013.

The Lead Independent Director carries out his duties according to the Rules approved by the Board of Directors on 17 December 2012 (contained in Brembo's Corporate Governance Manual) that fully implement the recommendations of the 2011 Corporate Governance Code. According to these regulations, the Lead Independent Director:

- is a point of reference and coordinator of the petitions and contributions of Non-executive Directors and, in particular, Independent Directors, within the Board of Directors;
- collaborates with the Chairman of the Board of Directors in order to ensure that members of the latter receive complete and timely information flows regarding operations;
- at least once a year, convenes the Independent Directors to discuss issues deemed of interest in regards to the functioning of the Board of Directors or the company's management;
- carries out any additional duties that may be assigned from time to time by the Board of Directors and the Chairman;
- at the request of the Chairman, carries out the Board Performance Evaluation on the

4 Director Giovanna Dossena was deemed independent within the meaning of TUF, and not within that of the Corporate Governance Code, as she has been a Director of the Company for more than 9 years over the past 12 years.


-6
the use of aluminium calipers
reduces CO_2 production
by 6 g/km

operation, size and composition of the Board of Directors and its Committees pursuant to the provisions of the Corporate Governance Code of Brembo S.p.A.

Upon request by the Board of Directors, the Lead Independent Director coordinated the 2013 Board Performance Evaluation of the size, composition and functioning of the Board of Directors itself and its Committees. The evaluation was aimed at highlighting areas of improvement, if any, to be followed by corresponding fine-tuning initiatives, especially in view of the forthcoming renewal of the Board of Directors and the Board of Statutory Auditors.

The 2013 Board Performance Evaluation was carried out by asking all Directors to report any changes of opinion and/or comments in respect of those expressed in last years questionnaires.

The results of this activity, received and processed at the end of November 2013, were summarised in a special document provided to the Directors and were examined during the meeting of the Independent Directors on 10 November 2013 and, subsequently, during the Board of Directors' plenary meeting held on the same day. In both occasions, the positive opinions expressed in the previous editions were unanimously confirmed, thus judging as appropriate the functioning, size and current composition of the Board of Directors and its Committees.

4. HANDLING OF CORPORATE INFORMATION

4.1 Procedure for Handling Inside Information

Brembo has adopted a procedure for handling inside or price sensitive information, which includes the principles set out in Borsa Italiana's Guidelines for Disclosures to the Market and international best practices. The By-laws are available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).

The purpose of this procedure is to define the terms and procedures for the disclosure of Inside Information and at the same establish adequate corporate control procedures for the prevention of offences envisaged in the Market Abuse Decree, Legislative Decree No. 231/2001 (Insider Dealing Offence as per Article 184 of TUF, and Market Manipulation Offence as per Article 185 of TUF).

It must be observed by any person afforded access to Inside Information pertaining to Brembo by virtue of his/her professional activity, in particular by its Directors, Statutory Auditors, Company Executives and all employees of Brembo and its subsidiaries.

In compliance with the procedure for handling price-sensitive information, the company is committed to preparing a report for the financial community. This report will be characterised by timeliness, continuity and consistency and will comply with the principles of correctness, transparency, and equal access to information.

4.2 Internal Dealing

Brembo adopted Internal Dealing Regulations to govern transactions involving the Company's shares or instruments connected to them carried out either directly or indirectly by Insiders or persons closely associated with them. In accordance with the applicable laws, the Internal Dealing Regulations require Insiders:

- to report to the market all transactions involving the Company's shares that have a cumulative value of over €5,000 per year;
- not to carry out such transactions during the 15 days prior to Board meetings called to approve the results for the period (black-out period).

A complete copy of the Regulations is available on Brembo's website:
www.brembo.com – Investors section.

Two notices were given under the Internal Dealing Regulations in 2013.

5. BOARD COMMITTEES

In accordance with the 2011 Corporate Governance Code, Brembo established all required Committees. [5] The composition, duties and functioning of all Committees are defined in specific Regulations, which were amended by the Board of Directors on 17 December 2012, fully implementing the principles and criteria of the 2011 Corporate Governance Code. These Regulations are contained in Brembo's Corporate Governance Manual.

6. REMUNERATION & APPOINTMENTS COMMITTEE

At the Board of Director's meeting on 17 December 2012, the Remuneration Committee (appointed by the Board of Directors on 29 April 2011) was assigned the function of the Appointments Committee, changing its name to Remuneration & Appointments Committee. The Committee will remain in office until the General Shareholders' Meeting called on 29 April 2014 to approve the Financial Statements for the year ended 31 December 2013, and is made up of the following:

- Non-executive Director Umberto Nicodano (Chairman);
- Non-executive and independent Directors, Giovanni Cavallini and Pierfrancesco Saviotti[6].

The Remuneration & Appointments Committee operates in accordance with its Regulations and is mainly tasked with:

- ensuring that the remuneration policies applicable to the Chairman, the Executive Deputy Chairman, the Chief Executive Officer and General Manager, the executive Directors, the Directors holding special offices and Key Management Personnel, as well as the non-executive Directors, are formulated by a Body in the absence of conflicts of interest;
- identifying the optimal composition of the Board, by indicating the professional roles that may promote its proper and effective functioning and possibly contributing to the preparation of the succession plan for executive Directors.

The meetings of the Remuneration & Appointments Committee:

- are always attended by the Chairman of the Board of Statutory Auditors or another Statutory Auditor, as required by the Chairman; the other members of the Board of Statutory Auditors may also attend;
- may also be attended by persons, other than Committee members, who have been specifically invited and are part of the company's management and/or management structures, in relation to specific needs or items on the Agenda.
- are not attended by Executive Directors.

In 2013, the Committee met, upon notice of calling, on 5 March 2013; previously, a preliminary and planning session was held to examine issues falling within its competence and make appropriate proposals to the Board of Directors (meetings lasted approximately 2 hours on average). In addition to the Secretary, the Head of Human Resources and Organisation, was invited to the meetings, to present the subjects falling within his responsibility.

At its meeting of 5 March 2013, the Committee examined and approved opinions and proposals to be submitted to the Board of Directors:

- the closure of the 2010-2012 Incentive Plan for Executive Directors and Top Managers, confirming the full correspondence of the proposed calculation and payout/bonus

5 Brembo complied with the recommendation to set up the Appointments Committee in 2012, assigning this function to the Remuneration Committee (which was renamed on 29 April 2011), accordingly changing its name into Remuneration & Appointments Committee.

6 Member of the Committee with adequate expertise and experience in financial matters.

opportunity mechanisms with the provisions of the Plan and relevant Regulation;
- the short-term incentives policies "MBO 2013" for Key Management Personnel (Executive Deputy Chairman and Chief Executive Officer) and the management;
- the proposal for a Three-Year (2013-2015) Incentive Plan for Executive Directors and Top Managers and the relative Regulation, with pay-outs in cash only, expressing a favourable opinion of the proposal;
- the proposal to adjust the overall compensation of the Administrative Body and members of the Committees of Brembo S.p.A. and the allocation of such compensation for Executive Directors, deeming it to be suited to the Group's changed characteristics, including in terms of its size and organisation, at both a national and international level, partly on the basis of analyses conducted by independent experts; this proposal was then approved by the General Shareholders' Meeting of 23 April 2013;
- the 2012 General Policies for the remuneration of Executive Directors, other Directors holding special positions and Key Management Personnel included in the 2013 Remuneration Report, in accordance with Article 123-*ter* of TUF.

Homer plant,
Michigan (USA).
Disc processing.

The Committee then submitted the proposals in question to the Board of Directors, which approved them and adopted the relevant recommendations.

Further information regarding remuneration policies is provided in the Remuneration Report in accordance with Article 123-*ter* of TUF, which is available on Brembo website (www.brembo.com, Investors section, Corporate Governance, Remuneration Policies).

7. REMUNERATION OF DIRECTORS

Please refer to the Remuneration Report pursuant to Article 123-*ter* of TUF, which is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Remuneration Policies).

8. AUDIT & RISK COMMITTEE

The Audit & Risk Committee (appointed on 29 April 2011) consists of 3 non-executive, independent Directors — Giovanni Cavallini (Chairman), Pasquale Pistorio, Giancarlo Dallera — and shall remain in office until the General Shareholders' Meeting held to approve the Financial Statements for the year ended 31 December 2013.

This committee performs the function of Related Party Transactions Committee pursuant to the Related Party Transactions Procedure.

The composition, duties and functioning of the Audit & Risk Committee are defined in the relevant Regulations contained in Brembo's Corporate Governance Manual.

The following persons are always invited to the Committee meetings:
- the Chairman of the Board of Statutory Auditors or another Acting Auditor delegated by him;
- the Director in charge of the Internal Control and Risk Management System;
- the Chief Executive Officer;
- the Internal Audit Director;
- the Legal & Corporate Director;
- the Risk Manager.

Other persons may attend the Committee meetings, who have been specifically invited and are part of the company's management and/or the Risk Management or compliance structures, in relation to specific internal control and risk management needs or specific items on the Agenda.

In 2013, the Audit & Risk Committee held six meetings, duly recorded in the minutes, lasting about 3 hours each on average, on the following dates: 21 January 2013, 4 March 2013, 9 May

2013, 23 July 2013, 24 October 2013, and 10 December 2013.

In 2014, 1 meeting was held on 26 February 2014, in which the final reports of 2013 were presented.

The Manager in charge of the company's financial reports, or a person delegated by him, the Quality & Environment Manager, the Purchasing Manager, the IT Manager and the Human Resources & Organisation Manager also attended the meetings for the discussion of specific items on the agenda.

In the context of the duties assigned to it, the Audit & Risk Committee:

- assisted the Board of Directors in carrying out the internal control duties assigned to it;
- assessed and expressed its opinion on the proper use of the accounting standards and their consistency within the Group for purposes of preparing the Consolidated Financial Statements, based on the information provided by the Manager in charge of the Company's financial reports, and their consistency for preparing the Financial Statements;
- expressed opinions on specific issues regarding the identification of key business risks, and the design, implementation and management of the Internal Control and Risk Management System and examined the report submitted at the meeting for the approval of the 2013 Financial Statements by the Director in charge of overseeing the Internal Control and Risk Management System and the Internal Audit Director;
- oversaw the effectiveness of the audit process;
- was constantly informed of the state of progress of the Audit Plan and the outcome of the activities performed by that function;
- received updates on the Risk Report and expressed opinions concerning the project launched during the year for the development of a more advanced and structured model from the standpoint of the assessment of risks;
- expressed a favourable opinion concerning the proposed Risk Management Policy, set according to the previously approved guidelines;
- through reports presented by the Chairman of the Committee, informed the Board of Directors of the activities carried out and the adequacy of the Internal Control and Risk Management System in 2013.

In its function as a support to the Board, the Audit & Risk Committee also held a meeting with the Executive Deputy Chairman, in the presence of the Statutory Auditors, to examine the content of the Management Letter for financial year 2012 issued by the auditing firm PricewaterhouseCoopers S.p.A. in July 2013, subsequently reporting its conclusions and recommendations to the Board of Directors.

In its meetings, the Committee was constantly kept informed by the Internal Audit Director about the following topics:

- the progress of the Audit Plan (resources, timing, scope of the activities carried out and verification of their alignment to planned course) and any relevant review;
- main risks arising from assurance and monitoring activities and progress of the plans for their mitigation;
- reports of infringements of rules, procedures and regulations, which were consistently analysed and investigated;
- the progress of the work concerning Law No. 262/05 in Brembo S.p.A. and its extension to Group companies;
- compliance-related activities.

The Committee also approved the mandate of the Internal Audit function, in addition to examining and positively assessing the function's 2014 Audit Plan and 2014 Budget, which were then submitted for approval to the Board of Directors.

The Committee periodically received reports from the Administration, Finance and Control Director (CFO) on significant transactions and transactions in potential conflict of interest as defined in current company rules, as well as on the state of progress of activities carried out in accordance with the provisions of Law No. 262/05 and its extension to Group companies. The transactions undertaken were found to be consistent with the powers delegated by the Board of Directors and the activities performed for the purposes of Law No. 262/05, as well as suited to the structure of Brembo S.p.A. and the Group. With the aim of assisting the Board of Directors in supervising the Internal Control and Risk Management System, identifying specific risks and monitoring the progress of ongoing improvement plans, the Committee has been constantly updated, meeting with the company's management involved in the different projects on specific topics such as:

- organisational changes, internal company authorisation flows and the system of delegated powers and authority aimed at ensuring the total organic unity of the various management processes and ensuring an adequate level of segregation of duties;
- the state of progress of risk management activities;
- safety and environmental management system;
- the process of standardising the legal instruments used in the supply chain. This included Brembo's new General Purchasing Conditions, launched with the aim of providing an effective response to customers' expectations both in terms of sustainability and compliance and safeguarding Brembo's interests at the worldwide level with regards to suppliers of "direct materials and services";
- a management process implemented by the Purchasing Department to safeguard Brembo against supply risks;
- projects related to the implementation of the IT Disaster Recovery Plan and AX System;
- laws on the administrative liability of entities at a worldwide level.

In its capacity as Related Party Transactions Committee, the Audit & Risk Committee examined the company's proposals and issued a favourable opinion on the following topics:

- at its meeting of 21 January 2013, it assessed the intercompany financing to Innova Tecnologie (a related party of Brembo S.p.A.), because this transaction is not exempt from the Procedure in that Innova Tecnologie is an associate company the activities of which, as defined in its company objects clause, are not akin to those of Brembo S.p.A. Having assessed the Company's interests in undertaking the transaction and the soundness and substantial fairness of the pertinent conditions, in line with market conditions (also considering the related party relationship between Brembo and Innova Tecnologie) and having examined the possible risks, the Committee expressed a favourable opinion on the performance of the financing transaction in accordance with current company procedures;
- at the meeting of 9 May 2013, it updated the Significance Indices for the identification of Highly Significant Transactions on the basis of data from the 2013 Financial Statements, and confirmed the amount of €250,000.00 as the "threshold" for determining Low Value Transactions;
- at its meeting of 24 October 2013, it assessed the proposal not to proceed with a further amendment of the Procedure in 2013, given the changes made in previous years and in light of the efficacy shown in applied practice (and thus regarding the contents of the Recommendation and the wishes expressed by Consob in connection with its initial review of the Procedure as already adopted).

The Committee also received ongoing information on "Ordinary" Related Party

Transactions carried out both at arm's length and not at arm's length, with Brembo Group companies and considered as "Exempt" from the application of the procedural arrangements provided for in the Brembo Procedure.

9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Pursuant to Article 7 of the 2011 Corporate Governance Code, the Internal Control and Risk Management System (hereinafter for brevity the "System") is structured as shown in the following diagram:

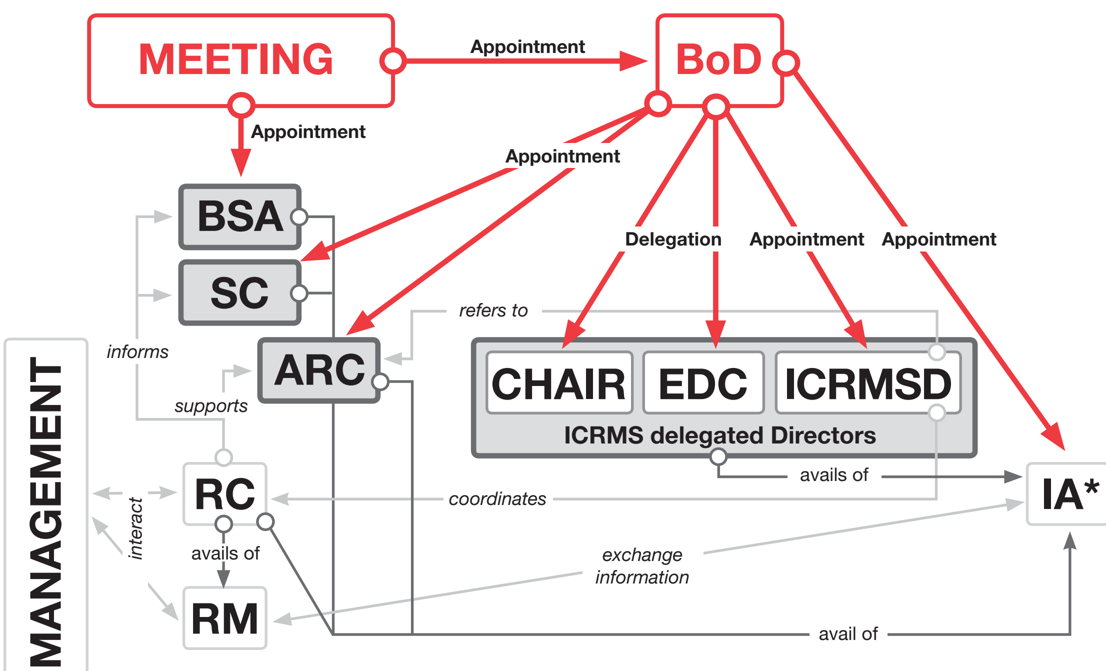
The main tasks and functions of the System are as follows:

a. the Chairman, who is responsible for defining the general guidelines of compliance and Internal Control System within the broader powers of direction, coordination and control granted to him in relation to his office;

b. the Executive Deputy Chairman, who is tasked with ensuring the implementation and constant updating of Brembo's 231 Model, as well as the compliance with regulations in foreign countries where the investee companies operate, also developing all necessary training and awareness-building activities necessary thereto to create a compliance culture in Italy and in all investee companies;

c. the Chief Executive Officer and General Manager, who, within the powers granted to him, is tasked with implementing and enforcing, at all levels in Italy and abroad, the provisions set forth by the Law, the By-laws, the internal procedures and the Self-regulation and Corporate Governance Manuals, the Code of Ethics and, more generally, the compliance system in force in the company and its investee companies; in this regard, specific reference is made to the provisions of Legislative Decree No. 231/2001 and similar provisions in force in foreign countries where the investee companies carry out their operations;

d. the Executive Director charged with supervising the Internal Control and Risk Management System (abbreviated as the "ICRMSD"), who is responsible for identifying the main



* = Reports directly to the Board of Directors (cf. 7.C.5 letter b), through the role of Chairman of the Board of Directors, and from an operative standpoint to the Executive Deputy Chairman.

LEGEND

BoD = Board of Directors
BSA = Board of Statutory Auditors
SC = Supervisory Committee
ARC = Audit & Risk Committee
CHAIR = Chairman
EDC = Executive Deputy Chairman
ICRMSD = Internal Control and Risk Management System Director
RC = Risk Committee
RM = Risk Manager
IA = Internal Audit Director

risks and periodically verifying the adequacy of the System, in execution of the guidelines set by the Board of Directors;

e. the Audit & Risk Committee, which is tasked with supporting the Board of Directors' decisions and evaluations on issues relating to internal control and risk management in line with the provisions of Article 7.C.2 of the 2011 Corporate Governance Code;
f. the Managerial Risks Committee, which is tasked with identifying and weighting macro-risks, as well as aiding all parties in the System in mitigating and managing risks;
g. the Risk Manager, who is responsible for supervising and coordinating the risk management process, while supporting the Managerial Risks Committee; the Risk Manager reports directly to the Executive Deputy Chairman;
h. the Internal Audit function, which reports hierarchically to the Board of Directors.

The tasks of the other parties in the System, such as the Board of Statutory Auditors, Supervisory Committee, independent auditors and the Manager in charge of the Company's financial reports are described in the following sections.

In accordance with the provisions of Article 7.C.1 of the 2011 Corporate Governance Code, the Board of Directors:

- defined the general guidelines of the Internal Control System, so that the main risks pertaining to Brembo S.p.A. and Group companies are properly identified, as well as adequately measured, managed and monitored. It also sets criteria to ensure that such risks are compatible with sound and proper management of the company;
- approved the Risk Management Policy (ISO 31000) on the basis of the previously defined guidelines, with the aim of establishing guidance and general direction for the organisation with regard to risks, risk management and process harmonisation, so as to:
  - increase the probability of achieving company objectives;
  - improve the identification of opportunities and threats;
  - improve Governance;
  - provide a reliable basis for decision-making and strategic planning;
  - improve loss prevention and incident management;
  - improve organisational resilience;
  - improve compulsory and voluntary reporting;
  - minimise losses;
- carried out an annual appraisal that the Internal Control and Risk Management System is adequate and effective and operates efficiently.

The Risk Management Policy applies to Brembo S.p.A. and its subsidiaries, and is addressed in particular to administrative and control bodies, Directors with delegated powers, company management and all employees of the organisation, with respect to the aspects falling within the purview of each of them. Risk management must be integrated into organisational processes and incorporated into all of the organisation's practices and processes in a pertinent, effective and efficient manner. In fact, it must be an integral part of decision-making and business management processes, including strategic and operational planning, the management of new business initiatives and the associated change.

During the year, a process was launched with the aim of developing the currently implemented Enterprise Risk Management (ERM) model in order to establish a pro-active risk governance model suitable to providing the Board of Directors and management with an optimised tool in support of the decision-making process, with the adoption of additional tools capable of anticipating, mitigating or managing significant exposures.

9.1 Appropriateness of the Internal Control and Risk Management System

With reports dated 23 July 2013 and 6 March 2014, the Chairman of the Audit & Risk Committee informed the Board of Directors of the activities carried out by the Committee and expressed a favourable opinion as to the adequacy of the Internal Control and Risk Management System, leaving the final opinion to the Board of Directors.

Taking into account the reports of the Chairman of the Audit & Risk Committee and the executive Director in charge of the Internal Control and Risk Management System, the activities undertaken and planned by the company's Internal Audit function, the meetings conducted by the Internal Audit Director with the Chairman of the Board of Directors, the Executive Director in charge of overseeing the Internal Control and Risk Management System and the Manager in charge of the company's financial reports, who also holds the position of CFO, the Board of Directors shared the opinion expressed by the Chairman of the Audit & Risk Committee and acknowledged that the Internal Control and Risk Management System is substantially appropriate for the Group structure and its type of business and that, for the purposes of preparing the periodic financial reports, the accounting principles and procedures are properly applied.

On the basis of the recommendations made by the Chairman of the Audit & Risk Committee, the Board of Directors also noted that:

- assurance and monitoring of the improvement plans continue in a structured, constant manner, as indicated in the Audit Plan presented by the Head of the Internal Audit function;
- a project aimed at developing the Enterprise Risk Management model is underway with the goal of providing the Board of Directors and management with a tool in support of the decision-making process and additional tools capable of anticipating, mitigating or managing exposures to significant risks;
- work continued on the process of consolidating monitoring and control mechanisms for the application phase of the measures and tools implemented to define the Group's guidance and management rules;
- the procurement process is constantly monitored in order to prevent the risks associated with single supplier situations and suppliers with financial difficulties. Similarly, great attention is being paid to processes aimed at ensuring that the Brembo worldwide Safety and Environment system complies with applicable rules, international standards and best practices;
- supervisory activities are made possible thanks to the commitment and reports of internal control functions, and in particular the Internal Audit function;
- work to design Brembo's Internal Control and Risk Management System continues with participation in institutional meetings, calling attention to the guidelines ratified during meetings of the Board of Directors.

9.2 The Internal Control and Risk Management System as it relates to the financial reporting process

In accordance with the principles outlined by CoSO (Committee of Sponsoring Organizations), the Manager in charge of the Company's financial reports assisted by the Compliance Officer and supported by Internal Audit and, where applicable, the evaluations provided by Brembo's Audit & Risk Committee, carries out a process to identify and assess the risks that might prevent the company from achieving its objectives regarding the reliability of financial reporting.

The process for identifying and assessing such risks is reviewed yearly. The Manager in charge of the Company's financial reports is responsible for updating the process to reflect any changes during the year that might influence

Nanjing car plant (China).

the risk assessment process (i.e., significant organisational changes, business changes, amendments or updates to accounting principles, etc.).

Control measures taken to minimise risks identified during the risk assessment process are outlined using the appropriate formats (flow charts and matrices). Key control measures have been identified from among these.

In determining whether the administrative and accounting procedures are being effectively applied, the Manager in charge of the Company's financial reports relies on the support of Internal Audit function, which, together with the Compliance Officer, prepares an annual Test Plan for the aforementioned control measures. Based on the Test Plan results, the Manager in charge of the Company's financial reports and the Compliance Officer evaluate the need for corrective actions and develop a corrective plan.

The plan is used to address any missing key control measures, existing control measures that are not being effectively applied and existing control measures that are not entirely adequate.

The Corrective Plan is delivered to the Process Contact Persons, who, within the established deadlines, are required to take steps to either implement new control measures or mitigate the risks resulting from the lack thereof.

When this process is complete, Internal Audit — through the above-mentioned testing activities — evaluates whether the Corrective Plan was effectively implemented.

Any event that could potentially impact the adequacy of the above framework in light of the company's actual situation or that might compromise the reliability of the risk analysis process must be identified by the Process Contact Persons and promptly reported to the Manager in charge of the Company's financial reports (through the Compliance Officer).

The Process Contact Persons are responsible for identifying all events within their processes that could potentially change the above framework and promptly reporting them to the Manager in charge of the Company's financial reports, through the Compliance Officer. Every six months, if no specific events have occurred that could impact the processes or control measures for which they are responsible, the Process Contact Persons must provide a formal communication to that effect.

The Compliance Officer and Internal Audit periodically report to the Manager in charge of the Company's financial reports as to the activities carried out and test results. The main companies in the Brembo Group are subject to analysis in conjunction with the preparation of the Brembo Group's Consolidated Annual Financial Statements and Six-Monthly Report.

Every six months, the Manager in charge of the Company's financial reports (supported by the Compliance Officer) requests that the subsidiaries' Administration Departments conduct a self-assessment to identify risk areas and the key control measures that address them.

9.3 Executive Director charged with overseeing the Internal Control and Risk Management System

The Director Cristina Bombassei, appointed on 29 April 2011 as "Executive Director in charge of overseeing the ICS" (ICSED), was confirmed on 17 December 2012 in her role as "Executive Director in charge of the Internal Control and Risk Management System" by the Board of Directors which also assigned her the tasks provided for by Article 7.C.4 of the 2011 Corporate Governance Code.

This Director submitted its annual report to the Board of Directors at the meeting held on 6 March 2014.

9.4 Internal Audit Director

Pursuant to the 2011 Corporate Governance Code, Alessandra Ramorino, already appointed Internal Auditor, by proposal of the Audit & Risk Committee and the Executive Director responsible for the Internal Control and Risk

Management System, was confirmed in the position of Internal Audit Director on 17 December 2012 by the Board of Directors, which also approved the associated organisational structure, deeming it to be adequate to the performance of the duties envisaged in Article 7.C.5 of the Corporate Governance Code. On 5 March 2013, the Board of Directors also approved the revision of the function's mandate, in a manner consistent with the recommendations of the 2011 Code.

The Internal Audit Director (hereinafter the "IA Director" in short) reports hierarchically to the Board of Directors through the Chairman, and in operational terms to the Executive Deputy Chairman, and interacts with the Audit & Risk Committee, the ICRMSD and Board of Statutory Auditors, in such a way as to ensure constant efficacy and the requisite independence in the performance of the duties associated with the position, in a manner consistent with the company's governance system and the 2011 Corporate Governance Code, while drawing inspiration from international best practice.

In addition, upon proposal of the ICRMSD, and after obtaining a favourable opinion from the Audit & Risk Committee and the Remuneration & Appointments Committee, as well as consulting with the Board of Statutory Auditors, the Board of Directors determines the IA Director's (fixed and variable) remuneration in accordance with company policies and current legislation. It also ensures that the IA Director has access to resources suited to the fulfilment of his or her responsibilities.

