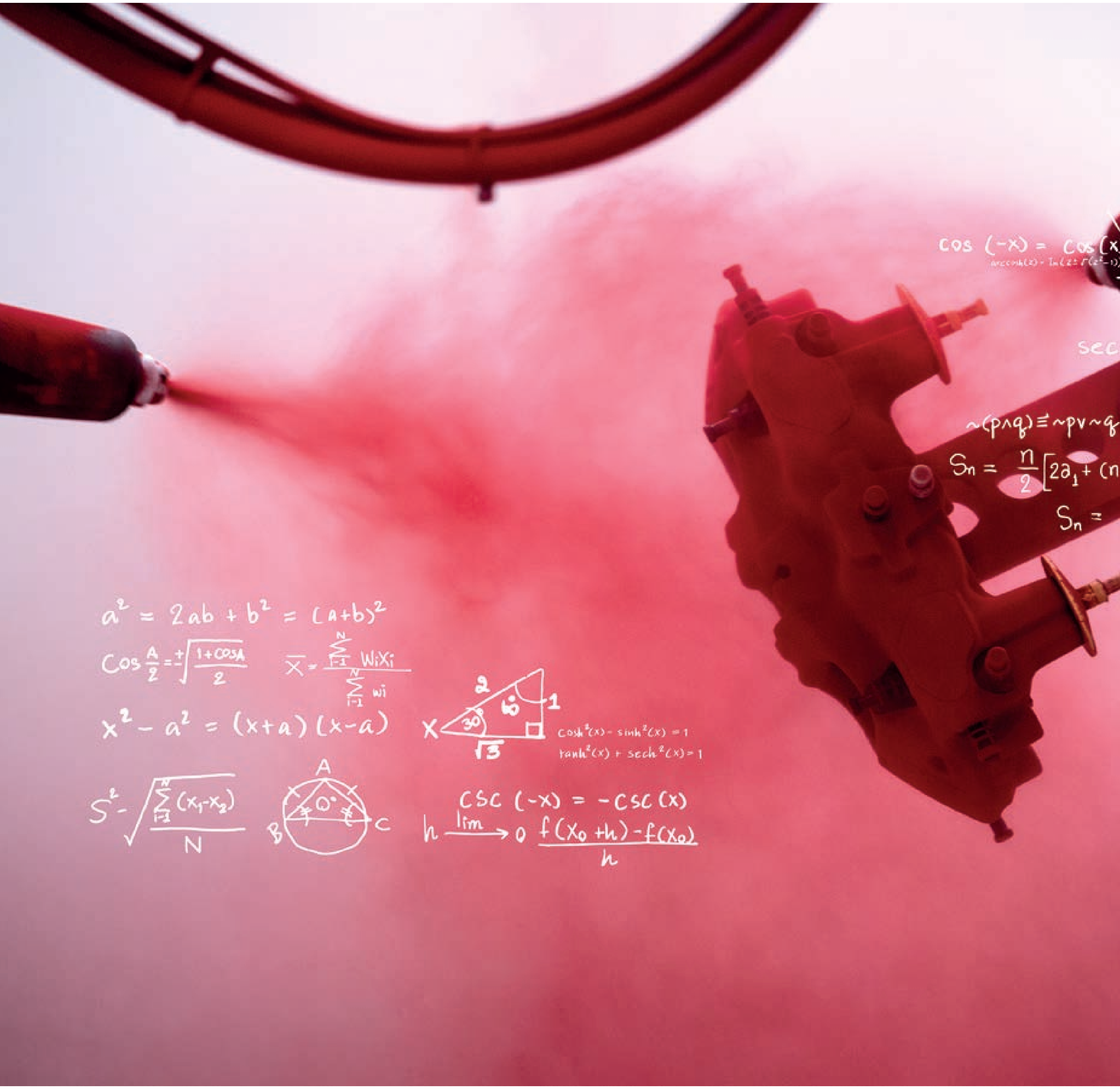
THINK AHEAD, TOMORROW IS NOW

BREMBO
ANNUAL
REPORT
2017

Industrial automation that uses new technologies to increase productivity and improve working conditions: Industry 4.0 is a cultural revolution in which Brembo believes strongly. Hence its investments in cutting-edge, interconnected machinery at both its Italian plants and its new foreign facilities, which have further speeded the pace of innovation — long an essential component of the company’s identity. At Brembo, Industry 4.0 also means engaging Brembo people in a development process which offers specific training in the use of these new technologies.

BREMBO
ANNUAL
REPORT
2017



$a^2 = 2ab + b^2 = (a+b)^2$
$\cos\frac{A}{2} = \pm\sqrt{\frac{1+\cos A}{2}}$
$\bar{X} = \frac{\sum_{i=1}^{N} W_i X_i}{\sum_{i=1}^{N} w_i}$
$x^2 - a^2 = (x+a)(x-a)$
2
1
60°
30°
X
$\sqrt{3}$
$\cosh^2(x) - \sinh^2(x) = 1$
$\tanh^2(x) + \operatorname{sech}^2(x) = 1$
$S^2 = \sqrt{\frac{\sum_{i=1}^{N}(x_1 - x_2)}{N}}$
A
B
C
$\csc(-x) = -\csc(x)$
$\lim_{h \to 0} \frac{f(x_0 + h) - f(x_0)}{h}$

Constant industrial research has made it possible **to incorporate electrostatic powder coating** — based on the use of charged **powder** paint particles — into the **process of manufacturing** car brake calipers.


Analytics
ChiamataMateriali
brembo
brembo
brembo
SAMSUNG

CALLING OF THE GENERAL SHAREHOLDERS' MEETING

The Shareholders are convened to the Ordinary Shareholders' Meeting to be held at the Company offices at Viale Europa 4 (Gate 1 entrance), 24040 Stezzano (Bergamo) on **20 April 2018 at 10:30a.m.** CET (single call) to resolve on the following

AGENDA

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2017, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of the Company's Financial Reports. Ensuing resolutions.

2. Proposal for distribution of net income for the year. Ensuing resolutions.

3. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2017, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of Company's Financial Reports.

4. Presentation of the Statement on Non-Financial Information of the Brembo Group at 31 December 2017, drawn up pursuant to Legislative Decree No. 254/2016.

5. Presentation of the Remuneration Report of Brembo S.p.A. Resolutions pursuant to Article 123-*ter* of TUF.

6. Authorisation for the buy-back and disposal of own shares. Ensuing resolutions.

Stezzano, 5 March 2018

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

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LETTER FROM THE CHAIRMAN

Shareholders,

During the year that has just come to an end, there was finally a consolidation of the global economy, which economists believe is growing at the fastest pace since 2010. However, the overall improvement remains modest if compared with past levels, and the foundation for robust, sustained growth in the medium term still appears lacking. China and India drove growth, as they have been doing for several years, but the United States and Europe also did their part to seek to restart the growth engine, which has now been stalled for a long decade. In the Eurozone, growth rates exceeded expectations, and Italy also performed better than forecast during the year, although in both cases there is still a risk of a slowdown in the next three years.

In 2017, Brembo clearly demonstrated its ability to swiftly exploit the Group's new strategic investments in countries identified as priorities in pursuit of continuing growth and development of products in collaboration with our customers. Total turnover reached €2,463 million, up 8.1% compared to 2016; gross operating margin was €480 million, with an 8.2% increase; net income exceeded €263 million, up 9.5%. All the segments in which the Group operates grew, and particularly positive results were recorded by car applications — which accounted for just under 77% of sales — as well as motorbike and racing applications. At geographical level, North America (USA, Canada and Mexico) remained Brembo's top reference market with over 25% of sales, followed by Germany (23%), Italy (11.7%) and China (11%). The highest sales growth rate was however recorded by the Chinese market (+34.2%) — which has become the world's top car market — followed by India (+27.2%).

In line with the direction followed until today, Brembo's investment management policy continued to develop in 2017, aiming to strengthen the Group's presence both in Italy and, above all, internationally by implementing a strategy based on closer relationships between the production hubs and world's major car manufacturers. At the same time, constant innovation of existing plants and processes continued and our product portfolio expanded further, driven by our constant focus on cutting-edge research and its actual application to materials and brake systems capable of meeting — and often anticipating — the needs of an automotive market in the midst of a rapid transformation. In 2017, investments exceeded €360 million, thus reaching an all-time record level in Brembo's history. In 2018, the Group will complete a new cycle of investments, and in particular, for the completion of the plants already announced in Mexico, Poland and China, which will gradually become operational over the course of the year.

Today, Brembo has a workforce of over 9,800 in 15 countries on 3 continents: the corporate population increased by nearly 800 staff in 2017 to sustain the Group's growth and production capacity expansion at global level. 82% of the company population has a medium-high level of education, 25% are university graduates and around 1,800 people have a degree in engineering or other technical and scientific fields. Together they offer a wealth of knowledge and skills that enable Brembo to remain consistently at the top of the market, in a position of global leadership in our industry.

It is no coincidence that the Group continues to receive prestigious awards and being acknowledged as one of the best-regarded brands in Italy and internationally. At the end of last year, Brembo placed third in the Best Brands Italy ranking that GFK and Serviceplan draw up according to their now-famous annual survey, entering the top ten for the first time as the only non-consumer brand among the Italian and international giant companies on the ranking.

As part of its efforts to communicate with its stakeholders, and in pursuit of transparency and completeness of information, this year, alongside its Annual Financial Report, Brembo presents its second report on economic, social and environmental sustainability, which in accordance with recent legislation has now become the "Consolidated Statement of Non-Financial Information", containing an account of the Group's commitment to sustainable, socially responsible growth, supported by a wealth of data and information.

Brembo enjoyed yet another year of extremely positive results after having successfully overcome even the most difficult periods of the global economic crisis. Its position on international markets is even stronger than before and the Company can confidently pursue new milestones. Keeping an eye to the future has always been one of Brembo's strengths. It will continue to do so.

The Chairman
Alberto Bombassei

From 1.0 to 4.0: industrial process evolution

Innovation has always been essential to a country's economic and social progress. Here are the main events in the timeline that have led to the interconnection typical of Industry 4.0

1784 INDUSTRY 1.0

STEAM ENGINE

Advent of the steam engine and mechanisation of production processes to harness water and steam power

1870 INDUSTRY 2.0

ELECTRICITY AND OIL

Electricity and oil are the new energy sources that power the mass-production assembly line

1970 INDUSTRY 3.0

COMPUTERS AND ROBOTICS

Information technology and electronics become a part of industrial processes, further increasing automation levels and beginning the digital transformation of factories

2011 INDUSTRY 4.0

THE INTERNET

Use of a combination of technologies that facilitate industrial production that is fully automated, interconnected and characterised by synergy between humans and machines, and between the various machines

ENABLING TECHNOLOGIES

ADVANCED MANUFACTURING SOLUTIONS

Interconnected, easily programmable collaborative robots

AUGMENTED REALITY

Augmented reality in support of production processes

HORIZONTAL/ VERTICAL INTEGRATION

Integration of information throughout the value chain, from supplier to consumer

CLOUD

Management of large quantities of data on open systems

BIG DATA AND ANALYTICS

Analysis of a large database to optimise products and production processes

ADDITIVE MANUFACTURING

3D printers linked to digital development software

SIMULATION

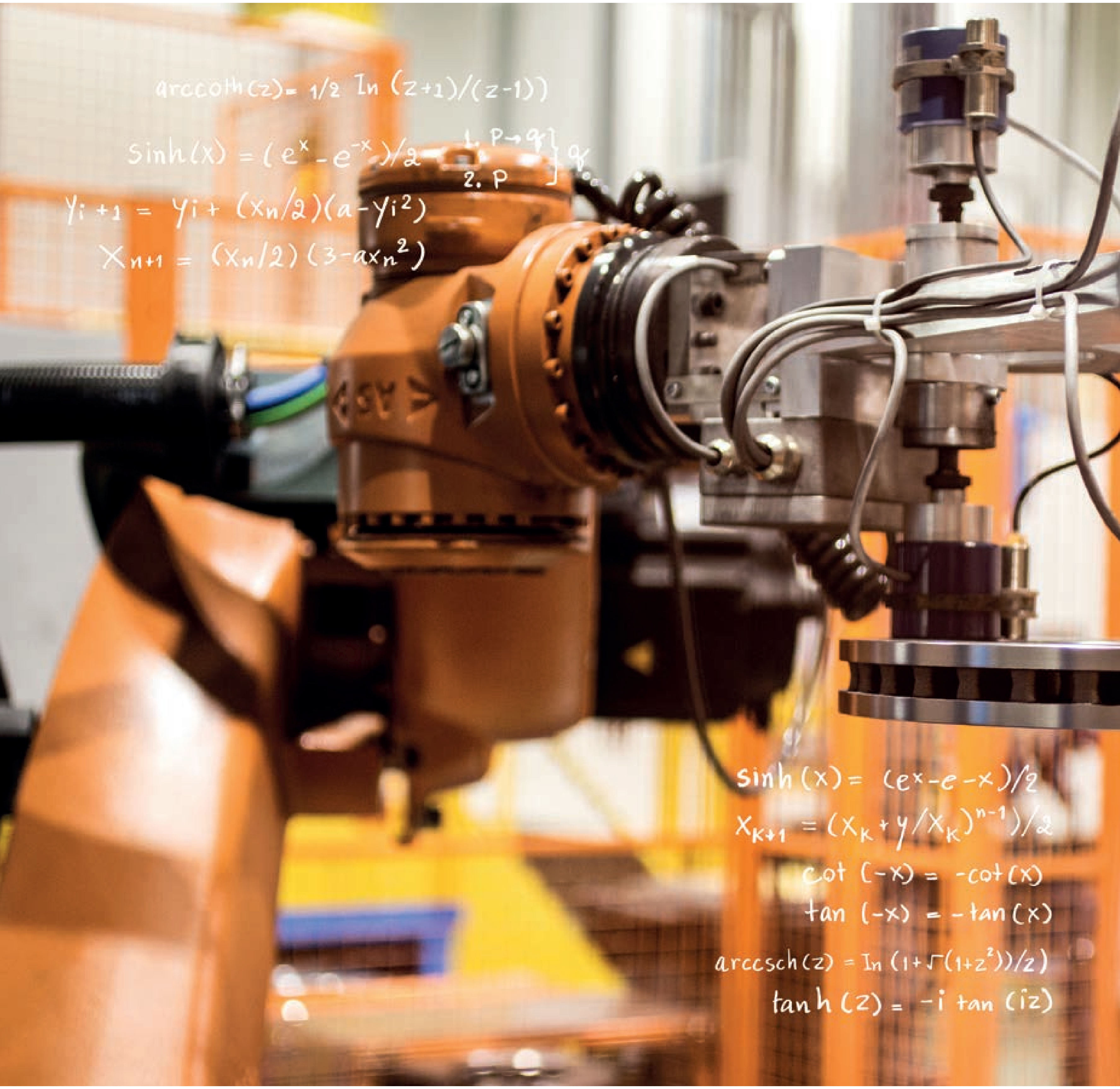
Multidirectional integration of information between production processes and products

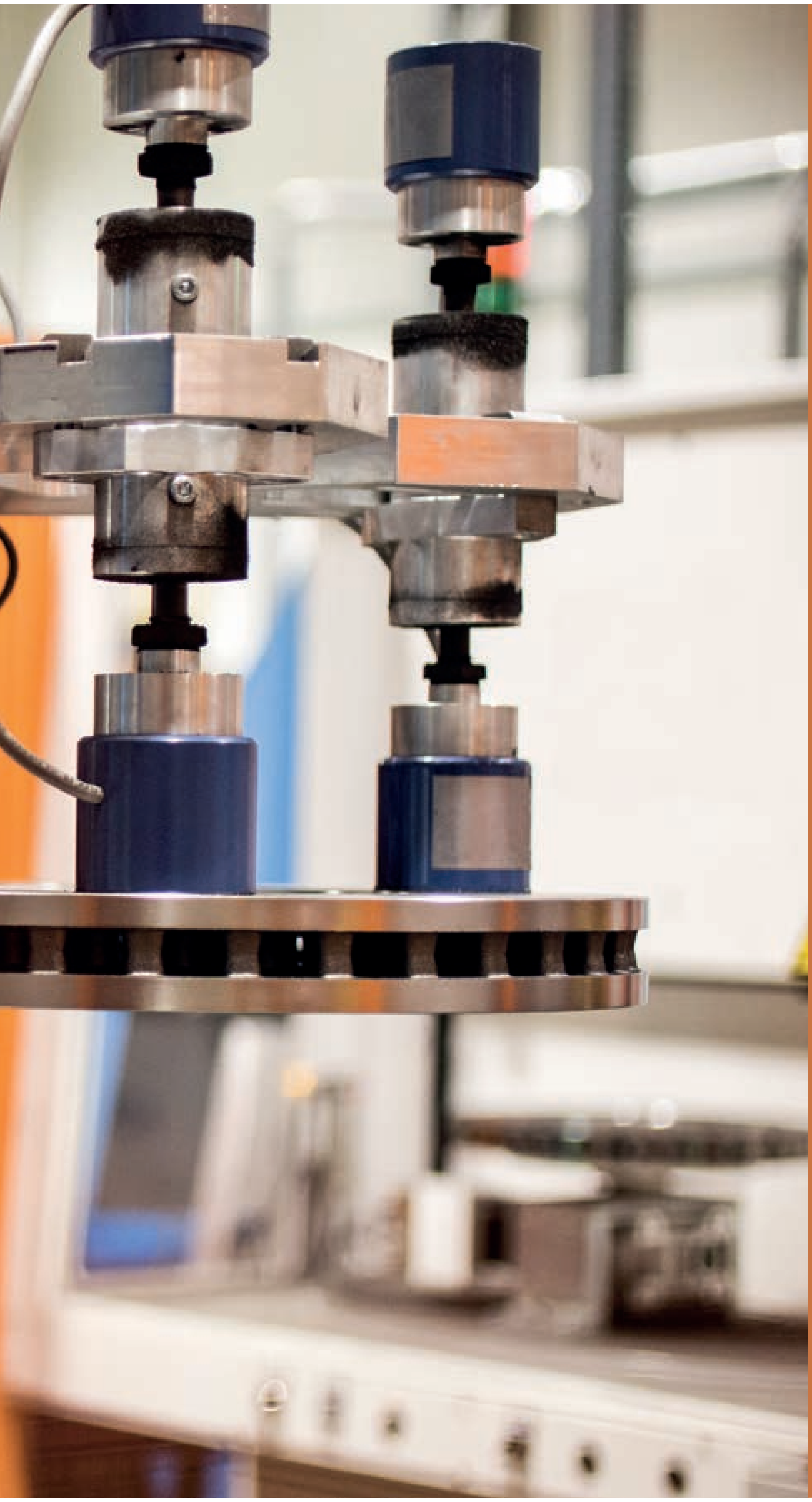
INDUSTRIAL INTERNET

multidirectional communication between manufacturing processes and products

CYBER-SECURITY

Security during operations on the Internet and open systems


arccoth(z)= 1/2 In (z+1)/(z-1))
sinh(x) = (e^x - e^-x)/2
1. P→q
2. P
q
yi +1 = yi + (xn/2)(a-yi^2)
Xn+1 = (xn/2) (3-axn^2)
sinh (x) = (ex-e -x)/2
XK+1 = (XK + y/XK)^n-1)/2
cot (-x) = -cot(x)
tan (-x) = - tan (x)
arccsch(z) = In (1+√(1+z^2))/z)
tanh (z) = -i tan (iz)



The use of **robots** in mechanical processing tasks has made it possible to **automate and integrate all phases** of the **brake disc** production process (processing, assembly, powder coating and control) into a single line.

COMPANY OFFICERS

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 20 April 2017 confirmed the number of Board members at 11 and appointed the Board of Directors for the three-year period 2017-2019, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019.

COMPOSITION OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MAIN GOVERNANCE FUNCTIONS

BOARD OF DIRECTORS

Chairman	Alberto Bombassei (1) (9)
Executive Deputy Chairman	Matteo Tiraboschi (2) (9)
Chief Executive Officer and General Manager	Andrea Abbati Marescotti (3) (9)
Directors	Valerio Battista (4) (10) Cristina Bombassei (5) (9) Barbara Borra (4) Giovanni Canavotto (6) Laura Cioli (4) Nicoletta Giadrossi (4) (7) Umberto Nicodano (8) Gianfelice Rocca (4)

BOARD OF STATUTORY AUDITORS (11)

Chairwoman	Raffaella Pagani (7)
Acting Auditors	Alfredo Malguzzi Mario Tagliaferri
Alternate Auditors	Myriam Amato (7) Marco Salvatore

INDEPENDENT AUDITORS	EY S.p.A. (12)

MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS — Andrea Pazzi [13]

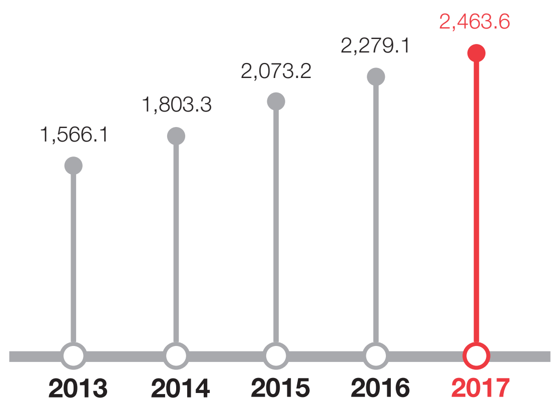
COMMITTEES

Control, Risks & Sustainability Committee [14]	Laura Cioli (Chairwoman) Barbara Borra Nicoletta Giadrossi
Remuneration & Appointments Committee	Barbara Borra (Chairwoman) Nicoletta Giadrossi Umberto Nicodano
Supervisory Committee	Alessandro De Nicola (Chairman) [15] Laura Cioli Alessandra Ramorino [16]

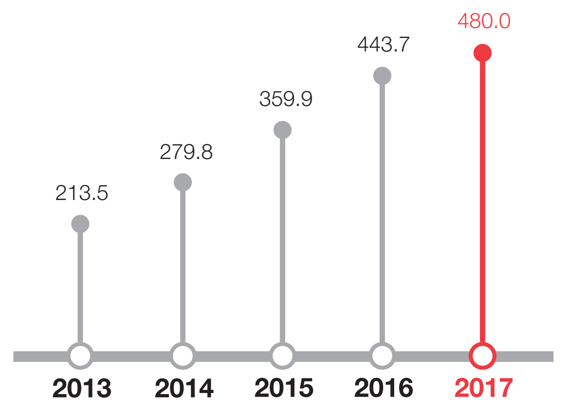
(1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
(2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
(3) The Board of Directors granted the Chief Executive Officer and General Manager special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.
(4) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of TUF (as required by Articles 147-*ter*, paragraph 4, and 147-*quater* of TUF) and Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A. and Article 3.C.1 of the Corporate Governance Code of Brembo S.p.A.
(5) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System, as well as of Chief CSR Officer.
(6) Executive Director also holding the position of General Manager of the Brembo's Systems Division.
(7) Candidate for the position of Director proposed by a group of minority shareholders and elected by the Shareholders' Meeting/Statutory Auditor elected from a minority list.
(8) Non-executive Director.
(9) Executive Directors.
(10) This Director also holds the position of Lead Independent Director.
(11) This Board holds the role of the Internal Control & Audit Committee pursuant to Article 19 of Legislative Decree No. 39/2010.
(12) The Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.
(13) Appointed by the Board of Directors on 5 March 2018, pursuant to Article 27-*bis* of the By-laws. The appointment, previously assigned to Matteo Tiraboschi, takes effect for purposes of certifying the financial results of Brembo S.p.A. and of the Group at 31 December 2017 and remains valid the expiry of the current Board of Directors' term of office, i.e., until the General Shareholders' Meeting approving the Financial Statements for the year ending 31 December 2019.
(14) This Committee also acts as the Related Party Transactions Committee.
(15) Private practice lawyer - Senior Partner of Orrick Italian offices.
(16) Internal Audit Director of the Brembo Group.

SUMMARY OF GROUP RESULTS

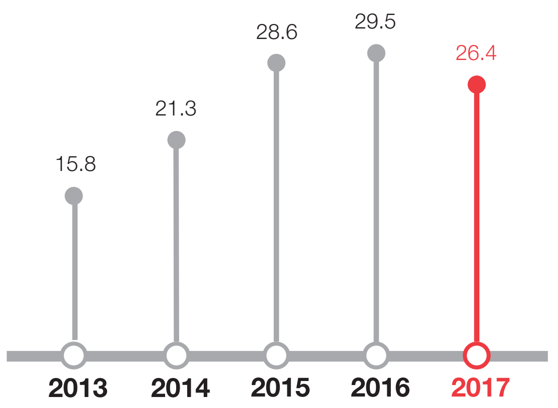
SALES OF GOODS AND SERVICES
(euro million)



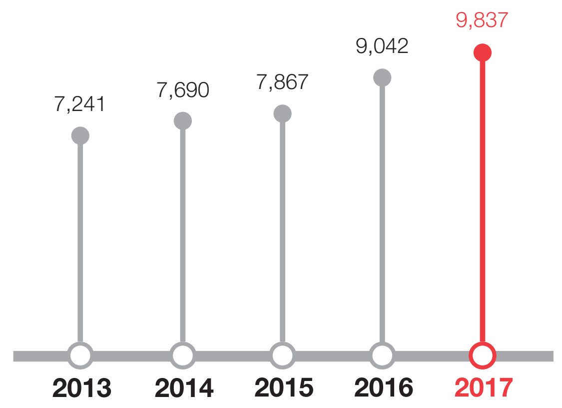
GROSS OPERATING INCOME
(euro million)



ROI
(percentage)



PERSONNEL AT END OF YEAR
(No.)



Economic results

(euro thousand)	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017	% 2017/2016
Sales of goods and services	1,566,143	1,803,335	2,073,246	2,279,096	2,463,620	*8.1%*
Gross operating income	213,502	279,800	359,919	443,714	479,963	*8.2%*
% on sales	*13.6%*	*15.5%*	*17.4%*	*19.5%*	*19.5%*	
Net operating income	122,848	178,449	251,282	327,464	346,262	*5.7%*
% on sales	*7.8%*	*9.9%*	*12.1%*	*14.4%*	*14.1%*	
Result before taxes	104,385	164,916	243,499	312,208	335,537	*7.5%*
% on sales	*6.7%*	*9.1%*	*11.7%*	*13.7%*	*13.6%*	
Net result for the year	89,016	129,054	183,962	240,632	263,428	*9.5%*
% on sales	*5.7%*	*7.2%*	*8.9%*	*10.6%*	*10.7%*	

Financial results

(euro thousand)	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017	% 2017/2016
Net invested capital (1)	776,735	839,510	878,569	1,110,693	1,310,818	*18.0%*
Equity	429,207	536,330	687,547	882,310	1,064,437	*20.6%*
Net financial debt (1)	320,489	270,387	160,688	195,677	218,597	*11.7%*

Personnel and investments

(euro thousand)	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017	% 2017/2016
Personnel at end of year (No.)	7,241	7,690	7,867	9,042	9,837	*8.8%*
Turnover per employee	216.3	234.5	263.5	252.1	250.4	*-0.6%*
Investments	133,078	126,776	155,908	263,570	360,684	*36.8%*

Main ratios

	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Net operating income/ Sales of goods and services	*7.8%*	*9.9%*	*12.1%*	*14.4%*	*14.1%*
Income before taxes/ Sales of goods and services	*6.7%*	*9.1%*	*11.7%*	*13.7%*	*13.6%*
Investments/Sales	*8.5%*	*7.0%*	*7.5%*	*11.6%*	*14.6%*
Net financial debt/Equity	*74.7%*	*50.4%*	*23.4%*	*22.2%*	*20.5%*
Net adjusted interest expense (*)/Sales	*0.7%*	*0.7%*	*0.6%*	*0.4%*	*0.4%*
Adjusted net interest expense (*)/ Net operating income	*9.1%*	*7.1%*	*4.9%*	*3.0%*	*2.7%*
ROI (2)	*15.8%*	*21.3%*	*28.6%*	*29.5%*	*26.4%*
ROE (3)	*20.8%*	*24.0%*	*27.0%*	*27.5%*	*25.2%*

Notes:
(1) A breakdown of these items is provided in the Statement of Financial Position included in this Directors' Report on Operations.
(2) Net operating income / Net invested capital x annualisation factor (days in the year/days in the reporting period).
(3) Net income (loss) before minority interests / Equity x annualisation factor (days in the year/days in the reporting period).

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

Directors' Report on Operations

BREMBO AND THE MARKET

Macroeconomic Context

In order to better assess Brembo's performance in 2017, an analysis of the worldwide macroeconomic scenario is given here below, with particular reference to the markets in which the Group operates.

In its most recent estimates, published in its January 2018 *World Economic Outlook,* the International Monetary Fund (IMF) revised its global growth forecasts upwards. The document foresees a strengthening world economy, with an increase of 3.7% in 2017 compared with the previous year, or 0.1 percentage points more than predicted last October and half a percentage point more than in 2016. The pickup in growth has been broad based, with notable upside surprises above all in Europe and Asia. Forecasts for the global economy in 2018 and 2019 have also been revised upwards, by 0.2 percentage points, to their current levels of 3.9% for both years. "The revision," states the report, "reflects increased global growth momentum and the expected impact of recently improved U.S. tax policy changes." The U.S.Tax reform is thus viewed as a growth driver that is expected to propel the U.S. to an increase in GDP of 2.7% in 2018, compared with +2.3% in 2017 and +2.5% in 2019. The current upward trend is generally ascribed primarily to the continuing implementation of very accommodative monetary policies, which support market confidence and economic recovery processes. As is often the case, the IMF makes a reference to politics, devoting particular attention to Italy — which is facing a change of legislature — and emphasising that the current cyclical upswing provides an "ideal opportunity" for reforms and that, against the backdrop of financial market optimism, ensuring the stability of public finances is an unavoidable "imperative". Elections in Italy — as well as those in Brazil, Columbia and Mexico — are singled out as political factors that could give rise to the possibility of reoriented policy agendas and are included in the chapter on risks, which also discusses climate change as a cause of serious natural disasters.

In the **Eurozone**, growth rates exceeded expectations, with GDP growth amounting to 2.4% in 2017 and stronger forecasts for 2018 (+2.2%) and 2019 (+2.0%), in both cases up by 0.3 percentage points compared with the previous quarter's forecasts. This growth was driven above all by Germany, Italy and the Netherlands, where domestic demand contributed significantly and external demand increased. Spain, which in 2017 contributed actively to the region's overall growth (+3.1%), was revised slightly downwards for 2018 (to +2.4% from the previous +2.5%) due to the possible adverse impact of political uncertainty on confidence and demand. According to the most recent data published by Markit (the IHS Markit PMI), the Eurozone began 2018 with a further increase in its growth rate to a record level for nearly twelve years, accompanied by the greatest increase in employment since 2000 and the strongest pressure on prices of nearly seven years. Industrial production also reached record levels in the last quarter of 2017, posting the greatest gains since 2000 due to a sharp rise in new orders.

The IMF also improved its view of growth in **Italy,** although it believes that the government that will be elected on 4 March 2018 will inherit a scenario of slowing growth, albeit with a less severe slowdown than estimated in October. At the Davos Economic Forum in January 2018, the International Monetary Fund forecast an increase in GDP for Italy of +1.6% in 2017, to be followed by gains of +1.4% in 2018 and +1.1% in 2019, with an increase in growth of 0.3 and 0.2 points, respectively, compared to previous estimates. The figures recently published by ISTAT for November 2017 also paint a positive picture, pointing to an increase in orders and turnover for Italian industry, compared with both the same period of the previous year and the last eleven months (an increase in turnover of +1.3% compared with October and of +5.1% compared with the same period of the previous year). Confindustria also confirms that Italy is continuing to recover: in October and November the unemployment rate fell to 11% from 11.8% at the end of 2016, with excellent prospects for the first quarter of 2018.

Turning to the **U.S.**, the IMF's economists measured the growth rate for 2017 at 2.3% and revised their forecasts considerably upwards for both 2018 (+2.7%) and 2019 (+2.5%), increases of 0.4 and 0.6 percentage points, respectively, compared with last October. The upwards revisions were mainly based on factors such as stronger external demand and the expected macroeconomic impact of the tax reform, with particular regard to the lower corporate tax rates and the temporary allowance for full expensing of investments, assuming that the decline in tax revenues will not be offset by spending cuts in the near term. Overall, the U.S. government's recent measures are expected to stimulate the country's growth enough to result in real GDP in 2020 that will be 1.2% higher than in projections without the tax policy changes. The IMF revised its economic growth forecast for Mexico in 2017 downwards slightly: +2.0% from the +2.1% estimated three months earlier; growth prospects are positive in both 2018 (+2.3%) and 2019 (+3.0%), revised upwards by 0.4 and 0.7 percentage points, respectively.

In **Japan** a general economic recovery in 2017 has been confirmed, with an increase in GDP of 0.5% compared with the last autumn's estimate, bringing the Japanese growth rate to around 1.8%. According to the IMF's most recent *World Economic Outlook*, Japanese economic growth is expected to slow gradually over the next two years to +1.2% in 2018 and +0.9% in 2019.

In 2017, **China** recorded an increase in GDP of 6.9%, beating analysts' expectations, which called for growth of 6.8%, as well as the government's target of approximately 6.5%. This result represents the first increase in the growth rate of the world's number-two economy in seven years. In 2016, growth amounted to 6.7%, the lowest rate of more than a quarter-century. Asia, where GDP expanded by 6.5% in 2017, continues to account for over one-half of global economic growth. The IMF maintained its growth forecast for the entire area at 6.5% in 2018 and 6.6% in 2019, led by China (+6.6% and +6.4%) and India (+7.4% and +7.8%). Growth is expected to slow gradually in China (despite a slight upwards revision of estimates for 2018 and 2019 compared with October due to greater external demand), continue to gain momentum in India and remain essentially stable in the ASEAN-5 region (Indonesia, Malaysia, the Philippines, Thailand and Vietnam).

Russia seems to have emerged from its time of crisis, consolidating GDP growth of +1.8% in 2017, with a slight upwards revision of the IMF's growth forecasts for 2018 (+1.7%) compared with October. Brazil continued its robust recovery: real GDP (net of inflation) is expected to have increased by +0.8% in 2017 and then to climb to +1.9% at the end of 2018. This result is mainly due to the favourable impact of commodities prices and positive financing conditions for commodity-exporting countries.

With regard to commodities, it should be noted that the stronger global growth outlook, meteorological events in the United States, extension of the OPEC agreement to limit oil production and geopolitical tensions in the Middle East all sustained crude oil prices. In fact, the average price of the three main oil benchmarks — UK Brent, Dubai Fateh and West Texas Intermediate (WTI) — increased to 52.7 dollars a barrel from August 2017 (the reference period for the October 2017 WEO) and mid-December 2017 (the reference period for the January 2018 WEO update). The price of a barrel of oil is expected to rise to 59.9 dollars in 2018 and then to stabilise at around 56.4 dollars in 2019.

Currency Markets

The **U.S. dollar** began 2017 by depreciating against the euro, followed by a lateral phase (January to April), during which rates fluctuated between 1.05 and 1.09. In May, the U.S. dollar entered a period of consistent and significant decline, reaching a low for the year on 8 September at 1.206, far above the annual average rate of 1.129283. It then appreciated in October, only to return to the low for the period at the end of the year. At the end of the year, the currency stood at 1.1993.

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level, the **pound sterling** began 2017 by depreciating against the euro and then entered a phase of lateral movement, during which it fluctuated until June within a range of 0.83 to 0.88. The second half of the year saw a further depreciation of the pound sterling to its lowest level of the year, 0.92965 (on 29 August), after which it recovered to around the average for the period of 0.876145. At the end of the year, the currency stood at 0.88723.

The **Polish zloty** began the year by appreciating constantly against the euro, climbing to 4.1712 on 31 May. The trend was reversed in the second half of the year, when the zloty depreciated until early October to reach around 4.30, only to rally dramatically to its highest level for the year.

At the end of the year, the currency stood at 4.177, an improvement on the annual average rate of 4.256310.

The **Czech koruna** remained at around 27 koruna to 1 euro until 5 April, when the Czech Central Bank decided to unpeg the koruna from the euro. The koruna thus began to fluctuate freely on the market again, subject to the law of supply and demand, reaching a rate of 27.058. The effect of the decision to unpeg the currency resulted in constant and considerable appreciation of the koruna against the euro throughout the year, bringing it to 25.413 on 24 November. At the end of the year, the currency stood at 25.535, a significant appreciation from the annual average of 26.327176.

The **Swedish krona** began 2017 by appreciating slightly against the euro, only to lose ground from the second half of February until June, when it reached 9.795. Sweden's currency then appreciated again until September, after which it declined from October until the end of the year, falling to a low of 10.016 on 11 December. At the end of the year, the currency stood at 9.8438, compared with an annual average of 9.636873.

In the Far East, the **Japanese yen** began the year by appreciating against the euro, gradually climbing to 116.01 (13 April). Japan's currency then reversed direction, entering into a constant, sharp decline that continued until the end of the year, when it reached the low for the period, closing at 135.01, compared with an annual average of 126.654565.

The **Chinese yuan/renminbi** began 2017 at 7.269 on 2 January and then entered into a period of alternating ups and downs that ended in March. In April, China's currency declined sharply, reaching a low of 7.9757 on 4 August. The currency exhibited lateral movement for the rest of the year, remaining consistently below the period average of 7.626438 and closing the year at 7.8044.

The **Indian rupee** got off to an uneven start in 2017, with an initial period of depreciation followed by a growth phase that led it to 68.2915 on 10 April. The rupee then sharply changed direction, weakening for the rest of the year and falling to a low of 77.501 on 22 September.

At the end of the year, the currency stood at 76.6055, compared to an annual average of 73.498019.

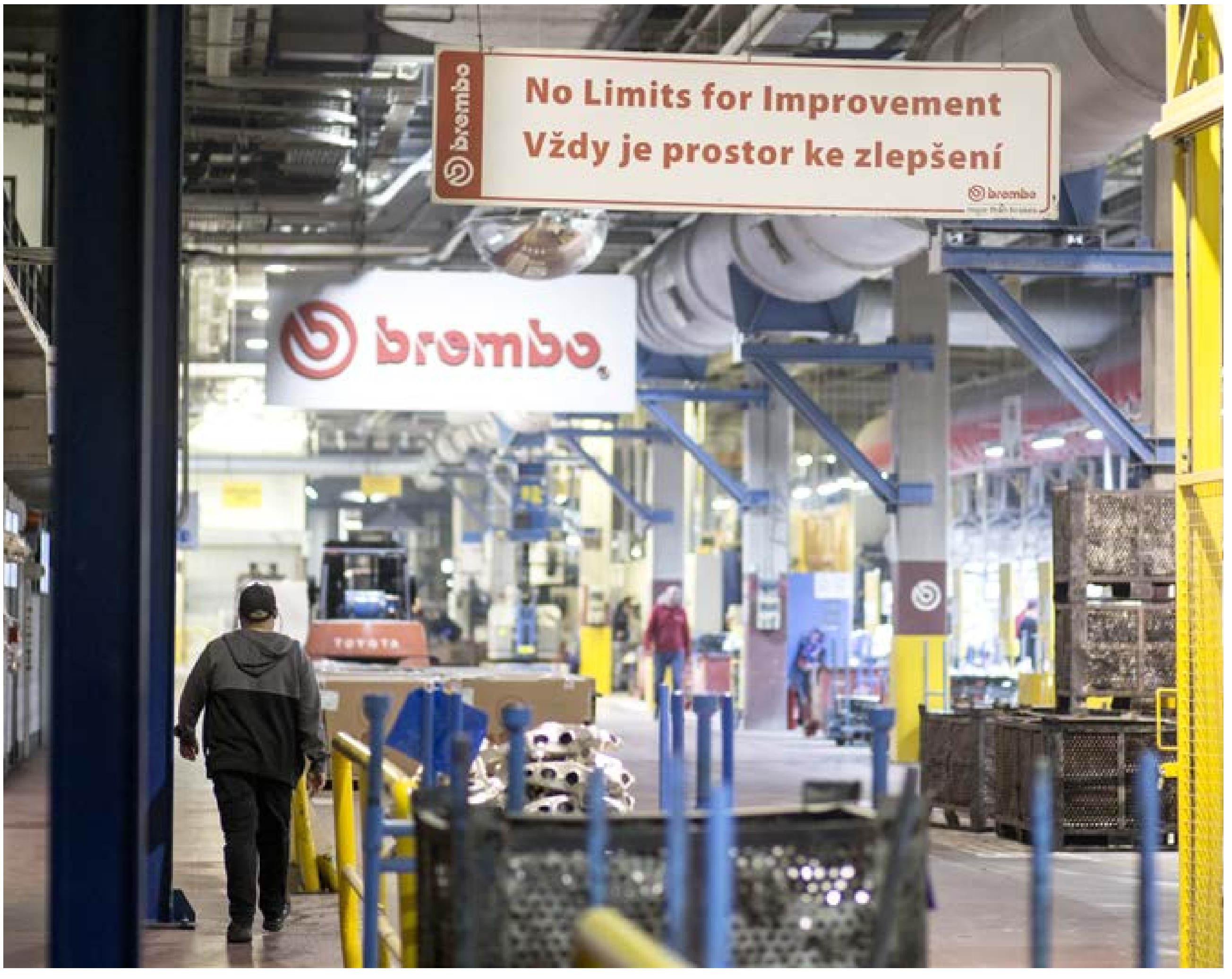
In the Americas, the **Brazilian real** initially appreciated, reaching 3.2402 on 16 February. Brazil's currency then declined slowly but consistently until mid-May, after which its decline intensified, bringing it to 3.9729 at year-end, compared with an annual average of 3.604102.

After starting the year at 21.7063 on 2 January, the **Mexican peso** traversed a brief period of severe depreciation, during which it fell to 23.4441 (on 19 January). It then reversed course decisively, appreciating swiftly to a high for the year of 19.7586 on 10 April.

It then reversed trend again, entering a period of short-term fluctuation but overall constant decline, during which it returned to levels of early in the year, ending the period at a low of 23.6612, above the annual exchange rate of 21.327801.

The **Argentine peso** began 2017 at 16.6605 and remained around this level until 12 April, when it reached a high for the year of 16.0752. From then on, the peso resumed the sharp decline against the euro that had already been seen in late 2016, falling to 20.9238 on 4 August. The following period saw constant sideways movement until late December, when the Argentine currency resumed its decline, closing the year at a low of 22.931, compared with an average for the period of 18.698455.

The **Russian ruble** initially gave ground against the euro in January and then appreciated to reach 59.6596 on 5 April. It then abruptly reversed direction, depreciating constantly to fall to 71.8059 on 2 August. This was followed by alternating periods of appreciation and depreciation, with the ruble always remaining above the annual average rate of 65.887664. At the end of the year, the currency stood at 69.392.



Group Activities and Reference Market

Brembo is the world leader and acknowledged innovator of the brake disc technology for automotive vehicles. It currently operates in 15 countries on 3 continents, through its production and business sites, and employs over 9,800 people worldwide. Manufacturing plants are located in Italy, Poland (Czestochowa, Dabrowa Górnicza, Niepolomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Mexico (Apodaca and Escobedo), Brazil (Betim), Argentina (Buenos Aires), China (Nanjing, Langfang), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

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

In 2017, Brembo's consolidated net sales amounted to €2,463,620 thousand, up 8.1% compared to €2,279,096 thousand in 2016.

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

Passenger Cars

In 2017, the global light vehicle market reported a 2.4% overall growth in sales compared to 2016, thanks primarily to China and Europe.

