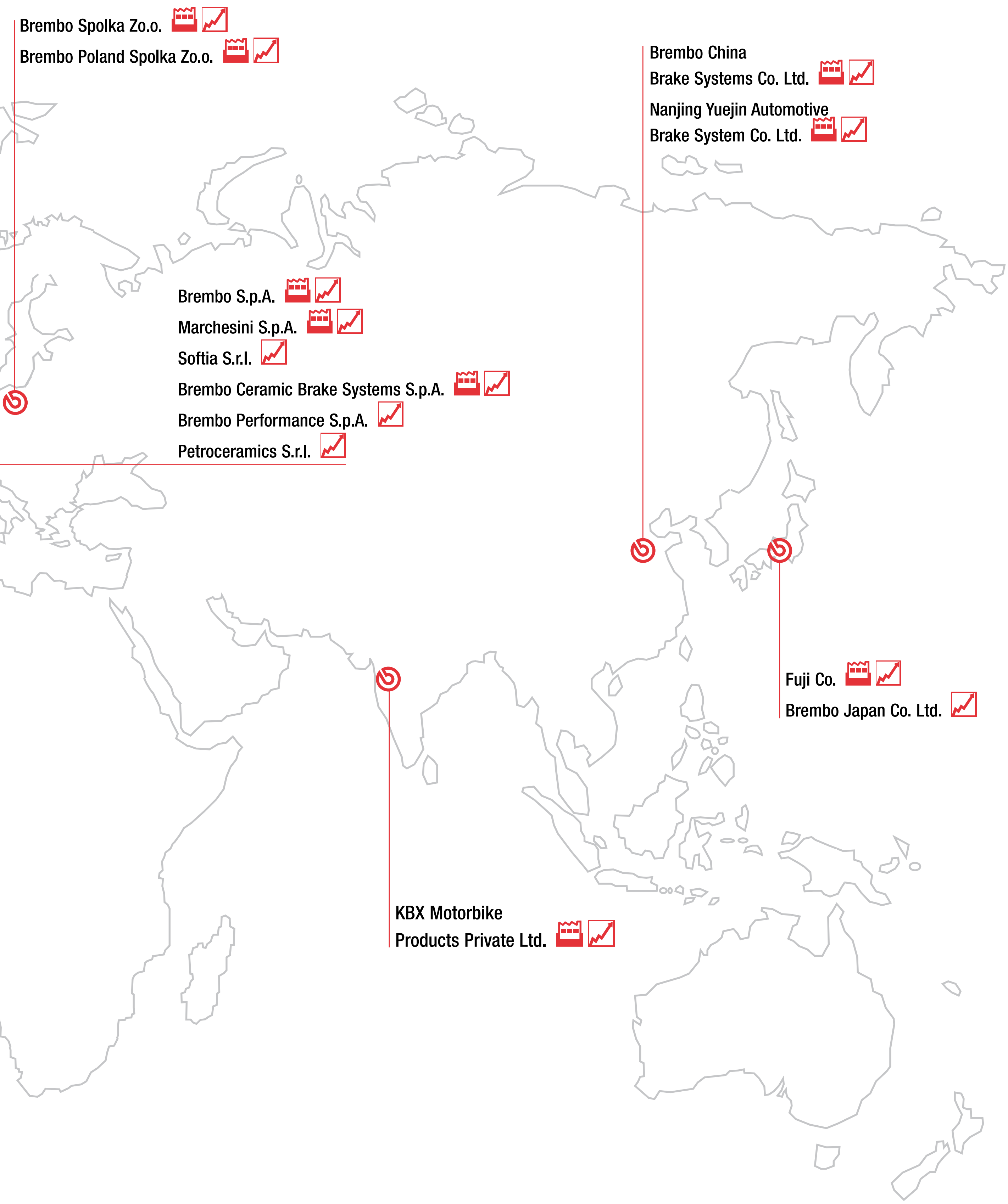
ANNUAL REPORT 2007

BREMBO
IN THE WORLD


Brembo Spolka Zo.o.
Brembo Poland Spolka Zo.o.
Brembo China
Brake Systems Co. Ltd.
Nanjing Yuejin Automotive
Brake System Co. Ltd.
Brembo S.p.A.
Marchesini S.p.A.
Softia S.r.l.
Brembo Ceramic Brake Systems S.p.A.
Brembo Performance S.p.A.
Petroceramics S.r.l.
Fuji Co.
Brembo Japan Co. Ltd.
KBX Motorbike
Products Private Ltd.

THE FUTURE IS ALREADY HERE

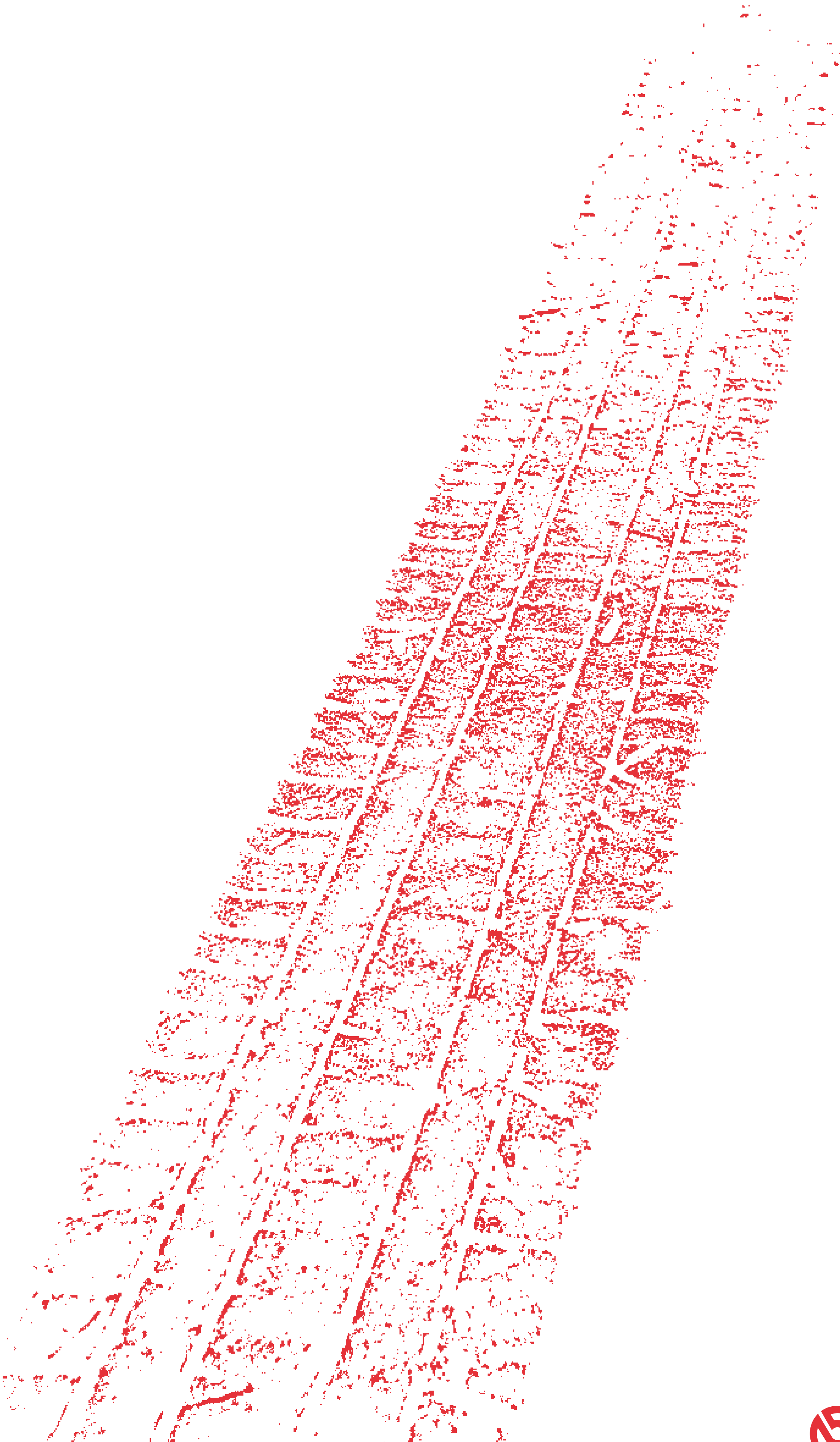
Brembo's Research and Development Centre is located inside the Kilometro Rosso Science and Technology Park, bringing together specialists from various backgrounds, different areas of expertise and corporate cultures, who interact and benefit all of their activities.

From the very outset, Brembo became aware that whilst research is key, it is equally important to set up an environment that fosters constructive dialogue and interaction, since ideas lead to other ideas and, consequently, to discoveries and inventions.

A total of 9% of the Group's staff works in R&D, and over 5% of Group's turnover is invested in this sector of activity. These are two simple but essential figures that show the extent to which the company is aware that its competitive edge is inextricably intertwined with research focusing on the development of ever new solutions in terms of processes, materials and products.

Ideas become reality, skills bear fruit and discoveries lead to innovation as a result of Brembo's and its R&D Centre's insistence of setting up an environment – in architectural and human terms – in which invention, creativity, the exchange of ideas and changes of standpoint are given free rein so as to boost development and produce tangible results that can be transferred to production lines. Research is in fact a living system, made up of men and women who, by mutual cooperation, generate new knowledge.

At Brembo's R&D Centre, the near future and the future are already here, and "new" is the word most used to describe our activities.



ANNUAL REPORT 2007

brembo


brembo

CALL TO SHAREHOLDERS' MEETING

The Shareholders are convened to the Ordinary Shareholders' Meeting to be held at the Company offices at Viale Europa 2, 24040 Stezzano (Bergamo) on **29 April 2008 at 11:00 a.m.** CET (first call) or, if necessary, on 30 April 2008, at the same place and time (second call), to resolve on the following

AGENDA

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2007, with the Directors' Report on Operations, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors and additional documents as requested by law; ensuing resolutions.
2. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2007, with the Directors' Report on Operations, the Report of the Board of Statutory Auditors and the Report of the Independent Auditors.
3. Renewal of appointments following expiry of the three-year term: Board of Directors and Statutory Auditors. Resolutions as per Art. 2364, paragraphs 1(2) and (3), of the Italian Civil Code.
4. Resolutions regarding the purchase and sale of own shares; ensuing resolutions.
5. Approval of additional services and related fees to be assigned to the appointed independent auditors Pricewaterhouse-Coopers S.p.A., in charge of auditing and certifying the annual financial statements of Brembo S.p.A. and the 2007 consolidated financial statements for the Group; ensuing resolutions.

Entitlement to attend General Meetings resides with shareholders in relation to which the Company receives, at least 2 (two) business days prior to the scheduled date of the General Meeting, the notice issued by the authorised intermediary pursuant to section 2370, paragraph 2, of the Italian Civil Code, certifying their share ownership.

Lists of candidates seeking appointment or renewal of their appointments as company directors and officers, may be submitted only by Shareholders who, either individually or jointly with others, hold at least 2.5% of the share capital, pursuant to CONSOB Resolution No. 16319 of 29 January 2008.

The Board of Directors and the Board of Auditors shall be appointed on the basis of lists submitted by Shareholders, on which candidates seeking appointment to the said corporate organs must be listed in sequential order; the lists of candidates, signed by the Shareholders submitting the same, must be filed with the Company's registered offices at least 15 days prior to the scheduled date of the General Meeting at first call, together with any and all the documents required under applicable regulations and Articles 15-bis and 15-ter of the By-laws, governing procedures for the appointment of the Board of Directors and Article 22 of the By-laws governing procedures for the appointment of the Board of Auditors, the text of which is available for consultation at the registered offices as well as on the Company's website www.brembo.com.

Notice is hereby given that, pursuant to Article 144-sexies, paragraph 5 of the Rules on Issuers approved by CONSOB Resolution no. 11971 of 14 May 1999 as further amended, should, no later than the 15 day deadline mentioned above, only one list be submitted for the appointment of the Board of Statutory Auditors, or lists be submitted only by shareholders associated with one another within the meaning of applicable regulations, other lists may be submitted through to the fifth day following the date of expiry of the aforesaid deadline. In such case the aforesaid minimum 2.5% threshold for the submission of lists, shall be reduced by half.

It is further pointed out that at least 3 candidates for appointment to the Board of Directors and the candidates seeking appointment as statutory auditors must meet the requirements of independence as provided for by Brembo S.p.A. Corporate Governance Manual, the text of which is available for consultation at the registered offices as well as on the Company's website www.brembo.com.

Pursuant to Article 144-sexies of the Rules on Issuers, shareholders other than the majority shareholder, who intend to submit a list of candidates seeking appointment to the Board of Auditors, shall be bound to file, together with the said list, a declaration certifying that the shareholders in question are not associated with the majority shareholder, within the meaning of Article 144–quinquies of the Rules on Issuers.

ON BEHALF OF THE BOARD OF DIRECTORS
The Chairman
Alberto Bombassei

The documentation concerning the items on the agenda will be filed at the registered offices, at Viale Europa 2, 24040 Stezzano (Bergamo), and at Borsa Italiana S.p.A. It will be published on the Corporate website, within the terms and according to the procedures provided for by current regulations. Shareholders have the right to request a copy.

CONTENTS

CHAIRMAN'S LETTER

Shareholders,

Financial year 2007 was a crucial year for Brembo. A year in which the company further increased its growth rate and achieved significant new results, in terms of both earnings performance and the industrial and commercial penetration of global markets. 2007 also saw the completion of a far-reaching plan aimed at developing, upgrading and overhauling our production structure, currently made up of 19 industrial facilities spread over 10 countries, in 3 continents: Europe, America and Asia.

This strategic decentralisation allows us to serve both traditional markets in the automotive industry, such as Western Europe, the United States and Japan, and emerging, fast-growing markets such as Eastern European, Brazil, India and China. It brings our production facilities closer to our current and potential customers, namely, major international manufacturers of cars, motorbikes, commercial vehicles as well as racing cars and motorbikes, and spare parts distributors. Growth has been driven both internally, with the setting up of new production facilities and the extension and modernisation of older plants over the past three-year period, and via joint-ventures and acquisitions.

In fact, joint-ventures and acquisitions were the primary growth drivers in 2007. Through Brembo North America, we acquired the Brake Division of Hayes Lemmerz International, a leader in the mechanical processing of brake discs for major North American carmakers and several parts manufacturers, with two facilities located one not far from Detroit, Michigan, and the other in Mexico. This acquisition has enabled Brembo to reinforce its market presence in North America through production facilities located at the geographical heart of the US automotive industry.

In Italy, the memorandum of understanding, entered into in September 2007, resulted in early 2008 in an agreement to set up a joint-venture with the shareholders of Sabelt – a leader in the manufacture of safety belts and safety systems for racing cars and child passengers – with a view to acquiring the said company through a new corporation known as Brembo Performance, in which Brembo holds a 70% stake.

In terms of sales, Brembo is already present with its own distributors and sales companies in 12 countries, and markets its products in more than 70 countries around the globe, attracting orders from some of the world's leading top-range car and motorbike manufacturers, as well as makers of commercial and industrial vehicles. Year 2007 also saw the conclusion of important sales agreements. The Company entered into an agreement with Toyota Motor Corporation for the supply of braking systems for the new Lexus IS-F, enabling Brembo to consolidate its market presence in the high-performance automotive industry in Japan where it already serves other automobile manufacturers. Brembo was again chosen as supplier also of car braking systems for the BMW Group, starting with a front braking system for one of the German manufacturer's best-selling models, backed up by firm commitments for orders in coming years.

Brembo extended significantly its three-year old collaborative relationship with Harley-Davidson and now supplies the latter with braking systems for over 40% of the legendary US manufacturer's motorcycles.

The crowning glory of this year, which I have already described as crucial, was the completion of the transfer of our Group's headquarters to the Kilometro Rosso Science and Technology Park in Stezzano, near Bergamo. In May, we officially inaugurated our new R&D Centre, focusing on mechatronics and sensor technology among other fields, in the new headquarters, in the presence of high-level government officials and our main customers. The R&D Centre also houses the laboratories of Brembo Ceramic Brake Systems, a joint-venture set up between Brembo and Daimler for the development and manufacture of state-of-the-art ceramic brake discs, installed on the most exclusive sports car models.

In recent years Brembo's dynamism and its intense efforts to boost efficiency have had a direct impact on the bottom-line of the entire Group, which again in 2007 far outperformed our reference market in terms of growth. Compared to 2006, Brembo's sales have increased by 13.1% almost to touch €912 million, while our gross operating income amounted to euro 137 million, up by 15.1%. Net income grew by over 41%, exceeding €60 million, net of investments totalling €120 million.

These results were achieved thanks to the joint efforts of all those who work with Brembo: over 5300 employees, nearly 9% of them engineers and product specialists dedicated to R&D, who contribute to Brembo's success worldwide on a daily basis, with commitment and enthusiasm and professional excellence. To all of them, I express my heartfelt thanks, trusting that the future bears promises of even greater success.

The Chairman
Alberto Bombassei

COMPANY OFFICERS

The Shareholders' Meeting of the Parent Company Brembo S.p.A., held on 29 April 2005 passed a resolution in favour of the reappointment of Company officers for the following three-year period (2005-2007). At 31 December 2007, Company Officers included:

Board of Directors

Chairman	Alberto Bombassei (1) (6)
Managing Director	Stefano Monetini (2) (6)
Directors	Paolo Biancardi (3)
	Cristina Bombassei (4) (6) (8)
	Giovanni Cavallini (3)
	Giancarlo Dallera (3) (7)
	Giovanna Dossena (5)
	Andrea Gibellini (5)
	Umberto Nicodano (5)
	Giuseppe Roma (3)
	Matteo Tiraboschi (4) (6)

Board of Statutory Auditors

Chairman	Sergio Mazzoleni
Auditors	Enrico Cervellera
	Andrea Puppo
Alternate Auditors	Giuseppe Marangi
	Mario Tagliaferri

Independent Auditors

PricewaterhouseCoopers S.p.A. (9)

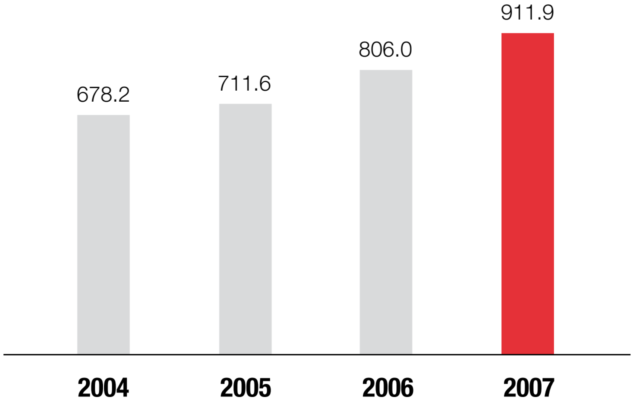
Committees

Audit Committee	Giuseppe Roma **(Chairman)**
	Giancarlo Dallera
	Giovanna Dossena
Remuneration Committee	Umberto Nicodano **(Chairman)**
	Paolo Biancardi
	Giovanni Cavallini
Supervisory Committee	Giovanna Dossena **(Chairman)**
	Andrea Gibellini
	Alessandra Ramorino

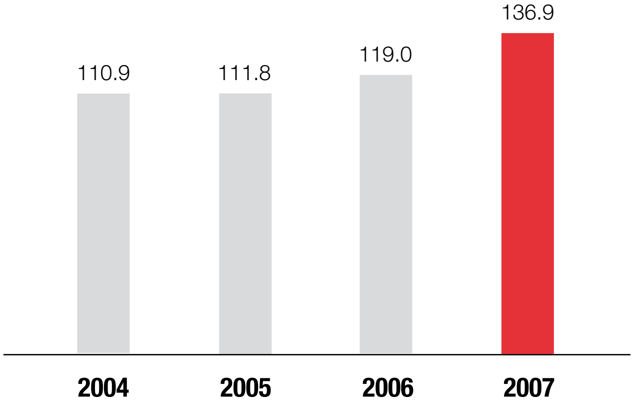
(1) The Chairman is the Company's legal representative and has powers of ordinary and special management, within the limits of the law and the By-laws.
(2) The Managing Director has certain powers of ordinary management in Brembo S.p.A. He also holds the position of Director in one of the Group companies.
(3) Corporate Governance – Independent and non-executive Directors – as per Borsa Italiana Regulations for STAR segment, Art. 2.2.3. The Directors also comply with independence requirements set out by Brembo S.p.A. Corporate Governance Manual.
(4) This Director also holds offices in several Group companies.
(5) Non-executive Directors.
(6) Executive Directors.
(7) This Director also holds the position of Lead Independent Director.
(8) This Director also holds the position of Executive Director in charge of overseeing the functioning of the Internal Control System.
(9) The Shareholders' Meeting held on 27 April 2007 extended the mandate until financial year 2012.

BREMBO: SUMMARY OF GROUP RESULTS

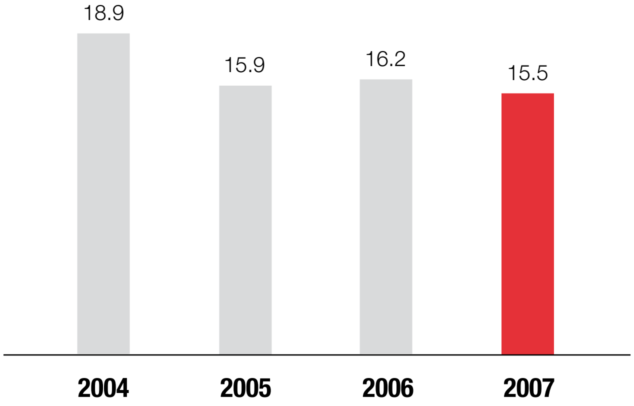
SALES OF GOODS AND SERVICES
(euro million)



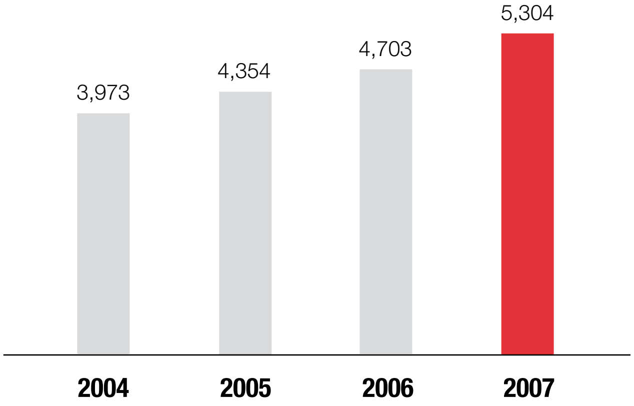
GROSS OPERATING INCOME
(euro million)



ROI
(percentage)



PERSONNEL AT END OF PERIOD
(No.)



Economic results

(euro thousand)	31.12.2004	31.12.2005	31.12.2006	31.12.2007	% 2007/2006
Sales of goods and services	678,180	711,615	805,986	911,885	*13.1%*
Gross operating income	110,893	111,782	118,969	136,943	*15.1%*
% on sales	*16.4%*	*15.7%*	*14.8%*	*15.0%*	
Net operating income	70,001	73,375	79,543	88,690	*11.5%*
% on sales	*10.3%*	*10.3%*	*9.9%*	*9.7%*	
Income before taxes	64,895	66,741	70,409	76,532	*8.7%*
% on sales	*9.6%*	*9.4%*	*8.7%*	*8.4%*	
Net income	39,554	40,511	42,945	60,850	*41.7%*
% on sales	*5.8%*	*5.7%*	*5.3%*	*6.7%*	

Financial results

(euro thousand)	31.12.2004	31.12.2005	31.12.2006	31.12.2007	% 2007/2006
Net invested capital(1)	369,616	462,289	492,517	573,511	*16.4%*
Equity	202,122	242,063	270,564	314,075	*16.1%*
Net financial indebtedness(1)	142,804	193,075	193,290	235,885	*22.0%*

Personnel and investments

	31.12.2004	31.12.2005	31.12.2006	31.12.2007	% 2007/2006
Personnel at end of period (No.)	3,973	4,354	4,703	5,304	*12.8%*
Turnover per employee (euro thousand)	170.7	163.4	171.4	171.9	*0.3%*
Investments (euro thousand)	92,255	95,821	84,147	116,898	*38.9%*

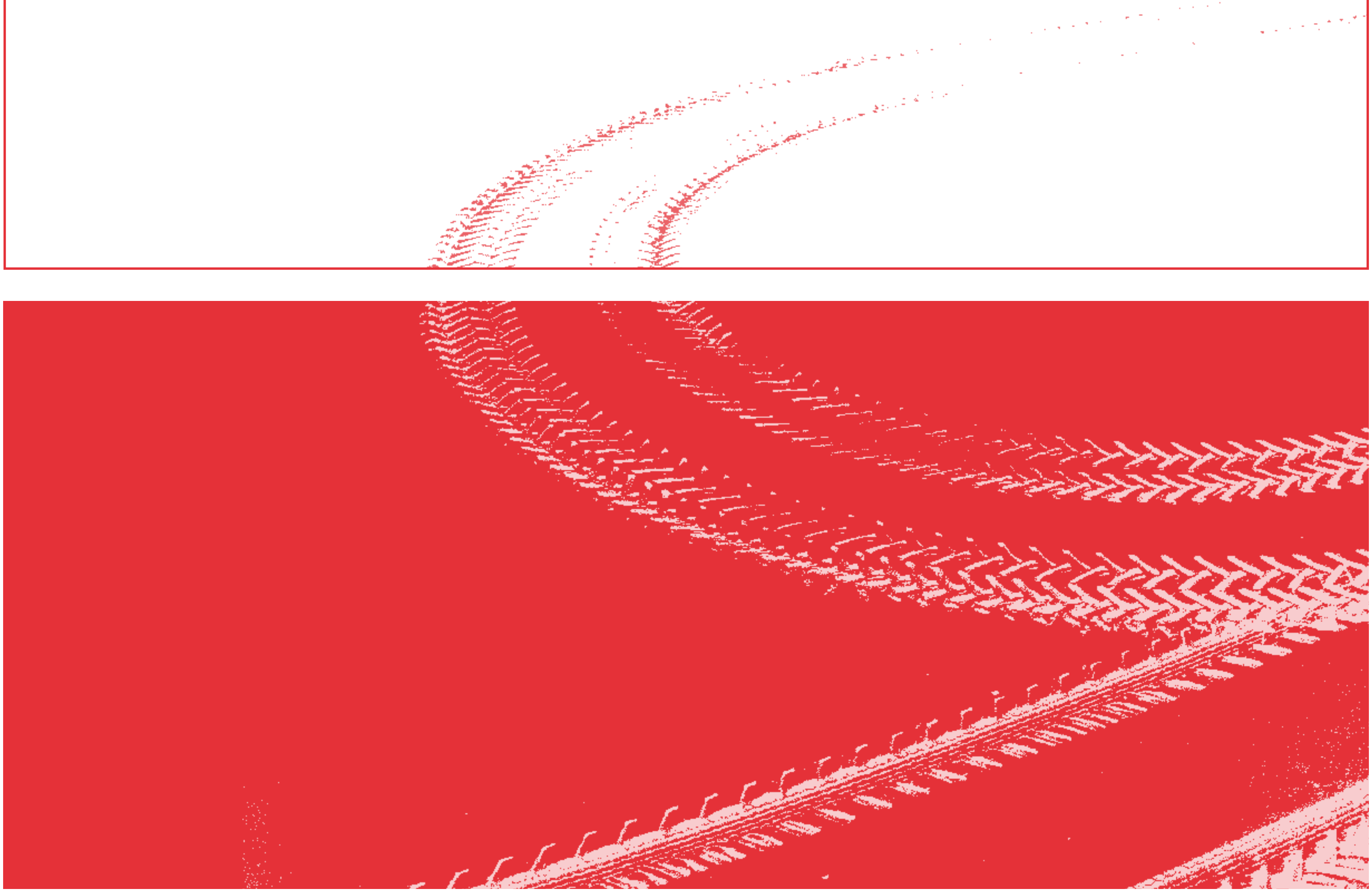
Main ratios

	31.12.2004	31.12.2005	31.12.2006	31.12.2007
Net operating income/Sales	*10.3%*	*10.3%*	*9.9%*	*9.7%*
Income before taxes/Sales	*9.6%*	*9.4%*	*8.7%*	*8.4%*
Investments/Sales	*13.6%*	*13.5%*	*10.4%*	*12.8%*
Net financial indebtedness/Equity	*70.7%*	*79.8%*	*71.4%*	*75.1%*
Financial charges/Sales	*0.6%*	*0.9%*	*1.2%*	*1.1%*
Financial charges/Net operating income	*6.3%*	*8.6%*	*11.8%*	*11.2%*
ROI	*18.9%*	*15.9%*	*16.2%*	*15.5%*
ROE	*20.1%*	*17.3%*	*16.3%*	*19.6%*

(1) A breakdown of these items is provided in the reclassified Balance Sheet on page 33.


A DYNAMIC BALANCE BETWEEN
REASON AND PASSION.

DIRECTORS' REPORT ON OPERATIONS



BREMBO AND THE MARKET

Macroeconomic Context and Currency Markets

In order to draw up an assessment of Brembo's performance for 2007, it is essential to consider the world macroeconomic scenario, specifically for the markets in which the Group operates.

The global macroeconomic scenario continues to be perturbed by the US mortgage crisis that began last summer and by its implications for the financial markets and economic growth. Nevertheless, the global economy continued to expand at a steady pace in 2007, though it showed signs of a slight deceleration. Overall, the repercussions of the slowing US economy were limited thanks to the evolving role of emerging economies as the drivers of growth. Of particular note, China's economy recorded year-on-year growth exceeding double-digits again in 2007.
The US economy remained solid despite the turmoil in the financial markets; a more clear and marked slowdown is predicted for 2008.
In the euro area, the GDP began to grow again in the third quarter of the year after a disappointing second quarter.
However, a number of unfavourable events in the final months of the year – mainly sharp increases in oil prices, turbulence in the financial markets and the appreciation of the euro – prevented the growth seen in the third quarter from continuing. Italy was among the European countries that recorded a downturn at year-end.

Against this backdrop, strong upward pressure on the price of raw materials and oil continued: with the price per barrel of crude oil increasing drastically and reaching new highs (from €55/barrel in January to €95/barrel in December).

The euro's relentless appreciation against the US dollar seen in the early months of the year continued into the fourth quarter, with the exchange rate hitting a new record at 1.48 before ending the year at 1.47.
As for the currencies of the main markets in which Brembo operates on an industrial and commercial level, the pound sterling remained stable through the first half of the year then weakened against the euro, falling to 0.73 (–9% from the start of 2007). The Japanese yen likewise depreciated against the euro, closing at 164.93 (–5.2%). The Polish zloty, on the other hand, weakened against the euro in the first months of the year, subsequently appreciated, closing at 3.59 (+6%). An analogous rise in value was recorded also for the Brazilian real, which closed the year at 2.61 (+7.4% over year-start), whereas the Mexican peso weakened sharply to 16.05 (–12.6%).

Brembo Activities and Reference Market

Brembo operates in twelve countries around the world, with the contribution of over 5,300 employees. Brembo's operations are now conducted from 10 industrial-commercial facilities in Italy and 21 in other countries. Manufacturing plants are located in Italy, Spain (Zaragoza), Poland (Czestochowa and Dabrowa), Great Britain (Coventry), Mexico (Puebla and Apodaca), Brazil (Betim), China (Nanjing and Beijing), India (Pune) and the United States (Homer). Other companies located in Sweden (Göteborg), France (Levallois Perret), Germany (Leinfelden-Echterdingen), the United Kingdom (London), the United States (Costa Mesa, California) and Japan (Tokyo) carry out distribution and sales activities.

The focus on innovation, as well as technological and process development, factors that have always been fundamental to Brembo's philosophy, have made the Group an international long-time leader in the research, design and production of high-performance disc braking systems for a wide range of vehicles. Brembo operates on both the original-equipment market, focusing on the supply of high-performance braking systems, and in the aftermarket.

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

Brembo's range of products for the car application and the commercial vehicle application includes brake discs, brake callipers, the side-wheel module and increasingly often the complete braking system, including integrated engineering services. All of these back the development of new models produced by vehicle manufacturers.

Manufacturers of motorbikes are also offered brake discs, brake callipers, brake master cylinders, light-alloy wheels and complete braking systems.

In the car aftermarket, Brembo offers in particular a vast range of brake discs: over 1300 product codes allow the company to meet the needs of nearly all European vehicles.

Brembo's consolidated gross revenues reached €924,649 thousand in 2007, a 12.8% increase over the 2006 figure (€819,660). Consolidated net revenues increased 13.1% to €911,885.

Information on the performance of the separate applications and their related markets is provided in the following headings.

Car Applications

The worldwide car market closed 2007 with an overall 2.7% rise in car sales compared to 2006. The key feature of this growth was the increase in sales in emerging markets, also during the year in question.

In fact, the trend in the United States continued downwards: sales fell overall by 2.5% compared to 2006, scarcely topping 16 million vehicles.

In Western Europe, vehicle registrations remained stable compared to 2006.
Of the main markets, Germany recorded the worst results, reporting a 9.2% downturn in 2007. Italy, France and Great Britain, on the other hand, all recorded increases (+6.2%, +3.2% and +2.5%, respectively). Eastern Europe continued the upward trend seen in recent years, recording an increase in registrations of more than 16%.
The Brazilian and Argentinean markets also continued to perform very well, posting a 25.4% increase in sales.
The Japanese market was weak throughout 2007 and vehicle registrations fell by 6.2% overall compared to 2006. Sales on the Chinese market, on the other hand, now second only to the US market in terms of size, were robust and certainly not subject to any downward trend.

It was within this scenario that in 2007 Brembo recorded sales of car applications totalling €570,193 thousand, up 6.6% over the previous year and representing 61.7% of total consolidated gross revenues.

Commercial and Light Commercial Vehicle Applications

In 2007 the commercial vehicle market in Europe grew overall by 6.8% compared to 2006. Registrations of light commercial vehicles (up to 3.5 tonnes) rose by 7.1%, with positive results in most European markets. The highest growth rates were seen in Italy (+7.8%), Germany (+12.4%) and France (+4.8%). Eastern Europe also performed well in this segment, posting an overall 24.7% growth rate.
The market for commercial vehicles above 3.5 tonnes also performed well in Europe, achieving a 5.1% increase in sales.

A particularly high rate of growth was recorded by the new Eastern European markets (+38.9% overall), Spain (+10.2%) and Germany (+5.5%). Sales fell in the United Kingdom (–8.7%) and French (–1.1%) markets. The Italian market remained stable compared to 2006.

Sales of commercial- and industrial-vehicle applications generated gross revenues of €164,078 in 2007, a sharp increase compared to 2006 (+31.7%). The ratio to total gross sales was 17.7%. The sector benefited from the recently acquired platforms, which are now fully operational.