Each year, after having obtained a favourable opinion from the Audit & Risk Committee and consulted with the Board of Statutory Auditors, the Board of Directors assesses and approves the Audit Plan and the Internal Audit's budget.

The mission of Brembo's Internal Audit is to ensure the performance of independent, objective assurance and financial advice activities aimed at improving the organisation's efficacy and efficiency. Internal Audit is tasked with assisting the Brembo Group with achieving its objectives through a systematic professional approach oriented towards providing value-added services in all areas within its purview, to achieve ongoing improvement.

Internal Audit is charged with verifying and assessing the operability and suitability of the Group's risk control and management system, in a manner consistent with the implementation Guidelines and Policies on the Internal Control and Risk Management System approved by Brembo's Board of Directors. In particular, this takes place through:

- an understanding of the risks and an assessment of the adequacy of the means used to manage them;
- an assessment of the adequacy and efficacy of the internal control system, while promoting effective control, at reasonable costs, with especial regard to:
  - the reliability and integrity of accounting, financial and management information;
  - the efficiency and efficacy of company processes and the resources allocated to them;
  - the compliance of processes and transactions with laws, supervisory regulations, rules, policies plans and internal procedures;
  - safeguarding the value of the company's business and assets.

As part of its work, Internal Audit maintains constant relations with all the institutional control bodies and periodic relations with Function Directors and Managers.

The activities carried out by Internal Audit have continued to be oriented towards risk prevention, the determination of direct actions to be taken to eliminate anomalies and irregularities and the provision of support to the Group in the pursuit of pre-set operating targets.

Mapello aluminium foundry (Italy).

During 2013, Internal Audit operated based on the approved Audit Plan, in line with the actions agreed during the year with the Chairman and Audit & Risk Committee. The Audit Plan provides for: risk assessments, using the Control Risk Self Assessment method, organisational audits of Group companies, audits of compliance with Law No. 262/05 and Legislative Decree No. 231/01, operating audits on specific areas of activity and ethics audits based on specific reports received.

As part of the Audit Plan, the Internal Audit Director verified the accounting systems with a view to improving the reliability of information systems.

In accordance with Legislative Decree No. 231/01 and particularly with regard to methodological improvements, Internal Audit supported Company personnel in charge of the risk-assessment project for activities that might lead to the offences cited in Law No. 231.

In 2013, Internal Audit continued its monitoring of management of the main risks, including through follow-ups of the improvement plans defined by the management; it also provided information and training regarding the Internal Control System to Brembo's management.

The Internal Audit Director is not responsible for any operational areas; she had direct access to the information required to perform her duties, reported on her work at each meeting of the Audit & Risk Committee and Supervisory Committee and attended the meetings of the Board of Statutory Auditors.

At its meeting on 26 February 2014, the Audit & Risk Committee was provided with appropriate information on the results of Internal Audit Director's activities for 2013, through the annual report on the adequacy of the Internal Control and Risk Management System.

The Manager in charge of the Company's financial reports was also given due notice of activities carried out by the Internal Audit Director relating to Law No. 262/05 for 2013, in the form of half-yearly reports on the adequacy of the control model implemented for the purposes of Law No. 262 and the results of the tests in this area conducted by the Internal Audit Department. Internal Audit Director's Report was examined by the Board of Directors during its meeting of 6 March 2014.

9.5 Organisational Model Pursuant to Legislative Decree No. 231/01, New Anti-Bribery and Compliance Code of Conduct

By adopting 231 Model, Brembo intends to:

- fulfil all the legal requirements and adopt the principles that inspired the Legislative Decree by formalising a structured and organic system, which already exists within the company, is responsible for control procedures and activities (preventive and *ex post facto*) and is designed to prevent and monitor the risk that Offences will be committed, through the identification of Sensitive Activities;
- constitute an effective instrument of corporate management, also acknowledging the Model's function of creating and protecting the value of the company.

The 231 Model is made up of:

– a General Section illustrating the company's profile, the regulations of reference, underlying principles and elements making up the model (corporate governance system, internal control system, principles governing the system of delegated powers, code of ethics), the function of the Model, the ways in which the Model is constructed and structured, the recipients of the Model, relations with Group companies, the Supervisory Board Rules, as well as the disciplinary system and the measures to be implemented in terms of training, circulation, amendment and updating;

– the Special Sections and relevant Sensitive Activity Analysis Sheets (the latter of which are intended for the Company's exclusive

internal use) focusing on specific types of Offences which — in light of Brembo's profile and business operations — could, in the abstract, be committed within the company;
- the Code of Ethics, set forth in full in Attachment A, which must be deemed to form an integral part of the Model, given that it lays down the general principles and values that must inspire and inform the professional conduct of any and all the persons serving or acting on behalf of Brembo in any capacity whatsoever;
- the Brembo Compliance Guidelines (in Attachment B — intended for the Company's exclusive internal use), approved by the Board of Directors, which summarise the main rules of conduct indicated in the Special Sections to be adopted within Brembo in order to prevent the commission of offences and that represent a means towards increasing the accessibility and immediacy of the contents of the various Special Sections for the recipients of the Brembo Model.

The Anti-Bribery Code of Conduct (hereinafter "the Code"), approved by Board resolution of 12 November 2013 and distributed to all of the Group's employees, has been added to the above-mentioned documents. In accordance with the principles enunciated in the Code of Ethics and international best practices, the Code was drafted with the aim of safeguarding the principles of transparency, providing clarity on permissible behaviour and compliance with the relevant anti-bribery legislation wherever Brembo conducts its business, while guaranteeing observance of the highest standards of integrity. The Code also sets out Brembo's policy regarding the acceptance and offering of gifts, hospitality and entertainment (i.e., the free provision of goods and services, for promotional or public relations purposes), defining each party's responsibilities in order to ensure the observance of the highest standards of integrity and avoid any suspicion of inappropriate motivation underlying the offer or acceptance of a gift or act of hospitality, or an undue influence exercised on the recipient or by the recipient who accepts such an offer.

During 2013, Brembo continued to analyse and update its organisation, management and control instruments to bring them into compliance with the provisions of Legislative Decree No. 231/2001, as amended, including through the 231 Contact Persons' activity, with the aim of constantly ensuring the efficacy and adequacy of 231 Model.

Internal authorisation flows were reinforced in the areas of the sales and consulting management process, and commercial powers and authorities were revised accordingly, as were those relating to the award of consulting contracts. During the year, the planned training activities regarding the 231 Model continued and were concluded, through online training dedicated to all employees. Classroom follow-up sessions were held on certain control protocols with the persons directly involved in specific sensitive processes, and training sessions dedicated to compliance with 231 Model were also held at the Group's Italian and foreign companies.

In late 2013, a compliance programme was launched with the aim of verifying the state of compliance with local legislation by the Group's main companies through risk assessment and gap analysis activities.

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

Brembo's Supervisory Committee is a collegial body of at least three members, one of whom is the IA Director, while the other two must meet the requirements of autonomy, independence, integrity, professionalism, competence and continuity of action imposed by Legislative Decree No. 231/01. Following the appointment of the Administrative Body by the General Shareholders' Meeting of 29 April 2011, on that

Pune motorbike plant (India).

same day the Board of Directors appointed the new Supervisory Committee consisting of the following three members:

- Marco Bianchi, Chairman and independent member;
- Giancarlo Dallera, Independent Director pursuant to Article 3 of the Brembo's Corporate Governance Manual and former member of the Supervisory Committee in the previous term;
- Alessandra Ramorino, in Charge of Internal Control and Internal Audit Director of Brembo and former member of the Supervisory Committee in the previous term.

Each member complies with the requirements of autonomy, independence, integrity, professionalism, competence and continuity of action provided for by the Supervisory Committee Regulation and required by Legislative Decree No. 231/01.

The company decided not to exercise the option of assigning the Supervisory Committee functions to the Board of Statutory Auditors and to preserve the current three-body structure (Audit & Risk Committee, Supervisory Committee and Board of Statutory Auditors) until the expiration of the current office, i.e., the Shareholders' Meeting called to approve the Financial Statements for the year ended 31 December 2013. The company will re-examine the situation when appointing the new Corporate Bodies, on the basis of the trends and best practices prevailing at that time.

On 13 May 2013, on the basis of the opinion expressed by the Supervisory Committee concerning the full adoption of the 231 Model, the Chairman of the Board of Directors issued the Company's notice pursuant to Article IA.2.10.2 of the Market Regulation Instructions (full adoption of the Model pursuant to Article 6 of Legislative Decree No. 231/01).

As regards the specific activities within its remit, the Supervisory Committee met on 9 May 2013, 23 July 2013, 24 October 2013, and 10 December 2013. The Chairman of the Committee also attended the Audit & Risk Committee meetings for the matters within his responsibility and interest.

In 2014, one meeting was held on 26 February 2014, in which the final reports of 2013 were presented.

The Chairman of the Supervisory Committee also met separately with the IA Director to further discuss several risk-assessment analyses conducted by personnel of the Law No. 231 team and examine the assessments carried out in response to some reports received.

In the course of meetings held during the year, the Supervisory Committee verified that the model was constantly updated according to legislation, analysed the soundness and functionality requirements, as well as the application of the Model, and verified the supervisory activities carried out by the Internal Audit on behalf of the Supervisory Committee. More specifically:

- as part of its analysis of the Model soundness and functionality requirements, the Supervisory Committee took part in updating the special sections of the Model, suggesting improvements aimed at enhancing the functionality and soundness of the Model and Anti-bribery Code of Conduct;
- audit activities were carried out in order to check that the Model is being implemented effectively, with the support of Internal Audit, based on the Supervisory Committee's action plan.

Oversight of the Model entailed an analysis of:

- the reports received by the Supervisory Committee;
- an analysis of the flow of information contained in the Supervisory Committee's half-yearly report by the internal functions of Brembo S.p.A. and relevant personnel for Group companies;
- findings reached through meetings with the managers of sensitive areas and/or functions

within the meaning of Legislative Decree No. 231/01.

During the year, no violations of laws subject to the penalties provided for in Legislative Decree No. 231/01 were reported.

9.6 Independent Auditors

The contract to provide legal auditing of the accounts was awarded by the General Shareholders' Meeting held on 23 April 2013 to Reconta Ernst & Young S.p.A. for financial years 2013 to 2021, according to the terms and conditions proposed by the Board of Statutory Auditors.

The financial statements of subsidiaries, deemed significant as defined in the Consob Regulation, Article 151, paragraph 1, are subject to legal auditing of their accounts by the firm that audits Brembo's financial statements.

In conducting their activity, the engaged independent auditors have free access to the information, print and electronic documents, archives and assets of the parent company and its subsidiaries.

The Board of Statutory Auditors and independent auditors periodically exchange information and data concerning the respective controls performed.

9.7 Manager in charge of the Company's financial reports

Pursuant to Article 27-*bis* of the By-laws and in light of the non-binding opinion of the Board of Statutory Auditors, on 29 April 2011 the Board of Directors appointed Matteo Tiraboschi as Manager in charge of the Company's financial reports [7], granting him the relevant powers. He also holds the position of Executive Deputy Chairman of Brembo S.p.A. and Group CFO.

Upon appointment, the Board verified the satisfaction of the established professionalism requirements and granted him the pertinent powers for the performance of the function. The Manager in charge of the Company's financial reports is responsible for defining and assessing the adequacy and efficacy of the specific administrative and accounting procedures, as well as of the relative control system, safeguarding against the risks inherent in the process of preparing financial information. The engagement is for a period of three years, will expire in conjunction with the General Shareholders' Meeting to approve the financial statements at 31 December 2013 and may be renewed on one or more occasions.

The Manager in charge of the Company's financial reports is invited to all Board meetings and participates in meetings of the Audit & Risk Committee and Board of Statutory Auditors, directly or through a proxy, in order to provide the information for which he is responsible and report with half-yearly frequency on monitoring obligations and activities for the purposes of the certifications envisaged in Article 154-*bis* of TUF.

9.8 Coordination between parties involved in the Internal Control and Risk Management System

The organisational structure of the Internal Control and Risk Management System approved by the Board on 17 December 2012 was revised with the aim of ensuring coordination between the various parties and functions involved in the System, as stated in the diagram of paragraph 9 above.

In particular, coordination is the responsibility of the ICRMSD, who:

- identifies the main business risks, taking into account the characteristics of the activities carried out by the Issuer and its subsidiaries, and submits them periodically for review to the Board of Directors;
- puts into practice the guidelines established by the Board of Directors, supervising the

7 Matteo Tiraboschi has held this position since 2009.


1M
almost 1 million km
travelled on road tests
in one year

planning, implementation and management of the Internal Control and Risk Management System, and constantly verifies its adequacy and efficacy;

- adjusts the System to the dynamics of operating conditions and the legislative and regulatory scenario;
- may ask Internal Audit to perform audits of specific operating areas, as well as of compliance with internal rules and procedures in the performance of company transactions, in addition to informing the Chairman of the Board of Directors, Chairman of the Audit & Risk Committee and Chairman of the Board of Statutory Auditors thereof concurrently;
- timely reports to the Audit & Risk Committee (or to the Board of Directors) regarding problems and critical issues brought to light in the performance of his or her activities or of which he or she has otherwise become aware, so that the Committee (or the Board) may take the appropriate initiatives.

The ICRMSD coordinates the Risk Committee and relies upon the support of the Risk Manager (process owner) and Internal Audit as the guarantor of the risk management system (assurance).

From a strictly operative point of view, coordination is also ensured through:

- a constant information flow between the different parties involved in the ICRMS;
- participation of the various parties concerned in joint meetings for discussion of ICRMS related issues;
- dissemination of the Internal Audit reports to the various ICRMS parties;
- circulation of the minutes, the work files and reports of the Chairman of the Audit & Risk Committee to all Governance Committees and the Board of Statutory Auditors.

10. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

In accordance with Consob Regulations (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), on 12 November 2010 the company adopted the Related Party Transactions Procedure (hereinafter the "RPT Procedure"), in light of the unanimous and favourable opinion of the Audit & Risk Committee (formerly Audit Committee) appointed for that purpose, being composed of three Independent Directors.

The purpose of the RPT Procedure, as also specified in the Code of Ethics, is to ensure the transparency and the substantive and procedural propriety of Related Party Transactions that are not concluded at arm's length, with a view to safeguarding the company's higher interests. As a general rule, the said transactions may be concluded only when strictly necessary in the company's interest, without prejudice to the foregoing provisions.

The RPT Procedure governs the following aspects, among others:

- it assigns the function of Related Party Transactions Committee to the Audit & Risk Committee, as it comprises three independent non-executive directors;
- it does not extend the scope of the RTP Procedure to parties other than those set forth in Annex 1 to the Consob Regulations (which referred to IAS 24 at the date of publication of the Regulations);
- it sets the "threshold" for Low Value Transactions outside the scope of the new Procedure at €250,000.00, to be revised annually, inasmuch as it was decided that transactions below said threshold cannot constitute a risk for the company;
- it sets the amounts of the thresholds for the significance indices for Highly Significant Transactions on the basis of the previous year's Financial Statement figures and states

that they are to be revised annually according to each year's results;
- it excludes resolutions (other than resolutions passed pursuant to Article 2389, paragraph 3, of the Civil Code) concerning the remuneration of Directors with special tasks and Key Management Personnel from the scope of the new procedure, inasmuch as such resolutions also involve the Remuneration & Appointments Committee, which consists solely of non-executive Directors and a majority of independent Directors;
- it exercises the option to exempt ordinary transactions and intra-Group transactions (limited to intra-Group operations or operations among subsidiaries or associates which, as specified in their respective corporate object, perform activities akin to those of Brembo S.p.A.);
- it lays down the rules for assessing of Moderately and Highly Significant Transactions, carried out either directly by Brembo or through its subsidiaries;
- it identifies the organisational structures and information flows deemed appropriate to ensure that the competent Bodies are provided all useful information to evaluate such transactions in a timely manner.

The Board of Directors decided not to use the whitewash mechanism in the event of unfavourable opinion for Highly Significant Transactions and did not provide for exceptions in case of urgency.

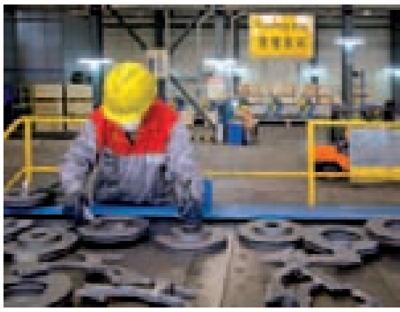
Moreover, regardless of the provisions of applicable laws and regulations, the Group companies implemented a local procedure that sets out the operating procedures to identify their Related Parties and Related Party Transactions, as well as their approval procedures, consistently with the guidelines set forth by the RPT Procedure adopted by Brembo S.p.A.

During the year, based on proposals by the Audit & Risk Committee (serving as the Related Party Transactions Committee), the Board of Directors:
- at the meeting of 13 May 2013 updated the Significance Indices for the identification of Highly Significant Transactions on the basis of data from the 2012 Financial Statements, and confirmed the amount of €250,000.00 as "threshold" for determining Low Value Transactions;
- during its meeting of 12 November 2013, unanimously resolved not to proceed with amendments to the Related Parties Procedure of Brembo S.p.A., in light of the efficacy shown in applied practice and because it had already been revised in previous years, on the belief that the contents of the Recommendation and the wishes expressed by Consob regarding the first revision of the procedure had already been adopted.

In addition, in its capacity as Related Party Transactions Committee, the Audit & Risk Committee met on 21 January 2013 to conduct a prior review of the intercompany financing transaction involving Innova Tecnologie (a related party to Brembo S.p.A.). This transaction is not exempt from the Procedure because Innova Tecnologie is an associate company the activities of which, as defined in its company object, are not akin to those of Brembo S.p.A.

After assessing the company's interests in undertaking the transaction, as well as the soundness and substantial fairness of the conditions of the transaction, deemed in line with market conditions (also considering the related party relationship between Brembo and Innova Tecnologie), and reviewing the possible risks, the Committee expressed a favourable opinion of the performance of the transaction in accordance with current company procedures.

The updated edition of Brembo's Related Party Transaction Procedure is available on Brembo's website (www.brembo.com, Investors section, Corporate Governance, Codes and Manuals).



Nanjing disc plant (China).

11. APPOINTMENT OF STATUTORY AUDITORS

In accordance with the provisions of Article 22 of the By-laws, as well as existing provisions of law and the implementing rules issued by Consob:

- the Board of Statutory Auditors is made up of three Acting Auditors and two Alternate Auditors, all appointed by the Shareholders' Meeting based on list voting procedures;
- those who are not in possession of the eligibility, integrity and professionalism requirements laid down by law cannot be appointed as Auditors (and if already appointed shall be removed from their office); the acting Statutory Auditors shall be chosen from persons who qualify as independent under the provisions of the 2011 Corporate Governance Code;
- auditors are appointed for a term of three years and are eligible for re-appointment; their emoluments are determined by the General Shareholders' Meeting;
- the lists for the appointment of Statutory Auditors:
  (i) must include at least one candidate for the office of Acting Statutory Auditor and, in any case, a number of candidates not exceeding the Statutory Auditors to be elected, progressively numbered; each person may be a candidate in one list only, under penalty of ineligibility;
  (ii) the lists containing a number of candidates equal to or greater than 3, considering both sections, must include a number of candidates in the standing Statutory Auditors' section such as to ensure that the composition of the Board of Statutory Auditors, in respect of its acting members, complies with the laws and regulations on gender balance from time to time in force, it being understood that where the application of the distribution criterion between genders results in a non integer number, this must be rounded up to the next higher unit;
- shareholders who, individually or jointly with other shareholders, represent at least the minimum percentage of shares entitled to voting rights in the ordinary General Shareholders' Meeting envisaged in the regulatory provisions in force, published by Consob on 29 January 2014, of 1% of share capital, are entitled to present lists. Each shareholder, as well as:
  (i) shareholders belonging to a single group, where the latter term is understood to mean a party, which need not necessarily be a corporation, exercising control within the meaning of Article 2359 of the Civil Code, and all subsidiaries controlled by, or under the common control of, that same party;
  (ii) shareholders who have entered into the same shareholders' agreement within the meaning of Article 122 of TUF;
  (iii) shareholders who are otherwise associated with each other by virtue of associative relationships contemplated under the applicable statutory and regulatory framework may submit, either on their own or jointly with other shareholders, directly or through third party intermediaries, or trust companies, a single list of candidates, under pain of disqualification of the list;
- the lists of candidates, duly signed by the Shareholders submitting the same, or the Shareholder delegated to make the submission, together with all the other related documents as required under the By-laws, must be filed with the Company's registered offices at least 25 calendar days prior to the scheduled date of the General Meeting at first calling and public disclosure must be made both on the Company's website and at its registered offices, in the manner and form specified under statutory and regulatory provisions, at least 21 calendar days prior to the scheduled date of the General Meeting.

12. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The General Shareholders' Meeting held on 29 April 2011 appointed the current Board of Statutory Auditors for the 2011-2013 period, based on the one sole list presented by the majority Shareholder New FourB S.r.l., and also confirmed Sergio Pivato as Chairman of the Board of Statutory Auditors. The Board of Statutory Auditors' term of office will expire with the General Shareholders' Meeting called on 29 April 2014 to approve the Financial Statements for the year ended 31 December 2013.

The following is a profile of the Chairman and the Acting Auditors.

Sergio Pivato

Chairman of the Board of Statutory Auditors of Brembo S.p.A. since 2008. He has been a Certified Public Accountant since 1977 and Certified Auditor since 1984. In addition to Brembo S.p.A., he holds corporate offices in: Ubi Banca S.c.p.a., Auchan S.p.A., Sma S.p.A. and Società Editoriale Vita S.p.A. He is a consultant for large and medium companies, expert of the Court and retired Professor of Economics and Business Administration at the Bocconi University in Milan.

Enrico Maria Colombo

Member of the company's Board of Statutory Auditors since 2008. He graduated with honours in Economics and Business Administration in 1983 at the Bocconi University of Milan, has been a member of the Certified Public Accountants Register of Milan since 1986, as well as the Auditors Register. He carries out his professional activity as partner at the firm Studio per il Controllo Contabile Analisi and the law firm Studio Legale e Tributario Biscozzi Nobili. He is Chairman of the Board of Statutory Auditors of several listed companies.

Board of Statutory Auditors

Office held	Name and surname	In office from	In office until	Length of term*	Indep. as per Corporate Governance Code	%of attendance**	Other offices held***
Chairman	Sergio Pivato	29.04.2011	(1)	29.04.2008	x	86%	No. 5 weight 2.80
Acting Auditor	Enrico Colombo	29.04.2011	(1)	29.04.2008	x	86%	No. 11 weight 4.02
Acting Auditor	Mario Tagliaferri	29.04.2011	(1)	29.04.2011	x	100%	No. 14 weight 3.25****

Number of meetings of the Board of Statutory Auditors held during the financial year: 7

***Quorum* required to present lists for the most recent appointments: 1%**

NOTES

(1) Appointed for a term expiring on the date of approval of the Financial Statements for the year ended 31 December 2013.

* This column shows the date on which the Statutory Auditor was appointed Chairman of the Board of Statutory Auditors or Acting Auditor of Brembo for the first time.

** This column shows the attendance rates at meetings of the Statutory Auditors to the Board of Statutory Auditors, which in 2012 were seven (number of meetings attended/number of meetings held during the term of office of the Statutory Auditor).

*** This column shows the number of Directorships or Auditorships held by the Statutory Auditor within the meaning of Article 148-*bis* of TUF. The full list of Directorships and Auditorships held is published on the Consob website pursuant to Article 144-*quinquiesdecies* of the Rules for Issuers.

**** Pursuant to Article 144-*terdecies*, paragraph 2, of the Rules for Issuers, it should be noted that the maximum number of positions held shall not apply to Auditor Mario Tagliaferri, as he is member of the Supervisory Body within one issuer only.

Mario Tagliaferri

Mario Tagliaferri has been a member of the company's Board of Statutory Auditors since 2011. He graduated in 1987 in Economics and Business from the University Institute of Bergamo. In 1990 he registered in the Certified Public Accountants Register and in 1995 in the Certified Auditors Register. He is currently President of the Association of Certified Public Accountants and Accounting Experts of Crema and practices as a Certified Accountant and Auditor, as a partner in the firm LEXIS — Dottori Commercialisti Associati in Crema, mainly providing tax and corporate advisory services.

He is Chairman of the Board of Statutory Auditors of several companies, including listed companies. He collaborated in the writing of several publications on tax and corporate matters.

The remuneration of the Board of Statutory Auditors was established by the General Shareholders' Meeting on 29 April 2011 in the gross amount of €196,000 per annum, to be distributed among all the members.

All members of the Board of Statutory Auditors satisfy the integrity, professionalism and independence requirements laid down by law and Brembo's Corporate Governance Code, which has adopted the independence requirements set forth in the 2011 Corporate Governance

Brembo Racing.
Rally and GT pedal box
with Remote Adjuster.

Code. This check was conducted on the basis of statements made by the Statutory Auditors at the time of their appointment (29 April 2011), and thereafter each year, up to the last check performed at the Board of Directors meeting of 6 March 2014.

Upon the appointment of the Board of Auditors (29 April 2011) and subsequently every year up to the last Board of Directors' meeting of 6 March 2014, the Company determined that the ceiling on concurrent appointments had not been exceeded in respect of any member of its Board of Statutory Auditors, on the basis of the declarations made by each of the said members in such regard pursuant to Annex 5-*bis* to the Rules for Issuers. The outcome of the check is given in the table above.

The Board of Statutory Auditors discharges the supervisory duties entrusted to it under applicable laws and regulations and supervises compliance with the law and By-laws, observance of the principles of sound management and in particular of the adequacy of the organisational, administrative and accounting structures adopted by the Company and the material operation of those structures, as well as the concrete approach to implementing the corporate governance rules set forth in applicable legislation. The Board of Statutory Auditors is also in charge of monitoring and verifying the independence of the independent auditors.

The company decided not to exercise the option of assigning the Supervisory Committee functions to the Board of Statutory Auditors and to preserve the current three-body structure (Audit & Risk Committee, Supervisory Committee and Board of Statutory Auditors), until the expiration of the current term of office; the company will re-examine the situation when appointing the new corporate bodies, i.e., the Shareholders' Meeting called on 29 April 2014 to approve the Financial Statement for the year ended 31 December 2013.

As part of its activities, the Statutory Auditors may call upon the Internal Audit function to audit specific operating areas or company transactions.

In 2013, the Board of Statutory Auditors held seven meetings and most members of the Board of Statutory Auditors participated in all meetings of the Board of Directors. The meetings of the Board of Statutory Auditors lasted about 2 hours on average.

In performing its functions, the Board of Statutory Auditors regularly met with the Manager in charge of the Company's financial reports, the Company's Independent Auditors and the Internal Audit Director.

The Board of Statutory Auditors and the Audit & Risk Committee shall constantly exchange information material to the performance of their respective duties in a timely manner. The Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by the aforementioned Chairman, also attended all the meetings of the Audit & Risk Committee, the Supervisory Body and the Remuneration & Appointments Committee.

13. RELATIONS WITH SHAREHOLDERS

Brembo takes special care in monitoring relations with shareholders, institutional and private investors, financial analysts, and the financial community, scrupulously respecting mutual roles.

The financial community is provided numerous opportunities to meet and engage in dialogue with the Company as part of a constant, transparent and ongoing communication process. The Company also holds events for financial analysts, conference calls and meetings with shareholders and investors at major capital markets or the Company's registered office.