The Western European markets (EU15+EFTA) reported a positive performance for the fourth consecutive year, with car registrations up by 3.3% compared to 2016. With the sole exception of the United Kingdom that posted a -5.7%, all main markets contributed to growth and reported sales increases: +2.7% in Germany, +4.7% in France, +7.9% in Italy, and +7.7% in Spain. The car registrations trend was also positive in Eastern Europe (EU12), increasing by +12.8% over 2016. In Russia, after the negative trend began in 2013, registrations of light vehicles also showed positive signs and closed 2017 with an 11.9% increase compared to the previous year. In 2017, the United States reported a slowdown in recent years' growth of light vehicles sales, which declined by 1.9% overall compared to 2016. By contrast, sales recovered in Brazil and Argentina, which closed 2017 with an overall increase of 13.9%.

In Asian markets, China closed 2017 with light vehicle sales up +2.0%, an increase that, albeit below the growth rate of previous years, eventually confirmed once again that the country is the number-one market in the world. Japan also recorded a positive trend, ending 2017 with a 5.4% increase in sales.

Within this scenario, Brembo's net sales of car applications in 2017 amounted to €1,890,990 thousand, accounting for 76.8% of the Group's turnover, up 8.9% on 2016. On a like-for-like consolidation basis, and hence excluding the contribution of Asimco Meilian Braking Systems (Langfang) Co. Ltd., the change in net sales was 7.6%.

Motorbikes

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

In Europe — where the top motorbike markets are Italy, Germany, France, Spain and the UK — registrations declined by 9.5% overall in 2017 compared to 2016. France was stable, whereas a sharp decrease was reported by Germany (-19.4%), the UK (-18.4%) and Spain (-12.0%). Italy was the only country that closed 2017 with an uptrend: sales of motorbikes and scooters rose by +5.4% overall (+8.5% for motorbikes, and +3.4% for scooters). The top-performing segment in terms of registrations was naked motorbikes (+15.9%), whereas trial motorbikes dropped markedly (-21.3%). With regard to displacements, Brembo's target (over 500cc) grew by 14% compared to 2016. ATVs (All Terrain Vehicles, quadricycles for recreation and work) declined by 35%.

In the United States, registrations of motorbikes, scooters and ATVs decreased by 3.2% overall in 2017 compared to 2016. ATVs alone declined by 3.2%, whereas motorbikes and scooters together reported a -3.6% downtrend (registrations of motorbikes with displacements over 600cc alone dropped by 7.5%).

In 2017, the Japanese market, considering displacements over 50cc overall, reported a 4.0% increase, whilst the Indian market (motorbikes and scooters together) rose by 9.0%.

In Brazil, registrations shrank by 14.7% overall compared to 2016.

Against this background, Brembo's net sales of motorbike applications amounted to €226,858 thousand in 2017, up 10.6% compared to €205,099 for the previous year.

Commercial and Industrial Vehicles

In 2017, the European commercial vehicles market (EU+EFTA) — Brembo's reference market — showed a 3.2% increase in registrations.

In Europe, sales of light commercial vehicles (up to 3.5 tonnes) increased by 3.9% overall compared to 2016. Among the first five European markets by sales volume, three closed 2017 with an uptrend compared to the previous year (Germany: +4.9%; Spain: +15.5%; France: +7.1%), whereas a decline was reported by Italy (-3.4%) and the United Kingdom (-3.6%). In Eastern European countries, this segment grew by +4.0% over 2016.

The segment of medium and heavy commercial vehicles (over 3.5 tonnes) was virtually stable in Europe, in line with the previous year. Among the first five European markets by sales volume, sharp growth was recorded in Italy (+4.5%) and France (+6.5%), whereas sales decreased in Germany (-0.9%), Spain (-0.1%) and the United Kingdom (-7.1%). In Eastern Europe, sales of commercial vehicles over 3.5 tonnes fell by 1.3% compared to the previous year.

In 2017, Brembo's net sales of applications in this segment amounted to €226,134 thousand, up by 0.7% compared to €224,480 thousand for the previous year.

Racing

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

In 2017, Brembo's net sales of applications in this segment amounted to €119,254 thousand, up by 6.2% compared to €112,279 thousand for 2016.

SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

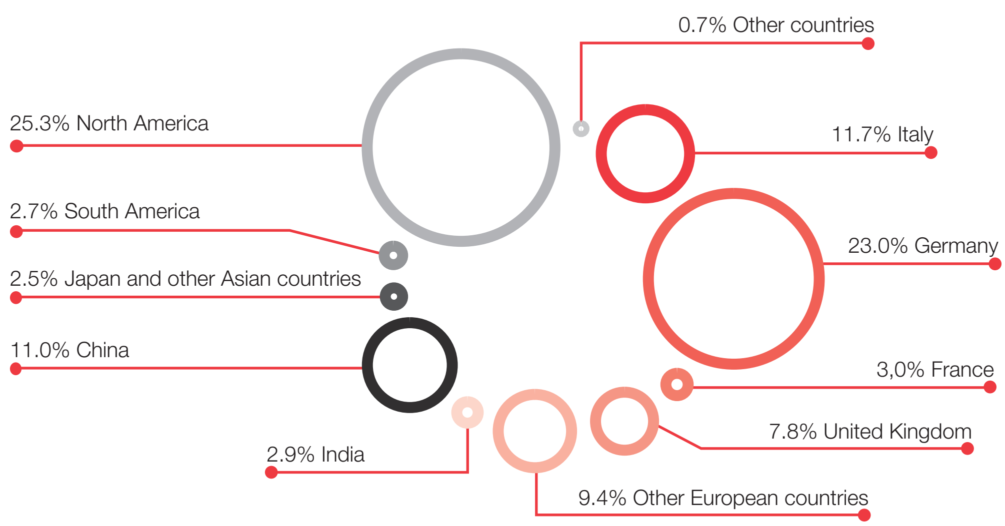
GEOGRAPHICAL AREA

(euro thousand)	31.12.2017	%	31.12.2016	%	Change	%
Italy	289,182	*11.7%*	256,646	*11.3%*	32,536	*12.7%*
Germany	565,645	*23.0%*	528,299	*23.2%*	37,346	*7.1%*
France	73,738	*3.0%*	83,425	*3.7%*	(9,687)	*-11.6%*
United Kingdom	192,164	*7.8%*	188,251	*8.3%*	3,913	*2.1%*
Other European countries	232,633	*9.4%*	205,860	*9.0%*	26,773	*13.0%*
India	70,957	*2.9%*	55,770	*2.4%*	15,187	*27.2%*
China	271,155	*11.0%*	202,085	*8.9%*	69,070	*34.2%*
Japan	34,951	*1.4%*	36,256	*1.6%*	(1,305)	*-3.6%*
Other Asian countries	26,973	*1.1%*	12,496	*0.5%*	14,477	*115.9%*
South America (Argentina and Brazil)	65,893	*2.7%*	56,016	*2.5%*	9,877	*17.6%*
North America (USA, Mexico and Canada)	621,314	*25.3%*	637,458	*28.0%*	(16,144)	*-2.5%*
Other countries	19,015	*0.7%*	16,534	*0.6%*	2,481	*15.0%*
Total	**2,463,620**	***100.0%***	**2,279,096**	**100.0%**	**184,524**	***8.1%***

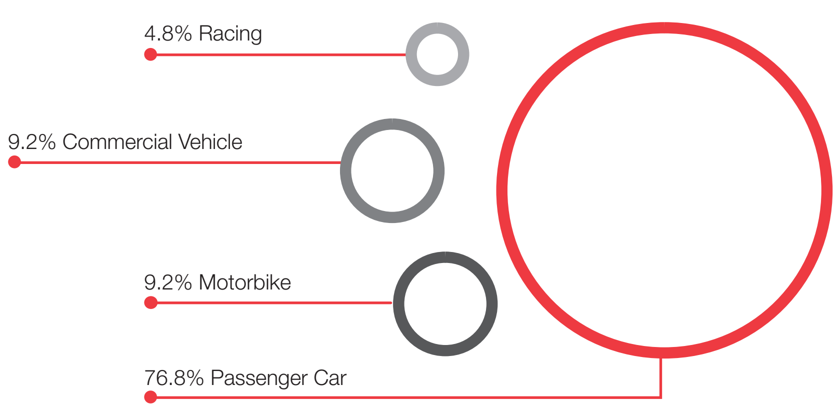
APPLICATION

(euro thousand)	31.12.2017	%	31.12.2016	%	Change	%
Passenger Car	1,890,990	*76.8%*	1,736,159	*76.2%*	154,831	*8.9%*
Motorbike	226,858	*9.2%*	205,099	*9.0%*	21,759	*10.6%*
Commercial Vehicle	226,134	*9.2%*	224,480	*9.8%*	1,654	*0.7%*
Racing	119,254	*4.8%*	112,279	*5.0%*	6,975	*6.2%*
Miscellaneous	384	*0.0%*	1,079	*0.0%*	(695)	*-64.4%*
Total	**2,463,620**	***100.0%***	**2,279,096**	***100.0%***	**184,524**	***8.1%***

SALES BREAKDOWN BY GEOGRAPHICAL AREA
(percentage)



SALES BREAKDOWN BY APPLICATION
(percentage)



BREMBO'S CONSOLIDATED RESULTS

Statement of Income

(euro thousand)	31.12.2017	31.12.2016	Change	%
Sales of goods and services	**2,463,620**	**2,279,096**	**184,524**	**8.1%**
Cost of sales, operating costs and other net charges/income*	(1,560,843)	(1,458,752)	(102,091)	7.0%
Income (expense) from non-financial investments	13,236	11,010	2,226	20.2%
Personnel expenses	(436,050)	(387,640)	(48,410)	12.5%
GROSS OPERATING INCOME	**479,963**	**443,714**	**36,249**	**8.2%**
% on sales of goods and services	*19.5%*	*19.5%*		
Depreciation, amortisation and impairment losses	(133,701)	(116,250)	(17,451)	15.0%
NET OPERATING INCOME	**346,262**	**327,464**	**18,798**	**5.7%**
% on sales of goods and services	*14.1%*	*14.4%*		
Net interest income (expense) and interest income (expense) from investments	(10,725)	(15,256)	4,531	-29.7%
RESULT BEFORE TAXES	**335,537**	**312,208**	**23,329**	**7.5%**
% on sales of goods and services	*13.6%*	*13.7%*		
Taxes	(67,637)	(69,213)	1,576	-2.3%
RESULT BEFORE MINORITY INTERESTS	**267,900**	**242,995**	**24,905**	**10.2%**
% on sales of goods and services	*10.9%*	*10.7%*		
Minority interests	(4,472)	(2,363)	(2,109)	89.3%
NET RESULT	**263,428**	**240,632**	**22,796**	**9.5%**
% on sales of goods and services	*10.7%*	*10.6%*		
Basic and diluted earnings per share (euro)	**0.81**	**0.74****		

* 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".
** Restated following the stock split on 29 May 2017.

Confirming the sales uptrend also for 2017, the Group recorded a very positive sales performance. Net sales in 2017 amounted to €2,463,620 thousand, up 8.1% compared to the previous year. On a like-for-like consolidation basis, excluding the contribution of Asimco Meilian Braking Systems (Langfang) Co. Ltd., consolidated as of 1 May 2016, the Group's sales rose by 7.1%.

Nearly all applications contributed to revenue growth. Car applications, which accounted for 76.8% of Group's sales, closed the year with an 8.9% increase (or +7.6% excluding the contribution of Asimco Meilian Braking Systems (Langfang) Co. Ltd.). The motorbike segment performed well (+10.6%), followed by the racing segment (+6.2%), whereas applications for commercial vehicles were essentially unchanged.

At geographical level, and in Europe in particular, Germany and Italy grew by 7.1% and 12.7%, respectively, compared to 2016, whereas growth was more modest in the United Kingdom (+2.1%) and France declined by 11.6%. In North America, sales decreased slightly (-2.5%, or 0.8% on a like-for-like exchange rate basis). South America confirmed the signs of market recovery that had started to emerge in late 2016, increasing by +17.6%. In the Far East, an excellent performance was recorded in China (+34.2%, or +23.4% on a like-for-like consolidation basis) and India (+27.2%), whereas Japan decreased slightly compared to the previous year (-3.6%).

In 2017, the **cost of sales and other net operating costs** amounted to €1,560,843 thousand, with a ratio of 63.4% to sales, slightly down compared to 64.0% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €24,219 thousand compared to €18,971 thousand for 2016.

Income (expense) from non-financial investments amounted to €13,236 thousand and were attributable to the to the effects of valuing the investment in the BSCCB Group using the equity method (€11,010 thousand in 2016).

Personnel expenses for 2017 amounted to €436,050 thousand, with a 17.7% ratio to sales, slightly up compared to the previous year (17.0%). At 31 December 2017, workforce numbered 9,837 (9,042 at 31 December 2016). The increase in the Group's workforce (+795 people) was attributable to the need to manage the increased level of production, the full operational phase entered by the more recent plants, the inauguration of new production hubs and the upgrade of those already existing.

Gross operating income for 2017 was €479,963 thousand compared to €443,714 thousand in the previous year, with a ratio to sales of 19.5%, unchanged compared to 2016.

Net operating income amounted to €346,262 thousand (14.1% of sales), compared to €327,464 thousand (14.4% of sales) in 2016, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets of €133,701 thousand, compared to depreciation, amortisation and impairment losses amounting to €116,250 thousand in 2016.

Net interest expense amounted to €10,913 thousand (€15,367 thousand in 2016) and consisted of net exchange losses of €1,596 thousand (net exchange losses of €5,483 thousand in 2016) and other net interest expense of €9,317 thousand (€9,884 thousand in the previous year).

Net interest income from investments amounted to €188 thousand (€111 thousand in 2016) and was mainly attributable to the effects of valuing investments in associates using the equity method.

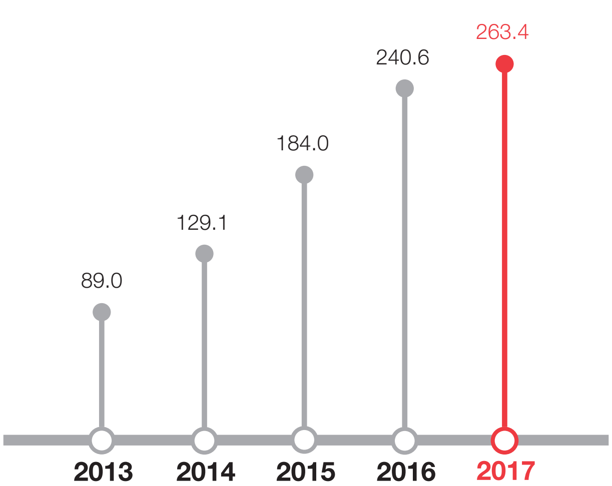
Result before taxes was positive at €335,537 thousand, up by 7.5% compared to €312,208 thousand for the previous year. Estimated taxation amounted to €67,637 thousand, with a tax rate of 20.2% compared to 22.2% for 2016.

The **Group's net result** was €263,428 thousand, up 9.5% compared to €240,632 thousand for the previous year.

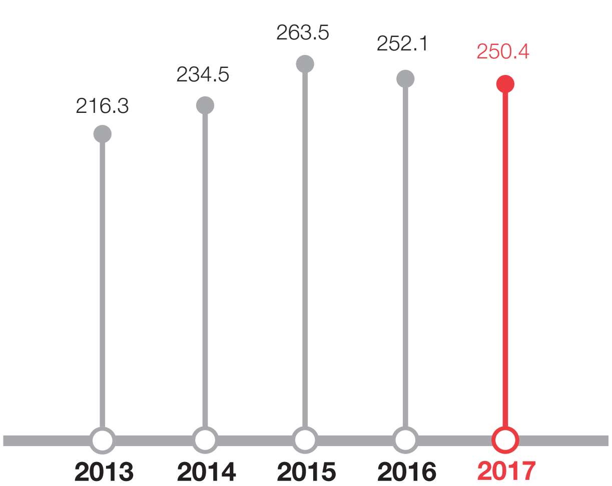
Statement of Financial Position

(euro thousand)	31.12.2017	31.12.2016	Change
Property, plant and equipment	933,774	746,932	186,842
Intangible assets	194,585	190,263	4,322
Net financial assets	41,069	33,856	7,213
Other receivables and non-current liabilities	41,723	53,832	(12,109)
(a) Fixed capital	*1,211,151*	*1,024,883*	*186,268*
			18.2%
Inventories	311,116	283,191	27,925
Trade receivables	375,719	357,392	18,327
Other receivables and current assets	80,455	43,830	36,625
Current liabilities	(601,050)	(542,767)	(58,283)
Provisions / deferred taxes	(66,573)	(55,836)	(10,737)
(b) Net working capital	*99,667*	*85,810*	*13,857*
			16.1%
(c) NET INVESTED CAPITAL (a)+(b)	**1,310,818**	**1,110,693**	**200,125**
			18.0%
(d) Equity	*1,064,437*	*882,310*	*182,127*
(e) Employees' leaving entitlement and other personnel provisions	*27,784*	*32,706*	*(4,922)*
Medium/long-term financial debt	321,658	215,904	105,754
Short-term net financial debt	(103,061)	(20,227)	(82,834)
(f) Net financial debt	*218,597*	*195,677*	*22,920*
			11.7%
(g) COVERAGE (d)+(e)+(f)	**1,310,818**	**1,110,693**	**200,125**
			18.0%

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. In detail:

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

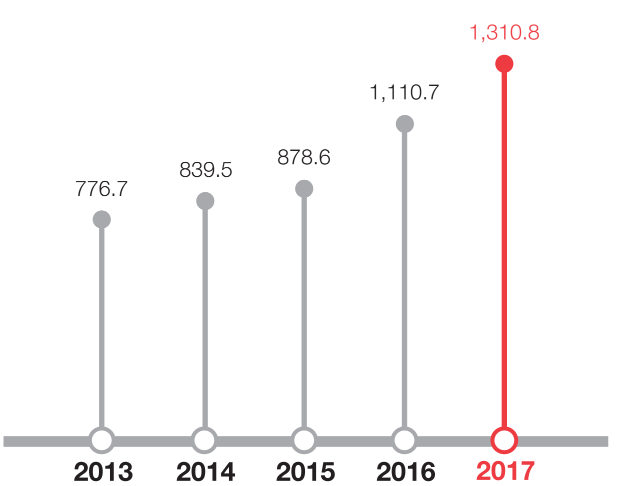
Net Invested Capital at the end of the year amounted to €1,310,818 thousand, up by €200,125 thousand compared to €1,110,693 thousand at 31 December 2016.

Net financial debt for 2017 amounted to €218,597 thousand compared to €195,677 thousand at 31 December 2016. Net financial debt increased by €22,920 thousand in the year, mainly due to the combined effect of the following factors:

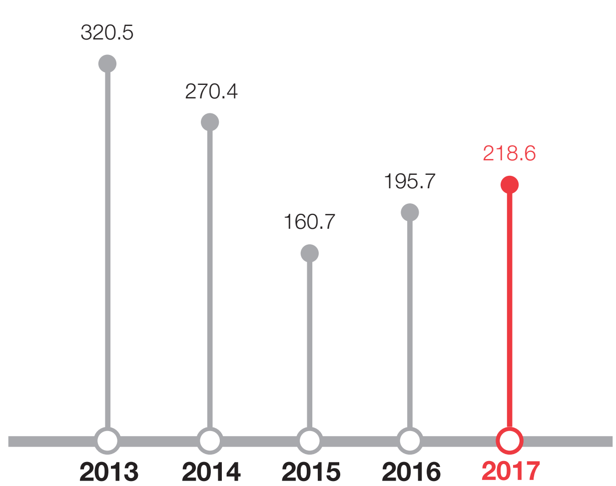
- the positive effect of gross operating income of €479,963 thousand, with a €16,589 thousand decrease in working capital;
- net investments in property, plant, equipment and intangible assets totalling €356,240 thousand;
- the Parent's payment of the approved dividends in the amount of €65,037 thousand;
- payment of taxes totalling €70,336 thousand;
- dividends received by the associate BSCCB S.p.A. amounting to €6,000 thousand.

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

NET INVESTED CAPITAL
(euro million)



NET FINANCIAL DEBT
(euro million)



Statement of Cash Flows

(euro thousand)	31.12.2017	31.12.2016
Net financial position at beginning of year (*)	**(195,677)**	**(160,688)**
Net operating income	**346,262**	**327,464**
Depreciation, amortisation and impairment losses	133,701	116,250
Gross operating income	**479,963**	**443,714**
Investments in property, plant and equipment	(326,658)	(231,431)
Investments in intangible assets	(34,026)	(32,139)
Disposals	4,444	2,821
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of cash and cash equivalents	0	(72,801)
Net investments	**(356,240)**	**(333,550)**
Change in inventories	(31,154)	(35,070)
Change in trade receivables	(16,702)	(26,637)
Change in trade payables	41,860	54,051
Change in other liabilities	16,087	(19,311)
Change in receivables from others and other assets	(15,671)	5,807
Translation reserve not allocated to specific items	(11,009)	2,147
Change in working capital	**(16,589)**	**(19,013)**
Change in provisions for employee benefits and other provisions	8,801	21,275
Operating cash flows	**115,935**	**112,426**
Interest income and expense	(10,302)	(14,617)
Current taxes paid	(70,336)	(69,944)
Interest (income)/expense from investments, net of dividends received	(7,196)	(2,010)
Dividends paid in the year	(65,037)	(52,030)
Dividend paid in the year to minority shareholders	0	(800)
Net cash flows	**(36,936)**	**(26,975)**
Effect of translation differences on net financial position	14,016	(8,014)
Net financial position at end of year (*)	**(218,597)**	**(195,677)**

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

Alternative Performance Measures

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

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

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

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

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

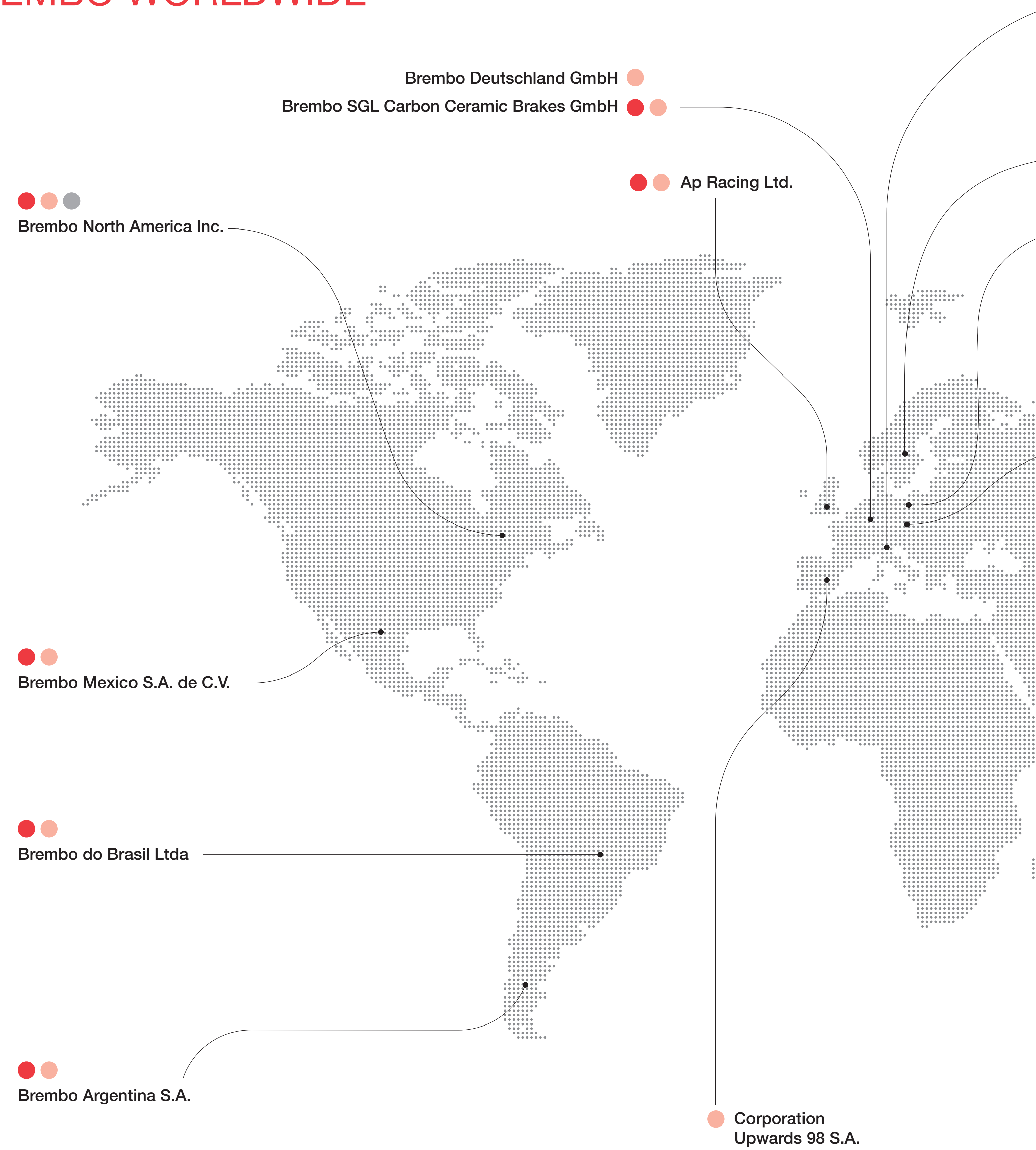
BREMBO STRUCTURE

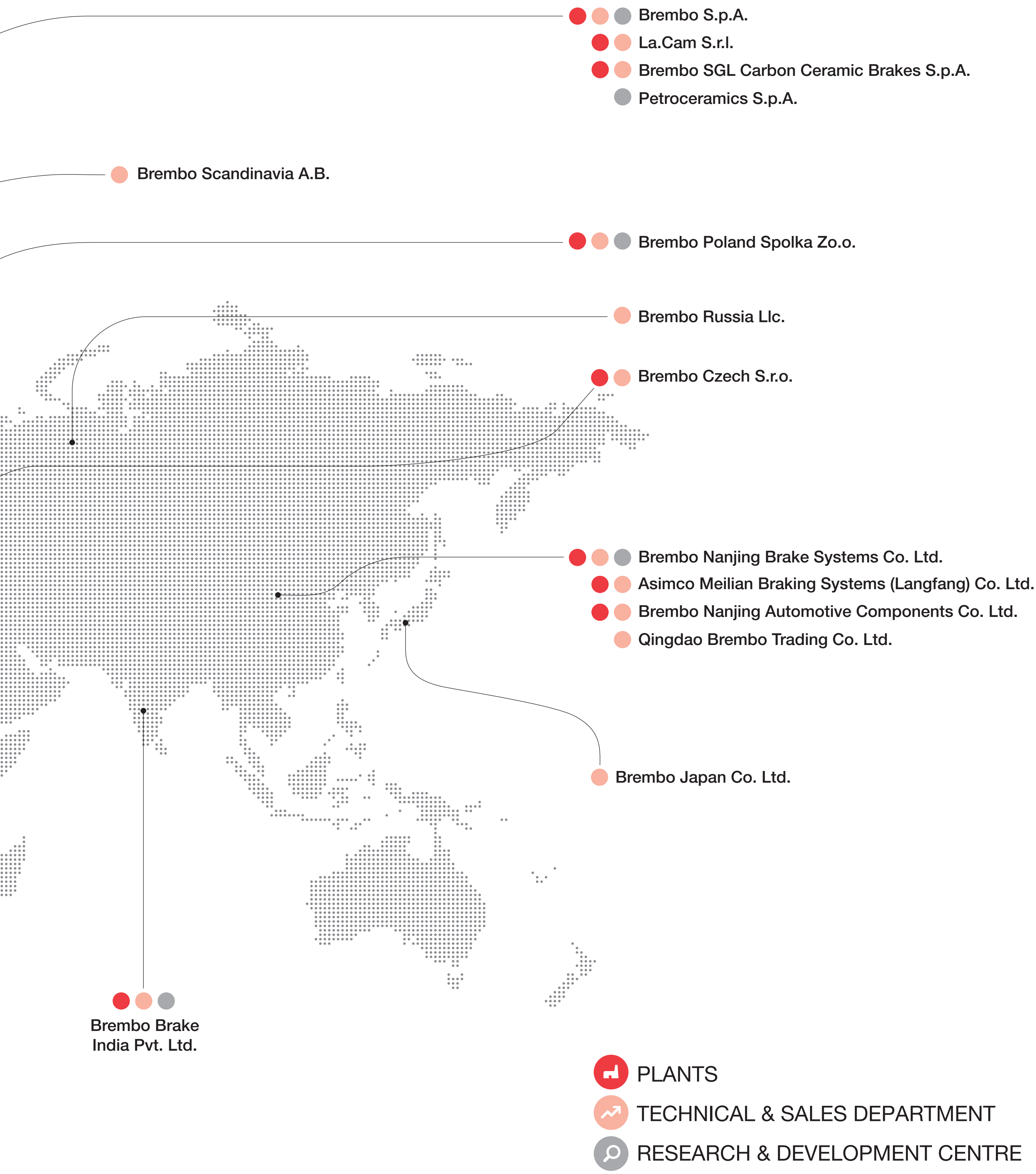
BREMBO S.P.A.

- 100% **AP RACING LTD.** Coventry UK
- 100% **BREMBO CZECH S.R.O.** Ostrava-Hrabová Czech Republic
- 100% **BREMBO DEUTSCHLAND GMBH** Leinfelden-Echterdingen - Germany
- 100% **BREMBO POLAND SPOLKA ZO.O.** Dabrowa Gornicza - Poland
- 100% **BREMBO SCANDINAVIA A.B.** Göteborg Sweden
- 100% **BREMBO RUSSIA LLC.** Moscow Russia
- 100% **LA.CAM (LAVORAZIONI CAMUNE) S.R.L.** Stezzano - Italy
- 68% **CORPORACION UPWARDS 98 S.A.** Zaragoza - Spain
- 50% **BREMBO SGL CARBON CERAMIC BRAKES S.P.A.** Stezzano - Italy
  - 100% **BREMBO SGL CARBON CERAMIC BRAKES GMBH** Meitingen - Germany
- 30% **INNOVA TECNOLOGIE S.R.L.** **In liquidazione** Almenno San Bartolomeo - Italy
- 20% **PETROCERAMICS S.P.A.** Milan Italy
- 10% **INTERNATIONAL SPORT AUTOMOBILE S.A.R.L.** Levallois Perret - France
- 2.38% **E-NOVIA S.P.A.** Milan Italy
- 100% **BREMBO JAPAN CO. LTD.** Tokyo Japan
- 100% **QINGDAO BREMBO TRADING CO. LTD.** Qingdao - China
- 100% **BREMBO NANJING BRAKE SYSTEMS CO. LTD.** Nanjing - China
- 99.99% **BREMBO BRAKE INDIA PVT. LTD.** Pune - India
  - 40% **BREMBO (NANJING) AUTOMOBILE COMPONENTS CO. LTD.**
- 60% **BREMBO (NANJING) AUTOMOBILE COMPONENTS CO. LTD.** Nanjing - China
- 66% **ASIMCO MEILIAN BRAKING SYSTEMS (LANGFANG) CO. LTD.** Langfang - China
- 1.20% **FUJI CO.** Shizuoka Japan
- 100% **BREMBO NORTH AMERICA INC.** Wilmington, Delaware - USA
  - 51% **BREMBO MEXICO S.A. DE C.V.**
- 49% **BREMBO MEXICO S.A. DE C.V.** Apodaca - Mexico
- 99.99% **BREMBO DO BRASIL LTDA.** Betim Brazil
  - 1.38% **BREMBO ARGENTINA S.A.**
- 98.62% **BREMBO ARGENTINA S.A.** Buenos Aires - Argentina

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

BREMBO WORLDWIDE




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

PERFORMANCE OF BREMBO COMPANIES

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

BREMBO S.P.A.

CURNO (ITALY)

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

The year 2017 closed with sales of goods and services of €899,126 thousand, up by 6.6% compared to €843,630 thousand in 2016. The item “Other revenues and income” amounted to €46,139 thousand in 2017 against €40,819 thousand in 2016, whereas capitalised development costs in the year amounted to €21,038 thousand.

Gross operating income went from €143,628 thousand (17.0% of sales) in 2016 to €144,267 thousand (16.0% of sales) in 2017. Net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €39,141 thousand, closed at €105,126 thousand compared to €107,812 thousand for the previous year.

Net interest expense from financing activities amounted to €2,755 thousand, compared to €3,378 thousand for 2016. Income from investments amounted to €78,366 thousand and was mainly attributable to the distribution of dividends by some subsidiaries (Brembo Poland Spolka Zo.o., Brembo Scandinavia A.B., AP Racing Ltd., and Brembo SGL Carbon Ceramic Brakes S.p.A.).

During the reporting year, net income amounted to €149,484 thousand, compared to €138,393 thousand in 2016.

At 31 December 2017, the workforce numbered 3,075, increasing by 41 compared to 3,034 at the end of 2016.

Companies Consolidated on a Line-by-Line Basis

AP RACING LTD.

COVENTRY (UNITED KINGDOM)

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

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

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

Net sales for 2017 amounted to GBP 51,960 thousand (€59,305 thousand), compared to GBP 45,075 thousand (€55,044 thousand) in 2016. In the reporting year, net income amounted to GBP 5,158 thousand (€5,887 thousand), compared to GBP 4,390 thousand (€5,361 thousand) in 2016.

At 31 December 2017, the workforce numbered 132, two less than at the end of 2016.

ASIMCO MEILIAN BRAKING SYSTEMS (LANGFANG) CO. LTD.

LANGFANG (CHINA)

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

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

Under the agreement, the remaining 34% of the share capital continued to be owned by the public company Langfang Assets Operation Co. Ltd., controlled by the Municipality of Langfang. The consideration for the transaction amounted to CNY 580,060 thousand (approximately €79.6 million).

Net sales amounted to CNY 604,968 thousand (€79,325 thousand) in 2017, compared to CNY 337,913 thousand (€45,977 thousand) in 2016. Net income for the year was CNY 96,628 thousand (€12,670 thousand), compared to CNY 49,751 thousand (€6,769 thousand) in 2016 (figures for 2016 were calculated starting on 1 May 2016, when the company was included in the consolidation scope).

At 31 December 2017, the workforce numbered 669, increasing by nine compared to the end of 2016.

BREMBO ARGENTINA S.A.
BUENOS AIRES (ARGENTINA)

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

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

Net sales for the reporting year amounted to ARS 387,023 thousand (€20,698 thousand), with a net loss of ARS 66,110 thousand (€3,536 thousand). In 2016, net sales amounted to ARS 325,524 thousand (€19,930 thousand) and net loss to ARS 51,032 thousand (€3,124 thousand).

At 31 December 2017, the workforce numbered 105, nine fewer than at 31 December 2016.

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 2017, net sales totalled INR 5,947,766 thousand (€80,924 thousand), with a net income of INR 525,242 thousand (€7,146 thousand). In 2016, net sales amounted to INR 4,726,954 thousand (€63,573 thousand), with a net income of INR 365,242 thousand (€4,912 thousand).

At 31 December 2017, the workforce numbered 303, compared to 262 at 31 December 2016.

BREMBO CZECH S.R.O.
OSTRAVA-HRABOVÁ (CZECH REPUBLIC)

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

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

In 2017, net sales amounted to CZK 7,612,030 thousand (€289,132 thousand) compared to CZK 7,423,202 thousand (€274,584 thousand) in 2016, closing the year with a net income of CZK 275,725 thousand (€10,473 thousand) compared to a net income of CZK 527,984 thousand (€19,530 thousand) in 2016.

At 31 December 2017, the workforce numbered 980, increasing compared to 891 at the same date of the previous year.

BREMBO DEUTSCHLAND GMBH

LEINFELDEN – ECHTERDINGEN (GERMANY)

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

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

At 31 December 2017, net sales amounted to €1,898 thousand (€1,859 thousand for 2016), with a net income of €378 thousand (€376 thousand for 2016).

At 31 December 2017, the workforce numbered 7, decreasing by one compared to the same date of the previous year.

BREMBO DO BRASIL LTDA.

BETIM (BRAZIL)

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

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

Net sales for 2017 amounted to BRL 153,481 thousand (€42,585 thousand), with a net loss of BRL 12,417 thousand (€3,445 thousand). In 2016, net sales amounted to BRL 133,767 thousand (€34,640 thousand), with a net loss of BRL 31,848 thousand (€8,247 thousand).

At 31 December 2017, the workforce numbered 227, compared to 242 at the same date of the previous year.

BREMBO JAPAN CO. LTD.

TOKYO (JAPAN)

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

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

Net sales for 2017 amounted to JPY 634,566 thousand (€5,010 thousand), compared to JPY 613,614 thousand (€5,100 thousand) in 2016. Net income for the reporting year amounted to JPY 94,513 thousand (€746 thousand), compared to JPY 67,651 thousand (€562 thousand) in 2016.

At 31 December 2017, the workforce numbered 18, one more compared the end of 2016.

BREMBO MÉXICO S.A. DE C.V.

APODACA (MEXICO)

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

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

In 2017, net sales amounted to USD 169,627 thousand (€150,208 thousand), with a net income of USD 6,646 thousand for the year (€5,885 thousand).

In 2016, net sales amounted to USD 133,722 thousand (€120,841 thousand), with a net income of USD 6,390 thousand (€5,774 thousand).

At 31 December 2017, the workforce numbered 719, compared to 500 at the end of 2016.

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

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

The company, which is 60% owned by Brembo S.p.A. and 40% owned by Brembo Brake India Pvt. Ltd., was set up in April 2016 and, once fully operational, will carry out casting, processing and assembly of braking systems for cars and commercial vehicles. In fact, Brembo is building a new aluminium caliper production complex in Nanjing, China, close to the existing plant. The new production hub, which will cover an area of about 40 thousand square metres, will have a casting capacity of more than 15 thousand tonnes and a production capacity of more than 2 million pieces a year, including calipers and spindles, and will be cutting-edge in terms of process integration and automation.

At 31 December 2017, net loss was CNY 38,604 thousand (€5,062 thousand) and the workforce numbered 138. In 2016, net loss was CNY 3,234 thousand (€440 thousand) and the workforce numbered 13.

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

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

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

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

At 31 December 2017, net sales amounted to CNY 1,368,290 thousand (€179,414 thousand) and net income to CNY 91,342 thousand (€11,977 thousand). In 2016, net sales of Brembo Nanjing Brake Systems Co. Ltd. (before the merger of Brembo Nanjing Foundry Co. Ltd.) were CNY 1,055,582 thousand (€143,625 thousand) and net income was CNY 3,314 thousand (€451 thousand).

At 31 December 2017, the workforce numbered 588, compared to 539 at the end of 2016 (including the workforce of the merged company).

BREMBO NORTH AMERICA INC.
WILMINGTON, DELAWARE (USA)

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

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

Net sales for 2017 amounted to USD 476,694 thousand (€422,121 thousand) compared to net sales amounting to USD 484,108 thousand (€437,474 thousand) for the previous year.

Net income was USD 46,503 thousand (€41,180 thousand) at 31 December 2017, compared to net income of USD 21,568 thousand (€19,491 thousand) for 2016.

At the end of the year, the workforce numbered 724, an increase of 58 compared to the end of 2016.

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

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

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

In 2017, net sales amounted to PLN 1,835,490 thousand (€431,240 thousand), compared to PLN 1,790,093 thousand (€410,230 thousand) for 2016. At 31 December 2017, net income was PLN 390,644 thousand (€91,780 thousand), compared to PLN 402,473 thousand (€92,233 thousand) for the previous year.

At the end of the year, the workforce numbered 1,866, compared to 1,672 at the end of 2016.

BREMBO RUSSIA LLC.
MOSCOW (RUSSIA)

Activities: promotion of the sale of car brake discs.

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

The Company's net sales for the year amounted to RUB 38,377 thousand (€582 thousand) compared to RUB 33,418 thousand (€450 thousand) in 2016; net income was RUB 15,481 thousand (€235 thousand) compared to RUB 11,856 thousand (€160 thousand) at 31 December 2016.

At the end of the year, the workforce numbered two, unchanged compared to the end of 2016.

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 3,487 thousand (€362 thousand), with a net loss of SEK 1,412 thousand (€147 thousand), compared to net sales of SEK 6,832 thousand (€722 thousand) and net income of SEK 1,664 thousand (€176 thousand) for 2016.

At 31 December 2017, the workforce numbered one, unchanged compared to the same date of the previous year.

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

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

The company carries out sales activities exclusively for the aftermarket.

Net sales for 2017 amounted to €29,421 thousand, compared to €27,889 thousand for 2016. Net income amounted to €2,389 thousand compared to a net income of €1,785 thousand for 2016.

At 31 December 2017, the workforce numbered 73, compared to 75 at the end of 2016.

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

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

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

In 2017, net sales, which were mainly to Brembo Group companies, amounted to €41,766 thousand compared to €39,151 thousand in 2016. Net income for 2017 was €2,348 thousand, compared to a net income of €1,952 thousand at the end of 2016.

At 31 December 2017, the workforce numbered 183, compared to 189 for the previous year.

QINGDAO BREMBO TRADING CO. LTD.
QINGDAO (CHINA)

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

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

Net sales for 2017 amounted to CNY 258,178 thousand (€33,853 thousand), compared to CNY 262,413 thousand (€35,704 thousand) for the previous year. Net income for the year was CNY 9,997 thousand (€1,311 thousand), down compared to CNY 14,302 thousand (€1,946 thousand) for 2016.

At 31 December 2017, the workforce numbered 27, four more than at the same date of 2016.

Companies Valued Using the Equity Method

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

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

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

At 31 December 2017, net sales amounted to €52,844 thousand, in line with €52,054 thousand for 2016. Net income for the year was €23,461 thousand, compared to net income of €12,927 thousand for 2016.

The workforce numbered 136 at 31 December 2017, 11 more than at the end of 2016.

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 2017 amounted to €109,484 thousand, up compared to €103,608 thousand for the previous year. At 31 December 2017, net income totalled €17,829 thousand, compared to a net income of €14,935 thousand for the previous year.

At 31 December 2017, the workforce numbered 347, compared to 301 at the end of 2016.

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 2017 amounted to €2,426 thousand, with a net income of €885 thousand. In 2016, net sales were €2,439 thousand and net income amounted to €556 thousand.

INVESTMENTS

In line with the direction followed until today, Brembo's investment management policy continued to develop in 2017, aiming to strengthen the Group's presence both in Italy and, above all, internationally. The most significant investments were concentrated in North America (25%), Poland (24%), Italy (24%), and China (21%).

Investments in Italy were directed primarily at purchases of plant, machinery and equipment to increase the production automation level, as well as €21,038 thousand spent on development costs.