Motorbike Applications

Europe, the United States and Japan remain the three most important markets for Brembo in the motorbike sector.
2007 proved to be a positive year for the motorbike market in Europe: registrations rose overall by 3.1% compared to 2006, with bikes with a displacement of more than 1000cc performing exceptionally well (+19.1%).
In Italy, registrations posted a slight decrease in 2007 (–2.1%), mainly due to a fall in motorbike sales (–2.9%), while scooters remained the market's mainstay, recording a 6.5% increase over 2006.

In the United States, motorbikes, scooter and ATV (All Terrain Vehicles) sales fell by 10.4%. Similar results were recorded in Japan, where registrations of motorbikes with a displacement exceeding 125cc decreased by 9.8% compared to 2006.
It was within this scenario that Brembo increased its gross sales of motorbike applications in 2007 to €113,163 thousand, a rise of 25.3% over the previous year, due primarily to the contribution of Harley Davidson's new Touring platform.

Racing Applications

Brembo is present in the racing sector with three leading brands: Brembo Racing, with braking systems for race cars and motorbikes; AP Racing, with braking systems and clutches for race cars; Marchesini, with magnesium and aluminium wheels for racing motorbikes.

Once again in 2007, Brembo confirmed its technical and market leading position in car and motorbike racing in the most prestigious championships, through its business unit Brembo Racing and the subsidiaries AP Racing Ltd. and Marchesini S.p.A.

In 2007, Brembo's gross sales from this segment amounted to €67,805 thousand, up 11.7% compared to 2006 and with an incidence of 7.3% on total gross sales.

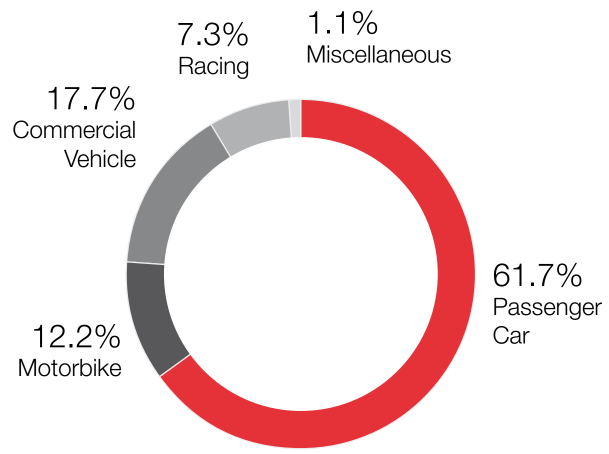
SALES BREAKDOWN BY APPLICATION AND GEOGRAPHICAL AREA

The two following tables respectively list gross sales broken down by application and by geographical area of destination [1].

Gross Sales Breakdown by Application

(euro thousand)	31.12.2007	%	31.12.2006	%	2007/2006	% 2007/2006
Passenger Car	570,193	61.7%	534,703	65.2%	35,490	6.6%
Motorbike	113,163	12.2%	90,338	11.0%	22,825	25.3%
Commercial Vehicle	164,078	17.7%	124,612	15.2%	39,466	31.7%
Racing	67,805	7.3%	60,724	7.4%	7,081	11.7%
Miscellaneous	9,410	1.1%	9,283	1.2%	127	1.4%
Total	**924,649**	**100.0%**	**819,660**	**100.0%**	**104,989**	**12.8%**

GROSS SALES BREAKDOWN BY APPLICATION
(percentage)

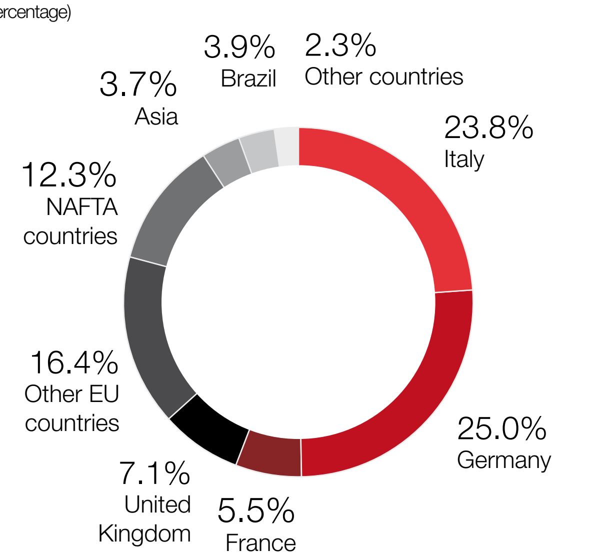


Gross Sales Breakdown by Geographical Area

(euro thousand)	31.12.2007	%	31.12.2006	%	2007/2006	% 2007/2006
Italy	219,757	23.8%	196,581	24.0%	23,176	11.8%
Germany	231,275	25.0%	213,272	26.0%	18,003	8.4%
France	51,255	5.5%	49,110	6.0%	2,145	4.4%
United Kingdom	65,804	7.1%	61,612	7.5%	4,192	6.8%
Other EU countries	152,022	16.4%	128,895	15.7%	23,127	17.9%
NAFTA countries	113,288	12.3%	97,421	11.9%	15,867	16.3%
Asia	34,018	3.7%	28,760	3.5%	5,258	18.3%
Brazil	35,832	3.9%	26,230	3.2%	9,602	36.6%
Other countries	21,398	2.3%	17,779	2.2%	3,619	20.4%
Total	**924,649**	**100.0%**	**819,660**	**100.0%**	**104,989**	**12.8%**

(1) In line with CONSOB notice No. 980804143 of 27 October 1998 and as required by IAS 14, segment reporting is provided in the Explanatory Notes to the Consolidated Financial Statements, in accordance with the same IAS 14.

GROSS SALES BREAKDOWN BY GEOGRAPHICAL AREA
(percentage)



RESEARCH AND DEVELOPMENT

Since 2006, Brembo's R&D operations were separated into disc and systems divisions, and the R&D structure was consequently adjusted.

Disc operations are now assigned to the new Disc Technology Unit under the Brake Disc Division, currently working on 10 projects of strategic importance for the Group regarding product and process innovation.

In September 2007, against an order placed by an Italian customer, series production started of the "co-cast disc". This is a new-concept disc combining Brembo's expertise in cast iron with that acquired using aluminium to obtain a product with top braking performance thanks to the cast iron braking surface, and reduced weight due to the aluminium hat. Another five application projects, relating to this type of product and involving European and American customers, are currently underway.

In 2007, structured research began on new alloys for cast-iron brake discs that will provide a "muffling" effect, thus allowing future improvements in the acoustic qualities of the braking system.

The Advanced R&D Department has continued to develop the mechatronic projects started between the end of 2006 and the beginning of 2007. Following on from their successful presentation during the year, the actual application phase started, targeted at customers in the car and commercial vehicle sectors.

The projects relate to electromechanical braking systems with an electric button control managed by a control unit that converts the driver's request into a braking force applied to the brakes.

Both projects have been defined also in liaison with partners chosen during 2006 and in the first few months of 2007.
Both projects are being implemented with the collaboration of new development partners, and, in the coming years, will result in an evolution of Brembo's R&D structure; this will allow Brembo to present itself to vehicle manufacturers as a producer of electromechanically operated braking systems.

Along with the testing and development of these new mechatronic braking systems, work also continued with universities and research centres, on the research and development of materials with the aim of finding new solutions for discs and callipers.

The table below summarises expenditure for 2007 on the main projects currently in progress, which benefit from subsidies under current legislation:

Activities carried out during 2007	Industrial research	Basic research	Pre-competition development	Total
(Euro)				
Research project: *"Ultra-compact urban vehicle for sustainable efficient transport of people and goods"* – Design idea MD 25266, Strategic Programme No. 10, MD No. 1621/Ric 18/7/2005 Design ideas N R P 2005-2007 *(programme values)*	448,000		262,000	710,000
Research project: *"Advanced high performance friction materials for high energy systems"* – Design idea MD 25204, Strategic Programme No. 7, MD No. 1621/Ric 18/7/2005 Design ideas N R P 2005-2007 *(programme values)*	3,520,000	760,000	200,000	4,480,000
OVERALL TOTAL	**3,968,000**	**760,000**	**462,000**	**5,190,000**

The results achieved in relation to the operations conducted are shown in the reports sent to the supervisory bodies for each provision and they are in line with the envisaged objectives. The research and innovation projects will be applied during the upcoming financial periods, in accordance with the Company's development plans.

Thanks to the structural changes introduced with the 2005 Financial Law and the high costs borne in 2007 for personnel working on Research and Development (€14,259 thousand), the parent company Brembo S.p.A. benefited from €606 thousand reduction on IRAP tax (regional tax on productive activities) for 2007.

First the 2007 Financial Law (article 1, paragraph 280), and then the 2008 Financial Law (article 1, paragraph 66), reduced companies' eligibility for tax reductions on costs incurred on pre-competition industrial research and development activities in the three-year period 2007-2009.

For 2007, against costs of €94 thousand for work with universities and €16,267 thousand for research and development staff costs, the parent company Brembo S.p.A accrued tax savings of €1,664 thousand.

Development Activities

As indicated in the Explanatory Notes to the Consolidated Financial Statements, the development costs of projects involving the production of braking systems are recognised as assets only if they meet the criteria set forth in IAS 38 (Intangible Assets), which are as follows:

- the technical feasibility of the product can be demonstrated;
- the Group intends to complete the development project;
- the costs incurred for the project can be determined reliably;
- the costs recognised can be recovered through the future economic benefits expected from the development project.

INVESTMENTS

In May, subsidiary Corporación Upwards 98 S.A. acquired the line of business of a company that markets brake shoe kits and other aftermarket components in Spain. The line of business includes the Villar brand, the customer portfolio, warehouse, and 22 employees. The investment totalled €3,627 thousand.

On 9 November 2007, Brembo signed an agreement to acquire the Brake Division of the US company Hayes Lemmerz. The newly acquired business is a leader in the mechanical processing of brake discs for the most important North American car manufacturers and several component manufacturers.
The transaction was undertaken by the subsidiary Brembo North America Inc., which acquired 100% of the shares of two subsidiaries of Hayes Lemmerz in Homer, Michigan, and Apodaca, Mexico.
The consideration paid in the deal was approximately USD 58 million and did not involve the transfer of any debt.

Other investments in 2007 involved the consolidated companies and guaranteed revenue growth. The sum of €82,046 thousand was committed to all the operating units, of which €61,970 thousand in property, plant and equipment and €20,076 thousand in intangible assets.

Investments in property, plant and equipment amounted to €41,072 thousand. They were made by the Parent Company Brembo S.p.A. mainly for increasing its production capacity to respond to rising demand, especially in the car and motorbike sectors.

Additional significant investments were made by subsidiaries Brembo Spolka Zo.o. and Brembo Poland Spolka Zo.o. for an amount of €7,300 thousand and €8,209 thousand, respectively; these investments, which were also the result of the decision to insource certain processing phases, mainly concerned production machinery and were made with a view to meeting rising demand.

Development costs in 2007 amounted to €12,496 thousand and were incurred primarily by the parent company Brembo S.p.A.

The investment programme aimed at the gradual implementation of the new Group-wide Enterprise Resource Planning (ERP) system also continued.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Interest Rate Risk Management

Since most of the Group's financial debt is subject to variable interest rates, Brembo is exposed to the risk of interest-rate fluctuations. To reduce this risk, the Group has entered into hedging contracts with counterparties considered to be financially reliable.
Specifically, Interest Rate Swap agreements are used to hedge approximately 20% of the Group's debt. Under these agreements, the Group receives a variable interest rate from the financial intermediary while paying a fixed rate.
The objective is to eliminate the variability of the borrowing costs associated with a portion of debt and benefit from fixed rates set through hedging contracts.
The company therefore achieved a high correlation between the hedged item and the hedging instrument, so as to guarantee the effectiveness of the hedge.
Lastly, it should be noted that, even for the portion of debt that is specifically covered by hedging contracts, indicators such as the ratio of financial charges to revenues or net operating income show that the impact of adverse changes in interest rates would be tolerable from a profitability standpoint.

Exchange Rate Risk Management

As Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate this risk, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly short-term financing denominated in the currency to be hedged.

Other hedging instruments used by the company include forward contracts, which are also used to offset differences between receivables and payables. This policy reduces exchange risk exposure.

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

- **credit risk,** i.e. the risk that a customer or one of the parties to a financial instrument fails to perform an obligation resulting in a financial loss to the other party. Exposure to credit risk arises mainly 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.
- **liquidity risk**, i.e. the risk that can arise from Brembo's inability to obtain the financial resources necessary to guarantee its operations. The Central Treasury Department implements the main measures indicated below in order to minimise such risk:
  - 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 that the composition of net financial debt is adequate for the investments carried out.

The Explanatory Notes, which include the information required by IFRS 7, provide additional details regarding risks and financial instruments.

HUMAN RESOURCES AND ORGANISATION

Regarding the training and development of human resources, the cornerstones on which the whole organisation is founded were substantially reinforced in 2007 through two closely-related initiatives.

Firstly, the Charter of Values and new Competency Model were introduced and disseminated: these two tools have served to firmly establish the common legacy embodying the principles, values, skills and conduct of those working within the organisation, in perfect tune with the Code of Ethics.

Secondly, there has been no let-up in the ongoing drive to strengthen the skills development process, in both the technical-specialist and management fields. This is to enable the real business needs to be anticipated and the development of all personnel to be fostered, in terms of performance, potential and motivation.

The training offer has hence been divided into three different areas of operation: first of all, developing a programme of courses open to all, aimed at enhancing the skills embodied in the Brembo model; then, offering tailor-made initiatives to the various business or organisational areas designed to achieve specific strategic objectives; finally, specialising in focused management and development of the skills making up the know-how available in-house.

On the methodology level, major investments were made to increase the number of personalised courses, on top of the traditional classroom courses offered; this has also involved creating real workshop opportunities, involving just a few participants and alternating continually between traditional learning activities and work “in the field”.

These have been accompanied by a range of other activities specially conceived and designed to meet the specific needs of the various business areas within an integrated training framework, with the aim of ensuring that learning can be profitably applied to everyday work.

Finally, special initiatives have been launched to map internal skills. These initiatives will enhance and support the transfer of the critical knowledge of professional families with high technical and technological know-how, within a framework of cross-generation exchange and interaction.

They are combined with a number of individual development initiatives, linked to coaching activities, focused in particular on the topics of leadership, staff management and interpersonal relationships.

Initiatives targeted increasingly at the acquisition and development of managerial skills have been designed and put in place to address the training needs of management and top management in particular. The purpose of these pathways has also been to implement and present concrete business projects, directly related to the company’s internal requirements.

A number of new learning tools have been made available in the light of innovation and opening up to new technologies. Firstly, the Mediateca self-development tool: a physical and virtual space in which material can be consulted or borrowed for ongoing training.

This is complemented by the creation of an Intranet site dedicated completely to training and development, and containing different sections to support the professional development of every person working within the organisation.

One of the most important innovations linked to the Intranet site is the employee’s ability to self-register for a number of

different training opportunities, thereby placing the focus very firmly on proactivity, independent initiative and the assumption of individual responsibility.
Within this same framework, topics such as leadership, for some time the subject of in-house training, have also been handled using innovative models, which attach greater emphasis to the employee's role in "managing" and influencing his or her direct manager.

The globalisation of human resources training and development has been tackled first of all through the shared global analysis of training needs, followed by the development of independent learning tools distributed to all the foreign offices.

Considerable attention has been focused on the quality of the level achieved, monitored using a new effectiveness appraisal method. This method, linked to all the training initiatives, includes an entry test, which maps the skills possessed before the training, and an exit test, which is compared with the results of the entry test to illustrate positive development aspects.

More than 580 training initiatives were implemented in 2007 for more than 310 courses, 24,560 training hours and approximately 3,330 participants. Constant emphasis was placed on creating, developing and spreading know-how, as well as encouraging a large number of qualified personnel to attend training courses.

In terms of the number of employees, Brembo's workforce during the year rose from 4703 to 5304, including 2852 working within Brembo S.p.A., thus confirming the recruitment trend of previous years.

During the first half of 2007, the Group continued with the process started in the second half of 2006 and aimed at redefining the business macro-structure. The Brake Disc Division and the Car and Commercial Vehicle Systems Division entered into operation on 1 January 2007, alongside the Motorbike, After Market and Performance Group Business Units. The Commercial Vehicles Business Unit, within the Car and Commercial Vehicle Systems Division, has redefined its internal structure, consolidating its functions so as to ensure effective coordination between the Italian and international operations.

As part of the ongoing review of the corporate business areas, the After Market Business Unit has also revised its structure so as to facilitate its gradual transformation to a trading company operating within a broader scope, due to the expansion of its product range. Offering a package of products rather than a single product will hence ensure a greater level of competitiveness.
Finally, the Supply Chain functional area has been established within the Performance Group's Operations Department, with the aim of boosting the effectiveness of the racing-related logistics structure.

The Central Staff, who report to the Chairman, the Administration, Finance and Control Department was reorganised to ensure that the processes within its remit are covered during the implementation of the new ERP (Enterprise Resource Planning) IT system, currently being extended to the whole Group. The Legal and Corporate area has been absorbed into the same Department, with a view to achieving improved company synergies.
In 2007, the Internal Audit Department, which originated from the Legal Area and now reports directly to the Chairman, reinforced its organisational structure, to further enhance the efficiency of governance and control of the company's operations, and bring them completely into line with Brembo's Code of Ethics and

Charter of Values, the Group's policies and procedures, as well as with current Corporate Governance regulations.

Lastly, the projects aimed at strengthening Brembo's global position continued to be of strategic importance, in keeping with the previous year. It was within this context that the Indian Branch Office, set up to oversee the procurement, quality control and design activities, became operational with the aim of consolidating the Group's presence in Asia. Brembo's continued expansion in the international market also led to the reorganisation of Brembo China Brake Systems Co. Ltd. and the new top management of Brembo North America Inc.

The increase in the Brembo Group's organisational complexity is also related to the recent corporate acquisitions. Brembo's increasing globalisation has required the Company to take an in-depth look at its mission and the objectives of the Foreign Companies Department (which has become Brembo's primary resource in maintaining and increasing its presence abroad), and also the Country Central Staff, both of which report to the Foreign Companies Department for matters involving corporate responsibility and business development and to their respective Department/BU Directors for matters related to operating responsibilities. Consistent with this new organisational set-up, the Business Development Department's objectives have been redefined and the Asia Business Development area established within the Foreign Companies Department, to enable the opportunities offered by the Asian continent to be fully grasped and exploited.

The continuing development linked to Brembo's organic and non-organic growth will require the organisational structure to be reviewed and adapted further to achieve ever-increasing levels of efficiency and efficacy of the business plans.

ENVIRONMENT, SAFETY AND HEALTH

Following the entry into force of Law 123/2007, crimes committed involving workplace health and safety (negligent manslaughter or serious or very serious negligent assault) are also punishable under Italian Legislative Decree 231/2001. This decree also states that a company will be liable if, in the event of punishable crimes, it cannot prove that it has a suitable organisation and control model for preventing the commission of such crimes.

Brembo has thus taken steps to comply with the new legislation.

The actions taken may be summarised as follows:

- staff training on the new regulatory provisions;
- review of the company's Code of Ethics with the introduction of a specific section on the safety and environmental protection standards to which Brembo refers;
- incorporation of Brembo's Safety and Environment Management System (based on the OHSAS 18001 and ISO 14001 standards) into the more general Organisation, Management and Control Model already existing and designed to prevent the crimes indicated in Legislative Decree 231/2001 (Crimes against the Public Administration, Corporate Crimes, etc.);
- definition of a management control system that provides for continual monitoring and audit by the Internal Audit and Safety and Environment functions of the Group's Central Staff;
- reporting to staff all the innovations introduced.

Lawmakers are now tending to recognise the importance of best practices for management systems also within the workplace health and safety area. Such systems are hence becoming more and more valuable as tools that companies must use to ensure good governance of all aspects relating to the management of these matters.

Brembo's voluntary decision in 1999 to adopt these modern forms of management has not only enabled the new legislation introduced by Law 123/2007 to be implemented more easily but has also resulted in a continuous significant reduction in workplace accidents in a trend that was recorded also throughout 2007.

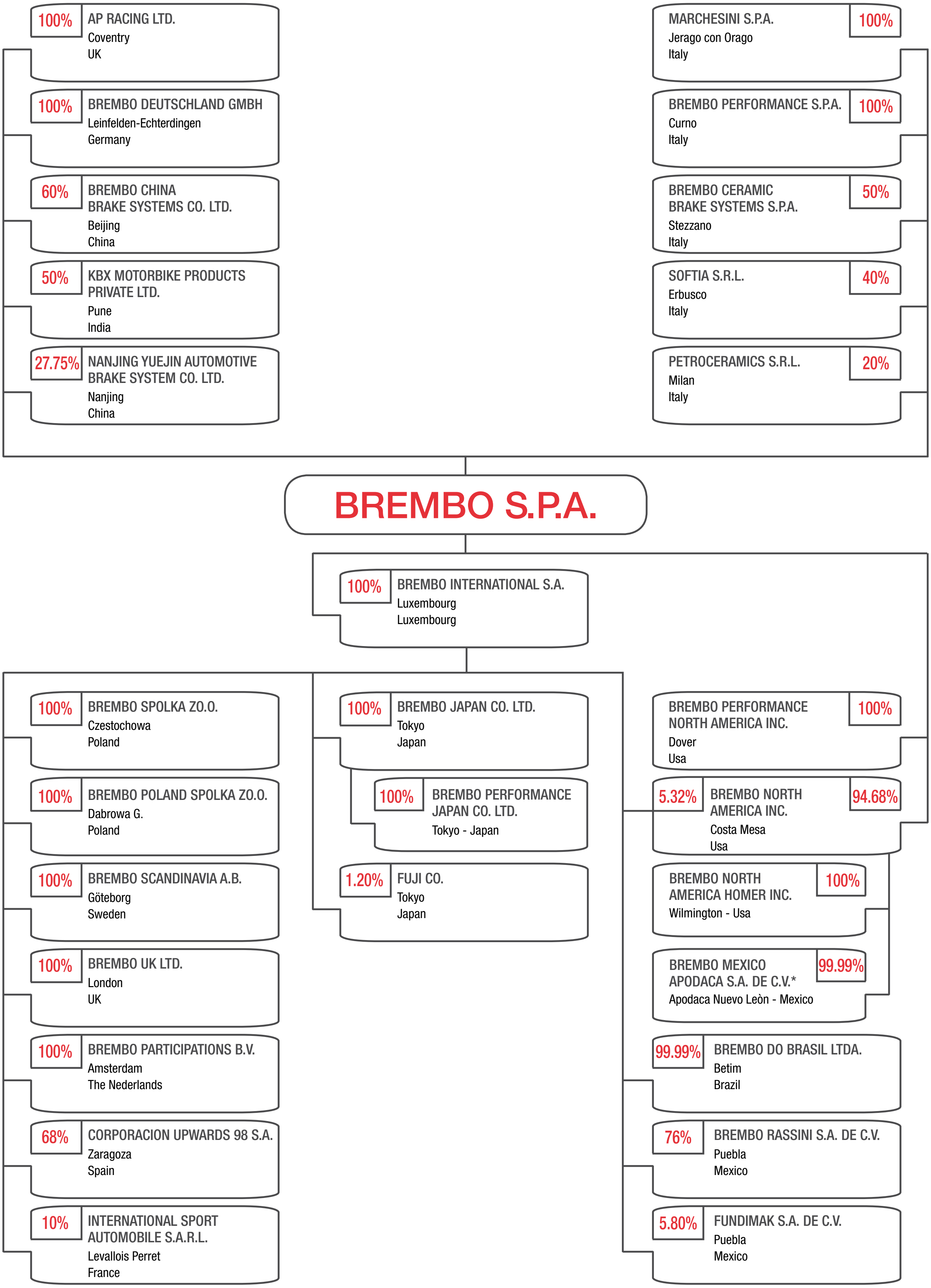
BREMBO STRUCTURE

As previously indicated, in March 2007 Brembo S.p.A. directly set up a Branch Office in India, to represent the company.

As mentioned in the Investments heading, in May 2007, the subsidiary Corporación Upwards ‘98 S.A. acquired a business line in a company that markets brake shoe kits and other aftermarket components in Spain. The line of business includes the Villar brand, the customer portfolio, the warehouse, and 22 employees.

Brembo Performance North America Inc. was formed on 10 October 2007, under the direct control of Brembo S.p.A., and Brembo Performance Japan Co. Ltd. was set up on 6 November 2007, wholly owned by Brembo Japan Co. Ltd. Both companies specialise in the design, manufacture and marketing of components and accessories for road and racing cars and other motor vehicles. In 2008, both newly formed companies are due to acquire the American and Japanese HPK business from Brembo North America Inc. and Brembo Japan Co. Ltd. respectively.

On 9 November 2007, Brembo entered into an agreement to acquire the Brake Division of the US company Hayes Lemmerz. The newly acquired business is a leader in the mechanical processing of brake discs for the most important North American car manufacturers and several component manufacturers.
The transaction was undertaken by the subsidiary Brembo North America Inc., which acquired 100% of the shares of two subsidiaries of Hayes Lemmerz in Homer, Michigan, and Apodaca, Mexico, respectively.
The acquisition was funded through a capital increase, of USD 32 million, subscribed by Brembo S.p.A. which, hence, at 31 December 2007, held 94.68% of the capital of Brembo North America Inc.
The Group structure at 31 December 2007 is illustrated below.



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

* Formerly Hayes Lemmerz International – Frenos S.A. de C.V.

BREMBO GROUP PERFORMANCE

The main indicators of Brembo's consolidated balance sheet, income statement and cash flow statement are listed below.

Operating results

(euro thousand)	31.12.2007	31.12.2006	Change	% 2007/2006
Sales of goods and services	**911,885**	**805,986**	**105,899**	**13.1%**
Cost of sales, operating costs and other net charges/income(1)	(602,173)	(530,410)	(71,763)	13.5%
Personnel expenses	(172,769)	(156,607)	(16,162)	10.3%
GROSS OPERATING INCOME	**136,943**	**118,969**	**17,974**	**15.1%**
% of sales	*15.0%*	*14.8%*		
Depreciation, amortisation and other write-downs	(48,253)	(39,426)	(8,827)	22.4%
NET OPERATING INCOME	**88,690**	**79,543**	**9,147**	**11.5%**
% of sales	*9.7%*	*9.9%*		
Net financial income (charges)	(9,909)	(9,360)	(549)	5.9%
Net financial income (charges) from investments	(2,249)	226	(2,475)	–1,095.1%
INCOME BEFORE TAXES	**76,532**	**70,409**	**6,123**	**8.7%**
% of sales	*8.4%*	*8.7%*		
Taxes	(14,852)	(26,210)	11,358	–43.3%
INCOME BEFORE MINORITY INTERESTS	**61,680**	**44,199**	**17,481**	**39.6%**
% of sales	*6.8%*	*5.5%*		
Minority interests	(830)	(1,254)	424	–33.8%
NET INCOME (LOSS) FOR THE YEAR	**60,850**	**42,945**	**17,905**	**41.7%**
% of sales	*6.7%*	*5.3%*		
Basic earnings per Share/diluted earnings per share (in euro)	**0.91**	**0.64**		

(1) This item derives from the sum of the following items carried in the income statement in accordance with the IAS layout: "Other revenues and income", "Costs for capitalised internal works", "Raw materials, consumables and goods" and "Other operating costs".

Net sales amounted to €911,885 thousand, with a sharp increase compared to 2006 (+13.1%). The acquisition of Hayes Lemmerz contributed approximately €8 million to the increase in total sales, which for car applications were almost totally made in the United States.
The Commercial Vehicle and Motorbike business units performed

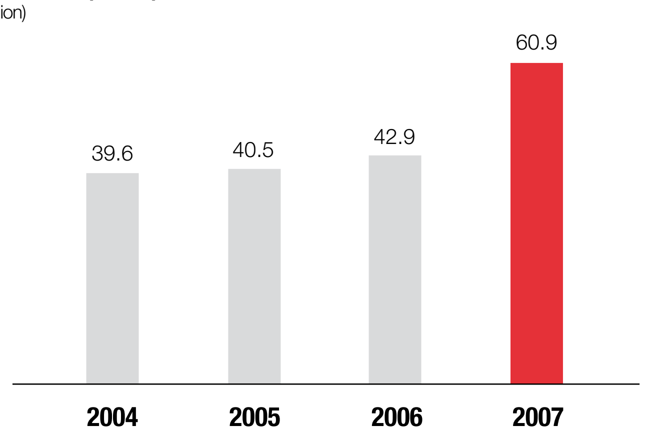
particularly well, the latter especially in the United States; also the other sectors followed an upward trend. The highest increase was recorded in Brazil, where the continuing trend of sharp growth has led to a 36.6% rise in sales, as well as in Asia and in the NAFTA countries.
Consolidated sales generated abroad accounted for 76.2% of total sales, with Germany and Italy representing 48.8% of total sales.

The cost of goods sold and other net operating costs totalled €602,173 thousand, with a 66% ratio to sales, against 65.8% of the previous year.
Development costs capitalised as intangible assets amounted to €12,496 thousand compared to €11,344 thousand in 2006.

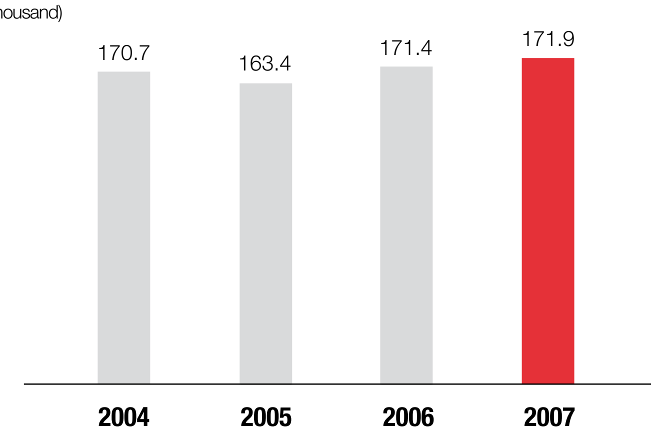
Personnel costs amounted to €172,769 thousand, with an 18.9% ratio to revenues, lower than the previous year. The measures introduced by the Group to improve efficiency, which have translated into growth in production and sales volumes, have neutralised the impact of the increased staff costs due to the enlarged workforce. It should also be noted that the major changes regarding employees' leaving entitlement, including the employee's right to decide on its allocation, apply from 1 January 2007. In detail, new employees' leaving entitlement flows may be allocated to the employee in the form of a chosen pension or kept with the company in which case the company pays the related contributions to a treasury account with Italy's social security institute (INPS).

This reform has altered the way in which Employees' leaving entitlement is treated. More specifically, severance indemnity accruing from 1 January 2007, for companies with more than 50 employees, may be included, in accordance with international accounting standards, in a defined contribution plan both in the case of the supplementary pension option and when the funds are allocated to the Treasury account with INPS. In accordance with the foregoing principles, severance indemnity accrued at 31 December 2006 maintains the status of a defined benefit plan, but excludes the component relating to future salary increases.
The recalculation of the employees' leaving entitlement to account for these changes resulted in a curtailment as defined by IAS 19 and the recognition of a €4,084 thousand gain in the income statement for 2007.

NET INCOME (LOSS) FOR THE YEAR
(euro million)



TURNOVER PER EMPLOYEE
(euro thousand)



At 31 December 2007, Brembo employed 5304 staff (4703 at 31 December 2006); 46% of the workforce worked at offices and companies abroad.

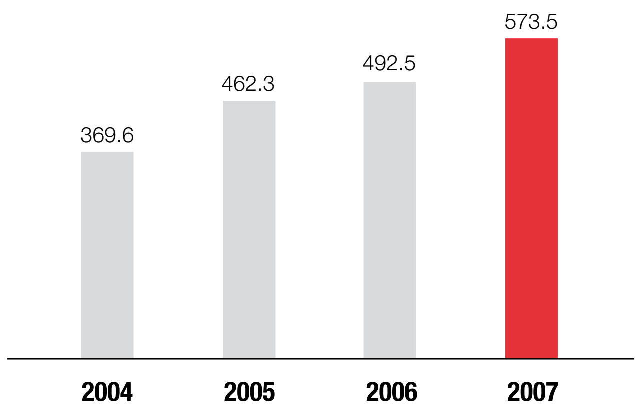
Gross operating income was €136,943 thousand (15% of sales) compared to €118,969 thousand in 2006 (14.8% of sales).

Net operating income amounted to €88,690 thousand, with depreciation and amortisation and other write-downs of €48,253 thousand, compared €79,543 thousand and €39,426 thousand, respectively in 2006. The increase in this item may be attributed primarily to the higher level of depreciation due to substantial investments in specific plant and machinery incurred over the last twelve months, development costs, and write-downs of costs incurred on leased properties.

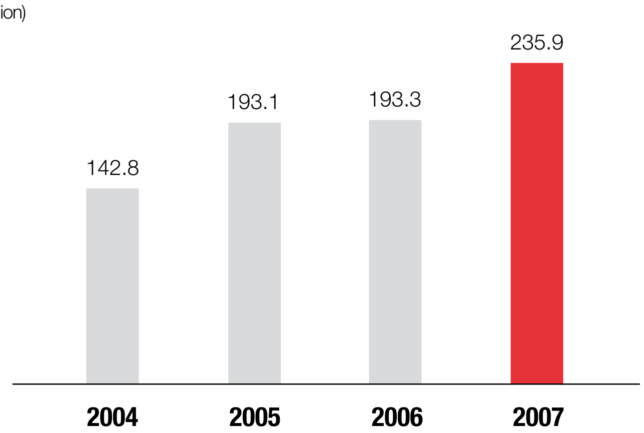
Net financial charges were €9,909 thousand (€9,360 thousand in 2006) and included an exchange rate gain of €1,208 thousand (compared to an exchange rate loss of €721 thousand in 2006) and net financial charges of €11,117 thousand (€8,639 thousand in 2006). Financial year 2006 benefited from the unwinding of a derivative instrument classified as held for trading.

The item "Net financial income (charges) from investments" includes the €2,500 thousand write-down of Fundimak S.A. de C.V., in which Brembo holds a 5.8% stake, to take account of the impairment losses recognised by Fundimak S.A. de C. in 2007 as per its preliminary results at 31 December 2007. In fact, the company's draft consolidated financial statements at the end of 2007 show a reduction in equity due mainly to the significant impairment of assets relating to a company controlled by Fundimak. According to the information received, this impairment derives from the major operating losses reported by the aforesaid subsidiary. Given the difficulties in obtaining the necessary forecasts and development plans from the Fundimak Group, which are necessary in order to make an analytical impairment test, Brembo decided to recognise a partial impairment of the related investment based on the above information and considering the general positive trends in the Mexican market and the segments in which the company operates.
Financial income and charges from investments included also Brembo's share of net income of the companies valued using the equity method: the Brembo Ceramic Brake Systems S.p.A. JV (50%), the Indian KBX Motorbike Products Private Ltd. JV (50%), the Chinese Company Nanjing Yuejin Automotive Brake System Co. Ltd. (27.75%), Softia S.r.l. (40%) and Petroceramics S.r.l. (20%).