In order to provide the market with exhaustive and constantly updated financial information, the company publishes a specific Italian-English Investor Relations section on its website (www.brembo.com – Investors section) with useful information for stakeholders, including: press releases, Financial Statements and interim reports, presentations to the financial community, stock price trends, By-laws, regulation of Shareholders' Meetings, information regarding Corporate Governance and compliance with relevant Codes and procedures, etc.

The Investor Relations function devotes particular attention to Ethical Investors, i.e., those who in their investment decisions privilege companies that are particularly attentive to environmental, social and ethical parameters, in addition to traditional financial indicators.

The Investor Relations function is headed by Matteo Tiraboschi, the Group's Executive Deputy Chairman and CFO.

All Investors' requests may be sent to Brembo via the following channels: email ir@brembo.it; phone +39.035.60.52.145; fax +39.035.60.52.518.

14. GENERAL SHAREHOLDERS' MEETINGS

With regard to the calling and conduct of the General Shareholders' Meetings, the By-laws establishes as follows:

- under Article 10 (Calling of General Meetings), that the General Meeting shall be called by the Board of Directors by notice of calling containing an indication of the date, time and venue of the scheduled meeting, the items placed on the agenda, as well as further information required by applicable laws and regulations. The notice of calling may provide an indication of the schedule dates of the meeting at callings subsequent to the first, if any. The notice of calling shall be published on the Company's website and in accordance with the other procedures as described, as well as in compliance with and within the terms set forth in current laws and regulations. If and to the extent the notice of calling is to be published in one or more daily newspapers pursuant to applicable rules and regulations, such publication shall be made in one or more of the following daily newspapers: Il *Sole 24 Ore, Corriere della Sera, Milano Finanza*, and *Italia Oggi*.
  The Ordinary Shareholders' Meeting must be called by the Governing Body at least once a year within one hundred and twenty days following the end of the Company's financial year, or within one hundred and eighty days from such date in the case where the Company is required to draw up consolidated financial statements or where warranted by specific reasons pertaining to the Company's corporate purpose and structure, such reasons being indicated in the Directors' Report as per Article 2428 of the Italian Civil Code;
- under Article 10-*bis* (Addition of Items to the Agenda), that shareholders individually or collectively representing at least 1/40th of share capital may submit a written application, according to the terms and conditions set forth in applicable laws and regulations, to add items onto the agenda for the General Shareholders' Meeting, indicating the proposed additional items of business in the application; [8]
- under Article 11 (Participation in and Representation at General Shareholders' Meetings), that voteholders may participate in the meeting and cast votes provided that the Company has received an appropriate notice certifying their standing, issued by the intermediary participating in the centralised financial instrument management system, by the third trading day prior to the date for which the Shareholders' Meeting is scheduled (or within other term as provided for under applicable law).

8 Pursuant to Article 126-*bis* of TUF (as amended by Legislative Decree No. 91 of 18 June 2012), within ten days following the publication of the notice of calling of the Shareholders' Meeting or within five days following a calling in accordance with Articles 125-*bis*, paragraph 3, and 104, paragraph 2, Shareholders who, even jointly, represent at least 1/40th of the share capital may apply for additional items to be placed on the agenda or submit motions to be raised on items already on the agenda.

Any party entitled to participate in a Shareholders' Meeting may be represented by written proxy granted to another person, not required to be a shareholder, in accordance with the provisions of laws and regulations in force at the time.

Proxies may also be granted electronically, according to the conditions set out in the Ministry of Justice regulation. In accordance with the notice of the meeting, proxies may be notified electronically using the specific section of the Company's website or, where allowed in the notice of the meeting, by sending the document to the Company's certified e-mail address.

Proxies may be issued only for a specific General Shareholders' Meeting and shall be valid even for subsequent callings of such General Meeting, pursuant to applicable statutory provisions. The Chairman of the General Shareholders' Meeting shall declare the validity of proxies, and in general, the right to participate in the Meeting.

Voteholders may pose questions regarding the items placed on the agenda even prior to the Shareholders' Meeting, according to the terms and procedures prescribed in the Notice of Calling; such questions are answered at the Meeting.

The information that the Board of Directors is required to provide to the Shareholders' Meeting must be of such nature as to provide the latter with an in-depth understanding of all matters relevant to making informed decisions in respect of the items submitted for Shareholders' approval.

During the Meeting, Shareholders are provided with the documents regarding items on the Agenda (the relevant Board of Directors' recommendations, as disclosed to the public and forwarded to Borsa Italiana and Consob, pursuant to applicable laws and regulations) and the Annual Financial Statements. As a general rule, attending Shareholders are also provided with a summary of the Company's stock price trends.

The General Shareholders' Meeting held on 23 April 2013 was attended by 7 Directors out of 11 (4 absent with justification) and 2 members of the Board of Statutory Auditors (1 absent with justification).

The General Shareholders' Meeting Regulation designed to regulate the proper and efficient functioning of the General Shareholders' Meetings was modified by the General Meeting on 29 April 2011, primarily for the purposes of aligning its contents to the changes introduced by Legislative Decree No. 27 of 27 January 2010, "Implementing Directive 2007/36/EC on the exercise of certain shareholders' rights in listed companies" ("Legislative Decree No. 27/2010") and encouraging the active participation of the company's shareholders). The Shareholders' Meetings Regulations are available on the corporate website www.brembo.com - Investor section, Corporate Governance, in the Brembo's Corporate Governance Manual.

It must be pointed out that:

- in July 2013, market capitalisation exceeded €1 billion and on 22 October 2013 the stock reached its high for the year at €20.79 euro;
- on 25 October 2013, the main Shareholder, Nuova Fourb S.r.l., successfully completed the placement of a total of 2,000,000 Brembo S.p.A.'s ordinary shares, equal to 2.99% of share capital, thus reducing its shareholding from 56.52% to 53.53%.

15. CHANGES SINCE THE END OF 2013

No significant changes took place from the end of the financial year through to the date of approval of this Report.

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

To conclude the separate Financial Statements of Brembo S.p.A. for the year ended 31 December 2013, based also on the examination of our Report and the Explanatory Notes to the separate Financial Statements, in which we outlined the guidelines and operations, we submit for your approval our proposal for distributing the entire net income amounting to €41,391,334.98, as follows:

- to the Shareholders a gross dividend of €0.50 per ordinary share outstanding at ex-coupon date, consequently excluding own shares;
- the remaining amount carried forward.

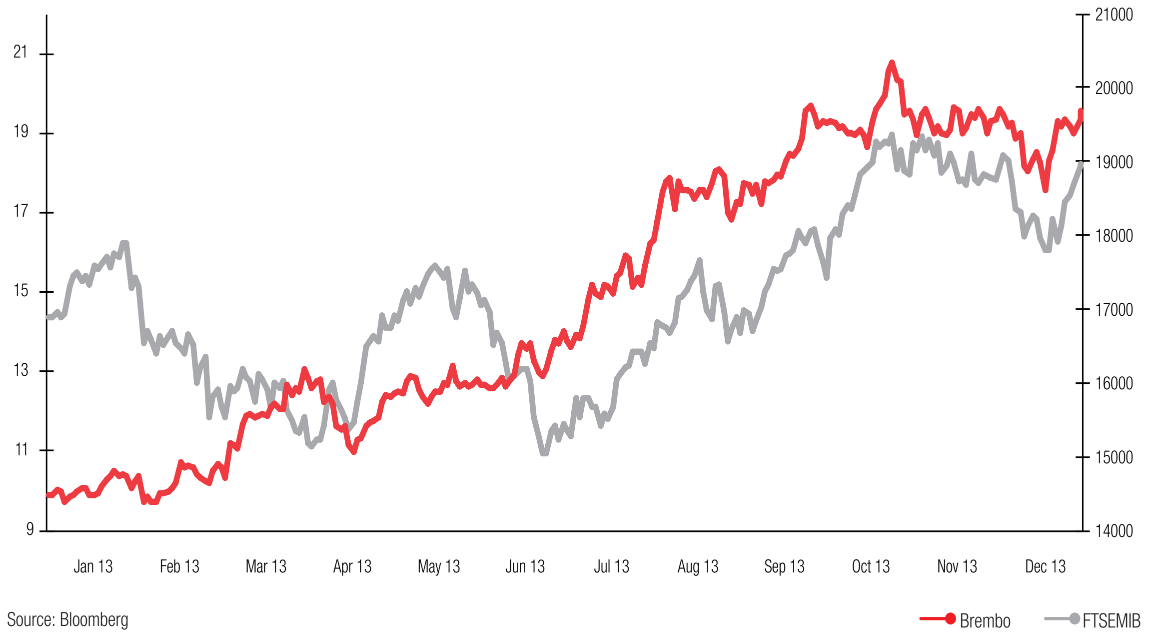
It is also proposed that dividends should be paid as of 15 May 2014, ex-coupon on 12 May 2014 and record date on 14 May 2014.

Stezzano, 6 March 2014

On behalf of the Board of Directors
The Chairman
Alberto Bombassei


SATO
brembo
Cadillac

BREMBO S.P.A. STOCK PERFORMANCE



Source: Bloomberg

Brembo stock performed extremely well in 2013, posting a gain of 97.87% over the twelve months. After opening the year at €9.90, the shares declined slightly to a low for the period of €9.74 on 7 February. From that point on, the price increased almost without interruption, reaching a peak for the period at €20.79 on 22 October and closing the year at €19.58.

In 2013, Brembo outperformed the FTSE MIB index, which closed the period up by 12.28%, the Italian index for the STAR segment (+53.29%) and the European index Stoxx Total Market Value Small (+26.12%). During the entire period, Brembo also outperformed the BBG EMEA Automobiles Parts, which closed the year up by 57.6%.

During 2013, the performances of the most representative equity indices were moderately positive, reflecting the improvements witnessed in the area of global economic policies and financial stability in Europe, as well as the absence of tensions on commodities markets. The reporting year closed with encouraging signs of a recovery of global economic activity and with increasingly widespread industrial production growth. The resumption of GDP growth in spring 2013 after two years of decline is also expected to result in a moderate economic recovery in 2014 in the Euro area as well.

Between the end of the year and 5 March 2014, Brembo's stock continued to trend upwards, recording a further increase of 9.32 percentage points.

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

	31.12.2013	31.12.2012
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	66,784,450	66,784,450
Equity (excluding net income for the year) (euro)	181,547,994	171,791,692
Net income for the year (euro)	41,391,335	35,269,018
Trading price (euro)		
Minimum	9.740	6.565
Maximum	20.790	9.800
Year end	19.580	9.755
Market capitalisation (euro million)		
Minimum	650	438
Maximum	1,388	654
Year end	1,308	651
Gross dividend per share	0.5(*)	0.4

(*) To be approved by the Shareholders' Meeting convened on 29 April 2014.

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

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

PA

20

Palmares
2013

BREMBO Braking Systems

CARS

Open Wheel Championships

F1	
Drivers	Sebastian Vettel – #1 Red Bull-Renault
Manufacturers	Infiniti Red Bull Racing-Renault
GP2	
Drivers	Fabio Leimer – Racing Engineering
Manufacturers	Russian Time
GP3	
Drivers	Daniil Kvyat – MW Arden
Manufacturers	ART Grand Prix
World Series by Renault	
Drivers	Kevin Magnussen - DAMS
Manufacturers	DAMS
F3 Euroseries	
Drivers	Raffaele Marciello – Prema Powerteam
Manufacturers	Prema Powerteam
Japan F3 Championship	
Class A	Nakayama - Petronas Team Tom's Dallara F312
Class B	Takaboshi - NDDP Racing Dallara F307

Closed Wheel Championships

FIA World Endurance Championship	
LMP1	Duval, Kristensen & McNish - #2 Audi Sport Team Joest R18 E-Tron
LMP2	Baguette, Plowman & Gonzalez - #35 Oak Racing Morgan
LMGTE Pro	Gianmaria Bruni - #51 AF Corse Ferrari 458 Italia
LMGTE Am	Campbell-Walter, Hall - Aston Martin Racing (Aston Martin Vantage GTE)
24 Hours of Le Mans	
LMP1	Duval, Kristensen & McNish - #2 Audi Sport Team Joest R18 E-Tron
LMP2	Baguette, Plowman & Gonzalez - #35 Oak Racing Morgan
LMGTE Pro	Dumas, Lieb & Lietz - #92 Manthey Porsche
LMGTE Am	Bouret, Narac & Veray - #76 IMSA Porsche
European Le Mans Series	
LMP2	Ragues, Panciatici – Signatech Alpine (Alpine LMP2)
LMPC	Chatin, Hirsch - Team Endurance Challenge (Oreca FLM)
LMGTE	Mowlem, Griffin – Ram Racing (Ferrari 458 Italia GT2)
GTC	Babini, Ladygin, Shaitar – SMP Racing (Ferrari 458 Italia GT3)
FIA GT Series	
PRO Class	Vanthoor, Ortelli - Belgian Audi Club Team WRT (Audi R8 LMS Ultra)
PRO-AM Class	Afanasyev, Simonsen - HTP Gravity Charouz (Mercedes SLS GT3)
Blancpain Endurance Series	
PRO CUP Class	Maxmilian Buhk - HTP Motorsport (Mercedes SLS GT3)
PRO-AM CUP Class	Ordóñez - Nissan GT Academy Team RJN (Nissan GT-R GT3)

CARS

International GT Open	
Super GT	Montermini - Scuderia Villorba Corse (Ferrari 458 GT Italia)
Ferrari 458 Challenge Europe	
Pirelli Cup	S. Chukanov - Ferrari Ukraina
Shell Cup	D. Gostner - Ineco / MP
Ferrari 458 Challenge Asia-Pacific	
Pirelli Cup	P. Lathouras - Thailand
Shell Cup	E. Cheung – Canada
Lamborghini Blancpain Super Trofeo	
Europe	A. Amici
Asia	J. Xin, M. Wiser
North America	K. Conway

Rally Championship

ERC – European Rally Championship	J. Kopecky/P. Dresler - Skoda Fabia S2000
CIR – Italian Rally Championship	Scandola/D'Amore - Skoda Fabia Super 2000

American Championships

IZOD IndyCar Series	
Drivers	Scott Dixon – #9 Target Ganassi Racing Honda
Manufacturers	Chevrolet
Ferrari 458 Challenge North America	
Pirelli Cup	O. Triarsi - Ferrari of Central Florida
Shell Cup	M. Muzzo - Ferrari of Ontario
ALMS Sebrig 12 Hours	
LMP1	Fassler, Jarvis & Treluyer - #1 Audi Sport Team Joest R18 E-Tron
GRAND-AM Rolex Sports Car Series	
DP	Max Angelelli & Jordan Taylor - #10 Wayne Taylor Racing Chevrolet
GT	Alessandro Balzanb - #63 Scuderia Corsa Ferrari 458 Italia
World Challenge GT Series	Johnny O'Connell; #3 Cadillac Racing CTS-VR

Off-road Championships

Torc Pro 4x4 Series	Johnny Greaves - #22 Monster Energy Toyota
SCORE International Overall, Trophy Truck Class & Tecate SCORE Baja 1000	
	B.J. Baldwin - #1 Monster Energy Chevy Silverado

AP RACING Braking Systems and Clutches

CARS

Open Wheel Championships

F1	
Drivers	Sebastian Vettel – #1 Red Bull-Renault
Manufacturers	Infiniti Red Bull Racing-Renault
GP2	
Drivers	Fabio Leimer – Racing Engineering
GP3	
Drivers	Daniil Kvyat – MW Arden
Super Formula	
Drivers	Yamamoto – Mugen
British F3	
Drivers	King – Carlin Motorsport
F3 Euroseries	
Drivers	Raffaele Marciello - Prema Powerteam

Closed Wheel Championships

24 Hours of Le Mans	
LMP2	Baguette, Plowman & Gonzalez - #35 Oak Racing Morgan
FIA World Endurance Championship	
LMP1 Independents	Rebellion Racing Team
LMP2 Oak Racing Team	
Japanese Super GT 500	
Drivers	Mola – Nissan GT-R
Manufacturers	Nissan GT-R
British Touring Car Championship	
Drivers	Jordan – Pirtek Honda
Manufacturers	Team Dynamics Honda Yuasa Racing
DTM Deutsche Tourenwagen Masters	
Drivers	Rockenfeller – ABT Audi
WTC World Touring Car Championship	
Drivers	Muller – RML Chevrolet Cruze

Rally Championship

FIA Junior WRC	
Drivers	Tidemand – Ford Fiesta R2
FIA Rally Raid	
Drivers	Holowcztyc – Mini ALL4 Racing Raid
2013 Dakar-South America	
Drivers	Peterhansel – Monster Energy X Raid Mini ALL 4 Racing

CARS

American Championships

IZOD IndyCar Series	
Drivers	Scott Dixon - #9 Target Ganassi Racing Honda
Manufacturers	Chevrolet
Indianapolis 500	
Drivers	Kaanan – KV Racing Technology
Nascar	
Sprint Cup - Drivers	Johnson Hendricks Motorsport
Nationwide Series – Drivers	Dillon – Richard Childress Racing
Craftsman Truck – Drivers	Crafton – Thor Sport
ALMS America Le Mans Series	
P1	Graf/Luhr - Muscle Milk Racing
P2	Tucker - Level 5
PC	Guasch - Core Autosport
GTE	Garcia/Magnussen - Corvette Racing

SABELT Safety belts

CARS

Open Wheel Championships

Formula 1	
Drivers	Sebastian Vettel – #1 Red Bull-Renault
Manufacturers	Infiniti Red Bull Racing-Renault
Product	Safety Belts

Closed Wheel Championships

FIA World Endurance Championship	
LMP1	Duval, Kristensen & McNish - #2 Audi Sport Team Joest R18 E-Tron
Product	Safety Belts
LMP2	Baguette, Plowman & Gonzalez - #35 Oak Racing Morgan
Product	Technical Clothing
24 Hours of Le Mans	
LMP1	Duval, Kristensen & McNish - #2 Audi Sport Team Joest R18 E-Tron
Product	Safety Belts
LMP2	Baguette, Plowman & Gonzalez - #35 Oak Racing Morgan
Product	Technical Clothing
Ferrari 458 Challenge Europe	
Pirelli Cup	S. Chukanov - Ferrari Ukraina
Shell Cup	D. Gostner - Ineco / MP
Product	Car Kit + Technical Clothing
Ferrari 458 Challenge North America	
Pirelli Cup	O. Triarsi - Ferrari of Central Florida
Shell Cup	M. Muzzo - Ferrari of Ontario
Product	Car Kit + Technical Clothing
Ferrari 458 Challenge Asia-Pacific	
Pirelli Cup	P. Lathouras - Thailand
Shell Cup	E. Cheung – Canada
Product	Car Kit + Technical Clothing

Rally Championship

Swiss Championship	Hotz - Ravasi

MARCHESINI Wheels

MOTORBIKES

MotoGP World Championships

Moto GP	
Drivers	Marc Marquez - #93 Repsol Honda RC 213v
Manufacturers	Honda

SBK

World Superbike	
Drivers	Tom Sykes - #66 Kawasaki Racing Team Kawasaki ZX-10R
Manufacturers	Aprilia
British Superbike BSB	
Drivers	Alex Lowes - Samsung Honda
Manufacturers	Kawasaki
Japan Superbike JSB	
Drivers	Katsuyuki Nakasuga - YSP Racing Team Yamaha

Italian Speed Championships (CIV)

SBK	
Drivers	Eddi La Marra - Ducati 1199 Barni Racing Team

BREMBO Braking Systems

MOTORBIKES

MotoGP World Championships

Moto GP	
Drivers	Marc Marquez - #93 Repsol Honda RC 213v
Manufacturers	Honda
Moto 2	
Drivers	Pol Espargaro - Kalex
Manufacturers	Kalex
Moto 3	
Drivers	Maverick Vinales - KTM
Manufacturers	KTM

Superbike Championships

World Superbike	
Drivers	Tom Sykes - #66 Kawasaki Racing Team Kawasaki ZX-10R
Manufacturers	Aprilia
World Supersport	
Drivers	Sam Lowes - Yakhnich Motorsport Yamaha YZF-R6
Manufacturers	Kawasaki
World Superstock 1000	
Drivers	Sylvain Barrier - Motorad Goldbet BMW S1000
Manufacturers	BMW
Supermoto	
Drivers	Mauno Hermunen - TM
Manufacturers	TM
American Superbike	Josh Herrin - #2 Monster Energy Graves Motorsports Yamaha YZF-R1
British Superbike BSB	
Drivers	Alex Lowes - Samsung Honda
Manufacturers	Kawasaki
British Supersport BSB	Stuart Easton - Mar-train Yamaha
Japan Superbike JSB	
Drivers	Katsuyuki Nakasuga - YSP Racing Team Yamaha
Manufacturers	YAMAHA YSP Racing Team
Japan GP2	Kohta Nozane - Webike Team Norick Yamaha

Off-road Championships

Motocross MX1	
Drivers	Antonio Cairoli - KTM
Manufacturers	KTM
Motocross MX2	
Drivers	Jeffrey Herlings - KTM
Teams	KTM

MOTORBIKES

Enduro E1	
Drivers	Antoine Meo - KTM
Manufacturers	KTM
Enduro E2	
Manufacturers	KTM
Enduro E3	
Drivers	Christophe Nambotin - KTM
Manufacturers	KTM
Enduro EJ	Matthew Phillips – Husqvarna
Parigi – Dakar Rally	Cyril Despres – KTM
Trial	Toni Bou - Montesa Repsol HRC

European Speed Championships

Moto3 GP	Karel Hanika – KTM
1000 STK	Xavi Fores - Ducati 1199
Spanish Speed Championship Moto2 (CEV)	
Drivers	Roman Ramos – FTR
Spanish Speed Championship Moto3 (CEV)	
Drivers	Fabio Quartararo – Ariane
Spanish Speed Championship Extreme (CEV)	
Drivers	Xavier Fores - Ducati

Italian Speed Championships (CIV)

Moto 3	Andrea Locatelli - Mahindra
SBK	Eddi La Marra - Ducati 1199 Barni Racing Team

Consolidated Financial Statements at 31 December **2013**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

Consolidated Statement of financial position at 31 December 2013

ASSETS

(euro thousand)	Notes	31.12.2013	*of which with related parties*	31.12.2012 restated	*of which with related parties*	Change	01.01.2012 restated
NON-CURRENT ASSETS							
Property, plant, equipment and other equipment	1	503,142		475,390		27,752	406,562
Development costs	2	45,333		43,806		1,527	41,372
Goodwill and other indefinite useful life assets	2	39,556		41,793		(2,237)	42,285
Other intangible assets	2	15,508		17,616		(2,108)	19,144
Shareholdings valued using the equity method	3	21,926		20,500		1,426	20,809
Other financial assets (including investments in other companies and derivatives)	4	216		177		39	154
Receivables and other non-current assets	5	7,044		3,957		3,087	2,840
Deferred tax assets	6	46,923		37,333		9,590	24,495
TOTAL NON-CURRENT ASSETS		**679,648**		**640,572**		**39,076**	**557,661**
CURRENT ASSETS							
Inventories	7	208,963		207,087		1,876	225,028
Trade receivables	8	251,525	*3,147*	202,315	*18,059*	49,210	208,287
Other receivables and current assets	9	42,854		44,461	*101*	(1,607)	37,229
Financial current assets and derivatives	10	9,962	*9,233*	9,852	*9,252*	110	9,784
Cash and cash equivalents	11	106,092	*31,818*	115,602	*63,709*	(9,510)	95,749
TOTAL CURRENT ASSETS		**619,396**		**579,317**		**40,079**	**576,077**
TOTAL ASSETS		**1,299,044**		**1,219,889**		**79,155**	**1,133,738**

EQUITY AND LIABILITIES

(euro thousand)	Notes	31.12.2013	*of which with related parties*	31.12.2012 restated	*of which with related parties*	Change	01.01.2012 restated
GROUP EQUITY							
Share capital	12	34,728		34,728		0	34,728
Other reserves	12	93,397		109,437		(16,040)	101,791
Retained earnings/(losses)	12	207,209		161,332		45,877	140,903
Profit (loss) for the year	12	89,016		77,845		11,171	42,937
TOTAL GROUP EQUITY		**424,350**		**383,342**		**41,008**	**320,359**
TOTAL MINORITY INTERESTS		**4,857**		**10,482**		**(5,625)**	**10,330**
TOTAL EQUITY		**429,207**		**393,824**		**35,383**	**330,689**
NON-CURRENT LIABILITIES							
Non-current payables to banks	13	250,328	*19,385*	255,320	*29,837*	(4,992)	230,840
Other non-current financial payables and derivatives	13	8,884		15,159		(6,275)	23,805
Other non-current liabilities	14	4,953	*1,844*	591		4,362	6,553
Provisions	15	6,194		8,082		(1,888)	5,642
Provisions for employee benefits	16	27,039	*4,236*	26,703	*285*	336	23,824
Deferred tax liabilities	6	12,540		8,303		4,237	8,576
TOTAL NON-CURRENT LIABILITIES		**309,938**		**314,158**		**(4,220)**	**299,240**
CURRENT LIABILITIES							
Current payables to banks	13	171,543	*41,248*	170,771	*37,482*	772	158,810
Other current financial payables and derivatives	13	5,788		4,898		890	7,081
Trade payables	17	301,585	*15,693*	247,263	*6,221*	54,322	266,573
Tax payables	18	4,122		4,849		(727)	5,668
Other current payables	19	76,861	*1,869*	84,126	*7,253*	(7,265)	65,677
TOTAL CURRENT LIABILITIES		**559,899**		**511,907**		**47,992**	**503,809**
TOTAL LIABILITIES		**869,837**		**826,065**		**43,772**	**803,049**
TOTAL EQUITY AND LIABILITIES		**1,299,044**		**1,219,889**		**79,155**	**1,133,738**

Consolidated Statement of income at 31 December 2013

(euro thousand)	Notes	31.12.2013	*of which with related parties*	31.12.2012 restated	*of which with related parties*	Change
Sales of goods and services	20	**1,566,143**	***42,626***	**1,388,637**	***55,141***	**177,506**
Other revenues and income	21	14,818	*3,283*	14,885	*3,380*	(67)
Costs for capitalised internal works	22	11,154		11,499		(345)
Raw materials, consumables and goods	23	(802,827)	*(42,225)*	(715,384)	*(34,812)*	(87,443)
Other operating costs	24	(274,768)	*(5,654)*	(250,102)	*(4,504)*	(24,666)
Personnel expenses	25	(302,428)	*(4,153)*	(277,826)	*(2,949)*	(24,602)
GROSS OPERATING INCOME		**212,092**		**171,709**		**40,383**
Depreciation, amortisation and impairment losses	26	(90,654)		(82,166)		(8,488)
NET OPERATING INCOME		**121,438**		**89,543**		**31,895**
Interest income	27	*37,427*		*67,046*		*(29,619)*
Interest expense	27	*(55,873)*		*(73,522)*		*17,649*
Net interest income (expense)	27	(18,446)	*(1,648)*	(6,476)	*(64)*	(11,970)
Interest income (expense) from investments	28	1,393	*21*	(214)		1,607
RESULT BEFORE TAXES		**104,385**		**82,853**		**21,532**
Taxes	29	(15,282)		(5,088)		(10,194)
RESULT BEFORE MINORITY INTERESTS		**89,103**		**77,765**		**11,338**
Minority interests		(87)		80		(167)
GROUP NET RESULT		**89,016**		**77,845**		**11,171**
BASIC/DILUTED EARNINGS PER SHARE (euro)	30	**1.36**		**1.19**		