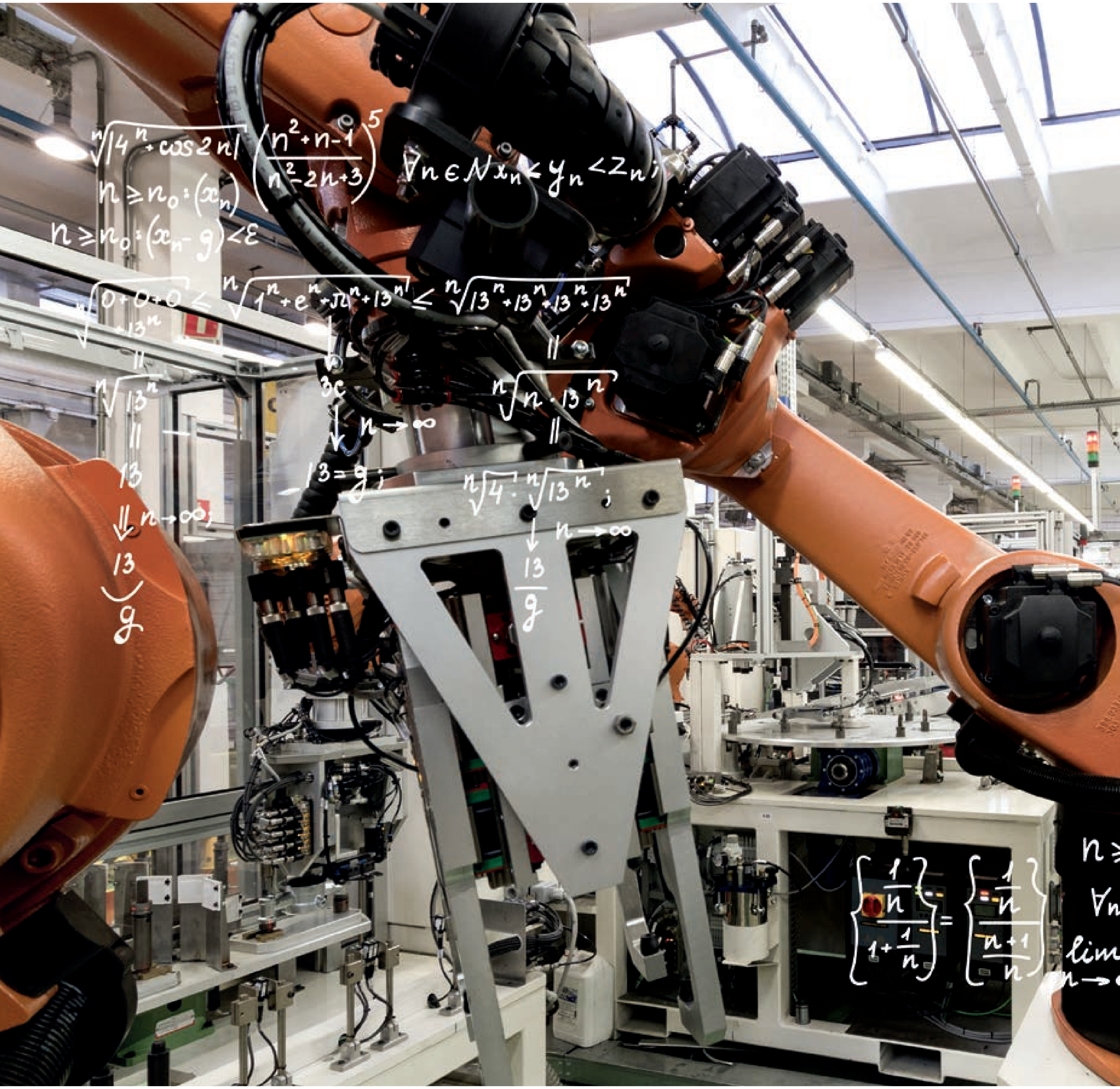
As part of its strategy of consolidation and development at the global level, Brembo continued to invest in North America, its preferred industrial hub for expanding on the North American market. Several investment plans were completed in this area during 2017. In detail:

- in Michigan (USA), in an area adjacent to the new Homer plants, work was completed on the new cast-iron foundry, which began operations in 2016;
- in Escobedo (Mexico), the new plant that processes and assembles brake calipers — inaugurated in October 2016 — was completed; when fully operational, the plant will have a production capacity of two million aluminium calipers per year, intended for major European, Asian and American original equipment manufacturers (OEMs) operating in Mexico.
  The new production facility — one of the Group's most modern and technologically advanced — covers over 35,000 square metres and entailed an investment of €32 million. In an area adjoining this new plant, construction work for another Brembo's cast-iron foundry has reached an advanced stage; it will extend over 25,000 square metres and, when fully operational, it will have a casting capacity of approximately 100,000 tonnes a year. The products manufactured in the new plant will be destined to leading European, American and Asian OEMs with production plants in Mexico. Total investment, to be completed in 2018, will amount to €85 million.

Again as part of its international expansion strategy, Brembo is investing about €100 million over the three-year period between 2016 and 2018 to build a new aluminium caliper production complex in Nanjing, China, close to the existing plant. The new production hub, which will be cutting-edge in terms of process integration and automation, will cover an area of about 40 thousand square metres, will have a casting capacity of more than 15 thousand tonnes and a production capacity of more than 2 million pieces a year, including calipers and spindles. The products manufactured in the new plant will be destined to leading European, American and Asian OEMs with production plants in China. In Langfang (China), the Asimco Meilian Braking Systems Co. Ltd. disc plant continued its programme of replacing processing machinery and refurbishing foundry lines, which will be completed in 2018.

In Eastern Europe, Brembo is about to complete its plan to expand the production hub in Dabrowa Górnicza (Poland), launched in 2016. This plan calls for the construction of a third foundry line and new mechanical processing lines extending over an indoor area of additional 22,000 square metres. This new facility, which will entail an increase in casting capacity of 100,000 tonnes a year, will produce both "grey" cast iron (used for brake discs) and "spheroidal" cast iron (used for calipers intended for light commercial vehicles), in response to the constant increase in demand for brake discs and floating calipers in Europe. In Poland, the Group also continued to implement its investment plan aimed at making the new plant in Niepolomice fully operational. This plant is devoted to processing steel disc hats to be assembled onto the lightweighted discs manufactured at the Group's plants in Poland, China and the United States;

Group's total investments undertaken in 2017 at all operations amounted to €360,684 thousand, of which €326,658 thousand was invested in property, plant and equipment and €34,026 thousand in intangible assets.



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$n \geq n_0 : (x_n - g) < \varepsilon$
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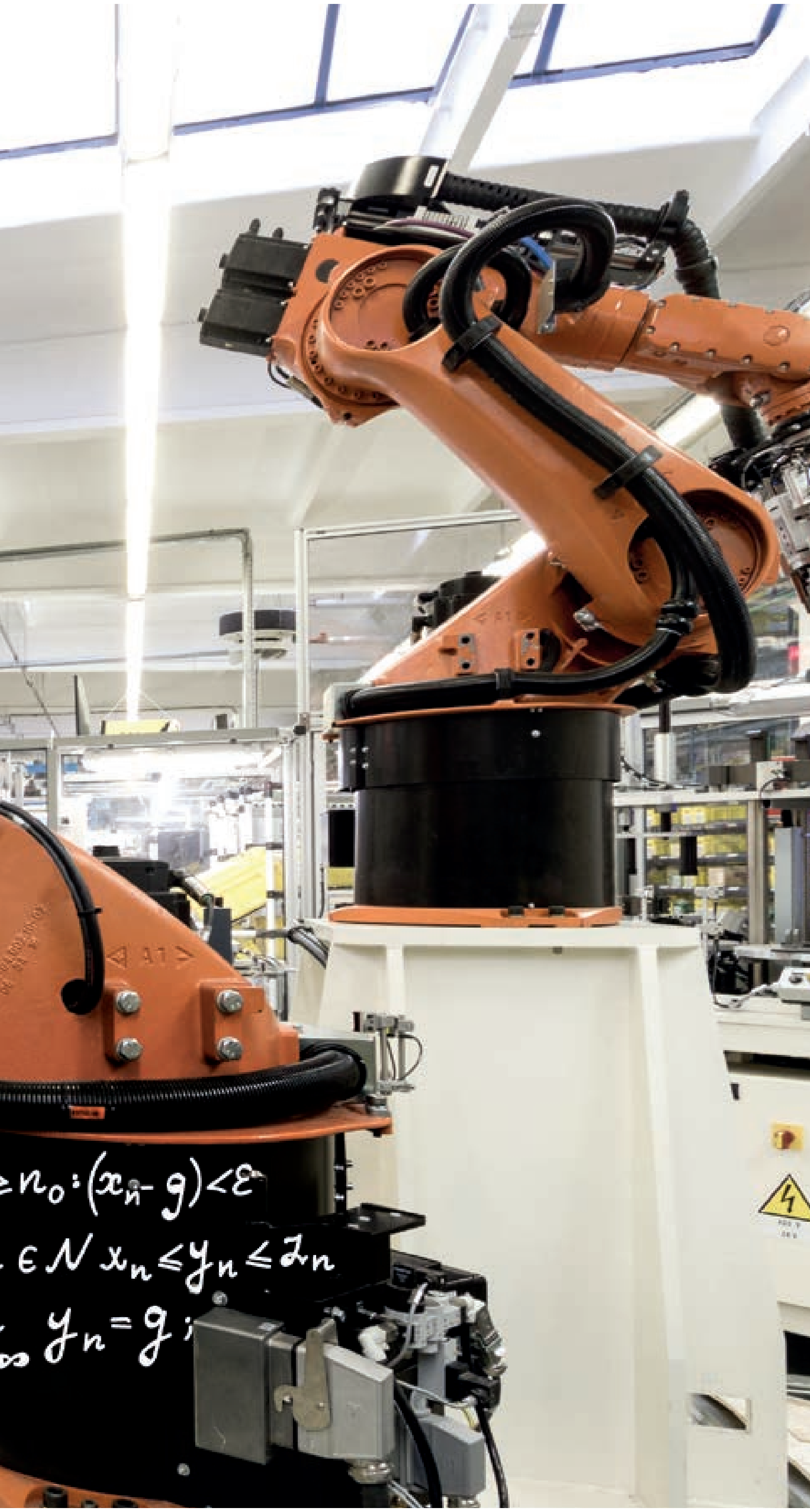


Use of a **high level of automation** has allowed the **assembly process** for commercial vehicle **calipers** to be fully **automated**.

RESEARCH AND DEVELOPMENT

Keeping step with developments in transport vehicles and contributing to making them safer through constant innovation of braking systems, with an eye to the vehicles of tomorrow: this is the principle that has always inspired Brembo's R&D activities. Each component of the brake system (from calipers to discs, from pads to suspensions, all the way to control units) complements the others in the optimisation of the braking function, which Brembo constantly seeks to perfect, not only in terms of performance, but also of comfort, duration, aesthetics and environmental sustainability.

Since 2000, Brembo has been conducting specific research on mechatronic products, which are becoming increasingly widespread in the automotive sector, thus honing skills that have now been applied to systems such as electric parking brakes and brake-by-wire systems for years. Since the market demands constantly shorter time to market, the Group is also strongly committed to implementing cutting-edge simulation methods, in which new virtual reality and augmented reality technologies are increasingly applied, in addition to uniform development processes at Brembo's Technical Centres based in Italy, North America, China, India and Poland.

In 2017, R&D activities mainly focused on the following aspects.

With regard to **cast-iron discs**, the simulation method was consolidated, so as to be able to identify much more accurate parameters capable of improving the comfort level offered by a brake system, as early as the design phase.

This methodology, which was successfully completed in 2016 in cooperation with various partners, is now used in all new development projects. In addition, work continued on disc fluid-dynamic calculation methods, which focus on air flow within the entire wheel side unit. Moreover, a research on shock and thermal fatigue resistance has been launched in partnership with an Italian University to further study the types and distribution of disc stress and deformation during operation.

At the same time, efforts to improve cast-iron disc products and processes are moving forward, and the resulting improvements will be incorporated into normal application development for the world's major vehicle manufacturers.

According to precise guidelines applied throughout the automotive sector and all of Brembo's development activities, considerable attention is paid to new solutions that can lead to a reduction of disc weight, thus translating into lower vehicle fuel consumption and consequently a smaller environmental impact (reduced CO_2 emissions).

Work on discs for heavy commercial vehicles continued to focus on improving performance in this application segment, which is of particular interest to Brembo, and discussions intensified with customers, also outside Europe, with regard to the new developments which could be finalised next year.

The study of new geometries permitted a significant reduction of mass and improvements in brake disc performance. The new technical solutions were patented and fitted to vehicles, the production of which was started in 2017.

In car applications, after having worked with Daimler to develop the concept for the light brake disc currently installed in its entire Mercedes MRA platform, Brembo was also selected as the supplier of brake discs for the entire next generation of rear-wheel-drive vehicles manufactured by the German firm (Classes C, E, S and derivatives), application development of which has begun.

The light discs, which offer a reduction in weight of up to 15% by combining two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) and whose application studies will be completed in the next three-year period, are also meeting with interest amongst other European and U.S. clients.

The desire to consolidate in several segments of the market resulted in the launch of product and process optimisation for co-cast discs to improve performance, reduce mass and implement new aesthetic solutions, the result of an activity that drew accolades at the most important industry trade fairs. In the first half of 2018, all activities will be implemented to complete Brembo's concept approval phase, with a view to present this solution to potential customers as soon as next year.

In addition, work proceeded throughout 2017 — and still continues today — on researching, developing and testing unconventional solutions (also resulting in the filing of several patent applications) to be applied to cast-iron brake discs or the next generation of "light" discs, with a focus on the study of shapes, materials, technologies and surface treatments capable of meeting the needs of the next generation of electric vehicles and conquering new segments of the market. These new solutions, which aim to reduce environmental impact (lower emissions of CO_2, fine particulates and wheel dust) and improve aesthetics and corrosion resistance, have met with strong interest among Brembo's main clients. Therefore, the product industrialisation phase is currently being studied and will be developed into applications as soon as in 2018.

In the **motorbike sector**, development work continued on discs made from composite materials for on-road use and the bench tests of the first prototypes started in late 2017.

Following the positive outcome of the concept validation tests, the application project involving a mid-range front master cylinder was also further developed with a reference client.

In the reporting year, the validation phase of the rear master cylinder concept with integrated microswitch was successfully completed and the phase of project detailing was launched for vehicle application.

Testing of the H-CBS actuator for the drum/disc in a scooter configuration was completed in the second half of 2017. Development of the new disc/disc CBS application for an Indian client also continued. The first quarter of 2018 is expected to see the launch of the supply of the H-CBS system manufactured in India (a patented new actuator and a new three-piston/two-circuit floating caliper) and the start of vehicle testing of the new entry-level caliper based on an innovative concept.

After a period of thorough study, the styling of the future product line for the Indian market was defined: the first product will be presented to clients in the first quarter of 2018 and the presentation of the product line with the new styling is expected to be completed by the end of 2019.

Installation of the new dynamic testing station at Brembo Brake India was postponed to the first quarter of 2018 and development work on the innovative brake concept for high-performance motorbikes will be resumed in the second half of 2018.

Experimentation work on the hat/braking ring configuration for the new low-vibration brake disc concept continued according to schedule.

Finally, a project aimed at creating a demonstrator of motorbike brake-by-wire technology was launched in 2017 and is expected to yield a physical prototype by the end of 2018; in addition, new materials for motorbike brake discs are being studied with the aim of reducing weight. Testing began in the first quarter of 2018.

Regarding the **racing** world activities, the Carbon/Carbon brake system for racing applications project (F1, LMP1 – Le Mans Prototype 1, IRL – Indy Racing League, and Super-Formula) features three distinct areas of activity that were further ongoing throughout 2017 and will continue in the years to come.

- the fine tuning of disc production (with very interesting results in terms of disc quality) alongside the stabilisation/improvement of Carbon/Carbon pad performance; this area of production technology development and improvement has also seen the introduction into service at the Curno plant (Bergamo) of the first needle punching machine for constructing preforms starting from carbon fibres; the fine tuning phase was completed, and in the next racing season about 50% of preforms will be produced in-house;
- development of the new systems (on the basis of the F1 disc) for the other categories as well;
- development of the new F1 system for the 2018 season.

  In particular, the following systems are now in the advanced stages of the design process:
  - new front and rear brake calipers;
  - new discs (produced using the Brembo's needle punching machine) and new ventilation systems;
  - new brake cylinders.

In addition to the activities launched in the first half of 2017, the Ferrari team confirmed other dedicated projects concerning simulation and testing activities. Some concepts will be introduced at the beginning of the season, while others will most likely be incorporated into the vehicle by May 2018.

In the simulation field, testing is continuing of new calculation methodologies for the structural part and thermal properties of the disc, for the thermos-elastic and fatigue calculation, as well as for integrating the same calculation within the customer wheel unit (in other words, mechanical and thermal calculations with CFD).

In the motorbike field, in the MotoGP class — and also as a result of specific development contracts — a team continued to have exclusive use of a new brake caliper that contains two particularly interesting highly innovative concepts. The use of these concepts will be extended to the other teams in 2018, as the period of exclusivity has come to an end. In light of the successful tests at the end of 2017, it can be confirmed that in season 2018 all teams will be essentially using very similar braking systems.

In a race on the Mugello track, our privileged development team successfully deployed a new hydraulic system that reduces the retraction of the pistons of front callipers. Other MotoGP teams will begin their first tests of this new system in 2018.

Finally, the studies conducted by the subsidiary AP Racing on motorbike-style carbon clutches — also provided on an exclusive basis to an Italian team — concluded with the creation of new prototypes. This is the second clutch designed and tested by AP Racing to be placed on the market.

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

In fact, Brembo can offer its customers the first CCMR disc developed in 2010/2011 but is also developing a new version, alongside this. The first discs created in this new project are currently being tested by a client in the UK, which has confirmed start of production in the second half of 2018.

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

Regarding the Aeronautics Project, the process to achieve Brembo production certification through the national agency ENAC is proceeding satisfactorily. This is the second certification (the first one was required for technical development and had been obtained through development of helicopter seats) that Brembo is undergoing with the European (EASA) and Italian (ENAC) agencies that oversee flight safety. In this concept, a project has been confirmed and will be delivered starting in 2018. Lastly, in early February 2017 Brembo held the kick-off meeting for a funded project entitled "Clean Sky 2", on which the Group will be working for the next five years.

The development and introduction of high-performance brake pads has broadened Brembo's horizons for mass production applications, moving beyond the more traditional caliper and disc sectors. In constant expansion and focused on improvement in accordance with the company philosophy of ongoing innovation and technological development, **Brembo Friction** is now a well established, stable reality, benefiting from the experience gained in recent years. All of the most demanding automotive firms now choose Brembo Friction brake pads as the original equipment for their top-of-the-line vehicles, providing ever greater recognition of Brembo's high-performance friction materials, when paired with both cast-iron brake discs and carbo-ceramic discs. Constant improvement is being made to new copper-free friction materials, the now advanced development of which makes it possible to adapt to the wide range of applications requested by clients, while offering a high level of flexibility in supplying a product conceived and designed specifically for a market with stringent requirements in terms of performance, such as Europe, or markets with high standards in terms of comfort, such as the U.S. and Asia. Research and development continue to interact in synergy with all of Brembo's other divisions, such as the case of joint efforts to develop new friction materials for electric parking calipers. Another issue to which Brembo pays great attention is the study of innovative friction materials to be paired with new applications that involve the use of discs that are much lighter than standard but offer a high level of heat and mechanical resistance. In particular, for some new vehicles set to enter production starting in 2018, the German market requires new copper-free materials for carbon-ceramic discs with silicon and silicon carbide coatings. The optimisation of new materials and, more generally, systems with a constantly reduced environmental impact (for example, by reducing emissions of greenhouse gases such as CO_2 and fine particulates), has always been one of the company's main focuses and has also resulted in a wave of innovation in the area of friction materials. It was this goal that was kept in mind when creating projects such as COBRA and LIBRA, which have already been financed and successfully launched. COBRA, which began in 2014 and is part of the European "Life+" programmes, is an important collaborative effort involving partners of the calibre of Italcementi, Istituto Mario Negri and the consulting firm PNO Italia: the main goal — which has been already achieved — was to develop a technology capable of replacing more traditional phenolic binders, normally used in producing friction materials, with innovative cement-based components. As early as in 2015, as a result of intense research and development activity, it was possible to design materials equivalent to those traditionally used for "standard" car applications. In 2016, their performance was improved in order to meet the demands of racing applications, which are notoriously more exacting for friction materials. The COBRA project now aims to meet the most demanding comfort requirements and to develop friction materials to be used with carbon-ceramic discs, with a particular focus on optimisation of the production process. LIBRA, which was launched in 2015, instead aims to develop brake pads using a material (for example, a new composite material) capable of replacing steel in the backing plate to obtain significant advantages relating to, among other aspects, light weight and faster production times. The results achieved already in the first year of research and development have supported and borne out the soundness and competitiveness of this approach. As further confirmation of the "revolution" represented by LIBRA, various automotive industry groups have already expressed interest. In particular, starting this year, the first OE units will be supplied to a U.S. automotive industry giant for use in some future models of its vehicles with parking brake pads with composite backing plates.

With reference to **Advanced R&D**, the goal of using the braking system to help reduce vehicle consumption and resultant CO_2 emissions and particulates is being pursued through the development of new solutions. In detail, the use of methodologies to minimise caliper mass for the same performance, the improvement of caliper functionality by defining new characteristics for the pairing of seal and piston, in addition to optimisation of a new-concept pad sliding system, continue to feature among the main areas of development.

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

In this regard, application development is also in progress for a new caliper, specifically designed for high-performance cars, with the goal of considerably reducing track operating temperatures, and thus of increasing system performance.

The conquest of new market segments is being pursued through the study of new types of brake caliper. A first type of caliper has reached the internal Brembo concept approval stage, in addition to concept approval by a major European customer. Application development is under way and start of production by a major German client will take place in 2018.

A second type of caliper has reached and passed the concept approval stage and approval for production is expected in 2018.

Small-series production had started in 2016 of a caliper produced using thixotropic aluminium alloys (i.e., at a lower temperature than casting). This process, for which Brembo has filed a patent application, is known as "BSSM" (Brembo Semi-Solid Metal casting) and offers a reduction in weight of 5 to 10%, depending on caliper geometry, without any decrease in performance. Concept approval by a major German customer is currently underway and start of production for the first vehicles will take place in late 2022.

Brembo's first mechatronic products, namely various configurations of electric parking brakes, already approved in-house both for cars and commercial vehicles, are being promoted with Brembo's customers.

In detail, Brembo has been selected by a major U.S.

customer to supply a caliper with integrated electric parking brake for an electric vehicle, which will enter production in 2018. In commercial vehicle applications, Brembo has developed, and continues to develop, mechatronic parking solutions for vehicles up to 7.5 tonnes: the SOP for these vehicles is expected in mid-2019.

With regard to next-generation electric-drive vehicles, brake systems will change considerably in the coming years, above all as regards braking management and the interface with the vehicle. BBW systems, which Brembo has long been studying, have now reached a high level of performance and functionality. The industrialisation and planning phase for the start of production has begun and could be realised as soon as several customers confirm their interest at a contractual level.

The ongoing evolution of simulation methodologies is focused on aspects linked to brake system comfort and caliper functionality. Brembo's current objective is to develop the simulation capacity for the latest brake system component not yet simulated: friction material. From this standpoint, the ability to rely on the Brembo Friction project represents a strength for Brembo, which can position itself as a supplier of complete brake systems. On the other hand, the development of a methodology for simulating caliper functionality is aimed at establishing, during the design stage, the caliper characteristics that influence the car's pedal feel.

Vehicle evolution can be summarised in a few general trends: electrification, advanced driver assistance systems (ADASs), autonomous driving, low environmental impact, and connectivity. The high level of integration will bring the brake system into dialogue with other vehicle systems, such as electric traction motors and new suspension/steering concepts. Such integration will allow for increased active safety and the optimisation of functions, such as regenerative braking. As indicated above, Brembo is continuing to develop a BBW system with the aim of hastening the development of individual brake system components and holding on to its lead as a product innovator.

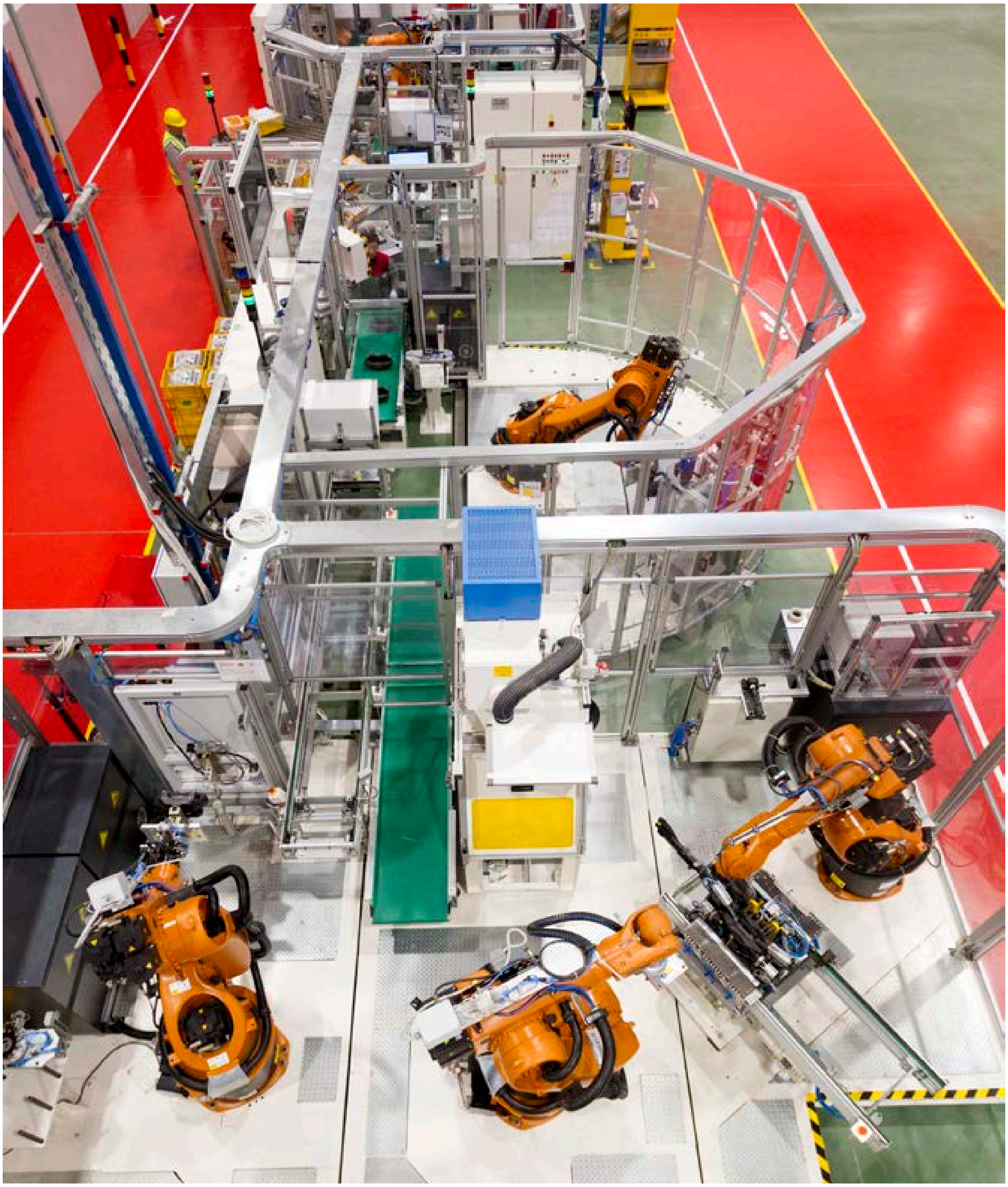
Furthermore, developments involving intelligent system integration continued, particularly with electric-drive systems and the associated next-generation architecture. In this area, it is important for Brembo to participate in the EU-Live project, being carried out by a European consortium and funded by the Horizon 2020 project. Brembo's role in this project consists of designing and realising the integration of the brake into an oscillating arm, with an electric-drive motor, intended for a four-wheel vehicle specifically designed for future urban mobility.

Mechatronics and system integration entail the development of new components for Brembo's products, including sensors, mechanisms and electric motors. Brembo is therefore coordinating a group of companies based in the Lombardy region within the framework of the funded project "Inproves", with the aim of creating brushless motors based on permanent magnets offering very high levels of performance, specifically designed for the brakes of the future.

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

The Rebrake project is part of this context. Funded by the European Union and co-ordinated by Brembo, Stockholm's Royal Institute of Technology (KTH) and Trento University, it 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, which began in March 2013, was concluded in February 2017. The expertise developed will be applied to many projects to be developed in the coming years. In parallel, relations with the academic institutions involved in Rebrake will continue well after the end of the project.

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



RISK MANAGEMENT POLICY

Effective risk management is a key factor in maintaining the Group's value over time.
In this regard, within the framework of its Corporate Governance system, the Group defined Brembo's Internal Control and Risk Management System (ICRMS) in compliance with the principles set out in Article 7 of the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A. as amended in 2015 (hereafter referred to as "Corporate Governance Code") and, more generally, with national and international best practices.

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

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

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

- the Control, Risks & Sustainability Committee, tasked with supporting the Board of Directors on internal control, risk management and sustainability;
- the Executive Director with responsibility for the Internal Control and Risk Management System, tasked with identifying the main corporate risks by executing risk management guidelines and verifying their adequacy;
- the Managerial Risk Committee, responsible for identifying and weighing the macro-risks and working with the system parties to mitigate them;
- the 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

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

focus on determining the actions required to mitigate any risks. Brembo's general risk-management policies and the bodies charged with risk evaluation and monitoring are included in the Corporate Governance Manual, in the risk management policy and procedure, in the Organisational, Management and Control Model (as per Italian Legislative Decree No. 231/2001) and in the reference layout for preparing accounting documents (as per Article 154-*bis* of TUF), to which the reader is referred.

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

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

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

a. External risks
b. Strategic Risks
c. Operating Risks
d. Financial Risks

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

External risks

Country risk

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

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

Strategic Risks

Innovation

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

Market

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

Investments

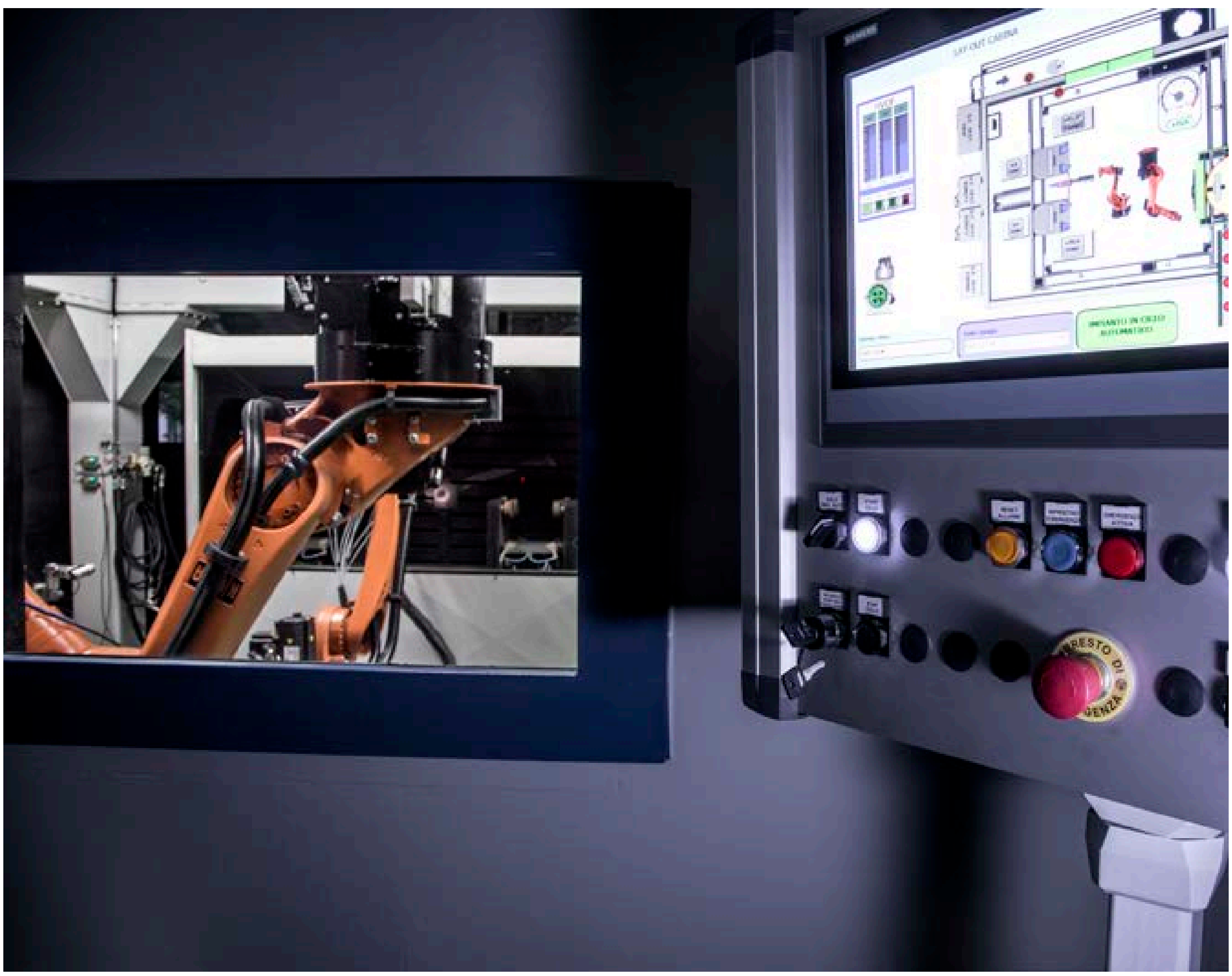
Investments in certain countries may be influenced by major modifications of the local regulatory framework, which could result in changes in the economic conditions existing at the time of the investment. For this reason, before investing in foreign countries, Brembo assesses the country risk carefully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

Corporate Social Responsibility

In 2017, a risk assessment process with a focus on sustainability was launched with support from a specialised consulting firm. Specific risk assessment criteria integrated into the Group's risk management framework were defined as part of this process.

Brembo manages the risks linked to climate change, as well as the increase in regulatory requirements regarding a reduction in greenhouse gas emissions and, more generally, the growing pressure being applied by civil society and the end consumer to the development of products and industrial processes with a lower environmental impact. Brembo also considers the risk arising from the use of resources, such as water, with reference to production sites located in geographical areas where there is a potential water scarcity, as well as risks linked to the pollution of waterbodies due to any contamination.

In addition, Brembo's supply chain is becoming more and more globalised and strategic and suppliers are required to operate in accordance with the sustainability standards identified by the Group. Considering that potential risk factors exist within the supply chain, Brembo is therefore implementing ongoing measures aimed at all its suppliers, both in Italy and abroad, to promote the safeguard of the environment and ensure appropriate working conditions with a view to continuous improvement.



Operating Risks

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

Supply Chain

Supply chain risk manifests as the volatility of raw material prices and dependence on strategic suppliers, which could jeopardise the company's production process and ability to fill orders from clients in a timely manner by suddenly suspending supply arrangements. To mitigate this risk, the Purchasing Department identifies alternate suppliers to ensure the availability of critical materials (supplier risk management programme). The supplier selection process, including an assessment of suppliers' financial solidity — an aspect that has taken on growing importance in the current scenario — has been reinforced. By diversifying its sources, Brembo can also reduce its risk exposure to price increases (a risk that is however partially offset by reflecting price increases in sales prices).

Business Interruption

With reference to the risk of operational downtime at production facilities and continuity of operation, the company reinforced its risk mitigation process, through the planning of loss prevention engineering on the basis of U.S. NFPA (National Fire Protection Association) standards. The aim of this process was to eliminate risk factors in terms of probability of occurrence and to implement protective measures aimed at limiting the impact of this risk, thereby constantly enhancing the current operating continuity levels of the Group's production facilities.

Product Quality

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

Information Technology

Brembo attaches much importance to the operating continuity of its IT systems. In this regard, it has implemented risk mitigation measures aimed at guaranteeing network connectivity and data availability and safety. These issues are growing in importance in light of the start of the Group's smart factory (Industry 4.0) process.

Environment, Safety and Health

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

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

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

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

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

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

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

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

Legal & Compliance

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

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

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

Compliance risk includes the risk that the company may incur administrative liability, which may be broken down into three levels:

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

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

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

The probability that liability for offences committed outside Italy may be ascribed to the Parent is regarded as remote in light of the connection criteria set forth in the Italian Penal Code. However, it is theoretically plausible that a top manager or employee of Brembo S.p.A. might take action outside Italy in the context of his or her duties to the Parent or an international subsidiary. In the matter of corruption involving public officials, given the nature of its business, the Brembo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Group does not engage in dealings with government officials, except in managing permits (such as building permits). As a result, offence-risk opportunities are considered to be very limited.

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

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

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

Planning and Reporting

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

Financial Risks

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

Market Risk

- Interest Rate Risk Management

Since most of the Group's financial debt is subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To partially reduce this risk, the Group has entered into several medium/long-term fixed rate loan agreements accounting for approximately 43.4% of gross financial position.
The objective is to eliminate the variability of the borrowing costs associated with a portion of debt and benefit from fixed rates. The Group's Central Treasury & Credit Department constantly monitors rate trends in order to evaluate in advance the need for any changes to the financial indebtedness structure.

- Exchange Rate Risk Management

Since Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate these risks, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly short-term financing denominated in the currency to be hedged. Other hedging instruments used by the company, where advisable, include forward contracts, which are also used to offset differences between receivables and payables. This policy reduces exchange risk exposure.

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2017, no specific hedging transactions were undertaken. However, it should be recalled that existing contracts with major customers provide for automatic periodic adjustment on the basis of commodities prices.

Liquidity Risk

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

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

Credit Risk

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

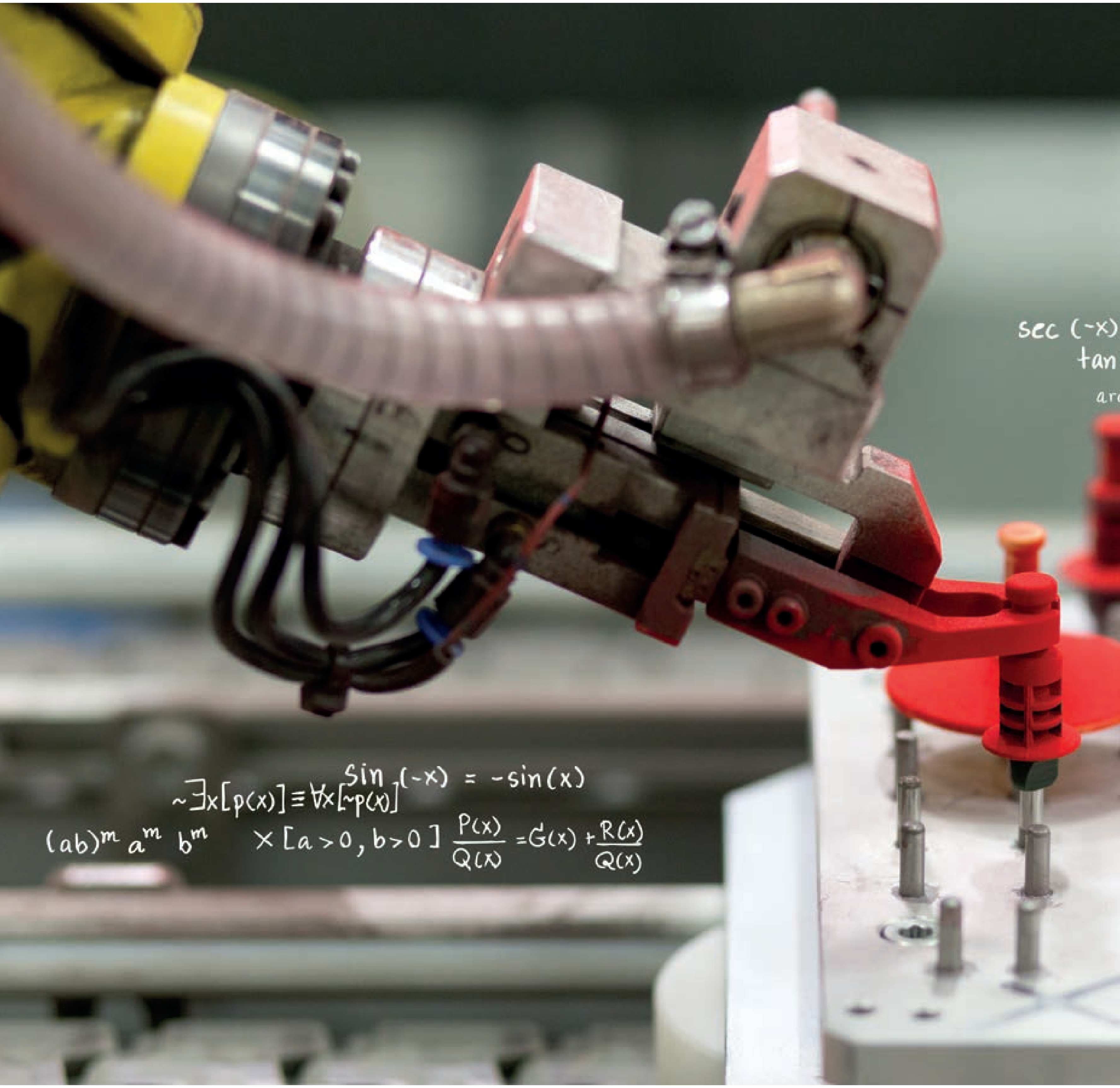
Risk Management Process: Risk Financing

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

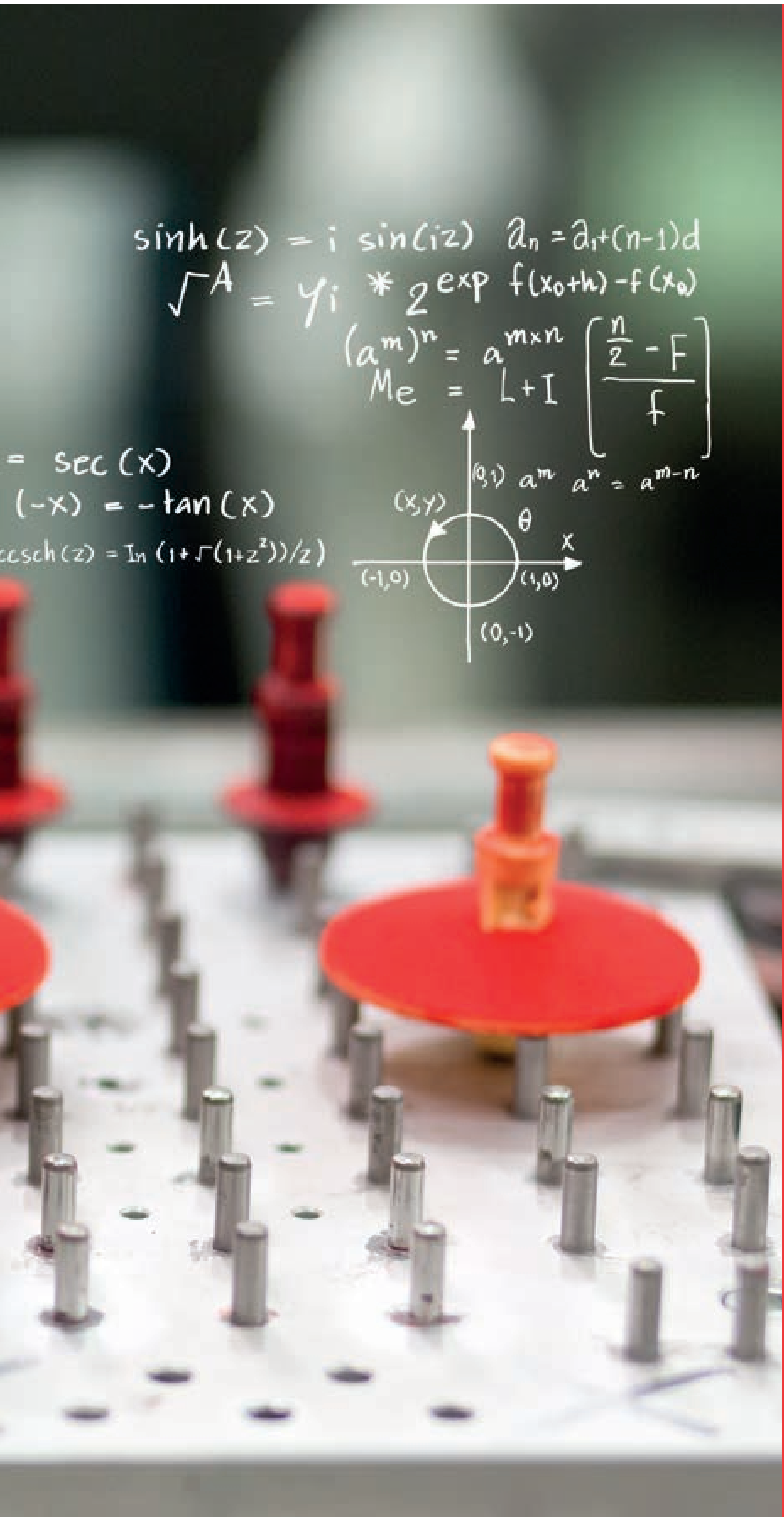
Brembo's changing needs through the years have been specifically reflected in its insurance coverage, which has been optimised to significantly decrease the company's exposure, especially to possible damages arising from the manufacturing and sale of its products. This has been achieved through risk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

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

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



$\sim\exists x[p(x)] \equiv \forall x[\sim p(x)]$
$\sin(-x) = -\sin(x)$
$(ab)^m \; a^m \; b^m$
$\times [a>0, b>0]$
$\frac{P(x)}{Q(x)} = G(x) + \frac{R(x)}{Q(x)}$
$\sec(-x)$
$\tan$



The implementation of the **new technologies** has led to the **automation of all stages of the painting process**, including **masking**, which involves covering the parts of the **caliper** not to be painted.