NET INVESTED CAPITAL
(euro million)



NET FINANCIAL INDEBTEDNESS
(euro million)



Income before taxes amounted to €76,532 thousand, or 8.4% of sales, compared to €70,409 thousand in 2006, which represented 8.7% of sales.

Current taxes were estimated based on expected tax rates for the year by current applicable regulations. Deferred taxes were estimated based on the rates envisaged at the time they are recognised.

The overall figure for taxes amounted to €14,852 thousand (€26,210 thousand in 2006). As a percent of income, taxes decreased considerably compared to 2006, driven in particular by the change in the allocation of taxable income between countries. In further detail, the consolidated subsidiary Brembo Poland Spolka Zo.o. is based in a "special economic zone" and is entitled to deduct 50% of its investments from any current taxes due through 2016.

At year-end the company revised its estimate of the recoverability of these tax breaks. Furnished with a more in-depth understanding of its own final results and development plans and greater clarity as to its continuing eligibility for tax breaks in Poland, even after the country joined the European Union, the company recognised tax assets associated with these tax breaks in an amount equal to the credit that may be employed within a period of three financial years.

Also the Group's Italian companies showed a decrease in prepaid and deferred taxes under the provisions of the 2008 Financial Law concerning the reduction of tax rates and the revision of the method of calculation of taxable income.

The net effect of the rate change amounted to €3,458 thousand.

Total net income for the year amounted to €60,850 thousand, net of minority interests totalling €830 thousand, or 6.7% of net sales. Compared to 2006, net income increased by 41.7%, thanks to the combined effect of the various factors mentioned above.

Capital and Financial Position

(euro thousand)	31.12.2007	31.12.2006	Change
Property, plant and equipment	336,454	295,142	41,312
Intangible assets	73,920	47,230	26,690
Net financial assets	24,155	19,245	4,910
(a) Total intangible assets, property, plant and equipment	*434,529*	*361,617*	*72,912*
			20.2%
Inventories	166,059	146,618	19,441
Trade receivables	196,610	182,647	13,963
Other receivables and current assets	37,526	32,116	5,410
Current liabilities	(235,543)	(205,383)	(30,160)
Provisions for contingencies and charges / deferred taxes	(25,670)	(25,098)	(572)
(b) Net working capital	*138,982*	*130,900*	*8,082*
			6.2%
(c) NET INVESTED CAPITAL (a)+(b)	**573,511**	**492,517**	**80,994**
			16.4%
(d) Equity	*314,075*	*270,564*	*43,511*
(e) Employees' leaving entitlement and other funds for personnel	*23,551*	*28,663*	*(5,112)*
Medium/long-term net financial indebtedness	122,414	103,026	19,388
Short-term net financial indebtedness	113,471	90,264	23,207
(f) Net financial indebtedness	*235,885*	*193,290*	*42,595.0*
			22.0%
(g) COVERAGE (d)+(e)+(f)	**573,511**	**492,517**	**80,994**
			16.4%

The Group's balance sheet reflects reclassifications of consolidated accounting statements, as described in the following pages.

In detail:

- Property, plant and equipment also include "Non-current assets held for sale";
- Net financial assets include the following items: "Shareholdings valued using the equity method", "Other financial assets" (less derivatives amounting to €872 thousand and reclassified in medium- and long-term financial debt), "Receivables and other non-current assets", "Deferred tax assets", "Financial current assets and derivatives" (less derivatives amounting to €692 thousand, which were reclassified under short-term financial debt), and "Other non-current liabilities";
- Current liabilities are made up of "Trade payables", "Tax payables" and "Other current liabilities";
- Net financial debt includes current and non-current payables to banks and other financial liabilities, net of cash and cash equivalents and derivative assets and liabilities.

Net invested capital at 31 December 2007 amounted to €573,510 thousand, compared to €492,517 thousand at 31 December 2006. The amount increased by €80,993 thousand compared to 31 December 2006.

Net indebtedness rose from €193,290 thousand at 31 December 2006 to €235,885 thousand at 31 December 2007. This increase was chiefly due to loans contracted to acquire the two foreign subsidiaries of Hayes Lemmerz in the fourth quarter of 2007.
Of the Group's investments, which amounted to a total of €81,466 thousand in plant, machinery and equipment, and €35,432 thousand in intangible assets, €34,852 thousand were due to the acquisition of the Hayes Lemmerz companies.
The other investments were made mainly in Italy, with the aim of continuing implementing the actions aimed at bringing production capacity into line with the level of demand, and the Polish subsidiaries, as already indicated in the "Investments" heading.
Several Italian properties scheduled for disposal in the first few months of 2008 were reclassified among assets held for sale.

The Notes to the Consolidated Financial Statements provide detailed information on the financial position and specifically its asset and liability items, as well as any loans disbursed to Group companies during the year.

Cash Flow Statement

(euro thousand)	31.12.2007	31.12.2006
Cash and cash equivalents at beginning of year	**(71,788)**	**(55,087)**
Consolidated net income for the year before taxes	**76,532**	**70,409**
Depreciation, amortisation/Impairment losses	48,253	39,426
Gains/Losses from disposal of fixed assets	(2,162)	(3,081)
Write-ups/Write-downs of shareholdings	2,253	(226)
Financial portion of provisions for payables for personnel	620	749
Long-term provisions for employee benefits	(2,649)	5,628
Other provisions net of utilisations	1,437	3,040
Net working capital generated by operations	**124,284**	**115,945**
Paid current taxes	(31,304)	(16,447)
Uses of long-term provisions for employee benefits	(3,067)	(4,962)
(Increase) / reduction in current assets:		
inventories	(19,005)	(4,592)
financial assets	23	11,066
trade receivables and receivables from other Group companies	(14,443)	(28,909)
receivables from others and other assets	1,287	2,567
Increase / (reduction) in current liabilities:		
trade payables and payables to other Group companies	25,067	10,258
payables to others and other liabilities	4,605	2,294
Translation differences on current assets	1,007	(2,164)
Net cash flow from / (for) operating activities	**88,454**	**85,056**
Investments in:		
intangible assets	(20,076)	(14,415)
property, plant and equipment	(61,970)	(69,732)
financial fixed assets - shareholdings	0	(7,164)
Hayes Lemmerz intangible assets	(15,356)	0
Hayes Lemmerz property, plant and equipment	(19,496)	0
Cost price for disposal, or reimbursement value of fixed assets	5,764	16,875
Net cash flow from / (for) investing activities	**(111,134)**	**(74,436)**
Dividends paid in the year	(16,028)	(14,025)
Acquisition of own shares	(3,512)	0
Loans and financing granted by banks and other financial institutions in the year	36,237	9,239
Repayment of long-term loans	(17,540)	(22,535)
Net cash flow from / (for) financing activities	**(843)**	**(27,321)**
Total cash flow	**(23,523)**	**(16,701)**
Cash and cash equivalents at end of year	**(95,311)**	**(71,788)**

PERFORMANCE OF BREMBO GROUP COMPANIES

The following figures were taken from the accounting and/or financial statements prepared by the companies in accordance with IAS/IFRS:

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 2007 financial year closed with sales of goods and services amounting to €603,049 thousand, up 5.5% compared to the €571,357 thousand in 2006.
Gross operating income went from €71,323 thousand in 2006 to €71,090 thousand in 2007, whereas net operating income, after depreciation and amortisation amounting to €29,587 thousand, was €41,503 thousand compared to €47,191 thousand for the previous year.
With reference to financial activities, net financial charges amounted to €8,292 thousand, compared to €6,485 thousand for 2006. The change was mainly due to the higher borrowings related to the significant investments made during the year. The 2007 financial year also benefited from the positive effect of the unwinding of a financial instrument held for trading.
Income from investments amounted to €7,418 thousand, mainly including dividends distributed by the subsidiary AP Racing Ltd.
The sum of €12,393 thousand was allocated for income tax, for the expected amounts for IRES (corporate income tax) and IRAP (Regional Business Tax), and a ratio of 30.5% to pre-tax income. In 2006 the amount allocated was €20,458 thousand, with a ratio of 50.3%.
Net income amounted to €28,236 thousand, a 39.5% increase from the figure of €20,248 thousand in 2006.
At 31 December 2007, the workforce numbered 2,852, up by 4.7% compared to the 2,723 at 31 December 2006.

Companies Consolidated on a Line-by-Line Basis

AP RACING LTD.

COVENTRY (UNITED KINGDOM)

Activities: production and sale of braking systems and clutches for 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 high-tech products throughout the world for the main Formula 1, GT, Touring and Rally teams. It also produces and sells original equipment brakes and clutches for prestige car manufacturers.
Net sales in 2007 amounted to GBP 28,188 thousand (€41,183 thousand), compared to GBP 28,115 thousand (€41,236 thousand) at 31 December 2006. In 2007, the company reported net income of GBP 3,473 thousand (€5,075 thousand), slightly higher than the GBP 3,425 thousand in 2006 (€5,023 thousand).
At 31 December 2007, the workforce numbered 125, 1 less than at the end of 2006.

BREMBO CHINA BRAKE SYSTEMS CO. LTD.

BEIJING (CHINA)

Activities: production and sale of brake discs for cars.

The company operates in the industrial area of Beijing. It was formed in 2005 and is owned by Brembo S.p.A. with a 60% stake

and, with a 40% stake, by Simest, a public-private merchant bank that promotes the internationalisation of Italian companies.
Net sales at 31 December 2007 amounted to CNY 111,482 thousand (€10,700 thousand), compared to CNY 4,749 thousand (€474 thousand) in 2006. The loss for the year at 31 December 2007 amounted to CNY 9,881 thousand (€948 thousand), down approximately 63% compared to a loss of CNY 26,635 thousand (€2,661 thousand) in 2006.
At 31 December 2007 the workforce numbered 36, one less than at December 2006.

BREMBO DEUTSCHLAND GMBH
LEINFELDEN – ECHTERDINGEN (GERMANY)

Activities: purchase and resale of vehicles.

A wholly-owned subsidiary of Brembo S.p.A., the company was registered with the Stuttgart Business Register on 23 January 2007, and deals primarily with the purchase of cars for test purposes. At 31 December 2007 the company showed a net loss of €16 thousand.

BREMBO DO BRASIL LTDA.
BETIM (BRAZIL)

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

The company is headquartered in Betim, Minas Gerais, and is engaged in the promotion of the presence of Brembo in the South American original-equipment market for car braking systems.
Net sales for 2007 amounted to BRL 102,933 thousand (€38,627 thousand) and net income to BRL 4,729 thousand (€1,774 thousand). In 2006 sales amounted to BRL 79,406 thousand (€29,066 thousand) and net income was BRL 4,096 thousand (€1,499 thousand).
The workforce at 31 December 2007 numbered 219, 17 more than in the previous year.

BREMBO INTERNATIONAL S.A.
LUXEMBOURG (LUXEMBOURG)

Activities: holding company.

The company operates as a development holding aimed at fostering financial activity and trademark diffusion. It holds the majority of the Brembo Group's stakes in foreign companies.
A wholly-owned subsidiary of Brembo S.p.A., the company closed 2007 with net income of €4,363 thousand, mainly as a result of dividends received from Brembo Spolka Zo.o. and Brembo Scandinavia AB.

BREMBO JAPAN CO. LTD.
TOKYO (JAPAN)

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

Brembo Japan Co. Ltd. is Brembo's commercial company that handles the Japanese racing market. Through the Tokyo office it also provides primary technical support to OEM customers in the area. It also renders services to the other companies in the Brembo Group operating in Japan.
Net sales for 2007 amounted to JPY 917,062 thousand (€5,688 thousand), up about 31.8% compared to the figure of JPY 695,913 thousand (€4,765 thousand) in 2006, thanks to positive

performance of racing products and high performance kits. Net income increased by 76.3% from the JPY 23,802 thousand (€163 thousand) in 2006 to JPY 41,971 thousand (€260 thousand) in 2007.
At 31 December 2007 the workforce numbered 18, three employees more that at 31 December 2006.

BREMBO NORTH AMERICA INC.
COSTA MESA (USA)

Activities: sale of brake discs for the aftermarket and of braking systems for the racing sector.

Headquartered in Costa Mesa, California, Brembo North America Inc. operates in the US. It sells brake discs for the car aftermarket, high-performance braking systems for racing cars and motorbikes (in the operative offices of Moresville), and high-performance kits for car applications dedicated to customers seeking greater safety and higher performance. The company is backed by technical staff from Brembo S.p.A. and the Detroit offices, engaged in the development and supply of new solutions in terms of materials and design.
Net sales for 2007 amounted to USD 31,105 thousand (€22,692 thousand), a decrease of 12.8% compared to the previous year, when net sales totalled USD 35,653 thousand (€28,394 thousand).
The net result at 31 December 2007 showed a loss of USD 974 thousand (€711 thousand) compared to USD 559 thousand (€445 thousand) in 2006.
The workforce numbered 54 at year-end, 2 less than at 31 December 2006.

BREMBO NORTH AMERICA HOMER INC.
WILMINGTON (USA)

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

The company, wholly owned by Brembo North America Inc., produces and sells brake discs and drums for the North American car and light commercial vehicle market. The products are manufactured for the main carmakers and a number of component manufacturers operating in the United States. The company operates through its Homer and Northville sites in the state of Michigan.
This company became part of the Brembo Group on 9 November 2007 following Brembo North America Inc.'s acquisition of the Brake Division of Hayes Lemmerz International Inc.
Net sales included in the consolidation area totalled USD 7,907 thousand (€5,768 thousand), resulting in a loss of USD 202 thousand (€147 thousand).
The workforce numbered 126 at 31 December 2007.

BREMBO MEXICO APODACA S.A. DE C.V. (formerly Hayes Lemmerz International Frenos S.A. de C.V.)
APODACA NUEVO LEÓN (MEXICO)

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

The company became part of the Brembo Group on 9 November 2007 following the acquisition of the Brake Division of Hayes Lemmerz International Inc. by Brembo North America Inc., which holds a 100% stake. It assumed the new name of Brembo Mexico Apodaca S.A. de C.V. on 17 January 2008.

The company manages a production plant that employed 106 staff at 31 December 2007. The company's revenues included within the consolidation area amounted to USD 3,202 thousand (€2,336 thousand) with a loss of USD 178 thousand (€130 thousand).

BREMBO PARTICIPATIONS B.V.
AMSTERDAM (THE NETHERLANDS)

Activities: originally a financial holding company, this concern is currently in liquidation.

Wholly owned by Brembo International S.A., Brembo Participations B.V. ended 2007 with a loss of €29 thousand, compared to the €1,036 thousand loss of 2006. Liquidation procedures were initiated for the company in January 2006 and are expected to be completed in the first half of 2008.

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

Activities: design, production, and sale of components and accessories for both road and racing cars and vehicles.

At 31 December 2007, the company was wholly held by Brembo S.p.A.
Under agreements for the creation of a joint venture with Sabelt S.p.A., Brembo S.p.A.'s High Performance Kit business line was transferred to the company on 1 February 2008. The same agreements also provide for 100% of the shares of Sabelt S.p.A., Brembo Performance North America Inc. and Brembo Performance Japan Co. Ltd. to be transferred to Brembo Performance S.p.A. during 2008. The joint venture agreement initially envisages an equal shareholding after which Brembo S.p.A. will take a majority stake (70%) in the first quarter of 2008.
The company will operate in the production and sale of passive safety components (seat belts, seats, protective race apparel, child safety systems) and special car and motorbike accessories.
At 31 December 2007 the company recorded a loss of €13 thousand compared to the loss of €5 thousand recorded in 2006.

BREMBO PERFORMANCE JAPAN CO. LTD.
TOKYO (JAPAN)

Activities: production and sale of components and accessories for both road and racing cars and motorcycles.

Wholly held by Brembo Japan Co. Ltd., the company was formed on 6 November 2007 to handle activities connected with performance conversions of cars and motorbikes in Japan and Asia.
Under the joint venture agreements with Sabelt S.p.A., the company will be transferred to the control of Brembo Performance S.p.A.

BREMBO PERFORMANCE NORTH AMERICA INC.
DOVER (USA)

Activities: design and sale of components and accessories for both road and racing cars and motorcycles.

Wholly held by Brembo S.p.A., the company was formed on 10 October 2007. Its operating offices are in Costa Mesa, California.
As mentioned above, as part of the joint venture agreements with Sabelt S.p.A., the company will be transferred to Brembo Performance S.p.A.

BREMBO POLAND SPOLKA ZO.O.

DABROWA GÓRNIZCA (POLAND)

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

The company has a foundry, fully operational since July 2006, for the production of cast-iron discs destined for use in its own production plant or by other Group companies.
Net sales for 2007 amounted to PLN 401,618 thousand (€106,160 thousand), compared to PLN 306,013 thousand (€78,563 thousand) in 2006.
The company's growth, in excess of 30%, is chiefly due to increases in the production and sale of discs for the original equipment market.
Net income at 31 December 2007 was PLN 77,943 thousand (€20,603 thousand), reflecting a significant increase on the PLN 24,204 thousand (€6,214 thousand) of 2006.
The workforce numbered 844 at year-end, compared to 676 at 31 December 2006.

BREMBO RASSINI S.A. DE C.V.

PUEBLA (MEXICO)

Activities: production and sale of brake discs for cars.

The company, held by Brembo (76%) and the Mexican Group Sanluis (24%), manufactures and distributes original equipment and aftermarket brake discs for cars.
The original equipment customers are European and Japanese carmakers with plants in North America; aftermarket products are largely distributed (through Brembo North America Inc.) on the US imported cars and Sports Utility Vehicles (SUVs) markets.
The plant is located in Puebla, an industrial town about 100 kilometres south of Mexico City.
Net sales for 2007 amounted to MXN 628,127 (€41,931 thousand), up 6.9% compared to the MXN 587,510 thousand (€42,900 thousand) of 2006.
Net income at 31 December 2007 was MXN 39,178 thousand (€2,615 thousand), decreasing by 16.1% compared to the MXN 46,715 thousand (€3,411 thousand) in 2006, due to an unfavourable sales mix.
The workforce at 31 December 2007 was 236, compared to 287 in 2006.

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 automotive sector, destined exclusively for the aftermarket.
Net sales for 2007 amounted to SEK 6,001 thousand (€649 thousand), compared to SEK 4,700 thousand (€508 thousand) in 2006, reflecting an increase of 27.7%.
Net income for 2007 increased to SEK 2,156 thousand (€233 thousand) from SEK 951 thousand (€103 thousand) in 2006.
There was 1 employee on the payroll at 31 December 2007, unchanged from 2006.

BREMBO SPOLKA ZO.O.
CZESTOCHOWA (POLAND)

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

The plant, located in Czestochowa, produces brake discs and braking systems for the original equipment of commercial vehicles.
Net sales of the company for 2007 totalled PLN 389,996 thousand (€103,088 thousand), increasing sharply compared to the PLN 306,071 thousand (€78,578 thousand) of 2006.
Net income improved from PLN 44,867 thousand (€11,519 thousand) in 2006 to PLN 49,456 thousand (€13,073 thousand) in 2007.
At the end of the year the company workforce numbered 512, up from the total of 409 recorded at 31 December 2006.

BREMBO UK LTD.
LONDON (UNITED KINGDOM)

Activities: sale of brake discs for the aftermarket.

The company sells aftermarket discs in the UK.
Net sales increased from GBP 1,750 thousand (€2,567 thousand) at 31 December 2006 to GBP 1,200 thousand (€1,753 thousand) at 31 December 2007, reflecting a 31.4% downturn, although net income was recorded at GBP 37 thousand (€54 thousand) compared to a net loss of GBP 42 thousand (€62 thousand) in 2006.
There were two people on the payroll at 31 December 2007, this figure being unchanged compared to 2006.

CORPORACIÓN UPWARDS 98 S.A.
ZARAGOZA (SPAIN)

Activities: production and sale of brake discs and drums for cars.

Net sales for 2007 were €37,224 thousand, compared to €34,297 thousand for 2006. Net income amounted to €872 thousand, down compared to the figure of €1,449 thousand in 2006. During the year the company acquired a line of business that sells brake shoe kits and other aftermarket components in Spain. The line of business includes the Villar brand, the customer portfolio, a warehouse, and 22 employees.
The workforce at 31 December 2007 was 161 compared to 154 at 31 December 2006.

MARCHESINI S.p.A.
JERAGO CON ORAGO (ITALY)

Activities: design and sale of lightweight alloy wheels for motorbikes.

The company has an important position in the design, production, and marketing of lightweight alloy wheels for road and racing motorbikes.
Net sales for 2007 totalled €4,941 thousand, compared to €4,737 thousand in 2006.
Net income for 2007 amounted to €158 thousand, compared to €74 thousand in the prior year.
The workforce at 31 December 2007 numbered 11, three less than at the end of 2006.

Companies Valued Using the Equity Method

BREMBO CERAMIC BRAKE SYSTEMS S.P.A.
STEZZANO (ITALY)

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

The company was formed as a joint-venture held in equal stakes by Brembo and the German Daimler AG Group, in January 2004. The company designs, develops and sells original equipment ceramic carbon discs for use on very high performance cars and carries out research and development of new materials and new applications.

Net sales at 31 December 2007 amounted to €15,112 thousand, with net income of €300 thousand; in 2006 net sales were €12,562 thousand while net income totalled €290 thousand. The higher sales volumes and the improvement in production costs achieved in 2007 due to fine tuning of the process were not however sufficient to compensate for the negative impact of price trends on results, which, although positive, do not fully reflect the company's true potential.

The workforce at 31 December 2007 numbered 82, up from the figure of 59 at 31 December 2006.

KBX MOTORBIKE PRODUCTS PVT. LTD.
PUNE (INDIA)

Activities: production and sale of braking systems for motorbikes.

The joint-venture is based in Pune, India, and is held in equal stakes by Brembo S.p.A. and the Indian company Bosch Chassis Systems India Ltd. In 2007 the company generated net sales of INR 825,097 thousand (€14,582 thousand), with a net income for the year of INR 21,534 thousand (€381 thousand).

In 2006 net sales amounted to INR 484,282 thousand (€8,512 thousand), with a net income of INR 157 thousand (€3 thousand).

The workforce at 31 December 2007 numbered two. The company has entered a service agreement with Bosch Chassis Systems India Ltd.

NANJING YUEJIN AUTOMOTIVE BRAKE SYSTEM CO. LTD.
NANJING (CHINA)

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

The company, resulting from the joint-venture between Brembo S.p.A and the Chinese Group Nanjing Automobile Corp., was incorporated in 2001.

Net sales at 31 December 2007 amounted to CNY 101,536 thousand (€9,745 thousand) resulting in an operating loss of CNY 7,531 thousand (€723 thousand).

In 2006, net sales amounted to CNY 99,942 thousand (€9,985 thousand), with a net income of CNY 3,079 thousand (€308 thousand). The improvement in net income was mainly due to more efficient management of the industrial structure.

PETROCERAMICS S.R.L.
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 November 2006.
Net sales for the first half of 2007 amounted to €945 thousand with net income of €276 thousand. The 2006 financial year closed with sales of €746 thousand and net income of €67 thousand.

SOFTIA S.R.L.
ERBUSCO (ITALY)

Activities: Internet-oriented information technology management.

The company is 40%-owned by Brembo and operates in the sector of information technology. It develops software products for effective communication between ERP software environments and the Internet.
In 2007 net income amounted to €84 thousand compared to €106 thousand in 2006.

Other Group Companies

FUNDIMAK S.A. DE C.V.
PUEBLA (MEXICO)

Activities: production and sale of brake discs.

Brembo International S.A. holds 5.8% of Fundimak S.A. de C.V., a subsidiary of the Mexican Group Sanluis.
Fundimak S.A. de C.V., through the subsidiary Rassini Frenos, has a cast-iron foundry in Puebla that supplies unfinished discs to Brembo Rassini S.A. de C.V.
Further information is available in the section entitled "Brembo's Consolidated Performance".

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

Activities: sale of products for racing cars and motorbikes.

International Sport Automobile S.a.r.l. is 10% held by Brembo International S.A. The company is engaged in the distribution of products for cars and motorbikes in the racing sector on the French market.

RELATIONS WITH RELATED PARTIES

Detailed information on the company's relations with related parties is provided in a special section of the Explanatory Notes to the Consolidated Financial Statements (Note 31). During the year under review no atypical or unusual transactions were carried out with related parties. Furthermore, commercial transactions with related parties other than the Group companies were of insignificant value and were anyway conducted at arm's length conditions.

Buy-back Plan for Brembo S.p.A. Shares

As part of its plan to buy back own shares, in 2007 the company purchased 380,000 shares of Brembo S.p.A. at a weighted average price of €9.24 per share. The transaction was aimed at stabilising the market value of the stock in the interest of all shareholders.

In January, February and March 2008 an additional 253,000 own shares of Brembo S.p.A. were purchased for a weighted average price of €8.89 per share.

On 26 March 2008, the company held a total of 633,000 own shares representing 0.95% of share capital.

Three-Year Incentive Plan

On 24 March 2006, the Board of Directors approved the 2006-2007-2008 three-year Incentive Plan for the Executive Directors and top management of Brembo S.p.A. and its subsidiaries. The goal of the plan is to promote and encourage the attainment of increasingly ambitious performance objectives, also in excess of forecast results.

The plan is addressed to around 38 individuals chosen from among those who are best placed to impact on the Group's performance. Results obtained in each of the financial years (2006, 2007 and 2008) covered under the plan will be evaluated during the period of reference (1 January 2006 - 31 December 2008), culminating in an assessment of performance throughout the period as a whole. The procedures for benefiting from the incentive are set forth in the specific regulations.

The performance indicators identified are sales and operating free cash flow.

Brembo's overall financial commitment under the three-year plan is estimated at about €7,000 thousand assuming the most ambitious targets are met.

On 28 April 2006, the General Shareholders' Meeting approved the incentive plan exclusively in relation to the part applicable to the Chairman of Brembo S.p.A.

Reconciliation Statement of Parent Company's Equity/Net Income With Consolidated Equity/Net Income

The reconciliation of equity and net income for the year, as listed in the Parent Company's financial statements, and the equity and net income for the year, recognised in the Consolidated Financial Statements, reveals that Group equity at 31 December 2007 was €118,389 thousand higher than the figure given in the Brembo S.p.A. Financial Statements. Consolidated income for the year totalling €60,850 thousand is €32,614 thousand higher than that of Brembo S.p.A.

(euro thousand)	Net income 2007	Equity at 31.12.07	Net income 2006	Equity at 31.12.06
Brembo S.p.A.	**28,236**	**183,095**	**20,248**	**174,280**
Consolidation adjustments:				
Elimination of equity of consolidated companies	47,071	333,623	25,484	290,316
Variation in translation reserve	0	1,382	0	(2,113)
Elimination of intra-Group dividends	(11,536)	0	(281)	0
Book value of consolidated shareholdings	0	(192,179)	0	(182,337)
Valuation of shareholdings in associate companies using the equity method	247	(2,618)	224	(2,142)
Variation in translation reserve	0	(73)	0	(723)
Elimination of intra-Group income	454	(6,789)	(1,178)	(7,255)
Variation in translation reserve	0	(100)	0	12
Other consolidation adjustments	(2,792)	(2,266)	(298)	526
Equity and net income attributable to Minority interests	(830)	(13,250)	(1,254)	(13,084)
Variation in translation reserve pertaining to Minority interests	0	659	0	665
Total consolidation adjustments	**32,614**	**118,389**	**22,697**	**83,865**
GROUP CONSOLIDATED	**60,850**	**301,484**	**42,945**	**258,145**

SIGNIFICANT EVENTS AFTER 31 DECEMBER 2007

- On 4 February 2008, the company formalised its purchase of an additional, controlling stake in the Chinese company Nanjing Yuejin Automotive Brake System Co. Ltd., based in Nanjing. The deal was concluded by the subsidiary Brembo China Brake Systems Co. Ltd., which purchased a 42.25% stake from NAC (Nanjing Automobile Corp.) for approximately USD 5.9 million. The Brembo Group now directly and indirectly holds 70% of the China-based company NYABS. This further strengthening of Brembo's position on the Far East market will afford the company excellent growth prospects.
- In executing a letter of intent signed on 6 September 2007, on 19 February 2008 Brembo S.p.A. and Sabelt S.p.A. signed a joint venture agreement with the aim of integrating and developing their car and motorbike components and accessories businesses. Under the joint venture agreement, Brembo S.p.A.'s High Performance Kit business unit (braking systems for the car and motorbike upgrade market) and 100% of the shares of Sabelt S.p.A. (owned by Marsiaj and D'Ormea) were transferred to Brembo Performance S.p.A. As previously mentioned, as part of the transaction, 100% of the interests in Brembo Performance North America Inc. and Brembo Performance Japan Co. Ltd. (companies formed by the Group) will be transferred to Brembo Performance S.p.A., and these companies will sell their respective lines of business of the high performance kits. In accordance with the agreement, while the ownership of Brembo Performance S.p.A. was initially divided into equal parts, in March 2008, Brembo increased its ownership to 70% for a total consideration of €6 million. The amount was funded using available lines of credit.

FORESEEABLE EVOLUTION

Despite the uncertainty at a macroeconomic level, orders for the coming months indicate substantial growth in sales, which, thanks in part to recent acquisitions, are expected to exceed the €1 billion mark for the first time in the Group's history.
Upward pressure on raw material and energy costs remains very strong.

CORPORATE GOVERNANCE

Principles, Sources and Company Macrostructure

Principles

Brembo's System of Corporate Governance was implemented also in financial year 2007, fully complying with the provisions of the "Corporate Governance of Listed Companies" and the new requirements for companies listed on the STAR segment.
Brembo bases its conduct on rigorous principles, ethics, compliance with rules, responsibility and transparency. This provides a basis for the company's intangible capital, which consists of its brand, its reputation and the set of values shared by employees and collaborators that guides the actions of a socially responsible company.
With this objective, Brembo has implemented and significantly improved its Corporate Governance model, bringing it into line with the Corporate Governance of Borsa Italiana S.p.A. (March 2006 edition), highlighting ethical aspects and voluntarily adopting the principles of corporate social responsibility.

The Corporate Governance Report, which has been published in Brembo's website (www.brembo.com, in the Investor Relations section), was submitted to Borsa Italiana (the Italian Stock Exchange) within the terms established by law.

Sources

1) **Corporate Governance Manual** (which acknowledges the Code of Corporate Governance of Borsa Italiana S.p.A., March 2006 Edition) approved in its fifth edition by the Board of Directors on 26 March 2008 (the document is available for consultation on the website: www.brembo.com - Investor Relations section - Corporate Governance).

   The following documents are an integral part of Brembo's Corporate Governance Manual:

   a) **Brembo S.p.A.'s Corporate Governance Code** approved, in its most recent version, by the Board of Directors' resolution of 26 March 2008;
   b) **Rules for the Remuneration Committee,** approved by the Remuneration Committee on 27 April 2007;
   c) **Rules for the Audit Committee,** approved by the Board of Directors during the meeting held on 23 March 2007;
   d) **Instructions for the Management of Significant Transactions and Transactions in Conflict of Interest,** approved, in their most recent version, by resolution of the Board of Directors of 23 March 2007;

2) **Company By-laws,** approved in their current version by the Extraordinary Shareholders' Meeting on 27 April 2007 (available on the corporate website www.brembo.com, Corporate Governance section);
3) **Regulations of the Shareholders' Meetings,** approved by the Ordinary Shareholders' Meeting held on 3 May 2000;
4) **Procedure for Handling of Price-Sensitive Information and Disclosure of Documents and Information,** approved by the Board of Directors on 17 March 2005;
5) **Delegation of Powers of Brembo S.p.A.,** approved, in its most recent version, by the Board of Directors on 13 November 2007;
6) **Internal Dealing Procedure of Brembo S.p.A.,** approved, in its most recent version, by the Board of Directors on 24 March 2006 (available on the website www.brembo.com in the Corporate Governance section);
7) **Code of Ethics of Brembo S.p.A.,** approved by the Board of Directors on 11 November 2002, amended on 26 March 2008, and distributed to all Company employees;

8) **Guidelines for Information to the Market,** acknowledged by the Board of Directors on 11 November 2002;
9) **Legislative Decree No. 58 of 24 February 1998, or Finance Consolidation Law;**
10) **Regulations for the Implementation of Legislative Decree No. 58 of 24 February 1998, on regulations for issuers,** adopted by CONSOB with Resolution No. 11971 of 14 May 1999, as further amended and extended;
11) **Legislative Decree No. 303 of 29 December 2006,** amending Legislative Decree No. 262/2005 on "Provisions for the protection of savings and the regulation of financial markets";
12) **Law 62/2005** acknowledging EC directives on Market Abuse;
13) **Organisational, Management and Control Model** approved by the Board of Directors of 11 February 2005, supplemented by the resolution passed by the Board of Directors on 29 July 2005, 23 March 2007 and 26 March 2008;
14) **Procedures for setting up and updating the Register of Insiders,** approved on 24 March 2006 by the Board of Directors.

The above-mentioned documents are available at Brembo S.p.A. Legal & Corporate Department.
Any additional information can be requested from the Company's Investor Relations Office (ir@brembo.it).

Corporate Macrostructure

The Brembo macrostructure is outlined in the By-laws which, in 2004, acknowledged the changes deriving from the reform of corporate law and opted to maintain the so-called "Traditional Model". During the Extraordinary Shareholders' Meeting held on 27 April 2007, the By-laws were amended in order to bring them into line with the provisions introduced pursuant to Legislative Decree No. 303 of 29 December 2006, amending Legislative Decree No. 262 of 28 December 2005, with specific reference to the adoption of:

- a list-based mechanism for the appointment of the Board of Directors, in order to ensure the appointment of one Board member from minority lists;
- the procedures for the appointment of the Executive in charge of preparing the Company's accounting documents;
- a list-based mechanism for the appointment of one member of the Board of Auditors, in order to ensure the appointment of the Chairman of the Board of Auditors and of one member of the said Board from minority lists, as provided for by the regulatory reference framework.