Consolidated Statement of comprehensive income at 31 December 2013

(euro thousand)	31.12.2013	31.12.2012 restated	Change
RESULT BEFORE MINORITY INTERESTS	**89,103**	**77,765**	**11,338**
Other comprehensive income/(losses) that will be not subsequently reclassified to income/(loss) for the year			
Effect (actuarial income/loss) on defined benefit plans	249	(2,921)	3,170
Tax effects	(207)	803	(1,010)
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method	17	(151)	168
Total other comprehensive income/(losses) other than those that will be not subsequently reclassified to income/(loss) for the year	**59**	**(2,269)**	**2,328**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year			
Effect of hedge accounting (cash flow hedge) of derivatives	218	(378)	596
Tax effect	(60)	104	(164)
Change in translation adjustment reserve	(16,249)	6,989	(23,238)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**(16,091)**	**6,715**	**(22,806)**
COMPREHENSIVE RESULT FOR THE YEAR	**73,071**	**82,211**	**(9,140)**
Of which attributable to:			
- the Group	*73,111*	*82,494*	*(9,383)*
- Minority Interests	*(40)*	*(283)*	*243*

Consolidated Statement of cash flows at 31 December 2013

(euro thousand)	Notes	31.12.2013	*of which with related parties*	31.12.2012 restated	*of which with related parties*
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11	**41,145**	***47,975***	**26,601**	***16,184***
Result before taxes		**104,385**		**82,853**	
Depreciation, amortisation/impairment losses		90,654		82,166	
Capital gains/losses		(438)		(2,636)	
Write-ups/Write-downs of shareholdings		(1,371)		214	
Financial portion of provisions for defined benefits and payables for personnel		911		1,043	
Long-term provisions for employee benefits		3,647	*3,951*	973	*(207)*
Other provisions net of utilisations		7,103		4,030	
Cash flows generated by operating activities		**204,891**		**168,643**	
Paid current taxes		(20,038)		(23,452)	
Uses of long-term provisions for employee benefits		(3,777)		(2,480)	
(Increase) reduction in current assets:					
inventories		(10,633)		16,760	
financial assets		(39)		(23)	
trade receivables		(48,321)	*14,912*	4,925	*5,980*
receivables from others and other assets		(4,434)	*120*	(649)	*(252)*
Increase (reduction) in current liabilities:					
trade payables		54,322	*9,472*	(19,310)	*(2,866)*
payables to others and other liabilities		(2,773)	*(3,651)*	7,132	*4,476*
Translation differences on current assets		(2,365)		(6,141)	
Net cash flows from / (for) operating activities		**166,833**		**145,405**	

(euro thousand)	Notes	31.12.2013	*of which with related parties*	31.12.2012 restated	*of which with related parties*
Investments in:					
Intangible assets		(17,643)		(19,154)	
Property, plant and equipment		(115,435)		(121,447)	
Business combination La.Cam S.r.l.		0		(2,508)	
Capital contributions to consolidated companies by minority shareholders		0		435	
Price for disposal, or reimbursement value of fixed assets		2,157		7,602	
Net cash flows from / (for) investing activities		**(130,921)**		**(135,072)**	
Dividends paid in the period		(26,015)	*(15,098)*	(19,511)	*(11,335)*
Acquisition of a 100% Brembo Argentina SA and BNBS Co. Ltd. from minorities		(11,673)		0	
Change in fair value of derivatives		(279)		131	
Loans and financing granted by banks and other financial institutions in the period		203,441	*30,000*	121,268	
Repayment of long-term loans		(200,020)	*(23,408)*	(97,677)	*(20,367)*
Net cash flows from / (for) financing activities		**(34,546)**		**4,211**	
Total cash flows		**1,366**		**14,544**	
CASH AND CASH EQUIVALENTS AT END OF YEAR	11	**42,511**	***25,468***	**41,145**	***47,975***

Consolidated Statement of changes in equity at 31 December 2013

(euro thousand)	Share capital	Other reserves	Hedging reserve (*)	Retained earnings (losses)
Balance at 1 January 2012 (published figures)	**34,728**	**101,791**	**0**	**144,138**
Effects arising from the application of IAS 19R				(3,231)
Valuation of shareholding using the equity method				(4)
Balance at 1 January 2012	**34,728**	**101,791**	**0**	**140,903**
Allocation of profit for the previous year		2,070		21,356
Payment of dividends				
Capital increase of consolidated companies by minority shareholders				
Reclassification		(1,334)		1,334
Components of comprehensive income:				
Effect of hedge accounting (cash flow hedge) of derivatives (*)			(274)	
Effects arising from the application of IAS 19R				(2,110)
Valuation of shareholding using the equity method				(151)
Change in translation adjustment reserve		7,184		
Net result				
Balance at 31 December 2012	**34,728**	**109,711**	**(274)**	**161,332**
Balance at 1 January 2013 (published figures)	**34,728**	**109,711**	**(274)**	**166,688**
Effects arising from the application of IAS 19R				(5,341)
Valuation of shareholding using the equity method				(15)
Balance at 1 January 2013	**34,728**	**109,711**	**(274)**	**161,332**
Allocation of profit for the previous year				51,830
Payment of dividends				
Acquisition of shares in BNBS/Brembo Argentina from third-party shareholders				(6,088)
Reclassification		(77)		77
Components of comprehensive income:				
Valuation of shareholding using the equity method				17
Change in translation adjustment reserve		(16,121)		
Effects arising from the application of IAS 19R				41
Effect of hedge accounting (cash flow hedge) of derivatives (*)			158	
Net result for the period				
Balance at 31 December 2013	**34,728**	**93,513**	**(116)**	**207,209**

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

Net result	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
42,937	323,594	406	9,934	10,340	333,934
	(3,231)		(10)	(10)	(3,241)
	(4)			0	(4)
42,937	320,359	406	9,924	10,330	330,689
(23,426)	0	(406)	406	0	0
(19,511)	(19,511)			0	(19,511)
	0		435	435	435
	0			0	0
	(274)			0	(274)
	(2,110)		(8)	(8)	(2,118)
	(151)			0	(151)
	7,184		(195)	(195)	6,989
77,845	77,845	(80)		(80)	77,765
77,845	383,342	(80)	10,562	10,482	393,824
77,770	388,623	(80)	10,580	10,500	399,123
75	(5,266)		(18)	(18)	(5,284)
	(15)			0	(15)
77,845	383,342	(80)	10,562	10,482	393,824
(51,830)	0	80	(80)	0	0
(26,015)	(26,015)			0	(26,015)
	(6,088)		(5,585)	(5,585)	(11,673)
	0			0	0
	17			0	17
	(16,121)		(128)	(128)	(16,249)
	41		1	1	42
	158			0	158
89,016	89,016	87		87	89,103
89,016	424,350	87	4,770	4,857	429,207


-10%
an Eco-Cast disc
weighs 10% less
than a cast iron disc

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2013

Brembo's Activities

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

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

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

Form and Content of the Consolidated Financial Statements at 31 December 2013

Introduction

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2013 have been prepared in compliance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2013, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations. IFRS means all international accounting standards and all interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The consolidated financial statements include the Statement of financial position, the Statement of income, the Statement of Comprehensive Income, the Statement of cash flows, the Statement of Changes in Equity, these Notes, which provide a list of the accounting standards adopted and other explanatory notes, in accordance with IFRS requirements.

On 6 March 2014, the Board of Directors approved the consolidated Annual Report and authorised/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 Consolidated Financial Statements were prepared on the basis of draft Financial Statements for the year ended 31 December 2013, prepared by the Boards of Directors or, when available, of Financial Statements approved at the Shareholders' Meetings of the relevant consolidated companies, appropriately adjusted to align them with Group classification criteria and accounting standards.

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

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

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

The Group made the following choices in relation to the presentation of the financial statements:

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

The financial statements presented herein comply with Consob resolution No. 15519 of 27 July 2006.

Discretionary Valuations and Significant Accounting Estimates

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

Estimates are mainly used in reporting provisions for contingencies, inventory obsolescence, depreciation and amortisation, useful lives of certain assets, write-downs of assets, employee benefits, taxes and other provisions and in determining the fair value of financial instruments, including derivatives.

The fair value of financial instruments traded in active markets is based on price quotations at the reporting date. The fair value of financial instruments that are not traded in active markets (such as derivative contracts and put options attributable to minority shareholders) is determined using specific valuation techniques. In detail, as indicated below, the fair value of Interest Rate Swaps (IRS) is determined using the discounted cash flow technique, and the fair value of forward foreign exchange contracts is determined by reference to projected forward exchange rate curves applicable to such financial instruments. The fair value of other derivatives is determined using the forward curves of the indexes specified in the related contracts.

The initial capitalisation of development costs is based on management's judgment about the technical and financial feasibility of the project, usually when the project has reached a certain phase of the development plan. The project's expected future cash flows, the discount rates to be applied and the periods in which expected benefits will be generated are taken into consideration to determine the amounts to be capitalised.

With reference to the valuation of taxes, deferred tax assets are recognised for all unused tax losses, to the extent that it is considered probable that there will be sufficient future taxable profit against which the loss can be utilised. Therefore management has to make a significant estimate to determine the amount of deferred tax assets that can be recognised based on the amount of future taxable profit, when it will be achieved and tax planning strategies. In light of the wide range of international commercial relations, the long-term nature and the complexity of current contractual agreements, any differences between actual results and formulated hypothesis, or future changes of those assumptions may require future adjustments to previously recognised income taxes and expenses.

Change in Accounting Standards and Disclosures

The valuation and measurement criteria used are based on IFRS in force as of 31 December 2013 and endorsed by the European Union.

Accounting Standards, Amendments and Interpretations Effective 1 January 2013

The following standards, amendments and interpretations were applied for the first time effective 1 January 2013:

IAS 1 — Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendment to IAS 1 requires the grouping of items of Other Comprehensive Income. The items that might be reclassified to profit and loss in subsequent periods now have to be presented separately from items that will never be reclassified. The amendment only concerned presentation and has had no impact on either the Group's financial position or its results.

IFRS 13 — Fair Value Measurement

IFRS 13 does not change the cases when fair value measurement is required, rather it provides a single IFRS framework for measuring fair value. In accordance with the guidelines provided by IFRS 13, the Group revised the criteria it applies to fair value measurement, especially inputs used to measure, for example, the non-performance risk in measuring the fair value of liabilities.

The application of IFRS 13 did not have a significant impact on the Group's fair value measurements.

The additional information required by the Standard on assets and liabilities measured at fair value has been provided in the individual notes.

IAS 19 (2011) — Employee Benefits

During the year, the Group applied IAS 19 (2011) retroactivley, in accordance with the transition regulations envisaged by the Standard. Accordingly, the year-start Statement of financial position of the most recent comparison period (1 January 2012) and the comparison values were restated.

IAS 19 (2011) includes many amendments regarding accounting of defined benefit plans. Among others, the main amendments impacting the Group were:

- recognition of past service cost as an expense at the earlier of the date when a plan amendment or curtailment occurs and the date when an entity recognises any termination benefits, or related restructuring costs. As a result of this amendment, past service cost can no longer be deferred and recognised on a straight-line basis over the average period until the benefits become vested;
- interest cost and expected return on plan assets as per the previous IAS 19 have been replaced by net interest expense (income), which in accordance with IAS 19 (2011), are calculated by applying the discount rate to the net asset or liability of the plan as at the beginning of each annual period.

Curno car plant (Italy).
Caliper processing.

IAS 19 (2011) also requires broader disclosures. Such disclosures are provided in Note 16.

IAS 19 (2011) was applied retroactively, with the following exceptions:

- the carrying value of assets that do not fall within the scope of application of IAS 19 (2011) has not been adjusted in case of changes in employee benefit costs included in the carrying value of these items before 1 January 2012 (date of initial application of the Standard);
- no sensitivity analysis has been provided on the plan liability for the previous year (financial year ended 31 December 2012).

In detail, the Group identified the following retrospective effects, arising from the application of the IAS 19 amendment.

(euro thousand)	31.12.2011 restated	31.12.2011 disclosed	Effects arising from the application of IAS 19R
EFFECTS ON STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011			
Shareholdings valued using the equity method	20,809	20,813	(4)
Deferred tax assets	24,495	23,474	1,021
Provisions for employee benefits	23,824	19,562	4,262
Total equity	**330,689**	**333,934**	**(3,245)**
Group equity	320,359	323,594	(3,235)
Minority interests	10,330	10,340	(10)

(euro thousand)	31.12.2012 restated	31.12.2012 disclosed	Effects arising from the application of IAS 19R
EFFECTS ON STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012			
Shareholdings valued using the equity method	20,500	20,515	(15)
Deferred tax assets	37,333	35,533	1,800
Provisions for employee benefits	26,703	19,619	7,084
Total equity	**393,824**	**399,123**	**(5,299)**
Group equity	383,342	388,623	(5,281)
Minority interests	10,482	10,500	(18)

Motorbikes.
M4 monobloc caliper with 30mm and 32mm differentiated diameter pistons, original equipment for the Honda CBR1000RR Fireblade SP.

(euro thousand)	31.12.2012 restated	31.12.2012 disclosed	Effects arising from the application of IAS 19R
EFFECTS ON STATEMENT OF INCOME AT 31 DECEMBER 2012			
Personnel expenses	(277,826)	(277,944)	118
Net interest income (expense)	(6,476)	(6,456)	(20)
RESULT BEFORE TAXES	**82,853**	**82,755**	**98**
Taxes	(5,088)	(5,065)	(23)
RESULT BEFORE MINORITY INTERESTS	**77,765**	**77,690**	**75**
NET RESULT FOR THE YEAR	**77,845**	**77,770**	**75**

The following amendments and interpretations, effective 1 January 2013, regulate situations and circumstances not found within the Group at the reporting date, but which could have accounting implications for future transactions or agreements:

IFRS 7 — Improving Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require disclosures to include information about offsetting rights and the related agreements (e.g., guarantees). Such disclosure will enable users of the financial statements with useful information to evaluate the effect of netting arrangements on the entity's financial position. The new disclosure requirement applies to all financial instruments that can be set off in accordance with IAS 32 — *Financial Instruments: Presentation.* The disclosure is also required for financial instruments subject to enforceable master netting arrangements and similar agreements, regardless of them being set off in accordance with IAS 32. These amendments have had no impact on the Group's financial position or results.

IAS 12 – Deferred Tax: Recovery of Underlying Assets

This amendment clarifies the determination of deferred tax on investment property measured at fair value. The amendment included a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 will be determined on the basis that its carrying amount will be recovered through sale. The presumption is rebutted if the investment property is depreciable and it is held with the objective to consume substantially all of the economic benefits in the investment property over time, rather than through sale. The amendment has had no impact on the Group's financial position, results or disclosures.

Accounting Standards, Amendments and Interpretations Not Yet Effective and Not Early-adopted by the Group

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

IFRS 10 superseded the part of IAS 27 — *Consolidated and Separate Financial Statements* regulating the preparation and presentation of consolidated financial statements. It also clarified some issues of SIC 12 — *Consolidation – Special Purpose Entities.* IFRS 10 establishes a single control model to be applied to all companies, including special purpose entities. Compared to the provisions of IAS 27, the amendments introduced by IFRS 10 will require management to make significant subjective assessments to determine which companies are under their control and as such must be included in the consolidated financial statements of the Parent Company. Based on preliminary analysis, IFRS 10 is not expected to have any impact on the shareholdings currently held by the Group. This Standard will be applicable for annual periods beginning on or after 1 January 2014.

IFRS 11 — Joint Arrangements

IFRS 11 supersedes IAS 31 — *Interests in Joint Ventures* and SIC-13 — *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. IFRS 11 eliminates the option to account for joint ventures using the proportionate consolidation method. If companies can be considered joint ventures according to IFRS 11 definitions, they must be accounted for using the equity method. Based on preliminary analysis, IFRS 11 is not expected to have any impact on any of the Group's joint arrangements. This Standard will be applicable for annual periods beginning on or after 1 January 2014.

IFRS 12 — Disclosure of Interests in Other Entities

IFRS 12 includes all regulations on disclosures previously required by IAS 27 on consolidated financial statements and all disclosures required by IAS 31 and IAS 28. This disclosure is about an entity's interests in subsidiaries, joint ventures, associates and structured entities.

Moreover, it broadens the cases requiring disclosure. This Standard will have no impact on the Group's financial position or results. This Standard will be applicable for annual periods beginning on or after 1 January 2014.

IAS 28 (2011) — Investments in Associates and Joint Ventures

Following the Issue of the new IFRS 11 — *Joint Arrangements* and IFRS 12 — Disclosure of Interests in Other Entities, IAS 28 has been renamed *Investments in Associates and Joint Ventures* and provides guidance on the application of the equity method to investments in associates and joint ventures. The amendments will be effective for annual periods beginning on or after 1 January 2014.

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

The amendments provide clarifications on the meaning of legally enforceable right of set-off and on the application of offsetting rules of IAS 32 regarding settlement systems (such as centralised clearing systems) that settle on a non-simultaneous gross basis. These amendments are not expected to have any impact on the Group's financial position or results and will be effective for annual periods beginning on or after 1 January 2014.

Consolidation Criteria

The Consolidated Financial Statements include the Financial Statements of the Parent Company, Brembo S.p.A., at 31 December 2013, and the Financial Statements of the companies controlled by Brembo S.p.A. pursuant to IFRS (IAS 27).

Subsidiaries are companies in which the Group has the power to govern, either directly or indirectly, the administrative and operating decisions and obtain the related benefits. Generally, the Group is presumed to have control when it acquires, directly or indirectly, more than 50% of a company's voting rights, also considering potential rights that are immediately exercisable or convertible.

Controlled entities are consolidated on a line-by-line basis in the consolidated accounts from the date control begins until the date control is transferred outside the Group. The carrying value of subsidiaries is eliminated against the Group's share of Equity in those companies, less income for the period. Minority interests in Equity and income for the year of consolidated companies are classified under "Minority Interests" in the Statement of financial position and in the Statement of income. The comprehensive income result of a subsidiary is attributed to minority interests, even if this causes a loss balance in the minority interests item.

Intragroup Transactions

All balances and transactions among consolidated companies, including unrealised income, are eliminated.

Unrealised losses on intragroup transactions are eliminated unless they indicate an impairment of the asset transferred. Unrealised gains and losses on transactions with associate companies or joint ventures are eliminated in proportion to the Group's interest in such entities. Transactions relating to acquisitions and disposals of minority interests in consolidated subsidiaries are considered to be transactions with shareholders, and therefore the related effects are recognised in equity.

Consolidation Area

The list of consolidated subsidiaries, associate companies and joint ventures that are accounted for using the Equity method, along with information regarding their registered offices and the percentage of capital held, is included in Attachments 3 and 4 to these Explanatory Notes. Corporate transactions carried out in 2013 are listed below:

- on 6 August 2013, Brembo S.p.A. acquired 30% of Brembo Nanjing Brake Systems Co. Ltd. from its Chinese partner Donghua Automotive Industrial Co. Ltd. for a total consideration of RMB 90 million (€11.2 million). Following that acquisition, Brembo Group achieved full control of BNBS Co. Ltd., as the subsidiary Brembo China Brake Systems Co. Ltd. already held 42.25% of the company;
- on 16 September 2013, the Group acquired full control of Brembo Argentina S.A. through the acquisition of the residual 25% stake by Brembo S.p.A. (96%) and Brembo do Brasil Ltda (4%).

The transactions described above did not impact the consolidation area, as both companies have already been fully consolidated.

Accounting Standards and Valuation Criteria

Business Combinations and Goodwill

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

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

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

Daniel Bruehl stars as Niki Lauda in the movie *Rush.*

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

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

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

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

Equity Investments in Associates

Associate companies are entities over which the Group has significant influence but does not have control. Generally, the Group is presumed to have a considerable influence when it acquires, directly or indirectly, from 20% to 50% of the company's voting rights. Equity investments in associate companies are accounted for using the equity method. Based on this method, equity investments are initially stated at cost and then adjusted to reflect changes in the Group's share of Equity in the associated company. The Group's share of the income or loss of associate companies is recognised separately in the Statement of income from the date significant influence commences until the date significant influence ceases.

Equity Investments in Joint Ventures

Joint ventures are entities in which the Group has joint control over the economic activities based on a contractual agreement. Joint control exists when the strategic, financial and operating decisions of an entity require the unanimous consent of the parties exercising control.

Investments in joint ventures are accounted for using the equity method and are included in the consolidated accounts from the date joint control begins until joint control ceases.

Conversion of Items Denominated in Foreign Currencies

Conversion of the Financial Statements of Foreign Companies

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

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

Chris Hemsworth stars as James Hunt in the movie *Rush.*

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

Euro against other currencies	31.12.2013	2013 average	31.12.2012	2012 average
US Dollar	1.379100	1.328137	1.319400	1.285602
Japanese Yen	144.720000	129.659504	113.610000	102.621210
Swedish Krona	8.859100	8.650498	8.582000	8.706721
Polish Zloty	4.154300	4.197081	4.074000	4.184331
Czech Koruna	27.427000	25.987149	25.151000	25.145665
Mexican Peso	18.073100	16.964439	17.184500	16.908675
Pound Sterling	0.833700	0.849253	0.816100	0.811096
Brazil Real	3.257600	2.866943	2.703600	2.509703
Indian Rupee	85.366000	77.875251	72.560000	68.629474
Argentine Peso	8.989140	7.276801	6.486410	5.845457
Chinese Renminbi	8.349100	8.165487	8.220700	8.109418

Transactions in Currencies Other than the Functional Currency

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

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

Property, Plant, Equipment and Other Equipment

Recognition and Measurement

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

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

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

Subsequent Costs

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

Depreciation and Amortisation

Depreciation represents the economic and technical loss of value of the asset and is charged from when the asset is available for use; it is calculated using the straight-line method using the rate considered representative of the useful life of the asset.

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

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

The useful life of individual assets is reviewed periodically, so as to ascertain that it is consistent with its economic and technical deterioration.

Leases

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

Leasehold improvements

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

Development Costs and Other Intangible Assets

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

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

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

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

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

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

Such costs are capitalised under “Development costs” and amortised when the development phase is concluded and the asset developed generates economic rewards. In the period in which internal development costs that can be capitalised are incurred, these costs are excluded from the Statement of income item “Increase on internal works capitalised” and recognised in the item “Costs for capitalised internal works”. Amortisation of development costs lasts 5 years, representing the mean useful life of the rewards linked to the developed product.

Impairment of Non-Financial Assets

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

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

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

Inventories

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

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

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

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

Pune motorbike plant (India).

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

Cash and Cash Equivalents

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

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

Provisions

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

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

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

Employee Benefits

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

Defined contribution plans

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

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

Defined benefit plans and other long-term benefits

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

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

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

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

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

Own Shares

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

Government Grants

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

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

Fair Value Measurement

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

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

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

The principal or most advantageous markets must be accessible to the Company.

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

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

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

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

Moncalieri Sabelt plant (Italy).

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

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

Financial Assets and Liabilities

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

All other financial assets are initially recognised at cost, which corresponds to fair value plus ancillary costs. Upon initial recognition, financial assets are classified, depending on their nature, in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans, trade receivables, other receivables and financial assets available for sale. Financial assets that the company does not hold for trading, including trade receivables, are initially measured at fair value and subsequently at amortised cost. Trade receivables are subject to analysis and assumptions on their collectability. When a trade receivable is deemed no longer collectable, it is completely written off.

Financial assets available for sale are measured at fair value and changes are recognised in the Consolidated Statement of Changes in Equity.

Long-term receivables for which an interest rate is not specified are accounted for by discounting future cash flows at market rate, with subsequent recognition of interest through profit or loss, in item "Interest income (expense)."

Financial assets are removed from the Statement of financial position when the right to receive cash ceases or is transferred and the company has transferred basically all risks and rewards associated with the financial asset.

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

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

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

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

Niepolomice plant (Poland).

Derivatives

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

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

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

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

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

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

On the subject of risks associated with financial instruments and the management of such risks, the reader is referred to the section prepared specifically to meet the disclosure requirements of

IFRS 7. Financial guarantees are initially recognised at their fair value, which upon initial recognition is normally represented by the consideration paid or received for the instrument.

If the obligation meets the definition of a financial instrument and qualifies as a contractual agreement between the guarantor and a specific party (subsidiary) for a predetermined amount and in favour of a specifically identified third party, the contract is initially recognised at fair value.

Revenues, Other Revenues and Income

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

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

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

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

Interest Income (Expense)

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

Income Taxes

A provision is made for current taxes in compliance with the laws in force in the various countries in which the Group operates. Current taxes payable are recognised in the Statement of financial position net of any advance payments.

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences or unused tax losses or tax credits to the extent that it is probable that future income will be available against which such differences, losses or credits can be utilised.

Only in the cases listed below, deferred tax assets or liabilities do not have to be recognised for taxable or deductible temporary differences:

– taxable temporary differences arising from the initial recognition of goodwill;
– taxable or deductible temporary differences arising from the initial recognition of an asset or liability,

in a transaction other than a business combination that, at the time of the transaction, does not influence accounting or taxable income.

The carrying amount of deferred tax assets is reviewed at the end of every period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to allow the partial or full use of such assets.

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

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

Dividends

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

Segment Report

The Group identified the following reportable operating segments based on the qualitative and quantitative criteria specified in the related standard (IFRS 8):

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

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

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 Department of Brembo S.p.A., which, together with the Group CFO, evaluates the Group's main financial transactions and related hedging policies.

Market Risk

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

Interest Rate Risk

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

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

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

A sensitivity analysis is provided below to illustrate the effects of a change in interest rates of +/- 50 base points compared to the rates at 31 December 2013 and 31 December 2012, with other variables held constant. The potential impacts were calculated on the variable-rate financial assets and liabilities at 31 December 2013. The above change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,541 thousand (€1,374 thousand at 31 December 2012), gross of the tax effect.

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

Exchange Rate Risk

Transactional exchange rate risk

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

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

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

Starting with the exposures at 31 December 2012 and 2013, 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 2012 and 2013 to measure exchange rate volatility.

(euro thousand)	31.12.2013 Change %	Effect of exchange rate increase	Effect of exchange rate decrease	31.12.2012 Change %	Effect of exchange rate increase	Effect exchange rate decrease
EUR/CNY	1.71%	(243.1)	251.5	2.16%	(13.9)	14.5
EUR/GBP	1.42%	1.2	(1.2)	2.09%	0.1	(0.1)
EUR/JPY	4.66%	18.1	(19.9)	4.25%	12.9	(14.0)
EUR/SEK	2.00%	(1.4)	1.5	2.42%	0.7	(0.8)
EUR/USD	1.97%	(76.2)	79.3	2.55%	(250.8)	263.9
EUR/CHF	0.69%	(0.2)	0.2	0.35%	N/A	N/A
PLN/EUR	1.30%	(450.4)	462.3	2.30%	83.0	(86.9)
PLN/GBP	1.65%	(0.3)	0.3	2.77%	(0.5)	0.5
PLN/JPY	4.58%	0.8	(0.9)	5.51%	1.2	(1.4)
PLN/SEK	2.02%	0.3	(0.3)	2.13%	0.1	(0.1)
PLN/USD	2.44%	(18.3)	19.2	3.74%	(3.0)	3.2
PLN/CZK	2.66%	0.0	0.1	1.82%	N/A	N/A
PLN/CHF	1.20%	0.1	(0.1)	2.34%	2.6	(2.7)
GBP/EUR	1.43%	(1.9)	1.9	2.08%	5.2	(5.4)
GBP/USD	2.74%	(7.3)	7.7	1.53%	N/A	N/A
USD/CNY	0.83%	6.7	(6.8)	0.71%	N/A	N/A
USD/EUR	1.96%	70.3	(73.2)	2.58%	27.7	(29.2)
USD/MXN	2.56%	(55.6)	58.6	2.99%	(72.5)	76.9
BRL/EUR	7.70%	231.4	(270.1)	5.62%	110.8	(124.0)
BRL/USD	6.58%	8.5	(9.7)	6.72%	(13.9)	15.9
JPY/EUR	4.73%	14.8	(16.3)	4.19%	17.5	(19.1)
JPY/USD	4.07%	0.2	(0.2)	2.47%	(0.8)	0.9
CNY/EUR	1.71%	103.5	(107.2)	2.17%	35.5	(37.1)
CNY/USD	0.83%	(12.5)	12.7	0.71%	(9.0)	9.2
INR/EUR	7.86%	27.2	(31.8)	3.02%	(18.8)	19.9
INR/USD	6.71%	29.0	(33.1)	4.36%	20.8	(22.7)
CZK/EUR	2.22%	226.3	(236.6)	1.35%	373.3	(383.5)
CZK/GBP	3.02%	0.0	0.0	2.75%	0.2	(0.2)
CZK/PLN	2.58%	3.7	(3.8)	1.83%	1.0	(1.0)
CZK/USD	2.28%	13.9	(14.6)	3.45%	N/A	N/A
ARS/BRL	4.08%	31.4	(34.0)	4.02%	30.5	(33.1)
ARS/EUR	8.59%	88.1	(104.7)	4.28%	35.4	(38.5)
ARS/USD	7.26%	6.3	(7.3)	3.89%	19.7	(21.3)

Mercedes Supplier Award received by Brembo China.