HUMAN RESOURCES AND ORGANISATION

In 2017, Brembo committed to implement all necessary corporate changes to strengthen its central control functions, industrial presence and local companies, with the aim of ensuring that its organisational structure remains adequate to the needs of its business.

As far as the Central Departments are concerned, the new role of Chief Quality Officer has been created, in light of the extremely competitive business context in which Brembo operates and the need to ensure constant improvement in quality performance at global level. The roles reporting directly to the Chief Quality Officer include the Central Quality functions (Quality System Development and Supplier Quality) and the Quality Assurance functions of the five Divisions/ Business Units, which continue to also report directly to the respective Division/BU Managers. Concurrently, the Safety function, which previously reported to Quality, now reports directly to the Chief Manufacturing Officer, so as to assure ever greater integration of the safety system in all the production sites and, hence, even more effective oversight of Health & Safety issues. Within this Department, there was a change at management level in the Central Optimisation Area. The new Environment & Energy Department has also been set up, in line with Brembo's increasingly strong commitment to Corporate Social Responsibility and Environmental matters. This will provide additional safeguards and coordination for environmental issues within the production sites as well.

In the Advanced R&D field, the Mechatronics Projects area has been organised into two distinct sectors, to reflect the subdivision of mechatronics projects between 'applications' projects and 'innovative' projects.

As far as the business areas are concerned, changes have taken place at management level in the Operations Departments of a number of Divisions/ Business Units: the new Mechanical Processes Operations Manager in the Discs Division and, again in the same Division, the Nanjing Discs Mechanical Processes Plant Manager; for the Motorbikes BU, the Indian Plant Manager; for the Performance Group, the change in AP Racing's Operations Manager and, lastly, the concentration of responsibility in a single Plant Manager for all plants at the Curno industrial hub (Systems Division, Motorbikes BU, Performance Group).

The position of Pilot Projects Development Manager was created within the Systems Division's Technical area in order to reinforce the process of designing, prototyping and testing of the Division's new pilot projects.

Other developments in 2017 included the definition, within the Discs Division, of the organisational structure of the new cast-iron foundry in Homer (USA) and, together with the Systems Division, the creation of an inter-functional project team dedicated to expanding the cast-iron foundry in Dabrowa (Poland), earmarked for cast-iron disc and spheroidal cast-iron caliper production.

Finally, the first half of 2017 also saw a management change within the Performance Group, with the appointment in that position of the former Country General Manager China, whilst the latter position was covered by appointing an external resource who has joined the Group in this capacity.

Again as regards China, the Quality function has been reorganised with the creation of a Country Quality unit to oversee the Nanjing and Langfang plants.

Training efforts continued during the year to provide the Group with the cutting-edge skills needed to ensure that its entire staff will always be increasingly able to anticipate business requirements, market trends and the needs of the organisation. A wide range of managerial and technical-specialist training projects achieved this objective during the year.

One clear example from the managerial training catalogue is the “Knowledge Management” path, designed to offer a number of Brembo professionals and managers — identified as having critical know-how at the global level — the tools to become in-house trainers. The project alternated practical days in the classroom with opportunities for discussion with training experts. Attendees are assessed according to the same rigorous and demanding indicators used to evaluate external professionals, and in the end they are certified as in-house trainers by Brembo Academy, which in turn has been certified compliant with the ISO 9001 standard for sector EA 37.

Another interesting project that in 2017 travelled beyond European borders to China, after benefiting Polish and Czech personnel, was the multi-level People Management course.

The strategic projects launched in 2017 also included the Executive Development course for the Group’s newly promoted or externally recruited executives. In its 13th edition, the project involved the presence in the classroom of 20 managers from all over the world and various functions. During the course, our executives learned how to recognise and interpret market dynamics and combine them with Brembo’s business development strategies, refining their financial sensibilities and leveraging their impact on organisational decisions. The participants also obtained new tools and strategies for human resource management, communication and negotiation, which are fundamental to creating value in a global world.

Among the technical-specialist training projects that met with the greatest interest during the year, bringing people from all over the world into the classroom, mention should be made of the Manufacturing Academy, the manufacturing training programme that includes a series of workshops on the digital factory. Run by in-house trainers and supported by university professors, with the aim of ensuring that the Group enjoys a productive exchange with the research community, in 2017 the Academy was exported to Poland, the Czech Republic, China and the USA.

The R&D Academy, an internal training school that focuses on the life cycle of brake systems, from design to approval for production, remains in high demand: in 2017, technical staff from R&D UK attended the programme, following their counterparts from R&D China and North America. This year a portion of the content of this initiative once again formed the basis of a course on brake systems for Engineering undergraduates taught by our in-house trainers at Milan Polytechnic as part of collaboration with the university.

In technical-specialist training regarding quality, mention should be made of training in the Six Sigma Method, which during the year involved a considerable number of participants, some of whom next year will be eligible for Green Belt and Black Belt quality certification.

Two e-learning training projects involving Group personnel are also worthy of mention: Code of Ethics and Data Classification & Protection.

Finally, within the broader context of the well-established Talent Management System, during the year under review coaching was incorporated into individual development programmes, alongside the traditional Performance Management and Succession Planning tools and processes.

The Employee Engagement Survey, which involved all Group personnel until January 2018, was launched at the end of the year.

ENVIRONMENT, SAFETY AND HEALTH

The 2017 results confirm the consistency of the strategy adopted by Brembo to tackle the safety and environmental issues as an integrated element in the sustainable business model, with the aim of meeting the expectations of all internal and external stakeholders.

This section contains a brief account of the major results achieved in these two areas during the year.

Workplace Safety

In the area of workplace health and safety policies, Brembo took compliance with the law as a starting point for a process of ongoing improvement, followed by an increasing focus on stakeholders' demands, ultimately coming to regard continual improvement as a means of pursuing increasingly ambitious objectives. As part of this process, in 2017 Brembo decided that it also needed to focus on raising awareness and securing the engagement of its personnel: the ultimate goal is to create a widespread culture of safety in the workplace, in which individual staff members "choose" each day to act in a safe way to protect their own health and that of others.

One example of an activity that falls into this category is the communications campaign developed in 2017 and to be launched in early 2018 with the aim of:

- spreading and stimulating a shared culture of safety within Brembo;
- improving safety performances and relative indicators (accident severity rate and frequency rate) even further, focusing above all on the main behavioural causes that lead to accidents and near misses;
- raising awareness of the fact that safety is based on principles such as responsibility, choice, individual and collective commitment, non-negotiability of priorities, consistency;
- stimulating the motivation of Brembo people to constantly improve all safety-related aspects.

Other transversal projects that involve the entire Group include efforts to comply with the LOTO (Lockout-Tagout) guidelines, which have reached the full implementation stage at all sites. This methodology requires hazardous energy sources to be made inoperative before an operator accesses the plant for activities such as maintenance, cleaning or set-up. The energy sources are secured, for example, with a lock on which a label identifies the worker who has made the energy sources safe, thereby preventing the equipment on which the operator is working from starting accidentally.

In 2017, the accident severity rate[1] declined significantly compared with previous years. This overall result was due to both the general decrease in accidents that occurred at Group sites and some especially positive individual performance figures for the period. In particular, there were no accidents at various plants in 2017, including: Apodaca and Escobedo (Mexico), Qingdao (China), Saragoza (Spain), Niepolomice (Poland), and Manesar (India).

Environment and Energy

Brembo celebrated a number of milestones in 2017, made possible by the Group's longstanding commitment to environmental issues.

During the year, Brembo was included in the A List of the Climate Change programme promoted by CDP (the Carbon Disclosure Project, an international non-profit organisation that steers businesses and governments towards a reduction of greenhouse

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

gases, water conservation and forest protection), which recognised the Group as a global leader in the response to climate change, bestowing an award on it in Brussels in November.

As part of the CDP's Water programme, which seeks to conserve the planet's water resources, Brembo was awarded an A- score for its 2017 questionnaire regarding operations in 2016, an improvement on the B obtained in the previous year.

Energy consumption is the main contributor to Brembo's carbon footprint, and represents the focus of many of the Group's efforts to effect a gradual reduction of its CO_2 emissions: in addition to ongoing energy efficiency projects (such as replacing machinery with newer, more efficient models, the gradual switch-over to LED lighting at all factories, careful management of compressed air, etc.), a new initiative was launched in 2017 with the aim of gradually increasing the use of energy generated from renewable sources, bringing the share of renewable energy to approximately 10% of the total purchased during the year. In power self-generation endeavours, the second photovoltaic power plant was completed at the facility in Stezzano (Bergamo), raising internal generation capacity to approximately 0.5 MW.

In 2017, improvement projects resulted in a reduction of CO_2 emissions of 10.5% compared to the previous year, significantly exceeding the target set for the Group (-2.1%).

Further information and details are available from the 2017 Statement of Non-Financial Information.

The year 2017 also saw the creation of the new Environment & Energy Department, directly reporting to the Chief Executive Officer, with the objective of pinpointing the Group's environmental sustainability strategies, guiding and involving all the Group's plants in the progressive and sustainable reduction of their environmental impact. In this first year of its existence, it primarily focused on a thorough revision of the Group's Environmental System, which will be released in early 2018, with the goal of ensuring that all plants comply with common requirements that establish responsible, sustainable environmental safeguards in all regions of the world in which Brembo operates. All facilities also took part in mapping efforts aimed at verifying each site's maturity in rational energy consumption and in environmental impact management in general, involving the identification and improvement of areas of development, while also emphasising strengths to be taken as examples by all facilities. Finally, specific sustainability indicators and appropriate monitoring tools began to be defined.

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 Control, Risks & Sustainability 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 Control, Risks & Sustainability Committee, the Board of Directors unanimously resolved not to proceed with amendments to the Related Party Procedure of Brembo S.p.A., partly in light of the efficacy shown in applied practice and partly because it had already been revised in previous years. The Board thus deems already adopted both the contents of the Recommendation and the wishes expressed by Consob regarding the first revision of the procedure.

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

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

FURTHER INFORMATION

Significant Events During the Year

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 20 April 2017 approved the Financial Statements for the financial year ended 31 December 2016, allocating the net income for the year amounting to €138,393 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €1.0 per ordinary share outstanding, excluding own shares;
- the remaining amount carried forward.

The same General Shareholders' Meeting approved the stock split of the Company's total 66,784,450 ordinary shares (without nominal value) into 333,922,250 newly issued ordinary shares, through the withdrawal of the outstanding ordinary shares and the assignment of 5 (five) newly issued shares for each share withdrawn and cancelled. The transaction, carried out on 29 May 2017, entailed a reduction of the book value of each share but had no effect on the amount of the Company's share capital or the characteristics of its shares.

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 20 April 2017 passed a new plan for the buy-back and sale of own shares with the following objectives:

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

The maximum number of shares that may be purchased is 1,600,000 (8,000,000, after the stock split mentioned in the section above) which, together with 1,747,000 (8,735,000, after the stock split mentioned in the section above) own shares already held by Brembo (2.616% of share capital), represents 5.01% of the Company's share capital. Own shares shall be purchased and sold at a minimum price of no more than 10% below (and at a maximum price of no more than 10% above) the price of the shares during the trading session on the day before each transaction is undertaken, up to a maximum of €120 million. The authorisation to buy back own shares has a duration of 18 months from the date of the Shareholders' resolution.

Brembo has neither bought nor sold own shares in 2017.

Opt-out from the Obligations to Publish Disclosure Documents

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

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

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

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

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

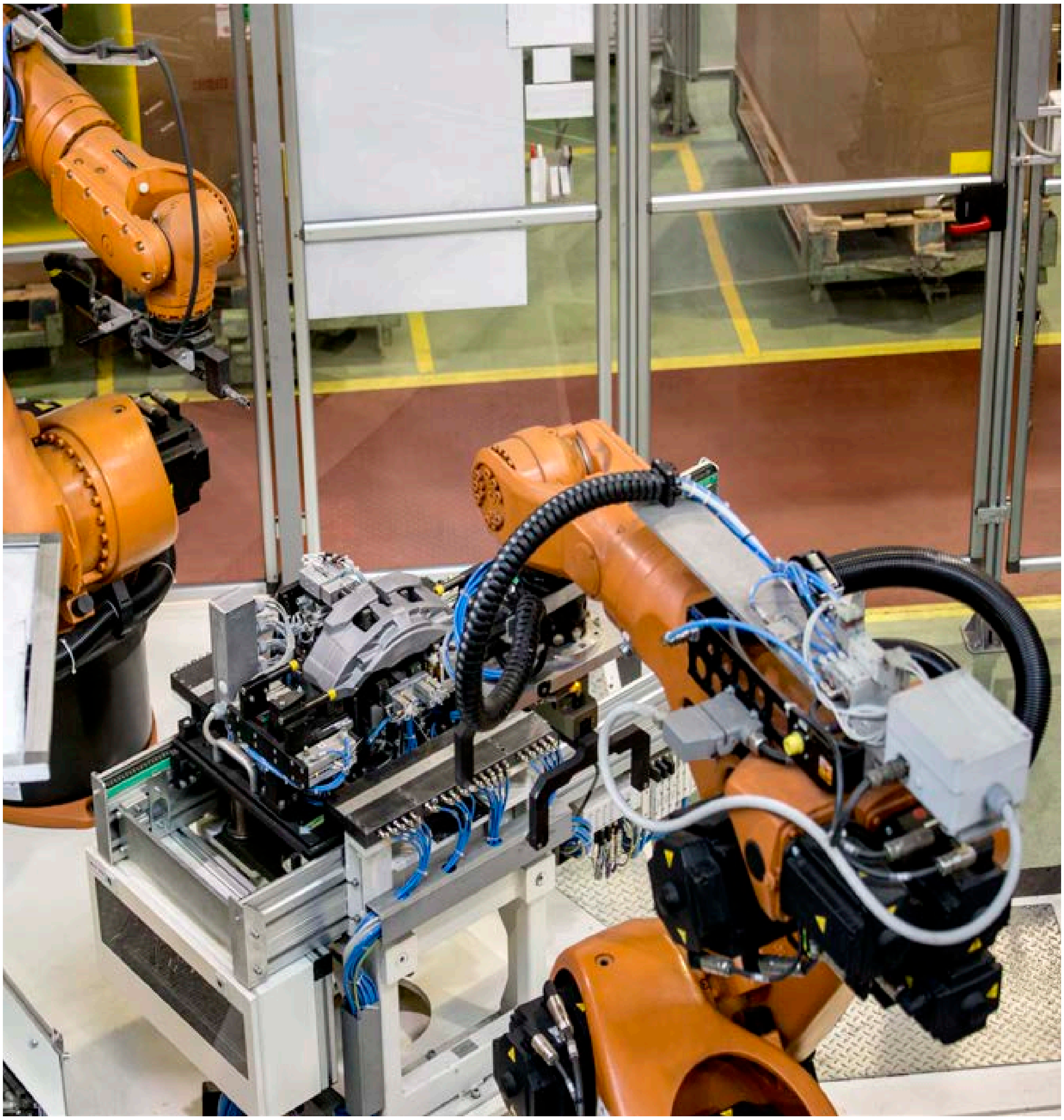
Reconciliation Statement of Brembo S.p.A.'s Equity/Result With Consolidated Equity/Result

The reconciliation of Equity and Result for the year, as reported in the Parent's Financial Statements, and the Equity and Result for the year recognised in the Consolidated Financial Statements reveals that the Group's Equity at 31 December 2017 was €557,196 thousand higher than the figure reported in the Brembo S.p.A. Financial Statements. Consolidated Net Result for the year, amounting to €263,428 thousand, was €113,944 thousand higher than that of Brembo S.p.A.

(euro thousand)	Net income 2017	Equity 31.12.2017	Net income 2016	Equity 31.12.2016
Brembo S.p.A.	**149,484**	**479,616**	**138,393**	**394,714**
Consolidation adjustments:				
Equity of consolidated companies and allocation of their result	180,296	879,656	164,774	761,575
Goodwill and other allocated surplus	0	51,278	0	54,698
Elimination of intra-Group dividends	(72,330)	0	(79,593)	0
Book value of consolidated shareholdings	(53)	(392,789)	0	(364,377)
Valuation of shareholdings in associate companies/JVs measured using the equity method	7,373	10,963	2,121	3,631
Elimination of intra-Group income	617	(5,491)	(576)	(6,624)
Other consolidation adjustments	2,513	41,204	17,876	38,693
Equity and result for the year attributable to minority interests	(4,472)	(27,625)	(2,363)	(24,397)
Total consolidation adjustments	**113,944**	**557,196**	**102,239**	**463,199**
GROUP CONSOLIDATED EQUITY AND RESULT	**263,428**	**1,036,812**	**240,632**	**857,913**

FORESEEABLE EVOLUTION

The data for the first months of the year confirm a sustainable sales uptrend.

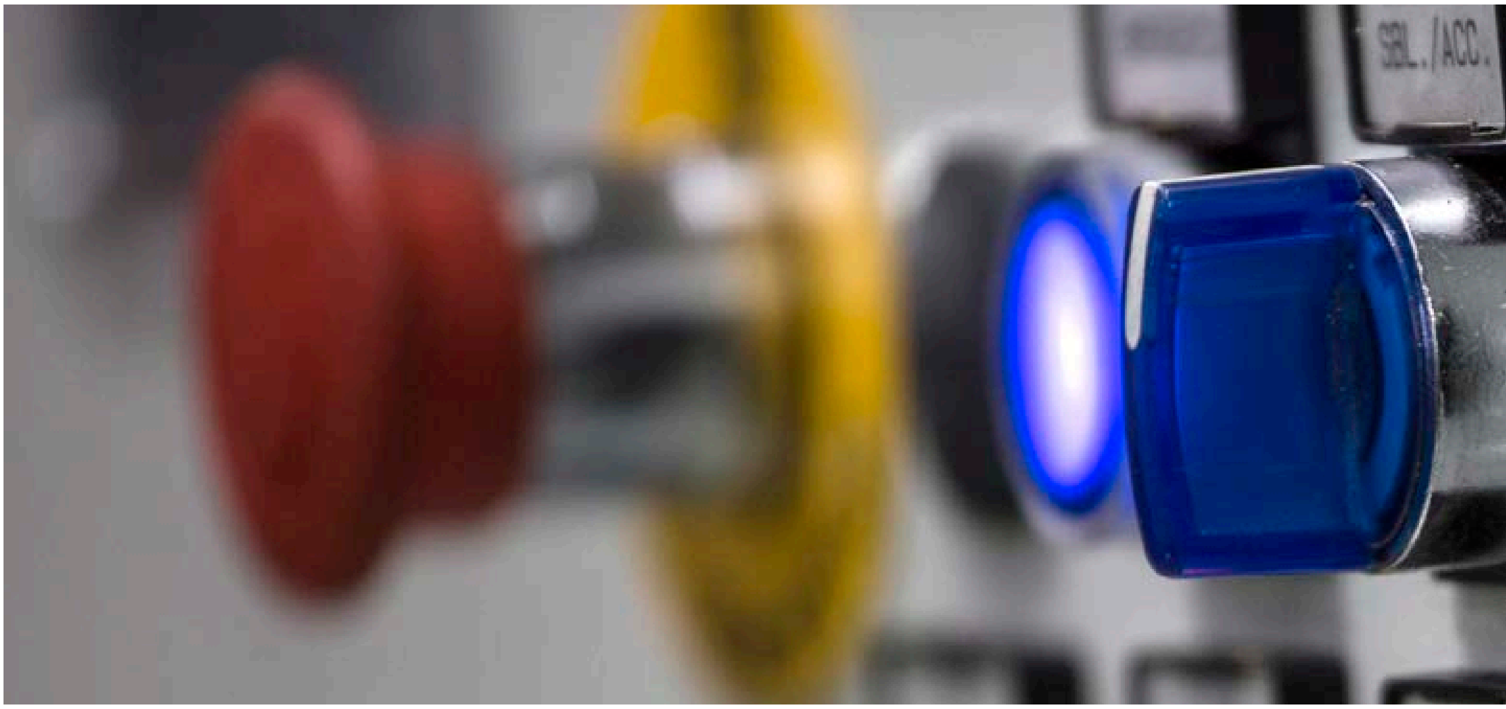


CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

CONSOLIDATED STATEMENT ON NON-FINANCIAL INFORMATION (NFI)

The Consolidated Statement on Non-Financial Information for 2017 pursuant to Legislative Decree No. 254/2016 presented in an individual report, separate from the Directors' Report on Operations, has been published at the same time as the latter and is available on Brembo's website (www.brembo.com, in the *Sustainability, Report and Presentations section).*



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

To conclude the description of the performance of the Brembo Group for the year ended 31 December 2017, based also on the examination of our Report concerning the Consolidated Financial Statements of the Brembo Group and the separate Financial Statements of Brembo S.p.A., in which we outlined the guidelines and operations, we submit for your approval our proposal for distributing Brembo S.p.A.'s net income amounting to €149,484,042.27, as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per ordinary share outstanding, excluding own shares (payment as of 23 May 2018, ex-coupon date 21 May 2018, and record date 22 May 2018);
- the remaining amount carried forward.

Stezzano, 5 March 2018

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

BREMBO S.P.A. STOCK PERFORMANCE

Brembo stock closed 2017 at €12.67, up 10.17% compared to year-start. The stock reached a high for the period of €15.10 on 10 May and a low of €11.83 on 4 January 2017.

Over the reporting period, the FTSE MIB index and the European Euro Stoxx 600 index increased by 13.61% and 7.68%, respectively. The BBG EMEA Automobiles Parts index grew by 36.97% in the year.

During 2017, the most representative European stock indices performed positively. It appears that the modest but widespread phase of economic expansion, which marked 2017, may also extend into 2018. The outlook for some areas has actually improved. The Eurozone economy has proved to be stronger than expected, with 2.3% growth, about one percentage point higher than consensus estimates. The economic scenario appears therefore surprisingly quiet at present, one that only unexpected geo-political events could apparently subvert in 2018.

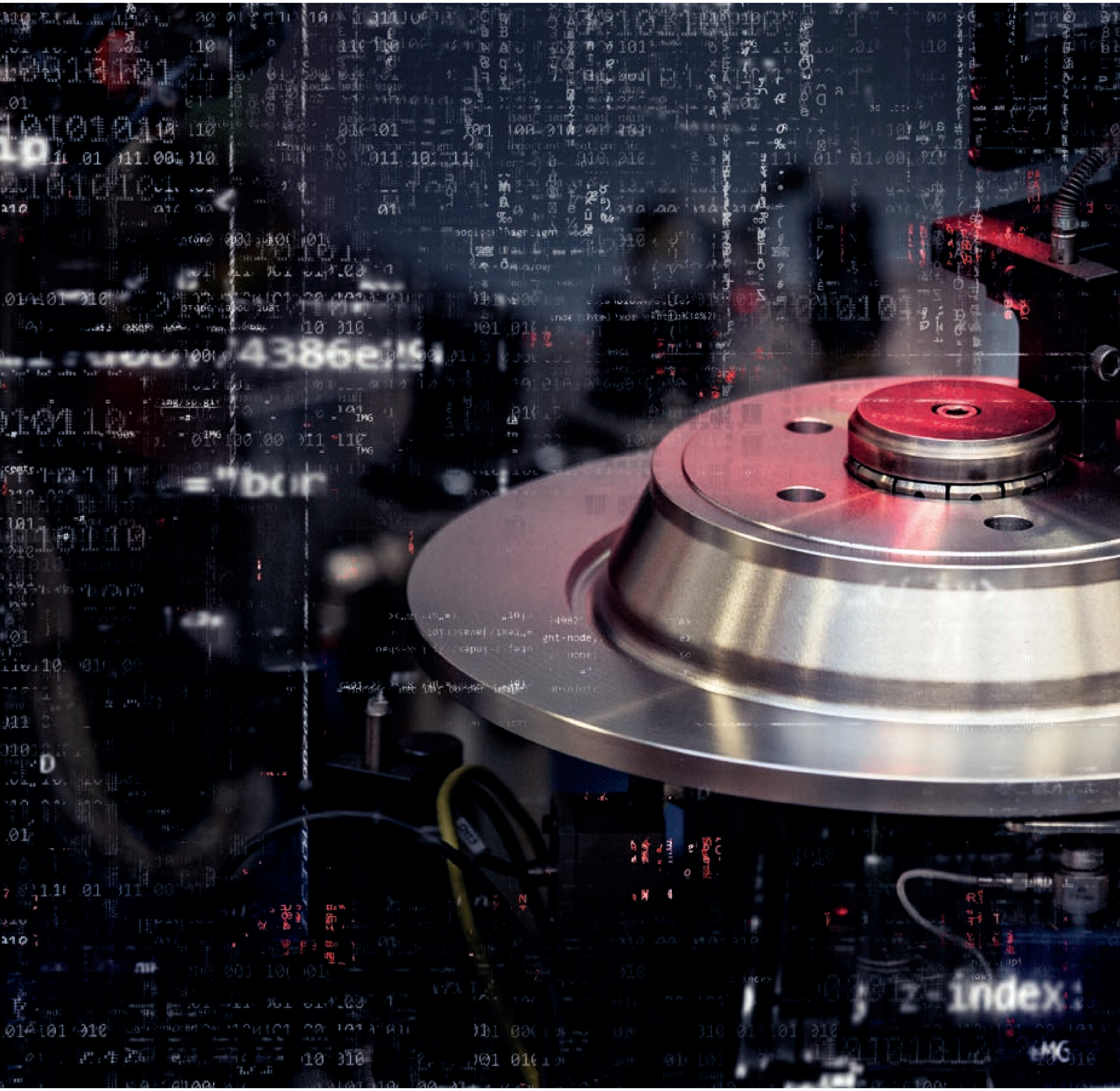
An overview of stock performance of Brembo S.p.A. is given below, compared with that of the previous year.

	31.12.2017	31.12.2016
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	333,922,250 (*)	66,784,450
Equity (excluding net income for the year) (euro)	330,131,986	256,321,515
Net income for the year (euro)	149,484,042	138,392,655
Trading price (euro)		
Minimum	11.83	6.56 (*)
Maximum	15.10	11.50 (*)
Year end	12.67	11.50 (*)
Market capitalisation (euro million)		
Minimum	3,950	2,189
Maximum	5,042	3,840
Year end	4,231	3,840
Gross dividend per share	0.22 (**)	1.0

(*) On 29 May 2017, Brembo stock was splitted through withdrawal of current ordinary shares issued and assignment of 5 (five) newly issued shares for each share withdrawn and cancelled. As a result of this transaction, on 29 May the opening price of the stock was one fifth the closing price on the previous trading day. AIAF adjustment factor: 5.

(**) To be approved by the General Shareholders' Meeting convened on 20 April 2018.

Further information and updates regarding stock performance and recent corporate information are provided on Brembo's website at www.brembo.com – *Investors section*
Investor Relations Manager: Laura Panseri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Palmares 2017

BREMBO Brake systems

CARS

"Open wheels" championships

Formula 1 (calipers)	
Drivers	Lewis Hamilton - Mercedes AMG Petronas Motorsport's
Manufacturers	Mercedes AMG
Formula 2	
Drivers	Charles Leclerc - Prema Racing
GP3	
Drivers	George Russell - ART Grand Prix
Team Championship	ART
500 miglia Indianapolis	
Drivers	Takuma Sato - Andretti Autosport Honda
European F3 Championship	
Drivers	Lando Norris - Carlin Motorsport
Team Championship	Prema Powerteam
IndyCar Series	
Drivers	Josef Newgarden - Team Penske
Team Championship	Team Penske
Super Formula	
Drivers	Hiroaki Ishiura - Team P.mu/Cerumo-Inging
Team Championship	P.mu/Cerumo-Inging

"Closed wheels" championships

FIA World Endurance Championship	
LMP1	Timo Bernhard, Earl Bamber, Bendon Hartley - Porsche 919 Hybrid
LMP2	Julien Canal, Bruno Senna - Rebellion Racing
GTE PRO	James Calado, Alessandro Pier Guidi - AF Corse
GTE AM	Paul Dalla Lana, Pedro Lamy, Mathias Lauda - Aston Martin Racing
24 Hours of Le Mans	
LMP1	Timo Bernhard, Earl Bamber, Bendon Hartley - Porsche 919 Hybrid - (calipers)
LMP2	Oliver Jarvis, Ho-Pin Tung, Thomas Laurent - Jackie Chan Racing
GTE PRO	Darren Turner, Jonathan Adam, Daniel Serra - Aston Martin Racing
GTE AM	Will Stevens, Robert Smith, Dries Vanthoor - Ferrari 488

CARS

Blancpain GT Series	
Drivers	Mirko Bortolotti, Christian Engelhart
Team Championship	Audi GRT Grasser Racing
IMSA WeatherTech SportsCar Championship	
LMPC	James French, Patricio O'Ward - LMPC Oreca FLM09
GTD	Christina Neilsen, Alessandro Balzan - Ferrari 488
DPi	Ricky Taylor, Jordan Taylor - Wayne Taylor Racing Cadillac DPi-V.R
Pirelli World Challenge GT Series	
GTS	Lawson Aschenbach - Chevrolet Camaro GT4
Sprint-X GT	Michael Cooper, Jordan Taylor - Cadillac ATS-V.R
NASCAR Camping World Truck Series	
Drivers	Christopher Bell - Kyle Bush Motorsport's
NASCAR Monster Energy Series	
Drivers	Martin Truex Jr. - Toyota Camry
SCORE International Overall & Trophy Truck Class	
Drivers	Justin Matney - RPM Racing Trophy Truck
SCORE International Tecate SCORE Baja 1000	
Drivers	Apdaly Lopez - RPM Ford F-150

Rally championships

WRC	
Team	Sebastian Ogier, Julien Ingrassia - Ford RS M-Sport
WRC 2	
Team	Pontus Tidemand - Skoda Fabia R5
Rally Raid - Dakar	
Team	Stéphane Peterhansel, Jean-Paul Cottret - Team Peugeot Total

AP RACING Brake systems and clutches

CARS

"Open wheels" championships

Formula 1 (clutches)	
Drivers	Lewis Hamilton - Mercedes AMG Petronas Motorsport's
Manufacturers	Mercedes AMG
IndyCar Series	
Drivers	Josef Newgarden - Team Penske
500 miglia Indianapolis	
Drivers	Takuma Sato - Andretti Autosport Honda
GP3	
Drivers	George Russel - ART Grand Prix
European F3 Championship	
Drivers	Lando Norris - Carlin Motorsport

"Closed wheels" championships

24 Hours of Le Mans		
LMP1	Drivers	B. Hartley, T. Bernhard, E. Bamber (discs)
LMP2	Drivers	O. Jarvis, Ho-Pin Tung, T. Laurent - Jackie Chan Racing
Nascar		
Xfiniti Series	Drivers	William Byron - Jnr Motorsport
Camping World Truck Series	Drivers	Christopher Bell - Kyle Busch Motorsports
FIA World Endurance Championship		
LMP1	Drivers	B. Hartley, E. Bamber, G. T. Bernard - Porsche 919 Hybrid
LMP2	Drivers	J. Canal - Rebellion - Oreca
IMSA WeatherTech Sportscar Championship		
P Class	Drivers	R. Taylor, J. Taylor - Konica Minolta Cadillac DPi-V.R
PC Class	Drivers	J. French, K. Masson - Performance Tech Motorsports
GTLM Class	Drivers	A. Garcia, J. Magnussen - Corvette
ELMS		
LMP2	Drivers	M. Rojas, J. Gutierrez, R. Hirakawa - G Drive Racing - Oreca 07 - Gibson

CARS

Touring Car			
	British	Drivers	A. Sutton - Adrian Flux Subaru Racing
		Manufacturers	BMW
	DTM	Drivers	R. Rast - Audi Sport Team Rosberg
	WTC	Drivers	Thed Björk - Volvo Polestar
		Team Championship	Volvo Polestar
	Australian V8 Supercar	Drivers	J. Whincup - Red Bull Racing Holden
		Team Championship	Shell V-Power Racing Team
	International TCR	Drivers	J. - K. Vernay - Leopard Racing Team WRT
		Team Championship	M1RA Honda Civic
Japanese Super GT			
	Classe 500	Drivers	N. Cassidy, R. Hirakawa
		Team Championship	Lexus Team KeePer TOM'S
	Classe 300	Drivers	N. Taniguchi, T. Kataoka
		Team Championship	Goodsmile Racing & Team Ukyo Mercedes

Rally championships

WRC (clutches)		
	Team	Sebastian Ogier - M-Sport Ford Fiesta
FIA Rally Raid		
	Team	Nasser Al-Attiyah - Mini All4 Racing X-Raid

BREMBO Brake systems

MOTORBIKES

Motorbike

MotoGP	
Drivers	Marc Márquez - Repsol Honda Team
Manufacturers	Honda
Moto2	
Drivers	Franco Morbidelli - Marc VDS Racing
Manufacturers	Kalex
Moto3	
Drivers	Joan Mir - Leopard Racing
Manufacturers	Honda

World SBK championships

WSBK World Superbike	
Drivers	Jonathan Rea - Kawasaki Racing Team
Manufacturers	Kawasaki
World Superstock 1000	
Drivers	Michael Ruben Rinaldi - Aruba.it Racing Junior
Endurance	
EWC	Niccolò Canepa, David Checa - GMT94 Yamaha
SuperTwin	
Drivers	Gareth Jones - Hertrampf - Racing Ducati Endurance

Off-Road championships

Motocross	
MXG P	Tony Cairoli - Red Bull KTM Factory Racing
Trial	
TR1 Mondiale	Toni Bou - Montesa - HRC
Rally Raid	
Dakar	Sam Sunderland - Red Bull KTM Factory Racing

MARCHESINI Wheels

MOTORBIKES

World Superbike	
Drivers	Jonathan Rea - Kawasaki Racing Team
SSP	
Drivers	Lucas Mahias - Yamaha
STK 1000	
Drivers	Michael Ruben Rinaldi - Aruba.it Racing - Junior

Consolidated Financial Statements **2017**

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Consolidated Statement of Financial Position

ASSETS

(euro thousand)	Notes	31.12.2017	*of which with related parties*	31.12.2016	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	933,774		746,932		186,842
Development costs	2	61,323		49,324		11,999
Goodwill and other indefinite useful life assets	2	82,837		88,880		(6,043)
Other intangible assets	2	50,425		52,059		(1,634)
Shareholdings valued using the equity method	3	34,300		26,969		7,331
Other financial assets (including investments in other companies and derivatives)	4	6,769	*5,659*	6,887	*5,676*	(118)
Receivables and other non-current assets	5	3,832		4,794		(962)
Deferred tax assets	6	57,818		57,691		127
TOTAL NON-CURRENT ASSETS		**1,231,078**		**1,033,536**		**197,542**
CURRENT ASSETS						
Inventories	7	311,116	*9*	283,191	*4*	27,925
Trade receivables	8	375,719	*1,371*	357,392	*2,711*	18,327
Other receivables and current assets	9	80,455	*3*	43,830	*7*	36,625
Current financial assets and derivatives	10	296		901		(605)
Cash and cash equivalents	11	300,830		245,674	*9,104*	55,156
TOTAL CURRENT ASSETS		**1,068,416**		**930,988**		**137,428**
TOTAL ASSETS		**2,299,494**		**1,964,524**		**334,970**

EQUITY AND LIABILITIES

(euro thousand)	Notes	31.12.2017	*of which with related parties*	31.12.2016	*of which with related parties*	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	112,838		135,719		(22,881)
Retained earnings/(losses)	12	625,818		446,834		178,984
Net result for the year	12	263,428		240,632		22,796
TOTAL GROUP EQUITY		**1,036,812**		**857,913**		**178,899**
TOTAL MINORITY INTERESTS		**27,625**		**24,397**		**3,228**
TOTAL EQUITY		**1,064,437**		**882,310**		**182,127**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	319,314		210,659	*904*	108,655
Other non-current financial payables and derivatives	13	2,344		5,245		(2,901)
Other non-current liabilities	14	19,927	*5,915*	8,653	*1,914*	11,274
Non-current provisions	15	39,613		21,667		17,946
Provisions for employee benefits	16	27,784	*3,697*	32,706	*7,397*	(4,922)
Deferred tax liabilities	6	24,716		31,622		(6,906)
TOTAL NON-CURRENT LIABILITIES		**433,698**		**310,552**		**123,146**
CURRENT LIABILITIES						
Current payables to banks	13	194,220		225,592	*41,474*	(31,372)
Other current financial payables and derivatives	13	3,845		756		3,089
Trade payables	17	470,390	*9,859*	428,530	*7,868*	41,860
Tax payables	18	9,719		11,837		(2,118)
Current provisions	15	2,244		2,547		(303)
Other current payables	19	120,941	*3,164*	102,400	*2,460*	18,541
TOTAL CURRENT LIABILITIES		**801,359**		**771,662**		**29,697**
TOTAL LIABILITIES		**1,235,057**		**1,082,214**		**152,843**
TOTAL EQUITY AND LIABILITIES		**2,299,494**		**1,964,524**		**334,970**

Consolidated Statement of Income

(euro thousand)	Notes	31.12.2017	*of which with related parties*	31.12.2016	*of which with related parties*	Change
Sales of goods and services	20	**2,463,620**	***5,208***	**2,279,096**	***5,002***	**184,524**
Other revenues and income	21	24,150	*3,294*	28,117	*3,230*	(3,967)
Costs for capitalised internal works	22	24,219		18,971		5,248
Raw materials, consumables and goods	23	(1,177,255)	*(71,019)*	(1,125,968)	*(81,037)*	(51,287)
Income (expense) from non-financial investments	24	13,236		11,010		2,226
Other operating costs	25	(431,957)	*(6,144)*	(379,872)	*(5,267)*	(52,085)
Personnel expenses	26	(436,050)	*(8,894)*	(387,640)	*(6,250)*	(48,410)
GROSS OPERATING INCOME		**479,963**		**443,714**		**36,249**
Depreciation, amortisation and impairment losses	27	(133,701)		(116,250)		(17,451)
NET OPERATING INCOME		**346,262**		**327,464**		**18,798**
Interest income	28	*46,307*		*36,156*		*10,151*
Interest expense	28	*(57,220)*		*(51,523)*		*(5,697)*
Net interest income (expense)	28	(10,913)	*(255)*	(15,367)	*(740)*	4,454
Interest income (expense) from investments	29	188		111		77
RESULT BEFORE TAXES		**335,537**		**312,208**		**23,329**
Taxes	30	(67,637)		(69,213)		1,576
RESULT BEFORE MINORITY INTERESTS		**267,900**		**242,995**		**24,905**
Minority interests		(4,472)		(2,363)		(2,109)
NET RESULT FOR THE YEAR		**263,428**		**240,632**		**22,796**
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	**0.81**		**0.74***		

* Restated following the stock split on 29 May 2017.