In addition:

- at 31 December 2007, the number of company shares issued was 66,784,450, each with voting rights. The company Nuova FourB S.r.l. (with registered offices in Bergamo) holds 37,744,753 shares, corresponding to 56.52% of total Share Capital. However, also pursuant to Art. 2497-bis of the Italian Civil Code, this company plays no role in the management and coordination of Brembo S.p.A.;
- Brembo S.p.A. directs, coordinates, and controls its subsidiaries, as listed in the 2007 Report on Operations, either directly or through Brembo International S.A.;
- the company complies with the requirements pursuant to Art. 2497-bis of the Italian Civil Code;
- there are no syndicate agreements or other Shareholder agreements in existence;
- the Board of Directors holds exclusive responsibility for the extraordinary and ordinary operations of the Company, with the exception of the responsibilities that are reserved for the

Shareholders' Meeting, in accordance with Italian laws and the Company By-laws;

– Measures have been implemented to ensure the proper setting up and smooth functioning of Corporate Bodies, the Audit Committee and the Remuneration Committee, always in compliance with the recommendations of the Corporate Governance Code of Borsa Italiana S.p.A. (edition of 26 March 2006). A Nominations Committee has not been established, due to the fact that candidates for the office of Company Director are nominated by the Shareholders' Meeting, pursuant to Italian law and the Company By-laws.

Implementation of Corporate Governance

General Shareholders' Meeting

On 27 April 2007, the Shareholders' Meeting deliberated, in its ordinary session, on the Annual Financial statements of Brembo S.p.A. for the year ended 31 December 2006, the Directors' Report on Operations, the Statutory Auditors' Report and the Independent Auditors' Report; the examination of the Consolidated Financial Statements; the plan for the acquisition and disposal of own shares; the integration of the remuneration due in respect of the mandate conferred on the independent auditors following the extension of the consolidation area; and the renewal of the appointment of the independent auditors through to financial year 2012. In its extraordinary session, the Shareholders' Meeting resolved upon the amendment of the Company's By-laws, as already indicated above.

Relations with Shareholders and Institutional Investors

The company takes special care in monitoring relations with shareholders, institutional and private investors, financial analysts and the financial community in general, scrupulously respecting mutual roles and periodically organising meetings both in Italy and abroad.

In 2007, the company held more than 120 meetings with its institutional investors and financial analysts by participating in ten roadshows in Milan, London (two), Paris, Frankfurt, Zurich, Vienna, Madrid, Copenhagen and Helsinki.
Particular attention is also placed on private shareholders, who are mailed a quarterly newsletter containing the latest results and updates on the Group's performance.

Inside (or price-sensitive) information pertaining to Brembo is disclosed in strict compliance with the principles set forth in Borsa Italiana's Guidelines for Disclosures to the Market.
Specifically, in compliance with the procedure for handling reserved and price-sensitive information, the company undertakes to prepare a report for the financial community. This report is to be characterised by timeliness, continuity and consistency, and will comply with the principles of correctness, transparency, and equal access to information.
Any and all information of significance for shareholders is disclosed and made available for consultation in a specific section of the corporate website (www.brembo.com – Investor Relations section), in both Italian and English.

The Investor Relations office is entrusted to a structure set up and managed by Corrado Orsi, Chief Financial Officer of Brembo S.p.A. and Investor Relator (appointed by the Board of Directors

with resolution of 12 November 2004), who works in close collaboration with the Chairman.
The company's contact details for investors are: ir@brembo.it; tel. +39 035.6052145; fax +39 035.6052518.

Internal Dealing

Any and all transactions in financial instruments issued by the Company, effected directly or through third-party intermediaries, by so-called Insiders (i.e. persons who, by reason of their role within the company, are authorised to access inside information) or persons closely related thereto (so-called "Internal Dealing") must, at present, comply with the transparency requirements set forth by the Consolidated Finance Law (article 114) and the Rules for Issuers (articles 152-sexies et seq).
Brembo's Code of Conduct on Internal Dealing, in force since 2003, was updated in 2006 to comply with the new requirements.

In accordance with statutory provisions, all transactions effected by Insiders in shares issued by the company for an amount exceeding €5,000 must be disclosed to the market on an annual basis. Moreover, the aforesaid insiders are barred from performing any such transactions during 15-day black-out periods preceding Board of Directors' meetings called to approve interim and annual financial statements.
In 2007, one disclosure. which is available in unabridged form for consultation on the corporate website, was made pursuant to the aforesaid Code.

Board of Directors

The Board of Directors of Brembo S.p.A., appointed by the Shareholders' Meeting held on 29 April 2005 and in office until the Shareholders' Meeting approving the 2007 Financial Statements, is composed of 11 Directors.
In compliance with the new Corporate Governance Manual, the Board of Directors is composed of four executive Directors (Alberto Bombassei, Cristina Bombassei, Stefano Monetini, and Matteo Tiraboschi), four non-executive and independent Directors (Paolo Biancardi, Giancarlo Dallera, Giovanni Cavallini, and Giuseppe Roma) and three non-executive Directors (Giovanna Dossena, Andrea Gibellini, and Umberto Nicodano). All non-executive Directors and Directors who qualify as independent comply with the requirements set out by the Brembo S.p.A. Corporate Governance Manual and by Art. 148, paragraph 3 of Legislative Decree 58/98.

Bruno Saita is Secretary to the Board of Directors.

All the Directors meet the requirements of personal integrity, professionalism and respectability imposed by Italian laws and regulations.

In 2007, the Board of Directors met ten times at the company's registered offices and/or administrative offices. The company Directors were informed, before each Board Meeting, as envisaged by the By-laws, of all the items on the agenda by means of a detailed analytical report outlining the necessary elements (in descriptive and numerical terms) that allows the Directors to pass their resolutions on the basis of full knowledge of the matters in question.

Pursuant to Brembo's Corporate Governance Code, the following tables indicate the qualifications of Board members, the number of positions held by individual Board Members in other companies and the dates of the Board meetings held during the year, together with the related attendance rates.

Name	Non-executive	Independent	Executive	Other offices
Bombassei Alberto Chairman			x	5
Biancardi Paolo	x	x		3
Bombassei Cristina			x	1
Cavallini Giovanni	x	x		3
Dallera Giancarlo	x	x		3
Dossena Giovanna	x			3
Gibellini Andrea	x			1
Monetini Stefano			x	0
Nicodano Umberto	x			6
Roma Giuseppe	x	x		3
Tiraboschi Matteo			x	5

Meetings of the Board of Directors - 2007

Date of meeting	% of attendance
14. 02. 2007	72%
23. 03. 2007	90%
27. 04. 2007	90%
14. 05. 2007	90%
31. 07. 2007	90%
27. 09. 2007	90%
07. 11. 2007	63%
13. 11. 2007	90%
18. 12. 2007	100%

In addition to the functions attributed to it by law and by the Company By-laws, the Board of Directors is also responsible for the functions envisaged by the Brembo Corporate Governance Manual. Thus, it is specifically responsible for analysing and sharing annual budgets and strategic plans.
The Directors' remuneration was changed in 2007, pursuant to the Shareholders' resolution of 28 April 2006 establishing the overall emoluments due to the Board, which were subsequently distributed amongst Board members pursuant to Board resolution of 23 March 2007.

In 2007, a Board Performance Evaluation was carried out by the Lead Independent Director, Giancarlo Dallera, on the basis of assessment questionnaires, individual interviews and final Board overview of the results and assessments as required under Brembo's Corporate Governance Code.

Chairman of the Board of Directors and Managing Director

On 28 April 2006, the Board of Directors confirmed the appointment of Alberto Bombassei as Chairman of Brembo S.p.A. through to the end of the term of the entire Board. The Chairman is the company's legal representative.

On 28 April 2006, the Board of Directors also appointed Stefano Monetini as Managing Director of the company through to the end of the term of the entire Board. He is also the Company's legal representative within the powers granted to him by the Board of Directors.

Both the Chairman and the Managing Director have carried out their tasks and functions properly. Delegated bodies and persons report to the Board of Directors on their activities, on a quarterly basis.

Delegation of Powers

On 28 April 2006, the Board of Directors granted the Chairman and Managing Director the specific powers listed below.
The Board vested the Chairman, Alberto Bombassei, with broad powers in respect of strategic orientation, the proposal and drawing up of guidelines for international expansion, and the Group's financial and restructuring policies. During the year the Board also vested the Chairman with specific powers to dispose of real estate and implement specific M&A transactions, and business development projects culminating in the acquisition of undertakings operating in Brembo's core business sector.
In accordance with guidelines issued by the Chairman, the Managing Director, Stefano Monetini, who also retains his post as General Manager, is vested with responsibilities for the implementation and management of corporate policy in respect of Business Units, the Divisions, all group companies and the management of the human resources supporting operations.
Therefore, the Board of Directors retains the power to decide, among other issues, on the purchase and sale of investments in other companies (M&As), the granting of guarantees to third parties by Brembo S.p.A., and responsibilities regarding annual budgets and strategic plans.
The General Manager, the Business Unit Directors and other Central Directors are granted limited powers for ordinary administration in relation to the performance of their respective offices.
Information regarding the exercise of the powers delegated by the Board of Directors, on an ad hoc basis, to the Chairman, the Managing Director and other Board members for the implementation of specific projects, was submitted before the Board of Directors during the meetings of 14 February 2007, 14 May 2007, 31 July 2007 and 13 November 2007.

Significant Transactions and Transactions Involving Conflicts of Interest

The Corporate Governance Manual of 23 March 2007 contains amendments to the instructions for the management of transactions with related parties effected by the company, with a view to bringing the same into line with the provisions of Article 150 of Legislative Decree No. 58/98. It further sets forth procedures for the Board of Directors to make written and oral reports to the Board of Statutory Auditors, with the prior opinion of the Audit Committee, in respect of all inter-company transactions and transactions with parties other than related parties, that are significant or entail a potential conflict of interest. All Group companies follow the procedures for the disclosure, management and analysis of transactions with related parties.
Reports on significant transactions and transactions involving conflicts of interest were made at the Board meetings of 14 February 2007, 14 May 2007, 31 July 2007 and 13 November 2007. Due to their purpose and nature, such transactions were not considered to be outside of the company's normal course of business; furthermore, they did not present any critical issues and were within the range of market values for similar transactions.
During the Board of Directors' Meetings held on 31 July 2007 and 7 November 2007, information was provided in relation to two transactions for which prior approval had been received.

Audit Committee and Internal Control System

In 2007, the Audit Committee, made up of non-executive and mainly independent Board members, continued its activities as before. The only change consisted in the composition of the Board, as the Committee Chairman Giuseppe Roma and original member Giovanna Dossena were joined, through to March 2007, by the Director Andrea Gibellini, who was subsequently replaced by the Director Giovanni Cavallini, in turn, replaced, on a permanent basis, by the Director Giancarlo Dallera who was appointed to the Committee by Board resolution of 14 May 2007.

In 2007 the Audit Committee held five meetings (on 6 February 2007, 5 March 2007, 8 May 2007, 17 July 2007, and 6 November 2007). During these meetings, Internal Audit activities were analysed and the correctness of procedures, the efficiency of corporate transactions, the reliability of financial information, observance of the law and regulations, the protection of corporate assets and the information relating to significant transactions or transactions involving conflicts of interest were monitored. The Chairman of the Board of Statutory Auditors, Sergio Mazzoleni, participated in these meetings, either directly or by proxy.

The Chairman of the Audit Committee met directly with the Internal Audit office on several occasions to address specific issues pertaining to the improvement of the structure of internal controls.

The Managing Director and the Board of Directors were duly informed of the results of the activities of the Audit Committee through the joint reports submitted by the Committee Chairman, Giuseppe Roma, and by the Chairman of the Supervisory Committee, Giovanna Dossena, during the Board of Directors' Meetings of 23 March 2007 and 13 November 2007.

In June 2007 the Internal Audit office, which had already adopted all the recommendations set forth in the Corporate Governance Code, was restructured to be even more finely tuned to the strategies established through Brembo's Control System, especially with the appointment of a new department reporting directly to the Chairman Alberto Bombassei.

The activities undertaken have continued to be oriented towards risk prevention, the determination of direct action to be taken to eliminate anomalies and irregularities and to support the company in the pursuit of pre-set operating targets.

In detail, activities focused on the following aspects:

Savings Law No. 262/05: completion of the implementation phase. In 2007, the company approved the procedure drawn up by the Executive in charge of preparing the company's accounting documents which fully consolidated the attestation process for the Company's accounting documents, and as of February 2007, tests have been carried out to validate key audits and checks identified during the mapping of administrative processes and the drawing up of related procedures/instructions.

Test results confirm that the current key audits and checks are appropriate for the aforesaid processes. In any event, following the conclusion of testing, the Internal Audit office promptly submitted all the recommendations and areas for improvement that emerged at the end of the implementation phase to the Executive in charge of preparing the company's accounting documents and the Compliance Officer.

Audit Activities: the annual audit plan includes audit activities based on risk assessments, using the Control Risk Self Assessment method, organisational audits of all Group companies, audits of compliance with law 262/05 and Legislative Decree 231/01, carried out on behalf of the Supervisory Committee, operating audits on specific areas of activity and ethics audits on the basis of specific reports received.

In this specific context, the activities carried out in 2007 were largely in line with the pre-established programme.

The Internal Audit office provided further support to company management in respect of the aspects pertaining to their specific departments, within the framework of corporate governance projects involving all the company areas.

Legislative Decree No. 231/01 as further amended and extended

Pursuant to Article 6 of Legislative Decree 231/2001 and in compliance with Confindustria's Guidelines, in 2007, efforts continued to endow Brembo with an effective Organisational, Management and Control system aimed at protecting the company from liability for the offences mentioned in the said Legislative Decree No. 231/2001.

In detail, the following activities were carried out:

- The new "Reporting Procedure" was issued in September 2007, with a view to setting up a suitable information pipeline through which top management, employees and all other Brembo stakeholders could report breaches of the Organisational, Management and Control Model and the Code of Ethics to the Supervisory Committee;
- Training and updating sessions were carried out for the managers in charge of the Organisational, Management and Control Model within Group companies, in respect of new offences, individual responsibilities for internal controls, the main contents of the Code of Ethics and the Control and Management Model of Brembo S.p.A.

The specific activities entrusted to the Supervisory Committee (appointed by Board of Directors' resolution on 30 July 2004 and subsequently modified by Board resolution of 23 March 2007), were regularly undertaken in accordance with applicable regulations. More specifically:

- On 26 March 2008, the Board extended the Model to take account of the new offences to be added to those already contemplated under Legislative Decree No. 231;
- The Supervisory Committee also instructed Internal Audit to carry out specific control and audit tasks on the critical areas identified in the Model.

The Supervisory Committee met five times during 2007 (on 6 February 2007 – 5 March 2007 – 8 May 2007 – 17 July 2007 – 6 November 2007), with the attendance of the Chairman of the Board of Statutory Auditors, Sergio Mazzoleni, at all meetings, either directly or by proxy.

During the year no violations of laws subject to the penalties provided for in Legislative Decree 231/2001 were reported.

Appropriateness of the Internal Control and Risk Management System

In the reports dated 23 March 2007 and 13 November 2007, the Chairman of the Audit Committee asserted that risk containment activities must be systematically carried out in respect of the various areas of business operations. Implementation is also underway within foreign group companies. The parent company imparts concrete guidelines to all investee companies in respect of the streamlining of procedures and the reliability of processes. The Internal Audit Office also aims at ensuring that control and compliance objectives are shared within each operating sector, with a view to constantly improving efficiency and transparency in individual behaviour.

Remuneration Committee

The Remuneration Committee, reappointed with a resolution passed by the Board of Directors on 29 April 2005, was composed, up to 23 March 2007, of non-executive and independent Directors Paolo Biancardi and Giancarlo Dallera and non-executive Director Umberto Nicodano (Chairman); from 23 March 2007 to 14 May 2007 it was composed of non-executive and independent Directors Giancarlo Dallera and Giovanni Cavallini and non-executive Director Umberto Nicodano (Chairman); as of 14 May 2007 it has been composed of non-executive and independent Directors

Paolo Biancardi and Giovanni Cavallini and non-executive Director Umberto Nicodano (Chairman). The Remuneration Committee held 2 meetings during the year on 13 February 2007 and 23 March 2007.

Independent Directors' Meetings

The first meeting of Independent Directors was held on 13 November 2007, in accordance with the Brembo Corporate Governance Manual. The following issues were addressed at the meeting: i) role and functioning of the meetings of Independent Directors; (ii) assessment of the activities and functioning of the Board of Directors; (iii) assessment of the need for a Board Performance Evaluation.

Board of Statutory Auditors

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of 29 April 2005; it consists of the following members: Sergio Mazzoleni (Chairman), Enrico Cervellera (Statutory Auditor), Andrea Puppo (Statutory Auditor), Giuseppe Marangi (Alternate Auditor), Mario Tagliaferri (Alternate Auditor). All of them comply with statutory and regulating requirements.
In 2007 the Board of Auditors held four meetings and participated in all meetings of the Board of Directors.

Privacy

In accordance with the "Personal Data Protection Code", as per Legislative Decree 196 of 30 June 2003, Brembo S.p.A. has drafted and updated the prescribed "Security Planning Document" and has implemented all the measures prescribed therein. These measures were extended also to its subsidiaries with registered offices in Italy.

More in detail, the company planned and carried out the necessary initiatives at the organisational, technical, and training levels.
In compliance with the provisions of the Rules for Issuers, data pertaining to trading in own shares by the members of administrative and control bodies in 2007 are provided below:

	Shares at 31.12.2006	Shares purchased	Shares sold	Shares at 31.12.2007	Ownership position	Ownership method
Alberto Bombassei	0	0	0	0	N/a	N/a
Alberto Bombassei (Nuova FourB)	37,744,753	0	0	37,744,753	F	I
Paolo Biancardi	0	0	0	0	N/a	N/a
Cristina Bombassei	5,320	0	0	5,320	F	D
Giovanni Cavallini	0	0	0	0	N/a	N/a
Giancarlo Dallera	8,000	0	0	8,000	F	D
Giovanna Dossena	0	0	0	0	N/a	N/a
Andrea Gibellini	0	0	0	0	N/a	N/a
Stefano Monetini	0	0	0	0	N/a	N/a
Umberto Nicodano	0	0	0	0	N/a	N/a
Giuseppe Roma	0	0	0	0	N/a	N/a
Matteo Tiraboschi	0	0	0	0	N/a	N/a
Board of Statutory Auditors						
Sergio Mazzoleni	0	0	0	0	N/a	N/a
Enrico Cervellera	0	0	0	0	N/a	N/a
Andrea Puppo	0	0	0	0	N/a	N/a

Legend: D = direct control
I = indirect control (through third parties, subsidiaries or trustees)
F = full ownership
N/a = not applicable

for the Board of Directors
The Chairman
(signed Alberto Bombassei)

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

To conclude the separate Financial Statements of Brembo S.p.A. for the year ended 31 December 2007, based also on the examination of our Report and the Explanatory Notes to the Financial Statements in which we have outlined strategic lines and performance, we submit for your approval our proposal for distributing the entire net income amounting to €28,235,853, as follows:

- €4,763,683 to the reserve established under Article 6, paragraph 2 of Italian Legislative Decree 38/2005;
- a gross dividend to the shareholders of €0.28 per ordinary share outstanding at ex-coupon date, consequently excluding own shares;
- the balance to the extraordinary reserve.

It is also proposed that dividends should be paid as of 8 May 2008.

Curno, 26 March 2008

BOARD OF DIRECTORS

Alberto Bombassei	*Chairman*
Stefano Monetini	*Managing Director*
Paolo Biancardi	*Director*
Cristina Bombassei	*Director*
Giovanni Cavallini	*Director*
Giancarlo Dallera	*Director*
Giovanna Dossena	*Director*
Andrea Gibellini	*Director*
Umberto Nicodano	*Director*
Giuseppe Roma	*Director*
Matteo Tiraboschi	*Director*

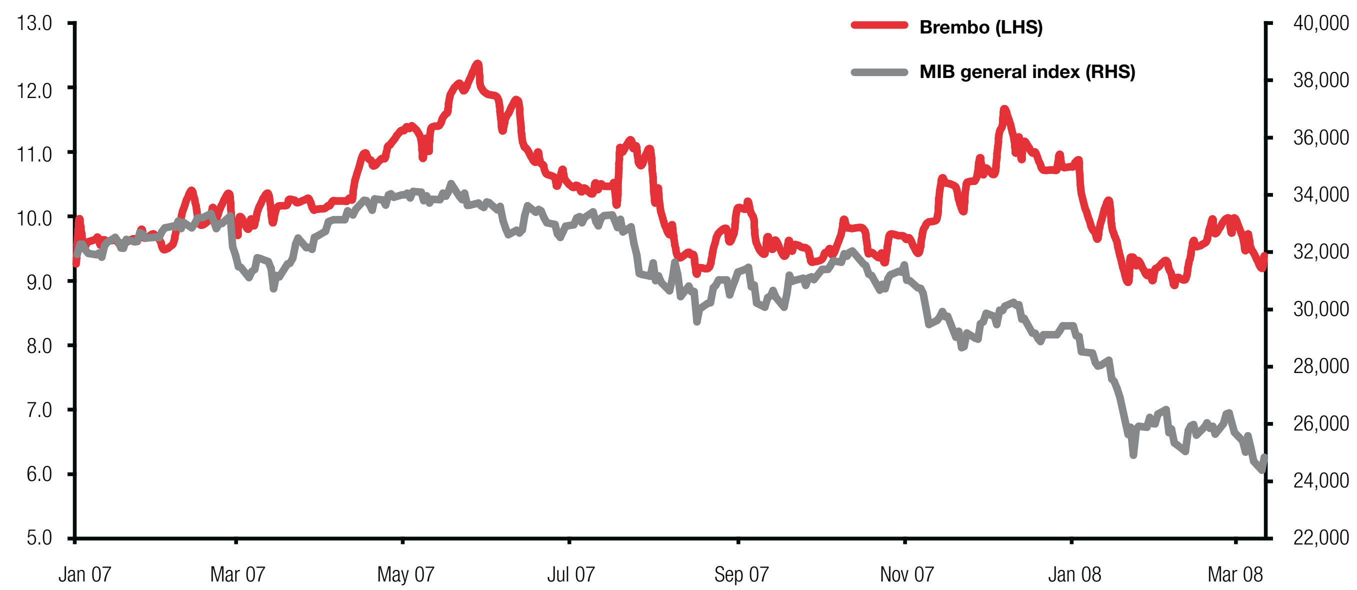
BREMBO S.P.A. STOCK PERFORMANCE

In a year characterised by extreme stock market volatility and, starting in the summer, the US subprime crisis, Brembo's stock ended the year up 16.3%, significantly outperforming the rest of the market (MIBTEL index –7.8%).

The stock performed particularly well from January to the end of May 2007, gaining 30%, while Italy's MIBTEL index gained only 7%.

At the end of February 2007, following the fall of Chinese indexes and instability in most emerging economies, international markets suffered the first downturn of the year: in line with other European indexes, the MIBTEL index fell by almost 6.3% in two weeks. In contrast, Brembo's stock proceeded with its positive trend, increasing from €9.9 in January to a record annual high of €12.35 on May 28, closely following movements of the Bloomberg Europe Auto Parts & Equipment Index. Also the MIBTEL index

Brembo performance relative to Mib General Index



Source: Thomson Financial Datastream

peaked at the end of May, before declining throughout the rest of 2007 and closing the year significantly lower than the other European indexes.

In August, Brembo's stock hit its low for the year (€9.1), 1.6% below the opening price, while MIBTEL fell 4.1% in the same period.

Boosted by announcements of extraordinary transactions and positive third quarter results, Brembo's stock recovered, rising from its low point in August to €11.64 on 7 December 2007.

In the first months of 2008, with financial markets still struggling due to the subprime crisis and the increasingly challenging situation caused by soaring prices of raw materials, Brembo's stock lost 12.5% while MIBTEL fell by 15.6%.

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

	31.12.2007	31.12.2006
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	66,784,450	66,784,450
Equity (excluding net income for the year) (euro)	154,859,301	154,032,648
Net income for the year (euro)	28,235,853	20,247,788
Net Earnings per Share (euro)	0.422	0.303
Trading price (euro)		
Minimum	9.10	6.12
Maximum	12.36	9.27
Year end	10.76	9.25
Stock Exchange capitalisation (euro million)		
Minimum	608	407
Maximum	825	626
Year end	719	617
Gross dividend per share(*)	0.28 (*)	0.24

(*) To be approved by the General Shareholders' Meeting convened on 29 April 2008.

The five main shareholders of Brembo S.p.A at 26 March 2008 were:

	% ownership
Nuova FourB Srl	56.52%
JP Morgan Asset Management (UK) Ltd	2.02%
Powe Capital Management Llp	2.00%
Threadneedle Asset Management Hdl Ltd	1.93%
UBS AG	1.17%

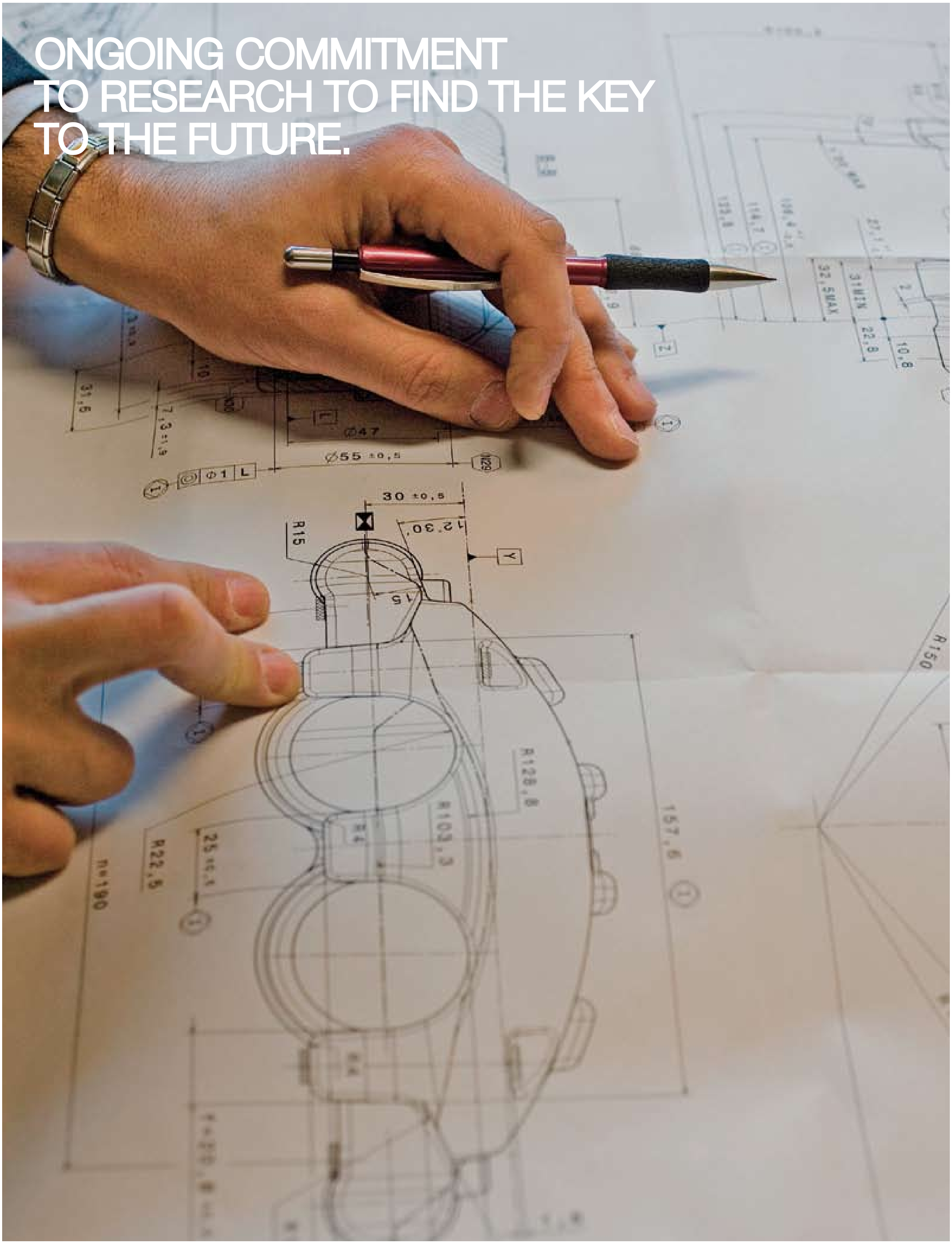
Brembo S.p.A. is not subject to direction and coordination by any companies or entities (such as the majority shareholder Nuova FourB S.r.l.) pursuant to Article 2497 of the Italian Civil Code.

Further information and updates regarding stock performance and recent corporate information are provided on Brembo's website at: www.brembo.com, section: Investor Relations.

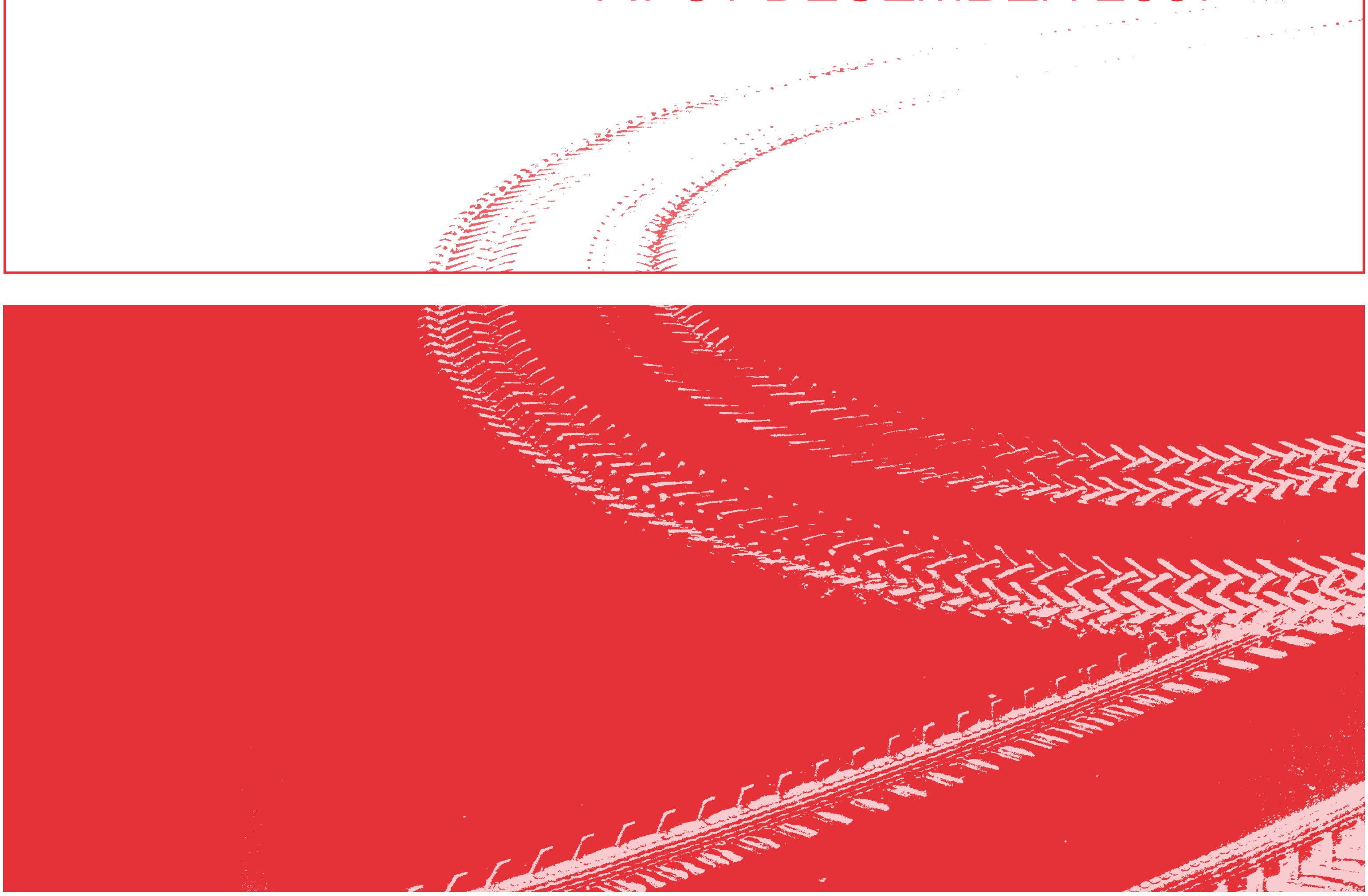
Investor Relator: Corrado Orsi.

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

ONGOING COMMITMENT TO RESEARCH TO FIND THE KEY TO THE FUTURE.