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2013, no specific hedging transactions were undertaken.

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 Finance & Credit Department:

- constantly assesses financial requirements to ensure the appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
- obtains adequate credit lines;
- ensures the appropriate composition of net financial debt, i.e., investments are financed with medium- to long-term debt (as well as with equity), and 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 Statement of financial position date to the expiry of the contractual obligations. The amounts shown in the table reflect undiscounted cash flows.

For fixed- and variable-rate financial liabilities, both principal and interest were considered for the different maturity periods; for variable-rate liabilities, the rate at 31 December 2013 plus the relevant spread was applied.

(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	63,581	63,581	63,581	–	–
Payables to banks (loans and bonds)	358,290	379,591	115,419	252,615	11,557
Payables to other financial institutions	6,813	8,115	2,346	3,487	2,282
Finance leases	7,648	7,818	3,343	3,709	766
Trade and other payables	304,308	304,308	304,308	–	–
Derivative financial liabilities					
Derivatives	211	211	172	39	–
Total	**740,851**	**763,624**	**489,169**	**259,850**	**14,605**

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

In detail, the following covenants and relevant maximum thresholds are to be complied with.
Net financial Debt/Gross Operating Income ≤3.5
Net financial Debt/Equity ≤1.7

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

The value of the covenants is monitored at the end of each quarter, and at 31 December 2013 these ratios were amply met by the Group.

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

In further detail, at 31 December 2013, unused bank credit facilities were 83.5% (a total of €386 million in credit facilities were available).

Credit Risk

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

The following table shows the fair value hierarchy of the Group's assets and liabilities:

	31.12.2013			31.12.2012		
(euro thousand)	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		387				
Interest rate swaps		(175)			(453)	
Embedded derivative			(36)			132
Sabelt S.p.A. option			(965)			(3,582)
Total financial assets (liabilities) measured at fair value	**0**	**212**	**(1,001)**	**0**	**(453)**	**(3,450)**
Assets (liabilities) for which fair value is indicated:						
Current and non-current payables to banks		(351,656)			(338,411)	
Other current and non-current financial liabilities		(4,340)			(4,644)	
Total assets (liabilities) for which fair value is indicated	**0**	**(355,996)**	**0**	**0**	**(343,055)**	**0**

To complete the information provided on financial risks, a reconciliation is given below between the classes of financial assets and liabilities identified in the Group's Statement of financial position and the types of financial assets and liabilities identified based on the requirements of IFRS 7:

	Carrying value		Fair value	
(euro thousand)	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Loans, receivables and financial liabilities valued at amortised costs				
Current and non-current financial assets (excluding derivatives)	9,791	9,897	9,791	9,897
Trade receivables	251,525	202,315	251,525	202,315
Loans and receivables	42,488	38,446	42,488	38,446
Cash and cash equivalents	106,092	115,602	106,092	115,602
Current and non-current payables to banks	(421,871)	(426,091)	(433,944)	(437,722)
Other current and non-current financial liabilities	(14,461)	(19,604)	(14,616)	(19,822)
Trade payables	(301,585)	(247,263)	(301,585)	(247,263)
Other current payables	(76,861)	(84,126)	(76,861)	(84,126)
Other non-current liabilities	(4,953)	(591)	(4,953)	(591)
Derivatives	**176**	**(321)**	**176**	**(321)**
Total	**(409,659)**	**(411,736)**	**(421,887)**	**(423,585)**

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 have been 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 have been measured at their carrying amounts, inasmuch as this is believed to approximate fair values;
- finance leases were valued at cost, as they are outside the scope of IAS 39;
- the fair value of derivatives was determined on the basis of valuation techniques that take into account market parameters other than the prices of the financial instrument.

Over
300
quality
certifications

Over 300
quality certifications
of end products
per year

ANALYSIS OF EACH ITEM

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. Property, Plant, Equipment and Other Equipment

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

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	23,396	123,889	519,678	140,089	27,426	101,188	**935,666**
Accumulated depreciation	0	(38,425)	(343,346)	(122,836)	(22,269)	0	**(526,876)**
Write-down provision	0	0	(2,046)	(92)	0	(90)	**(2,228)**
Balance at 1 January 2012	**23,396**	**85,464**	**174,286**	**17,161**	**5,157**	**101,098**	**406,562**
Changes:							
Translation differences	15	2,349	2,276	117	(25)	6,785	**11,517**
Change in consolidation area and/or business combination	0	0	5,204	112	70	0	**5,386**
Reclassification - historical cost	0	35,237	79,678	3,102	752	(119,371)	**(602)**
Reclassification - accumulated depreciation	0	12	584	27	(135)	0	**488**
Acquisitions	578	12,203	59,686	8,397	1,340	39,243	**121,447**
Disposals - historical cost	0	0	(12,561)	(1,896)	(443)	0	**(14,900)**
Disposals - accumulated depreciation	0	0	7,532	1,690	422	0	**9,644**
Depreciation	0	(6,442)	(47,267)	(8,017)	(2,347)	0	**(64,073)**
Impairment losses	0	0	(61)	3	(9)	(12)	**(79)**
Total changes	**593**	**43,359**	**95,071**	**3,535**	**(375)**	**(73,355)**	**68,828**
Historical cost	23,989	174,377	656,404	150,352	28,906	27,854	**1,061,882**
Accumulated depreciation	0	(45,554)	(385,129)	(129,652)	(24,124)	0	**(584,459)**
Write-down provision	0	0	(1,918)	(4)	0	(111)	**(2,033)**
Balance at 31 December 2012	**23,989**	**128,823**	**269,357**	**20,696**	**4,782**	**27,743**	**475,390**
Changes:							
Translation differences	(202)	(2,072)	(7,909)	(437)	(44)	(1,977)	**(12,641)**
Reclassification - historical cost	0	1,546	13,915	819	311	(17,190)	**(599)**
Reclassification - accumulated depreciation	0	(742)	1,030	(159)	(109)	0	**20**
Acquisitions	46	13,538	78,606	9,095	2,105	12,045	**115,435**
Disposals - historical cost	0	(405)	(10,837)	(1,392)	(342)	(9)	**(12,985)**
Disposals - accumulated depreciation	0	166	9,840	981	288	0	**11,275**
Depreciation	0	(7,687)	(53,870)	(8,453)	(2,317)	0	**(72,327)**
Impairment losses	0	(16)	(55)	3	0	(358)	**(426)**
Total changes	**(156)**	**4,328**	**30,720**	**457**	**(108)**	**(7,489)**	**27,752**
Historical cost	23,833	186,470	721,461	157,592	30,220	20,699	**1,140,275**
Accumulated depreciation	0	(53,319)	(419,954)	(136,439)	(25,546)	0	**(635,258)**
Write-down provision	0	0	(1,430)	0	0	(445)	**(1,875)**
Balance at 31 December 2013	**23,833**	**133,151**	**300,077**	**21,153**	**4,674**	**20,254**	**503,142**

During 2013, investments in property, plant and equipment amounted to €115,435 thousand, including €12,045 thousand on assets in course of construction.

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

Net disposals amounted to €1,710 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for 2013 amounted to €72,327 thousand (€64,073 thousand in 2012).

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

	31.12.2013		31.12.2012	
(euro thousand)	Leased	Not leased	Leased	Not leased
Land	570	23,263	2,068	21,921
Buildings	12,237	120,914	16,862	111,961
Plant and machinery	3,913	296,164	6,626	262,731
Industrial and commercial equipment	7	21,146	30	20,666
Other assets	260	4,414	95	4,687
Assets in course of construction and payments on account	358	19,896	432	27,311
Total	**17,345**	**485,797**	**26,113**	**449,277**

Pune motorbike plant (India).

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

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

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patent and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	**83,650**	60,365	1,033	**61,398**	27,556	61,108	**88,664**	**233,712**
Accumulated amortisation	**(41,654)**	0	0	**0**	(21,579)	(47,934)	**(69,513)**	**(111,167)**
Write-down provision	**(624)**	(19,110)	(3)	**(19,113)**	(7)	0	**(7)**	**(19,744)**
Balance at 1 January 2012	**41,372**	**41,255**	**1,030**	**42,285**	**5,970**	**13,174**	**19,144**	**102,801**
Changes:								
Translation differences	**0**	(492)	0	**(492)**	20	(159)	**(139)**	**(631)**
Reclassification - historical cost	**(37)**	0	0	**0**	128	(120)	**8**	**(29)**
Reclassification - accumulated amortisation	**0**	0	0	**0**	0	(17)	**(17)**	**(17)**
Acquisitions	**12,656**	0	0	**0**	1,468	5,030	**6,498**	**19,154**
Disposals - historical cost	**0**	0	0	**0**	(6)	(48)	**(54)**	**(54)**
Disposals - accumulated amortisation	**0**	0	0	**0**	1	4	**5**	**5**
Amortisation	**(8,291)**	0	0	**0**	(2,112)	(5,218)	**(7,330)**	**(15,621)**
Impairment losses	**(1,894)**	0	0	**0**	(499)	0	**(499)**	**(2,393)**
Total changes	**2,434**	**(492)**	**0**	**(492)**	**(1,000)**	**(528)**	**(1,528)**	**414**
Historical cost	**94,224**	60,165	1,033	**61,198**	29,251	65,656	**94,907**	**250,329**
Accumulated amortisation	**(49,699)**	0	0	**0**	(23,775)	(53,010)	**(76,785)**	**(126,484)**
Write-down provision	**(719)**	(19,402)	(3)	**(19,405)**	(506)	0	**(506)**	**(20,630)**
Balance at 31 December 2012	**43,806**	**40,763**	**1,030**	**41,793**	**4,970**	**12,646**	**17,616**	**103,215**
Changes:								
Translation differences	**(15)**	(2,237)	0	**(2,237)**	(4)	(266)	**(270)**	**(2,522)**
Reclassification - historical cost	**6**	0	0	**0**	9	(35)	**(26)**	**(20)**
Reclassification - accumulated amortisation	**0**	0	0	**0**	0	(9)	**(9)**	**(9)**
Acquisitions	**12,261**	0	0	**0**	891	4,491	**5,382**	**17,643**
Disposals - historical cost	**0**	0	0	**0**	(7)	(12)	**(19)**	**(19)**
Disposals - accumulated amortisation	**0**	0	0	**0**	2	8	**10**	**10**
Amortisation	**(10,138)**	0	0	**0**	(1,861)	(5,316)	**(7,177)**	**(17,315)**
Impairment losses	**(587)**	0	0	**0**	1	0	**1**	**(586)**
Total changes	**1,527**	**(2,237)**	**0**	**(2,237)**	**(969)**	**(1,139)**	**(2,108)**	**(2,818)**
Historical cost	**105,886**	57,660	1,033	**58,693**	30,080	69,506	**99,586**	**264,165**
Accumulated amortisation	**(59,832)**	0	0	**0**	(25,574)	(57,999)	**(83,573)**	**(143,405)**
Write-down provision	**(721)**	(19,134)	(3)	**(19,137)**	(505)	0	**(505)**	**(20,363)**
Balance at 31 December 2013	**45,333**	**38,526**	**1,030**	**39,556**	**4,001**	**11,507**	**15,508**	**100,397**

Development costs

The item "Development costs" includes internal and external costs for development for a gross historical cost of €105,886 thousand. During the reporting year, this item changed due to higher costs incurred for works begun in 2013, for orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €10,138 thousand was recognised for development costs associated with products that have already entered into mass production.

The gross amount includes development activities for projects underway totalling €17,159 thousand. The total amount of costs for capitalised internal works charged to the Statement of income in the item "Costs for capitalised internal works" during the year amounted to €11,154 thousand (€11,499 thousand in 2012).

Impairment losses totalled €587 thousand and are recognised in the Statement of income under "Amortisation, depreciation and impairment losses." Impairment losses refer to development costs incurred mainly by the Parent Company, Brembo S.p.A., in relation to projects that, consistently with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

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

(euro thousand)	31.12.2013	31.12.2012
Corporacion Upwards'98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	12,450	12,719
Brembo North America Inc. (Hayes Lemmerz)	12,377	12,937
Brembo México S.A. de C.V. (Hayes Lemmerz)	753	787
Brembo Nanjing Brake Systems Co. Ltd.	838	851
Brembo Brake India Pvt. Ltd.	7,715	9,076
Sabelt Group	2,387	2,387
Total	**38,526**	**40,763**

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.

Goodwill was tested for impairment whenever there were indications that impairment may exist. The main assumptions used to determine the value in use of the cash-generating unit related to the discount rate and growth rate. Specifically, calculations used cash-flow projections for the 2014-2016 period covered by the corporate business plans. Cash flows for subsequent years were extrapolated using a prudential steady 1-1.5% medium- to long-term growth rate, on a case by case basis. The discount rate used was 8.5% (WACC), which reflected the current market assessments of the time value of money and the risks specific to the asset in question.

The previously mentioned impairment tests did not indicate the need to recognise any impairment loss. In the event of a change in the WACC from 8.5% to 9% and the growth rate from 1% to 0.5% (or from 1.5% to 1%), no previously unimpaired goodwill would have become impaired.

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

In addition, with regard to the goodwill of the Frenco S.A. CGU, an increase in the purchase price of goods was simulated and only an increase exceeding 9.3% would have resulted in impairment; with regard to the goodwill of the AP Racing Ltd. CGU, a 4% reduction in the sale price was simulated that did not reveal any impairment risk. The changes in the WACC, growth rate, sales volumes, sale or purchase prices described above are deemed reasonable. In this respect, only changes beyond reasonable levels would have resulted in impairment.

Intangible assets with indefinite useful lives

This item amounted to € 1,030 thousand and refers to the trademark Villar. For information concerning impairment-testing methods, the reader is referred to the above discussion relating to goodwill. The impairment tests did not detect any impairment losses.

Motorbikes.
Brake disc
for Harley Davidson.

Other intangible assets

Acquisitions of “Other intangible assets” totalled €5,382 thousand, consisting mainly of €891 thousand for the purchase of specific patents and trademarks and the share of the investment for the year associated with the gradual implementation of the new ERP (Enterprise Resource Planning) system within the Group.

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

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

(euro thousand)	31.12.2012	Write-downs	Write-ups/ Reclassification	Other change	31.12.2013
Brembo SGL Carbon Ceramic Brakes S.p.A.	20,331	1,409	0	17	21,757
Innova Tecnologie S.r.l.	0	(38)	38	0	0
Petroceramics S.p.A.	169	0	0	0	169
Total	**20,500**	**1,371**	**38**	**17**	**21,926**

The shareholding in Innova Tecnologie S.r.l. was reduced to zero at 31 December 2012 and further written down by an additional €38 thousand to account for losses for the year, as recognised in “Non-current provisions”, for a total amount attributable to Brembo of €388 thousand. It should be noted that the movements illustrated above refer to the period 1 January 2013 – 30 September 2013, i.e., the date of the latest financial statements of the Innova company that were made available to Brembo S.p.A.

The shareholding in Brembo SGL Carbon Ceramic Brakes S.p.A. was tested for impairment; value in use was determined for the purpose according to the free operating cash flow method. The calculation was based on the BSCCB Group's five-year plans, approved by the competent bodies, and thus using a WACC of 8.5% and a growth rate of 1.5%. The foregoing analysis did not detect any impairment loss. In the event of a change in the WACC from 8.5% to 9% and the growth rate from 1% to 0.5% (or from 1.5% to 1%), the shareholding would not have become impaired.

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

Associate companies under common control

		Gruppo Brembo SGL Carbon Ceramic Brakes	
		31.12.2013	31.12.2012
	Country	**Italy**	**Italy**
(euro thousand)	***% ownership***	***50%***	***50%***
Non-current assets		10,720	8,351
Current assets		19,957	19,787
Non-current liabilities		(1,429)	(1,353)
Current liabilities		(8,412)	(7,311)
Equity (including net result for the year)		(20,836)	(19,474)
Revenues		41,299	34,635
Costs		(39,813)	(34,774)

AP Racing.
Formula 1 clutch,
2008.

Other associate companies

		31.12.2013		31.12.2012	
		Innova Tecnologie S.r.l.	Petroceramics S.p.A.	Innova Tecnologie S.r.l.	Petroceramics S.p.A.
	Country	***Italy***	***Italy***	***Italy***	***Italy***
(euro thousand)	***% ownership***	***30%***	***20%***	***30%***	***20%***
Assets		2,569	532	2,526	444
Liabilities		(2,762)	(199)	(2,681)	(130)
Equity (Including net result for the year)		193	(333)	155	(314)
Revenues		46	382	77	351
Net result for the year		(38)	39	(56)	44

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

This item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Shareholdings in other companies	99	99
Other	117	78
Total	**216**	**177**

"Shareholdings in other companies" mainly includes the 10% interest in International Sport Automobile S.a.r.l. and 1.20% interest in Fuji Co.

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

5. Receivables and Other Non-current Assets

This item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Receivables from others	6,293	3,743
Income tax receivables	717	180
Non-income tax receivables	34	34
Total	**7,044**	**3,957**

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

Tax receivables mostly refer to applications for tax reimbursements.

6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 31 December 2013 is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Deferred tax assets	46,923	37,333
Deferred tax liabilities	(12,540)	(8,303)
Total	**34,383**	**29,030**

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 and other consolidation adjustments.

Movements for the year are reported in the following table:

(euro thousand)	31.12.2013	31.12.2012
Balance at beginning of year	**29,030**	**14,898**
Deferred tax liabilities generated	(6,022)	(2,956)
Deferred tax assets generated	19,583	14,750
Use of deferred tax assets and liabilities	(6,568)	(1,271)
Exchange rate fluctuations	(1,225)	1,630
Tax rate changes	(126)	0
Reclassification	(166)	0
Other movements	(123)	1,979
Balance at end of year	**34,383**	**29,030**

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

	Assets		Liabilities		Net	
(euro thousand)	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Property, plant, equipment and other equipment	7,946	6,204	18,166	13,720	(10,220)	(7,516)
Development costs	0	0	129	215	(129)	(215)
Goodwill and other assets with indefinite useful lives	0	0	132	183	(132)	(183)
Other intangible assets	2	14	986	751	(984)	(737)
Other financial assets	0	0	130	130	(130)	(130)
Trade receivables	2,037	1,364	210	354	1,827	1,010
Inventories	7,857	5,463	4	0	7,853	5,463
Other receivables and current assets	323	127	190	2	133	125
Financial liabilities	(135)	(56)	0	0	(135)	(56)
Other financial liabilities	901	489	(115)	308	1,016	181
Provisions for contingencies and charges	3,122	2,533	0	3	3,122	2,530
Provisions for employee benefits	3,401	4,905	1,557	1,697	1,844	3,208
Trade payables	562	9	0	(5)	562	14
Other liabilities	2,717	1,950	0	272	2,717	1,678
Other	20,361	19,477	520	444	19,841	19,033
Tax losses	7,198	4,625	0	0	7,198	4,625
Compensation balance between deferred tax assets and liabilities	(9,369)	(9,771)	(9,369)	(9,771)	0	0
Total	**46,923**	**37,333**	**12,540**	**8,303**	**34,383**	**29,030**

The provision for 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 50% of its investments from its current taxes owed through 2020. Based on the new investments made during the year, the company calculated the estimate of benefit recovery for the year also on the basis of the estimate of the benefit that can be used over a three-year timeframe, which is the reference period of the plans drawn up by the company. At 31 December 2013, the company recognised deferred tax assets of PLN 74,919 thousand (€18,034 thousand) under the item “Other” in the table on the previous page.

Brembo Czech Sro., BNBS Co. Ltd., Brembo do Brasil Ltda, Brembo Argentina S.A. and La.Cam S.r.l. recognised deferred tax assets on their losses for the current and previous years for a total of €7,198 thousand, basing their assessment of the satisfaction of requirements for future recoverability of such assets on updated strategic plans.

In addition, it should be noted that:

- Brembo Czech Sro. did not recognise a potential future tax benefit of CZK 368.2 million (approximately €13.4 million), valid until 2018, and there is no certain evidence that the aforementioned benefits may be used before they expire on the basis of current forecasts;
- BNF Co. Ldt. did not recognise deferred tax assets for RMB 46.8 million (approximately €5.6 million) calculated based on tax loss carryforwards amounting to RMB 187.3 million (€22.4 million);
- Sabelt S.p.A. did not recognise deferred tax assets for €2.8 million, calculated based on tax loss carryforwards amounting to €10.2 million;
- unrecognised taxes of Corporación Upwards ‘98 SA based on tax loss carryforwards amounting to €1.9 million totalled €0.6 million;
- at 31 December 2013, no deferred tax liabilities were recognised for taxes on undistributed profits of subsidiaries, associates or joint ventures, as currently the Group does not deem that such profits will be distributed in the foreseeable future.

Brembo system shown on the Grand Cherokee Jeep.

7. Inventories

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

(euro thousand)	31.12.2013	31.12.2012
Raw materials	77,267	74,522
Work in progress	45,146	42,990
Finished products	74,926	79,033
Goods in transit	11,624	10,542
Total	**208,963**	**207,087**

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

(euro thousand)	31.12.2012	Provisions	Use/ Release	Exchange rate fluctuations	31.12.2013
Inventory write-down provision	19,447	11,598	(2,562)	(279)	28,204

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

8. Trade Receivables

At 31 December 2013, the balance of trade receivables compared to the previous year was as follows:

(euro thousand)	31.12.2013	31.12.2012
Trade receivables	249,413	200,336
Receivables from associate companies and joint ventures	2,112	1,979
Total	**251,525**	**202,315**

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

Receivables from associate companies and joint ventures are broken down in Attachment 2.

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

At the end of 2013, the factored receivables amounted to €30,948 thousand (€34,253 thousand at 31 December 2012).

Trade receivables are recognised net of the provision for bad debts, which amounted to €4,199 thousand. Movements in the provision are shown in the following table:

(euro thousand)	31.12.2012	Provisions	Use/Release	Exchange rate fluctuations	31.12.2013
Provision for bad debts	5,088	1,282	(2,076)	(95)	4,199

New La.Cam plant in Sellero (Italy).

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

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

The approach taken to presenting the credit quality of financial assets is a distinction between listed and unlisted clients (excluding a net negative amount of €22,156 thousand in credit notes and invoices to be issued at 31 December 2013). Listed customers are customers that are listed on a stock market, directly or indirectly controlled by a listed company or closely connected to listed companies.

(euro thousand)	31.12.2013	31.12.2012
Listed clients	168,936	148,085
Unlisted clients	108,944	77,921
Total	**277,880**	**226,006**

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

Listed clients

(euro thousand)	31.12.2013	Write-down 2013	31.12.2012	Write-down 2012
Current	139,755	1	133,275	78
Expired by 0 to 30 days	5,818	6	917	–
Expired by 30 to 60 days	8,792	–	2,955	43
Expired by over 60 days	14,571	1,260	10,938	1,567
Total	**168,936**	**1,267**	**148,085**	**1,688**
% Ratio of expired receivables not written down to total exposure	16,5%		8,9%	
Total expired receivables, not written down	**27,915**		**13,200**	

Unlisted clients

(euro thousand)	31.12.2013	Write-down 2013	31.12.2012	Write-down 2012
Current	95,024	6	71,458	17
Expired by 0 to 30 days	5,337	–	764	–
Expired by 30 to 60 days	2,323	–	809	62
Expired by over 60 days	6,260	2,926	4,890	3,321
Total	**108,944**	**2,932**	**77,921**	**3,400**
% Ratio of expired receivables not written down to total exposure	10,1%		4,0%	
Total expired receivables, not written down	**10,994**		**3,080**	

Expired receivables from listed clients mainly refer to leading car manufacturers, and almost all the related repayment plans were defined at the beginning of 2014.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2014.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Income tax receivables	6,693	9,792
Non-income tax receivables	26,556	24,862
Other receivables	9,605	9,807
Total	**42,854**	**44,461**

Tax receivables include the credit recognised by the Parent Company in 2012 in relation to the application for an IRES refund, concerning the non-deductibility for IRAP purposes of personnel costs from 2007 to 2011 (Article 2 of Legislative Decree No. 201/2011) in the amount of €4,149 thousand, and €438 thousand for the application for refund filed in 2013, as well as €545 thousand for other applications for IRES and IRAP refunds related to prior years.

The item "Non-income tax receivables" primarily includes VAT receivables totalling €21.1 million and a receivable for which a refund has been requested in connection with previous years.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Receivables from associate companies	9,233	9,252
Derivatives	387	132
Security deposits	339	467
Other receivables	3	1
Total	**9,962**	**9,852**

The item "Receivables from associate companies" refers to the revolving line of credit granted by the Parent Company to the associate Innova Tecnologie S.r.l. Derivatives refer to CNY and USD forward exchange rate hedges underwritten during the year.

11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	31.12.2013	31.12.2012
Bank and postal accounts	105,981	115,475
Cash-in-hand and cash equivalents	111	127
Total cash and cash equivalents	**106,092**	**115,602**
Payables to banks: ordinary current accounts and foreign currency advances	(63,581)	(74,457)
Cash and cash equivalents from Statement of cash flows	**42,511**	**41,145**

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

12. Equity

Group consolidated equity at 31 December 2013 increased by €41,008 thousand compared to 31 December 2012. Movements for the year are given in the relevant statement.

Share Capital

The subscribed share capital of the Parent Company is fully paid up and amounted to €34,728 thousand at 31 December 2013. It is divided into 66,784,450 ordinary shares with a nominal value of €0.52 each.

The table below shows the composition of the share capital and a reconciliation of the number of shares outstanding at 31 December 2012 and 31 December 2013:

(No. of shares)	31.12.2013	31.12.2012
Ordinary shares issued	66,784,450	66,784,450
Own shares	(1,747,000)	(1,747,000)
Total shares outstanding	**65,037,450**	**65,037,450**

As part of Brembo's buy-back plan, in 2013 the Company neither purchased nor sold own shares

Other Reserves and Retained Earnings/(Losses)

The resolution by the General Shareholders' Meeting of the Parent Company, Brembo S.p.A., of 23 April 2013, allocating the net profit for 2012 of €35,269 thousand as follows, has been executed:

- a gross dividend for shareholders of €0.4 per ordinary share outstanding, for a total of €26,015 thousand, paid on 16 May 2013;
- the remaining amount carried forward.