Consolidated Statement of Comprehensive Income

(euro thousand)	31.12.2017	31.12.2016	Change
RESULT BEFORE MINORITY INTERESTS	**267,900**	**242,995**	**24,905**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:			
Effect of actuarial income/(loss) on defined benefit plans	3,672	(2,609)	6,281
Tax effect	(662)	553	(1,215)
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method	(42)	(153)	111
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**2,968**	**(2,209)**	**5,177**
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:			
Change in translation adjustment reserve	(23,704)	(10,406)	(13,298)
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year	**(23,704)**	**(10,406)**	**(13,298)**
COMPREHENSIVE RESULT FOR THE YEAR	**247,164**	**230,380**	**16,784**
Of which attributable to:			
- Minority Interests	*3,228*	*2,289*	*939*
- the Group	*243,936*	*228,091*	*15,845*

Consolidated Statement of Cash Flows

(euro thousand)	31.12.2017	31.12.2016
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**63,929**	**111,817**
Result before taxes	**335,537**	**312,208**
Depreciation, amortisation/impairment losses	133,701	116,250
Capital gains/losses	(968)	(654)
Income/expense from investments, net of dividends received	(7,373)	(2,121)
Financial portion of provisions for defined benefits and payables for personnel	600	750
Long-term provisions for employee benefits	2,194	1,935
Other provisions net of utilisations	10,776	22,827
Cash flows generated by operating activities	**474,467**	**451,195**
Current taxes paid	(70,336)	(69,944)
Uses of long-term provisions for employee benefits	(4,169)	(3,487)
(Increase) reduction in current assets:		
inventories	(31,154)	(35,070)
financial assets	101	293
trade receivables	(16,702)	(26,637)
receivables from others and other assets	(15,723)	5,119
Increase (reduction) in current liabilities:		
trade payables	41,860	54,051
payables to others and other liabilities	17,099	(17,712)
Translation differences on current assets	(11,663)	3,052
Net cash flows from/(for) operating activities	**383,780**	**360,860**

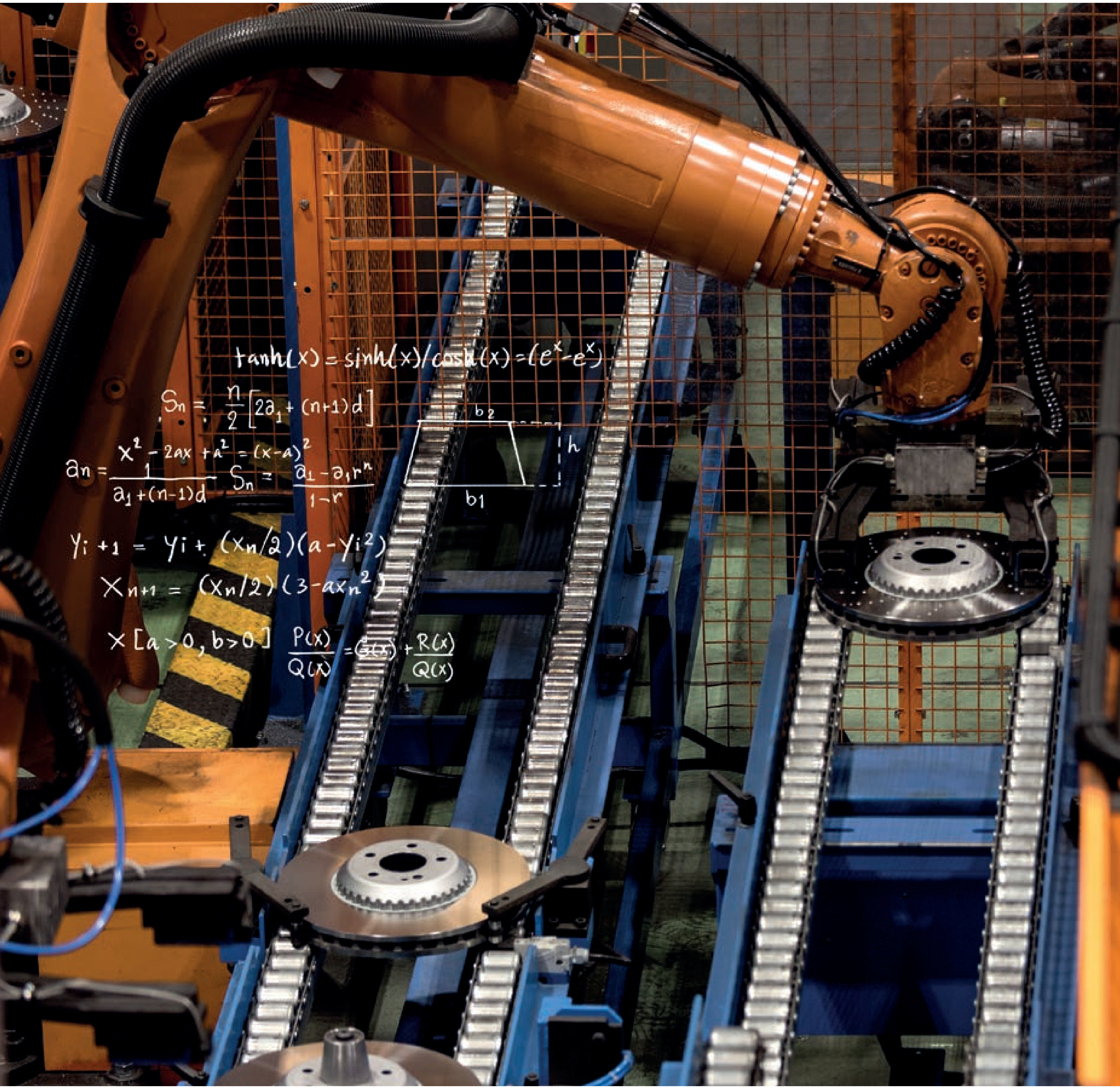
(euro thousand)	31.12.2017	31.12.2016
Investments in:		
intangible assets	(34,026)	(32,139)
property, plant and equipment	(326,658)	(231,431)
Price for disposal or reimbursement value of fixed assets	5,412	3,475
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of the relevant cash and cash equivalents	0	(69,465)
Net cash flows from/(for) investing activities	**(355,272)**	**(329,560)**
Dividends paid in the year	(65,037)	(52,030)
Dividend paid to minority shareholders in the year	0	(800)
Change in fair value of derivatives	556	308
Loans and financing granted by banks and other financial institutions in the year	210,251	50,000
Repayment of long-term loans	(93,578)	(69,649)
Net cash flows from/(for) financing activities	**52,192**	**(72,171)**
Total cash flows	**80,700**	**(40,871)**
Translation differences on cash and cash equivalents	11,344	(7,017)
CASH AND CASH EQUIVALENTS AT END OF YEAR (*)	**155,973**	**63,929**

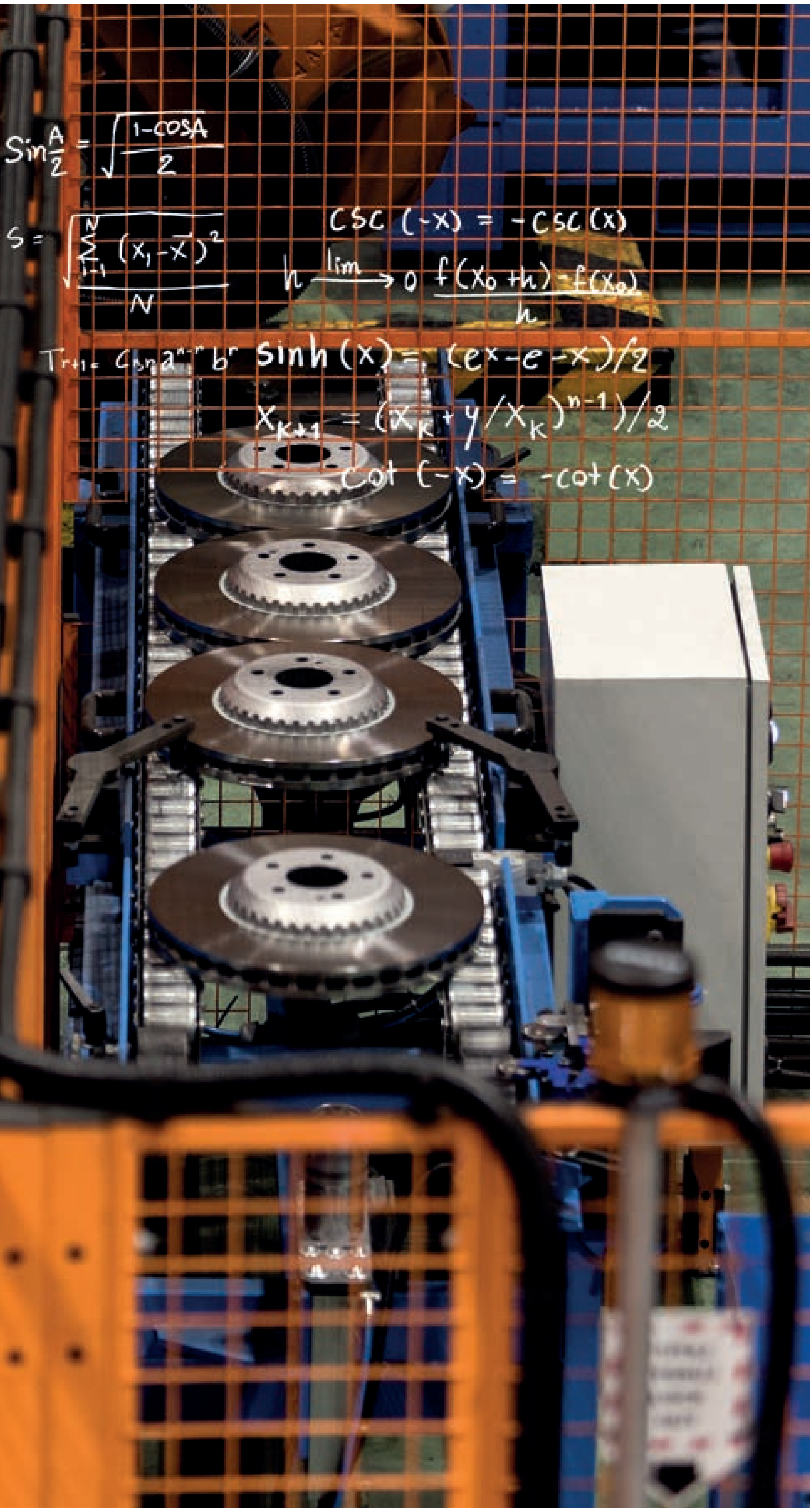
(*) See Note 11 of the Explanatory Notes to the Consolidated Financial Statements for a reconciliation with financial statements data.

Consolidated Statement of Changes in Equity

(euro thousand)	Share capital	Other reserves: Reserves	Other reserves: Treasury Shares	Retained earnings (losses)
Balance at 1 January 2016	**34,728**	**150,726**	**(13,476)**	**325,912**
Allocation of profit for the previous year		277		131,655
Payment of dividends				
Acquisition of Asimco Meilian Braking Systems (Langfang) Co. Ltd.				
Reclassification		8,524		(8,524)
Components of comprehensive income: Effect of actuarial income/(loss) on defined benefit plans				(2,056)
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method				(153)
Change in translation adjustment reserve		(10,332)		
Net result for the year				
Balance at 1 January 2017	**34,728**	**149,195**	**(13,476)**	**446,834**
Allocation of profit for the previous year				175,595
Payment of dividends				
Reclassification		(421)		421
Components of comprehensive income: Effect of actuarial income/(loss) on defined benefit plans				3,010
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method				(42)
Change in translation adjustment reserve		(22,460)		
Net result for the year				
Balance at 31 December 2017	**34,728**	**126,314**	**(13,476)**	**625,818**

Net result for the year	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
183,962	**681,852**	**1,843**	**3,852**	**5,695**	**687,547**
(131,932)	**0**	(1,843)	1,843	**0**	**0**
(52,030)	**(52,030)**		(800)	**(800)**	**(52,830)**
	0		17,213	**17,213**	**17,213**
	0			**0**	**0**
	(2,056)			**0**	**(2,056)**
	(153)			**0**	**(153)**
	(10,332)		(74)	**(74)**	**(10,406)**
240,632	**240,632**	2,363		**2,363**	**242,995**
240,632	**857,913**	**2,363**	**22,034**	**24,397**	**882,310**
(175,595)	**0**	(2,363)	2,363	**0**	**0**
(65,037)	**(65,037)**			**0**	**(65,037)**
	0			**0**	**0**
	3,010			**0**	**3,010**
	(42)			**0**	**(42)**
	(22,460)		(1,244)	**(1,244)**	**(23,704)**
263,428	**263,428**	4,472		**4,472**	**267,900**
263,428	**1,036,812**	**4,472**	**23,153**	**27,625**	**1,064,437**


tanh(x) = sinh(x)/cosh(x)
Sn = n/2 [2a1 + (n+1)d]
b2
h
b1
x² - 2ax + a² = (x-a)²
an = 1 / (a1 + (n-1)d)
Sn = (a1 - a1rⁿ) / (1-r)
yi +1 = yi + (xn/2)(a - yi²)
Xn+1 = (Xn/2)(3 - axn²)
X [a > 0, b > 0]
P(x)/Q(x)
R(x)/Q(x)



The use of a **high level of automation** has made it possible to incorporate **the process of adding holes** to the **braking ring** into the production line.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2017

Brembo's Activities

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

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

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

Form and Content of the Consolidated Financial Statements

Introduction

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2017 have been prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2017, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations. IFRS means all international accounting standards and all interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The Consolidated Financial Statements include the Statement of Financial Position, the Statement of Income, the Statement of Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, and these Explanatory Notes, in accordance with IFRS requirements.

On 5 March 2018, the Board of Directors approved the Consolidated Annual Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.

Basis of Preparation and Presentation

The Consolidated Financial Statements were prepared on the basis of draft Financial Statements for the year ended 31 December 2017, 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 flows, based on the following general assumptions: going concern, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting and comparative information.

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

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

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

- for the Statement of Financial Position, there is separate disclosure of the current and non-current assets and the current and non-current liabilities. Current assets, which include cash and cash equivalents, are those assets which will be realised, sold or consumed within the Group's normal operating cycle; current liabilities are obligations that will be liquidated within the Group's normal operating cycle or within twelve months of the close of the accounting period;
- in the Statement of Income, expense and income items are stated based on their nature;
- the Statement of Comprehensive Income has been reported in a separate statement;
- for the Statement of Cash 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. Company management's decisions that have a significant impact on the financial statements and estimates, and have a significant risk of material adjustments to the book value of assets and liabilities in the next accounting period, are discussed in the notes to the individual financial statement entries.

The main estimates are used to recognise the capitalisation of development costs, recognition of taxes, impairment of non-financial assets and the actuarial assumptions used in the valuation of defined benefit plans. Other estimates relate to provisions for contingencies, inventory obsolescence, useful lives of certain assets, the designation of lease contracts and the determination of the fair value of financial instruments, including derivatives.

In particular, the following items should be noted:

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

- Recognition of taxes: deferred tax assets are recognised for all unused tax losses, to the extent that it is considered probable that there will be sufficient future taxable profit against which the loss can be utilised. Deferred tax liabilities for taxes on non-distributed profits of subsidiaries, associates or joint ventures are not recognised to the extent that it is considered probable that they will not be distributed in the foreseeable future. Therefore management has to make a significant estimate to determine the amount of deferred tax assets that can be recognised and deferred tax liabilities that it is possible not to recognise, based on the amount of future taxable profit, when it will be achieved and tax planning strategies. In light of the wide range of international commercial relations, the long-term nature and the complexity of current contractual agreements, any differences between actual results and formulated hypothesis, or future changes of those assumptions may require future adjustments to previously recognised income taxes and expenses. Further information is given in Note 6 of these Explanatory Notes;
- Impairment of non-financial assets: an impairment loss occurs when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, which is the greater of its fair value less costs to sell and its value in use. Value in use is calculated according to a discounted cash flow model. Recoverable amount is highly dependant on the discount rate used in the discounted cash flow model, the expected future cash flows and the growth rate used for extrapolation. The key assumptions used to determine the recoverable amounts of the various cash-generating units, including a sensitivity analysis, are described in detail in Note 2 hereto;
- Actuarial assumptions used in the measurement of defined-benefit plans: the cost of defined benefit pension plans and other post-employment medical care and the present value of the defined benefit obligation are determined according to an actuarial assessment. The actuarial assessment requires the use of various assumptions, which may differ from actual future developments. Such assumptions include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, such estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually. Further details are provided in Note 16 hereto.

Change in Accounting Standards and Disclosures

The valuation and measurement criteria used are based on IFRS in force as of 31 December 2017 and endorsed by the European Union.

The following standards, amendments and interpretations were applied for the first time from 1 January 2017:

Amendments to IAS 7 - *Disclosure Initiative*

The amendments require that entities to improve information provided about changes in liabilities arising from financing activities by including both changes from cash flows and non-cash changes (such as foreign exchange gains and losses).

Amendments to IAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that entities must consider whether tax law restricts the sources of taxable income against which deductions may be applied in connection with the reversal of temporary deductible differences. The amendments also provide guidelines as to how entities should figure future taxable income and explains the circumstances in which taxable income could include the recovery of certain assets above their carrying amounts.

The two amendments were applied retrospectively and their application did not have any impact on the Group.

Illustrated below are accounting standards and interpretations already issued but not yet in force as at the date these financial statements were prepared. The company intends to adopt these standards on the date they enter into force.

IFRS 9 – *Financial Instruments*

In July 2015, the IASB issued the final version of IFRS 9 — Financial Instruments which supersedes IAS 39 — Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 combines all aspects relating to financial instrument reporting: classification and measurement, impairment and hedge accounting. The standard is effective for the annual periods starting on 1 January 2018 or thereafter and its early application is allowed. With the exception of hedge accounting (which applies, except for a few cases, prospectively), the principle has to be applied retrospectively, but it is not mandatory to provide comparative information. The Group will adopt the new standard from the date it enters into force.

a) Classification and valuation

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

b) Impairment losses

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

c) Hedge accounting

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

IFRS 15 – *Revenue from Contracts with Customers*

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

The process of assessing the effects of the new Standard has reached the final stage of a project developed in 2017. In particular, the following general contract categories were identified: sale of brake systems, equipment, study and design activities, and royalties.

Brake systems

The application of the new Standard is not expected to have an impact on contracts with customers in which the sale of the brake system is the sole obligation ("at a point in time"), since revenues will be recognised when control of the asset is transferred to the customer, which generally coincides with the moment of delivery (the warranties set out in the contracts are also general and not extended and, as a result, the Group expects that they will continue to be accounted for in accordance with IAS 37). The Group's order backlog also includes supply contracts, nomination letters and supply orders for brake systems that, according to commercial practice and the typical nature of the sector, effectively qualify as contracts in which the obligation is resolved over time: in this case, the Group applies the "right to invoice" expedient in calculating the portion of the contractual obligation satisfied as at the date concerned and the related revenues to be recognised in the statement of income.

Equipment

The Group supplies equipment sold separately from the brake systems; this becomes the full property of the customer, which acquires control over it and the capacity to use it, at the time it is delivered and invoiced.

Study and design activities

The Group recognises revenues from its own customers for contributions to development activities of brake systems that mirror the characteristics required by the customer itself. The services requested by the customer may regard primary product development, in which case the revenues are suspended until the development process is completed and then are recognised over the useful life of the product to which the contribution refers (the time horizon is estimated at an average of five years), or the customer may request only development following primary development, in which case the revenues are recognised when control (along with the risks/rewards) is transferred to the customer, i.e., when they are invoiced to the customer.

Royalties

Royalties are invoiced in accordance with contractual conditions and the related revenues are recognised on an accrual basis.

According to the Group's analyses of this type of contract, the application of the Standard will not have a material impact on the Group's equity.

IFRS 16 – *Leases (not yet approved by the EU)*

IFRS 16 was published in January 2016 and replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 defines the principles for recognising, measuring, presenting and reporting leases. It requires lessees to recognise all leasing contracts in the financial statements on the basis of a single model similar to that used to recognise finance leases in accordance with IAS 17. The standard provides for two exemptions for lessees' recognition of leasing contracts: low- value assets (e.g., personal computers) and short-term leasing contracts (e.g., lease terms of 12 months or less). On the leasing contract start date, the lessee will recognise a liability for payments specified in the leasing contract and an asset representing the right to use the underlying asset for the period of the contract. Lessees will have to recognise separately interest paid on the leasing liability and amortisation of the right to use the asset. Lessees will also have to re-measure the leasing liability when certain events happen (e.g., a change in leasing contract conditions, a change in future lease payments caused by a change in an index or rate used to determine those payments). The lessee will generally recognise the re-measured amount of the leasing liability as an adjustment to the right to use the asset. The reporting system provided for in IFRS 16 will remain substantially unchanged for lessors who will continue to classify all leases using the same classification principle as in IAS 17, distinguishing operating leases and finance leases.

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

The process of assessing the effects of the new Standard on Net Invested Capital and Net Financial Position is at the preliminary stage of a project plan that will be developed in 2018.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Finally, other standards or amendments not yet approved by the European Union are summarised in the following table:

Description	Endorsed at the reporting date	Expected date of entry into force
Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued in September 2014)	NO	not defined
Amendments to IFRS 2: *Classification and Measurement of Share-based Payment Transactions* (issued in June 2016)	NO	1 January 2018
Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued in September 2016)	NO	1 January 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued in December 2016)	NO	1 January 2018
IFRIC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration* (issued in December 2016)	NO	1 January 2018
Amendments to IAS 40: *Transfers of Investment Property* (issued in December 2016)	NO	1 January 2018
IAS 28: – *Investments in Associates and Joint Ventures*	NO	1 January 2018
IFRIC 23 – *Uncertainty over Income Tax Treatments* (issued in June 2017)	NO	1 January 2019
IFRS 17 – *Insurance Contracts* (issued in May 2017)	NO	1 January 2021

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

Consolidation Criteria

The Consolidated Financial Statements include the Financial Statements of the Parent, Brembo S.p.A., at 31 December 2017, and the Financial Statements of the companies controlled by Brembo S.p.A. pursuant to IFRS 10.

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

Specifically, the Group controls an investee if, and only if, the Group has:

– power over the investee (i.e., existing rights that give the current ability to direct the relevant activities of the investee);
– exposure, or rights, to variable returns from its involvement with the investee;
– ability to exert power over the investee to affect the amount of the investor's returns.

It is generally presumed that the majority of voting rights confers control. In support of this assumption, where the Group holds less than the majority of voting rights (or similar rights), the Group considers all facts and circumstances relevant to determining whether it controls the investee, including:

- contractual agreements with other vote-holders;
- rights under contractual agreements;
- the Group's actual and potential voting rights.

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control.

The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group obtains control until the date the Group no longer controls the company.

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

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

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

Consolidation Area

The list of consolidated subsidiaries, associates and joint ventures that are accounted for using the equity method, along with information regarding their registered offices and the percentage of capital held, is included in the paragraph "Information About the Group" of these Explanatory Notes. No corporate transactions impacting the Group consolidation area were performed in 2017.

Accounting Standards and Valuation Criteria

Business Combinations and Goodwill

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

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

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

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

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

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

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

Equity Investments in Associates and Joint Ventures

An associate is a company over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without exercising control or joint control over those policies.

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

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

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

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

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

The financial statements of associates and joint ventures are prepared at the same reporting date as the Group's Financial Statements. Where necessary, such financial statements are adjusted to bring them into line with the Group's accounting standards.

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

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

Conversion of Items Denominated in Foreign Currencies

Conversion of the Financial Statements of Foreign Companies

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

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

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

Euro against othe currencies	31.12.2017	Average at December 2017	31.12.2016	Average at December 2016
U.S. Dollar	1.199300	1.129283	1.054100	1.106598
Japanese Yen	135.010000	126.654565	123.400000	120.313774
Swedish Krona	9.843800	9.636873	9.552500	9.467312
Polish Zloty	4.177000	4.256310	4.410300	4.363633
Czech Koruna	25.535000	26.327176	27.021000	27.034311
Mexican Peso	23.661200	21.327801	21.771900	20.654970
Pound Sterling	0.887230	0.876145	0.856180	0.818896
Brazil Real	3.972900	3.604102	3.430500	3.861627
Indian Rupee	76.605500	73.498019	71.593500	74.355278
Argentine Peso	22.931000	18.698455	16.748800	16.333592
Chinese Renminbi	7.804400	7.626438	7.320200	7.349579
Russian Rouble	69.392000	65.887664	64.300000	74.222360

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 recorded in the Statement of Income.

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

Property, Plant, Equipment and Other Equipment

Recognition and Measurement

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

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

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

Subsequent Costs

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

Amortisation

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

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

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

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

Leases

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

Leasehold improvements

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

Development Costs and Other Intangible Assets

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

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

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

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

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

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

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

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

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

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

Impairment of Non-Financial Assets

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

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

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

Inventories

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

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

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

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

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

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 recognised under "Net interest income (expense)".

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

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

Employee Benefits

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

Defined contribution plans

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

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

Defined benefit plans and other long-term benefits

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

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

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

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

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

Own Shares

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

Government Grants

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

Financial Assets

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

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

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

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

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

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

Financial liabilities

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

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

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

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

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

Offsetting of Financial Instruments

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

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

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

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

Derivatives

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

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

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

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

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

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

Revenues, Other Revenues and Income

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

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

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

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

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

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

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

Interest Income (Expense)

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

Income Taxes

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

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

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

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

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

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

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

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

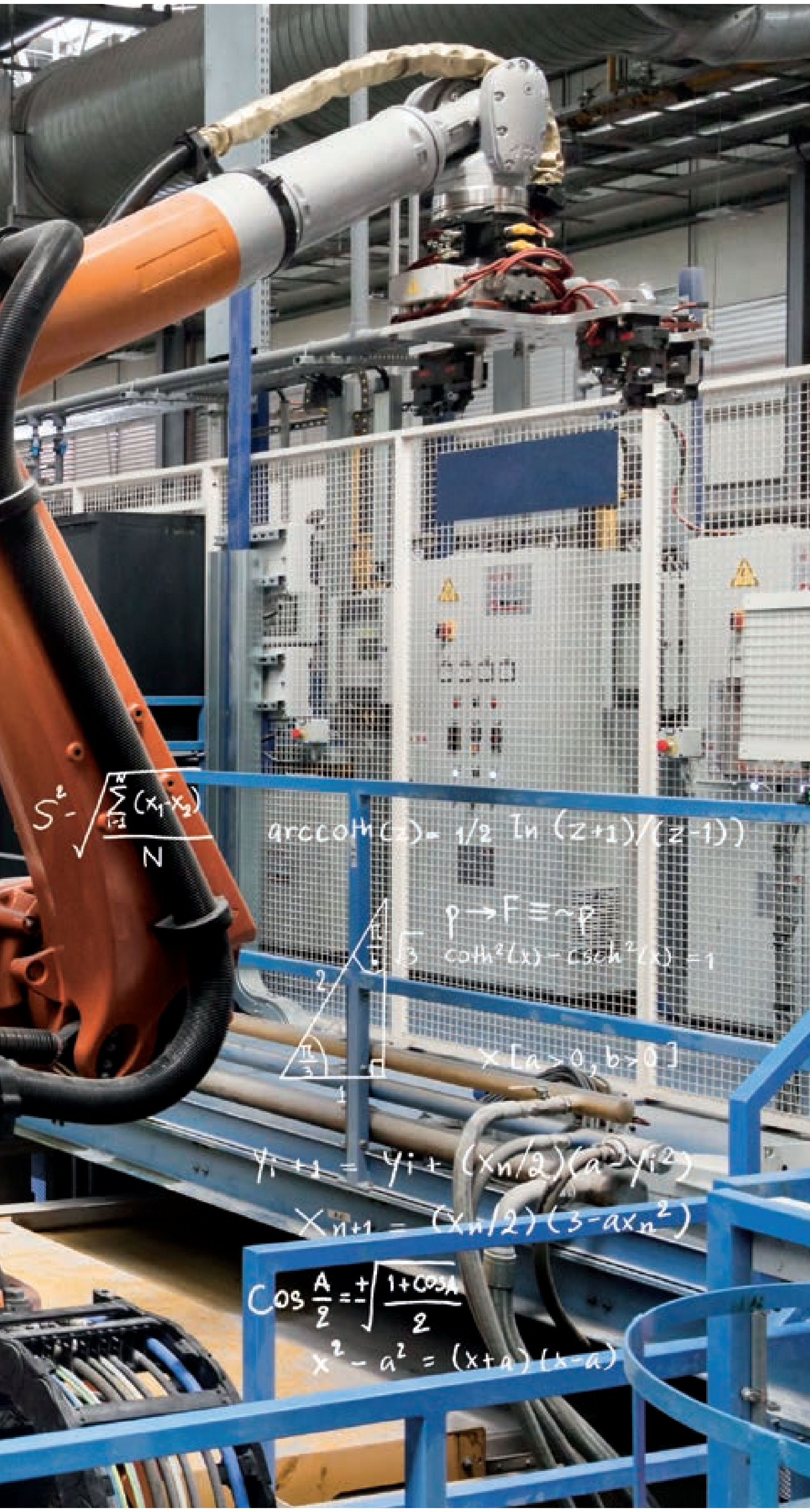
Current and deferred tax assets and liabilities are offset only when the legal right of offset exists; such amounts are recognised as receivables or payables in the Statement of Financial Position.

Dividends

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

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


F(-2,4)
V(-2,0)
cos(-x) = cos(x)
csch(x) = (e^x - e^-x)/2
~∀x[~p(x)] = ∃x[p(x)]
csch(x) = 1/sinh(x) = 2/(e^x - e^-x)



The new gravity casting stations are highly automated and yield benefits from both the **technical standpoint of the process** and the level of **ergonomic support for the operator.**

Group Activities, Segments and Further Information

Segment Report

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

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

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

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

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

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

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

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

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

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had three customers in 2017 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 2017 and 31 December 2016:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Sales	2,483,639	2,292,679	2,149,471	1,980,193	335,100	310,654	(3,042)	(3,239)	2,110	5,071
Allowances and discounts	(26,519)	(28,124)	(465)	(6,649)	(26,056)	(21,472)	0	0	2	(3)
Net sales	**2,457,120**	**2,264,555**	**2,149,006**	**1,973,544**	**309,044**	**289,182**	**(3,042)**	**(3,239)**	**2,112**	**5,068**
Transport costs	23,814	18,115	18,889	13,276	4,925	4,839	0	0	0	0
Variable production costs	1,528,758	1,433,489	1,330,182	1,244,123	199,331	185,652	(3,042)	(3,239)	2,287	6,953
Contribution margin	**904,548**	**812,951**	**799,935**	**716,145**	**104,788**	**98,691**	**0**	**0**	**(175)**	**(1,885)**
Fixed production costs	333,766	297,703	316,182	279,343	16,957	18,056	0	(6)	627	310
Production gross operating income	**570,782**	**515,248**	**483,753**	**436,802**	**87,831**	**80,635**	**0**	**6**	**(802)**	**(2,195)**
BU personnel costs	154,322	137,169	100,235	89,189	41,045	37,270	0	0	13,042	10,710
BU gross operating income	**416,460**	**378,079**	**383,518**	**347,613**	**46,786**	**43,365**	**0**	**6**	**(13,844)**	**(12,905)**
Costs for Central Functions	94,878	80,636	68,034	63,232	10,615	8,829	0	0	16,229	8,575
Operating income (loss)	**321,582**	**297,443**	**315,484**	**284,381**	**36,171**	**34,536**	**0**	**6**	**(30,073)**	**(21,480)**
Extraordinary costs and revenues	18,664	19,310	0	0	0	0	0	0	18,664	19,310
Financial costs and revenues	(12,026)	(16,301)	0	0	0	0	0	0	(12,026)	(16,301)
Income (expense) from investments	13,413	11,121	0	0	0	0	0	0	13,413	11,121
Non-operating costs and revenues	(6,096)	635	0	0	0	0	0	0	(6,096)	635
Result before taxes	**335,537**	**312,208**	**315,484**	**284,381**	**36,171**	**34,536**	**0**	**6**	**(16,118)**	**(6,715)**
Taxes	(67,637)	(69,213)	0	0	0	0	0	0	(67,637)	(69,213)
Result before minority interests	**267,900**	**242,995**	**315,484**	**284,381**	**36,171**	**34,536**	**0**	**6**	**(83,755)**	**(75,928)**
Minority interests	(4,472)	(2,363)	0	0	0	0	0	0	(4,472)	(2,363)
Net result	**263,428**	**240,632**	**315,484**	**284,381**	**36,171**	**34,536**	**0**	**6**	**(88,227)**	**(78,291)**

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

(euro thousand)	31.12.2017	31.12.2016
SALES OF GOODS AND SERVICES	**2,463,620**	**2,279,096**
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(15,668)	(12,578)
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	1,549	539
Effect of adjustment of transactions among consolidated companies	184	(1,057)
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	3,070	1,229
Other	4,365	(2,674)
NET SALES	**2,457,120**	**2,264,555**

(euro thousand)	31.12.2017	31.12.2016
NET OPERATING INCOME	**346,262**	**327,464**
Differences in preparation criteria of internal and statutory reports	(6,596)	(16,238)
Income (expense) from non-financial investments	(13,236)	(11,010)
Claim compensation and subsidies	(6,539)	(4,340)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	202	12
Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	1,123	935
Other	368	620
OPERATING RESULT	**321,582**	**297,443**

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 2017 and 31 December 2016 are provided in the tables below:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Property, plant and equipment	933,774	747,301	888,880	698,363	30,834	32,057	5	5	14,055	16,876
Intangible assets	133,262	140,610	109,938	117,734	18,629	15,680	0	0	4,695	7,196
Financial assets and other non-current assets/liabilities	48,641	60,719	0	0	0	0	0	0	48,641	60,719
(a) Total fixed assets	**1,115,677**	**948,630**	**998,818**	**816,097**	**49,463**	**47,737**	**5**	**5**	**67,391**	**84,791**
Inventories	311,096	283,206	231,351	205,107	79,745	78,099	0	0	0	0
Current assets	459,221	405,723	346,095	321,092	49,594	53,602	(50,801)	(65,393)	114,333	96,422
Current liabilities	(604,227)	(547,208)	(483,005)	(449,966)	(69,311)	(78,983)	50,801	65,393	(102,712)	(83,652)
Provisions for contingencies and charges and other provisions	(53,844)	(41,625)	0	0	0	0	0	0	(53,844)	(41,625)
(b) Net working capital	**112,246**	**100,096**	**94,441**	**76,233**	**60,028**	**52,718**	**0**	**0**	**(42,223)**	**(28,855)**
NET INVESTED OPERATING CAPITAL (a+b)	**1,227,923**	**1,048,726**	**1,093,259**	**892,330**	**109,491**	**100,455**	**5**	**5**	**25,168**	**55,936**
Extraordinary components	82,895	61,967	53	53	0	0	17,762	15,487	65,080	46,427
NET INVESTED CAPITAL	**1,310,818**	**1,110,693**	**1,093,312**	**892,383**	**109,491**	**100,455**	**17,767**	**15,492**	**90,248**	**102,363**
Group equity	1,036,812	857,913	0	0	0	0	0	0	1,036,812	857,913
Minority interests	27,625	24,397	0	0	0	0	0	0	27,625	24,397
(d) Equity	**1,064,437**	**882,310**	**0**	**0**	**0**	**0**	**0**	**0**	**1,064,437**	**882,310**
(e) Provisions for employee benefits	**27,784**	**32,706**	**0**	**0**	**0**	**0**	**0**	**0**	**27,784**	**32,706**
Medium/long-term financial debt	321,658	215,904	0	0	0	0	0	0	321,658	215,904
Short-term financial debt	(103,061)	(20,227)	0	0	0	0	0	0	(103,061)	(20,227)
(f) Net financial debt	**218,597**	**195,677**	**0**	**0**	**0**	**0**	**0**	**0**	**218,597**	**195,677**
(g) COVERAGE (d+e+f)	**1,310,818**	**1,110,693**	**0**	**0**	**0**	**0**	**0**	**0**	**1,310,818**	**1,110,693**

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.

Financial Risk Management

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

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

Market Risk

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

Interest Rate Risk

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

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

A sensitivity analysis was performed to analyse the effects of a change in interest rates of +/- 50 base points compared to the rates at 31 December 2017 and 31 December 2016, with other variables held constant. The potential impacts were calculated on the variable-rate financial liabilities at 31 December 2017. The above change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,500 thousand (€729 thousand at 31 December 2016), gross of the tax effect.

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

Exchange Rate Risk

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

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

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

Starting with the exposures at 31 December 2016 and 2017, 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 2016 and 2017 to measure relative volatility.

(euro thousand)	31.12.2017 Change %	31.12.2017 Effect of increase exchange rate	31.12.2017 Effect of decrease exchange rate	31.12.2016 Change %	31.12.2016 Effect of increase exchange rate	31.12.2016 Effect of decrease exchange rate
EUR/CNY	2.84%	0.2	(0.2)	1.51%	(1.8)	1.9
EUR/GBP	2.31%	2.4	(2.5)	5.44%	(8.0)	9.0
EUR/JPY	4.24%	16.4	(17.9)	4.55%	(18.0)	19.8
EUR/PLN	1.19%	(32.2)	33.0	1.42%	(1.0)	1.0
EUR/SEK	1.50%	(6.8)	7.0	2.16%	0.5	(0.5)
EUR/USD	4.53%	(7.3)	7.9	2.26%	(47.2)	49.3
EUR/INR	3.56%	0.5	(0.6)	1.86%	0.0	0.0
EUR/CZK	2.02%	0.1	(0.1)	0.07%	0.2	(0.2)
EUR/CHF	3.49%	6.1	(6.5)	0.92%	0.2	(0.2)
PLN/CNY	3.57%	0.4	(0.4)	2.29%	0.0	0.0
PLN/EUR	1.18%	(150.6)	154.2	1.42%	45.5	(46.8)
PLN/GBP	2.75%	(1.3)	1.4	5.94%	0.8	(0.9)
PLN/JPY	4.74%	0.1	(0.1)	4.45%	0.0	0.0
PLN/SEK	2.46%	0.0	0.0	2.44%	0.1	(0.1)
PLN/USD	5.14%	84.9	(94.1)	3.13%	(23.4)	25.0
PLN/CZK	1.71%	0.3	(0.3)	1.40%	0.3	(0.3)
PLN/CHF	4.06%	199.2	(216.0)	1.71%	0.7	(0.7)
GBP/EUR	2.30%	2.7	(2.8)	5.43%	7.4	(8.3)
GBP/USD	2.92%	2.7	(2.8)	6.25%	44.8	(50.8)
GBP/AUD	2.80%	0.7	(0.7)	7.98%	(6.4)	7.5
USD/CNY	1.92%	(2.7)	2.8	2.00%	2.9	(3.0)
USD/EUR	4.58%	(116.3)	127.4	2.30%	131.9	(138.1)
USD/MXN	5.58%	17.3	(19.3)	4.98%	(115.0)	127.1
BRL/EUR	5.68%	38.8	(43.5)	7.88%	114.3	(133.8)
BRL/JPY	2.46%	0.0	0.0	5.07%	0.6	(0.7)
BRL/USD	2.23%	(2.2)	2.3	7.59%	(13.5)	15.7
JPY/EUR	4.27%	3.2	(3.5)	4.53%	2.6	(2.8)
JPY/USD	1.58%	0.7	(0.7)	5.24%	3.2	(3.5)
CNY/EUR	2.88%	209.9	(222.4)	1.52%	195.4	(201.5)
CNY/JPY	2.14%	(0.1)	0.1	5.73%	7.1	(8.0)
CNY/USD	1.93%	(107.9)	112.1	1.97%	(225.9)	234.9
INR/EUR	3.58%	(9.4)	10.1	1.88%	9.4	(9.8)
INR/JPY	1.48%	8.8	(9.1)	4.91%	18.2	(20.1)
INR/USD	1.87%	9.6	(10.0)	0.93%	14.5	(14.8)
CZK/EUR	2.02%	197.2	(205.3)	0.07%	8.5	(8.5)
CZK/GBP	3.98%	(3.9)	4.2	5.46%	26.0	(29.0)
CZK/PLN	1.70%	6.4	(6.6)	1.40%	3.3	(3.4)
CZK/USD	6.40%	20.1	(22.8)	2.26%	(2.4)	2.5
ARS/BRL	5.08%	38.6	(42.7)	11.07%	102.3	(127.8)
ARS/EUR	9.79%	70.8	(86.2)	3.94%	16.9	(18.3)
ARS/USD	5.40%	2.7	(3.0)	4.39%	1.8	(2.0)

Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2017, no specific hedging transactions were undertaken. However, it should be recalled that existing contracts with major customers provide for automatic periodic adjustment on the basis of commodities prices.

Liquidity Risk

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

To mitigate liquidity risk, the Treasury and Credit area:

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

The following table provides information on payables, other payables and derivatives broken down by maturity. The maturities are determined based on the period from the reporting 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 2017 plus the relevant spread was used.

(euro thousand)	Carrying value	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Non-derivative financial liabilities					
Short-term credit lines and bank overdrafts	144,857	144,857	144,857	0	0
Payables to banks (loans and bonds)	368,677	378,623	53,194	325,429	0
Payables to other financial institutions	6,019	6,447	3,806	2,115	526
Finance leases	170	176	78	98	0
Trade and other payables	488,564	488,564	488,564	0	0
Derivative financial liabilities					
Derivatives	0	0	0	0	0
Total	**1,008,287**	**1,018,667**	**690,499**	**327,642**	**526**

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

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

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

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

The value of the covenants is monitored at the end of each quarter. At 31 December 2017, 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 2017, unused bank credit facilities were 73.9% (a total of €555 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.

Fair Value Measurement

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

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

	31.12.2017			31.12.2016		
(euro thousand)	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value						
Embedded derivative	0	0	0	0	0	556
Total financial assets (liabilities) measured at fair value	**0**	**0**	**0**	**0**	**0**	**556**
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(363,458)	0	0	(258,050)	0
Other current and non-current financial liabilities	0	(2,740)	0	0	(3,405)	0
Total assets (liabilities) for which fair value is indicated:	**0**	**(366,198)**	**0**	**0**	**(261,455)**	**0**

Movements for the year of Level 3 were as follows:

(euro thousand)	31.12.2017
Balance at beginning of year	556
Movements in Statement of Income	(556)
Total	**0**

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

	Carrying value		Fair value	
(euro thousand)	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Available-for-sale financial assets	**307**	**307**	**307**	**307**
Loans, receivables and financial liabilities valued at amortised costs				
Current and non-current financial assets (excluding derivatives)	6,758	6,925	6,758	6,925
Trade receivables	375,719	357,392	375,719	357,392
Loans and receivables	62,171	32,071	62,171	32,071
Cash and cash equivalents	300,830	245,674	300,830	245,674
Current and non-current payables to banks	(513,534)	(436,251)	(519,524)	(444,793)
Other current and non-current financial liabilities	(6,189)	(6,001)	(6,189)	(6,001)
Trade payables	(470,390)	(428,530)	(470,390)	(428,530)
Other current payables	(120,941)	(102,400)	(120,941)	(102,400)
Other non-current liabilities	(19,927)	(8,653)	(19,927)	(8,653)
Derivatives	**0**	**556**	**0**	**556**
Total	**(385,196)**	**(338,910)**	**(391,186)**	**(347,452)**

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

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

Related Parties

The Group carries out transactions with parents, subsidiaries, associates, joint ventures, directors, key management personnel and other related parties. The Parent Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.523% of its share capital. Brembo did not engage in dealings with its parent in 2017, except for the dividend distribution.

Information pertaining to the fees paid to Directors, Statutory Auditors and General Manager (position held by the Chief Executive Officer) of Brembo S.p.A. and of other Group companies and additional information required is reported below:

	31.12.2017		31.12.2016	
(euro thousand)	Directors	Auditors	Directors	Auditors
Emoluments for the office held	2,120	203	2,010	216
Participation in committees and specific tasks	167	0	100	0
Salaries and other incentives	6,835	0	4,701	0

The item "Salaries and other incentives" includes the estimate of the cost of the 2016-2018 plan reserved for the company's top managers and accrued in 2017, remuneration paid as salaries for the employee function and provisions for bonuses still to be paid.

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

(euro thousand)	31.12. 2017						31.12.2016					
		RELATED PARTIES						RELATED PARTIES				
a) Weight of transactions or positions with related parties on items of the Statement of Financial Position	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**
Other financial assets (including investments in other companies and derivatives)	6,769	5,659	0	0	5,659	*83.6%*	6,887	5,676	0	0	5,676	*82.4%*
Inventories	311,116	9	0	9	0	*0.0%*	283,191	4	0	4	0	*0.0%*
Trade receivables	375,719	1,371	13	1,290	68	*0.4%*	357,392	2,711	812	1,833	66	*0.8%*
Other receivables and current assets	80,455	3	3	0	0	*0.0%*	43,830	7	7	0	0	*0.0%*
Cash and cash equivalents	300,830	0	0	0	0	*0.0%*	245,674	9,104	9,104	0	0	*3.7%*
Non-current payables to banks	(319,314)	0	0	0	0	*0.0%*	(210,659)	(904)	(904)	0	0	*0.4%*
Other non-current liabilities	(19,927)	(5,915)	(5,915)	0	0	*29.7%*	(8,653)	(1,914)	(1,914)	0	0	*22.1%*
Provisions for employee benefits	(27,784)	(3,697)	(3,697)	0	0	*13.3%*	(32,706)	(7,397)	(7,397)	0	0	*22.6%*
Current payables to banks	(194,220)	0	0	0	0	*0.0%*	(225,592)	(41,474)	(41,474)	0	0	*18.4%*
Trade payables	(470,390)	(9,859)	(4,740)	(4,626)	(493)	*2.1%*	(428,530)	(7,868)	(2,274)	(5,273)	(321)	*1.8%*
Other current payables	(120,941)	(3,164)	(3,037)	(127)	0	*2.6%*	(102,400)	(2,460)	(2,333)	(127)	0	*2.4%*

	31.12. 2017						31.12.2016					
		RELATED PARTIES						RELATED PARTIES				
b) Weight of transactions or positions with related parties on items of the Statement of Income	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**	**Carrying value**	**Total**	**Other***	**Joint ventures**	**Associates**	**%**
Sales of goods and services	2,463,620	5,208	4,616	587	5	*0.2%*	2,279,096	5,002	4,567	434	1	*0.2%*
Other revenues and income	24,150	3,294	38	3,090	166	*13.6%*	28,117	3,230	26	3,040	164	*11.5%*
Raw materials, consumables and goods	(1,177,255)	(71,019)	(39)	(70,427)	(553)	*6.0%*	(1,125,968)	(81,037)	(174)	(80,156)	(707)	*7.2%*
Other operating costs	(431,957)	(6,144)	(4,858)	(355)	(931)	*1.4%*	(379,872)	(5,267)	(4,353)	(85)	(829)	*1.4%*
Personnel expenses	(436,050)	(8,894)	(8,894)	0	0	*2.0%*	(387,640)	(6,250)	(6,250)	0	0	*1.6%*
Net interest income (expense)	(10,913)	(255)	(260)	0	5	*2.3%*	(15,367)	(740)	(776)	0	36	*4.8%*

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

Sales of products, supply of services and the transfers of fixed assets between Group companies were carried out at prices reflecting fair market conditions. The trading volumes reflect the internationalisation process aimed at constantly improving both operating and organisational standards and optimising synergies within the company.

From a financial standpoint, the subsidiaries operate independently, although some benefit from various forms of centralised financing. Since 2008, a zero-balance cash-pooling system has been effective, with Brembo S.p.A. as the pool leader. In 2013, an additional cash pooling arrangement was put in place, denominated in CNY, with Brembo Nanjing Brake Systems Co. Ltd. as pooler and Brembo Nanjing Automotive Components Co. Ltd., Qingdao Brembo Trading Co. Ltd. and Asimco Meilian Braking Systems (Langfang) Co. Ltd. as participants. The cash pooling is entirely based in China, and Citibank China is the service provider.