CONSOLIDATED
FINANCIAL STATEMENTS
AT 31 DECEMBER 2007



BREMBO: CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

Consolidated Balance Sheet at 31 December 2007

Assets

(euro thousand)	Notes	31.12.2007	31.12.2006	Change
NON-CURRENT ASSETS				
Property, plant, equipment and other equipment	1	327,970	294,748	33,222
Development costs	2	33,055	25,288	7,767
Goodwill and other undefined useful life assets	2	30,482	15,458	15,024
Other intangible assets	2	10,383	6,484	3,899
Shareholdings valued using the equity method	3	15,374	15,200	174
Other financial assets (investments in other companies and derivatives)	4	2,915	5,646	(2,731)
Receivables and non-current assets	5	738	1,318	(580)
Deferred tax assets	6	14,250	7,194	7,056
TOTAL NON-CURRENT ASSETS		**435,167**	**371,336**	**63,831**
CURRENT ASSETS				
Inventories	7	166,059	146,618	19,441
Trade receivables	8	196,610	182,647	13,963
Other receivables and current assets	9	37,526	32,116	5,410
Financial current assets and derivatives	10	777	491	286
Cash and cash equivalents	11	53,524	40,708	12,816
TOTAL CURRENT ASSETS		**454,496**	**402,580**	**51,916**
NON-CURRENT ASSETS HELD FOR SALE AND/OR DISPOSAL GROUPS AND/OR DISCONTINUED OPERATIONS	1	**8,484**	**394**	**8,090**
TOTAL ASSETS		**898,147**	**774,310**	**123,837**

Equity and liabilities

(euro thousand)	Notes	31.12.2007	31.12.2006	Change
GROUP EQUITY				
Share capital	12	34,728	34,728	0
Other reserves	12	120,025	107,612	12,413
Retained earnings/ (losses)	12	85,881	72,860	13,021
Profit / (loss) for the year	12	60,850	42,945	17,905
TOTAL GROUP EQUITY		**301,484**	**258,145**	**43,339**
MINORITY INTERESTS		**12,591**	**12,419**	**172**
TOTAL EQUITY		**314,075**	**270,564**	**43,511**
NON-CURRENT LIABILITIES				
Non-current payables to banks	13	38,498	30,919	7,579
Other non-current financial payables and derivatives	13	84,788	73,215	11,573
Other non-current liabilities	14	8,335	9,081	(746)
Reserves for non-current contingencies and charges	15	3,096	5,033	(1,937)
Provisions for employee benefits	16	23,551	28,663	(5,112)
Deferred tax liabilities	6	22,574	20,065	2,509
TOTAL NON-CURRENT LIABILITIES		**180,842**	**166,976**	**13,866**
CURRENT LIABILITIES				
Current payables to banks	13	161,033	127,070	33,963
Other current financial payables and derivatives	13	6,654	4,317	2,337
Trade payables	17	186,120	161,052	25,068
Tax payables	18	2,439	7,450	(5,011)
Other current payables	19	46,984	36,881	10,103
TOTAL CURRENT LIABILITIES		**403,230**	**336,770**	**66,460**
TOTAL EQUITY AND LIABILITIES		**898,147**	**774,310**	**123,837**

Consolidated Operating Results at 31 December 2007

(euro thousand)	Notes	31.12.2007	31.12.2006	Change
Sales of goods and services	20	**911,885**	**805,986**	**105,899**
Other revenues and income	21	12,729	10,835	1,894
Costs for capitalised internal works	22	12,499	11,344	1,155
Raw materials, consumables and goods	23	(449,856)	(396,831)	(53,025)
Other operating costs	24	(177,545)	(155,758)	(21,787)
Personnel expenses	25	(172,769)	(156,607)	(16,162)
GROSS OPERATING INCOME		**136,943**	**118,969**	**17,974**
Depreciation, amortisation and impairment losses	26	(48,253)	(39,426)	(8,827)
NET OPERATING INCOME		**88,690**	**79,543**	**9,147**
Net financial income (charges)	27	(9,909)	(9,360)	(549)
Net financial income (charges) from investments	28	(2,249)	226	(2,475)
INCOME BEFORE TAXES		**76,532**	**70,409**	**6,123**
Taxes	29	(14,852)	(26,210)	11,358
INCOME BEFORE MINORITY INTERESTS		**61,680**	**44,199**	**17,481**
Minority interests		(830)	(1,254)	424
GROUP INCOME FOR THE YEAR		**60,850**	**42,945**	**17,905**
BASIC/DILUTED EARNINGS PER SHARE	30	**0.91**	**0.64**	

Consolidated Cash-Flow Statement for the Year Ended 31 December 2007

(euro thousand)	31.12.2007	31.12.2006
Cash and cash equivalents at beginning of year	**(71,788)**	**(55,087)**
Consolidated net income for the year before taxes	**76,532**	**70,409**
Depreciation, amortisation/Impairment losses	48,253	39,426
Gains/Losses from disposal of fixed assets	(2,162)	(3,081)
Write-ups/Write-downs of shareholdings	2,253	(224)
Financial portion of provisions for payables to personnel	620	749
Long-term provisions for employee benefits	(2,649)	5,628
Other provisions net of utilisations	1,437	3,038
Net working capital generated by operations	**124,284**	**115,945**
Paid current taxes	(31,304)	(16,447)
Uses of long-term provisions for employee benefits	(3,067)	(4,962)
(Increase) reduction in current assets:		
inventories	(19,005)	(4,592)
financial assets	23	11,066
trade receivables and receivables from other Group companies	(14,443)	(28,909)
receivables from others and other assets	1,287	2,567
Increase (reduction) in current liabilities:		
trade payables and payables to other Group companies	25,067	10,258
payables to others and other liabilities	4,605	2,294
Translation differences on current assets	1,007	(2,164)
Net cash flows from / (for) operating activities	**88,454**	**85,056**
Investments in:		
intangible assets	(20,076)	(14,415)
property, plant and equipment	(61,970)	(69,732)
financial fixed assets – shareholdings	0	(7,164)
Hayes Lemmerz intangible assets	(15,356)	0
Hayes Lemmerz property, plant and equipment	(19,496)	0
Price for disposal, or reimbursement value of fixed assets	5,764	16,875
Net cash flows from / (for) investing activities	**(111,134)**	**(74,436)**
Dividends paid in the year	(16,028)	(14,025)
Acquisition of own shares	(3,512)	0
Loans and financing granted by banks and other financial institutions in the year	36,237	9,239
Repayment of long-term loans	(17,540)	(22,535)
Net cash flows from (for) financing activities	**(843)**	**(27,321)**
Total cash flows	**(23,523)**	**(16,701)**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**(95,311)**	**(71,788)**

Statement of Changes in Consolidated Equity

(euro thousand)	Share capital	Other reserves	Retained earnings	Hedging reserve
Balance at 1 January 2006	**34,728**	**115,168**	**39,831**	**(1)**
Allocation of profit for the previous year		188	32,092	
Payment of dividends		(5,794)		
Change in reserves from application of IAS 39				1,153
Change in translation adjustment reserve		(2,159)		
Merger of FOMM S.p.A.		208	(208)	
Rounding off		1	(7)	
Net income (loss) for the year				
Balance at 31 December 2006	**34,728**	**107,612**	**71,708**	**1,152**
Allocation of profit for the previous year		4,219	22,698	
Payment of dividends				
Reclassification of Brembo S.p.A.'s FTA reserve		9,738	(9,738)	
Change in reserves from application of IAS 39				60
Acquisition of own shares		(3,512)		
Change in translation adjustment reserve		1,969		
Net income (loss) for the year				
Balance at 31 December 2007	**34,728**	**120,025**	**84,669**	**1,212**

Hedging reserves are net of the related tax effect.

Profit for the year	Group equity	Profit of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
40,511	**230,237**	**1,378**	**10,448**	**11,826**	**242,063**
(32,280)	**0**	(1,378)	1,378	**0**	**0**
(8,231)	**(14,025)**			**0**	**(14,025)**
	1,153		4	**4**	**1,157**
	(2,159)		(665)	**(665)**	**(2,824)**
	0			**0**	**0**
	(6)			**0**	**(6)**
42,945	**42,945**	1,254		**1,254**	**44,199**
42,945	**258,145**	**1,254**	**11,165**	**12,419**	**270,564**
(26,917)	**0**	(1,254)	1,254	**0**	**0**
(16,028)	**(16,028)**			**0**	**(16,028)**
	0			**0**	**0**
	60		1	**1**	**61**
	(3,512)			**0**	**(3,512)**
	1,969		(659)	**(659)**	**1,310**
60,850	**60,850**	830		**830**	**61,680**
60,850	**301,484**	**830**	**11,761**	**12,591**	**314,075**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2007

Brembo's Activities

In the vehicle industry components sector, the Brembo Group is active in the research, design, production, assembly and sale of disc braking systems, wheels and light alloy and metal casting, in addition to mechanical processes in general.
The extensive product range consists of high-performance brake callipers, brake discs, wheel-side modules, complete braking systems and integrated engineering services. All of these complement 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.
Production currently takes place in Italy, Spain, Poland, the United Kingdom, the United States, Mexico, Brazil, China and India. Products are also marketed through companies located in Japan, Sweden, the United States and the United Kingdom.

Form and Content of the Consolidated Financial Statements

Introduction

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2007 were prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2007, 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 Financial Statements comprise the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement and these Notes, which include a list of the main accounting standards adopted and other explanatory notes, in accordance with the requirements of IFRS. The Consolidated Financial Statements include the Financial Statements of the Parent Company, Brembo S.p.A., at 31 December 2007, and the Financial Statements of the companies controlled by Brembo S.p.A. pursuant to IFRS (IAS 27).

Basis of Preparation and Presentation

The Consolidated Financial Statements were prepared on the basis of financial statements and accounts for the year ended 31 December 2007, drafted 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 principles.
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, results and cash flow, based on the following general assumptions: going concern, accrual accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting and comparative information.
Preparing financial statements in compliance with the applicable accounting standards requires management to make estimates that may have a significant effect on the items reported in the accounts. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances and given the information available at the reporting date. Actual results may differ from these estimates. Estimates and associated assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which such estimates are revised. Decisions made by company management that have a significant impact on the financial statements and estimates, with a significant risk of material adjustments to the book value of assets and liabilities in the next accounting period, are discussed in the notes to the individual financial statement entries. Estimates are mainly used in reporting provisions for contingencies, inventory obsolescence, depreciation and amortisation, write-downs of assets, employee benefits, taxes and other provisions and in determining the fair value of derivatives and the useful life of certain fixed assets.
With specific reference to financial year 2007, estimates were applied to measure the assets and liabilities acquired through business combination transactions.
The fair value of financial instruments traded in active markets is based on price quotations at the reporting date. The fair value of financial instruments that are not traded in active markets (such as derivative contracts) is determined using specific valuation techniques. Specifically, as indicated below, the fair value of Interest Rate Swaps (IRS) is determined using the discounted cash flow technique, and the fair value of forward foreign exchange contracts is determined by reference to projected forward exchange rate curves applicable to such financial instruments.

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

- for the Balance Sheet, there is separate disclosure of current and non-current assets, assets held for sale and 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 Income Statement, expense and income items are stated based on their nature;
- for the Cash Flow Statement, the indirect method was used, as indicated in IAS 7.

The administrative period and the closing date for preparing the Consolidated Financial Statements correspond to the ones for the financial statements of the Parent Company and all the consolidated subsidiaries, i.e. from 1 January to 31 December.

The Consolidated Financial Statements are presented in euros, which are the functional currency of the Parent Company, Brembo S.p.A., and all amounts are rounded to the nearest thousand unless otherwise indicated.
The financial statements presented herein comply with CONSOB resolution No. 15519 of 27 July 2006.

Changes in Accounting Standards

The IASB and IFRIC approved several amendments to the IAS/IFRS, applicable for the first time as of 1 January 2007. The main amendments concern:

- IFRS 7 (Financial Instruments: Disclosures) and related amendments to IAS 1 (Presentation of Financial Statements: Capital Disclosures), effective as of 1 January 2007. IFRS 7 introduces additional disclosures required on financial instruments; it replaces IAS 30 – Disclosures on the Financial Statements of Banks and Similar Financial Institutions and certain requirements of IAS 32 (Financial Instruments: Presentation in Financial Statements and Supplementary Information). IFRS 7, therefore, was fully applied and the related information requested is contained in these Notes.
- IFRIC 7 (Applying the Restatement Approach under IAS 29), effective for financial statements for financial periods beginning on or after 1 March 2006: it defines standards for companies operating in hyperinflation economies; it does not currently apply to the Group.
- IFRIC 8 (Scope of IFRS 2), effective for financial statements for periods beginning on or after 1 May 2006; the interpretation specifies the accounting treatment of particular situations, such as share based payments; it does not currently apply to the Group.
- IFRIC 9 (Reassessment of Embedded Derivatives), effective for financial statements for financial periods beginning on or after 1 June 2006. It does not currently affect the Group.
- IFRIC 10 (Interim Financial Reporting and Impairment), effective for financial statements for financial periods beginning on or after 1 November 2006: it explains some aspects of the recognition and reversal of impairment losses on goodwill and certain types of financial assets.
  In addition to the above, the following amendments to standards and interpretations were issued. However, these were not effective for 2007 and the Group opted not to early adopt them.
- IFRIC 11 - IFRS2 (Group and Treasury Share Transactions), effective for the financial periods beginning as of 2008. It explains how to apply IFRS 2 (Share-based Payment) to relevant agreements involving an entity's own equity instruments or equity instruments of an entity in the same group (e.g. equity instruments of its parent company); it does not currently apply to the Group.
- IFRS 8 (Operating Segment), mandatory for financial statements for financial periods beginning on or after 1 January 2009: this standard replaces IAS 14 (Segment Reporting), and introduces the "management approach" to reporting on the performance of each operating segment. The information on the company's

operating segments shall be reported based on what management uses internally to make decisions about operating matters.

Consolidation Criteria

Subsidiary companies

Subsidiaries are companies in which the Group has the power to govern, either directly or indirectly, the administrative and operating decisions and obtain the related benefits. Generally, the Group is presumed to have control when it acquires, directly or indirectly, more than 50% of a company's voting rights, also considering potential rights that are immediately exercisable or convertible.
Controlled entities are consolidated on a line-by-line basis in the consolidated accounts from the date control begins until the date control is transferred outside the Group. The carrying value of subsidiaries is eliminated against the Group's share of Equity in those companies, less income for the period. Minority interests in Equity and income for the year of consolidated companies are classified under "Minority Interests" in the Balance Sheet and in the Income Statement.

Associate companies

Associated companies are entities in which the Group exercises a significant influence on the administrative and operating decisions but does not have the power to control. Generally, the Group is presumed to have a considerable influence when it acquires, directly or indirectly, from 20% to 50% of the company's voting rights.
Equity investments in associate companies are accounted for using the Equity method. Based on this method, equity investments are initially stated at cost and then adjusted to reflect changes in the Group's share of Equity in the associated company. The Group's share of associated companies' income is recorded separately in the Income Statement from the date significant influence commences until the date significant influence ceases.

Joint ventures

Joint ventures are entities in which the Group exercises joint control over the economic activities based on a contractual agreement. Joint control exists when the strategic, financial and operating decisions of an entity require the unanimous consent of the parties exercising control.
Investments in joint ventures are accounted for using the Equity method and are included in the consolidated accounts from the date joint control begins until joint control ceases.

Business Combinations

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 potential liabilities.
The cost of a business combination, identified as the fair value at the date control is assumed of the assets acquired, liabilities assumed and equity instruments issued, including any directly attributable costs, is therefore recognised as the fair value at the acquisition date of the assets, liabilities and contingent liabilities that can be identified at acquisition. Any excess of cost of the acquisition over the Group's share of the fair value of the identifiable assets, liabilities and potential liabilities at acquisition are recognised as goodwill. Any negative differences are charged directly to the Income Statement. If the initial cost of a business combination can only be determined on a provisional basis, adjustments to the 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 is completed in multiple phases with subsequent purchases of shares, each transaction is treated separately using the cost of the transaction and fair value information on the assets, liabilities and potential liabilities at the date of each transaction to determine the amount of any differences.
When control of an entity is obtained through a subsequent acquisition, the previously held share is revalued based on the fair value of the identifiable assets, liabilities and potential liabilities determined at the date of the subsequent acquisition; the entry associated with such revaluation is recorded under the Group's Equity.

Intragroup Transactions

All balances and transactions among consolidated companies, including unrealised income, are eliminated. Unrealised losses on intragroup transactions are eliminated unless they indicate an impairment of the asset transferred.
Unrealised gains and losses on transactions with associate companies or joint ventures are eliminated in proportion to the Group's interest in such entities.

Conversion of the Financial Statements of Foreign Companies

The financial statements of the Group Companies included in the Consolidated Financial Statements are denominated in the currency used in the primary market in which they operate (functional currency). The Group Consolidated Financial Statements are denominated in euro, which is the functional currency of the Parent Company Brembo S.p.A.
At year end, the assets and liabilities of subsidiaries, associate companies and joint ventures whose functional

currency is not the euro are translated into the currency used to prepare the consolidated Group accounts at the exchange rate prevailing at that date. Income Statement 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 separate 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 item of Equity. If consolidated foreign companies are subsequently sold, accumulated conversion differences (at the transition date) are reported on the Income Statement.

Goodwill and adjustments to fair value from the acquisition of a foreign operation are treated as assets and liabilities of the acquired company.

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

Euro against other currencies	31.12.2007	Average 2007	31.12.2006	Average 2006
US Dollar	0.679302	0.729518	0.759301	0.796391
Japanese Yen	0.006063	0.006202	0.006372	0.006847
Swedish Krona	0.105915	0.108089	0.110615	0.108069
Polish Zloty	0.278280	0.264332	0.261028	0.256731
Mexican Peso	0.062287	0.066755	0.069961	0.073021
Pound Sterling	1.363605	1.461008	1.489203	1.466685
Brazil Real	0.383027	0.375267	0.355451	0.366044
Indian Rupee	0.017235	0.017673	0.017153	0.017577
Chinese Renminbi	0.093002	0.095978	0.097283	0.099912

Consolidation Area

The list of consolidated subsidiaries and associate companies and joint ventures that are accounted for using the Equity method, along with information regarding their registered offices and the percentage of capital held, is included in Attachments 3 and 4. The consolidation area changed compared to 31 December 2006 as a result of the following events:

- as mentioned above, Brembo Performance North America Inc. was formed on 10 October 2007, under the direct control of Brembo S.p.A., and Brembo Performance Japan Co Ltd was set up on 6 November 2007, wholly-owned by Brembo Japan Co. Ltd. Both companies specialise in the design, manufacture and sale of components and accessories for road and racing cars and other motor vehicles. As set out in the joint venture agreement with Sabelt S.p.A., the companies will be transferred under the control of Brembo Performance S.p.A.;

- on 9 November 2007, the Brembo Group signed an agreement to acquire the Brake Division of the US company Hayes Lemmerz. The newly acquired business is a leader in machining of brake discs for the most important North American car manufacturers and several component producers. The transaction was carried out by subsidiary Brembo North America Inc., which acquired 100% of two subsidiaries of Hayes Lemmerz, one based in Homer (Michigan, USA) and the other in Apodaca (Mexico). The names of the companies were changed to Brembo North America Homer, Inc. and Brembo Mexico Apodaca S.A. de C.V., respectively.
  Brembo S.p.A. subscribed the capital increase of Brembo North America Inc. for USD 32 million, thus acquiring a 94.68% stake in the company.

Further information on the above-mentioned companies is provided in the Report on Operations.

Accounting Principles and Valuation Criteria

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 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 at that date. Exchange differences arising from such translation are recognised in the Income Statement.
Non-monetary assets and liabilities denominated in currencies other than the functional currency that are carried at cost are translated using the exchange rate at the transaction date, while those carried at fair value are converted 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, with the exception of financial charges and exchange differences.
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 recorded 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 balance sheet as increases to the assets in question or as separate assets. Costs are written off in the year in which they are incurred, where they relate to maintenance or repair and do not lead to any significant and measurable increase in productive capacity or in the useful life of the relevant asset.

Depreciation

Depreciation represents the economic and technical loss of value of the asset and is charged from when the asset is available for use; it is calculated using the straight-line method using the rate considered representative of the useful life of the asset.
The range of expected useful lives of property plant and equipment used for calculating depreciation is reported below:

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

The residual value of the assets and their expected useful lives are reviewed periodically.

Leases

Assets held under finance leases (where the company assumes substantially all the risks and rewards of ownership) are recognised and recorded at the inception of the lease under property, plant and equipment at the fair value of the leased asset or, if lower, 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 Income Statement on a straight-line basis over the lease term.

Leasehold improvements

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

Development Costs, Goodwill 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 Group 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, which is calculated using the straight-line method (beginning on the date the assets are available for use) over their useful life, and net of any impairment losses, taking into account any residual value. The useful life of assets is reviewed periodically.

Development costs – An intangible asset, generated in the development phase of an internal project, which satisfies the definition of development indicated in IAS 38, is recorded as an asset if it is probable that the Group will enjoy expected future rewards attributable to the asset developed and if the cost of the asset can be accurately measured. Development costs are charged to the Income Statement. Similarly, in the case of externally acquired intangible assets 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 underway" 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 Income Statement item Increase on internal works capitalised and shown in the item "Costs for capitalised internal works". Amortisation of development costs is 5 years, representing the mean useful life/duration of the rewards related to the developed product.

Goodwill and trademarks – Goodwill arising from business combinations is initially recorded at cost. It represents the excess of purchase cost compared to the acquired share of net fair value attributed to the identifiable assets, liabilities, and potential liabilities at the purchase date. After the acquisition date, goodwill is no longer amortised; it is allocated to the "cash-generating units" that are expected to benefit from the synergies deriving from the acquisition. Each cash-generating unit is tested for impairment at least once a year, or more frequently if there are indications of impairment. If the recoverable value (as defined hereinafter) is less than the book value, the goodwill is written down to impaired value. If goodwill is allocated to a cash-generating unit that is partially transferred or discontinued, the goodwill associated with the transferred or discontinued unit is considered for the purpose of determining any gain/loss arising from the transaction.
Brand names with a definite useful life are amortised using the straight-line method over their estimated useful lives, based on strategic plans for their expected use.

Impairment of Assets

Goodwill, intangible assets with an indefinite life and development costs underway are systematically tested for impairment at least once a year, if 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 book 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, i.e., 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 a cash-generating unit. The expected future cash flows of 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 recognised in the Income Statement. 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 system operation; financial charges are excluded. Work in progress is valued at production costs for the year, based on the progress report.
The cost of inventories of raw materials, finished goods, goods for resale and work-in-progress is calculated using the weighted mean cost method.
For raw materials, ancillaries and consumables, the presumable realisable value corresponds to the replacement cost. For finished products and semi-finished goods, the presumable realisable value corresponds to the estimated sales price in the ordinary course of business, less the estimated costs of completion and sales expenses.
Goods that are obsolete or goods characterised by a long turnover period are written down on the basis of their possible useful life or sale 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 consolidated Cash Flow Statement, cash balances are stated net of bank overdrafts at the end of the period.

Provision for Contingencies and Charges

Provisions for contingencies and charges include certain or probable costs of a specific nature, the amount or settlement date of which could not be determined at year end. Allocations to the provisions are made when the following conditions arise:

- there is a current obligation (legal or contractual) as a result of a past event;
- it is probable that resources will be needed to settle the obligation;
- a reasonable estimate can be made of the amount of the obligation.

Provisions are stated at the present value of the expected expenditure required to settle the obligation in question.

Provisions are periodically updated to reflect changes in cost estimates, timing and present value if any; revisions to estimates are recorded under the same heading of the Income Statement under which the original provision was stated and in the Income Statement of the period in which the change is made. When provisions are discounted, the change resulting from the passage of time or interest rate fluctuations is recorded under "Financial income and charges".
Provisions for restructuring costs are recognised when the company involved has approved a formal detailed plan and communicated it to affected parties.

Employee Benefits

The Group uses defined-contribution plans, wholly unfunded defined-benefit plans, wholly or partly funded defined-benefit plans and other forms of long-term benefits.

Defined-contribution plans
Defined-contribution plans are benefit plans under which the company pays contributions to an insurance company or pension fund and has no legal or implicit obligation to pay additional contributions if, when work

relationship ends, the fund does not have sufficient assets to pay all benefits corresponding to employee service during the year or in prior years.
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 retirement benefit programmes 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 cost of the services, the Brembo Group uses the "Projected Unit Credit Method".
This actuarial calculation must use unbiased and compatible actuarial assumptions about demographic variables (mortality rate and employee turnover rate) and financial variables (discount rates and future increases in salary and benefits). When a defined-benefit plan is wholly or partly funded by contributions paid either into a fund that is legally separate from the company or to an insurance company, the assets held by the plan 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.
Actuarial gains and losses are recognised according to the corridor rule; therefore, actuarial gains or losses arising from changes in actuarial assumptions that exceed the greater of 10% of the value of the plan assets or 10% of the present value of the plan obligations are recognised in the Income Statement based on the expected average remaining working life of participating employees.
Other long-term benefits refer to employee benefits other than those provided after the end of the work relationship. They are accounted for in the same manner as defined-benefit plans.

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

Financial Assets and Liabilities

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

All other financial assets are initially recorded at cost, which corresponds to fair value plus incidental charges.
The Group classifies its financial assets as follows: financial assets recognised at fair value in the Income Statement, receivables and loans, and financial assets available for sale. Financial assets that the Group does not hold for trading, including trade receivables, are initially measured at fair value and subsequently at amortised cost. Trade receivables are subject to an impairment test based on assumptions on their collectability. When a trade receivable is deemed no longer collectable, it is completely written off.
Financial assets available for sale are measured at fair value and changes are recognised in the Income Statement.
Financial assets are cancelled from the balance sheet when the right to receive cash ceases or is transferred and the Group has transferred basically all risks and rewards associated with ownership.
Long-term receivables for which no interest rate is specified are accounted for by discounting future cash flows at current market rates. This increase is recognised in the Income Statement under "Financial income and charges".
Loans, payables and other financial and/or trade liabilities with a fixed or determinable maturity are disclosed in this category. Long-term debts are initially recognised at fair value, net of the transaction costs incurred. After initial recognition, these payables are evaluated using the criterion of discounted cost at the effective interest rate.
Long-term payables for which an interest rate is not specified are recorded by discounting future cash flows at market rate, if the payable value increases through the passage of time. This increase is recognised in the Income Statement under "Net financial income and charges".

Derivative instruments
Derivative instruments are initially recognised at fair value and adjusted for subsequent changes in fair value. The method used for measuring changes in fair value depends on the designation of the instrument as a hedging instrument and, if such is the case, the indication of the nature of the hedged transaction.

The Group uses derivative instruments in order to hedge the risk of movements in interest rates and exchange rates. In accordance with its defined strategy, the Group does not undertake transactions in derivatives on a speculative basis. Nevertheless, in the event that such transactions are not qualified as hedging operations in accounting terms, they are accounted for as trading transactions. For derivatives designated as hedging instruments, at inception of the hedge, the Group formally documents the relationship between the hedging instruments and the hedged items. The Group also documents, both at inception of the hedge and subsequently, the hedging relationship and the effectiveness of the hedging instrument. In light of the foregoing, the following accounting methods are used:

1. fair value hedge: changes in fair value of hedging instruments are recorded in the Income Statement together with the changes in fair value of the hedged transactions;
2. cash flow hedge: "effective" changes in fair value of the derivative instrument are recognised under

Equity and subsequently in the Income Statement in the periods in which the hedged transactions affect the Income Statement.
"Ineffective" changes in fair value are recognised directly in the Income Statement.
When a hedging instrument expires or no longer meets the hedge accounting criteria, any residual part of change in fair value remained in Equity is recognised when the hedged transaction is recorded in the Income Statement;

3. derivative instruments that do not qualify as hedges: changes in fair value are recognised in the Income Statement.

In the normal course of its business, the Brembo Group is exposed to various risks, each of which is discussed in a separate section below.

Revenues, Other Revenues and Income

Revenues are recorded in the Income Statement on an accrual basis and recognised 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 reported 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 benefits arising from the sale will flow to the company;
- the costs incurred or that will be incurred can be measured reliably.

Financial Income and Charges

Interest income/expense is recognised as financial income/charges after being measured on an accrual basis using the effective interest rate method.

Income Taxes

A provision is made for current taxes in compliance with the laws in force in the various countries in which the Group operates. Current taxes payable are recorded in the Balance Sheet net of any advance payments.

Deferred tax assets and liabilities are recorded in order to reflect the temporary differences at the reporting date, between the value attributed to an asset/liability for tax purposes and that attributed based on the accounting standards applied. They are measured using the tax rates that are expected to apply in the year when the assets will be realised or the liabilities will be settled, based on prevailing tax rates or those already enacted or substantially enacted at the reporting date.
Deferred tax liabilities are recorded for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences or unused tax losses or tax credits to the extent that it is probable that future income will be available against which such differences, losses or credits can be utilised.
Only in the cases listed below, deferred tax assets or liabilities do not have to be recognised for taxable or deductible temporary differences:

- taxable temporary differences arising from the initial recognition of goodwill;
- taxable or deductible temporary differences arising from the initial recognition of an asset or liability, in a transaction other than a business combination that, at the time of the transaction, does not influence accounting or taxable income;
- for equity interests in subsidiaries, associate companies and joint ventures, when the Group is able to control the timing of the reversal of the taxable temporary differences and it is probable that such differences will not be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of every period and is reduced to the extent that it is no longer probable that sufficient taxable income will be available in the future to allow the partial or full use of such assets.
Tax balances (current and deferred) attributable to amounts recognised directly in Equity are also recognised directly in Equity.
Current and deferred tax assets and liabilities are offset only when the legal right of offset exists; such amounts are recognised as receivables or payables in the Balance Sheet.

Dividends

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

Segment Reporting

A segment is a distinctly identifiable part of the business subject to different risks and rewards from those of the other segments.
The primary information for the Brembo Group is by activity segment, the "Automotive components" sector being that in which the company operates exclusively. Accordingly, in compliance with IAS 14, the company's

primary segment reporting format is based on geographical segments. These business segments are subject to different risks and rewards depending on the specific elements that characterise them.
Geographical segment reporting is based on the geographical location of the operations.
The geographical areas in which the Brembo Group operates that have a distinct risk-reward profile are: Europe, America and Asia.
All income, cash flow and balance sheet figures for the secondary segment as defined by IAS 14 (which, for the Brembo Group, is the "Automotive components" segment) can been taken from the Consolidated Financial Statements.

Financial Risks Management

The Brembo Group is exposed to market, liquidity and credit risk, all of which have an impact on the financial instruments used and held by it.
Financial risk management is the responsibility of the central Treasury Department, which, together with the Finance Department, evaluates the Group's main financial transactions and related risk management policies.

Market Risk (Interest Rates/ Exchange Rates)

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 interest-bearing variable-rate financial instruments recognised in the balance sheet (short-term bank loans, other loans, leases, bonds, etc.) that are not hedged by derivatives. Since most of the Group's financial debt is subject to variable interest rates, the Group is exposed to the risk of interest-rate fluctuations.
The Group enters into interest rate hedging agreements (mainly interest rate swaps) to ensure guaranteed interest rates on a portion of its debt that are sustainable in relation to the hedges. The company therefore aims at achieving a high correlation between the hedged item and the hedging instrument, so as to guarantee the effectiveness of the hedge, pursuant to IAS 39.
A sensitivity analysis is provided below to illustrate the effects of a change in interest rates of +/– 50 basis points compared to the rates at 31 December 2007 and 31 December 2006, with other variables held constant. The potential impacts were calculated on the company's variable-rate financial assets and liabilities at 31 December 2007. The aforementioned change in interest rates would result in a higher (or lower) annual pre-tax expense of approximately € 791 thousand (€ 805 thousand at 31 December 2006). Clearly,

this higher (or lower) expense would not only decrease (increase) the company's net income, but would also decrease (increase) equity at year-end (gross of tax).

The Group's average quarterly net financial debt was used to provide the most accurate information possible.
The Group had two interest rate swaps (IRS) outstanding at 31 December 2007 aimed at mitigating the risk associated with two variable-rate loans.

Specifically, one of the IRSs, on a notional debt of €30 million, is accounted for using hedge accounting (100% effective). Applying a shift of 50 basis points to the forward interest rate curve at 31 December 2007, the impact on equity reserves (excluding the tax effect) is +/– €429 thousand (+/– €565 thousand for 2006).
The company has another IRS on an amortising loan (residual value of €17.5 million at 31 December 2007), which is also accounted for using hedge accounting (103.69% effective; 105.64% effective in 2006). Applying a shift of 50 basis points to the forward interest rate curve at 31 December 2007, the impact on equity reserves (gross of tax) is +/– €152 thousand (+/– €231 thousand for 2006). The impact refers to the effective portion of the hedge; for the ineffective portion, an instant increase (decrease) of 50 basis points of the forward curve would cause a lower (higher) pre-tax net expense per annum for 2007 of approximately €6 thousand (€14 thousand at 31 December 2006). Clearly, this lower (or higher) charge would not only increase (or decrease) the company's net income, but would also increase (or decrease) equity at year-end, (gross of tax).

Exchange Rate Risk

Transactional exchange rate risk
The Brembo Group deals in international markets with currencies other than the euro and is therefore exposed to exchange rate risk.
To mitigate this risk, 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 to compensate for imbalances; the Group also uses forward contracts (forward purchases and sales) to minimise exchange rate risks.

The Group is exposed to risks associated with the following currency combinations: €/GBP, €/JPY, €/SEK, €/USD, €/PLN, €/BRL, USD/PLN, USD/MXN, €/CNY, USD/CNY

A sensitivity analysis is provided below to illustrate the effects on income (loss), gross of tax, and equity (gross of tax) resulting from a positive (negative) change in exchange rates.
Starting with the exposures at 31 December 2007 and 2006, a percentage 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 2007 and 2006 to measure exchange rate volatility.

	31.12.2007			31.12.2006		
(euro thousand)	Change %	Increase	Decrease	Change %	Increase	Decrease
Euro/Gbp	2.42%	(50.1)	52.6	1.12%	(14.3)	14.7
Euro/Jpy	2.47%	57.8	(60.8)	3.12%	11.6	(12.4)
Euro/Sek	1.10%	(1.2)	1.2	1.15%	(13.0)	13.3
Euro/Usd	3.89%	92.9	(100.4)	3.03%	63.3	(67.2)
Euro/Pln	1.12%	230.1	(236.2)	2.06%	1,131.8	(1,179.3)
Euro/Brl	3.13%	26.3	(28.0)	3.72%	(41.9)	45.1
Usd/Pln	6.02%	(66.8)	75.4	3.32%	(7.8)	8.3
Usd/Mxn	1.12%	(64.0)	65.5	2.26%	(74.2)	77.7
Euro/Cny	2.35%	(24.9)	26.1	2.39%	(7.7)	8.1
Usd/Cny	1.69%	(53.5)	55.3	0.92%	(57.8)	58.9
Total		**146.6**	**(149.3)**		**990.0**	**(1,032.8)**

Liquidity Risk

Liquidity risk can arise from the inability to obtain the financial resources necessary to guarantee Brembo's operations.
To decrease liquidity risk, the Treasury and Credit area:

1. constantly assesses financial requirements to ensure the appropriate measures are taken in a timely manner (obtaining additional credit lines, capital increases, etc.);
2. obtains adequate credit lines;
3. ensures the appropriate composition of net financial debt, i.e., investments are financed with medium- to long-term debt (as well as with equity), and working capital requirements are financed using short-term credit lines.

The following table provides information on payables, other payables and derivatives broken down by maturity.

(euro thousand)	Book 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	(151,533)	(151,533)	(151,533)	0	0
Payables to banks (loans and bonds)	(47,980)	(54,952)	(15,159)	(34,592)	(5,201)
Payables to other financial institutions	(53,604)	(60,687)	(3,115)	(56,330)	(1,242)
Financial leases	(33,885)	(39,828)	(6,785)	(24,036)	(9,007)
Trade payables and other liabilities	(188,126)	(188,126)	(186,025)	(2,101)	0
Other financial debts	(10,516)	(11,642)	(2,652)	(4,860)	(4,130)
Derivative financial liabilities					
IRS	1,564	2,015	768	1,247	0
Total	**(484,079)**	**(504,753)**	**(364,501)**	**(120,671)**	**(19,581)**

The maturities are determined based on the period from the balance sheet date to the expiration 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; in particular, for variable-rate liabilities, the rate at 31 December 2007 plus the spread indicated in each contract was used.
All contractual cash flows were not discounted.