Share Capital and Reserves of Minority Interests

The main changes in this item are related to the change in the translation reserve and the acquisition of 100% of BNBS Co. Ldt., as well as Brembo Argentina S.A., as illustrated above under section Scope of Consolidation.

13. Financial Debt and Derivatives

This item is broken down as follows:

	31.12.2013			31.12.2012		
(euro thousand)	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Payables to banks:						
– ordinary current accounts and advances	63,581	0	63,581	74,457	0	74,457
– loans	107,962	250,328	358,290	96,314	255,320	351,634
Total	**171,543**	**250,328**	**421,871**	**170,771**	**255,320**	**426,091**
Payables to other financial institutions	5,616	8,845	14,461	4,604	15,000	19,604
Derivatives	172	39	211	294	159	453
Total	**5,788**	**8,884**	**14,672**	**4,898**	**15,159**	**20,057**

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

(euro thousand)	Original amount	Amount at 31.12.2012	Amount at 31.12.2012	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:						
San Paolo IMI loan Law 346/88 (reinforced aluminium project)	3,091	(104)	(104)	(104)	0	0
UBI loan (€25 million)	25,000	2,797	0	0	0	0
San Paolo IMI loan Law 100 (China project)	4,653	1,391	461	461	0	0
Centrobanca 1 loan (€25 million)	25,000	3,748	0	0	0	0
Centrobanca 2 loan (€25 million)	25,000	6,242	1,250	1,250	0	0
Centrobanca 3 loan (€30 million)	30,000	21,379	12,839	8,602	4,237	0
Creberg loan (€50 million)	50,000	24,961	14,985	10,024	4,961	0
Unicredit loan (€50 million)	50,000	9,994	0	0	0	0
Unicredit loan (€10 million)	10,000	6,240	3,746	2,506	1,240	0
UBI loan (€25 million)	25,000	20,044	15,043	5,098	9,945	0
Intesa San Paolo UK loan (€30 million)	30,000	24,896	14,956	10,100	4,856	0
Intesa San Paolo UK loan (€50 million)	50,000	29,805	19,906	10,101	9,805	0
Banca Popolare di Sondrio loan (€25 million)	25,000	24,938	21,835	6,272	15,563	0
Mediobanca loan (€35 million)	35,000	34,838	34,909	73	34,836	0
Intesa San Paolo loan (€50 million)	50,000	50,040	0	0	0	0
2013 UBI loan	30,000	0	24,255	7,380	16,875	0
Mediobanca loan (€50 million)	50,000	0	49,607	(393)	50,000	0
Intesa San Paolo NY credit line	7,029	7,586	14,507	14,507	0	0
Intesa San Paolo NY loan	16,982	5,421	2,593	2,593	0	0
Unicredit NY loan (USD 25 million)	18,270	0	18,137	3,725	14,412	0
Unicredit NY loan (€40 million)	40,000	0	39,997	8,197	31,800	0
EIB loan	20,000	833	0	0	0	0
Citibank Shanghai loan (RMB 200 million)	22,727	15,474	10,883	4,353	6,530	0
Bank Handlowy loan (€40 million)	40,000	31,111	22,222	8,889	13,333	0
EIB loan (€30 million, New Foundry Project)	30,000	30,000	30,000	3,327	15,242	11,431
Citibank Brazil loan (BRL 5 million)	1,946	0	1,538	3	1,535	0
Bradesco loan (BRL 15 million)	5,006	0	4,725	998	3,727	0
Total payables to banks	**719,704**	**351,634**	**358,290**	**107,962**	**238,897**	**11,431**
Payables to other financial institutions:						
Production Activity Ministry Law 46/82 (CCM Project)	2,371	1,100	846	306	540	0
Finlombarda MIUR Loan	131	0	115	(16)	114	17
Payables to factors	N,A,	0	1,627	1,627	0	0
MCC Law 598 Isofix	120	196	152	44	108	0
MCC Law 598/94 Research	364	105	36	36	0	0
Ministerio Industria España	3,237	2,193	2,306	0	971	1,335
Payables to minority shareholders of Sabelt S.p.A.	3,087	3,582	965	0	965	0
Renault Argentina S.A. loan	797	832	469	195	274	0
FINAME Brembo Do Brasil loans	433	0	297	142	155	0
Payables for leases	54,343	11,596	7,648	3,282	3,618	748
Total payables to other financial institutions	**64,883**	**19,604**	**14,461**	**5,616**	**6,745**	**2,100**
TOTAL	**784,587**	**371,238**	**372,751**	**113,578**	**245,642**	**13,531**

In 2013, the Company also recognised the account payable associated with the put option on a 35% interest in Sabelt S.p.A. held by minority shareholders of Sabelt, amounting to €965 thousand at 31 December 2013, exercisable on or after 1 January 2015 and within a maximum period of five years. The price of the option is linked to financial and operating variables of Sabelt's business.

On 18 December 2013, Brembo S.p.A. and the European Investment Bank (EIB) signed a financing contract for €55 million aimed at supporting the Bergamo-based company's research and development activity in the fields of control of the environmental impact and further reduction of the weight of braking systems. This loan will be disbursed in 2014 and has thus not been included in the above table.

As indicated above, there are several other loans which require the compliance with certain financial covenants. At the reporting date, all of these covenants had been met. At 31 December 2013 there was no financial debt secured by collateral.

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

	31.12.2013			31.12.2012		
(euro thousand)	Instalment	Interest	Principal	Instalment	Interest	Principal
Within 1 year	3,587	305	3,282	4,382	473	3,909
Between 1 and 5 years	3,917	299	3,618	7,338	565	6,773
Beyond 5 years	784	36	748	997	83	914
Total	**8,288**	**640**	**7,648**	**12,717**	**1,121**	**11,596**

The following table provides a breakdown of operating lease instalments:

(euro thousand)	31.12.2013	31.12.2012
Within 1 year	16,150	15,195
Between 1 and 5 years	52,694	49,271
Beyond 5 years	36,792	41,160
Total	**105,636**	**105,626**

The following table shows the structure of debt towards other lenders and loans, broken down by annual interest rate and currency at 31 December 2013:

	Fixed rate	Variable rate	Total
Euro	39,449	280,046	319,495
US Dollar	–	35,237	35,237
Chinese Renmimbi	–	10,883	10,883
Argentine Peso	472	76	548
Japanese Yen	10	–	10
Brazilian Real	1,853	4,725	6,578
Total	**41,784**	**330,967**	**372,751**

The average variable rate applicable to the Group's debt is 2.60% and the average fixed rate is 2.90%.

Since 2010 there has been an outstanding held-for-trading IRS (notional value €1,500 thousand). The contract was entered into by the consolidated company Sabelt S.p.A. and had a negative fair value of €15 thousand at 31 December 2013. As the instrument does not qualify for hedge accounting, changes in fair value are recognised in the Statement of income.

In 2012, the Brembo Group entered into a second IRS directly with the Parent Company, Brembo S.p.A., for a remaining notional amount of €20 million at 31 December 2013, hedging the interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge). The €218 thousand change in fair value at 31 December 2013 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)	31.12.2013
Balance at beginning of year	**(377)**
Movements from reserve for fair value	8
Movements form reserve for payment/collection of differentials	210
Balance at end of year	**(159)**

Homer plant, Michigan (USA). Disc processing.

Net Financial Position

The following table shows the breakdown of the net financial position at 31 December 2013 (€320,489 thousand), and at 31 December 2012 (€320,694 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

(euro thousand)		31.12.2013	31.12.2012
A	Cash	111	127
B	Other cash equivalents	105,981	115,475
C	Derivatives and securities held for trading	387	132
D	**LIQUIDITY (A+B+C)**	**106,479**	**115,734**
E	Current financial receivables	9,575	9,720
F	Current payables to banks	63,581	74,457
G	Current portion of non-current debt	107,962	96,314
H	Other current financial debts and derivatives	5,788	4,898
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**177,331**	**175,669**
J	**NET CURRENT FINANCIAL DEBT (I–E–D)**	**61,277**	**50,215**
K	Non-current payables to banks	250,328	255,320
L	Bonds issued	0	0
M	Ohter non-current financial debts and derivatives	8,884	15,159
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**259,212**	**270,479**
O	**NET FINANCIAL DEBT (J+N)**	**320,489**	**320,694**

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

14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Social security payables	669	18
Payables to employees	3,463	564
Other payables	821	9
Total	**4,953**	**591**

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


The New Light Disc
weighs 15% less
than a traditional disc
Light
disc
-15%

15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2012	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	31.12.2013
Provisions for contingencies and charges	7,732	2,726	(4,390)	(335)	73	5,806
Provision for loss replenishment in associate companies	350	38	0	0	0	388
Total	**8,082**	**2,764**	**(4,390)**	**(335)**	**73**	**6,194**

Provisions for contingencies and charges totalled €5,806 thousand, including product guarantees, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway. The item Provision for loss replenishment in associate companies, amounting to €388 thousand, includes the provision linked to the valuation of the interest in Innova Tecnologie S.r.l. using the equity method, as previously mentioned in **Note 3**.

Car sector.
New light disc.

16. Provisions for Employee Benefits

Group companies provide post-employment benefits through defined contribution plans or defined benefit plans.

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

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

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

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

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

(euro thousand)	31.12.2012	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Actuarial gains (losses) fluctuations	31.12.2013
Employees’ leaving entitlement	21,389	0	(774)	688	0	(491)	20,812
Defined benefit plans and other long-term benefits	4,727	859	(797)	223	(173)	242	5,081
Defined contribution plans	587	2,788	(2,206)	0	(23)	0	1,146
Total	**26,703**	**3,647**	**(3,777)**	**911**	**(196)**	**(249)**	**27,039**

The balances at 31 December 2013 are shown below:

Defined benefit plans

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
A. Change in defined benefit obligation												
1. Defined benefit obligation at end of prior year	21,389	18,571	25,072	23,460	405	336	274	319	396	321	171	224
2. Service cost												
Current service cost	0	0	0	0	45	44	0	0	66	80	70	71
Past service cost	0	0	777	0	(19)	0	0	0	0	0	0	0
3. Interest expense	688	838	1,101	1,124	32	27	0	0	31	26	2	2
4. Cash flows												
Benefit payments from plan	0	0	(1,125)	(455)	0	0	0	0	(9)	(2)	0	0
Benefit payments from employer	(774)	(1,333)	0	0	(10)	0	(75)	(43)	(2)	(11)	(12)	(102)
Settlement payments from plan	0	0	0	0	0	0	(201)	0	0	0	0	0
5. Other significant events												
Increase (decrease) due to effect of any business combinations / divestitures / transfers	0	424	0	0	0	0	0	0	0	0	0	0
6. Remeasurements												
Effect of changes in demographic assumptions	0	0	0	0	0	0	0	0	(42)	0	0	0
Effect of changes in financial assumptions	(491)	2,781	2,709	1,953	(16)	21	0	0	(1)	9	0	0
Effect of experience adjustments	0	108	(762)	(1,556)	0	(39)	0	0	(26)	(5)	0	0
7. Effect of changes in foreign exchange rates	0	0	(482)	546	(17)	16	2	(2)	(61)	(22)	(42)	(24)
8. Defined benefit obligation at end of year	20,812	21,389	27,290	25,072	420	405	0	274	352	396	189	171

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
B. Change in fair value of plan assets												
1. Fair value of plan assets at end of prior year	0	0	21,519	19,642	0	0	0	0	72	53	0	0
2. Interest income	0	0	937	949	0	0	0	0	6	6	0	0
3. Cash flows												
Employer contributions	0	0	497	493	0	0	0	0	12	23	0	0
Employer direct benefit payments	774	1,333	0	0	10	0	0	0	2	11	0	0
Benefit payments from plan	0	0	(1,125)	(455)	0	0	0	0	(9)	(2)	0	0
d. Benefit payments from employer	(774)	(1,333)	0	0	(10)	0	0	0	(2)	(11)	0	0
5. Remeasurements												
a. Return on plan assets (excluding interest income)	0	0	1,686	436	0	0	0	0	2	(3)	0	0
6. Effect of changes in foreign exchange rates	0	0	(415)	454	0	0	0	0	(12)	(5)	0	0
7. Fair value of plan assets at end of year	0	0	23,099	21,519	0	0	0	0	71	72	0	0
E. Amounts recognized in the statement of financial position												
1. Defined benefit obligation	20,812	21,389	27,290	25,072	420	405	0	274	352	396	189	171
2. Fair value of plan assets	0	0	(23,099)	(21,519)	0	0	0	0	(71)	(72)	0	0
3. Funded status	20,812	21,389	4,191	3,553	420	405	0	274	281	324	189	171
5. Net liability (asset)	20,812	21,389	4,191	3,553	420	405	0	274	281	324	189	171

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
F. Components of defined benefit cost												
1. Service cost												
Current service cost	0	0	0	0	45	44	0	0	66	80	70	71
Past service cost	0	0	777	0	(19)	0	0	0	0	0	0	0
Total service cost	0	0	777	0	26	44	0	0	66	80	70	71
2. Net interest cost												
Interest expense on DBO	688	838	1,101	1,124	32	27	0	0	31	26	2	2
Interest (income) on plan assets	0	0	(937)	(949)	0	0	0	0	(6)	(6)	0	0
Total net interest cost	688	838	164	175	32	27	0	0	25	20	2	2
3. Remeasurements of Other Long Term Benefits	0	0	0	0	1	4	0	0	(69)	(4)	0	0
5. Defined benefit cost included in P&L	**688**	**838**	**941**	**175**	**59**	**75**	**0**	**0**	**22**	**96**	**72**	**73**
6. Remeasurements (recognized in other comprehensive income)												
Effect of changes in demographic assumptions	0	0	0	0	0	0	0	0	1	0	0	0
Effect of changes in financial assumptions	(491)	2,781	2,709	1,953	(14)	20	0	0	14	4	0	0
Effect of experience adjustments	0	108	(762)	(1,556)	(3)	(42)	0	0	(15)	4	0	0
(Return) on plan assets (excluding interest income)	0	0	(1,686)	(436)	0	0	0	0	(2)	3	0	0
Total remeasurements included in OCI	**(491)**	**2,889**	**261**	**(39)**	**(17)**	**(22)**	**0**	**0**	**(2)**	**11**	**0**	**0**
7. Total defined benefit cost recognized in P&L and OCI	**197**	**3,727**	**1,202**	**136**	**42**	**53**	**0**	**0**	**20**	**107**	**72**	**73**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
G. Net defined benefit liability (asset) reconciliation												
1. Net defined benefit liability (asset)	21,389	18,571	3,553	3,818	405	336	274	319	324	268	171	224
2. Defined benefit cost included in P&L	688	838	941	175	59	75	0	0	22	96	72	73
3. Total remeasurements included in OCI	(491)	2,889	261	(39)	(17)	(22)	0	0	(2)	11	0	0
4. Other significant events												
a. Net transfer in/(out) (including the effect of any business combinations/divestitures)	0	424	0	0	0	0	0	0	0	0	0	0
5. Cash flows												
Employer contributions	0	0	(497)	(493)	0	0	0	0	(12)	(23)	0	0
Employer direct benefit payments	(774)	(1,333)	0	0	(10)	0	(75)	(43)	(2)	(11)	(12)	(102)
Settlement payments from plan	0	0	0	0	0	0	(201)	0	0	0	0	0
6. Credit to reimbursements	0	0	0	0	0	0	0	0	0	0	0	0
7. Effect of changes in foreign exchange rates	0	0	(67)	92	(17)	16	2	(2)	(49)	(17)	(42)	(24)
8. Net defined benefit liability (asset) as of end of year	**20,812**	**21,389**	**4,191**	**3,553**	**420**	**405**	**0**	**274**	**281**	**324**	**189**	**171**
H. Defined benefit obligation												
1. Defined benefit obligation by participant status												
Actives	20,812	21,389	0	25,072	417	405	0	0	352	396	0	0
Vested deferreds	0	0	16,602	0	0	0	0	0	0	0	0	0
Retirees	0	0	10,688	0	0	0	0	0	0	0	0	0
Total	**20,812**	**21,389**	**27,290**	**25,072**	**417**	**405**	**0**	**0**	**352**	**396**	**0**	**0**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
I. Plan assets												
1. Fair value of plan assets												
Cash and cash equivalents	0	0	49	0	0	0	0	0	0	0	0	0
Equity instruments	0	0	14,271	0	0	0	0	0	0	0	0	0
Debt instruments	0	0	8,779	0	0	0	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	0	0	64	0	0	0
Total	**0**	**0**	**23,099**	**21,519**	**0**	**0**	**0**	**0**	**72**	**72**	**0**	**0**
				Unallocated assets: 21,519					Unallocated assets: 8	Unallocated assets: 72		
2. Fair value of plan assets with a quoted market price												
Cash and cash equivalents	0	0	49	0	0	0	0	0	0	0	0	0
Equity instruments	0	0	14,271	0	0	0	0	0	0	0	0	0
Debt instruments	0	0	8,779	0	0	0	0	0	0	0	0	0
Total	**0**	**0**	**23,099**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
J. Significant actuarial assumptions												
Weighted-average assumptions to determine benefit obligations												
1. Discount rate	3.50%	3.30%	4.65%	4.60%	8.00%	7.75%	N/A	N/A	9.10%	8.20%	N/A	N/A
2. Rate of salary increase	N/A	N/A	N/A	N/A	4.50%	4.50%	N/A	N/A	11.00%	8.00%	N/A	N/A
3. Rate of price inflation	2.00%	2.00%	3.35%	2.70%	3.50%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4. Rate of pension increases	N/A	N/A	3.25%	2.60%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Weighted-average assumptions to determine defined benefit cost												
1. Discount rate	3.30%	3.85%-4.6%	4.60%	4.70%	7.75%	7.60%	N/A	N/A	8.20%	8.40%	N/A	N/A
2. Rate of salary increase	N/A	N/A	N/A	N/A	4.50%	4.00%	N/A	N/A	8.00%	8.00%	N/A	N/A
3. Rate of price inflation	2.00%	2.00%	2.70%	3.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4. Rate of pension increases	N/A	N/A	0	2.90%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

By applying a uniform change in the discount rate by ± 25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €1.9 million compared to the base liabilities value of €49 million.

The average duration of the plans is 15.45 years.

17. Trade Payables

At 31 December 2013, trade payables were as follows:

(euro thousand)	31.12.2013	31.12.2012
Trade payables	287,979	243,252
Payables to associates and joint ventures	13,606	4,011
Total	**301,585**	**247,263**

Attachment 2 provides a breakdown of payables to associates and joint ventures.

18. Tax Payables

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

(euro thousand)	31.12.2013	31.12.2012
Tax payables	4,122	4,849

19. Other Current Payables

Other current payables at 31 December 2013 are shown below:

(euro thousand)	31.12.2013	31.12.2012
Tax payables other than current taxes	8,014	6,888
Social security payables	13,355	14,650
Payables to employees	31,505	34,877
Other payables	23,987	27,711
Total	**76,861**	**84,126**

Compared to 2012, the items Payables to employees, Social security payables and other payables do not include the amount of the 2013-2015 three-year incentive plan, which has been classified in Other non-current liabilities as explained in Note 14.

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

CONSOLIDATED STATEMENT OF INCOME

20. Sales of Goods and Services

Breakdown of sales of goods and services was as follows:

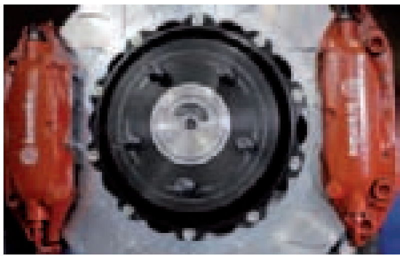
(euro thousand)	31.12.2013	31.12.2012
Italy	212,114	207,677
Abroad	1,354,029	1,180,960
Total	**1,566,143**	**1,388,637**

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

21. Other Revenues and Income

These are made up of:

(euro thousand)	31.12.2013	31.12.2012
Miscellaneous recharges	6,594	6,130
Gains on disposal of assets	854	2,777
Miscellaneous grants	2,062	1,216
Other revenues	5,308	4,762
Total	**14,818**	**14,885**



Disc with 4-piston high-performance double caliper fitted on the 1969 Dodge Charger Daytona, star of the film Fast & Furious 6.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the year, amounting to €11,154 thousand (€11,499 thousand in 2012).

23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Purchase of raw materials, semi-finished and finished products	725,576	653,192
Purchase of consumables	77,251	62,192
Total	**802,827**	**715,384**

24. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Transports	42,883	37,681
Maintenance, repairs and utilities	77,480	71,264
Contracted work	58,906	54,498
Rent	26,355	23,270
Other operating costs	69,144	63,389
Total	**274,768**	**250,102**

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

25. Personnel Expenses

Breakdown of personnel expenses is as follows:

(euro thousand)	31.12.2013	31.12.2012
Wages and salaries	212,588	199,005
Social security contributions	50,984	47,905
Employees' leaving entitlement and other personnel provisions	10,328	8,997
Other costs	28,528	21,919
Total	**302,428**	**277,826**

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

	Managers	White-collars	Blue-collars	Total
2013 average	112	2,186	4,787	**7,085**
2012 average	116	2,184	4,524	**6,824**
Changes	**-4**	**2**	**263**	**261**
Total at 31 December 2013	110	2,260	4,871	**7,241**
Total at 31 December 2012	114	2,204	4,619	**6,937**
Changes	**-4**	**56**	**252**	**304**

26. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Amortisation of intangible assets:		
Development costs	10,138	8,291
Industrial patents and similar rights for original work	1,506	1,481
Licences, trademarks and similar rights	355	631
Other intangible assets	5,316	5,218
Total	**17,315**	**15,621**
Depreciation of property, plant and equipment:		
Buildings	7,229	5,880
Leased buildings	458	562
Plant and machinery	52,569	45,717
Leased plant and machinery	1,301	1,550
Industrial and commercial equipment	8,450	8,010
Leased industrial and commercial equipment	3	7
Other property, plant and equipment	2,296	2,315
Other leased property, plant and equipment	21	32
Total	**72,327**	**64,073**
Impairment losses:		
Property, plant and equipment	426	79
Intangible assets	586	2,393
Total	**1,012**	**2,472**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**90,654**	**82,166**

Comments on impairment losses are provided in the notes to the Statement of financial position items.

4-piston caliper for Corvette Stingray.

27. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Exchange rate gains	31,458	60,763
Interest income from employee's leaving entitlement and other personnel provisions	937	949
Interest income	5,032	5,334
Total interest income	**37,427**	**67,046**
Exchange rate losses	(38,724)	(55,649)
Interest expense from employees' leaving entitlement and other personnel provisions	(1,848)	(2,012)
Interest expense	(15,301)	(15,861)
Total interest expense	**(55,873)**	**(73,522)**
TOTAL NET INTEREST INCOME (EXPENSE)	**(18,446)**	**(6,476)**

Net Interest income (expense) also include the effect of an adjustment to the estimate of the amount due in relation to the put option on 35% of the capital of Brembo Sabelt S.p.A., granted to the minority shareholders under the agreements in force. The amount totalled €2,617 thousand (in 2012 interest income amounted to €296 thousand) and is recognised under "Interest income."

Sabelt RH-110 helmet, with intercom.

28. Interest Income (Expense) from Investments

An analysis of the item is provided in the comment on the item of the Statement of financial position presented in **Note 3** above.

29. Taxes

This item is broken down as follows:

(euro thousand)	31.12.2013	31.12.2012
Current taxes	23,178	19,124
Deferred tax assets and liabilities	(6,993)	(10,523)
Estimated tax payables and taxes of previous years	(903)	(3,513)
Total	**15,282**	**5,088**

30. Earnings per Share

Basic earnings per share were €1.36 at 31 December 2013 (€1.19 at December 2012), and were calculated dividing the net result for the year attributable to holders of ordinary equity instruments of the Parent Company by the weighted average number of ordinary shares outstanding in 2013, amounting to 65,231,002 (65,231,002 at December 2012). The weighted average did not change since no share capital transactions took place during the reporting year.

Diluted earnings per share are identical to base earnings per share inasmuch as no diluting transactions were undertaken.

31. Related Parties

The Group carries out transactions with parent companies, subsidiaries, associate companies, joint ventures (for a list, see Attachments 1 and 2), directors, key management personnel and other related parties. The Parent Company Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.522% of its share capital. Brembo did not engage in dealings with its parent in 2013, except for the dividend distribution.

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

	2013		2012	
(euro thousand)	Directors	Auditors	Directors	Auditors
Emoluments for the office held	2,030	196	1,730	196
Salaries and other incentives	3,860	0	2,679	0

The item "Salaries and other incentives" includes the estimate of the cost of the 2013-2015 plan accrued in 2013, compensation paid as salaries for the function of employee and provisions for bonuses still to be paid.

Attachment 5 contains a summary of related party transactions as they relate to balances of the Statement of financial position and Statement of income.

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

32. Segment Report

The Group identified the following reportable operating segments based on the qualitative and quantitative criteria specified in the related standard (IFRS 8):

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

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

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in 2013 who accounted for over 10% of consolidated net revenues. None of the single car manufacturers comprising such groups exceeded this limit.