Information About the Group

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

COMPANY	HEADQUARTERS		SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES	
Brembo S.p.A.	Curno (Bergamo)	Italy	Eur	34,727,914		
AP Racing Ltd.	Coventry	United Kingdom	Gbp	135,935	100%	Brembo S.p.A.
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany	Eur	25,000	100%	Brembo S.p.A.
Brembo North America Inc.	Wilmington, Delaware	USA	Usd	33,798,805	100%	Brembo S.p.A.
Brembo Czech S.r.o.	Ostrava-Hrabová	Czech Republic	Czk	605,850,000	100%	Brembo S.p.A.
La.Cam (Lavorazioni Camune) S.r.l.	Stezzano (Bergamo)	Italy	Eur	100,000	100%	Brembo S.p.A.
Qingdao Brembo Trading Co. Ltd.	Qingdao	China	Cny	1,365,700	100%	Brembo S.p.A.
Brembo Japan Co. Ltd.	Tokyo	Japan	Jpy	11,000,000	100%	Brembo S.p.A.
Brembo Poland Spolka Zo.o.	Dabrowa Górnizca	Poland	Pln	144,879,500	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	Sek	4,500,000	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	492,030,169	100%	Brembo S.p.A.
Brembo Russia L.L.C.	Moscow	Russia	Rub	1,250,000	100%	Brembo S.p.A.
Brembo Argentina S.A.	Buenos Aires	Argentina	Ars	62,802,000	98.62%	Brembo S.p.A.
					1.38%	Brembo do Brasil Ltda.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,836	49%	Brembo S.p.A.
					51%	Brembo North America Inc.
Brembo (Nanjing) Automobile Components Co. Ltd.	Nanjing	China	Cny	216,309,960	60%	Brembo S.p.A.
					40%	Brembo Brake India Pvt. Ltd.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	159,136,227	99.99%	Brembo S.p.A.
Corporación Upwards '98 S.A.	Saragoza	Spain	Eur	498,043	68%	Brembo S.p.A.
Asimco Meilian Braking Systems (Langfang) Co. Ltd.	Langfang	China	Cny	170,549,133	66%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano (Bergamo)	Italy	Eur	4,000,000	50%	Brembo S.p.A.
Petroceramics S.p.A.	Milan	Italy	Eur	123,750	20%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes GmbH	Meitingen	Germany	Eur	25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.

Independent Auditors’ Fees

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

(euro thousand)	31.12.2017	31.12.2016
Independent Auditors' fees for the provision of audit services:		
- to the Parent Brembo S.p.A.	225	210
- to the subsidiaries (services provided by the network)	414	415
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
- to the Parent Brembo S.p.A.	56	8
Independent Auditors' fees for the provision of other services:		
- to the Parent Brembo S.p.A.	0	3
- to the subsidiaries (services provided by the network)	0	14
Fees of entities belonging to the Independent Auditors’ network for the provision of services:		
- to the Parent Brembo S.p.A.	0	83
- other services rendered to subsidiaries	6	91

Commitments

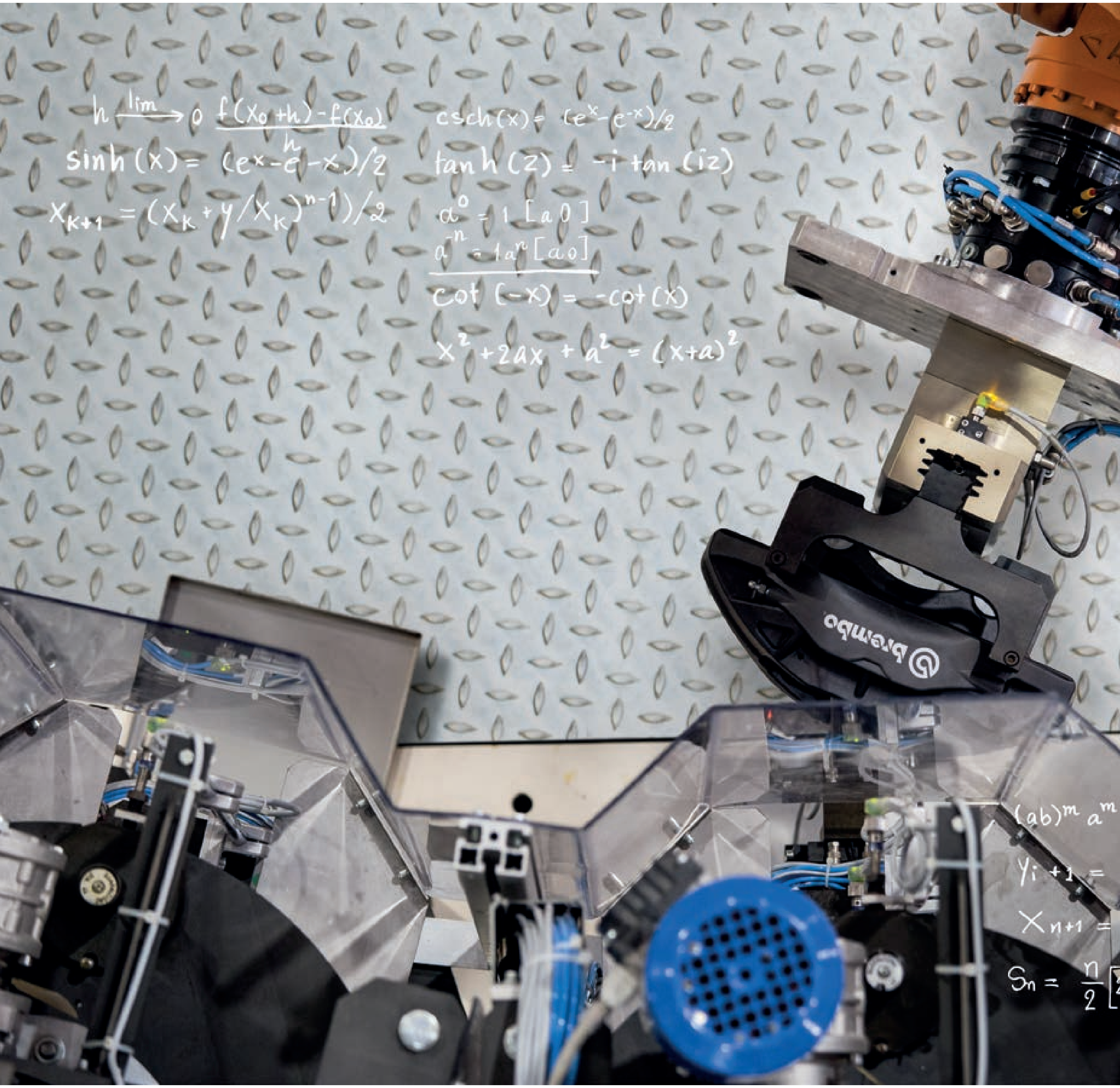
The Group had no commitments at the closing date of the 2017 Financial Statements.

Position or Transactions from Atypical and/or Unusual Operations

Pursuant to Consob Notice No. 6064293 dated 28 July 2006, it is hereby specified that during 2017 the company did not carry out any atypical and/or unusual transactions, as defined by the said Notice.

Significant Events After 31 December 2017

No significant events occurred after the end of 2017 and up to 5 March 2018.


$\lim_{h \to 0} \frac{f(x_0+h)-f(x_0)}{h}$
$\mathrm{csch}(x) = (e^{x}-e^{-x})/2$
$\sinh(x) = (e^{x}-e^{-x})/2$
$\tanh(z) = -i\tan(iz)$
$X_{k+1} = (X_k + y/X_k^{n-1})/2$
$a^0 = 1\ [a\ 0]$
$a^{-n} = 1a^n\ [a\ 0]$
$\cot(-x) = -\cot(x)$
$x^2+2ax+a^2=(x+a)^2$
brembo
$(ab)^m\ a^m$
$y_i+1 =$
$X_{n+1} =$
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The **production line** allows the **caliper** assembly process **to be automated** and **higher product quality standards** to be assured.

ANALYSIS OF EACH ITEM

STATEMENT OF FINANCIAL POSITION

1. Property, Plant, Equipment and Other Equipment

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

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	24,366	208,500	819,455	194,266	37,030	87,160	**1,370,777**
Accumulated depreciation	0	(71,568)	(513,217)	(160,233)	(30,229)	0	**(775,247)**
Write-down provision	0	(2,500)	(2,769)	0	0	(484)	**(5,753)**
Balance at 1 January 2016	**24,366**	**134,432**	**303,469**	**34,033**	**6,801**	**86,676**	**589,777**
Changes:							
Translation differences	65	(1,803)	(2,024)	(336)	(2)	1,214	**(2,886)**
Change in consolidation area	0	11,293	16,836	361	544	225	**29,259**
Reclassification	(136)	41,663	27,146	(5,419)	953	(64,399)	**(192)**
Acquisitions	3,681	28,713	129,649	14,964	3,031	51,393	**231,431**
Disposals	(246)	174	(1,676)	(662)	(117)	(265)	**(2,792)**
Depreciation	0	(11,292)	(70,023)	(12,838)	(2,721)	0	**(96,874)**
Impairment losses	0	(458)	(310)	(19)	0	(4)	**(791)**
Total changes	**3,364**	**68,290**	**99,598**	**(3,949)**	**1,688**	**(11,836)**	**157,155**
Historical cost	27,730	285,872	977,772	192,684	43,304	75,117	**1,602,479**
Accumulated depreciation	0	(82,799)	(572,277)	(162,600)	(34,815)	0	**(852,491)**
Write-down provision	0	(351)	(2,428)	0	0	(277)	**(3,056)**
Balance at 1 January 2017	**27,730**	**202,722**	**403,067**	**30,084**	**8,489**	**74,840**	**746,932**
Changes:							
Translation differences	(515)	(7,329)	(11,506)	26	(321)	(2,857)	**(22,502)**
Reclassification	0	2,752	45,520	3,372	4,965	(56,854)	**(245)**
Acquisitions	3,496	8,435	81,599	18,305	3,465	211,358	**326,658**
Disposals	0	(25)	(3,841)	(768)	388	0	**(4,246)**
Depreciation	0	(12,850)	(81,928)	(14,369)	(3,262)	0	**(112,409)**
Impairment losses	0	(344)	17	5	0	(92)	**(414)**
Total changes	**2,981**	**(9,361)**	**29,861**	**6,571**	**5,235**	**151,555**	**186,842**
Historical cost	30,711	289,384	1,065,152	211,914	49,006	226,781	**1,872,948**
Accumulated depreciation	0	(95,446)	(630,358)	(175,259)	(35,282)	0	**(936,345)**
Write-down provision	0	(577)	(1,866)	0	0	(386)	**(2,829)**
Balance at 31 December 2017	**30,711**	**193,361**	**432,928**	**36,655**	**13,724**	**226,395**	**933,774**

In 2017, investments were made in tangible fixed assets amounting to €326,658 thousand, including €211,358 thousand on fixed assets in course of construction.

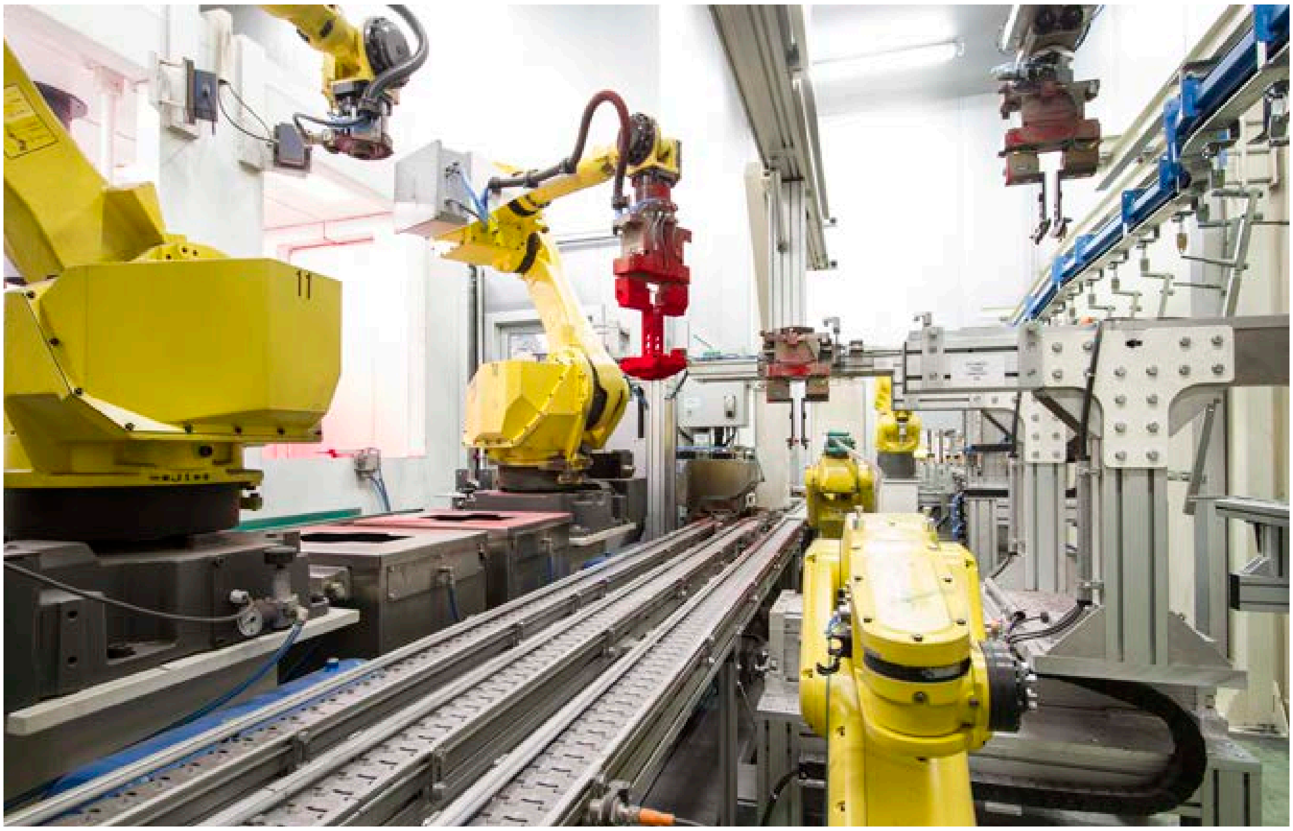
As already noted in the Report on Operations, the Group continued its international development programme. This involved significant investments in production plants, machinery and equipment in North America, Poland, and China, as well as in Italy.

Net disposals amounted to €4,246 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for 2017 amounted to €112,409 thousand (€96,874 thousand in 2016).

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

	31.12.2017		31.12.2016	
(euro thousand)	**Leased**	**Not leased**	**Leased**	**Not leased**
Land	0	30,711	0	27,730
Buildings	0	193,361	0	202,722
Plant and machinery	0	432,928	0	403,067
Industrial and commercial equipment	0	36,655	0	30,084
Other assets	547	13,177	222	8,267
Assets in course of construction and payments on account	0	226,395	0	74,840
Total	**547**	**933,227**	**222**	**746,710**



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

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

(euro thousand)	Development costs	Goodwill A	Intangible assets with indefinite useful lives B	Sub-total A+B	Industrial patents and similar rights C	Other intangible assets D	Total other intangible assets C+D	Total
Historical cost	**119,162**	57,038	1,033	**58,071**	29,849	71,964	**101,813**	**279,046**
Accumulated amortisation	**(77,931)**	0	0	**0**	(26,439)	(60,368)	**(86,807)**	**(164,738)**
Write-down provision	**(388)**	(14,122)	(3)	**(14,125)**	(504)	0	**(504)**	**(15,017)**
Balance at 1 January 2016	**40,843**	**42,916**	**1,030**	**43,946**	**2,906**	**11,596**	**14,502**	**99,291**
Changes:								
Translation differences	**14**	(1,680)	(3)	**(1,683)**	(8)	(146)	**(154)**	**(1,823)**
Change in consolidation area	**0**	46,218	399	**46,617**	0	32,509	**32,509**	**79,126**
Reclassification	**0**	0	0	**0**	50	94	**144**	**144**
Acquisitions	**19,067**	0	0	**0**	1,464	11,608	**13,072**	**32,139**
Disposals	**0**	0	0	**0**	(20)	(9)	**(29)**	**(29)**
Amortisation	**(9,899)**	0	0	**0**	(1,031)	(6,954)	**(7,985)**	**(17,884)**
Impairment losses	**(701)**	0	0	**0**	0	0	**0**	**(701)**
Total changes	**8,481**	**44,538**	**396**	**44,934**	**455**	**37,102**	**37,557**	**90,972**
Historical cost	**137,593**	99,560	1,429	**100,989**	31,267	116,557	**147,824**	**386,406**
Accumulated amortisation	**(87,881)**	0	0	**0**	(27,403)	(67,859)	**(95,262)**	**(183,143)**
Write-down provision	**(388)**	(12,106)	(3)	**(12,109)**	(503)	0	**(503)**	**(13,000)**
Balance at 1 January 2017	**49,324**	**87,454**	**1,426**	**88,880**	**3,361**	**48,698**	**52,059**	**190,263**
Changes:								
Translation differences	**(264)**	(6,019)	(24)	**(6,043)**	17	(2,435)	**(2,418)**	**(8,725)**
Reclassification	**0**	0	0	**0**	147	(50)	**97**	**97**
Acquisitions	**24,033**	0	0	**0**	2,741	7,252	**9,993**	**34,026**
Disposals	**0**	0	0	**0**	(24)	(174)	**(198)**	**(198)**
Amortisation	**(10,482)**	0	0	**0**	(1,128)	(7,981)	**(9,109)**	**(19,591)**
Impairment losses	**(1,288)**	0	0	**0**	1	0	**1**	**(1,287)**
Total changes	**11,999**	**(6,019)**	**(24)**	**(6,043)**	**1,754**	**(3,388)**	**(1,634)**	**4,322**
Historical cost	**159,845**	93,118	1,404	**94,522**	34,167	120,134	**154,301**	**408,668**
Accumulated amortisation	**(98,134)**	0	0	**0**	(28,550)	(74,824)	**(103,374)**	**(201,508)**
Write-down provision	**(388)**	(11,683)	(2)	**(11,685)**	(502)	0	**(502)**	**(12,575)**
Balance at 31 December 2017	**61,323**	**81,435**	**1,402**	**82,837**	**5,115**	**45,310**	**50,425**	**194,585**

Development costs

The item “Development costs” includes costs for development, internal and external, for a gross historical cost of €159,845 thousand. During the reporting year, this item changed due to higher costs incurred in 2017 for development orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €10,482 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 €37,008 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 €24,219 thousand (€18,971 thousand in 2016).

Impairment losses totalled €1,288 thousand and are recognised in the Statement of Income under “Amortisation, depreciation and impairment losses.” Impairment losses refer to development costs incurred mainly by the Parent, Brembo S.p.A., in relation to projects that, consistently with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

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

(euro thousand)	31.12.2017	31.12.2016
Discs – Systems – Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	14,233	16,193
Brembo México S.A. de C.V. (Hayes Lemmerz)	866	986
Brembo Nanjing Brake Systems Co. Ltd.	897	956
Brembo Brake India Pvt. Ltd.	8,596	9,198
Asimco Meilian Braking Systems (Langfang) Co. Ltd.	43,138	45,991
After Market – Performance Group:		
Corporación Upwards ‘98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	11,699	12,124
Total	**81,435**	**87,454**

The change compared to 31 December 2016 was mainly attributable to the change in consolidation differences.

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

The main assumptions used to determine the value in use of other cash-generating units relate to the discount rate and growth rate. Specifically, calculations used cash-flow projections for the 2018-2020 period covered by the corporate business plans. Cash flows for subsequent years were extrapolated using a prudential steady 1-1.5% medium- to long-term growth rate, on a case by case basis. The Group’s discount rate (Group WACC) used was 8.0% (7.4% in 2016), 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 reporting year.

In the event of a change in the WACC from 8.0% to 8.5% and the growth rate from 1.0% to 0.5% (or from 1.5% to 1.0%), no previously unimpaired goodwill would have become impaired.

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

The changes in the WACC, growth rate and sales volumes described above are deemed reasonable. In this respect, only changes beyond reasonable levels would have resulted in impairment.

Intangible assets with indefinite useful lives

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

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.

Other intangible assets

Acquisitions of "Other intangible assets" totalled €9,993 thousand and refer for €2,741 thousand to the filing of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting year associated with the development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group and the acquisition of other IT applications.

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

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

	31.12.2016	Write-ups/ Write-downs	Dividends	Other changes	31.12.2017
Brembo Group SGL Carbon Ceramic Brakes	26,507	13,236	(6,000)	(42)	33,701
Petroceramics S.r.l.	462	177	(40)	0	599
Total	**26,969**	**13,413**	**(6,040)**	**(42)**	**34,300**

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

The following is a breakdown of the assets, liabilities, costs and revenues referring to joint ventures and associates.

Joint Ventures

	Brembo Group SGL Carbon Ceramic Brakes	
(euro thousand)	31.12.2017	31.12.2016
Sales of goods and services	**156,863**	**151,406**
Other revenues and income	2,026	1,628
Raw materials, consumables and goods	(49,106)	(49,661)
Other operating costs	(34,359)	(34,539)
Personnel expenses	(34,221)	(32,725)
GROSS OPERATING INCOME	**41,203**	**36,109**
Depreciation, amortisation and impairment losses	(4,692)	(4,688)
NET OPERATING INCOME	**36,511**	**31,421**
Net interest income (expense)	(68)	(128)
RESULT BEFORE TAXES	**36,443**	**31,293**
Taxes	(10,165)	(9,441)
NET RESULT FOR THE YEAR	**26,277**	**21,853**
% ownership	*50%*	*50%*
Other consolidation adjustments	97	83
GROUP NET RESULT	**13,236**	**11,010**
Property, plant, equipment and other equipment	38,147	30,444
Other intangible assets	327	350
Other financial assets (including investments in other companies and derivatives)	131	131
Deferred tax assets	2,551	2,343
TOTAL NON-CURRENT ASSETS	**41,156**	**33,268**
Inventories	17,837	16,639
Trade receivables	10,868	8,190
Other receivables and current assets	5,098	2,758
Cash and cash equivalents	31,192	31,484
TOTAL CURRENT ASSETS	**64,995**	**59,071**
TOTAL ASSETS	**106,151**	**92,339**
Share capital	4,000	4,000
Other reserves	20,422	19,495
Retained earnings/(losses)	15,719	6,876
Net result for the year	26,277	21,853
TOTAL EQUITY	**66,418**	**52,224**
Other non-current liabilities	671	141
Non-current provisions	2,759	2,225
Provisions for employee benefits	3,600	3,412
Deferred tax liabilities	0	2
TOTAL NON-CURRENT LIABILITIES	**7,030**	**5,780**
Current payables to banks	1	2,323
Trade payables	20,867	18,354
Tax payables	5,736	7,123
Current provisions	0	15
Other current payables	6,099	6,520
TOTAL CURRENT LIABILITIES	**32,703**	**34,335**
TOTAL LIABILITIES	**39,733**	**40,115**
TOTAL EQUITY AND LIABILITIES	**106,151**	**92,339**
% ownership	*50%*	*50%*
Goodwill	1,033	1,033
Other consolidation adjustments	(541)	(638)
CARRYING VALUE OF GROUP SHAREHOLDING	**33,701**	**26,507**

Associates

(euro thousand)	Petroceramics S.p.A. 31.12.2017	31.12.2016
Sales of goods and services	2,426	2,439
NET RESULT FOR THE YEAR	**885**	**556**
% ownership	*20%*	*20%*
GROUP NET RESULT	**177**	**111**
Total current assets	3,320	2,993
Total non-current assets	577	387
Total current liabilities	745	927
Total non-current liabilities	156	141
TOTAL EQUITY	**2,996**	**2,312**
% ownership	*20%*	*20%*
CARRYING VALUE OF GROUP SHAREHOLDING	**599**	**462**

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

This item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Shareholdings in other companies	307	307
Receivables from associates	5,659	5,676
Other	803	904
Total	**6,769**	**6,887**

The item “Shareholdings in other companies” mainly includes the 10% interest in International Sport Automobile S.a.r.l., the 2.38% interest in E-novia S.r.l. and 1.20% interest in Fuji Co.

The item “Receivables from associates” includes the receivable deriving from the loan granted by Brembo to Innova Tecnologie S.r.l. in liquidazione, in which Brembo S.p.A. holds a 30% interest. The loan, the nominal amount of which is €9 million, was reduced to €5,659 thousand following the settlement agreement reached in 2016 with the majority shareholder, Innova Tecnologie S.r.l. in liquidazione, Impresa Fratelli Rota Nodari S.p.A. and Innova Tecnologie S.r.l. in liquidazione. According to this agreement, the residual portion of this loan is to be paid following the sale to third parties of the property owned by Innova Tecnologie S.r.l. in liquidazione in an amount equal to the company’s net assets at the end of the liquidation procedure, without prejudice to the majority shareholder’s liability for any deficit up to the maximum amount already agreed between the parties. Including the receivable among “Non-current assets”, it is however deemed that there are no elements hindering the recovery of the residual value.

“Other” includes interest-free security deposits for utilities and car rental agreements.

5. Receivables and Other Non-current Assets

This item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Receivables from others	3,762	4,670
Income tax receivables	37	91
Non-income tax receivables	33	33
Total	**3,832**	**4,794**

The item "Receivables from others" includes the amount related to contributions towards a client for the acquisition of a ten-year exclusive supply arrangement, which was released to the Statement of Income in accordance with the supply schedule for the client, which began in late 2014.

Tax receivables mostly refer to applications for tax refunds.

6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Deferred tax assets	57,818	57,691
Deferred tax liabilities	(24,716)	(31,622)
Total	**33,102**	**26,069**

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

Movements for the year are reported in the following table:

(euro thousand)	31.12.2017	31.12.2016
Balance at beginning of year	**26,069**	**42,551**
Change in consolidation area	0	(9,678)
Deferred tax liabilities generated	(7,935)	(9,362)
Deferred tax assets generated	20,359	24,081
Use of deferred tax assets and liabilities	(7,475)	(20,481)
Exchange rate fluctuations	2,746	(1,595)
Other movements	(662)	553
Balance at end of year	**33,102**	**26,069**

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

	Deferred tax assets		Deferred tax liabilities		Net	
(euro thousand)	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Property, plant, equipment and other equipment	12,776	11,869	20,982	30,613	(8,206)	(18,744)
Development costs	28	28	0	0	28	28
Other intangible assets	67	96	7,283	9,022	(7,216)	(8,926)
Other financial assets	2,070	147	0	0	2,070	147
Trade receivables	5,181	7,456	36	53	5,145	7,403
Inventories	10,683	11,829	0	0	10,683	11,829
Other receivables and current assets	950	863	63	134	887	729
Financial liabilities	3	0	0	0	3	0
Other financial liabilities	170	222	0	13	170	209
Provisions	6,213	9,123	0	0	6,213	9,123
Provisions for employee benefits	8,132	7,942	1,192	1,196	6,940	6,746
Trade payables	222	7	0	0	222	7
Cash and cash equivalents	11	10	0	0	11	10
Other liabilities	9,451	7,458	1,787	2,055	7,664	5,403
Other	9,818	13,569	1,370	2,100	8,448	11,469
Tax losses	40	636	0	0	40	636
Compensation balance between deferred tax assets and liabilities	(7,997)	(13,564)	(7,997)	(13,564)	0	0
Total	**57,818**	**57,691**	**24,716**	**31,622**	**33,102**	**26,069**

The recognition of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In particular, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. is located in a “special economic zone” and is entitled to deduct a percentage from 25% to 50% of its investments from its current taxes owed through 2026. At 31 December 2017, the company had used all the existing credit at 31 December 2016 besides the credit accrued in 2017.

Brembo Czech Sro. has three tax incentive plans, one of CZK 355.2 million (expiring in 2018), one of CZK 132.6 million (expiring in 2021) and another of CZK 63.78 million (expiring in 2029), on which the company recognised deferred tax assets equivalent to the total value that is expected to be recovered.

It must be pointed out that:

- unrecognised deferred tax assets of Brembo Argentina Ltda. — calculated on prior years’ tax losses and tax losses for the reporting year (ARS 127.26 million), elegible to be carried out for 5 years — amounted to ARS 44.54 million;
- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years’ tax losses and tax losses for the reporting year (BRL 111.24 million), eligible to be unlimitedly carried forward — amounted to BRL 37.82 million;
- at 31 December 2017 deferred tax liabilities of € 1,370 thousand were recognised on profits of subsidiaries, associates or joint ventures, which the Group considers may be distributed in the foreseeable future;

- at 31 December 2017, the temporary differences between the parent's share of the net assets of the subsidiary, associate or investee company, including the book value of goodwill, and the value of the investment or shareholding (cost) (as indicated in §38 of IAS 12) amounted to €467 million and were considered to be permanently reinvested, since these provisions are used to fund current transactions and future business growth in those countries in which the same subsidiary resides; as a result, no deferred tax liability was recognised on the taxable portion of such differences;
- Brembo North America Inc. adjusted its deferred tax liability by USD 11.2 million following the reduction of the tax rate from 35% to 21% provided for beginning in 2018 in the new tax reform approved by the U.S. government at the end of 2017.

7. Inventories

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

(euro thousand)	31.12.2017	31.12.2016
Raw materials	131,668	109,322
Work in progress	63,419	57,339
Finished products	93,587	93,190
Goods in transit	22,442	23,340
Total	**311,116**	**283,191**

The change reported was due to the increase in the Group's business volumes.

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

(euro thousand)	31.12.2016	Provisions	Use/ Release	Exchange rate fluctuations	Riclassifications	31.12.2017
Inventory write-down provision	41,653	12,776	(9,328)	(368)	149	44,882

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 2017, the balance of trade receivables compared to the previous year was as follows:

(euro thousand)	31.12.2017	31.12.2016
Accounts receivable from customers	374,361	355,493
Receivables from associates and joint ventures	1,358	1,899
Total	**375,719**	**357,392**

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

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

Trade receivables are stated net of the provision for bad debts, which amounted to €5,298 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2016	Provisions	Use/ Release	Exchange rate fluctuations	31.12.2017
Provision for bad debts	6,923	707	(2,209)	(123)	5,298

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

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

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

(euro thousand)	31.12.2017	31.12.2016
Listed clients	295,987	259,947
Unlisted clients	85,030	104,368
Total	**381,017**	**364,315**

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)	31.12.2017	Write-down 2017	31.12.2016	Write-down 2016
Current	281,483	0	240,027	2
Expired up to 30 days	2,808	0	1,944	0
Expired by 30 to 60 days	6,779	0	10,870	0
Expired by over 60 days	4,917	1,272	7,106	2,142
Total	**295,987**	**1,272**	**259,947**	**2,144**
% Ratio of expired receivables not written down to total exposure	*4.5%*		*6.8%*	
Total expired receivables, not written down	**13,232**		**17,778**	

Unlisted clients

(euro thousand)	31.12.2017	Write-down 2017	31.12.2016	Write-down 2016
Current	74,961	0	97,817	302
Expired up to 30 days	1,664	0	1,486	0
Expired by 30 to 60 days	2,053	0	998	0
Expired by over 60 days	6,352	4,026	4,067	4,477
Total	**85,030**	**4,026**	**104,368**	**4,779**
% Ratio of expired receivables not written down to total exposure	*7.1%*		*2.0%*	
Total expired receivables, not written down	**6,043**		**2,074**	

Expired receivables from listed clients mainly refer to leading car manufacturers, and almost all the related repayment plans were defined at the beginning of 2018.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2018.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Income tax receivables	22,079	16,462
Non-income tax receivables	26,493	13,203
Other receivables	31,883	14,165
Total	**80,455**	**43,830**

The item "Income tax receivables" includes the receivable recognised by the Parent in prior years in relation to the application of an IRES refund, concerning the non-deductibility for IRAP purposes of personnel expenses, and other applications for IRES and IRAP refund totalling €4,948 thousand, beside the €5,239 thousand R&D tax credit calculated pursuant to Ministerial Decree dated 27 May 2015.

The increase in "Non-income tax receivables" was mainly attributable to VAT receivables of the subsidiaries located in Poland, Mexico and China associated with the significant purchases for the investments made in the reporting year.

"Other receivables" include receivables from insurance companies related to insurance refund claims underway at the reporting date.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Derivatives	0	556
Security deposits	294	342
Other receivables	2	3
Total	**296**	**901**

11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	31.12.2017	31.12.2016
Bank and postal accounts	300,664	245,535
Cash-in-hand and cash equivalents	166	139
Total cash and cash equivalents	**300,830**	**245,674**
Payables to banks: overdrafts and foreign currency advances	(144,857)	(181,745)
Cash and cash equivalents from the Statement of Cash Flows	**155,973**	**63,929**

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

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the year totalled €10,587 thousand (€9,975 thousand in 2016).

12. Equity

Group consolidated equity at 31 December 2017 increased by €178,899 thousand compared to 31 December 2016. Movements are given in the relevant statement.

Share capital

The Parent's subscribed and paid up share capital amounted to €34,728 thousand at 31 December 2017. It is divided into 333,922,250 ordinary shares.

The table below shows the composition of the share capital and a reconciliation of the number of shares outstanding at 31 December 2017 and 31 December 2016:

(No. of shares)	31.12.2017	31.12.2016
Ordinary shares issued	333,922,250	66,784,450
Own shares	(8,735,000)	(1,747,000)
Total shares outstanding	**325,187,250**	**65,037,450**

The General Shareholders' Meeting of the Parent held on 20 April 2017 approved the stock split of the Company's total 66,784,450 ordinary shares (without nominal value) into 333,922,250 newly issued ordinary shares, through the withdrawal of the outstanding ordinary shares and the assignment of 5 (five) newly issued shares for each share withdrawn and cancelled. The transaction, carried out on 29 May 2017, entailed a reduction of the book value of each share but had no effect on the amount of Brembo S.p.A.'s share capital or the characteristics of its shares.

As part of Brembo's buy-back plan, in 2017 the Company neither purchased nor sold own shares.

Other Reserves and Retained Earnings/(Losses)

The General Shareholders' Meeting of the Parent, Brembo S.p.A., held on 20 April 2017 approved the Financial Statements for the financial year ended 31 December 2016, allocating the net income for the year amounting to €138,393 thousand as follows:
- to the Shareholders, a gross ordinary dividend of €1.0 for each of the outstanding ordinary share, excluding own shares;
- the remaining amount carried forward.

Share Capital and Reserves of Minority Interests

This item changed due to the effect of the change in consolidation differences.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13. Financial Debt and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2017 Due within one year	31.12.2017 Due after one year	31.12.2017 Total	31.12.2016 Due within one year	31.12.2016 Due after one year	31.12.2016 Total
Payables to banks:						
- overdrafts and advances	144,857	0	144,857	181,745	0	181,745
- loans	49,363	319,314	368,677	43,847	210,659	254,506
Total	**194,220**	**319,314**	**513,534**	**225,592**	**210,659**	**436,251**
Payables to other financial institutions	3,845	2,344	6,189	756	5,245	6,001
Total	**3,845**	**2,344**	**6,189**	**756**	**5,245**	**6,001**

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

(euro thousand)	Original amount	Amount at 31.12.2016	Amount at 31.12.2017	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:						
BNL loan (€50 million)	50,000	42,761	28,529	14,286	14,243	0
Banca Popolare di Sondrio loan (€25 million)	25,000	3,124	0	0	0	0
Banca Popolare di Sondrio loan (€75 million)	75,000	0	74,945	0	74,945	0
BNL loan (€80 million)	80,000	0	79,879	2	79,877	0
UBI loan (€30 million)	30,000	1,874	0	0	0	0
EIB R&D loan (€55 million)	55,000	32,558	0	0	0	0
Mediobanca loan (€130 million)	130,000	129,643	104,799	20,056	84,743	0
Unicredit NY loan (USD 40.3 million)	37,101	25,494	11,209	11,209	0	0
EIB loan (€30 million, New Foundry Project)	30,000	19,052	15,241	3,810	11,431	0
UBI loan (USD 35 million)	29,835	0	29,120	0	29,120	0
Banamex loan (USD 30 million)	25,778	0	24,955	0	24,955	0
Total payables to banks	**567,714**	**254,506**	**368,677**	**49,363**	**319,314**	**0**
Payables to other financial institutions:						
Finlombarda MIUR loan	275	166	101	67	34	0
MIUR BBW loan	2,443	1,241	903	161	742	0
Ministerio Industria España	3,237	1,907	1,735	263	1,315	157
Renault Argentina S.A. loan	797	91	0	0	0	0
Langfang municipality loan	7,558	2,596	2,435	2,435	0	0
Soft loan as per Ministerial Decree 28905	845	0	845	845	0	0
Payables for leases	207	0	170	74	96	0
Total payables to other financial institutions	**15,362**	**6,001**	**6,189**	**3,845**	**2,187**	**157**
TOTAL	**583,076**	**260,507**	**374,866**	**53,208**	**321,501**	**157**

Among the major transactions finalised in 2017, mention should be made that the Parent Brembo S.p.A. finalised two medium-term loans: with BNL in the amount of €80 million and with Banca Popolare di Sondrio in the amount of €75 million. In addition, Brembo México S.A. de C.V. entered into two medium-term loan agreements, one with UBI Banca of USD 35 million and the other with Banamex of USD 30 million.

It should be noted that several loans require compliance with certain financial covenants. At the reporting date, all of these covenants had been met. At 31 December 2017, 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.

	31.12.2017			31.12.2016		
(euro thousand)	Instalment	Interest	Principal	Instalment	Interest	Principal
Within 1 year	78	4	74	0	0	0
Between 1 and 5 years	98	2	96	0	0	0
Beyond 5 years	0	0	0	0	0	0
Total	**176**	**6**	**170**	**0**	**0**	**0**

The Group has outstanding commercial lease agreements for several of its production facilities and its headquarters. The company has concluded that all significant risks and rewards typical of the ownership of the assets have not been transferred to the Group on the basis of the contractual terms and conditions (for example, the contractual terms do not cover most of the economic life of the commercial property, or the present value of the minimum lease payments does not essentially correspond to the fair value of the asset). It follows that these contracts were accounted for as operating leases according to the current version of IAS 17.

The following table provides a breakdown of operating lease instalments:

(euro thousand)	31.12.2017	31.12.2016
Within 1 year	26,613	25,186
Between 1 and 5 years	77,109	72,732
Beyond 5 years	85,311	75,726
Total	**189,033**	**173,644**

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

	31.12.2017			31.12.2016		
(euro thousand)	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	223,315	83,691	307,006	68,136	164,191	232,327
US Dollar	0	65,284	65,284	0	25,493	25,493
Polish Zloty	141	0	141	0	0	0
Chinese Renmimbi	2,435	0	2,435	2,596	0	2,596
Argentine Peso	0	0	0	91	0	91
Total	**225,891**	**148,975**	**374,866**	**70,823**	**189,684**	**260,507**

The average variable rate applicable to the Group's debt is 1.68% and the average fixed rate is 0.67%.

Net Financial Position

The following table shows the breakdown of the net financial position at 31 December 2017 (€218,597 thousand) and at 31 December 2016 (€195,677 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

(euro thousand)		31.12.2017	31.12.2016
A	Cash	166	139
B	Other cash equivalents	300,664	245,535
C	Derivatives and securities held for trading	0	556
D	**LIQUIDITY (A+B+C)**	**300,830**	**246,230**
E	Current financial receivables	296	345
F	Current payables to banks	144,857	181,745
G	Current portion of non-current debt	49,363	43,847
H	Other current financial debts and derivatives	3,845	756
I	**CURRENT FINANCIAL DEBT (F+G+H)**	**198,065**	**226,348**
J	**NET CURRENT FINANCIAL DEBT (I–E–D)**	**(103,061)**	**(20,227)**
K	Non-current payables to banks	319,314	210,659
L	Bonds issued	0	0
M	Other non-current financial debts and derivatives	2,344	5,245
N	**NON-CURRENT FINANCIAL DEBT (K+L+M)**	**321,658**	**215,904**
O	**NET FINANCIAL DEBT (J+N)**	**218,597**	**195,677**

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.

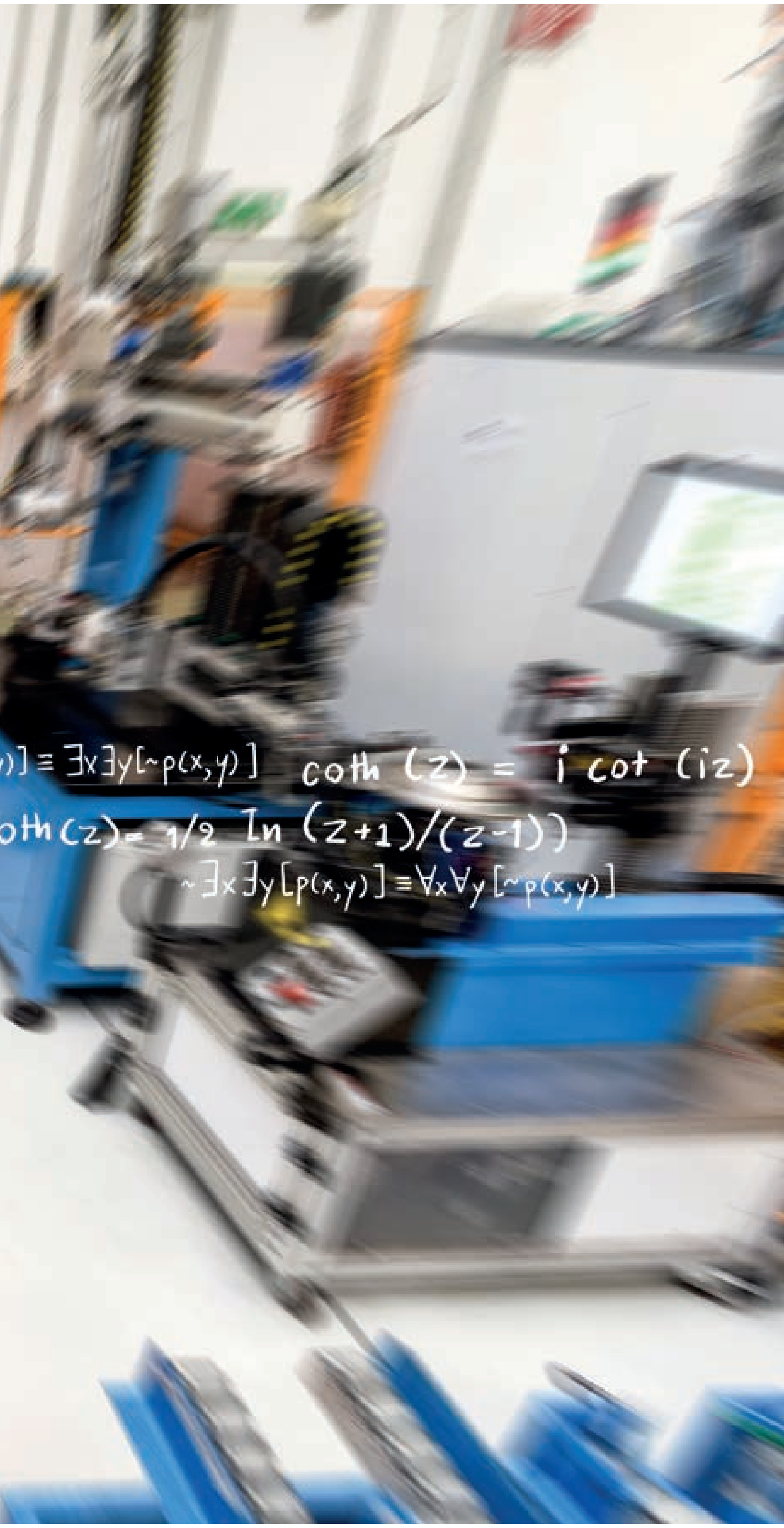
14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Social security payables	3,402	1,439
Payables to employees	15,449	6,983
Other payables	1,076	231
Total	**19,927**	**8,653**

The changes in the items “Payables to employees”, “Social security payables” and “Other payables” primarily consisted of the liability associated with the amount for the year due within the 2016-2018 three-year incentive plan reserved for top managers, to be settled in 2019.


csc(-x) = -csc(x)
$\lim_{h \to 0} \frac{f(x_0+h)-f(x_0)}{h}$
sinh(x) = (e^x - e^-x)/2
$X_{K+1} = (X_K + y/X_K^{n-1})/2$
cot(-x) = -cot(x)
$\sin\frac{A}{2} = \sqrt{\frac{1-\cos A}{2}}$
$S = \sqrt{\frac{\sum_{i=1}^{N}(x_i-\bar{x})^2}{N}}$
$C_{n,r} = \binom{n}{r} = \frac{n!}{(n-r)!r!}$



The line automates item **control** and the creation of a **QR code** for **product tracking** based on **laser marking**. The entire station represents the **first pilot project** in full application of the **new Industry 4.0 technologies.**

15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2016	Provisions	Use/ Release	Exchange rate fluctuations	Other	31.12.2017
Provisions for contingencies and charges	7,874	5,800	(1,525)	(304)	36	11,881
Provision for product warranties	16,340	7,490	(8,136)	44	14,238	29,976
Total	**24,214**	**13,290**	**(9,661)**	**(260)**	**14,274**	**41,857**
of which short-term	***2,547***					***2,244***

Provisions totalled €41,857 thousand, including provision for product warranties, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway.