"Payables to banks" includes a loan (book value at 31 December 2007: € 4,693 thousand) with two covenants:
1) Group net financial debt/Group equity less than 1.2;
2) Group net financial debt/Gross operating margin less than 2.75;

If the ratio requirements are not met, the bank can request early repayment. Considering that the two ratios calculated using Group results at 31 December 2007 were below the specified limits, the loan was distributed in the table according to its contractual maturities.
"Payables to banks" also includes a loan (book value at 31 December 2007 € 6,280 thousand) for which the bank is entitled to request early payment; the entire amount was therefore classified as short-term.
The management believes that currently available credit facilities, apart from the cash flow generated by current operations, will allow the Group to meet its financial needs arising from investing activities, working capital management, and the payment of payables at their natural expiries.
In further detail, at 31 December 2007, unused bank credit facilities were 26% (a total of € 204.464 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 arises mainly in relation to trade receivables. Most parties with which the Group does business are leading car and motorbike manufacturers with high credit standings.
The Group evaluates the creditworthiness of all new customers using assessments conducted by external sources and then assigns a credit limit.

To complete the information provided on financial risks, a reconciliation is provided below between the classes of financial assets and liabilities identified in the Group's balance sheet and the types of financial assets and liabilities identified based on the requirements of IFRS 7:

		Book value		Fair value	
(euro thousand)	Note:	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Loans and receivables:					
– current financial assets	*10*	85	76	85	76
– trade receivables	*5 - 8*	197,096	183,750	197,096	183,750
– cash and cash equivalents	*11*	53,524	40,709	53,524	40,709
– other receivables and current and non-current assets	*5 - 9*	23,632	29,647	23,632	29,647
IRS hedging: derivatives	*4 - 10*	1,564	1,522	1,564	1,522
Financial liabilities at fair value through profit and loss	*13*	0	(10)	0	(10)
Other financial liabilities					
– current and non-current payables to banks	*13*	(199,531)	(157,989)	(199,529)	(158,130)
– other current and non-current financial liabilities	*13*	(91,442)	(77,522)	(93,153)	(78,543)
– trade payables	*17*	(186,120)	(161,052)	(186,120)	(161,052)
– other current liabilities	*19*	(40,974)	(32,888)	(40,974)	(32,888)
– other non-current liabilities	*14*	(8,335)	(9,081)	(8,335)	(9,081)
Total		**(242,166)**	**(182,838)**	**(243,875)**	**(174,919)**

Fair value was calculated as the present value of future cash flows expected from the instrument in question.
Fair value was calculated for loans and amounts due to other financial institutions.
Trade receivables and payables were measured at book value as book value approximates present value. The same rationale was used for held-to-maturity financial assets and amounts due to banks within 12 months.
Financial leases were measured at cost, as they are outside the scope of IAS 39.

ANALYSIS OF EACH ITEM

Balance Sheet

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 and payments on account	Total
Historical cost	26,895	87,630	280,914	89,301	18,272	55,849	558,861
Accumulated depreciation	0	(19,740)	(179,314)	(72,782)	(12,522)	0	(284,358)
Balance at 1 January 2006	**26,895**	**67,890**	**101,600**	**16,519**	**5,750**	**55,849**	**274,503**
Changes:							
Translation differences	(67)	30	(2,024)	(180)	(112)	324	(2,029)
Reclassification/Contingent liabilities	(363)	17,284	27,546	633	190	(45,837)	(547)
Assets held for sale (IFRS 5)	0	(394)	0	0	0	0	(394)
Acquisitions	0	3,945	41,158	7,303	2,672	14,654	69,732
Transfers	(2,673)	(8,413)	(2,417)	(270)	(21)	0	(13,794)
Depreciation	0	(3,325)	(21,018)	(6,904)	(1,430)	0	(32,677)
Impairment losses	0	(46)	0	0	0	0	(46)
Total changes	**(3,103)**	**9,081**	**43,245**	**582**	**1,299**	**(30,859)**	**20,245**
Historical cost	23,792	99,654	340,852	96,358	20,326	24,990	605,972
Accumulated depreciation	0	(22,683)	(196,007)	(79,257)	(13,277)	0	(311,224)
Balance at 1 January 2007	**23,792**	**76,971**	**144,845**	**17,101**	**7,049**	**24,990**	**294,748**
Changes:							
Translation differences	83	2,026	2,156	3	(66)	123	4,325
Change in consolidation area	136	2,747	15,342	247	33	991	19,496
Reclassification	0	14,110	10,010	892	(279)	(24,843)	(110)
Assets held for sale (IFRS 5)	(1,396)	(6,254)	(815)	(18)	0	0	(8,483)
Acquisitions	323	6,584	35,630	11,554	2,793	5,086	61,970
Transfers	0	(2)	(2,551)	(570)	(83)	0	(3,206)
Depreciation	0	(3,780)	(26,846)	(7,435)	(1,750)	0	(39,811)
Impairment losses	0	(943)	(10)	(6)	0	0	(959)
Total changes	**(854)**	**14,488**	**32,916**	**4,667**	**648**	**(18,643)**	**33,222**
Historical cost	22,938	114,133	392,522	106,423	21,806	6,347	664,169
Accumulated depreciation	0	(22,674)	(214,761)	(84,655)	(14,109)	0	(336,199)
Balance at 31 December 2007	**22,938**	**91,459**	**177,761**	**21,768**	**7,697**	**6,347**	**327,970**

In 2007, property, plant and equipment for a total of €61,970 thousand were purchased.
The acquisition of the Hayes Lemmerz companies led to an increase by €19,496 thousand.
Investments were mostly made in Italy by the Parent Company, Brembo S.p.A. (€41,148 thousand). They mainly involved the purchase of machinery and the development of equipment to increase production levels in the car and motorbike sectors and, more in general, to renovate manufacturing plants and increase their capacity.
Other significant investments included those made by subsidiaries Brembo Poland Sp. Zo.o. and Brembo Sp. Zo.o., to increase production capacity and internalise certain phases of the production process.
Total depreciation charges for 2007 amounted to €39,811 thousand.
Net decreases arising on disposals amounted to €3,206 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.
The decrease in "Assets in course of construction" is mainly due to the reclassification of costs incurred in association with the building in which mechanical processes are carried out at the Mapello production site, which began being used in 2007. In February 2007, the office building classified under "Non-current assets held for sale" at 31 December 2006 was sold.
The San Giovanni Bianco (Province of Bergamo) and Jerago con Orago (Province of Varese) industrial buildings, valued at €6,825 thousand and €1,659 thousand, respectively, will be sold by the end of 2008. They were therefore reclassified as "Non-current assets held for sale" for a total amount of €8,484 thousand. The net disposal amount is expected to exceed the respective book values.
The impairment losses (€959 thousand) refer mainly to write-downs of leasehold improvements whose value is not expected to be recovered in future years through the use of the assets to which they refer.
It should be noted that some of the Parent Company's buildings are subject to liens as collateral for loans, for a nominal value of €5,681 thousand (€5,681 thousand at 31 December 2006).
At 31 December 2007, the net book value of assets held under finance leases totalled €37,713 thousand. A breakdown by asset category is provided below:

	31.12.2007		31.12.2006	
(euro thousand)	Leased	Not leased	Leased	Not leased
Land	1,812	21,126	1,812	21,980
Buildings	23,833	67,626	11,781	65,190
Plant and machinery	11,961	165,800	7,530	137,315
Industrial and commercial equipment	0	21,768	0	17,101
Other assets	107	7,590	118	6,931
Assets in course of construction and payments on account	0	6,347	18,791	6,199
Total	**37,713**	**290,257**	**40,032**	**254,716**

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

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

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

(euro thousand)	Development costs	Goodwill	Industrial patents and trademarks A	Other intangible assets B	Total other intangible assets A+B	Total
Historical cost	23,123	21,662	25,109	28,642	53,751	98,536
Accumulated amortisation	(4,787)	(6,516)	(22,882)	(25,194)	(48,076)	(59,379)
Balance at 1 January 2006	**18,336**	**15,146**	**2,227**	**3,448**	**5,675**	**39,157**
Changes:						
Translation differences	0	312	0	(26)	(26)	286
Reclassification	0	0	0	77	77	77
Acquisitions	11,344	0	573	2,498	3,071	14,415
Transfers	0	0	(1)	0	(1)	(1)
Amortisation	(2,962)	0	(768)	(1,544)	(2,312)	(5,274)
Impairment losses	(1,430)	0	0	0	0	(1,430)
Total changes	**6,952**	**312**	**(196)**	**1,005**	**809**	**8,073**
Historical cost	34,207	22,284	24,642	29,774	54,416	110,907
Accumulated amortisation	(8,919)	(6,826)	(22,611)	(25,321)	(47,932)	(63,677)
Balance at 1 January 2007	**25,288**	**15,458**	**2,031**	**4,453**	**6,484**	**47,230**
Changes:						
Translation differences	1	(1,304)	1	(10)	(9)	(1,312)
Change in consolidation area	0	14,322	0	1,034	1,034	15,356
Reclassification	0	0	0	54	54	54
Acquisitions	12,496	2,006	1,700	3,874	5,574	20,076
Transfers	0	0	(1)	0	(1)	(1)
Amortisation	(4,100)	0	(730)	(2,023)	(2,753)	(6,853)
Impairment losses	(630)	0	0	0	0	(630)
Total changes	**7,767**	**15,024**	**970**	**2,929**	**3,899**	**26,690**
Historical cost	45,955	35,599	25,489	34,653	60,142	141,696
Accumulated amortisation	(12,900)	(5,117)	(22,488)	(27,271)	(49,759)	(67,776)
Balance at 31 December 2007	**33,055**	**30,482**	**3,001**	**7,382**	**10,383**	**73,920**

Development costs

The item "Development costs" includes costs for development, internal and external, for an historical cost of €36,633 thousand. During the year, this item changed due to higher costs incurred for jobs begun in 2007, for orders received both during the year and in previous years, for which additional development costs were incurred; amortisation was recognised for development costs associated with products that have already entered into mass production.

The amount includes development activities for projects underway totalling €18,542 thousand.

The total amount of costs for capitalised internal works charged to the Income Statement during the year amounted to €12,499 thousand. The increase in costs for capitalised internal projects recognised in the balance sheet is attributable to exchange rate differences.

Impairment losses totalled €630 thousand and are recognised in the Income Statement under "Amortisation, depreciation and impairment losses". Impairment losses refer to development costs incurred by the Parent Company, Brembo S.p.A., in relation to projects that, consistent with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination. All impairment losses recognised in the Income Statement are attributable to the primary geographical segment Europe.

The amortisation of capitalised development costs is recognised under the appropriate heading in the Income Statement.

Goodwill

Goodwill increased by €2,006 thousand following the acquisition by Corporación Upwards '98 S.A. of a company's line of business that markets kits for drum brakes and other aftermarket components in Spain under the Villar brand. The agreement for the acquisition was signed in April 2007 with an effective date of 1 May 2007. Of the total acquisition price of €3,627 thousand, €3,010 thousand were paid at the time the agreement was signed. The difference will be paid in four, €154 thousand instalments due by the end of 2007. At 31 December 2007, the following had been acquired.

– Villar Brand: €1,000 thousand, plus technical and legal consulting fees for €27 thousand;

– Other intangible assets: €7 thousand;

– Property, plant and equipment: €34 thousand;

– Inventories: €617 thousand;

– Goodwill: €1,969 thousand, plus technical and legal consulting fees for €37 thousand.

The items indicated above were the result of the final identification of assets and liabilities acquired; they confirm the preliminary identification carried out at the acquisition date and reported in the Six Monthly Report at 30 June 2007.

From the acquisition date, the business line generated an operating income of €662 thousand.

Had it been acquired by 1 January, sales revenues would have amounted to €6,879 thousand and operating income would have been €963 thousand.
The goodwill reported on the acquisition of the Hayes Lemmerz companies amounted to €14,322 thousand. Goodwill was calculated based on a preliminary, partial identification of the fair value of the assets, liabilities and contingent liabilities acquired. As the acquisition was carried out in the last quarter of 2007, the valuation of these items is still underway and will be completed no more than 12 months from the date of acquisition. The valuable consideration paid for the business combination was USD 58 million, including all directly attributable costs. The business combination was carried out in the America geographical segment.
On 4 February 2008, Brembo China Brake Systems Co. Ltd. acquired from NAC a 42.25% share of NYABS, for approximately USD 5.9 million.
Brembo S.p.A. continues to hold its 27.75% stake in NYABS. Therefore, following the transaction, the Brembo Group will own (directly and indirectly) 70% of NYABS.
NYABS sales for 2006 and expected sales for 2007 amount to approximately €10 million, with an average net profit of about 3%.
NYABS's plant (23,000 m2) is located in Nanjing and employs 270 people, most of whom are manual labourers.

As previously indicated, in executing the letter of intent signed on 6 September 2007, on 19 February 2008, Brembo S.p.A. and Sabelt S.p.A. entered into a joint venture agreement. The pro-forma figures for the Sabelt operations transferred indicate sales of approximately €17 million, EBITDA of about €0.6 million and debt of approximately €8 million.

At 31 December 2007, the item "Goodwill" included €14,154 thousand in goodwill relating to the subsidiary AP Racing Ltd. (Europe geographical segment), which has been specified as a cash-generating unit. The unit's recoverable amount was calculated as its value in use.

The main assumptions used to determine the value in use of the cash-generating unit relate to the discount rate and growth rate. Specifically, calculations used cash-flow projections for the five-year period covered by the corporate business plan. Cash flows beyond the five-year period were extrapolated using a steady 0% medium- to long-term growth rate. The discount rate used was 7.5%, which reflected the current market assessments of the time value of money and the risks specific to the asset in question. The change in this item was entirely due to the performance of the pound with respect to the euro.

Other intangible assets

The item "Industrial patents and trademarks" includes costs for a total of €1,700 thousand for the registering of new patents or the filing of existing patents in other countries.
In 2006, Brembo began a three-year project for the gradual adoption of a new group-wide ERP information system. At 31 December 2007, the cost for the project and the adaptation of existing software amounted to €2,524 thousand.

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

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

(euro thousand)	31.12.2006	Exchange rate fluctuations	Write-ups/ Write-downs	31.12.2007
Brembo Ceramic Brake Systems S.p.A.	6,064	0	163	6,227
Nanjing Yuejin Automotive Brake System Co. Ltd.	2,350	(97)	(201)	2,052
KBX Motorbike Products Pvt. Ltd.	6,109	24	230	6,363
Petroceramics S.r.l.	502	0	55	557
Softia S.r.l.	175	0	27	202
Total	**15,200**	**(73)**	**274**	**15,401**

The key figures in these financial statements prepared in accordance to IFRS are listed below.

Companies under common control

(euro thousand)	Country *% ownership*	31.12.2007 Brembo Ceramic Brake Systems S.p.A. Italy *50%*	31.12.2006 Brembo Ceramic Brake Systems S.p.A. Italy *50%*	31.12.2007 KBX Motorbike Products Pvt. Ltd. India *50%*	31.12.2006 KBX Motorbike Products Pvt. Ltd. India *50%*
Non-current assets		11,537	8,455	5,807	6,634
Current assets		9,787	7,453	6,880	3,526
Non-current liabilities		(176)	(196)	(5)	0
Current liabilities		(8,722)	(3,586)	(4,950)	(2,832)
Equity		(12,426)	(12,126)	(7,732)	(7,328)
Sales of goods and services		15,270	12,738	14,706	8,512
Costs		(14,681)	(12,142)	(14,294)	(8,336)

Associate companies

(euro thousand)		31.12.2007			31.12.2006		
		Softia S.r.l.	Nanjing Yuejin Automotive Brake System Co. Ltd.	Petroceramics S.r.l.	Softia S.r.l.	Nanjing Yuejin Automotive Brake System Co. Ltd.	Petroceramics S.r.l.
	COUNTRY	Italy	China	Italy	Italy	China	Italy
	% ownership	*40%*	*27,75%*	*20%*	*40%*	*27,75%*	*20%*
Assets		1,347	10,744	1,520	1,332	10,838	1,452
Liabilities		(823)	(3,348)	(457)	(892)	(2,370)	(665)
Equity		(524)	(7,395)	(1,062)	(440)	(8,468)	(787)
Sales of goods and services		(2,487)	(9,862)	(1,273)	(2,174)	(10,108)	(1,042)
Net income (loss) for the year		84	(723)	276	106	308	67

Under the Joint Venture agreement with the Daimler AG Group (Brembo Ceramic Brake Systems S.p.A.), Brembo's partner has a put option allowing it to sell its share (50%) of Brembo Ceramic Brake System S.p.A. to Brembo S.p.A.; the option initially exercisable in 2007, was extended to 2008. If such option is exercised for less than 50%, Brembo S.p.A. may exercise a call option to purchase the entire interest. The minimum price of the 50% stake will be €2,000 thousand; the maximum price will be calculated using the discounted cash flow method.
In February 2008, Brembo S.p.A. exercised its call option to purchase additional shares in KBX Motorbike Products Pty. Ltd. The value of the transaction cannot be determined at this time, as the company is waiting for the reply of the counterparty with respect to certain conditions that affect the validity of the exercise of the option.

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

This item is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Shareholdings in other companies	1,976	4,477
Derivatives	873	1,107
Other	66	62
Total	**2,915**	**5,646**

The item "Shareholdings in other companies" comprises mainly the equity investment in Fundimak S.A. de C.V. (5.8%), accounted for using the cost method and adjusted for impairment losses. The value of

the investment at 31 December 2007 takes account of a €2,500 thousand writedown recorded to reflect writedowns reported by the company in its preliminary results at 31 December 2007. The company's 2007 draft financial statements show a decrease in equity owing mainly to a significant impairment of assets relating to a subsidiary of Fundimak; according to the information received, the impairment was the result of sizeable operating losses incurred by the subsidiary. Given the difficulties in receiving forecasts and development plans from the Fundimak Group that would allow an analytical valuation of the impairment, Brembo decided to recognise a partial writedown of the investment based on the above information and considering the general positive trends in the Mexican market and the segments in which the company operates. The writedown was carried out in the America geographical segment.
"Other" includes interest-free security deposits for utilities and automobile rental agreements.
Further information on the amount pertaining to derivatives are provided in **Note 13**.

5 Receivables and Other Non-current Assets

This item is broken down as follows:

(euro thousand)	**31.12.2007**	**31.12.2006**
Trade receivables	486	1,103
Income tax receivables	218	181
Non-income tax receivables	34	34
Total	**738**	**1,318**

The item "Trade receivables" only comprises the outstanding amount due beyond 12 months for the sale of a painting system by Brembo Rassini S.A. de C.V. (consolidated company) to Rassini Frenos S.A. de C.V. (minority shareholder in Brembo Rassini S.A. de C.V.).
Tax receivables mostly refer to applications for tax reimbursements.

6 Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 31 December 2007 is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Deferred tax assets	14,250	7,194
Deferred tax liabilities	(22,574)	(20,065)
Total	**(8,324)**	**(12,871)**

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

Provision movements for the year are shown below:

(euro thousand)	31.12.2007	31.12.2006
Balance at beginning of year	**(12,871)**	**(13,461)**
Allocation for deferred tax liabilities	(2,811)	(3,575)
Allocation for deferred tax assets	10,529	5,404
Use of deferred tax assets and liabilities	(8,156)	(1,403)
Translation fluctuations	528	220
Tax rate changes	3,447	298
Reclassification	0	(4)
Other movements	1,010	(350)
Balance at end of year	**(8,324)**	**(12,871)**

The temporary differences that generated deferred tax assets and liabilities are detailed below:

	Assets		Equity and liabilities		Net	
(euro thousand)	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Property, plant, equipment and other equipment	2,399	1,984	17,750	17,970	(15,351)	(15,986)
Development costs	0	0	6,634	4,888	(6,634)	(4,888)
Other intangible assets	57	35	3	94	54	(59)
Other financial assets (investments in other companies)	0	26	310	343	(310)	(317)
Trade receivables	266	156	568	514	(302)	(358)
Inventories	2,498	2,950	482	615	2,016	2,335
Other receivables and current assets	6	38	0	0	6	38
Cash and cash equivalents	0	4	0	0	0	4
Other financial liabilities	431	967	117	188	314	779
Other liabilities	391	764	51	68	340	696
Provisions for contingencies and charges	699	735	0	0	699	735
Provisions for employee benefits	2,072	1,328	1,751	715	321	613
Trade payables	1,009	1,191	0	0	1,009	1,191
Other	9,635	2,512	121	166	9,514	2,346
Compensation balance between deferred tax assets and liabilities	(5,213)	(5,496)	(5,213)	(5,496)	0	0
Total	**14,250**	**7,194**	**22,574**	**20,065**	**(8,324)**	**(12,871)**

Deferred tax assets were recognised by Group companies only if a critical assessment determined that the conditions had been met for the future recoverability of such assets on the basis of current strategic plans. In further detail, the consolidated subsidiary Brembo Poland Spolka Zo.o. is located in a "special economic zone" and is entitled to deduct 50% of its investments from any current taxes due through 2016. At year-end the company revised its estimate of the recoverability of these tax breaks. Furnished with a more in-depth understanding of its own final results and full visibility of development plans and greater clarity as to its continuing eligibility for tax breaks in Poland, even after the country joined the European Union, the company recognised deferred tax assets associated with these tax breaks in an amount equal to the credit that may be employed within a period of three financial years (the period corresponds to the period covered by the current plan, and the amount of the deferred tax assets, which is equal to €8,917 thousand, can be considered reasonably accurate).

The amount of the potential future benefit at 31 December 2007 (which was not recognised at the reporting date) amounts to PLN 85.1 million (€23.7 million).

The deferred tax assets and liabilities generated by Group companies operating in Italy were determined using the new tax rates established in Italy's 2008 Finance Law; the change in tax rates compared to 2006 rates generated (as shown in the table above) a positive effect of €3,458 thousand.

7 Inventories

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

(euro thousand)	31.12.2007	31.12.2006
Raw materials	66,193	60,309
Work in progress	33,743	28,916
Finished products	61,143	53,540
Goods in transit	4,980	3,853
Total	**166,059**	**146,618**

An analysis of the movements of the inventory write-down provision, which at 31 December 2007 totalled €6,665 thousand, is shown below:

(euro thousand)	Balance at 31.12.2006	Provisions	Use	Exchange rate fluctuation	Other	Balance at 31.12.2007
Inventory write-down provision	6,894	3,772	(4,152)	(175)	326	6,665

The inventory write-down provision is used to adjust the value of inventories to their estimated realisable value.

8 Trade Receivables

At 31 December 2007, the balance of trade receivables compared to the previous year was as follows:

(euro thousand)	31.12.2007	31.12.2006
Trade receivables	194,786	181,291
Receivables from associated companies	1,824	1,356
Total	**196,610**	**182,647**

The amount of trade receivables at 31 December 2007 rose by €15,495 thousand compared to 31 December 2006, in relation to higher volumes of sales compared with the last few months of the previous financial year.

Receivables from associated companies include €1,342 thousand in trade receivables from Brembo Ceramic Brake Systems S.p.A., and €482 thousand from KBX Motorbike Products Private Ltd.

Trade receivables are stated net of the provision for bad debts, which amounted to €3,939 thousand. Movements in the provision for bad debts are shown below:

	Balance at 31.12.2006	Provisions	Exchange rate fluctuation	Use	Other movements	Balance at 31.12.2007
Provision for bad debts	2,880	1,476	60	(508)	31	3,939
Total	**2,880**	**1,476**	**60**	**(508)**	**31**	**3,939**

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

The Brembo Group's maximum credit risk exposure is the book value of the gross financial assets recognised in the balance sheet 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 credit quality of financial assets that are past due and not impaired, Brembo uses a method that distinguishes between listed and unlisted customers (excluding credit notes to be issued and the effect of exchange gains or losses recognised in the amount of €4,147 thousand at 31 December 2007). Listed customers are customers that are listed on a stock market or directly or indirectly controlled by a listed company or closely connected to listed companies.

(euro thousand)	Balance at 31.12.2007	Balance at 31.12.2006
Listed clients	123,914	119,239
Unlisted clients	76,843	70,735
Total	**200,757**	**189,974**

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)	31.12.2007	Write-down 2007	31.12.2006	Write-down 2006
Current	117,818	287	105,393	0
Expired by 0 to 30 days	593	21	5,014	0
Expired by 30 to 60 days	2,125	52	1,143	0
Expired by over 60 days	3,378	1,474	7,689	1,225
Total	**123,914**	**1,834**	**119,239**	**1,225**
% Ratio of receivables not written down to total exposure	3,7%		10,6%	
Total expired receivables, not written down	**4,549**		**12,621**	

Unlisted clients

(euro thousand)	31.12.2007	Write-down 2007	31.12.2006	Write-down 2006
Current	68,954	316	63,716	51
Expired by 0 to 30 days	1,827	134	2,448	0
Expired by 30 to 60 days	1,956	55	1,485	22
Expired by over 60 days	4,106	1,449	3,086	1,258
Total	**76,843**	**1,954**	**70,735**	**1,331**
% Ratio of receivables not written down to total exposure	8,1%		8,1%	
Total expired receivables, not written down	**6,251**		**5,739**	

9 Other receivables and current assets

This item is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Receivables from others	3,506	2,332
Tax receivables	10,617	1,363
Non-income tax receivables	19,874	27,100
Other receivables	3,529	1,321
Total	**37,526**	**32,116**

"Tax receivables" includes the tax credit received by the Parent Company, Brembo S.p.A. for research investments (€1,664 thousand) in accordance with Italy's 2007 Finance Law. The credit is not added to the company's income or IRAP (Italy's regional tax for production activities) tax base and may be used to pay income taxes and IRAP for the period to which the costs refer, with no limits on its use. The amount was recognised in the income statement under "Other revenues and income".

Non-income tax receivables, which mainly included VAT receivables, are reported net of the following provision:

(euro thousand)	Balance at 31.12.2006	Provisions	Exchange rate fluctuations	Uses	Other movements	Balance at 31.12.2007
Provision for other bad debts	0	(266)	0	0	(36)	(302)
Total	**0**	**(266)**	**0**	**0**	**(36)**	**(302)**

10 Financial Current Assets and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Other securities	2	0
Derivatives	692	415
Other	83	76
Total	**777**	**491**

Further information on the company's derivatives is provided in **Note 13.**

11 Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	31.12.2007	31.12.2006
Bank and postal accounts	53,465	40,656
Cash-in-hand and cash equivalents	59	53
Total cash and cash equivalents	**53,524**	**40,709**
Payables to banks: ordinary current accounts and foreign currency advances	(148,835)	(112,496)
Cash and cash equivalents from Cash Flow Statement	**(95,311)**	**(71,787)**

The values shown can be readily converted into cash and the risk of change in value is not considered material. At the reporting date, it is deemed that the book value of cash and cash equivalents approximates their fair value.

12 Equity

The Group's consolidated equity at 31 December 2007 increased €43,339 thousand compared to 31 December 2006, mainly due to net income for the year amounting to €60,850 thousand and exchange rate gains of €1,969 thousand on the translation of the financial statements of consolidated companies denominated in currencies other than the euro; these increases were offset by the distribution of dividends amounting to €16,028 thousand and the repurchase of own shares amounting to €3,512 thousand.

The hedging reserve increased by €60 thousand, due to fair value accounting of hedging derivatives, as detailed below.

Share Capital

Subscribed and paid up share capital amounted to €34,728 thousand at 31 December 2007. It is divided into 66,784,450 shares with a nominal value of €0.52 each.
The table below shows the composition of the share capital and a reconciliation of the number of shares outstanding at 31 December 2006 and at 31 December 2007:

(No. of shares)	31.12.2007	31.12.2006
Ordinary shares issued at beginning of year	66,784,450	66,784,450
Own shares acquired during the year	(380,000)	0
Total shares outstanding at end of year	**66,404,450**	**66,784,450**

As part of its plan to buy back own shares, in 2007 the company purchased 380,000 shares of Brembo S.p.A. at a weighted average price of €9.24 per share. The transaction was aimed at stabilising the market value of the stock in the interest of all shareholders.

Other Reserves

In accordance with the resolution approved by the Shareholders' Meeting of 27 April 2007, Brembo allocated €3,130 thousand of its 2006 net income to extraordinary reserves and €1,090 thousand to a restricted reserve established pursuant to paragraph 2 of Article 6 of Italian Legislative Decree 38/2005; a resolution was also approved to use the remainder of the 2006 net income to pay a dividend totalling €16,028 thousand (€0.24 for each outstanding share). The decrease is related to the aforementioned purchase of own shares.

Own Shares

Also at the General Shareholders' Meeting of 27 April 2007, the plan for the purchase of own shares was renewed. According to the plan, the company may purchase and sell, one or more times during the 18-month term of the plan itself, a maximum of 1,440,000 shares for a price ranging from €0.52 to €15.00 per share. The provision for the purchase of own shares was therefore increased by €3,600 thousand to bring it to a total of €21,600 thousand.

As previously mentioned, own shares were purchased in the amount of €3,512 thousand during the year.

13 Financial Debt and Derivatives

This item is broken down as follows:

	Balance at 31.12.2007			Balance at 31.12.2006		
(euro thousand)	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Payables to banks:						
– ordinary current accounts and advances	148,834	0	148,834	112,496	0	112,496
– loans	12,199	38,498	50,697	14,574	30,919	45,493
Total	**161,033**	**38,498**	**199,531**	**127,070**	**30,919**	**157,989**
Payables to other financial institutions	6,654	84,788	91,442	4,317	73,205	77,522
Derivatives	0	0	0	0	10	10
Total	**6,654**	**84,788**	**91,442**	**4,317**	**73,215**	**77,532**

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

(euro thousand)	Original amount	Amount at 31.12.2006	Amount at 31.12.2007	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:						
San Paolo Imi loan Law 346/88 (reinforced aluminium project)	3,091	2,845	2,330	653	1,677	0
Banca Intesa credit line	4,298	3,037	2,717	2,717	0	0
Unicredito credit line	14,000	9,110	6,280	2,791	3,489	0
EIB loan	20,000	20,057	17,480	3,359	13,291	831
B.B.V.A. loans	4,000	781	214	214	0	0
Banca Intesa loan	50,000	5,000	0	0	0	0
DaimlerChrysler Services	14	10	0	0	0	0
San Paolo I.M.I. loan (China project)	4,653	4,653	4,693	39	3,258	1,396
Banca Intesa credit line	16,982	0	16,982	2,426	9,704	4,852
Total payables to banks	**117,038**	**45,493**	**50,697**	**12,199**	**31,419**	**7,079**
Payables to other financial institutions:						
Loan from Ministry of Productive Activities Law 46/82 (CCM project)	2,371	2,392	2,201	278	854	1,069
MICA Law 46 loan (electrical car)	221	146	124	25	99	0
Simest loan Law 394/USA	2,065	1,079	780	344	436	0
Payables to other financial institutions/ financial leases	48,234	19,445	33,936	5,456	20,161	8,319
Banca Intesa bond	50,000	50,349	50,449	449	50,000	0
Simest S.p.A.	4,062	4,111	3,952	102	3,850	0
Total payables to other financial institutions	**106,953**	**77,522**	**91,442**	**6,654**	**75,400**	**9,388**
TOTAL	**223,991**	**123,015**	**142,139**	**18,853**	**106,819**	**16,467**

At 31 December 2007, “Payables to other financial institutions for leases” (€33,936 thousand) included €299 thousand in interest.

The following table provides a details on the Group's debt from financial leases. Instalments are broken down by principal and interest due.

(euro thousand)	31.12.2007 Instalment	Portion of interest	Portion of principal	31.12.2006 Instalment	Portion of interest	Portion of principal
Within one year	6,582	1,425	5,157	3,839	574	3,265
Between 1 and 5 years	23,728	3,567	20,161	14,015	1,292	12,723
After 5 years	8,902	583	8,319	3,475	18	3,457
Total	**39,212**	**5,575**	**33,637**	**21,329**	**1,884**	**19,445**

The following table provides a breakdown of operating leases:

(euro thousand)	Balance at 31/12/2007 Total	Operating leases	Operating sub-leases
Within one year	2,158	2,111	46
Between 1 and 5 years	2,461	2,403	58
Total	**4,619**	**4,514**	**104**

The table below shows the debt structure broken down by annual interest rate and currency at 31 December 2007:

(euro thousand)	Fixed rate	Variable rate	Total
Euro	12,936	109,504	122,440
US Dollar	0	19,699	19,699
Total	**12,936**	**129,203**	**142,139**

Lastly, it should be noted that, at 31 December 2007, financial debts backed by collateral amounted to €3,091 thousand (€2,845 thousand at 31 December 2006).
For the entire term of the B.E.I. loan (€20 million), subsidiary Brembo Poland Spolka Zo.o. has agreed to not grant pledges, mortgages or privileges on the company's assets and revenues to secure other types of financing; the same restrictions apply to Brembo S.p.A. and Brembo International S.A for the €50 million bond issued.

At the reporting date, there were no significant covenants and for those outstanding compliance with provisions was verified. See the section "Financial risk management".

At 31 December 2007, the following financial derivatives were accounted for at fair value:

(euro thousand)	31.12.2007 Positive fair value	31.12.2007 Negative fair value	31.12.2006 Positive fair value	31.12.2006 Negative fair value
Cash flow hedge	1,566	0	1,523	(10)
Total	**1,566**	**0**	**1523**	**(10)**

The fair value of financial derivatives was determined considering market values at the reporting date. The fair value of Interest Rate Swaps was determined by discounting estimated future cash flows, based on the forward rates curve.

The following table shows the notional value of the financial derivatives in existence at 31 December 2007:

(euro thousand)	31.12.2007	31.12.2006
Interest rate risk management	47,500	52,000
Total	**47,500**	**52,000**

In detail, derivatives in existence at 31 December 2007 include interest Rate Swaps established to manage interest rate risk arising as a result of financial debt that is subject to interest rate fluctuations:

- IRS entered into by Brembo S.p.A. to hedge the bond that was privately placed by Brembo International S.A – nominal value €50 million. The notional value of the IRS is €30 million, meaning that only a portion of the debt has been hedged.
  Fair value at 31 December 2007 was €1,126 thousand, of which €683 thousand were recognised in "Other non-current financial assets" and €443 thousand in "Current financial assets and derivatives". In this case, hedge accounting (cash flow hedge) was applied, and the full effectiveness of the hedge was demonstrated; thus, the whole change in fair value was recorded under Equity.
- IRS entered into by Brembo Poland Spolka Zo.o. in order to hedge a loan granted by European Investment Bank – nominal value €20 million. The notional value of the IRS is €20 million, meaning that the loan is fully hedged, but the IRS matures before the natural expiry of the loan (the hedging instrument expires on 15 March 2010 and the loan expires on 15 June 2010).
  Fair value at 31 December 2007 was €440 thousand, of which €190 thousand were recognised in "Other non-current financial assets" and €250 thousand in "Current financial assets and derivatives". In this case, hedge accounting (cash flow hedge) applies, covering 96.31% of this amount. Therefore 96.31% of the change in fair value was recognised in Equity and the remaining 3.69% in the Income Statement.