The following table shows segment information on sales of goods and services and results at 31 December 2013 and 31 December 2012:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Sales	1,578,646	1,404,547	1,343,659	1,181,654	257,414	246,628	(6,054)	(8,090)	(16,373)	(15,645)
Allowances and discounts	(17,705)	(18,416)	(6,009)	(7,060)	(11,690)	(11,353)	0	0	(6)	(3)
Net sales	**1,560,941**	**1,386,131**	**1,337,650**	**1,174,594**	**245,724**	**235,275**	**(6,054)**	**(8,090)**	**(16,379)**	**(15,648)**
Transport costs	18,476	15,292	14,284	11,196	4,192	4,096	0	0	0	0
Variable production costs	1,042,573	931,908	905,559	802,572	157,548	152,472	(6,054)	(8,090)	(14,480)	(15,046)
Contribution margin	**499,892**	**438,931**	**417,807**	**360,826**	**83,984**	**78,707**	**0**	**0**	**(1,899)**	**(602)**
Fixed production costs	214,894	196,044	194,034	176,001	19,931	19,496	(6)	(6)	935	553
Production gross operating income	**284,998**	**242,887**	**223,773**	**184,825**	**64,053**	**59,211**	**6**	**6**	**(2,834)**	**(1,155)**
BU personnel costs	100,021	96,938	62,140	61,019	32,833	33,398	0	0	5,048	2,521
BU gross operating income	**184,977**	**145,949**	**161,633**	**123,806**	**31,220**	**25,813**	**6**	**6**	**(7,882)**	**(3,676)**
Costs for Central Functions	59,432	54,800	42,254	37,520	9,714	10,010	0	0	7,464	7,270
Operating income (loss)	**125,545**	**91,149**	**119,379**	**86,286**	**21,506**	**15,803**	**6**	**6**	**(15,346)**	**(10,946)**
Extraordinary costs and revenues	(380)	1,285	0	0	0	0	0	0	(380)	1,285
Financial costs and revenues	(19,987)	(7,553)	0	0	0	0	0	0	(19,987)	(7,553)
Income and charges from shareholdings	1,371	(234)	0	0	0	0	0	0	1,371	(234)
Non-operating costs and revenues	(2,164)	(1,794)	0	0	0	0	0	0	(2,164)	(1,794)
Result before taxes	**104,385**	**82,853**	**119,379**	**86,286**	**21,506**	**15,803**	**6**	**6**	**(36,506)**	**(19,242)**
Taxes	(15,282)	(5,088)	0	0	0	0	0	0	(15,282)	(5,088)
Result before minority interests	**89,103**	**77,765**	**119,379**	**86,286**	**21,506**	**15,803**	**6**	**6**	**(51,788)**	**(24,330)**
Minority interests	(87)	80	0	0	0	0	0	0	(87)	80
Net result	**89,016**	**77,845**	**119,379**	**86,286**	**21,506**	**15,803**	**6**	**6**	**(51,875)**	**(24,250)**

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

(euro thousand)	31.12.2013	31.12.2012
SALES OF GOODS AND SERVICES	**1,566,143**	**1,388,637**
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(11,317)	(9,010)
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	449	941
Effect of adjustment of transactions among consolidated companies	517	1,338
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	3,944	3,587
Other	1,205	638
NET SALES	**1,560,941**	**1,386,131**

(euro thousand)	31.12.2013	31.12.2012
NET OPERATING INCOME	**121,438**	**89,543**
Differences in preparation criteria of internal and statutory reports	2,605	1,472
Claim compensation and subsidies	(303)	(679)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	(20)	(122)
Different classification of the provision for receivable write-downs (in the segment report it is included in "Non-operating costs and revenues")	113	0
Different classification of the provision for risks (in the segment report it is included in "Non-operating costs and revenues")	21	29
Different classification of banking expenses (in the segment report it is included in "Financial costs and revenues")	1,563	1,097
Other	128	(191)
OPERATING RESULT	**125,545**	**91,149**

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

Statement of financial position data at 31 December 2013 and 31 December 2012 are provided in the tables below:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Property, plant and equipment	503,142	475,390	459,383	428,401	40,440	42,339	17	11	3,302	4,639
Intangible assets	55,063	59,409	31,750	37,880	17,183	13,821	0	(1,638)	6,130	9,346
Financial assets and other non-current assets/liabilities	69,841	60,918	515	354	0	0	1,064	(399)	68,262	60,963
(a) Total fixed assets	**628,046**	**595,717**	**491,648**	**466,635**	**57,623**	**56,160**	**1,081**	**(2,026)**	**77,694**	**74,948**
Inventories	208,920	206,976	138,063	130,704	73,399	75,276	(101)	(101)	(2,441)	1,097
Current assets	286,809	238,032	222,186	180,690	49,382	40,015	(31,983)	(20,905)	47,224	38,232
Current liabilities	(374,727)	(327,384)	(308,391)	(253,392)	(49,321)	(44,631)	31,983	20,905	(48,998)	(50,266)
Provisions for contingencies and charges and other provisions	(5,457)	(3,620)	0	0	0	0	0	0	(5,457)	(3,620)
(b) Net working capital	**115,545**	**114,004**	**51,858**	**58,002**	**73,460**	**70,660**	**(101)**	**(101)**	**(9,672)**	**(14,557)**
NET INVESTED CAPITAL (a+b)	**743,591**	**709,721**	**543,506**	**524,637**	**131,083**	**126,820**	**980**	**(2,127)**	**68,022**	**60,391**
IAS adjustments	33,144	31,500	32	43	3,947	2,238	0	0	29,165	29,219
NET INVESTED CAPITAL	**776,735**	**741,221**	**543,538**	**524,680**	**135,030**	**129,058**	**980**	**(2,127)**	**97,187**	**89,610**
Group equity	424,350	383,342	0	0	0	0	0	0	424,350	383,342
Minority interests	4,857	10,482	0	0	0	0	0	0	4,857	10,482
(d) Equity	**429,207**	**393,824**	**0**	**0**	**0**	**0**	**0**	**0**	**429,207**	**393,824**
(e) Provisions for employee benefits	**27,039**	**26,703**	**0**	**0**	**0**	**0**	**0**	**0**	**27,039**	**26,703**
Medium/long-term financial debt	259,212	270,479	0	0	0	0	0	0	259,212	270,479
Short-term financial debt	61,277	50,215	0	0	0	0	0	0	61,277	50,215
(f) Net financial debt	**320,489**	**320,694**	**0**	**0**	**0**	**0**	**0**	**0**	**320,489**	**320,694**
(g) COVERAGE (d+e+f)	**776,735**	**741,221**	**0**	**0**	**0**	**0**	**0**	**0**	**776,735**	**741,221**

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

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

33. Commitments

The Group had no commitments at the closing date of the 2013 financial statements.

34. 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 2013 the company has not carried out any atypical and/or unusual transactions, as defined by the said Notice.

35. Significant Events After 31 December 2013

No other significant events occurred after the end of 2013 and up to 6 March 2014.

Stezzano, 6 March 2014

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

M9RS Corse Marchesini Racing wheels with design in PSI, forged in magnesium alloy, for the Ducati 1199 Superlight.


-20
a co-cast disc
weighs 20% less
than a cast iron disc

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Attachment 1

Transactions with Subsidiaries, Associates and Parent Companies (Sales/Purchases)

(euro thousand)

SELLING COMPANY / PURCHASING COMPANY	BREMBO SPA	CORPORACION UPWARDS 98 S.A.	BREMBO POLAND SPOLKA ZO.O.	BREMBO SPOLKA ZO.O.	AP RACING LTD.	BREMBO NORTH AMERICA INC.	BREMBO MEXICO S.A. DE C.V.	BREMBO DO BRASIL LTDA.	BREMBO JAPAN CO. LTD.	BREMBO SCANDINAVIA A.B.	BREMBO CHINA BRAKE SYSTEMS CO. LTD.
BREMBO SPA		39	9,362	3,056	21	3,407	7		781	907	
CORPORACION UPWARDS 98 S.A.	1,768		84								
BREMBO POLAND SPOLKA ZO.O.	12,474	11		2,332		9			8		
BREMBO SPOLKA ZO.O.	11,214 [a)]		1					103			
AP RACING LTD.	577										
BREMBO NORTH AMERICA INC.	27,604		135				44				
BREMBO MEXICO S.A. DE C.V.	1,885			611		2,735					
BREMBO DO BRASIL LTDA.	1,115					37					
BREMBO JAPAN CO. LTD.	2,179										
BREMBO SCANDINAVIA A.B.											
BREMBO CHINA BRAKE SYSTEMS CO. LTD.											
BREMBO NANJING BRAKE SYSTEMS CO. LTD.	428		482	480		20			4		
BREMBO BRAKE INDIA LTD.	2,295										
SABELT SPA	709					262					
BELT & BUCKLE S.R.O.	9										
BREMBO DEUTSCHLAND GMBH	60										
BREMBO CZECH S.R.O.	28,874 [b)]			241		143					
BREMBO NANJING FOUNDRY CO. LTD.	2,167										
QINGDAO BREMBO TRADING CO. LTD.	278										
LA.CAM (LAVORAZIONI CAMUNE) SRL	532		4	93							
BREMBO ARGENTINA S.A.	525							863			
Total consolidated companies	**94,693**	**50**	**10,068**	**6,813**	**21**	**6,613**	**51**	**966**	**793**	**907**	**0**
PETROCERAMICS SPA	301										
BREMBO SGL CARBON CERAMIC BRAKES SPA	3,325										
BREMBO SGL CARBON CERAMIC BRAKES GMBH	5										
INNOVA TECNOLOGIE SRL	245										
Total associate companies	**3,876**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**98,569**	**50**	**10,068**	**6,813**	**21**	**6,613**	**51**	**966**	**793**	**907**	**0**

a) Of which €800 thousand for sales of property, plant and equipment.
b) Of which €1,912 thousand for sales of property, plant and equipment.

BREMBO NANJING BRAKE SYSTEMS CO. LTD.	BREMBO BRAKE INDIA LTD.	SABELT SPA	BELT & BUCKLE S.R.O.	BREMBO DEUTSCHLAND GMBH	BREMBO CZECH S.R.O.	BREMBO NANJING FOUNDRY CO. LTD	QINGDAO BREMBO TRADING CO. LTD.	LA.CAM (LAVORAZIONI CAMUNE) SRL	BREMBO ARGENTINA S.A.	Total consolidated companies	PETROCERAMICS SPA	BREMBO SGL CARBON CERAMIC BRAKES SPA	BREMBO SGL CARBON CERAMIC BRAKES GMBH	INNOVA TECNOLOGIE SRL	Total associate companies	TOTAL
	808	20		221	3,525	5,407	14,712	19,070	1	**61,344**	1,038	24,955	93		**26,086**	**87,430**
										1,852					**0**	**1,852**
						6				**14,840**					**0**	**14,840**
					308			8,451		**20,077**					**0**	**20,077**
								354		**931**					**0**	**931**
					6,394		1,723	11		**35,911**		203			**203**	**36,114**
							523			**5,754**					**0**	**5,754**
									1	**1,153**					**0**	**1,153**
										2,179					**0**	**2,179**
										0					**0**	**0**
						4				**4**					**0**	**4**
					18	26,163	9			**27,604**					**0**	**27,604**
										2,295					**0**	**2,295**
			6,017							**6,988**					**0**	**6,988**
		278								**287**					**0**	**287**
										60					**0**	**60**
								1,144		**30,402**			16,640		**16,640**	**47,042**
							8		2	**2,177**					**0**	**2,177**
						17				**295**					**0**	**295**
					1					**630**					**0**	**630**
										1,388					**0**	**1,388**
0	**808**	**298**	**6,017**	**221**	**10,246**	**31,597**	**16,975**	**29,030**	**4**	**216,171**	**1,038**	**25,158**	**16,733**	**0**	**42,929**	**259,100**
										301		2			**2**	**303**
								80		**3,405**	319		441		**760**	**4,165**
										5		2,264			**2,264**	**2,269**
										245					**0**	**245**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**80**	**0**	**3,956**	**319**	**2,266**	**441**	**0**	**3,026**	**6,982**
0	**808**	**298**	**6,017**	**221**	**10,246**	**31,597**	**16,975**	**29,110**	**4**	**220,127**	**1,357**	**27,424**	**17,174**	**0**	**45,955**	**266,082**

Attachment 2

Transactions with Subsidiaries, Associates and Parent Companies (Receivables/Payables)

(euro thousand)

PURCHASING COMPANY / SELLING COMPANY	BREMBO SPA	CORPORACION UPWARDS 98 S.A.	BREMBO POLAND SPOLKA ZO.O.	BREMBO SPOLKA ZO.O.	AP RACING LTD.	BREMBO NORTH AMERICA INC.	BREMBO MEXICO S.A. DE C.V.	BREMBO DO BRASIL LTDA.	BREMBO JAPAN CO. LTD.	BREMBO SCANDINAVIA A.B.	BREMBO CHINA BRAKE SYSTEMS CO. LTD.
BREMBO SPA		850 k)	60,437 l)	2,376 m)	22	49,842 n)	957 o)	193	187	369	
CORPORACION UPWARDS 98 S.A.	658		84								
BREMBO POLAND SPOLKA ZO.O.	8,899	16		425							
BREMBO SPOLKA ZO.O.	4,113							103			
AP RACING LTD.	359										
BREMBO NORTH AMERICA INC.	9,339 a)		3				37				
BREMBO MEXICO S.A. DE C.V.	1,181			611		424		5			
BREMBO DO BRASIL LTDA.	2,712 b)						641 p)				
BREMBO JAPAN CO. LTD.	493										
BREMBO SCANDINAVIA A.B.											
BREMBO CHINA BRAKE SYSTEMS CO. LTD.											
BREMBO NANJING BRAKE SYSTEMS CO. LTD.	1,446		862	978		17			1		426
BREMBO BRAKE INDIA LTD.	1,170										
SABELT SPA	6,296 c)					129					
BELT & BUCKLE S.R.O.	826 d)										
BREMBO DEUTSCHLAND GMBH	105 e)										
BREMBO CZECH S.R.O.	30,325 f)			169		132					
BREMBO NANJING FOUNDRY CO. LTD.	17,552 g)										
QINGDAO BREMBO TRADING CO. LTD.	173										924
LA.CAM (LAVORAZIONI CAMUNE) SRL	3,757 i)		4	93							
BREMBO ARGENTINA S.A.	1,246							173			
Total consolidated companies	**90,650**	**866**	**61,390**	**4,652**	**22**	**50,544**	**1,635**	**474**	**188**	**369**	**1,350**
PETROCERAMICS SPA	179										
BREMBO SGL CARBON CERAMIC BRAKES SPA	1,936										
BREMBO SGL CARBON CERAMIC BRAKES GMBH											
INNOVA TECNOLOGIE SRL	9,233 j)										
Total associate companies	**11,348**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**101,998**	**866**	**61,390**	**4,652**	**22**	**50,544**	**1,635**	**474**	**188**	**369**	**1,350**

a) Of which €15,000 thousand intercompany loan.
b) Of which €663 thousand finance lease and €6 thousand intercompany loan.
c) Of which €1,928 thousand cash pooling.
d) Of which €1,928 thousand cash pooling.
e) Of which €1,928 thousand cash pooling.
f) Of which €9,252 thousand intercompany loan.
g) Of which €9,252 thousand intercompany loan.
i) Of which €846 thousand cash pooling and €2,508 thousand intercompany loans.
j) Of which €9,252 thousand intercompany loan.
k) Of which €1,928 thousand cash pooling.
l) Of which €1,928 thousand cash pooling.
m) Of which €1,928 thousand cash pooling.
n) Of which € 40,217 thousand intercompany loan and € 8,871 thousand cash pooling.
o) Of which €1,928 thousand cash pooling.
p) Of which €1,111 thousand finance lease.

BREMBO NANJING BRAKE SYSTEMS CO. LTD.	BREMBO BRAKE INDIA LTD.	SABELT SPA	BELT & BUCKLE S.R.O.	BREMBO DEUTSCHLAND GMBH	BREMBO CZECH S.R.O.	BREMBO NANJING FOUNDRY CO. LTD	QINGDAO BREMBO TRADING CO. LTD.	LA.CAM (LAVORAZIONI CAMUNE) SRL	BREMBO ARGENTINA S.A.	Total consolidated companies	PETROCERAMICS SPA	BREMBO SGL CARBON CERAMIC BRAKES SPA	BREMBO SGL CARBON CERAMIC BRAKES GMBH	INNOVA TECNOLOGIE SRL	Total associate companies	TOTAL
	150	887 r)		161	7,437 s)	1,289	2,109	3,044		**130,310**	471	8,590 v)	50		**9,111**	**139,421**
										742					**0**	**742**
										9,340					**0**	**9,340**
					177			2,438		**6,831**					**0**	**6,831**
								41		**400**					**0**	**400**
					1,340		743	11		**11,473**		180			**180**	**11,653**
							129			**2,350**					**0**	**2,350**
									1	**3,354**					**0**	**3,354**
										493					**0**	**493**
										0					**0**	**0**
						4				**4**					**0**	**4**
					18	26,545 t)	9			**30,302**					**0**	**30,302**
										1,170					**0**	**1,170**
			1,514							**7,939**					**0**	**7,939**
		44								**870**					**0**	**870**
										105					**0**	**105**
								265		**30,891**			4,442		**4,442**	**35,333**
51 q)							1,845 u)			**19,448**					**0**	**19,448**
						17				**1,114**					**0**	**1,114**
					1					**3,855**					**0**	**3,855**
										1,419					**0**	**1,419**
51	**150**	**931**	**1,514**	**161**	**8,973**	**27,855**	**4,835**	**5,799**	**1**	**262,410**	**471**	**8,770**	**4,492**	**0**	**13,733**	**276,143**
										179					**0**	**179**
								(3)		**1,933**	188				**188**	**2,121**
										0		7,447 w)			**7,447**	**7,447**
										9,233					**0**	**9,233**
0	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(3)**	**0**	**11,345**	**188**	**7,447**	**0**	**0**	**7,635**	**18,980**
51	**150**	**931**	**1,514**	**161**	**8,973**	**27,855**	**4,835**	**5,796**	**1**	**273,755**	**659**	**16,217**	**4,492**	**0**	**21,368**	**295,123**

(q) Of which €1,928 thousand cash pooling.
(r) Of which €1,928 thousand cash pooling.
s) Of which €1,928 thousand cash pooling.
t) Of which €9,252 thousand intercompany loan.
u) Of which €1,928 thousand cash pooling.
v) Of which €127 thousand security deposits.
w) Of which € 3,000 thousand intercompany loan and € 3,734 cash pooling.

Attachment 3

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

COMPANY	HEADQUARTERS	
Brembo S.p.A.	Curno (Bergamo)	Italy
AP Racing Ltd.	Coventry	United Kingdom
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany
Brembo North America Inc.	Wilmington, Delaware	USA
Brembo Nanjing Foundry Co. Ltd.	Nanjing	China
Brembo Czech S.r.o.	Ostrava-Hrabová	Czech Republic
La.Cam (Lavorazioni Camune) S.r.l.	Stezzano (Bergamo)	Italy
Qingdao Brembo Trading Co. Ltd.	Qingdao	China
Brembo Spolka Zo.o.	Czestochowa	Poland
Brembo Japan Co. Ltd.	Tokyo	Japan
Brembo Poland Spolka Zo.o.	Dabrowa Górnizca	Poland
Brembo Scandinavia A.B.	Göteborg	Sweden
Brembo UK Ltd.	London	United Kingdom
Brembo China Brake Systems Co. Ltd.	Beijing	China
Brembo do Brasil Ltda.	Betim	Brazil
Brembo Brake India Pvt. Ltd.	Pune	India
Brembo Argentina S.A.	Buenos Aires	Argentina
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China
Corporacion Upwards 98 S.A.	Zaragoza	Spain
Sabelt S.p.A.	Turin	Italy
Brembo Mexico S.A. de C.V.	Apodaca	Mexico
Belt & Buckle S.r.o.	Zilina	Slovak Republic
Brembo Mexico S.A. de C.V.	Apodaca	Mexico
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China
Brembo Argentina S.A.	Buenos Aires	Argentina

	SHARE CAPITAL	STAKE HELD BY GROUP COMPANIES	
Eur	34,727,914		
Gbp	135,935	100%	Brembo S.p.A.
Eur	25,000	100%	Brembo S.p.A.
Usd	33,798,805	100%	Brembo S.p.A.
Cny	315,007,990	100%	Brembo S.p.A.
Czk	605,850,000	100%	Brembo S.p.A.
Eur	100,000	100%	Brembo S.p.A.
Cny	1,365,700	100%	Brembo S.p.A.
Pln	15,279,546	100%	Brembo S.p.A.
Jpy	11,000,000	100%	Brembo S.p.A.
Pln	129,600,000	100%	Brembo S.p.A.
Sek	4,500,000	100%	Brembo S.p.A.
Gbp	293,549	100%	Brembo S.p.A.
Cny	125,333,701	100%	Brembo S.p.A.
Brl	17,803,201	99.99%	Brembo S.p.A.
Inr	140,000,000	99.99%	Brembo S.p.A.
Ars	39,171,300	96%	Brembo S.p.A.
Cny	146,446,679	68.88%	Brembo S.p.A.
Eur	498,043	68%	Brembo S.p.A.
Eur	1,000,000	65%	Brembo S.p.A.
Usd	20,428,836	49%	Brembo S.p.A.
Eur	265,551	100%	Sabelt S.p.A.
Usd	20,428,836	51%	Brembo North America Inc.
Cny	146,446,679	31.12%	Brembo China Brake Systems Co. Ltd.
Ars	39,171,300	4%	Brembo do Brasil Ltda.

Attachment 4

List of Companies Valued Using the Equity Method

COMPANY	HEADQUARTERS	
Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano (Bergamo)	Italy
Innova Tecnologie S.r.l.	Almenno S. Bartolomeo (Bergamo)	Italy
Petroceramics S.p.A.	Milan	Italy
Brembo SGL Carbon Ceramic Brakes GmbH	Meitingen	Germany

	SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES
Eur	4,000,000	50%	Brembo S.p.A.
Eur	100,000	30%	Brembo S.p.A.
Eur	123,750	20%	Brembo S.p.A.
Eur	25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.

Attachment 5

Impact of Related Party Transactions

(euro thousand)

a) Weight of transactions or positions with related parties on items of the Statement of financial position	31.12.2013					
		RELATED PARTIES				
	Carrying value	Total	Minority interests	Joint ventures	Unconsolidated investee companies	%
Trade receivables	251,525	3,147	1,035	1,933	179	*1.3%*
Other receivables and current assets	42,854	0	0	0	0	*0.0%*
Current financial assets and derivatives	9,962	9,233	0	0	9,233	*92.7%*
Cash and cash equivalents	106,092	31,818	31,818	0	0	*30.0%*
Non-current payables to banks	(250,328)	(19,385)	(19,385)	0	0	*7.7%*
Other non-current liabilities	(4,953)	(1,844)	(1,844)	0	0	*37.2%*
Provisions for employee benefits	(27,039)	(4,236)	(4,236)	0	0	*15.7%*
Current payables to banks	(171,543)	(41,248)	(41,248)	0	0	*24.0%*
Trade payables	(301,585)	(15,693)	(2,086)	(13,136)	(471)	*5.2%*
Other current liabilities	(76,861)	(1,869)	(1,742)	(127)	0	*2.4%*

b) Weight of transactions or positions with related parties on items of the Statement of income	31.12.2013					
		RELATED PARTIES				
	Carrying value	Total	Minority interests	Joint ventures	Unconsolidated investee companies	%
Sales of goods and services	1,566,143	42,626	42,193	330	103	*2.7%*
Other revenues and income	14,818	3,283	3	3,082	198	*22.2%*
Raw materials, consumables and goods	(802,827)	(42,225)	(52)	(41,819)	(354)	*5.3%*
Other operating costs	(274,768)	(5,654)	(4,949)	(21)	(684)	*2.1%*
Personnel expenses	(302,428)	(4,153)	(4,103)	(50)	0	*1.4%*
Net interest income (expense)	(18,446)	(1,648)	(1,890)	(3)	245	*8.9%*
Interest income (expense) from investments	1,393	21	0	0	21	*1.5%*

31.12.2012						Change				
	RELATED PARTIES						RELATED PARTIES			
Carrying value	Total	Minority interests	Joint ventures	Unconsolidated investee companies	%	Carrying value	Total	Minority interests	Joint ventures	Unconsolidated investee companies
202,315	18,059	16,080	1,938	41	*8.9%*	49,210	(14,912)	(15,045)	(5)	138
44,461	101	101	0	0	*0.2%*	(1,607)	(101)	(101)	0	0
9,852	9,252	0	0	9,252	*93.9%*	110	(19)	0	0	(19)
115,602	63,709	63,709	0	0	*55.1%*	(9,510)	(31,891)	(31,891)	0	0
(255,320)	(29,837)	(29,837)	0	0	*11.7%*	4,992	10,452	10,452	0	0
(591)	0	0	0	0	0.0%	(4,362)	(1,844)	(1,844)	0	0
(26,703)	(285)	(285)	0	0	*1.1%*	(336)	(3,951)	(3,951)	0	0
(170,771)	(37,482)	(37,482)	0	0	*21.9%*	(772)	(3,766)	(3,766)	0	0
(247,263)	(6,221)	(2,210)	(3,748)	(263)	*2.5%*	(54,322)	(9,472)	124	(9,388)	(208)
(84,126)	(7,253)	(7,123)	(130)	0	*8.6%*	7,265	5,384	5,381	3	0

31,12,2012						Change				
	RELATED PARTIES						RELATED PARTIES			
Carrying value	Total	Minority interests	Joint ventures	Unconsolidated investee companies	%	Carrying value	Total	Minority interests	Joint ventures	Unconsolidated investee companies
1,388,637	55,141	54,364	770	7	*4.0%*	177,506	(12,515)	(12,171)	(440)	96
14,885	3,380	5	3,243	132	*22.7%*	(67)	(97)	(2)	(161)	66
(715,384)	(34,812)	(35)	(34,465)	(312)	*4.9%*	(87,443)	(7,413)	(17)	(7,354)	(42)
(250,102)	(4,504)	(3,921)	(29)	(554)	*1.8%*	(24,666)	(1,150)	(1,028)	8	(130)
(277,826)	(2,949)	(2,944)	(5)	0	*1.1%*	(24,602)	(1,204)	(1,159)	(45)	0
(6,476)	(64)	(313)	(3)	252	*1.0%*	(11,970)	(1,584)	(1,577)	0	(7)
(214)	0	0	0	0	*0.0%*	1,607	21	0	0	21

STATUTORY AUDITORS' REPORT

Report of the Board of Statutory Auditors on the Consolidated Financial Statements for the Year Ended 31 December 2013

Shareholders of the Parent Company, Brembo S.p.A., the Statutory Auditors's Report concerns the Brembo Group's consolidated financial statements.

This Report acknowledges the responsibilities assigned to the Board of Statutory Auditors by Legislative Decree No. 58 of 24 February 1998 and Legislative Decree No. 39 of 27 January 2010, and in this regard, it refers to the Report on Operations accompanying the Financial Statements at 31 December 2013 of the Parent Company Brembo S.p.A.

Based on these assumptions, the Board of Statutory Auditors notes as follows:
- it has obtained information and monitored, within the limits of its competence, whether the organisational structure of the company complies with the principles of proper administration. It has obtained information by direct observation, from executives involved in corporate duties, and from meetings with the Independent Auditors Reconta Ernst & Young S.p.A., focused on a mutual exchange of relevant data and information;
- it has received from the Board of Directors, within the time limit prescribed by law, the Annual Financial Report, consisting of the Report on Operations, the separate Financial Statements of the Parent Company Brembo S.p.A. for 2013 and the Consolidated Financial Statements for 2013.
- it has acknowledged that the Consolidated Financial Statements and the Report on Operations have been prepared in compliance with relevant laws;
- it has acknowledged the Independent Auditors's Report issued on 24 March 2014, which does not present any points of issue;
- it has verified that the Financial Statements of the main subsidiary companies have been audited by independent auditors.

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

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2013 were prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2013, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations.

The comparative figures at 31 December 2012 have been restated according to the same principles as those used at 31 December 2013.

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

Statement of financial position

(euro thousand)

Non-current assets	679,648
Current assets	619,396
Non-current assets held for sale and/or disposal Groups	
and/or discontinued operations	–
Total assets	**1,299,044**
Equity and liabilities	
Equity	429,207
Non-current liabilities	309,938
Current liabilities	559,899
Non-current assets held for sale and/or included in discontinued operations	–
Total equity and liabilities	**1,299,044**

Statement of income

(euro thousand)

Gross operating income	212,092
Net operating income	121,438
Result before taxes	104,385
Income before minority interests	89,103
Group net result	**89,016**

In our opinion, the 2013 Consolidated Financial Statements present a fair picture of Brembo Group's equity, financial situation and operating result for the year ended 31 December 2013, in compliance with the above-mentioned accounting standards and regulations for the Consolidated Financial Statements.

Moreover, the Board of Statutory Auditors deems the Directors' Report on Group Operations correct and consistent with the Consolidated Financial Statements.

Stezzano, 24 March 2014

BOARD OF STATUTORY AUDITORS
Sergio Pivato *(Chairman)*
Enrico Colombo *(Auditor)*
Mario Tagliaferri *(Auditor)*

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Independent auditors' report

pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Brembo S.p.A.

1. We have audited the consolidated financial statements of Brembo S.p.A. and its subsidiaries, (the "Brembo Group") as of December 31, 2013 and for the year then ended, comprising the statement of financial position, the statement of income, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Brembo S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year and the statement of financial position at January 1, 2012 are presented for comparative purposes. As described in the explanatory notes, certain comparative data related to the prior year and to the statement of financial position at January 1, 2012 derived from the consolidated financial statements at December 31, 2011, have been restated; the restated data are derived from the consolidated financial statements as of December 31, 2012 and 2011, on which other auditors issued their auditor's report, respectively, on March 20, 2013 and March 19, 2012. We have examined the method used to restate the comparative financial data and the information presented in the explanatory notes in this respect, for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2013 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Brembo Group at December 31, 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Brembo Group for the year then ended.