The item "Other" relates to the better estimate of the value of obligations for risks covered by insurance policies for which a pay-out is expected. Such pay-outs are recognised among "Other receivables and current assets," whereas the amount of the obligation, net of the pay-out, is recognised among "Provisions".

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.

Following the consolidation of Asimco Meilian Braking Systems (Langfang) Co. Ltd., defined contribution plans include a plan covering approximately 1,000 retired employees and approximately 100 early retired employees, who have guaranteed monthly payments until they reach pension age.

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

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

Unfunded defined benefit plans include also the "Employees' leaving entitlement" provided by the Group's Italian companies, in accordance with current applicable regulations.

The value of defined benefit plans is calculated on an actuarial basis using the "Projected Unit Credit Method". The item "Other employee provisions" also refers to other employee benefits.

Liabilities at 31 December 2017 are given in the table below:

(euro thousand)	31.12.2016	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Other	31.12.2017
Employees' leaving entitlement	21,546	0	(1,154)	315	0	(611)	20,096
Defined benefit plans and other long-term benefits	8,884	226	(618)	285	(394)	(3,061)	5,322
Defined contribution plans	2,276	1,968	(2,397)	0	(104)	623	2,366
Total	**32,706**	**2,194**	**(4,169)**	**600**	**(498)**	**(3,049)**	**27,784**

Defined benefit plans

	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Brake India plan		Brembo Japan plan	
(euro thousand)	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016	31.12.2017	31.12.2016
A. Change in defined benefit obligation										
1. Defined benefit obligation at the end of prior year	21,546	20,511	37,581	36,671	648	697	749	634	302	238
2. Service cost:										
Current service cost	0	0	0	0	144	130	106	94	2	50
Past service cost	0	0	0	0	0	(29)	0	0	0	0
3. Interest expense	315	421	981	1,247	54	44	48	46	2	2
4. Cash flows:										
Benefit payments from plan	0	0	(761)	(973)	0	0	(11)	(28)	0	0
Benefit payments from employer	(1,154)	(878)	0	0	(17)	(33)	(6)	(34)	(37)	(2)
6. Remeasurements:										
Effects of changes in demographic assumptions	0	0	(661)	(794)	0	0	0	0	0	0
Effects of changes in financial assumptions	(611)	1,492	7	8,739	26	(111)	(33)	37	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(530)	(2,061)	19	48	76	(6)	0	0
7. Effect of changes in foreign exchange rates	0	0	(1,303)	(5,248)	(74)	(98)	(56)	6	(25)	14
8. Defined benefit obligations at end of year	**20,096**	**21,546**	**35,314**	**37,581**	**800**	**648**	**873**	**749**	**244**	**302**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2017	31.12.2016	Funded Plan (Ap Racing plan) 31.12.2017	31.12.2016	Brembo México plan 31.12.2017	31.12.2016	Brembo Brake India plan 31.12.2017	31.12.2016	Brembo Japan plan 31.12.2017	31.12.2016
B. Change in fair value of plan assets										
1. Fair value of plan assets at the end of prior year	**0**	**0**	**30,229**	**29,089**	**0**	**0**	**167**	**178**	**0**	**0**
2. Financial income	0	0	795	996	0	0	11	12	0	0
3. Cash flows:										
Total employer contributions:										
Employer contributions	0	0	556	569	0	0	45	3	0	0
Employer direct benefit payments	1,155	878	0	0	17	33	6	34	0	0
Benefit payments from plan	0	0	(761)	(973)	0	0	(11)	(28)	0	0
Benefit payments from employer	(1,155)	(878)	0	0	(17)	(33)	(6)	(34)	0	0
Taxes on plan assets	0	0	0	0	0	0	(1)	0	0	0
5. Remeasurements:										
Return on plan assets (excluding interest income)	0	0	1,933	4,727	0	0	5	1	0	0
6. Effect of changes in foreign exchange rates	0	0	(1,089)	(4,179)	0	0	(13)	1	0	0
7. Fair value of plan assets at end of period	**0**	**0**	**31,663**	**30,229**	**0**	**0**	**203**	**167**	**0**	**0**
E. Amounts recognised in the Statement of Financial Position										
1. Defined benefit obligation	20,096	21,546	35,314	37,581	800	648	873	749	244	302
2. Fair value of plan assets	0	0	31,663	30,229	0	0	203	167	0	0
3. Funded status	*20,096*	*21,546*	*3,651*	*7,352*	*800*	*648*	*670*	*582*	*244*	*302*
5. Net liability (asset)	**20,096**	**21,546**	**3,651**	**7,352**	**800**	**648**	**670**	**582**	**244**	**302**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2017	31.12.2016	Funded Plan (Ap Racing plan) 31.12.2017	31.12.2016	Brembo México plan 31.12.2017	31.12.2016	Brembo Brake India plan 31.12.2017	31.12.2016	Brembo Japan plan 31.12.2017	31.12.2016
F. Components of defined benefit cost										
1. Service cost:										
Current service cost	0	0	0	0	144	130	106	94	2	50
Past service cost	0	0	0	0	0	(29)	0	0	0	0
Total service costs	*0*	*0*	*0*	*0*	*144*	*101*	*106*	*94*	*2*	*50*
2. Net interest expense:										
Interest expense on DBO	315	421	981	1,247	54	44	48	46	2	2
Interest (income) on plan assets	0	0	(795)	(996)	0	0	(11)	(12)	0	0
Total net interest expense	*315*	*421*	*186*	*251*	*54*	*44*	*37*	*34*	*2*	*2*
3. Remeasurement on other long-term benefits	0	0	0	0	0	0	25	6	0	0
5. Defined benefit cost included in P&L	*315*	*421*	*186*	*251*	*198*	*145*	*168*	*134*	*4*	*52*
6. Remeasurements (recognised in Other Comprehensive Income):										
Effects of changes in demographic assumptions	0	0	(661)	(794)	0	0	0	0	0	0
Effects of changes in financial assumptions	(611)	1,492	7	8,739	26	(111)	(16)	30	0	0
Effects of experience adjustments (changes occurred since the previous measurement not in line with assumptions)	0	0	(530)	(2,061)	19	48	35	(6)	0	0
Return on plan assets (excluding interest income)	0	0	(1,933)	(4,727)	0	0	(3)	(1)	0	0
Total remeasurements included in OCI	*(611)*	*1,492*	*(3,117)*	*1,157*	*45*	*(63)*	*16*	*23*	*0*	*0*
7. Total defined benefit cost recognised in P&L and OCI	**(296)**	**1,913**	**(2,931)**	**1,408**	**243**	**82**	**184**	**157**	**4**	**52**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2017	Unfunded Plan (Employee's leaving entitlement) 31.12.2016	Funded Plan (Ap Racing plan) 31.12.2017	Funded Plan (Ap Racing plan) 31.12.2016	Brembo México plan 31.12.2017	Brembo México plan 31.12.2016	Brembo Brake India plan 31.12.2017	Brembo Brake India plan 31.12.2016	Brembo Japan plan 31.12.2017	Brembo Japan plan 31.12.2016
G. Net defined benefit liability (asset) reconciliation										
1. Net defined benefit liability (asset)	21,546	20,511	7,352	7,582	648	697	582	456	302	238
2. Defined benefit cost included in P&L	315	421	186	251	198	145	168	134	4	52
3. Total remeasurements included in OCI	(611)	1,492	(3,117)	1,157	45	(63)	16	23	0	0
5. Cash flows:										
Employer contributions	0	0	(556)	(569)	0	0	(45)	(3)	0	0
Employer direct benefit payments	(1,154)	(878)	0	0	(17)	(33)	(6)	(34)	(37)	(2)
7. Effect of changes in foreign exchange rates	0	0	(214)	(1,069)	(74)	(98)	(43)	8	(25)	14
8. Net defined benefit liability (asset) at the end of year	**20,096**	**21,546**	**3,651**	**7,352**	**800**	**648**	**672**	**584**	**244**	**302**
H. Defined benefit obligation										
1. Defined benefit obligation by participant status										
Actives	20,096	21,546	0	0	800	648	875	751	0	0
Vested deferred	0	0	21,045	22,626	0	0	0	0	0	0
Retirees	0	0	14,268	14,955	0	0	0	0	0	0
Total	**20,096**	**21,546**	**35,313**	**37,581**	**800**	**648**	**875**	**751**	**0**	**0**
I. Plan assets										
1. Fair value of plan assets										
Cash and cash equivalents	0	0	8	51	0	0	0	0	0	0
Equity instruments	0	0	19,401	17,631	0	0	0	0	0	0
Debt instruments	0	0	12,255	12,549	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	203	167	0	0
Total	**0**	**0**	**31,664**	**30,231**	**0**	**0**	**203**	**167**	**0**	**0**
2. Fair value of assets that have quoted market prices										
Cash and cash equivalents	0	0	8	51	0	0	0	0	0	0
Equity instruments	0	0	19,401	17,631	0	0	0	0	0	0
Debt instruments	0	0	12,255	12,549	0	0	0	0	0	0
Total	**0**	**0**	**31,664**	**30,231**	**0**	**0**	**0**	**0**	**0**	**0**

(euro thousand)	Unfunded Plan (Employee's leaving entitlement) 31.12.2017	31.12.2016	Funded Plan (Ap Racing plan) 31.12.2017	31.12.2016	Brembo México plan 31.12.2017	31.12.2016	Brembo Brake India plan 31.12.2017	31.12.2016	Brembo Japan plan 31.12.2017	31.12.2016
J. Significant actuarial assumptions										
Weighted-average assumptions to deternine benefit obligations										
1. Discount rate	1.75%	1.50%	2.50%	2.70%	8.00%	8.25%	7.50%	6.90%	0.60%	0.60%
2. Rate of salary increase	0.00%	0.00%	N/A	N/A	4.50%	4.50%	9.50%	9.50%	N/A	N/A
3. Rate of price inflation	0.00%	0.00%	3.30%	3.50%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	1.50%	1.50%	3.30%	3.50%	3.50%	3.50%	0.00%	0.00%	2.50%	2.50%
Weighted-average assumptions to determine defined benefit cost										
1. Discount rate	1.50%	2.10%	2.70%	3.85%	8.25%	7.00%	6.90%	7.75%	N/A	N/A
2. Rate of salary increase	0.00%	0.00%	N/A	N/A	4.50%	4.50%	9.50%	9.50%	N/A	N/A
3. Rate of price inflation	0.00%	0.00%	3.50%	3.30%	0.00%	0.00%	0.00%	0.00%	N/A	N/A
4. Rate of expected salary increases	1.50%	1.50%	3.50%	3.30%	3.50%	3.50%	0.00%	0.00%	N/A	N/A

By applying a uniform change in the discount rate by ± 25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €2.3 million compared to the base liabilities value of €57.3 million.

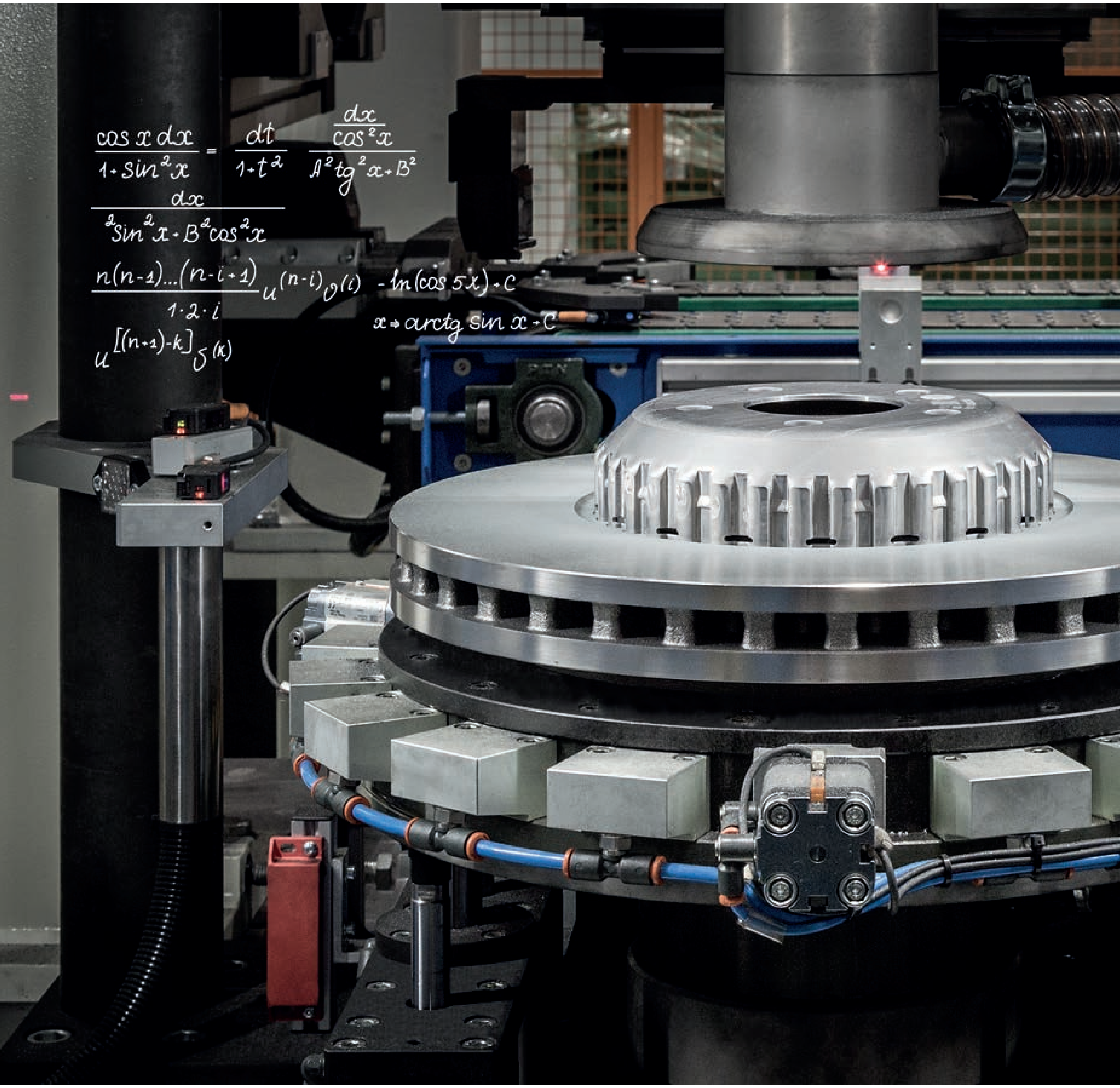
The average duration of the plans is 15.98 years.

17. Trade Payables

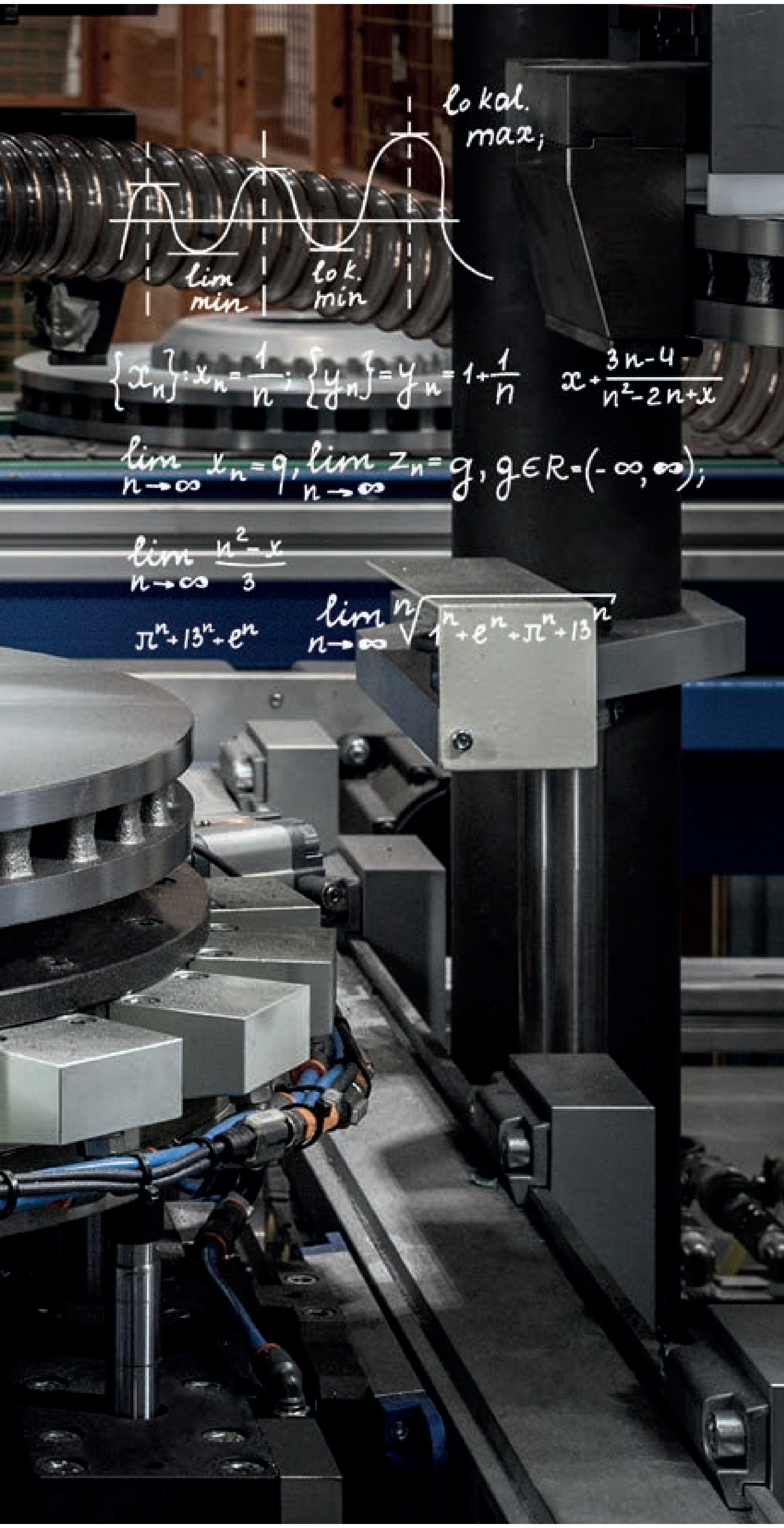
At 31 December 2017, trade payables were as follows:

(euro thousand)	31.12.2017	31.12.2016
Trade payables	465,271	422,936
Payables to associates and joint ventures	5,119	5,594
Total	**470,390**	**428,530**

The increase in this item related to the increase in investments and the expansion of the normal operating activities in the reporting year.



$\frac{\cos x\,dx}{1+\sin^2 x} = \frac{dt}{1+t^2}$
$\frac{\frac{dx}{\cos^2 x}}{A^2 tg^2 x + B^2}$
$\frac{dx}{{}^2\sin^2 x + B^2\cos^2 x}$
$\frac{n(n-1)\dots(n-i+1)}{1\cdot 2\cdot i} u^{(n-i)} v^{(i)}$
$-\ln(\cos 5x) + C$
$x \Rightarrow \mathrm{arctg}\sin x + C$
$u^{[(n+1)-k]} v^{(k)}$



The **light disc** has a steel hat and cast-iron **brake ring**. The machine, which is **particularly complex**, **automates** the phase of assembly of the **hat** onto the **brake ring**.

18. Tax Payables

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

(euro thousand)	31.12.2017	31.12.2016
Tax payables	9,719	11,837

19. Other Current Payables

Other current payables at 31 December 2017 are given in the table below:

(euro thousand)	31.12.2017	31.12.2016
Tax payables other than current taxes	11,646	8,997
Social security payables	17,893	16,948
Payables to employees	48,369	46,474
Other payables	43,033	29,981
Total	**120,941**	**102,400**

"Other payables" also include deferred income in the form of a public grant received by Brembo Poland Spolka Zo.o. released to the Statement of Income in accordance with the related amortisation plans to which it refers, in addition to deferred income in the form of grants towards brake system development activities suspended until the conclusion of the development activity and then recognised over the useful lives of the products to which the grants refer.

CONSOLIDATED STATEMENT OF INCOME

20. Sales of Goods and Services

Breakdown of sales of goods and services was as follows:

(euro thousand)	31.12.2017	31.12.2016
Italy	289,182	256,646
Abroad	2,174,438	2,022,450
Total	**2,463,620**	**2,279,096**

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)	31.12.2017	31.12.2016
Miscellaneous recharges	6,193	6,626
Gains on disposal of assets	2,810	1,767
Miscellaneous grants	8,749	6,952
Other revenues	6,398	12,772
Total	**24,150**	**28,117**

The item "Miscellaneous grants" includes grants for research and development projects amounting to €1,749 thousand and a tax credit for research and development investment of €5,239 thousand, as already discussed in Note 9.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the year, amounting to €24,219 thousand (€18,971 thousand in 2016).

23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Purchase of raw materials, semi-finished and finished products	1,070,192	1,028,327
Purchase of consumables	107,063	97,641
Total	**1,177,255**	**1,125,968**

24. Income (Expense) from Non-financial Investments

Income (expense) from non-financial investments amounted to €13,236 thousand and is attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€11,010 thousand in 2016).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Transports	59,563	54,681
Maintenance, repairs and utilities	120,969	104,123
Contracted work	84,986	73,891
Rent	40,227	35,628
Other operating costs	126,212	111,549
Total	**431,957**	**379,872**

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

26. Personnel Expenses

Breakdown of personnel expenses is as follows:

(euro thousand)	31.12.2017	31.12.2016
Wages and salaries	310,539	280,720
Social security contributions	65,446	59,002
Employees' leaving entitlement and other personnel provisions	11,685	11,927
Other costs	48,380	35,991
Total	**436,050**	**387,640**

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

	Managers	White-collar	Blue-collars	Total
2017 average	131	2,825	6,524	**9,480**
2016 average	125	2,609	5,914	**8,648**
Change	**6**	**216**	**610**	**832**
Total at 31 December 2017	135	2,897	6,805	**9,837**
Total at 31 December 2016	129	2,693	6,220	**9,042**
Change	**6**	**204**	**585**	**795**

Workforce increased by 795, as a result of the recruitment activities in Italy, North America, China and Eastern Europe to sustain the Group's growth.

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Amortisation of intangible assets:		
Development costs	10,482	9,899
Industrial patents and similar rights for original work	872	799
Licences, trademarks and similar rights	256	232
Other intangible assets	7,981	6,954
Total	**19,591**	**17,884**
Depreciation of property, plant and equipment:		
Buildings	12,850	11,292
Plant and machinery	81,928	70,023
Industrial and commercial equipment	14,369	12,836
Leased industrial and commercial equipment	0	2
Other property, plant and equipment	3,172	2,663
Other leased property, plant and equipment	90	58
Total	**112,409**	**96,874**
Impairment losses:		
Property, plant and equipment	414	791
Intangible assets	1,287	701
Total	**1,701**	**1,492**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**133,701**	**116,250**

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

28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Exchange rate gains	43,145	32,727
Interest income from employee's leaving entitlement and other personnel provisions	795	996
Interest income	2,367	2,433
Total interest income	**46,307**	**36,156**
Exchange rate losses	(44,741)	(38,210)
Interest expense from employees' leaving entitlement and other personnel provisions	(1,395)	(1,746)
Interest expense	(11,084)	(11,567)
Total interest expense	**(57,220)**	**(51,523)**
TOTAL NET INTEREST INCOME (EXPENSE)	**(10,913)**	**(15,367)**

29. Interest Income (Expense) from Investments

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

30. Taxes

This item is broken down as follows:

(euro thousand)	31.12.2017	31.12.2016
Current taxes	69,215	63,494
Deferred tax (assets) and liabilities	(4,949)	5,762
Prior years' taxes and other tax payables	3,371	(43)
Total	**67,637**	**69,213**

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

(euro thousand)	31.12.2017	31.12.2016
Theoretical income taxes	76,354	70,752
Prior years' taxes	(628)	(43)
Tax incentive effects	(11,759)	(19,269)
DTL adjustment effect	(9,941)	0
Unallocated DTA effect	2,720	6,234
Other differences	5,819	6,508
Current and deferred taxes (excluding IRAP)	**62,565**	**64,182**
Current and deferred IRAP	5,072	5,031
Total	**67,637**	**69,213**

The Group's actual tax rate is 20.2%, compared with a theoretical tax rate of 24.3% (actual 22.2% and theoretical 24.3% at 31 December 2016). The reduction in the Group's tax rate was primarily due to the adjustment of deferred tax liabilities as a result of the reduction in the tax rate applicable to the profits of the subsidiary Brembo North America Inc. following the entry into effect, starting in 2018, of the new tax reform approved in late 2017 by the U.S. government.

In 2017, Brembo S.p.A. was subject to a tax audit relating to direct taxes and VAT by the Italian Revenue Agency for the years 2012, 2013 and 2014.

Following this audit, on 19 December 2017 an assessment notice was served for the year 2012, setting out irregularities relating to the transfer prices applied to intra-group transactions. The same irregularities are included in the allegations relating to 2013 and 2014, for which assessment notices have yet to be received.

The Company believes that the risk of an unfavourable outcome is low and that there are significant, valid counter-arguments to the allegations presented by the Italian Revenue Agency. The company is considering whether to begin litigation with the Italian Revenue Agency and amicable procedures for the avoidance of double taxation in accordance with international treaties.

31. Earnings per Share

Basic earnings per share were €0.81 at 31 December 2017 (€0.74 at 31 December 2016, restated following the stock split), and were calculated by dividing the net income or losses for the year attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in 2017, amounting to 325,187,250 (65,037,450 in 2016).The weighted average amount of shares was adjusted after the General Shareholders' Meeting approved the stock split of the Brembo S.p.A.'s total 66,784,450 ordinary shares (without nominal value) into 333,922,250 newly issued ordinary shares, through the withdrawal of the existing ordinary shares in issue and the assignment of 5 (five) newly issued shares for each share withdrawn and cancelled. The transaction, carried out on 29 May 2017, entailed a reduction of the book value of each share but had no effect on the amount of Brembo S.p.A.'s share capital or the characteristics of its shares.

Diluted earnings per share are identical to basic earnings per share inasmuch as no diluting transactions were undertaken.

Stezzano, 5 March 2018

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


MARPOSS
E9066T

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Independent auditor's report in accordance with article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014
(Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Brembo Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statements, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Brembo S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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We identified the following key audit matter:

Key Audit Matter	Audit Response
Valuation of Goodwill As at 31 December 2017 the goodwill, included in the intangible assets, amounted to 81.4 million, and was allocated to the Cash Generating Units (CGUs) "Discs - Systems - Motorbikes" and "After Market - Performance Group" identified by the Group". The processes and methods to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that are in some cases complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the future cash flow forecasts in the period of the Group business plan, to the determination of the normalized cash flows used to estimate terminal value and long term growth and discount rates applied to the future cash flow forecasts. Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of goodwill, such as the growth forecasts and discount rates, we considered that this area represents a key audit matter. The disclosures related to the valuation of goodwill is given in note 2 - Intangible Assets (Development Costs, Goodwill and Other Intangible Assets), and in the sections "Discretionary Valuations and Significant Accounting Estimates" and "Impairment of Non-Financial Assets".	Our audit procedures in response to this key audit matter included, among others: • analysis of the procedure and of key controls implemented by the company in relation to the valuation of goodwill, considering the impairment test procedure approved by the Board of Directors; • validation of the CGUs perimeter and the allocation of the carrying value of assets and liabilities to each CGU; • analysis of the future cash flow forecasts; • assessment of the consistency of the future cash flow forecasts of each CGU with the 2018-2021Group business plan; • comparison of forecasts with previous ones and actual data; • assessing discount and long term growth rates. In performing our analysis, we involved our experts in valuation techniques, who have independently performed their own calculation and sensitivity analyses of key assumptions in order to determine which changes in assumptions could materially impact the valuation of recoverable amount. Finally, we reviewed the adequacy of the disclosures made in the explanatory notes and related to and related to these matters.

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Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; have designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of Brembo S.p.A., in the general meeting held on April 23, 2013, engaged us to perform the audits of the consolidated financial statements of each years ending December 31, 2013 to December 31, 2021.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared in accordance with article 11 of the EU Regulation n. 537/2014.

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of Brembo S.p.A. are responsible for the preparation of the Report on Operation and of the Report on Corporate Governance and Ownership Structure of Group as at 31 December 2017, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

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We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of Brembo Group as at 31 December 2017 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operation and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of Brembo Group as at 31 December 2017 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of Brembo S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Bergamo, 20 March 2018

EY S.p.A.
Signed by: Claudio Ferigo, partner

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

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

1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive Deputy Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the consolidated financial statements for the period from 1 January to 31 December 2017:
   - 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 2017 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.

Matteo Tiraboschi
Executive Deputy Chairman
....

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

BREMBO S.p.A. | Sede legale | Sede amministrativa e uffici

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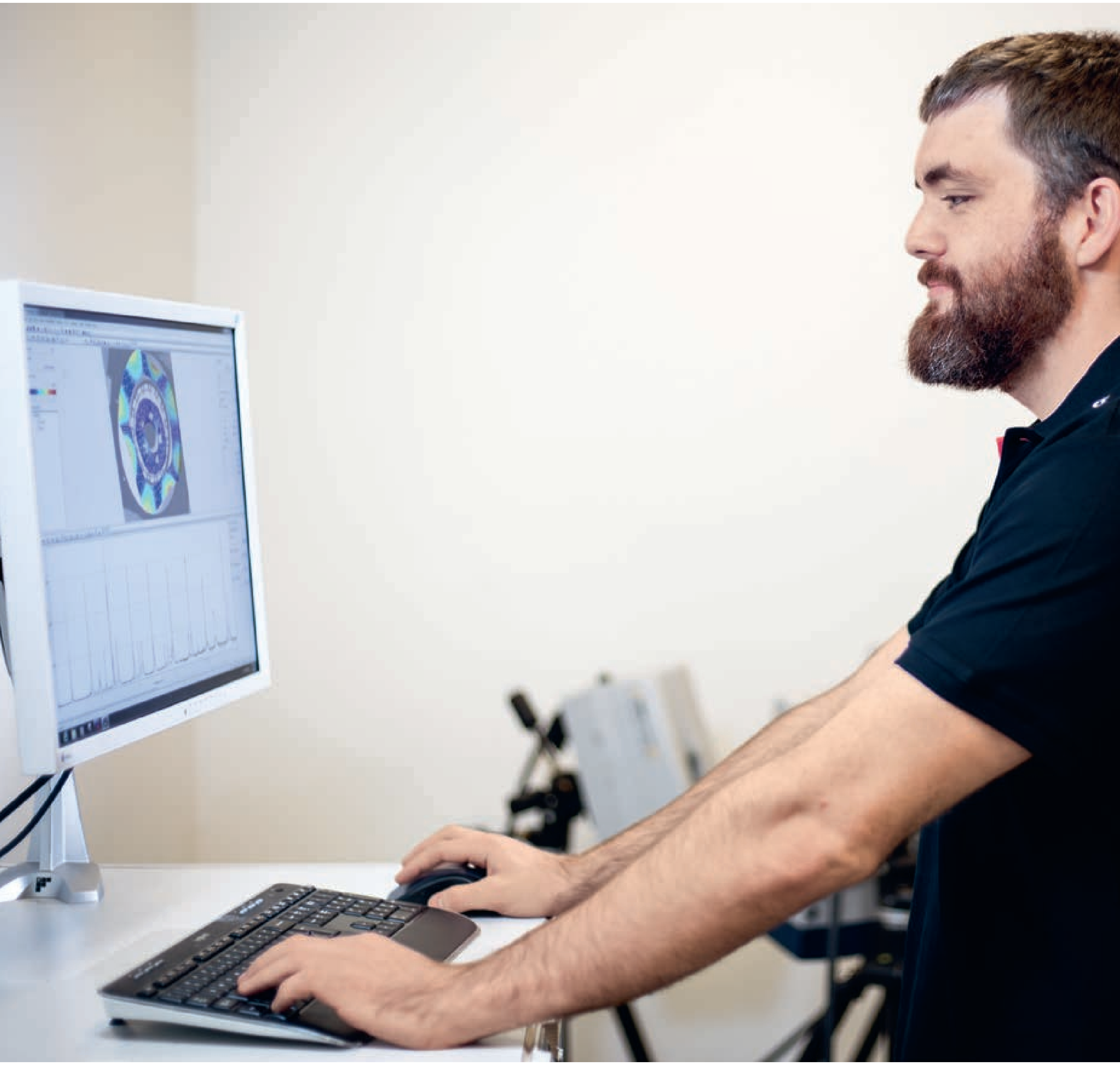
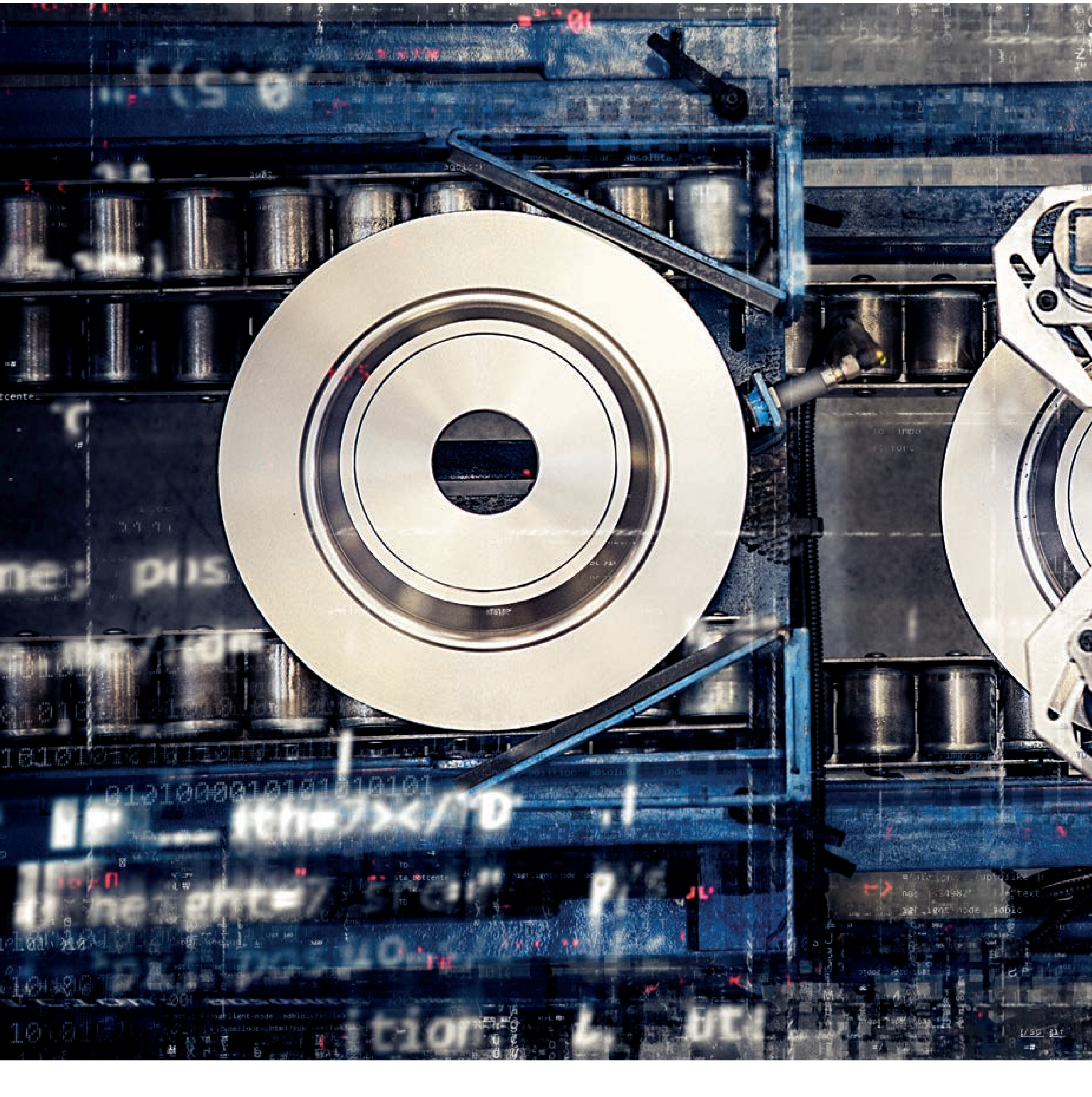
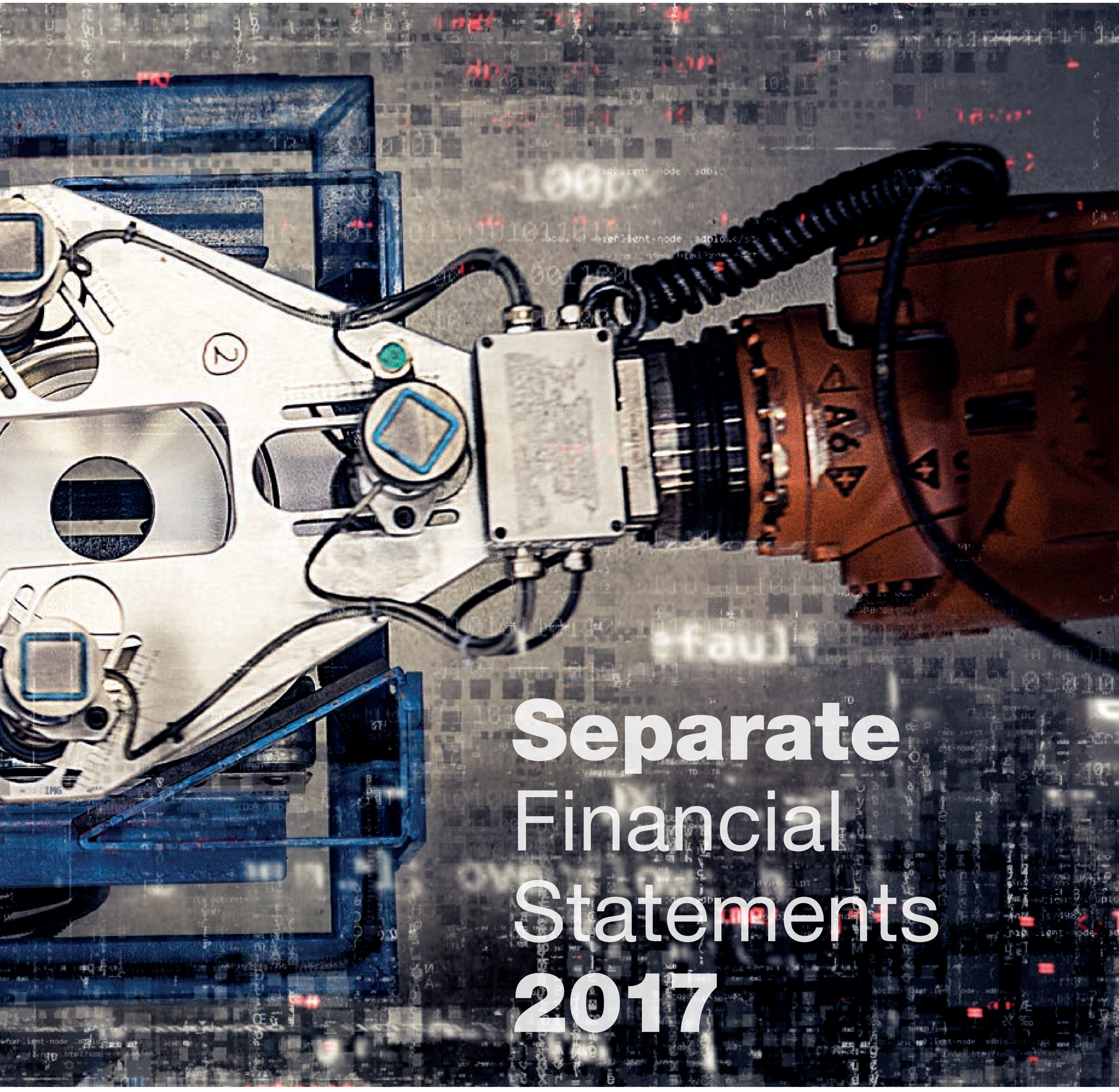
R.E.A. 134667
Registro Imprese BG
Codice Fiscale e Partita IVA
n° 00222620163







Separate Financial Statements 2017

FINANCIAL STATEMENTS OF BREMBO S.P.A. AT 31 DECEMBER 2017

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

ASSETS

(euro)	Notes	31.12.2017	*of which with related parties*	31.12.2016	*of which with related parties*	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	163,036,629		132,933,220		30,103,409
Development costs	2	57,010,631		46,595,703		10,414,928
Other intangible assets	2	17,106,794		13,368,630		3,738,164
Shareholdings	3	352,340,132		335,880,192		16,459,940
Other financial assets (including investments in other companies and derivatives)	4	5,979,045	*5,659,390*	6,022,929	*5,703,274*	(43,884)
Receivables and other non-current assets	5	70,450		124,616		(54,166)
Deferred tax assets	6	16,524,930		12,137,080		4,387,850
TOTAL NON-CURRENT ASSETS		**612,068,611**		**547,062,370**		**65,006,241**
CURRENT ASSETS						
Inventories	7	112,752,076		106,147,333		6,604,743
Trade Receivables	8	178,616,933	*65,725,277*	184,989,843	*80,090,042*	(6,372,910)
Other receivables and current assets	9	38,664,172	*3,046*	14,686,341	*6,552*	23,977,831
Current financial assets and derivatives	10	14,566,561	*14,502,005*	12,478,280	*11,857,414*	2,088,281
Cash and cash equivalents	11	159,801,961		55,920,067	*8,596,259*	103,881,894
TOTAL CURRENT ASSETS		**504,401,703**		**374,221,864**		**130,179,839**
TOTAL ASSETS		**1,116,470,314**		**921,284,234**		**195,186,080**

EQUITY AND LIABILITIES

(euro)	Notes	31.12.2017	*of which with related parties*	31.12.2016	*of which with related parties*	Change
EQUITY						
Share capital	12	34,727,914		34,727,914		0
Other reserves	12	130,320,422		130,743,218		(422,796)
Retained earnings/(losses)	12	165,083,650		90,850,383		74,233,267
Net result	12	149,484,042		138,392,655		11,091,387
TOTAL EQUITY		**479,616,028**		**394,714,170**		**84,901,858**
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	253,808,424		182,696,529	*903,969*	71,111,895
Other non-current financial payables and derivatives	13	776,303		1,005,065		(228,762)
Other non-current liabilities	14	15,350,744	*5,914,669*	6,479,099	*1,913,574*	8,871,645
Non-current provisions	15	31,806,042		10,159,150		21,646,892
Provisions for employee benefits	16	19,663,803	*47,267*	21,075,472	*46,458*	(1,411,669)
TOTAL NON-CURRENT LIABILITIES		**321,405,316**		**221,415,315**		**99,990,001**
CURRENT LIABILITIES						
Current payables to banks	13	46,007,831		76,050,391	*17,211,819*	(30,042,560)
Other current financial payables and derivatives	13	30,017,992	*28,944,686*	13,584,838	*13,182,650*	16,433,154
Trade payables	17	173,829,352	*22,011,561*	159,405,982	*16,339,202*	14,423,370
Tax payables	18	0		2,001,867		(2,001,867)
Current provisions	15	2,243,500		2,547,371		(303,871)
Other current payables	19	63,350,295	*2,796,720*	51,564,300	*2,355,553*	11,785,995
TOTAL CURRENT LIABILITIES		**315,448,970**		**305,154,749**		**10,294,221**
TOTAL LIABILITIES		**636,854,286**		**526,570,064**		**110,284,222**
TOTAL EQUITY AND LIABILITIES		**1,116,470,314**		**921,284,234**		**195,186,080**

Statement of Income of Brembo S.p.A.