The year-end balance is reported gross of tax (€310 thousand at 31 December 2007 compared to €343 thousand at 31 December 2006). Changes in the cash flow hedge reserve are shown below:

(euro thousand)	31.12.2007
Balance at beginning of year	1,495
Releases of fair value reserve	483
Releases of reserve for the payment/collection of differentials	(456)
Balance at end of year	**1,522**

Net Financial Position

The following table shows the reconciliation of the net financial position at 31 December 2007 (€235,886 thousand), and at 31 December 2006, amounting to €193,290 thousand based on the layout prescribed by CONSOB Communication No. 6064293 of 28 July 2006.

	(euro thousand)	31.12.2007	31.12.2006
A	Cash	59	53
B	Other cash equivalents:	53,465	40,656
	– Bank and postal accounts	53,465	40,656
C	Derivatives and securities held for trading	1,564	1,523
D	*LIQUIDITY (A+B+C)*	*55,088*	*42,232*
E	Current financial receivables	0	0
F	Current payables to banks	148,835	112,496
G	Current portion of non-current debt	12,199	14,574
H	Other current financial debts and derivatives	6,654	4,317
I	*CURRENT FINANCIAL INDEBTEDNESS (F+G+H)*	*167,688*	*131,387*
J	*NET CURRENT FINANCIAL INDEBTEDNESS (I–E–D)*	*112,600*	*89,155*
K	Non-current payables to banks	38,498	30,919
L	Bonds issued	50,000	50,000
M	Other non-current financial debts	34,788	23,216
N	*NON-CURRENT FINANCIAL INDEBTEDNESS (K+L+M)*	*123,286*	*104,135*
O	***NET FINANCIAL INDEBTEDNESS (J+N)***	***235,886***	***193,290***

14 Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Other payables	8,335	9,081
Total	**8,335**	**9,081**

The item "Other payables" includes €4,073 thousand in outstanding payables due after one year for the acquisition in connection with the bankruptcy of the company Bradi S.p.A. that occurred in past years; the item also includes amounts due in relation to management's three-year incentive plan.

15 Provision for Contingencies and Charges

This item is broken down as follows:

(euro thousand)	Balance at 31.12.2006	Provisions	Use	Exchane rate fluctuations	Other	Balance at 31.12.2007
Other provisions for contingencies and charges	2,158	1,150	(132)	46	(144)	3,078
Provision for reorganisation	375	3	(352)	0	(8)	18
Provision for taxation	2,500	0	(291)	0	(2,209)	0
Total	**5,033**	**1,153**	**(775)**	**46**	**(2,361)**	**3,096**

Other provisions for contingencies and charges totalled €3,078 thousand, including product guarantees, supplemental customer indemnities in connection with the Italian agency contract; the provision also included an amount reflecting the valuation of risks associated with ongoing litigation. The provision for reorganisation relates to agreements, entered into in previous years, with employees in connection with implementation of the strategic plan.

The tax-related dispute defined at the end of December; the amount was therefore classified as "Other current liabilities".

In December 2007, San Luis Rassini (minority shareholder of Mexican subsidiary Brembo Rassini) and Rassini Frenos submitted a claim to arbitration in New York against Brembo and some of its subsidiaries. The companies claim that the acquisition of the Hayes Lemmerz Brake Division, which operates also through a Mexican subsidiary, violates the joint venture agreement and are requesting compensation for the subsequent damages. Brembo appeared before a court to contest the claims brought by San Luis Rassini and requested compensation for damages resulting from the breach by Rassini Frenos of its obligation to supply unfinished disks. The arbitration procedure is in the preliminary phases; therefore, no assurance can be made at this time as to its probable outcome. For this reason, Brembo does not feel it is necessary or appropriate to make a provision at this time.

16 Provisions for Employee Benefits

Group companies provide post-employment benefits through defined-contribution plans or defined-benefit plans.
In the case of defined-contribution plans, the Group companies pay contributions to public or private insurance institutes based on legal or contractual obligations or on a voluntary basis. Once such contributions have been paid, the companies have no further payment obligations.
The employees of the United Kingdom subsidiary AP Racing Ltd. have the benefit of a corporate pension plan (AP Racing Pension Scheme), which is made up of two sections: the first is a defined contribution for employees hired after 1 April 2001 and the second is a defined benefit, 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.
Unfunded defined-benefit plans include the "Employees' leaving entitlement" provided by the Group's Italian companies.
These funds are calculated on an actuarial basis using the "Projected Unit Credit Method".
"Other employee provisions" refers to other employee benefits.

The balances at 31 December 2007 are shown below:

(euro thousand)	Balance at 31.12.2006	Provisions	Uses	Financial charges	Exchane rate fluctuation	Balance at 31.12.2007
Employees' leaving idempty	24,776	(3,309)	(2,093)	939	0	20,313
Other employee provisions	3,887	660	(974)	(319)	(16)	3,238
Total	**28,663**	**(2,649)**	**(3,067)**	**620**	**(16)**	**23,551**

As of 1 January 2007, the Italian Finance Law and its implementing decrees introduced significant changes to the employees' leaving entitlement (TFR), including giving employees the option to chose how their own leaving entitlement should be allocated. In detail, new employees' leaving entitlement flows may be allocated to the employee in the form of a chosen pension or kept with the company in which case the company pays the related contributions to a treasury account with Italy's social security institute (INPS).
The reform, for companies with more than 50 employees, changed the accounting characteristics of the employees' leaving entitlement and, in particular, under this reform, employees' leaving entitlement accruals starting from 1 January 2007, may be considered a defined contribution plan, whether employees choose a supplementary pension plan or the amounts are redirected to the INPS treasury account. The accumulated balance of leaving entitlement at 31 December 2006 will continue to be considered a defined benefit plan, excluding the component relating to future wage increases. The recalculation of the TFR at 1 January 2007 to account for the aforementioned changes resulted in a curtailment and the recognition of a €4,084 thousand gain in the 2007 income statement (which offset personnel expenses).

The table below shows the main defined-benefit plans and a reconciliation of the liabilities recognised in the Balance Sheet, the costs recognised in the Income Statement and the main actuarial assumptions used:

(euro thousand)	Unfunded plan (Employees' leaving entitlement)		Funded plan (Ap Racing plan)	
End of financial year	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
A. Reconciliation of defined-benefit obligations				
Present value of defined-benefit obligation at beginning of year	24,745	24,931	21,040	19,028
Current social security (cost)	591	3,411	710	656
Interest charges	939	969	1,065	901
Employees' contributions	0	0	247	254
Plan changes	0	0	0	0
Net actuarial (gains) losses	(2,375)	(2,603)	(1,581)	855
Benefits paid by the plan or company	(1,906)	(1,962)	(697)	(751)
Expenses	0	0	0	0
Taxes	0	0	0	0
Insurance premiums	0	0	0	0
Net transfers (including the effect of mergers and demergers)	0	0	0	0
Decreases	0	0	0	0
Curtailment	(3,785)	0	0	0
Eliminations	0	0	0	0
Exchange rate fluctuations	0	0	(1,463)	97
Present value of defined-benefit obligation at year end	18,209	24,746	19,321	21,040
B. Reconciliation of plan assets				
Fair value of plan assets at beginning of year	0	0	17,852	14,763
Expected return on plan assets	0	0	1,384	1,122
Net actuarial gains (losses)	0	0	6	965
Employer's contributions	1,906	1,962	938	1,424
Employees' contributions	0	0	247	254
Benefits paid	(1,906)	(1,962)	(697)	(751)
Expenses	0	0	0	0
Taxes	0	0	0	0
Insurance premiums	0	0	0	0
Eliminations	0	0	0	0
Business combinations	0	0	0	0
Exchange rate fluctuations	0	0	(1,380)	75
Fair value of plan assets at end of year	0	0	18,350	17,852

	Unfunded plan (Employees' leaving entitlement)		Funded plan (AP Racing plan)	
End of financial year	**31.12.2007**	**31.12.2006**	**31.12.2007**	**31.12.2006**
C. Reconciliation of assets or liabilities recognised in the Balance Sheet				
Unfunded plans/Partially or fully funded plans				
Present value of funded defined-benefit obligation	0	0	19,321	21,040
Fair value of plan assets	0	0	(18,350)	(17,852)
Funded plan deficit (surplus)	0	0	971	3,188
Present value of unfunded defined-benefit obligation	18,209	24,746	0	0
Unrealised net actuarial gains (losses)	2,111	35	2,174	587
Net recognised actuarial gains (losses)	0	(5)	0	0
Social security (cost) for past unrecognised service not recognised	0	0	0	0
Amount not recognised as an asset (as explained in Paragraph 58b)	0	0	0	0
Net liabilities / (assets) at reporting date	**20,320**	**24,776**	**3,145**	**3,775**
Amounts recognised in the Balance Sheet:				
Liabilities	20,320	24,776	3,145	3,775
Assets	0	0	0	0
Net liabilities / (assets)	**20,320**	**24,776**	**3,145**	**3,775**
D. Amounts recognised in the Income Statement				
Amounts recognised in the Income Statement:				
Current social security (cost)	591	3,410	710	656
Interest payable	939	969	1,065	901
Expected return on plan assets	0	0	(1,384)	(1,122)
Expected return on reimbursement rights recognised as assets (paragraph 104A)	0	0	0	0
Amortisation of past social security costs	0	0	0	0
Net amortisation of actuarial (net income) loss	(1)	5	0	0
Effect of the limit explained in Paragraph 58b	0	0	0	0
Effect of plan reductions – recognised (income)/ loss	(4,084)	0	0	0
Effect of plan cancellation – recognised (income)/loss	0	0	0	0
Total cost recognised in the Income Statement	**(2,555)**	**4,384**	**391**	**435**

End of financial year	Unfunded plan (Employees' leaving entitlement) 31.12.2007	31.12.2006	Funded plan (AP Racing plan) 31.12.2007	31.12.2006
E. Main actuarial assumptions				
Weighted average of the assumptions used for determining defined-benefit obligations				
Discount rates	5.50%	4.50%	5.63%	5.10%
Salary increases	3.50 - 5.00%	3.50 - 5.00%	4.00%	4.05%
Inflation rate	2.00%	2.00%	3.15%	2.80%
Increase in pensions	–	–	2.90%	2.70%
Weighted average of the assumptions used for determining contributions				
Discount rates	4.50%	4.00%	5.10%	4.80%
Expected rate of return on plan assets	0.00%	0.00%	4.05%	7.47%
Expected rate of salary increases	3.50%	3.50%	2.80%	3.75%
Inflation rate	2.00%	2.00%	2.70%	2.50%

Asset categories	Unfunded plan (Employees' leaving entitlement) Percentage of assets	Expected return of assets	Funded plan (AP Racing plan) Percentage of assets	Expected return of assets
F. Plan assets				
Shares	0.00%	0.00%	91.00%	8.40%
Bonds	0.00%	0.00%	0.00%	0.00%
Property	0.00%	0.00%	0.00%	0.00%
Other	0.00%	0.00%	9.00%	5.75%
Total	**0.00%**	**0.00%**	**100.00%**	**8.16%**
Amounts invested in financial instruments of the Company				
Assets allocated for the plan, invested in shares issued by the Company				
Assets allocated for the plan, invested in property used by the Company				

	Unfunded plan (Employees' leaving entitlement)		Funded plan (AP Racing plan)	
End of financial year	31.12.2007	31.12.2006	31.12.2007	31.12.2006
G. Past experience of actuarial gains and losses				
Difference between expected and actual returns on plan assets				
a. Amount	–	–	–	(965)
b. Percentage of assets at reporting date	0%	0%	0%	–5%
Experience (gains) losses on liabilities				
a. Amount	(57)	(613)	232	855
b. Percentage of plan liabilities at reporting date	2%	–2%	1%	4%

17 Trade Payables

The following trade payables were recognised at 31 December 2007:

(euro thousand)	31.12.2007	31.12.2006
Trade payables	184,699	159,284
Payables to associate companies	1,421	1,768
Total	**186,120**	**161,052**

Payables to associate companies include €293 thousand due to Brembo Ceramic Brake Systems S.p.A., €853 thousand to KBX Motorbike Products Private Ltd., and €275 thousand to Petroceramics S.r.l.

18 Tax Payables

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

(euro thousand)	31.12.2007	31.12.2006
Tax payables	2,439	7,450

The changes for the year include taxes receivable recognised in the item "Other current receivables and assets" **(note 9)**. The overall change for the year is detailed as follows:

(euro thousand)	31.12.2007	31.12.2006
Balance at beginning of year	**(6,087)**	**3,655**
Allocation for current taxes	(17,861)	(26,932)
Payments	31,304	16,447
Other movements	683	641
Translation fluctuations	139	102
Balance at end of year	**8,178**	**(6,087)**

19 Other Current Payables

Other current payables at 31 December 2007 are shown below:

(euro thousand)	31.12.2007	31.12.2006
Tax payables other than current taxes	6,105	4,220
Social security charges	9,409	7,188
Amounts due to employees	17,480	14,691
Other payables	13,990	10,782
Total	**46,984**	**36,881**

The item "Tax payables other than current taxes" includes €1,890 thousand in relation to the conclusion of a tax dispute.

"Amounts due to employees" includes amounts due relating to December wages.

The item "Other payables" includes the portion payable within twelve months of the remaining amount due for the acquisition of the bankruptcy procedure for the company Bradi S.p.A., which took place in previous years, amounting to €2,490 thousand.

Income Statement

20 Sales of Goods and Services

Breakdown of sales of goods and services:

(euro thousand)	31.12.2007	31.12.2006
Italy	293,511	259,342
Abroad	746,312	672,625
Aggregate total	**1,039,823**	**931,967**
Intra-Group adjustments	(115,174)	(112,307)
Consolidated total	**924,649**	**819,660**
Allowances, discounts and returns	(13,749)	(14,434)
Intra-Group adjustments	985	760
Total	**911,885**	**805,986**

Group sales broken down by geographical area of destination and by application are shown in the Report on Operations. A breakdown by geographical area of production is provided in **note 32** “Segment Report”.

21 Other Revenues and Income

These are made up of:

(euro thousand)	31.12.2007	31.12.2006
Miscellaneous recharges	3,417	3,564
Gains on disposal of assets	2,613	3,312
Miscellaneous grants	1,762	162
Other revenue	4,937	3,797
Total	**12,729**	**10,835**

“Miscellaneous grants” includes a tax credit for research investments amounting to €1,664 thousand (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 €12,499 thousand.

23 Cost of Raw Materials, Consumables, Goods and Changes in Inventories

The item is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Change in inventories and inventory write-downs	(18,771)	(3,394)
Purchase of raw materials	455,226	386,713
Purchase of consumables	15,284	16,459
Allowances	(1,883)	(2,947)
Total	**449,856**	**396,831**

24 Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Transports	25,884	25,064
Maintenance, repairs and utilities	40,672	31,396
Contracted work	44,946	42,952
Rent	10,247	8,824
Other operating costs	55,796	47,522
Total	**177,545**	**155,758**

25 Personnel Expenses

Breakdown of personnel expenses is as follows:

(euro thousand)	31.12.2007	31.12.2006
Wages and salaries	128,300	113,525
Social security contributions	34,446	31,705
Employees' leaving entitlement and other personnel provisions	2,543	5,633
Other costs	7,480	5,744
Total	**172,769**	**156,607**

The increase in personnel expenses is mostly attributable to the increase in the number of employees.
The Group continued to invest in human resources with the aim of enhancing professionalism and workplace safety.

Note 16 provides additional information on the costs incurred for defined-benefit plans in 2007. The balance of "Employees' leaving entitlement and other personnel provisions" at 31 December 2007 benefited from the positive effects of the curtailment (€4,048 thousand). The item includes approximately €5 million in TFR accruals that were allocated to supplementary pension funds and the INPS treasury account.

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

	Executives	White-collars	Blue-collars	Total
Year 2007 average	139	1,442	3,591	5,172
Year 2006 average	117	1,272	3,168	4,557
Changes	**22**	**170**	**423**	**615**
Total at 31.12.2007	146	1,481	3,677	5,304
Total at 31.12.2007	122	1,284	3,297	4,703
Changes	**24**	**197**	**380**	**601**

26 Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Amortisation of intangible assets:		
Development costs	4,100	2,962
Industrial patents and similar rights for original work	615	651
Licences, trademarks and similar rights	115	117
Other intangible assets	2,023	1,544
Total	**6,853**	**5,274**
Depreciation of property, plant and equipment:		
Buildings	2,961	2,797
Leased buildings	819	528
Plant and machinery	25,206	20,355
Leased plant and machinery	1,640	663
Industrial and commercial equipment	7,435	6,902
Other property, plant and equipment	1,730	1,411
Other leased property, plant and equipment	20	20
Total	**39,811**	**32,676**
Impairment losses:		
Property, plant and equipment	959	46
Intangible assets	630	1,430
Total	**1,589**	**1,476**
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	**48,253**	**39,426**

Impairment losses are discussed in the notes to the balance sheet items.

27 Net Financial Income (Charges)

This item comprises:

(euro thousand)	31.12.2007	31.12.2006
Net exchange rate gains (losses)	1,208	(721)
Income (charges) from employees' leaving entitlement and other personnel provisions	(621)	(749)
Financial income (charges)	(10,612)	(7,949)
Other	116	59
Total	**(9,909)**	**(9,360)**

Net financial charges amounted to €9,909 thousand. The increase compared to 2006 was due to the rise in both average debt and interest rates. It should be noted that 2006 benefited from the settlement of a derivative held for trading that generated a gain of €886 thousand.

28 Net Financial Income (Charges) from Investments

This item comprises:

(euro thousand)	31.12.2007	31.12.2006
Write-ups of shareholdings	448	274
Write-downs of shareholdings	(2,701)	(50)
Other income	4	2
Total	**(2,249)**	**226**

The item "financial income (charges) from shareholdings" includes the €2,500 thousand writedown of Fundimak S.A. de C.V. (5.8% owned). For further information, see **Note 4**.

29 Taxes

The item is broken down as follows:

(euro thousand)	31.12.2007	31.12.2006
Current taxes	17,861	26,932
Deferred taxes	(3,009)	(722)
Total	**14,852**	**26,210**

At 31 December 2007, the total amount of deferred taxes relating to items that were posted to Equity was €310 thousand.
The ratio of taxes to income before taxes was 18.79% (including deferred taxes). The ratio decreased significantly compared to the previous year due to changes in the distribution of taxable income among countries and the provisions contained in Italy's 2008 Finance Law that lowered tax rates for future years and modified the way in which taxable income is determined. For additional comments, see **Note 6**.

30 Earnings per Share

Basic and diluted earnings per share at 31 December 2007 of €0.91 (2006: €0.64) was calculated by dividing the net income for the year attributable to the holders of ordinary capital instrument of the Parent Company, by the weighted average number of ordinary shares outstanding during the year ended 31 December 2007, amounting to 66,650,170 (2006: 66,784,450). The weighted average changed due to the fact that own shares were repurchased during the year.

31 Related Parties

Parties related to the Group include parent companies, subsidiaries, associate companies, joint ventures (for a list, see Attachments 1 and 2), directors and managers with strategic responsibilities and other related parties. The Parent Company Brembo S.p.A. is a subsidiary of Nuova FourB S.p.A., which holds 56.52% of its share capital.

The table below summarised the impact of transactions with related parties on the Consolidated Financial Statements.

(euro thousand)	31.12.2007				
		Related parties			
a) Impact of transactions with related parties on balance sheet items	**Book value**	**Total**	**Third-parties**	**Intercompany**	**%**
Trade receivables	196,610	2,741	917	1,824	*1.4%*
Trade payables	(186,120)	(1,846)	(425)	(1,421)	*1.0%*
Other current payables	(46,984)	(127)	0	(127)	*0.3%*

(euro thousand)	31.12.2007				
		Related parties			
b) Impact of transactions with related parties on Income Statement items	**Book value**	**Total**	**Third parties**	**Intercompany**	**%**
Sales of goods and services	911,885	2,907	2,097	810	*0.3%*
Other revenues and income	12,729	3,586	128	3,458	*28.2%*
Raw materials, consumables and goods	(449,856)	(15,091)	(87)	(15,004)	*3.4%*
Other operating costs	(177,545)	(2,630)	(2,418)	(212)	*1.5%*
Personnel expenses	(172,769)	(1,755)	(1,755)	0	*1.0%*
Net financial income (charges)	(9,909)	(10)	(13)	3	*0.1%*

Listed below is information pertaining to the fees paid to Directors, Auditors and General Manager of Brembo S.p.A. and of other Group companies and additional information required:

(euro thousand)

SUBJECT	OFFICE		FEES			
Name and surname	Office held	Term of office (per year)	Compensation for the office held	Non-monetary benefits	Bonuses and other incentives	Other compensation
Alberto Bombassei	Chairman of the BoD	2006-2007	1,000		328	
Stefano Monetini	Managing Director	2005-2007	75			
Paolo Biancardi	Member of BoD	2005-2007	30			
Cristina Bombassei	Member of BoD	2005-2007	30		(1)(2) 17	(1)(2) 77
Giancarlo Dallera	Member of BoD	2005-2007	30			
Giovanna Dossena	Member of BoD	2005-2007	30			
Andrea Gibellini	Member of BoD	2005-2007	25			
Umberto Nicodano	Member of BoD	2005-2007	30			(3) 100
Giuseppe Roma	Member of BoD	2005-2007	40			
Giovanni Cavallini	Member of BoD	2005-2007	30			
Matteo Tiraboschi	Member of BoD	2005-2007	25		(1) 130	(1) 182
Sergio Mazzoleni	Chairman of the Board of Statutory Auditors	2005-2007	37.5			
Enrico Cervellera	Auditor	2005-2007	25			
Andrea Puppo	Auditor	2005-2007	(4) 41			
Stefano Monetini	General Manager	indefinite term	(1) 451		(1) 509	

(1) compensation paid as employee salary.

(2) a portion of compensation was paid by the company and a portion by social security institutions.

(3) compensation relates to professional services provided by the association Bonelli Erede Pappalardo and are stated on a cash basis.

(4) compensation relates to Brembo S.p.A. and other Group companies.

32 Segment Report

The geographical areas (in terms of the location of operations) in which the Group operates and that are included in the primary segment are: Europe, America and Asia. The Group's geographical segments are determined based on the fixed assets of the individual entities located and operating in these areas; sales are mainly to the local market and primarily in the areas where the fixed assets are located.

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

Primary segment

The following table shows segment information on sales of goods and services and results at 31 December 2007 and 31 December 2006:

	Europe		America		Asia		Inter-segment		Consolidated	
(euro thousand)	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Sales of goods and services	841,645	748,939	107,618	96,891	16,495	5,244	(28,646)	(22,909)	937,112	828,165
Costs	(714,176)	(637,396)	(97,658)	(87,079)	(16,522)	(6,905)	28,187	22,184	(800,169)	(709,196)
Gross operating income	**127,469**	**111,543**	**9,960**	**9,812**	**(27)**	**(1,661)**	**(459)**	**(725)**	**136,943**	**118,969**
Amortisation and depreciation	(43,778)	(35,952)	(4,148)	(3,290)	(301)	(194)	(26)	10	(48,253)	(39,426)
Net operating income	**83,691**	**75,591**	**5,812**	**6,522**	**(328)**	**(1,855)**	**(485)**	**(715)**	**88,690**	**79,543**
Financial income (charges)									(9,909)	(9,360)
Net financial income (charges) from investments	(2,258)	156	0	0	0	70	9	0	(2,249)	226
Income before taxes									**76,532**	**70,409**
Taxes									(14,852)	(26,210)
Income before minority interests									**61,680**	**44,199**
Minority interests									(830)	(1,254)
Group income for the year									**60,850**	**42,945**

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

The following table shows other segment information at 31 December 2007 and 31 December 2006:

(euro thousand)	Europe 31.12.2007	Europe 31.12.2006	America 31.12.2007	America 31.12.2006	Asia 31.12.2007	Asia 31.12.2006	Inter-segment 31.12.2007	Inter-segment 31.12.2006	Consolidated 31.12.2007	Consolidated 31.12.2006
ASSETS										
Property, plant and equipment	284,812	269,951	41,579	23,617	2,037	1,703	(458)	(523)	327,970	294,748
Intangible assets	55,620	44,162	17,986	2,755	62	61	252	252	73,920	47,230
Shareholdings	71,682	44,941	(4,694)	0	0	0	(51,614)	(29,741)	15,374	15,200
Inventories	144,141	125,628	19,411	19,606	2,536	1,126	(29)	258	166,059	146,618
Trade receivables	182,931	182,970	23,811	19,963	3,686	976	(13,818)	(21,262)	196,610	182,647
Other non-current and current receivables and asset	30,820	29,076	6,156	3,716	1,288	642	0	0	38,264	33,434
Non-current assets held for sale	8,484	394	0		0	0	0	0	8,484	394
Unallocable assets										
Non-current, current financial assets									3,692	6,137
Tax receivables									14,250	7,194
Cash and cash equivalents									53,524	40,708
TOTAL ASSETS									**898,147**	**774,310**
LIABILITIES										
Trade payables	171,770	151,838	24,061	27,393	4,107	3,084	(13,818)	(21,263)	186,120	161,052
Other non-current, current liabilitie	50,657	43,707	2,388	1,827	2,274	428	0	0	55,319	45,962
Provisions for contingencies and charges	3,096	5,033	0	0	0	0	0	0	3,096	5,033
Provisions for employee benefits	23,302	28,609	188	0	61	54	0	0	23,551	28,663
Unallocable liabilities										
Financial debt and other financial liabilitie									290,973	235,521
Tax payables									25,013	27,515
TOTAL LIABILITIES									**584,072**	**503,746**
INVESTMENTS										
Property, plant and equipment	57,608	66,587	23,494	2,722	690	1,233	(326)	(810)	81,466	69,732
Intangible assets	20,040	14,347	15,374	0	18	68	0	0	35,432	14,415
TOTAL INVESTMENTS	**77,648**	**80,934**	**38,868**	**2,722**	**708**	**1,301**	**(326)**	**(810)**	**116,898**	**84,147**

All income, cash flow and balance sheet figures for the secondary segment (which for the Brembo Group is the Automotive components segment), as defined in "Accounting Principles and Valuation Criteria Segment Reporting" and by IAS 14, can be taken from the Consolidated Financial Statements.

33 Independent Auditors' Fees

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

(euro thousand)	31.12.2007	31.12.2006
Independent Auditors' fees for the provision of audit services	474	332
Independent Auditors' fees for the provision of attestation services	28	0
Independent Auditors' fees for the provision of other services	**41**	**173**
Tax consulting	41	74
Other consulting services	0	99
Fees of entities belonging to the independent audit network for the provision of services:	**530**	**90**
Due Diligence	468	0
Audit support	62	90

34 Significant events after 31 December 2007

On 4 February 2008, the company formalised its purchase of an additional, controlling interest in the Chinese company Nanjing Yuejin Automotive Brake System Co. Ltd., based in Nanjing. The deal was concluded by the subsidiary Brembo China Brake Systems Co. Ltd., which purchased a 42.25% stake from NAC (Nanjing Automobile Corp.) for approximately $5.9 million. The Brembo Group now directly and indirectly holds 70% of the China-based company NYABS. This further strengthening of Brembo's position on the Far East market will afford the company excellent growth prospects.

In executing a letter of intent signed on 6 September 2007, on 19 February 2008 Brembo S.p.A. and Sabelt S.p.A. signed a joint venture agreement with the objective of integrating and developing their car and motorbike components and special accessories businesses. Under the joint venture agreement, Brembo S.p.A.'s High Performance Kit business unit (braking systems for the car and motorbike upgrade market) and 100% of the shares of Sabelt S.p.A. (owned by Marsiaj and D'Ormea) were transferred into Brembo Performance S.p.A. The agreement set out an initial 50:50 ownership of Brembo Performance S.p.A. and, as of March 2008, an increase in Brembo's ownership to 70% for a consideration totalling €6 million. The amount was funded using available lines of credit.

There were no other significant events between 31 December 2007 and 26 March 2008.

Curno, 26 March 2008

On behalf of the Board of Directors
The Chairman
Alberto Bombassei

ANNEXES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Annex 1

Relations with Subsidiaries, Associates and Parent Companies (Sales/Purchases)

(euro thousand)

PURCHASING COMPANY	Brembo S.p.A.	Brembo Spolka Zo.o.	Brembo Scandinavia A.B.	Corporacion Upwards 98 S.A.	Brembo North America Inc.	Brembo Japan Co. Ltd.	Brembo Rassini S.A. de C.V.	Brembo UK Ltd.	Marchesini S.p.A.	Brembo do Brasil Ltda.	Brembo International S.A.
SELLING COMPANY											
Brembo S.p.A.		5,153 (1)	1	5,524	7,647	2,748	1,738	1,194	2,829	715	
Brembo Spolka Zo.o.	18,565 (4)									649	
Brembo Scandinavia A.B.	649										
Corporacion Upwards 98 S.A.	7,572 (5)						209 (6)	9			
Brembo North America Inc.	1,451					665	353		18		
Brembo Japan Co. Ltd.	752										
Brembo Rassini S.A. de C.V.	355				3,577					158	
Brembo UK Ltd.	467										
Marchesini S.p.A.	390				10						
Brembo do Brasil Ltda.	2,814										
Brembo International S.A.	2,270										
Brembo North America Homer Inc.											
Brembo Mexico Apodaca S.A. de C.V.											
Brembo Poland Spolka Zo.o.	30,274	3 (8)		1,781						139 (9)	
Ap Racing Ltd.	75										
Brembo China Brake Systems Co. Ltd.	8,370				141						
Brembo Deutschland GmbH	12										
TOTAL CONSOLIDATED COMPANIES	**74,016**	**5,156**	**1**	**7,305**	**11,375**	**3,413**	**2,300**	**1,203**	**2,847**	**1,661**	**0**
Brembo Ceramic Brake Systems S.p.A.	12,466										
KBX Motorbike Products Pvt. Ltd.	1,793										
Petroceramics S.r.l.	385										
TOTAL	**88,660**	**5,156**	**1**	**7,305**	**11,375**	**3,413**	**2,300**	**1,203**	**2,847**	**1,661**	**0**

(1): Of which €461 thousand for sales of property, plant and equipment
(2): Of which €548 thousand for sales of property, plant and equipment
(3): Of which €53 thousand for sales of property, plant and equipment
(4): Of which €204 thousand for sales of property, plant and equipment
(5): Of which €380 thousand for sales of property, plant and equipment
(6): Of which €187 thousand for sales of property, plant and equipment
(7): Of which €414 thousand for sales of property, plant and equipment
(8): Of which €2 thousand for sales of property, plant and equipment
(9): Of which €139 thousand for sales of property, plant and equipment

Brembo North America Homer Inc.	Brembo Mexico Apodaca S.A. de C.V.	Brembo Poland Spolka Zo.o.	Ap Racing Ltd.	Brembo China Brake Systems Co. Ltd.	Brembo Deutschland GmbH	CONSOLIDATED COMPANIES	Brembo Ceramic Brake Systems S.p.A.	KBX Motorbike Products Pvt. Ltd.	Petroceramics S.r.l.	Total
107		16,910 [2]	245	466 [3]	2	**45,279**	2,107	565		**47,951**
		608				**19,882**				**19,882**
						649				**649**
		702 [7]				**8,492**				**8,492**
8	3			29		**2,527**				**2,527**
						752				**752**
						4,090				**4,090**
						467				**467**
						400				**400**
						2,814				**2,814**
		120				**2,390**				**2,390**
	70					**70**				**70**
						0				**0**
						32,197				**32,197**
						75				**75**
						8,511				**8,511**
						12				**12**
115	**73**	**18,340**	**245**	**495**	**2**	**128,547**	**2,107**	**565**	**0**	**131,219**
						12,466				**12,466**
						1,793				**1,793**
						385	139			**524**
115	**73**	**18,340**	**245**	**495**	**2**	**143,191**	**2,246**	**565**	**0**	**146,002**

Annex 2

Relations with Subsidiaries, Associates and Parent Companies (receivables/payables)

(euro thousand)

PURCHASING COMPANY	Brembo S.p.A.	Brembo Spolka Zo.o.	Brembo Scandinavia A.B.	Corporacion Upwards 98 S.A.	Brembo North America Inc.	Brembo Japan Co. Ltd.	Brembo Rassini S.A. de C.V.	Brembo UK Ltd.	Marchesini S.p.A.	Brembo do Brasil Ltda.	Brembo International S.A.
SELLING COMPANY											
Brembo S.p.A.		2,759		1,821 [a]	11,827	1,125	1,983	750	2,393 [b]	1,111	
Brembo Spolka Zo.o.	6,156									263	
Brembo Scandinavia A.B.	499										
Corporacion Upwards 98 S.A.	2,232										
Brembo North America Inc.	755					125					
Brembo Japan Co. Ltd.	241										
Brembo Rassini S.A. de C.V.	425				1,442						
Brembo UK Ltd.	386										
Marchesini S.p.A.	222										
Brembo do Brasil Ltda.	556										
Brembo International S.A.	50,461 [g]										
Brembo North America Homer Inc.											
Brembo Mexico Apodaca S.A. de C.V.											
Brembo Poland Spolka Zo.o.	7,529	1		361			79			139	
Ap Racing Ltd.	75										
Brembo China Brake Systems Co. Ltd.	2,103				101						
Brembo Deutschland GmbH	14										
TOTAL CONSOLIDATED COMPANIES	**71,654**	**2,760**	**0**	**2,182**	**13,370**	**1,250**	**2,062**	**750**	**2,393**	**1,513**	**0**
Brembo Ceramic Brake Systems S.p.A.	424										
KBX Motorbike Products Pvt. Ltd.	853										
Petroceramics S.r.l.	275										
TOTAL	**73,206**	**2,760**	**0**	**2,182**	**13,370**	**1,250**	**2,062**	**750**	**2,393**	**1,513**	**0**

[a] : Of which €8,831 thousand intercompany loan
[b] : Of which €1,524 thousand intercompany loan
[c] : Of which €15,965 thousand intercompany loan
[d] : Intercompany loan
[e] : Intercompany loan
[f] : Intercompany loan
[g] : Intercompany loan
[h] : Intercompany loan

Brembo North America Homer Inc.	Brembo Mexico Apodaca S.A. de C.V.	Brembo Poland Spolka Zo.o.	Ap Racing Ltd.	Brembo China Brake Systems Co. Ltd.	Brembo Deutschland GmbH	CONSOLIDATED COMPANIES	Brembo Ceramic Brake Systems S.p.A.	KBX Motorbike Products Pvt. Ltd.	Petroceramics S.r.l.	Total
107		19,524 (c)	122	1,700	100 (d)	**45,322**	1,342	482		**47,146**
		193				**6,612**				**6,612**
						499				**499**
		228				**2,460**				**2,460**
1,026 (e)	365 (f)					**2,271**				**2,271**
						241				**241**
				9		**1,876**				**1,876**
						386				**386**
						222				**222**
						556				**556**
		2,522 (h)				**52,983**				**52,983**
	102					**102**				**102**
						0				**0**
						8,109				**8,109**
						75				**75**
						2,204				**2,204**
						14				**14**
1,133	**467**	**22,467**	**122**	**1,709**	**100**	**123,932**	**1,342**	**482**	**0**	**125,756**
						424				**424**
						853				**853**
						275	**114**			**389**
1,133	**467**	**22,467**	**122**	**1,709**	**100**	**125,484**	**1,456**	**482**	**0**	**127,422**

Annex 3

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

COMPANY	HEADQUARTERS	
Brembo S.p.A.	Curno (BG)	Italy
AP Racing Ltd.	Coventry	United Kingdom
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany
Brembo International S.A.	Luxembourg	Luxembourg
Brembo Performance S.p.A.	Curno (Bergamo)	Italy
Marchesini S.p.A.	Jerago con Orago (Varese)	Italy
Brembo North America Inc.	Costa Mesa	United States
Brembo China Brake Systems Co. Ltd.	Beijing	China
Brembo Performance North America Inc.	Dover	United States
Brembo Spolka Zo.o.	Czestochowa	Poland
Brembo Japan Co. Ltd.	Tokyo	Japan
Brembo Participations B.V.	Amsterdam	The Netherlands
Brembo Poland Spolka Zo.o.	Dabrowa Gornizca	Poland
Brembo Scandinavia A.B.	Göteborg	Sweden
Brembo UK Ltd.	London	United Kingdom
Brembo do Brasil Ltda.	Betim	Brazil
Brembo Rassini S.A. de C.V.	Puebla	Mexico
Corporacion Upwards 98 S.A.	Zaragoza	Spain
Brembo North America Inc.	Costa Mesa	United States
Brembo Performance Japan Co. Ltd.	Tokyo	Japan
Brembo Mexico Apodaca S.A. de C.V.	Apodaca Nuevo Leòn	Mexico
Brembo North America Homer Inc.	Wilmington	United States

SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES Direct	Indirect	
Eur	34,727,914			
GBP	221,000	100%		Brembo S.p.A.
Eur	25,000	100%		Brembo S.p.A.
Eur	49,872,000	100%		Brembo S.p.A.
Eur	120,000	100%		Brembo S.p.A.
Eur	500,000	100%		Brembo S.p.A.
US$	1,000	94.68%		Brembo S.p.A.
CNY	103,500,000	60%		Brembo S.p.A.
US$	200	100%		Brembo S.p.A.
PLN	15,279,546		100%	Brembo International S.A.
JPY	11,000,000		100%	Brembo International S.A.
Eur	49,722,000		100%	Brembo International S.A.
PLN	53,600,000		100%	Brembo International S.A.
SEK	4,500,000		100%	Brembo International S.A.
GBP	600,000		100%	Brembo International S.A.
BRL	17,803,201		99.99%	Brembo International S.A.
MXN	110,849,230		76%	Brembo International S.A.
Eur	498,043		68%	Brembo International S.A.
US$	100,000		5.3%	Brembo International S.A.
JPY	5,000,000		100%	Brembo Japan Co. Ltd.
US$	12,000,000		100%	Brembo North America Inc.
US$	45,000,000		100%	Brembo North America Inc.