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4. The Directors of Brembo S.p.A. are responsible for the preparation of the Report on Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the consolidated financial statements of the Report on Operations and the specific section on Corporate Governance and the Company's Ownership Structure regarding the information included therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b), as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information reported therein in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) included in the specific section of the report, are consistent with the consolidated financial statements of the Brembo Group at December 31, 2013.

Bergamo, March 24, 2014

Reconta Ernst & Young S.p.A.

Signed by: Claudio Ferigo, partner

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

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

1. We the undersigned, Alberto Bombassei, in his capacity as Chairman, and Matteo Tiraboschi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the consolidated financial statements for the period from 1 January to 31 December 2013:
   - are appropriate in relation to the company features; and
   - have been consistently applied.

2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the Consolidated Financial Statements at 31 December 2013 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.

3. The undersigned further declare that:

   3.1 the Consolidated Financial Statements:

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

   b) reflect the accounting books and records; and

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

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

6 March 2014

Alberto Bombassei
Chairman

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

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Cap. Soc. € 34.727.914
Export M BG 020900
R.E.A. 134667
Registro Imprese BG
Codice Fiscale e Partita IVA
n° 00222620163

Separate Financial Statements at 31 December **2013**

SEPARATE FINANCIAL STATEMENTS 2013 OF BREMBO S.P.A.

Statement of financial position at 31 December 2013

ASSETS

(euro)	Notes	31.12.2013	*of which with related parties*	31.12.2012 restated	*of which with related parties*	Change	01.01.2012 restated
NON-CURRENT ASSETS							
Property, plant, equipment and other equipment	1	117,583,390		125,286,777		(7,703,387)	129,690,528
Development costs	2	40,864,572		41,237,187		(372,615)	40,434,038
Other intangible assets	2	11,225,114		12,330,267		(1,105,153)	12,714,367
Shareholdings	3	247,779,373		224,657,783		23,121,590	195,559,825
Other financial assets (including investments in other companies and derivatives)	4	361,563	*254,008*	449,197	*341,643*	(87,634)	517,034
Receivables and other non-current assets	5	283,621		214,307		69,314	327,288
Deferred tax assets	6	3,046,260		1,627,846		1,418,414	218,298
TOTAL NON-CURRENT ASSETS		**421,143,893**		**405,803,364**		**15,340,529**	**379,461,378**
CURRENT ASSETS							
Inventories	7	100,120,961		111,081,626		(10,960,665)	132,119,859
Trade receivables	8	119,924,900	*49,131,810*	97,152,341	*31,577,546*	22,772,559	118,096,435
Other receivables and current assets	9	14,203,830		18,005,150	*15,000*	(3,801,320)	8,786,000
Current financial assets and derivatives	10	54,155,762	*53,720,189*	43,758,178	*43,562,030*	10,397,584	47,863,504
Cash and cash equivalents	11	55,012,780	*31,818,277*	78,323,448	*63,693,446*	(23,310,668)	44,074,731
TOTAL CURRENT ASSETS		**343,418,233**		**348,320,743**		**(4,902,510)**	**350,940,529**
TOTAL ASSETS		**764,562,126**		**754,124,107**		**10,438,019**	**730,401,907**

EQUITY AND LIABILITIES

(euro)	Notes	31.12.2013	*of which with related parties*	31.12.2012 restated	*of which with related parties*	Change	01.01.2012 restated
EQUITY							
Share capital	12	34,727,914		34,727,914		0	34,727,914
Other reserves	12	119,200,301		119,119,700		80,601	118,657,288
Retained earnings/(losses)	12	27,619,779		17,944,078		9,675,701	18,661,668
Net result	12	41,391,335		35,269,018		6,122,317	21,581,566
TOTAL EQUITY		**222,939,329**		**207,060,710**		**15,878,619**	**193,628,436**
NON-CURRENT LIABILITIES							
Non-current payables to banks	13	152,317,736	*17,438,636*	189,337,578	*29,836,526*	(37,019,842)	150,601,163
Other non-current financial payables and derivatives	13	35,450,687	*32,000,000*	6,363,646		29,087,041	8,998,514
Other non-current liabilities	14	4,049,020	*1,844,317*	8,224		4,040,796	5,266,771
Provisions	15	1,597,209		4,969,191		(3,371,982)	4,435,351
Provisions for employee benefits	16	20,039,786	*44,617*	20,614,165	*43,866*	(574,379)	18,295,313
Deferred tax liabilities	6	0		0		0	3,087,368
TOTAL NON-CURRENT LIABILITIES		**213,454,438**		**221,292,804**		**(7,838,366)**	**190,684,480**
CURRENT LIABILITIES							
Current payables to banks	13	63,362,168	*35,782,925*	99,216,464	*32,403,415*	(35,854,296)	106,967,491
Other current financial payables and derivatives	13	91,927,158	*87,182,452*	68,887,442	*65,807,412*	23,039,716	56,852,055
Trade payables	17	129,424,046	*21,191,952*	112,079,797	*16,879,523*	17,344,249	142,479,028
Tax payables	18	855,342		0		855,342	2,485,979
Other current payables	19	42,599,645	*1,716,038*	45,586,890	*4,018,479*	(2,987,245)	37,304,438
TOTAL CURRENT LIABILITIES		**328,168,359**		**325,770,593**		**2,397,766**	**346,088,991**
TOTAL LIABILITIES		**541,622,797**		**547,063,397**		**(5,440,600)**	**536,773,471**
TOTAL EQUITY AND LIABILITIES		**764,562,126**		**754,124,107**		**10,438,019**	**730,401,907**

Statement of income at 31 December 2013

(euro)	Notes	31.12.2013	*of which with related parties*	31.12.2012	*of which with related parties*	Change
Sales of goods and services	20	**638,021,552**	***79,227,227***	**640,455,437**	***60,218,698***	**(2,433,885)**
Other revenues and income	21	28,246,217	*20,699,108*	24,455,901	*18,124,940*	3,790,316
Costs for capitalised internal works	22	9,919,779		10,652,724		(732,945)
Raw materials, consumables and goods	23	(300,826,933)	*(80,703,393)*	(328,136,179)	*(90,556,830)*	27,309,246
Other operating costs	24	(132,897,277)	*(11,172,481)*	(130,922,469)	*(13,363,833)*	(1,974,808)
Personnel expenses	25	(174,889,477)	*(4,139,473)*	(165,851,512)	*(2,850,313)*	(9,037,965)
GROSS OPERATING INCOME		**67,573,861**		**50,653,902**		**16,919,959**
Depreciation, amortisation and impairment losses	26	(38,660,424)		(39,550,750)		890,326
NET OPERATING INCOME		**28,913,437**		**11,103,152**		**17,810,285**
Interest income	27	*5,611,692*		*6,719,517*		*(1,107,825)*
Interest expense	27	*(13,103,129)*		*(14,596,000)*		*1,492,871*
Net interest income (expense)	27	(7,491,437)	*(562,064)*	(7,876,483)	*609,924*	385,046
Interest income (expense) from investments	28	29,406,352	*29,430,978*	33,439,565	*33,939,565*	(4,033,213)
RESULT BEFORE TAXES		**50,828,352**		**36,666,234**		**14,162,118**
Taxes	29	(9,437,017)		(1,397,216)		(8,039,801)
NET RESULT		**41,391,335**		**35,269,018**		**6,122,317**

Statement of comprehensive income at 31 December 2013

(euro)	Notes	31.12.2013	31.12.2012 restated	Change
NET RESULT		**41,391,335**	**35,269,018**	**6,122,317**
Other comprehensive income/(losses) other than Items that will be not subsequently reclassified to income/(loss) for the year:				
Effect (actuarial income/loss) on defined benefit plans	12	474,837	(2,830,205)	3,305,042
Tax effect	12	(130,580)	778,306	(908,886)
Total other comprehensive income/(losses) other than Items that will be not subsequently reclassified to income/(loss) for the year		**344,257**	**(2,051,899)**	**2,396,156**
Other comprehensive income (losses) other than Items that will be subsequently reclassified to income/(loss) for the year:				
Effect of hedge accounting (cash flow hedge) of financial instruments	12	217,941	(377,393)	595,334
Tax effect	12	(59,934)	103,783	(163,717)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year		**158,007**	**(273,610)**	**431,617**
COMPREHENSIVE RESULT FOR THE YEAR		**41,893,599**	**32,943,509**	**8,950,090**

Statement of cash flows at 31 December 2013

(euro)	Notes	31.12.2013	*of which with related parties*	31.12.2012	*of which with related parties*
Cash and cash equivalents at beginning of year	11	**50,977,832**	*49,254,791*	**7,667,052**	*16,184,102*
Result before taxes		**50,828,352**		**36,666,234**	
Depreciation, amortisation/impairment losses		38,660,424		39,550,750	
Capital gains/losses		(987,788)		(1,395,248)	
Write-ups/Write-downs of shareholdings		24,626		500,000	
Financial portion of provisions for payables for personnel		663,368	*751*	817,829	*1,253*
Other provisions net of utilisations		1,822,725		2,715,713	
Cash flows generated by operating activities		**91,011,707**		**78,855,278**	
Paid current taxes		(7,349,083)		(14,624,971)	
Uses of long-term provisions for employee benefits		(762,909)		(1,329,182)	
(Increase) reduction in current assets:					
inventories		5,380,515		18,317,697	
financial assets		0		(6,901)	
trade receivables and receivables from other Group companies		(22,120,789)	*(17,554,264)*	21,008,157	*3,312,907*
receivables from others and other assets		776,916	*15,000*	(1,354,791)	*(15,000)*
Increase (reduction) in current liabilities:					
trade payables and payables to other Group companies		17,344,249	*4,312,429*	(30,399,231)	*(6,920,893)*
payables to others and other liabilities		832,981	*(569,038)*	2,843,104	*1,292,212*
Net cash flows from / (for) operating activities		**85,113,587**		**73,309,160**	

(euro)	Notes	31.12.2013	*of which with related parties*	31.12.2012	*of which with related parties*
Investments in:					
intangible assets		(14,908,793)		(16,689,750)	
property, plant and equipment		(16,996,748)		(22,807,453)	
financial assets (shareholdings)	3	(23,498,914)		(29,597,957)	
Price for disposal, or reimbursement value of fixed and intangible assets		3,261,304		5,167,047	
Price for disposal, or reimbursement value of shareholdings		352,698		0	
Net cash flows from / (for) investing activities		**(51,790,453)**		**(63,928,113)**	
Dividends paid in the year		(26,014,980)	*(15,097,901)*	(19,511,235)	*(11,334,826)*
Loans to Group companies and amounts payable to companies participating in the centralised treasury system		43,304,516	*43,304,516*	17,925,685	*17,925,685*
Change in fair value valuation of derivatives		(203,585)		159,411	
Loans and financing granted by banks and other financial institutions in the year		131,757,695	*30,000,000*	110,000,000	
Repayment of long-term loans and other liabilities		(180,123,944)	*(23,408,348)*	(74,644,128)	*(20,366,537)*
Net cash flows from / (for) financing activities		**(31,280,298)**		**33,929,733**	
Total cash flows		**2,042,836**		**43,310,780**	
Cash and cash equivalents at end of year	11	**53,020,668**	*32,878,739*	**50,977,832**	*49,254,791*

2012 figures were restated to include dividends received from subsidiaries totalling €33,940 thousand among operating activities, whereas they had been prevously recognised in cash flows.

Statement of Changes in Equity at 31 December 2013

(euro)	Share capital	Other reserves	Retained earnings/ (losses)	Result for the year	Equity
Balance at 1 January 2012 (published figures)	**34,727,914**	**118,657,288**	**19,237,180**	**21,581,566**	**194,203,948**
Effects arising from the application of IAS 19R			(575,512)		**(575,512)**
Balance at 1 January 2012 (restated figures)	**34,727,914**	**118,657,288**	**18,661,668**	**21,581,566**	**193,628,436**
Allocation of profit for the previous year		2,070,331		(2,070,331)	**0**
Payment of dividends				(19,511,235)	**(19,511,235)**
Reclassification (**)		(1,334,309)	1,334,309		**0**
Components of comprehensive income:					
Effects arising from the application of IAS 19R			(2,051,899)		**(2,051,899)**
Effect of hedge accounting (cash flow hedge) of derivatives (*)		(273,610)			**(273,610)**
Net result				35,269,018	**35,269,018**
Balance at 31 December 2012	**34,727,914**	**119,119,700**	**17,944,078**	**35,269,018**	**207,060,710**
Balance at 1 January 2013	**34,727,914**	**119,119,700**	**17,944,078**	**35,269,018**	**207,060,710**
Allocation of profit for the previous year			9,254,038	(9,254,038)	**0**
Payment of dividends				(26,014,980)	**(26,014,980)**
Reclassification (**)		(77,406)	77,406		**0**
Components of comprehensive income:					
Effects arising from the application of IAS 19R			344,257		**344,257**
Effect of hedge accounting (cash flow hedge) of derivatives (*)		158,007			**158,007**
Net result				41,391,335	**41,391,335**
Balance at 31 December 2013	**34,727,914**	**119,200,301**	**27,619,779**	**41,391,335**	**222,939,329**

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

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

100% integrated quality assessment on the production of discs and calipers


6
using 4 aluminium fixed calipers instead of 4 cast-iron floating calipers is like planting 6 trees a year per car

STATUTORY AUDITORS' REPORT

Report of the Board of Statutory Auditors to the Shareholders' Meeting for Approval of the Financial Statements for the Year Ended 31 December 2013

Shareholders,

During the year ended 31 December 2013, the Board of Statutory Auditors carried out the supervisory activities required by law and the By-laws, in accordance with the Principles of Conduct of the Board of Statutory Auditors as recommended by the Italian National Board of Certified Accountants and Auditors and the guidelines of the Corporate Governance Code issued by Borsa Italiana S.p.A. (2011 version), thereby fulfilling the duties prescribed by Article 149 of Legislative Decree No. 58/1998 and Article 19 of Legislative Decree No. 39/2010.

In carrying out our function, we participated in all the Shareholders' Meetings and Board of Directors' Meetings held during the year and, through the Chairman of the Board of Statutory Auditors or one of the Acting Auditors, in the meetings of the Audit & Risk Committee, the Remuneration & Appointments Committee and the Supervisory Committee. In addition, in performing the periodic audits, we met with the Independent Auditors and the Manager in Charge of the Company's Financial Reports, in order to exchange information on the activities carried out and auditing plans. In 2013, the Board of Statutory Auditors held seven meetings.

Pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998[1] and in accordance with Consob recommendations, the following information is reported.

1. During Board Meetings and periodic controls, Company Directors constantly informed us on the general operating performance and foreseeable developments, on the most significant economic and financial operations carried out by the Company — also through its subsidiaries — as well as on the stage of completion of projects underway.
   These transactions form part of the Company's strategic development plan, fully conform to the law and the Company's By-laws and are in line with delegated powers assigned by the Board of Directors. There is no potential conflict of interest or departure from the decisions passed by the General Shareholders' Meetings, and there were no manifestly imprudent or risky transactions or such as to compromise the integrity of the Company's capital structure and the continuation in business.

1 Pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998, the Board of Statutory Auditors must report to the General Shareholders' Meeting on its supervision, and on omissions and censurable operations observed. Furthermore, the Statutory Auditors may put forward proposals with regards to Financial Statements and their approval on subjects for which they are qualified.

2. Amongst the most significant corporate transactions carried out during the year, which also influenced the Group's organisational structure, the following should be mentioned:
   - the purchase, in July 2013, of the entire minority interests (30%) in Brembo Nanjing Brake Systems Co. Ltd. aimed at acquiring the entire share capital of said company;
   - the launch of the process for the acquisition by Brembo S.p.A. of Brembo Nanjing share Brake Systems Co. Ltd. held by Brembo China Brake Systems Co. Ltd., with a view to subsequently liquidate the latter;
   - the acquisition, which took place in September 2013, of the entire minority interests (25%) in Brembo Argentina SA., aimed at holding the entire share capital of said company, which is currently broken down as follows: 96% Brembo S.p.A. and 4% Brembo do Brasil Ltda;
3. The Board of Statutory Auditors has obtained knowledge of and, within its sphere of competence, has supervised:
   - the adequacy of the organisational structure, which is suitable for the size and the managerial and operating complexity of the Company and the Group;
   - the adequacy and reliability of the internal control and administrative-accounting systems, through which the operations of the company are correctly represented, in full compliance with the principles of proper management;
   - the adequacy of instructions issued by the Company to its Subsidiaries, as provided for by Article 114, paragraph 2, of Legislative Decree No. 58/1998.
4. As regards the financial disclosure process, we found that the accounting updating of the Group's internal control system has been implemented on an ongoing basis to enable the issuance of the compulsory attestations by the Chairman and the Manager in Charge of the Company's Financial Reports. The effective application of accounting and administration procedures has been verified by the Manager in Charge of the Company's Financial Reports, also relying on the competent internal structures (the Internal Audit Function), through a monitoring plan that covered both the control and governance environment and the key process controls of the significant entities and processes.
5. With reference to the provisions of Article 36, paragraph 1, of the Market Regulations (Consob Resolution No. 16191 of 20 October 2007), we report that on 31 December 2013 the provisions apply to the subsidiaries indicated by Brembo as being significant to the system of controls on financial reporting. No shortcomings were noted in this regard.
6. During the periodic audits, the Board of Auditors was regularly informed about the development of the financial situation and in this regard we can report that in 2013 the following loans were obtained:
   - a €30 million loan issued by Banca Popolare di Bergamo to Brembo S.p.A., maturing in 2017;
   - a €50 million loan issued by Mediobanca to Brembo S.p.A., maturing in 2018;
   - a 7-year loan issued by BEI R&D to Brembo S.p.A. for €55 million which was signed in December 2013 and disbursed in February 2014.
7. In relation to financial aspects, it was noted that the Subsidiaries operate with banking counterparties and also benefit from forms of centralised treasury management, when this is envisaged by the legal and fiscal framework of reference. In particular, there are three zero-

balance cash-pooling systems in EUR and USD with the pooler Brembo S.p.A., and in CNY with pooler Brembo Nanjing Foundry.

8. In 2013, the Company did not carry out any unusual or atypical transactions with third parties, intra-group companies or related parties, nor any transaction that could have a significant impact on the Company's operating, capital or financial situations.

9. With regard to ordinary intra-group and related party transactions carried out during the reporting year, we acknowledge that these transactions were carried out in the interest of the company and in accordance with the Related Party Transactions Procedure prepared on 12 November 2010, in compliance with Consob Regulations (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), which was approved upon receiving the unanimous favourable opinion of the Audit & Risk Committee (this committee also performs the functions of Related Party Transactions Committee).
The Annual Financial Statements contain specific detailed information regarding intra-group transactions and related party transactions. They related to the purchase and sale of products, services and the transfer of property, plant, equipment and shareholdings. The total amount of commercial transactions with other related parties was not material. All the transactions took place at prices that are at arm's length. These transactions are deemed fair and have been carried out in the interest of the Company and performed pursuant to the corporate procedures in force.
The significant intercompany transactions included the renewal of finance provided to Innova Tecnologie S.r.l. (30%-owned by Brembo S.p.A.), which was carried out under market conditions.

10. With regard to the Related Party Transactions Procedure, it should be noted that during the year:
    - upon favourable opinion of the Audit & Risk Committee, the significance indices for the identification of Highly Significant transactions were updated on the basis of data from the 2012 Financial Statements, and the amount of €250,000.00 as "threshold" for determining Low Value transactions was confirmed;
    - having heard the opinion of the Audit & Risk Committee and the Board of Statutory Auditors, the Company deemed it appropriate not to make any additional changes to the Procedure in 2013, considering it proved effective in its practical application and taking account of the amendments made in the previous years; accordingly, the content of the Recommendation and the guidance issued by Consob with respect to the first revision of the Procedure have been considered satisfied.

11. It should be noted that no purchase or sale transactions were carried out in the context of the plan for the purchase and sale of own shares, authorised by the Shareholders' Meeting on 23 April 2013. At 31 December 2013, the Company held a total of 1,747,000 own shares, representing 2.616% of the share capital, at an average book value of €7.71 per share and for an overall value of €13,475,897.

12. The Board of Statutory Auditors verified that in its Corporate Governance System (described in the Corporate Governance Report) the Company implemented the recommendations of the Corporate Governance Code for Listed Companies 2011 (hereinafter for brevity "2011 Code") and satisfied the requirements for membership in the STAR segment. Specifically, we verified that the Board of Directors, in assessing that the professionalism and independence requirements of its members and of the Statutory Auditors are met and continue to be met, has correctly applied the criteria and the principle of substance over form.

13. The members of both the Board of Directors and the Board of Statutory Auditors also received information on the results of the annual assessment concerning the size, composition and functioning of the Board of Directors and its Committees, carried out by the Lead Independent Director.
14. The Audit & Risk Management System is adequate, and it appears to be suitable for pursuing risk prevention and ensuring the effective application of standards of corporate conduct, which have been acknowledged in both the Code of Ethics and internal rules of conduct. In particular, the Board of Statutory Auditors was informed on the activities carried out by the Risk Manager (a function covered by a specialised person who has been part of the Company's organisation since June 2012), taking note of planned activities, aimed at improving business performance through the identification of the main areas of risk. Moreover, in 2013:
    - the new risk management policy of the Group (ISO 31000) was adopted after prior favourable opinion by the Audit & Risk Committee; on the basis of previously defined guidelines, this policy aims to establish the guidance and general direction of the organisation with reference to risks, their management, and processes harmonisation;
    - the process to develop an advanced Enterprise Risk Management model was started; such model is more structured than the one currently in use, and provides the Board and the Management with a decision-making tool and additional measures that can anticipate, mitigate or manage exposures to significant risks.
15. The organisational structure of the Risk Management and Internal Control System ensures coordination between the various parties and functions involved in the System; coordination is also especially ensured through a constant flow of information between the various participants in the System.
16. The Board of Statutory Auditors has been regularly informed about assurance and monitoring of improvement plans carried out by the Internal Audit Function (appointed by the Board of Directors, to which it reports through the Chairman); such activities steadily continued at a worldwide level according to the approved plan. The Internal Audit function continued to verify the accounting recognition systems with a view to improving the reliability of information systems, as part of the audit plan. In addition, the 2014 Audit Plan was also preliminarily reviewed by the Board of Statutory Auditors and considered appropriate for the structure of the Brembo Group.
17. The Chairman of the Board of Statutory Auditors attended all six meetings of the Audit & Risk Committee that, on certain occasions and according to specific topics, were held jointly with those of the Board of Statutory Auditors, mainly to optimise the exchange of information and share the most significant aspects.
18. The Board of Statutory Auditors also verified that the Remuneration & Appointments Committee has appropriately formulated procedural and substantive indications for the definition and implementation of long and short-term remuneration policies concerning the Administrative Body, as well as the Executive Directors and Top Managers; such policies were subsequently incorporated in the Remuneration Report that the Board of Directors has to submit to the Shareholders' Meeting pursuant to Article 123-*ter* of the TUF.
19. During 2013, the Company continued to update the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 (hereinafter "231 Model") to ensure its

Pune motorbike plant (India).

effectiveness and suitability to prevent any liability with regard to the punishable offences envisaged by Legislative Decree No. 231/2001. The 231 Model was supplemented by the adoption of an Anti-Corruption Code of Conduct approved by Board resolution on 12 November 2013, which was circulated to all employees of the Group, with the aim of ensuring transparency and clarity with respect to permitted conduct and compliance with the relevant anti-corruption laws in any place where Brembo carries out its business.
In addition, training activities on 231 Model continued through online courses dedicated to all employees and specific classroom sessions for the persons involved in sensitive processes and relevant control mechanisms. Training sessions dedicated to the compliance with Legislative Decree No.231 were also carried out at the Italian and foreign companies of the Group.
A compliance programme was started at the major Group companies, which employs risk assessment and gap analysis activities to assess compliance of group companies with local laws and regulations.

20. The Chairman of the Board of Statutory Auditors attended all the meetings of the Supervisory Committee (6 meetings), and obtained all the information and reports from it, acknowledging the updates to the 231 Model and other activities in progress to guarantee the effectiveness and appropriateness of the Model.

21. With regard to the audit appointment, it should be noted that, upon reasoned proposal submitted by the Board of Statutory Auditors, the Shareholders' Meeting of 23 April 2013 appointed the audit firm Reconta Ernst & Young S.p.A. as entity in charge of the statutory audit for the years 2013 to 2021, according to the terms and conditions proposed by the Board of Statutory Auditors.

22. During the periodic meetings held with the Independent Auditors, in accordance with the provisions of Article 150 of the TUF, documents were reviewed in relation to the plan of activities of the Independent Auditors, its implementation and relevant results. No significant data and/or aspects emerged in relation to the issues within our mandate, that would require a mention in this report.

23. For the purposes of supervising the independence of the Auditing Firm, the Board of Statutory Auditors was regularly informed on any additional engagement for services assigned by Brembo S.p.A. or by Group companies other than the statutory audit. In detail, Ernst & Young Studio Legale e Tributario was paid €7 thousand for the provision of auditing services assigned before the appointment as Independent Auditor by the Shareholders' Meeting of 23 April 2013. These assignments and the related fees were appropriate to the size and complexity of the work performed and in any case were not such as to affect the independence and autonomy of the independent auditors in carrying out their statutory audit functions.

24. The auditing firm Reconta Ernst & Young S.p.A.:
    - on 24 March 2014, issued the report referred to in the third paragraph of Article 19 of Legislative Decree No. 39/2010, indicating that during the audit no fundamental issues were found nor significant deficiencies in the internal control system in relation to the financial reporting process;
    - on 24 March 2014, issued the report referred to in Article 14 of Legislative Decree No. 39/2010, expressing an opinion without points of issue and emphasis of matter.

25. During the year no complaints were filed pursuant to Article 2408 of the Italian Civil Code nor other similar reports.

During the course of our activity and on the basis of the information obtained, we were able to acquire an in-depth knowledge of the Company's risk management and internal control system, as well as the accounting-administrative organisational structure. Finally, we can confirm that there were no omissions, misconduct, irregularities or significant events that would require their reporting to the Supervisory Authority or their mentioning in this Report. We hereby propose that the General Shareholders' Meeting approve the Financial Statements for the year ended 31 December 2013 and we further express our favourable opinion on the proposal of the Board of Directors for the allocation of profit and distribution of dividends.

With this Shareholders' Meeting, the Board of Statutory Auditors expires having completed its three-year term. The Shareholders' Meeting is therefore called upon to appoint the new Supervisory Body. We wish the Company and the Shareholders all the best and we hope they will continue to achieve increasingly positive results, in accordance with the principles of sound and prudent management that we have ascertained in the discharge of our duties.

Stezzano, 24 March 2014

BOARD OF STATUTORY AUDITORS
Sergio Pivato *(Chairman)*
Enrico Colombo *(Auditor)*
Mario Tagliaferri *(Auditor)*

Nanjing disc plant (China).

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

1. We the undersigned, Alberto Bombassei, in his capacity as Chairman, and Matteo Tiraboschi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the financial statements for the period from 1 January to 31 December 2013:
    - are appropriate in relation to the company features; and
    - have been consistently applied.

2. The assessment of the appropriateness of the administrative and accounting procedures used in preparing the Financial Statements at 31 December 2013 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.

3. The undersigned further declare that:

    3.1 the Financial Statements:

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

    b) reflect the accounting books and records; and

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

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

6 March 2014

Alberto Bombassei
Chairman

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

BREMBO S.p.A. | Sede legale | Sede amministrativa e uffici

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