(euro)	Notes	31.12.2017	*of which with related parties*	31.12.2016	*of which with related parties*	Change
Sales of goods and services	20	**899,125,514**	***153,493,046***	**843,630,455**	***147,556,893***	**55,495,059**
Other revenues and income	21	46,139,319	*34,622,769*	40,818,754	*30,682,927*	5,320,565
Costs for capitalised internal works	22	21,038,200		17,055,080		3,983,120
Raw materials, consumables and goods	23	(407,224,279)	*(100,610,649)*	(378,452,146)	*(92,565,092)*	(28,772,133)
Other operating costs	24	(188,962,549)	*(18,885,074)*	(172,717,688)	*(14,603,470)*	(16,244,861)
Personnel expenses	25	(225,849,245)	*(8,899,042)*	(206,706,244)	*(6,249,540)*	(19,143,001)
GROSS OPERATING INCOME		**144,266,960**		**143,628,211**		**638,749**
Depreciation, amortisation and impairment losses	26	(39,141,379)		(35,816,397)		(3,324,982)
NET OPERATING INCOME		**105,125,581**		**107,811,814**		**(2,686,233)**
Interest income	27	*5,499,859*		*3,877,435*		*1,622,424*
Interest expense	27	*(8,254,729)*		*(7,255,792)*		*(998,937)*
Net interest income (expense)	27	(2,754,870)	*402,082*	(3,378,357)	*288,547*	623,487
Interest income (expense) from investments	28	78,365,942	*80,876,992*	68,447,346	*86,333,234*	9,918,596
RESULT BEFORE TAXES		**180,736,653**		**172,880,803**		**7,855,850**
Taxes	29	(31,252,611)		(34,488,148)		3,235,537
NET RESULT		**149,484,042**		**138,392,655**		**11,091,387**

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

(euro)	31.12.2017	31.12.2016	Change
NET RESULT	**149,484,042**	**138,392,655**	**11,091,387**
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year			
Effect (actuarial income/loss) on defined benefit plans	599,033	(1,461,964)	2,060,997
Tax effect	(143,768)	350,872	(494,640)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year	**455,265**	**(1,111,092)**	**1,566,357**
COMPREHENSIVE RESULT	**149,939,307**	**137,281,563**	**12,657,744**

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

(euro)	31.12.2017	31.12.2016
Cash and cash equivalents at beginning of year	**7,133,046**	**40,640,878**
Result before taxes	**180,736,653**	**172,880,803**
Depreciation, amortisation/impairment losses	39,141,379	35,816,397
Capital gains/losses	50,623	(407,762)
Write-ups/Write-downs of shareholdings	2,513,051	17,885,888
Financial portion of provisions for payables for personnel	308,355	411,438
Other provisions net of utilisations	14,697,294	12,128,507
Cash flows generated by operating activities	**237,447,355**	**238,715,271**
Current taxes paid	(37,915,091)	(35,268,127)
Uses of long-term provisions for employee benefits	(1,120,991)	(845,968)
(Increase) reduction in current assets:		
inventories	(8,617,293)	(10,798,978)
financial assets	0	(3,433,795)
trade receivables and receivables from other Group companies	6,306,406	(29,089,815)
receivables from others and other assets	(5,601,806)	(2,690,230)
Increase (reduction) in current liabilities:		
trade payables and payables to other Group companies	14,423,370	15,135,540
payables to others and other liabilities	11,380,497	(9,227,038)
Net cash flows from/(for) operating activities	**216,302,447**	**162,496,860**

(euro)	31.12.2017	31.12.2016
Investments in:		
intangible assets	(30,633,697)	(23,972,731)
property, plant and equipment	(53,317,844)	(32,571,659)
financial assets (shareholdings)	(24,624,304)	(112,276,480)
Price for disposal, or reimbursement value of fixed tangible and intangible assets	442,213	1,698,044
Price for disposal, or reimbursement value of shareholdings	5,651,314	12,421,463
Net cash flows from/(for) investing activities	**(102,482,318)**	**(154,701,363)**
Dividends paid in the year	(65,037,450)	(52,029,960)
Loans to Group companies and amounts payable to companies participating in the centralised treasury system	13,144,916	(4,797,027)
Change in fair value valuation of derivatives	556,312	307,551
Loans and financing granted by banks and other financial institutions in the year	155,844,560	50,000,000
Repayment of long-term loans and other liabilities	(77,323,346)	(34,783,893)
Net cash flows from/(for) financing activities	**27,184,992**	**(41,303,329)**
Total cash flows	**141,005,121**	**(33,507,832)**
Cash and cash equivalents at end of year (*)	**148,138,167**	**7,133,046**

(*) See Note 11 of the Explanatory Notes to the Separate Financial Statements for a reconciliation with financial statements data.

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

		Other reserves				
(euro)	Share capital	Reserves	Treasury shares	Retained earnings/ (losses)	Result for the year	Equity
Balance at 1 January 2016	**34,727,914**	**144,146,088**	**(13,475,897)**	**40,751,626**	**103,312,837**	**309,462,568**
Allocation of profit for the previous year		276,531		51,006,346	(51,282,877)	**0**
Payment of dividends					(52,029,960)	**(52,029,960)**
Reclassification (*)		(203,504)		203,504		**0**
Rounding off				(1)		**(1)**
Components of comprehensive income:						
Effect of actuarial income/(loss) on defined benefit plans				(1,111,092)		**(1,111,092)**
Net result					138,392,655	**138,392,655**
Balance at 1 January 2017	**34,727,914**	**144,219,115**	**(13,475,897)**	**90,850,383**	**138,392,655**	**394,714,170**
Allocation of profit for the previous year				73,355,205	(73,355,205)	**0**
Payment of dividends					(65,037,450)	**(65,037,450)**
Reclassification (*)		(422,796)		422,796		**0**
Rounding off				1		**1**
Components of comprehensive income:						
Effect of actuarial income/(loss) on defined benefit plans				455,265		**455,265**
Net result					149,484,042	**149,484,042**
Balance at 31 December 2017	**34,727,914**	**143,796,319**	**(13,475,897)**	**165,083,650**	**149,484,042**	**479,616,028**

(*) A portion of the restricted reserve Re. Article 6, paragraph 2, of Legislative Decree No. 38/2005 was reclassified under retained earnings, since it is no longer subject to non-distributability.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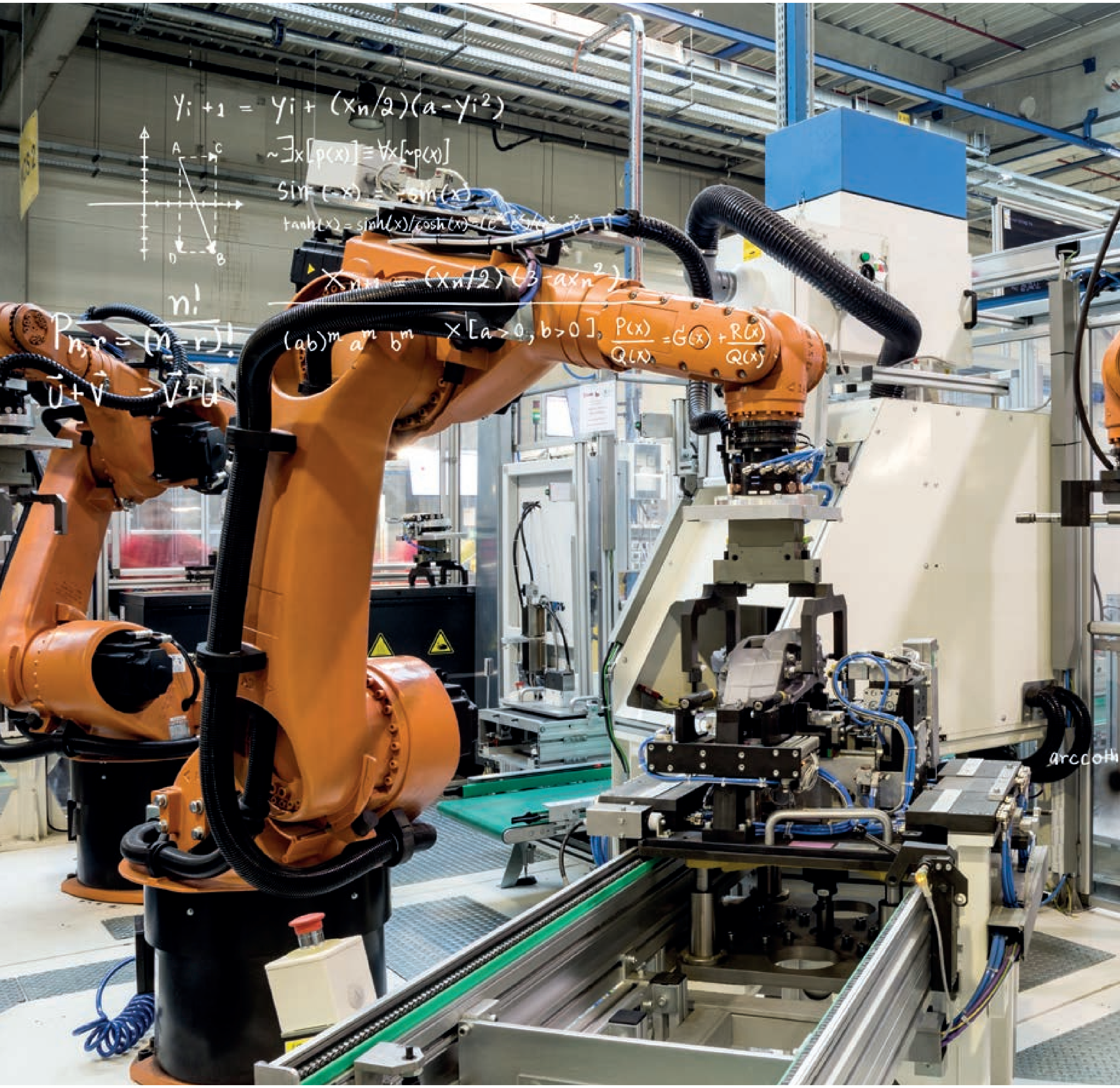
yi +1 = yi + (xn/2)(a-yi²)
~∃x[p(x)] ≡ ∀x[~p(x)]
Pn,r = n!/(n-r)!
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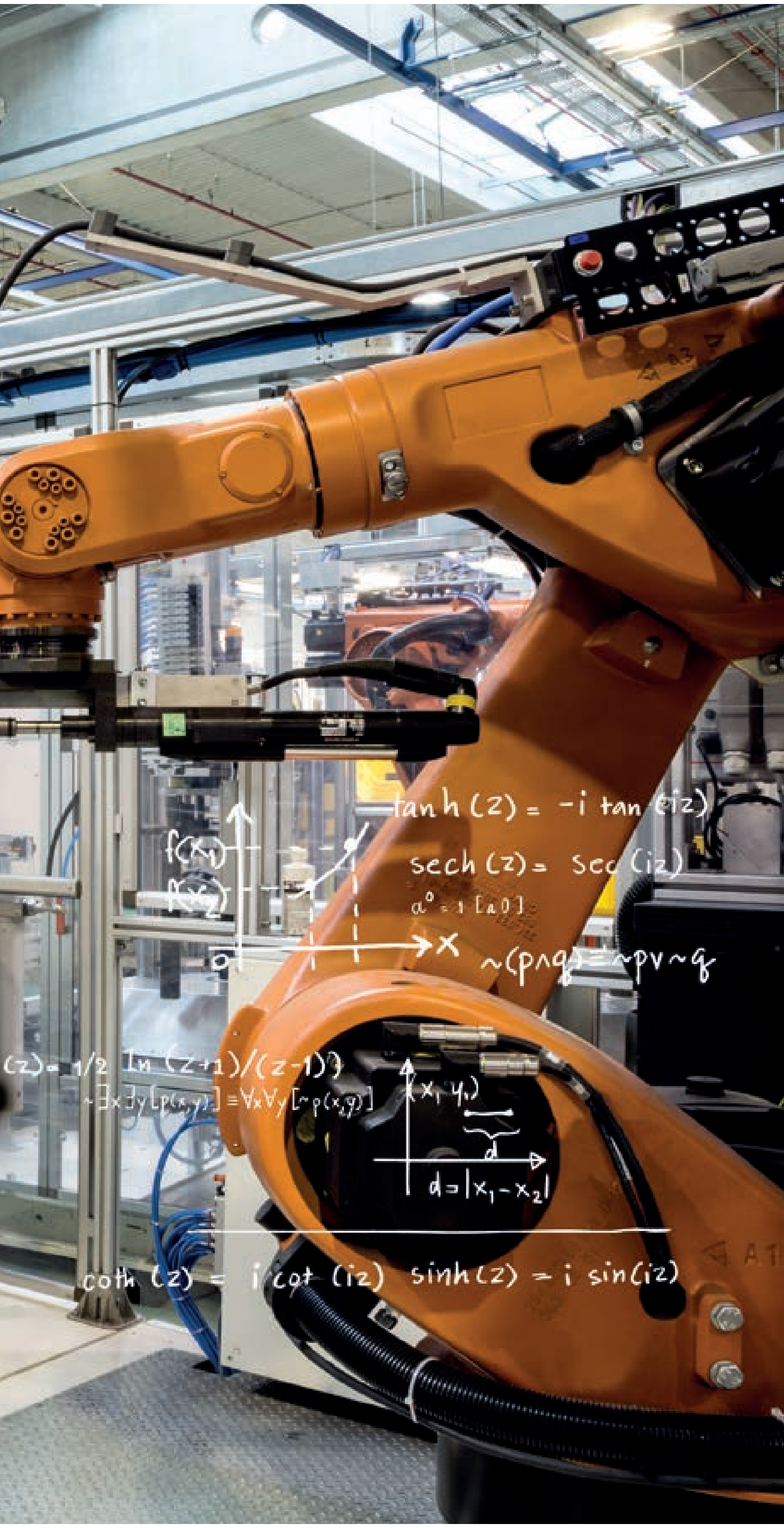
P(x)/Q(x) = G(x) + R(x)/Q(x)



The use of **robots** together with **R&D** into processes has allowed all stages of **car caliper assembly** to be **combined and perfected**.

STATUTORY AUDITORS' REPORT

Statutory Auditors' Report to the Shareholders' Meeting of Brembo S.p.A. called to approve the Financial Statements for the year ended 31 December 2017, pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998

Shareholders,

In this Report, drafted pursuant to Article 153 of Legislative Decree No. 58 of 24 February 1998 (the Consolidated Law on Finance or "TUF") and in accordance with the recommendations made by Consob in Communication No. DEM/1025564 of 6 April 2001, as updated, the Board of Statutory Auditors relates the activity carried out during the year ended 31 December 2017 and until the date of this writing, in compliance with applicable legislation and also taking account of the Principles of Conduct for Boards of Statutory Auditors recommended by the Italian National Board of Certified Accountants and Auditors (including principles already placed in consultation).

It should firstly be recalled that on 20 April 2017[1] the Shareholders' Meeting of Brembo S.p.A. (hereinafter "Brembo") appointed a new Board of Statutory Auditors, after the end of the previous Board's three-year term in office, composed of the following members: Raffaella Pagani (Chairwoman), Alfredo Malguzzi (Acting Auditor), Mario Tagliaferri (Acting Auditor), Myriam Amato and Marco Salvatore (Alternate Auditors) for the period 2017-2019, i.e., until the date of the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019. The appointment was based on the two lists filed respectively by the majority shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding about 0.523% of the share capital, overall).

The Board of Statutory Auditors appointed by the Shareholders' Meeting on 20 April 2017 fulfilled the supervisory duties mandated by Article 2403 of the Italian Civil Code and Article 149 of TUF, in addition to performing the supervisory functions required by Article 19 of Legislative Decree No. 39/2010, as amended by Legislative Decree No. 135/2016 (in effect from 5 August 2016), in its role as Internal Control & Audit Committee, supervising compliance with the principles of proper administration and, in particular, the suitability of the organisational, administrative and accounting structures adopted by the Company and the concrete functioning thereof, in addition to the concrete implementation of the corporate governance rules set forth by relevant applicable regulations. The Board of Statutory Auditors also monitored the independence of the Independent Auditors in charge of auditing the accounts.

The information necessary to fulfil the above supervisory duties was obtained through both frequent meetings with the heads of the competent corporate entities, and in particular its control functions, and participation by the Statutory Auditors in meetings of the Board of Directors, in meetings of the governance committees formed in accordance with the Borsa Italiana Corporate Governance Code, fully adopted by Brembo (the Control, Risks & Sustainability Committee — which also acts as Related Party Transactions Committee and fulfils the duties set

1 Until the Shareholders' Meeting on 20 April 2017, the Board of Statutory Auditors was composed of: Raffaella Pagani (Chairwoman), Milena Motta and Sergio Pivato (Acting Auditors), and Myriam Amato and Marco Salvatore (Alternate Auditors). To the extent appropriate, this Report also gives an account of the activity carried out by the Board in office until the above date, thanks to the fact that the Chairwoman has remained the same.

out in the Related Party Transactions Procedure adopted by the Committee pursuant to Article 4 of the Consob Regulation adopted by Resolution No. 17221 of 12 March 2010 and amended by Resolution No. 17389 of 23 June 2010 — and the Remuneration & Appointments Committee), as well as in meetings of the Supervisory Committee formed in accordance with Legislative Decree No. 231/2001.

The following account is therefore based on the main information obtained in the course of the Board's performance of its duties.

The Board of Statutory Auditors:

- held eight meetings in 2017 and attended the General Shareholders' Meeting, all meetings of the Board of Directors (eight during the year), the meetings of the Audit, Risks & Sustainability Committee (five during the year) and, through its Chairwoman, the meetings of the Remuneration & Appointments Committee (one during the year); meetings of the Board of Directors had an average duration of approximately three hours;
- in most cases held its meetings on the same day as those of the Audit, Risks & Sustainability Committee and the Supervisory Committee, including a section on matters discussed jointly, in order to facilitate the exchange of information between parties with significant duties relating to internal controls and to make the best use of the related company personnel;
- met with the Manager in charge of the company's financial reports and Independent Auditors responsible for auditing the accounts in order to discuss certain matters relating to due diligence and minute-taking;
- also held a meeting/interview with the advisor tasked with the Board Performance Evaluation for 2017.

The Board of Statutory Auditors also took part in the induction programme for newly appointed Directors and Statutory Auditors — also open to those already in office — divided into various sessions coordinated by the top management, Division/BU managers and staff managers regarding certain general topics, with the aim of ensuring an appropriate understanding of the sector in which Brembo operates, its products, company dynamics and their changes over time, its organisation, control and risk management system, and the legislative framework of reference, and of ensuring that individual Directors' skillsets are consistent with the Company's specific needs. The programme's structure and subject matter are detailed below:

- four ad-hoc induction sessions (of approximately five hours each): Business and Product (Part I and II), Quality, Safety and Environment Management Systems; Business Plan and Corporate Social Responsibility;
- two visits to the Curno and Mapello (Bergamo) plants, for a deeper understanding of the development processes of Brembo products;
- three thorough inquiries during sessions of the Board: Industry 4.0; organic and non-organic growth strategies and M&A transactions; Remuneration Policies (a meeting on succession plans has already been scheduled as at the date of this Report).

Pursuant to Article 153 of TUF and Article 2429, paragraph 2, of the Italian Civil Code, and in accordance with Consob recommendations, the following information is reported:

1. Based on available information, the Board of Statutory Auditors did not detect any violations of the law or By-laws, or outwardly imprudent or risky transactions, or transactions in contrast with the resolutions taken by the Shareholders' Meeting, or such as to jeopardise the integrity of the Company's assets or its ability to continue to operate as a going concern.
2. The Board of Statutory Auditors constantly received from Directors, during the above-mentioned meetings, exhaustive and detailed information on business performance and foreseeable outlook, operations carried out and the most significant economic, financial and capital transactions performed by the Company or its Subsidiaries, as well as the status of activities and strategic projects underway, on which the Board of Statutory Auditors has no particular observations to report.

3. During its periodic audits, the Board of Statutory Auditors met with the Manager in charge of the company's financial reports, the Internal Audit Director and representatives of the Independent Auditors[2], to obtain information on the activities carried out and auditing plans. No relevant data or information have emerged that need to be highlighted herein. The Board of Statutory Auditors and the Audit, Risks & Sustainability Committee and the Supervisory Committee also constantly and promptly exchanged information material to the performance of their respective tasks.
4. The Board of Statutory Auditors obtained knowledge of and, within its sphere of competence, supervised:
   - the adequacy, suitability and functioning of the organisational structure of the Company and Group, including by collecting information from the heads of company functions; the Board of Statutory Auditors has no particular remarks to relate on this subject;
   - the adequacy and functioning of the internal control system and administrative and accounting system, and the reliability of this system in properly supervising and managing operating events, in accordance with the principles of sound administration, by obtaining information from the heads of the responsible functions and the Independent Auditors appointed to conduct auditing and by reviewing company documents; it has no particular remarks to relate on this subject;
   - the adequacy of instructions issued by the Company to its Subsidiaries, as provided for by Article 114, paragraph 2, of TUF;
   - the independence of the Independent Auditors. To this end, it should be noted that in 2017 the Company, with a favourable opinion from the Board of Statutory Auditors, adopted two procedures for formalising the process of selecting and appointing the Independent Auditors for the award of the auditing and non-auditing mandate (definition of roles and responsibilities in the various activities) in the light of Regulation (EU) No 537/2014 and Directive No 2006/43/EC, as amended by Directive No 2014/56/EU, transposed into Italian law by Legislative Decree No. 135 of 17 July 2016, which amended Legislative Decree No. 39 of 27 January 2010.
5. The Board discussed, *inter alia*, the following proposals, subsequently approved by the Shareholders' Meeting on 20 April 2017:
   - increase in the total number of shares through a stock split, without any change in the amount of share capital, to be executed by the cancellation of the existing ordinary shares in issue and assigning five newly issued shares per each ordinary share withdrawn and cancelled, and the ensuing amendment to Article 5 of the By-laws;
   - proposal to voluntarily withdraw the shares of Brembo S.p.A. from the STAR segment pursuant to Article 2.5.8 of the Rules of Borsa Italiana, in light of the increase in the company's capitalisation and asset structure since its IPO in 2001, which had resulted, above all, in its inclusion in the FTSE MIB index of the Mercato Telematico Azionario (MTA) with effect from 2 January 2017. The Board of Directors nonetheless decided to continue to meet the governance requirements for the inclusion of the shares in the STAR segment on a voluntary basis.
6. On the occasion of the renewal of company boards (by the aforementioned Shareholders' Meeting on 20 April 2017), the Board of Statutory Auditors monitored the procedures for submitting lists and appointing members of governing and control bodies and the appointment process, to ensure that these activities were carried out in accordance with the provisions of the By-laws on the appointment of governing and control bodies.
7. With regard to the diversity policies to be applied to the composition of company boards, pursuant to Article 123-*bis* of TUF, on 3 March 2017 Brembo's Board of Directors approved the "Regulations of the Board of Directors", applicable with effect from the Board's 2017-2019 term of office, with the aim of providing the market with criteria in addition to those established by applicable laws and regulations, with as objective

2 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 EY S.p.A. as Independent Auditors for the years 2013 to 2021.

a foundation as possible, concerning the composition and proceedings of the Board of Directors that are appropriate to the Group's size, position, complexity and the specific nature of its business sector and strategies. These criteria include the above policies, which are thoroughly explained in the "Corporate Governance and Ownership Structure Report". The requirements identified by the Regulations of the Board of Directors include the age of the Independent Directors, who may not be younger than 35 and older than 70, and the provision of a quota reserved to the less represented gender according to current legislation, as well as the identification of qualitative elements relating to Directors' soft and hard skills and professional background. It was assessed whether the current Board satisfied the above requirements at the Board meeting of 5 March 2018, in consultation with the Remuneration & Appointments Committee at its meeting of 16 February 2018. In conjunction with the renewal of the Board of Statutory Auditors authorised by the Shareholders' Meeting on 20 April 2017, the outgoing Board of Directors expressed its opinion to the Shareholders regarding the experience and professional backgrounds of the candidates for the position of Statutory Auditors in order to ensure appropriate diversity of the Board composition.

8. In 2017, the Company did not carry out any unusual or atypical transactions with third parties, intra-group companies or related parties, nor any transaction that could have a significant impact on the Company's operating, capital or financial situation.

   With regard to ordinary intra-group transactions or related party transactions carried out in the period, about which the Company provided specific and detailed information in its interim financial reports (and in the Notes to the Group's Consolidated Financial Statements), we acknowledge that such transactions were carried out in the interest of the Company and in accordance with the Related Party Transactions Procedure prepared on 12 November 2010, pursuant to Consob regulations[3] and no critical issues arose as per their consistency and compliance with Company's interests.

9. With reference to the Related Party Transactions Procedure, we point out that, on 10 May 2017, the Board of Directors, having heard the favourable opinion of the Audit, Risks & Sustainability Committee, approved the update to the aforesaid Procedure with the aim of incorporating the changes relating solely to organisational matters pertaining to the Company's Administration & Finance Department — as the Procedure was already in line with application practice. At the same time, the "threshold" for determining Low Value transactions was confirmed (€250,000-) and the Significance Indices for the identification of Highly Significant Related Party Transactions based on the figures of the 2016 Consolidated Financial Statements approved by the General Shareholders' Meeting of 20 April 2017 were updated.

10. No purchase or sale transactions were carried out in the context of the plan for the buy-back and disposal of own shares, authorised by the General Shareholders' Meeting held on 20 April 2017, having heard the prior favourable opinion of the Board of Statutory Auditors. At 31 December 2017, the Company therefore held a total of 8,735,000- own shares, representing about 2.616% of the share capital, for an overall value of €13,475,897-.

11. With reference to the financial reporting process, the Board of Statutory Auditors has verified the constant updating at Group level of the set of administrative and accounting rules and procedures aimed at controlling the process of preparation and disclosure of the financial reports and information (of the Company and consolidated), which are deemed suitable for the issuing of attestations pursuant to Article 154 of Legislative Decree No. 58/1998. The actual application and reliability of the accounting and administrative procedures has been verified by the Manager in charge of the Company' financial reports, also relying on the competent internal structures (the Internal Audit function), through a monitoring plan that covered both the control and governance environment and the key controls at the level of the relevant processes. Supervision of the proper functioning of the model to ensure compliance with Law No. 262/2005 is assured by a series of self-assessments carried out by individual process owners, in conjunction with analyses conducted by the Group's Audit function.

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

12. The Board of Statutory Auditors acknowledges that the Board of Directors has approved the impairment procedure used in preparing the Separate and Consolidated Financial Statements for the year ended 31 December 2017.
13. On 28 February 2018, at the request of the Chairman of the Board of Directors, the Board of Statutory Auditors expressed a favourable opinion of the proposal to appoint Andrea Pazzi, Chief Administration and Finance Officer, as Manager in Charge of the company's financial reports, and to assign him the related powers. The appointment, authorised by the Board of Directors on 5 March 2018, is effective for the purposes of certification of the accounts of Brembo and the Group for the year ended on 31 December 2017, and the new Manager in Charge of the company's financial reports will remain in office until the end of the Board of Directors' current term, i.e., until the date of the Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2019. The Board of Directors reconstructed the conditions of the appointment by reviewing the documentation sent to it for this purpose, verifying that the candidate met the professional and integrity requirements established by the law and By-laws, and thus deemed Andrea Pazzi suited to fulfilling this function.
14. During the periodic assessments, the Board of Statutory Auditors constantly received reports on the financial situation and the loans granted to the Company by banking institutions. During the year, the Board of Statutory Auditors also passed resolutions to economically and financially support some of the Group companies through their recapitalisation (Brembo do Brasil Ltda. and Brembo Argentina S.A.) or releasing parent guarantees instrumental to the issuing of credit lines (in favour of Brembo México S.A. de C.V. and the Chinese subsidiaries).
15. With regard to the provisions of Article 36, paragraph 1, of the Markets Regulation (Consob Resolution No. 16191 of 20 October 2007 and Article 15, paragraph 1, of that same Regulation, as amended by Consob Resolution No. 20249 of 28 December 2017, in effect from 3 January 2018), which apply to subsidiaries identified by the Company as relevant to the financial reporting control system, the Board of Statutory Auditors determined that the information flows from non-EU subsidiaries identified in accordance with the above provisions were adequate to provide the Company and Independent Auditors regularly with the statement of income, financial position and cash flow information required to prepare the Consolidated Financial Statements and permit the auditing of the annual and interim accounts. In detail, as of 31 December 2017 the Companies to which such regulations apply are the subsidiaries indicated by Brembo as being significant for the control system and financial reporting purposes.
16. With regard to the new rules introduced by Legislative Decree No. 254 of 30 December 2016, which transposed into Italian law Directive 2014/95/EU regarding disclosure of non-financial and diversity information in the composition of governing, management and control boards by certain large undertakings and groups, the Board of Statutory Auditors:
    - verified that for some time the Company, under the supervision of the Chief CSR Officer, has structured itself so as to be able to fulfil the obligation to draft the Statement of Non-Financial Information pursuant to Legislative Decree No. 254/2016, with effect from 1 January 2017 (hereinafter the "Statement of Non-Financial Information");
    - received regular information on the materiality analysis process carried out by the Company to identify the areas of non-financial information of a social and environmental nature deemed relevant to the Group for the purposes of the preparation of the Statement of Non-Financial Information for 2017, on the procedures introduced by the Company — which the Board of Statutory Auditors found to be adequate — governing the rules, activities, responsibilities and timetable of the process of collecting and validating data at the worldwide level and the preparation and approval of the Statement of Non-Financial Information;
    - was constantly informed of the process of awarding to the same current Independent Auditors the assignment to certify the compliance of the Statement of Non-Financial Information (subject to limited review), which included some verification of an economic nature and of the behaviour of the other listed companies affected, and which the Board of Statutory Auditors deemed feasible and appropriate.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17. The Board of Statutory Auditors also oversaw the implementation methods of recommendations on corporate governance, as provided for by the Corporate Governance Code for Listed Companies issued by Borsa Italiana, which the Company has adopted. It also verified the compliance of Brembo's corporate governance system with the recommendations of the above-mentioned code. Detailed information on such compliance is provided in the annual Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-*bis* of the Consolidated Law on Finance (TUF), approved by the Board of Directors on 5 March 2018 and published on the corporate website. The Board of Statutory Auditors was also informed of the findings of the assessments conducted jointly with the Lead Independent Director and the Independent Directors regarding the recommendations presented in the Fifth Annual Report of the Corporate Governance Committee on the application of the Borsa Italiana Corporate Governance Code (see paragraph 18 of the 2017 Corporate Governance and Ownership Structure Report).
18. The Board of Statutory Auditors verified the proper application of the control criteria and procedures adopted by the Board of Directors to assess that Directors and Statutory Auditors met upon their appointment and continue to meet the requirements of professionalism and independence, by acknowledging their respective statements. The outcome of such assessment is given in the Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-*bis* of the Consolidated Law on Finance (TUF). The Board of Statutory Auditors also verified that its members meet the requirements of personal integrity, professionalism and respectability required by current statutory and regulatory provisions, as well as the independence requirements laid down in the Corporate Governance Code, and the observance of the limit on positions at other companies (where applicable).
19. The Board of Statutory Auditors was also informed of the findings of the Board Performance Evaluation 2017 conducted by the independent advisor Spencer Stuart, within the framework of which the Board of Statutory Auditors was also interviewed. These findings indicated a very positive situation and a very high overall level of appreciation (84% of positive responses — agree fully/agree), compared with an average of 66% regarded as positive, according to Italian and international best practices.
20. The Board of Statutory Auditors also determined the adequacy of merit and procedural indications adopted by the Remuneration & Appointments Committee (whose meetings were attended by the Chairwoman of the Board of Statutory Auditors) to define and implement medium/long-term remuneration policies. Furthermore, it expressed a favourable opinion on the annual and three-year monetary incentive policies for the Governing Body, Executive Directors and Top Managers. The main aspects of the new short- and long-term remuneration policies for 2018, approved by the Board of Directors during the meeting held on 5 March 2018, having heard the opinion of the Remuneration & Appointments Committee, are illustrated in the 2018 Remuneration Report, in accordance with Article 123-*ter* of TUF, which is available on Brembo's website. It should be noted that, starting in 2017, a clawback clause has been included in both the short-term incentive system (MBO) and the new long-term incentive system (2016-2018 LTIP), in accordance with the Corporate Governance Code (Article 6.C.1(f)); the clause allows the Company to request the partial or total refund of the variable components of remuneration (or to withhold deferred components of remuneration) that had been granted based on data and information which subsequently proved to be manifestly incorrect or resulting from cases of fraudulent behaviour or gross negligence on the part of the beneficiaries.
21. The Board of Statutory Auditors and the Audit, Risks & Sustainability Committee (on certain occasions and as a function of specific subject matter, through meetings held jointly) assessed and controlled the adequacy of the Risk Management System through:
    - quarterly meetings with the Internal Audit Director, aimed at receiving information about:
      (i) the results of the 2018 audits performed to identify and assess the main risks, check the Internal Control System, compliance with the laws, procedures and company processes, as well as the implementation of the respective improvement plans;

(ii) the 2018 Audit Plan and the 2018 Budget of the Function, deemed adequate by the Audit, Risks & Sustainability Committee and the Board of Directors with respect to the size and risk profile of the business and the Group;

- periodic meetings with the Risk Manager to acquire periodic information on:
  (i) the monitoring of enterprise risk management;
  (ii) updates to Brembo's Risk Report and the related action/mitigation plans periodically proposed by the management.

On the basis of the reviews carried out and the information received, the Internal Control & Risk Management System has been found to be adequate as a whole and suited to preventing risks and to ensuring effective application of the rules of corporate conduct. The System's organisational structure also ensures coordination of the various parties and functions involved, including through constant exchange of information between the various participants. Accordingly, there are no remarks to be submitted to the Shareholders' Meeting.

22. The Board of Statutory Auditors has also acknowledged the results of the 2016 Management Letter issued by the Independent Auditors and the plans set out by Management that have enabled the Audit, Risks & Sustainability Committee and the Board of Directors to reiterate that the Internal Control and Risk Management System is adequate for the Group structure and the Company's type of business. The Board of Statutory Auditors therefore constantly monitored the progress of defined plans.

23. With regard to the Compliance System implemented by the Company to prevent corporate criminal liability pursuant to Legislative Decree No. 231/2001, the Board of Statutory Auditors received information on:
    - the update of the Antibribery Code of Conduct, through the issue of the second edition approved by the Board of Directors on 27 July 2017, raising the maximum limit on Brembo merchandising gifts (intended to promote the brand), while also requiring that subsidiaries adopt a merchandising catalogue similar to that of the Parent;
    - the adoption of an Antitrust Code of Conduct within the framework of the related compliance programme launched in 2016, with the aim of providing a practical guide to employees adapted to the business conducted by Brembo with regard to the proper behaviour to be adopted to ensure full compliance with antitrust legislation in the various countries in which Brembo operates.

24. The Chairwoman of the Board of Statutory Auditors attended all the meetings held in 2017 (5 meetings), pursuant to Legislative Decree No. 231/2001, so as to constantly assess the updating processes of the Organisation, Management and Control Model pursuant to the aforementioned Decree (hereinafter also called "Model 231"), its functioning, suitability and effectiveness in preventing all liability in connection with the offences punishable under the said Legislative Decree through implementation of the appropriate procedures and preventative measures. The results of these activities are described in detail in the Supervisory Committee's periodic reports to the Board of Directors. In general terms, said Committee confirmed the stability of the general structure of the 231 Model, including in light of the legislative changes in 2017, and that the assurance/monitoring activities performed by the 231 Risk Assessment Internal Audit functions, as well as the internal measures aimed at dissemination and training relating to 231 Model continued on an ongoing basis.

25. The Board of Statutory Auditors met periodically with representatives of the Independent Auditors, EY S.p.A., and constantly received information concerning their work and audit plans, and the progress and results thereof. No relevant data and/or aspects deserving of mention herein were brought to light in connection with the matters in the purview of the Board of Statutory Auditors.

26. The Board of Statutory Auditors also continued the discussions that began at the end of 2016 on changes to external auditing laws as a result of Regulation (EU) No. 537/2014 and Legislative Decree No. 135/2016, periodically exchanging views with the Independent Auditors on the "fundamental issues emerged during auditing activities and in particular on the significant shortcomings identified in the internal control system

regarding the financial reporting process" pursuant to Article 19, paragraph 3, of Legislative Decree No. 39 of 27 January 2010.

27. The Board of Statutory Auditors supervised compliance with the rules of procedure governing the preparation and publication of the Consolidated Financial Statements pursuant to Article 41 of Legislative Decree No. 127 of 4 April 1991 and Article 154-*ter* TUF.

28. On 20 March 2018, the Independent Auditors EY S.p.A., in accordance with the new formats applicable following the changes brought on by the reform of auditing activities transposed into Italian law and in adoption of certain international auditing standards, issued the reports required by Article 14 of Legislative Decree No. 39/2010 and Article 10 of Regulation (EU) No 537/2014, in which it expressed an "unmodified opinion" of the Company's Separate and Consolidated Financial Statements for the year ended 31 December 2017.
    In the paragraph regarding "key aspects of the audit" the Independent Auditors considered matters relating to the impairment testing of shareholdings at the level of the Separate Financial Statements (with reference in particular to South American shareholdings) and impairment tests on goodwill at the level of the Consolidated Financial Statements, since such tests are based on assumptions that are sensitive to future market performance and economic scenarios.
    Pursuant to Article 14, paragraph 2, letter e), of Legislative Decree No. 39/2010, the Independent Auditors also believe that the Report on Operations and information in the Corporate Governance and Ownership Structure Report set out in Article 123-*bis*, paragraph 4, of TUF are consistent with the Company's Separate Financial Statements and Consolidated Financial Statements for the year ended 31 December 2017.
    On that same date, the Independent Auditors also provided the Company's Board of Statutory Auditors with the additional report required by Article 11 of Regulation (EU) No 537/2014, pursuant to Article 19 of Legislative Decree No. 39/2010. As stated in the opinion on the Financial Statements, this report addresses certain matters, without contradicting the opinions in question. It should be mentioned that, in addition to the material matters identified as "key aspects of the audit" in the above reports on the Separate and Consolidated Financial Statements, in this report the Independent Auditors identify as material risks relating to income taxes, transfer pricing and revenue recognition, subject to recurring review for companies such as Brembo that operate at a global level and collect the many types of revenues typical of the automotive manufacturing sector. The report does not identify material deficiencies in the internal control system applicable to the financial reporting process of which the heads of governance activities need to be informed.
    On a related note, in accordance with Article 19 of Legislative Decree No. 39/2010, the Board of Statutory Auditors nonetheless informed the Board of Directors thereof on 20 March 2018, without seeing the need to accompany the report with its own observations. The Board of Statutory Auditors notes that it regularly monitors the ongoing improvement of the financial reporting process and that this additional report is a summary of elements already shared over time and already known to the governing body.
    It should be recalled that the report in question also complements the Independent Auditors' statement of independence pursuant to Article 6(2)(a) of Regulation (EU) No 537/2014. Finally, the Board of Statutory Auditors acknowledged the Transparency Report drafted by the Independent Auditors and published on its website pursuant to Article 18 of Legislative Decree No. 39/2010.
    Lastly, on 20 March 2018, in completion of the specific assignment mentioned above, the Independent Auditors issued an ad-hoc report confirming the preparation of the Statement of Non-Financial Information and certification of compliance (limited negative review), expressing an unqualified opinion.

29. The Board of Statutory Auditors monitored the independence of the Independent Auditors pursuant to Article 19 of Legislative Decree No. 39/2010 and verified the nature and extent of the assignments received from Brembo S.p.A. and Group companies (based in Italy or abroad, both EU and non-EU) concerning services other than independent auditing, as described in the Notes to the Consolidated Financial Statements, pursuant to Article 149-*duodecies* of the Rules for Issuers on the disclosure of fees. A table summarising the tasks assigned to EY S.p.A. is set out below:

Audit services

(euro thousand)	31.12.2017	31.12.2016
Independent Auditors' fees for the provision of audit services:		
to the Parent Brembo S.p.A.	225	210
to the subsidiaries (services provided by the network)	414	415
Independent Auditors' fees for the provision of auditing services for issuing attestation:		
to the Parent Brembo S.p.A.	56	8
Independent Auditors' fees for the provision of other services:		
to the Parent Brembo S.p.A.	0	3
to the subsidiaries (services provided by the network)	0	14
Fees of entities belonging to the Independent Auditors' network for the provision of services:		
to the Parent Brembo S.p.A.	0	83
other services rendered to subsidiaries	6	91

The Board of Statutory Auditors deemed the fees for such non-auditing services (which never included those prohibited by Article 5, paragraph 1, of Regulation (EU) No 537/2014) to be appropriate to the scope and complexity of the work carried out and hence compatible with the auditing mandate, in the absence of any anomalies impacting on the Independent Auditors' independence criteria.

30. The Board of Statutory Auditors provided the opinions or observations required by applicable legislation with regard to: (i) the remuneration policies (set out in the Remuneration Report/MBO 2017) for the Executive Deputy Chairman and Chief Executive Officer and Internal Auditor; (ii) the allocation of the remuneration for the Board of Directors set by the Shareholders' Meeting; (iii) the eligibility for appointment (as discussed above) of the Manager in charge of the Company's financial reports; and (iv) the adjustment of the fees of the Independent Auditors EY S.p.A., for 2016 only, as included in the adjustment criteria originally established by the Shareholders' Meeting of 23 April 2013.
31. Finally, the Board of Statutory Auditors acknowledges that in the course of its activities, and on the basis of the information obtained, it did not identify any omissions, censurable conduct, irregularities or other material facts that would need to be reported to the Authorities or mentioned in this Report; nor were any complaints pursuant to Article 2408 of the Italian Civil Code or other similar reports received.

Having acknowledged the Financial Statements for the year ended 31 December 2017, the Board of Statutory Auditors, taking account of the specific duties assigned to the Independent Auditors relating to the auditing of the accounts and verification that the Financial Statements are reliable, has no objections to the approval of the Financial Statements or to the Board of Directors' draft resolution regarding the distribution of an (ordinary) gross dividend of €0.22 per (ordinary) share and the carry forward of the residual ascertained profit for the year.

Milan, 20 March 2018

BOARD OF STATUTORY AUDITORS
Signed Raffaella Pagani *(Chairwoman)*
Signed Alfredo Malguzzi *(Acting Auditor)*
Signed Mario Tagliaferri *(Acting Auditor)*

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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, Matteo Tiraboschi, in his capacity as Executive Deputy Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-*bis*, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the financial statements for the period from 1 January to 31 December 2017:
    - 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 2017 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.

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.

5 March 2018

Matteo Tiraboschi
Executive Deputy Chairman
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Andrea Pazzi
Manager in Charge of the Company's Financial Reports
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BREMBO S.p.A. | Sede legale | Sede amministrativa e uffici

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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

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Editorial consulting by C·Consulting snc (Milan)
Graphic project and photographic processing: Briefing sas (Milan)
Photographic project by Laila Pozzo (Milan)
Typeset by Secograf (S. Giuliano Mil.)
Translated by Koinè (Trieste)

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