Annex 4

List of Companies Valued Using the Equity Method

COMPANY	HEADQUARTERS	
Brembo Ceramic Brake Systems S.p.A.	Stezzano (Bergamo)	Italy
KBX Motorbike Products Ptv. Ltd.	Pune	India
Softia S.r.l.	Erbusco (Brescia)	Italy
Nanjing Yuejin Automotive Brake System Co. Ltd.	Nanjing	China
Petroceramics S.r.l.	Milan	Italy

SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES		
		Direct	Indirect	
Eur	2,000,000	50%		Brembo S.p.A.
INR	140,000,000	50%		Brembo S.p.A.
Eur	100,000	40%		Brembo S.p.A.
CNY	115,768,679	27.75%		Brembo S.p.A.
Eur	123,750	20%		Brembo S.p.A.

STATUTORY AUDITORS' REPORT

Report of the Board of Statutory Auditors on the Consolidated Financial Statements for the Year Ended 31 December 2007

Shareholders of the Parent Company Brembo S.p.A.,
This Report concerns the Consolidated Financial Statements of companies of the Brembo Group.
This Report acknowledges the responsibilities assigned to the Board of Statutory Auditors by Legislative Decree 58 of 24 February 1998 and in this regard, it refers to the Report on Operations for the Financial Statements at 31 December 2007 of Parent Company Brembo S.p.A.

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

– it has obtained information and monitored, within the limits of its competence, whether the organisational structure of the company complies with the principles of proper administration. It has obtained information by direct observation, from executives involved in administrative duties, and from meetings with the Independent Auditors PricewaterhouseCoopers S.p.A., focused on a mutual exchange of relevant data and information;

– it has received from the Board of Directors, within the terms established by the law, the Financial Statements 2007 and the Report on Operations of Brembo S.p.A. and the Consolidated Financial Statements and Report on Operations;

– it has acknowledged that the Consolidated Financial Statements and the Report on Operations have been prepared in compliance with relevant regulations;

– it has acknowledged the certification of the Independent Auditors, which does not present any points of issue;

– the Financial Statements of the main subsidiary companies were reviewed by the respective Boards of Statutory Auditors, by an Auditor or by Independent Auditors.

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

The Consolidated Financial Statements of Brembo for the year ended 31 December 2007 were prepared in compliance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2007, issued by the International Accounting Standard Boards (IASB) and adopted by EC Regulations.

The comparative figures at 31 December 2006 have been restated according to the same principles as those used at 31 December 2007.

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

Balance Sheet

Assets	
Non-current assets	435,167
Current assets	454,496
Non-current assets held for sale and/or disposal groups and/or discontinued operations	8,484
Total assets	**898,147**
Equity and liabilities	
Equity	314,075
Non-current liabilities	180,842
Current liabilities	403,230
Total equity and liabilities	**898,147**

Income Statement

Gross operating income	136,943
Net operating income	88,690
Net income before taxes	76,532
Net income before minority interests	61,680
Group income for the year	**60,850**

In our opinion, the Consolidated Financial Statements present a fair picture of Brembo Group's equity, financial situation and operating income for the year ended 31 December 2007, in compliance with above-mentioned accounting standards and regulations for consolidated financial statements.
Moreover, the Board of Statutory Auditors deems the Report on Group Operations correct and consistent with the Consolidated Financial Statements.

Curno, 14 April 2008

BOARD OF STATUTORY AUDITORS
Sergio Mazzoleni *(Chairman)*
Enrico Cervellera *(Auditor)*
Andrea Puppo *(Auditor)*

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998

To the shareholders of
Brembo SpA

1 We have audited the consolidated financial statements of Brembo SpA and its subsidiaries ("Brembo Group") as of 31 December 2007, constituted by the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the related notes. These consolidated financial statements are the responsibility of Brembo SpA's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 11 April 2007.

3 In our opinion, the consolidated financial statements of Brembo SpA as of 31 December 2007 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in shareholders' equity and cash flows of Brembo Group for the year then ended.

Milan, 14 April 2008

PricewaterhouseCoopers SpA

Signed by Luigi Migliavacca
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Consolidated Financial Statements refer to the Consolidated Financial Statements in original Italian and not to their translation.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 – **Firenze** 50129 Viale Milton 65 Tel. 055471747 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 049873481 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Grazioli 73 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

Certification of the consolidated financial statements according to the art. 81-ter of Consob Resolution No. 11971 of 14 May 1999 with amendments and additions

1. We, the undersigned, Alberto Bombassei and Corrado Orsi, members of Brembo S.p.A., certify, taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application,

of the administrative and accounting procedures used in the preparation of the consolidated financial statements for the year ended December 31, 2007.

2. To this end, there have been no relevant aspects.

3. We also certify that the consolidated financial statements:

a) agree with the accounting records and entries;

b) have been prepared in accordance with IFRS, to our knowledge, and are suitable for providing a true and fair presentation of the equity, economic and financial situation of the company and the aggregate of the companies included in consolidation.

Date: 26/03/2008

Alberto Bombassei
The Chairman
....

Corrado Orsi
Executive in charge of preparing the accounting statements
....

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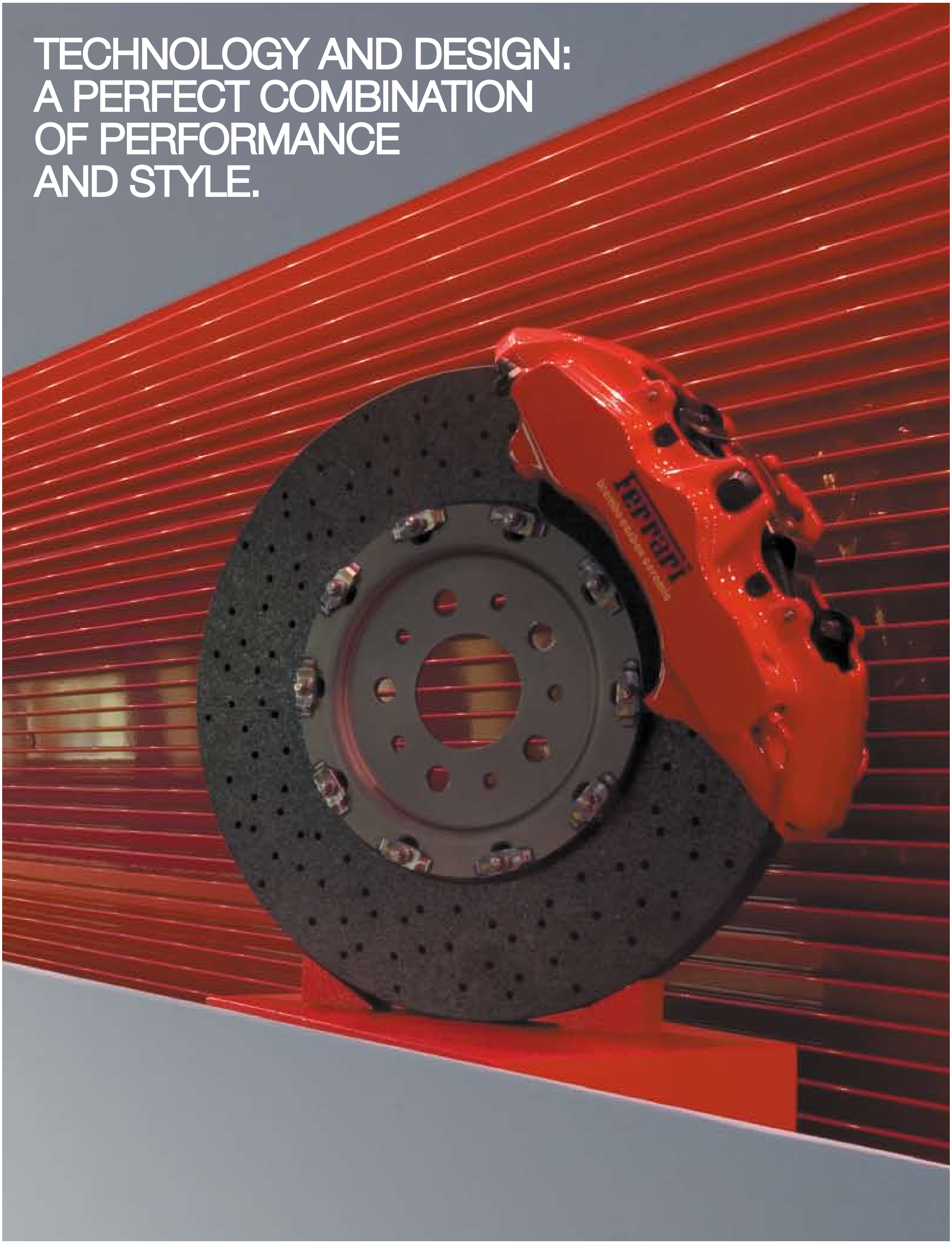
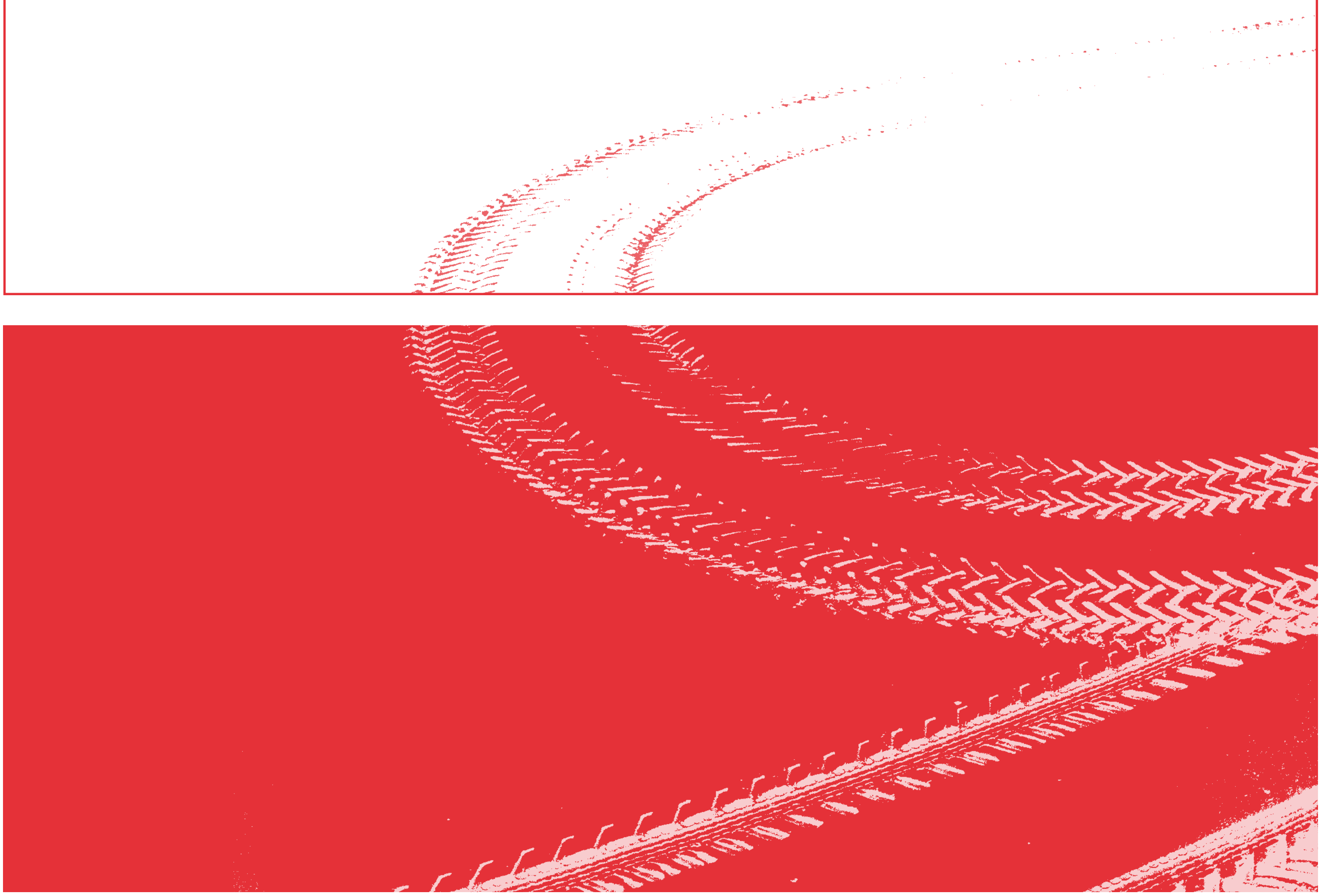
Cap. Soc. € 34.727.914
Export M BG 020900
R.E.A. 134667
Registro Imprese BG
Codice Fiscale e Partita IVA
n° 00222620163

TECHNOLOGY AND DESIGN: A PERFECT COMBINATION OF PERFORMANCE AND STYLE.



SEPARATE FINANCIAL STATEMENTS
AT 31 DECEMBER 2007



BREMBO S.P.A. SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2007

Balance Sheet at 31 December 2007

Assets

(euro)	Notes	31.12.2007	31.12.2006	Change
NON-CURRENT ASSETS				
Property, plant, equipment and other equipment	1	163,303,192	152,806,569	10,496,623
Development costs	2	32,388,809	25,284,001	7,104,808
Other intangible assets	2	8,077,061	6,106,992	1,970,069
Shareholdings	3	129,206,622	107,093,414	22,113,208
Other financial assets (investments in other companies and derivatives)	4	687,279	805,481	(118,202)
Other receivables and non-current assets	5	202,662	202,662	0
TOTAL NON-CURRENT ASSETS		**333,865,625**	**292,299,119**	**41,566,506**
CURRENT ASSETS				
Inventories	7	97,031,462	86,825,826	10,205,636
of which with related parties	*30*	*530*	*0*	*530*
Trade receivables	8	131,484,036	152,299,160	(20,815,124)
of which with related parties	*30*	*20,439,789*	*40,509,310*	*(20,069,521)*
Other receivables and current assets	9	20,250,906	5,112,592	15,138,314
Financial current assets and derivatives	10	25,968,176	17,234,152	8,734,024
of which with related parties	*30*	*25,455,205*	*16,924,600*	*8,530,605*
Cash and cash equivalents	11	1,210,552	2,728,323	(1,517,771)
TOTAL CURRENT ASSETS		**275,945,132**	**264,200,053**	**11,745,079**
NON-CURRENT ASSETS HELD FOR SALE AND/OR DISPOSAL GROUPS AND/OR DISCONTINUED OPERATIONS	32	**12,117,828**	**394,000**	**11,723,828**
TOTAL ASSETS		**621,928,585**	**556,893,172**	**65,035,413**

Equity and liabilities

(euro)	Notes	31.12.2007	31.12.2006	Change
EQUITY				
Share capital	12	34,727,914	34,727,914	0
Other reserves	12	107,290,450	106,463,797	826,653
Retained earnings (loss)	12	12,840,937	12,840,937	0
Profit / (loss) for the year	12	28,235,853	20,247,788	7,988,065
TOTAL EQUITY		**183,095,154**	**174,280,436**	**8,814,718**
NON-CURRENT LIABILITIES				
Non-current payables to banks	13	6,330,627	6,894,137	(563,510)
Other non-current financial payables and derivatives	13	75,069,631	61,944,981	13,124,650
of which with related parties	*30*	*50,000,000*	*50,000,000*	*0*
Other non-current liabilities	14	8,770,717	8,944,457	(173,740)
Reserves for non-current contingencies and charges	15	2,156,347	3,297,661	(1,141,314)
Provisions for employee benefits	16	20,160,940	24,692,552	(4,531,612)
Deferred tax liabilities	6	19,817,255	16,899,903	2,917,352
TOTAL NON-CURRENT LIABILITIES		**132,305,517**	**122,673,691**	**9,631,826**
CURRENT LIABILITIES				
Current payables to banks	13	122,633,962	94,039,092	28,594,870
Other current financial payables and derivatives	13	5,262,312	2,741,872	2,520,440
of which with related parties	*30*	*460,717*	*360,067*	*100,650*
Trade payables	17	139,764,979	127,510,262	12,254,717
of which with related parties	*30*	*22,843,066*	*20,420,925*	*2,422,141*
Tax payables	18	0	5,869,510	(5,869,510)
Other current payables	19	35,026,856	29,778,309	5,248,547
of which with related parties	*30*	*130,405*	*126,735*	*3,670*
TOTAL CURRENT LIABILITIES		**302,688,109**	**259,939,045**	**42,749,064**
NON-CURRENT LIABILITIES HELD FOR SALE AND/OR ASSOCIATED WITH DISPOSAL GROUP	32	**3,839,805**	**0**	**3,839,805**
TOTAL EQUITY AND LIABILITIES		**621,928,585**	**556,893,172**	**65,035,413**

Operating Results at 31 December 2007

(euro)	Notes	31.12.2007	31.12.2006	Change
Sales of goods and services	20	603,048,635	571,357,319	31,691,316
of which with related parties	*30*	*38,770,557*	*43,996,805*	*(5,226,248)*
Other revenues and income	21	17,273,391	17,728,742	(455,351)
of which with related parties	*30*	*11,293,329*	*11,702,959*	*(409,630)*
Costs for capitalised internal works	22	12,456,290	11,344,385	1,111,905
Raw materials, consumables and goods	23	(315,137,318)	(305,490,530)	(9,646,788)
of which with related parties	*30*	*(81,517,979)*	*(69,880,508)*	*(11,637,471)*
Other operating costs	24	(119,234,638)	(104,335,128)	(14,899,510)
of which with related parties	*30*	*(6,128,119)*	*(5,671,372)*	*(456,747)*
Personnel expenses	25	(127,316,742)	(119,281,553)	(8,035,189)
of which with related parties	*30*	*(1,755,386)*	*(1,265,391)*	*(489,995)*
GROSS OPERATING INCOME		**71,089,618**	**71,323,235**	**(233,617)**
Depreciation, amortisation and impairment losses	26	(29,586,454)	(24,131,846)	(5,454,608)
NET OPERATING INCOME		**41,503,164**	**47,191,389**	**(5,688,225)**
Net financial income (charges)	27	(8,292,103)	(6,485,455)	(1,806,648)
of which with related parties	*30*	*(1,509,522)*	*(2,170,369)*	*660,847*
Net financial income (charges) from investments	28	7,418,398	0	7,418,398
of which with related parties	*30*	*7,418,398*	*0*	*7,418,398*
INCOME BEFORE TAXES		**40,629,459**	**40,705,934**	**(76,475)**
Taxes	29	(12,393,606)	(20,458,146)	8,064,540
NET INCOME FOR THE YEAR		**28,235,853**	**20,247,788**	**7,988,065**

Cash-flow Statement for the Year Ended 31 December 2007

(euro)	31.12.2007	31.12.2006
Cash and cash equivalents at beginning of year	**(85,706,280)**	**(61,818,492)**
of which with related parties	*0*	*(15,734,480)*
Net debt arising on merger	0	(7,536,248)
Cash and cash equivalents at beginning of year	**(85,706,280)**	**(69,354,740)**
Net income for the year before taxes	**40,629,459**	**40,705,934**
Depreciation, amortisation/Impairment losses	29,586,454	24,131,846
Gains/Losses from disposal of fixed assets	(1,250,408)	(5,145,796)
Financial portion of provisions for payables for personnel	936,881	968,796
Long-term provisions for employee benefits	(3,512,399)	4,804,242
Other provisions net of utilisations	(181,724)	780,624
Net working capital generated by operations	**66,208,263**	**66,245,646**
Paid current taxes	(22,838,482)	(8,221,277)
Uses of long-term provisions for employee benefits	(1,891,127)	(3,332,147)
(Increase)/ reduction in current assets:		
inventories	(9,658,632)	(1,391,181)
of which with related parties	*(530)*	*0*
financial assets	(8,530,444)	(6,298,845)
of which with related parties	*(8,530,605)*	*(14,983,644)*
trade receivables and receivables from other Group companies	20,700,530	(18,403,915)
of which with related parties	*17,914,169*	*(14,812,274)*
receivables from others and other assets	(7,914,058)	16,043,067
HPK business line	(4,512,506)	0
Increase (reduction) in current liabilities:		
trade payables and payables to other Group companies	12,254,717	9,906,213
of which with related parties	*2,577,692*	*1,490,172*
payables to others and other liabilities	4,578,381	1,041,263
of which with related parties	*104,320*	*(3,055,665)*
HPK business line	274,838	0
Net cash flow from / (for) operating activities	**48,671,480**	**55,588,824**
Investments in:		
intangible assets	(16,910,262)	(14,307,051)
property, plant and equipment	(41,648,649)	(42,096,806)
financial fixed assets (shareholdings)	(22,113,208)	(7,309,179)
Cost price for disposal, or reimbursement value of fixed assets	3,384,228	19,487,951
Net cash flow from / (for) investing activities	**(77,287,891)**	**(44,225,085)**
Dividends paid in the year	(16,028,268)	(14,024,735)
Acquisition of own shares	(3,511,975)	0
Loans and financing granted by banks and other financial institutions in the year	19,116,122	5,082,845
Repayment of long-term loans	(9,484,935)	(18,773,389)
Net cash flow from (for) financing activities	**(9,909,056)**	**(27,715,279)**
Total cash flow	**(38,525,467)**	**(16,351,540)**
Cash and cash equivalents at end of year	**(120,731,747)**	**(85,706,280)**
Cash and cash equivalents of HPK business line at end of year	**(3,500,000)**	**0**
Cash and cash equivalents at end of year	**(124,231,747)**	**(85,706,280)**

Statement of Movements in Equity

(euro)	Share capital	Legal reserve	Share premium reserve	Revaluation reserve	Fund Re. Law 46/82	Own share reserve	Own share purchasing reserve
Balance at 1 January 2006	**34,727,914**	**6,757,244**	**26,650,263**	**12,966,123**	**98,348**	**0**	**15,400,000**
Allocation of profit for the previous year		188,340					
Payment of dividends							
Plan for own share purchasing							2,600,000
Change in reserves from application of IAS 39							
Merger of FOMM S.P.A.							
Net income (loss) for the year							
Balance at 31 December 2006	**34,727,914**	**6,945,584**	**26,650,263**	**12,966,123**	**98,348**	**0**	**18,000,000**
Allocation of profit for the previous year							
Payment of dividends							
Plan for own share purchasing							3,600,000
Change in reserves from application of IAS 39							
Acquisition of own shares						(3,511,975)	
Rounding off							
Net income (loss) for the year							
Balance at 31 December 2007	**34,727,914**	**6,945,584**	**26,650,263**	**12,966,123**	**98,348**	**(3,511,975)**	**21,600,000**

Hedging reserves are net of the related tax effect.

Extraordinary reserve	Taxed reserve for accelerated amor. and depr.	Goodwill arising from merger	Reserve Re. art. 6 (2) Leg. Decree 38/05	FTA reserve	Hedging reserve	Retained earnings	Income for the year	Equity
38,943,239	**556,823**	**54,401**	**0**	**9,642,480**	**12,149**	**0**	**15,518,820**	**161,327,804**
						7,098,976	(7,287,316)	**0**
(5,793,231)							(8,231,504)	**(14,024,735)**
(2,600,000)								**0**
					684,740			**684,740**
		208,238		94,640		5,741,961		**6,044,839**
							20,247,788	**20,247,788**
30,550,008	**556,823**	**262,639**	**0**	**9,737,120**	**696,889**	**12,840,937**	**20,247,788**	**174,280,436**
3,129,848			**1,089,672**				**(4,219,520)**	**0**
							(16,028,268)	**(16,028,268)**
(3,600,000)								**0**
					119,107			**119,107**
								(3,511,975)
					1			**1**
							28,235,853	**28,235,853**
30,079,856	**556,823**	**262,639**	**1,089,672**	**9,737,120**	**815,997**	**12,840,937**	**28,235,853**	**183,095,154**

STATUTORY AUDITORS' REPORT

Report of the Board of Statutory Auditors to the Shareholders' Meeting for Approval of the Financial Statements for the Year Ended 31 December 2007

Shareholders,

Pursuant to Art. 153 of Legislative Decree No.58 of 24 February 1998 the Board of Auditors has to report to the Shareholders' Meeting on its supervision, on omissions and censurable operations observed. Furthermore, the Statutory Auditors may put forward proposals with regards to Financial Statements, their approval or subjects for which they are qualified.

In compliance with the above-mentioned provision we submit the report herein.

During the year, the Statutory Auditors performed their tasks as per Art. 149 of the above-mentioned Decree and are now able to report the following information, in compliance with the provisions of CONSOB Circular of 6 April 2001:

1. During Board Meetings and periodic checks, Company Directors constantly informed us on the most significant economic and financial transactions carried out by the company.
   These transactions are part of the Group's strategic development plan and fully comply with laws and the Company By-laws. The main economic, financial and equity transactions carried out during financial year 2007 are listed below:
   a) a letter of intent was signed on 6 September 2007 with Sabelt S.p.A., a leading company in the passive safety systems sector, to set up a joint-venture to manufacture and distribute components and special accessories for the sports upgrade of vehicles.
      Under this agreement Brembo will subscribe to the capital increase of Brembo Performance S.p.A. amounting to €11.88 million through the transfer of the HPK business line and existing Sabelt shareholders subscribe to a subsequent increase of Brembo Performance of €12 million through the transfer of 100% of Sabelt shares. Finally, the joint-venture agreement provides for Brembo to acquire 20% of Brembo Performance capital at a price of €6 million. The transaction was formalised through the joint-venture agreement signed on 19 February 2008.
   b) on 9 November, Brembo signed an agreement for the acquisition of the Brakes Division of the American company Hayes Lemmerz, a leader in the mechanical processing of brake discs for the major North

American carmakers and a number of component manufacturers. The consideration paid in the deal was approximately USD 58 million and did not involve the transfer of any debt; the transaction was undertaken by the subsidiary Brembo North America, which acquired 100% of the shares of two subsidiaries of Hayes Lemmerz with headquarters in Homer, Michigan, and Apodaca, Mexico.

To finance the acquisition Brembo subscribed directly to the capital increase of Brembo North America amounting to USD 32 million.

2. In 2007, the Company did not carry out any atypical or unusual transactions.
   No atypical or unusual operations were carried out with related parties, nor were there any that can significantly affect the Company's economic, equity and financial situation.
   No atypical or unusual transactions were carried out with third parties or with Group companies.
   Ordinary transactions within the Group related to the purchase and sale of products, services and the transfer of property, plant and equipment. The total amount of commercial transactions with other related parties was not material. All the transactions took place at prices that are in line with normal market values. These transactions are deemed fair and have been carried out in the interest of the Company.
   During the year the loan of €15 million to Brembo Poland Spolka Zo.o. which bears interest at the 3-month Euribor rate + 0.4% spread, was renewed; the new maturity is scheduled for 15 May 2008.
   The loan to the subsidiary Marchesini S.p.A., having an initial nominal value of €2 million, and currently standing at €1.6 million, was renewed up to 31 December 2008. This loan is non-interest bearing and hence subject to discounting. The discounted value is €1.5 million. Two tranches were repaid in 2007, one of €300 thousand, in April and the other of €100 thousand at the end of November.
   A loan of €0.1 million was awarded to the subsidiary Brembo Deutschland GMBH. The loan bears interest at the 3-month Euribor rate + 0.5% spread.
   A loan was disbursed in November to the subsidiary Brembo North America Inc. amounting to USD 13 million (equal to €8.8 million), bearing interest at the 4-month USD Libor rate + 0.625% spread, due to mature in September 2008.

3. It is noted that the Directors' Report on Operations contains specific detailed information regarding intra-Group transactions and transactions with related parties.

It also reports on the 2006-2008 three-year incentivisation plan approved by the Board of Directors on 24 March 2006, aimed at the executive directors and top management of Brembo S.p.A. and the subsidiaries, a total of 38 persons, involving a maximum total financial commitment of €7 million. Also mentioned is the own share acquisition plan whereby the company acquired in 2007, 380,000 shares at an average price of €9.24.

4. The Independent Auditors' Report drawn up on 14 April 2008 does not set forth any items particularly worthy of note.

5. In 2007, we did not receive any complaints from shareholders as per Art. 2408 of the Italian Civil Code.

6. In 2007, no claims were submitted to the Board of Statutory Auditors.

7. Fees of €93 thousand were paid to PricewaterhouseCoopers, in relation to acquisition projects, and a fee of €28 thousand was paid for administrative assistance.

8. Entities linked to PricewaterhouseCoopers by continuous relationships were engaged on acquisition projects totalling €375 thousand and fees of €103 thousand were paid for administrative and corporate assistance.

9. During the year the Board of Statutory Auditors checked, pursuant to art. 3 and art. 5 of the Corporate Governance Code, that the criteria and assessment procedures adopted by the Board of Directors in order to appraise the independence of its members have been correctly applied and issued an opinion on the appointment of the Manager in charge of preparing the Company's accounting documents pursuant to Law 262/05.

10. During 2007, the Board of Directors met ten times and the Board of Statutory Auditors met four times, whereas the Audit Committee met five times.

11. During the periodic audits and based on the information gathered from heads of departments and data and information received during our meetings with the independent auditors, we found that operations were carried out in full observance of the principles of proper management.

12. Brembo's organisational structure is constantly adjusted to the size and complexity reached by the company.

13. The internal control system is adequate and effective, and it appears to be suitable for pursuing risk prevention and ensuring the effective application of standards of corporate conduct, which have been

acknowledged in the Code of Ethics. During the year, Internal Audit continued to focus its work in two directions: risk prevention and actions designed to ascertain and eliminate anomalies and irregularities, with the aim of supporting the company to achieve its operating objectives set. Organisation audits have been performed in all Group subsidiaries, whilst compliance audits have been carried out in accordance with Law 262/05 and Legislative Decree 231/01, operational audits completed in particular areas of activity and ethics audits based on specific reports received. In accordance with Law 262/05, the company has approved the procedures for the Manager in charge of preparing the Company's accounting documents, consolidating the attestation process for such documents.

Internal Audit has carried out validation tests of the key controls illustrated during the phase mapping administrative processes and related procedures and the tests carried out have indicated that these controls are adequate.

14. The administrative/accounting system seems to be fully adequate and reliable.
    Based on what we have observed and verified also during the previous periods, it correctly reflects operations.
    During 2007 the company has put significant effort into preparing for and gradually transferring to the new ERP IT system which will be completed for Brembo by 2009. This process will take longer in the foreign companies.

15. The Company issued instructions to subsidiaries, as provided for by Article 114, paragraph 2, of Legislative Decree 58/1998: these instructions are deemed in line with regulations.

16. During the meetings held periodically with the Independent Auditors, pursuant to the provisions of Article 150 of the Consolidated Finance Law no significant aspects emerged in relation to problems that come under our area of responsibility.

17. Brembo's System of Corporate Governance was implemented also in financial year 2007, fully complying with the provisions of the "Corporate Governance of Listed Companies" and the new requirements for companies listed on the STAR segment. In compliance with Art. 6 of Legislative Decree 231/2001, the Company continued all the necessary actions aimed at setting up an Organisation, Management and Control system capable of preventing Brembo from being considered liable for crimes pursuant to Italian Legislative Decrees 231/2001 and 61/2002.
    Training and refresher courses have been organised for those responsible for the Organisation, Management and Control Model in Group companies on the subject of new crimes and, in particular, on their responsibilities as regards internal controls and principles contained in the Code of Ethics. The

company has included in the Organisation, Management and Control Model the new types of crime envisaged under the supplement to Legislative Decree 231/2001: the new text was approved by the Board of Directors on 26 March 2008.
The procedures followed by the Company to adopt and implement the rules introduced by the Corporate Governance Code issued by Borsa Italiana are broadly described in the relevant report presented by the Board of Directors to the Ordinary Shareholders' Meeting. The Board of Auditors agrees with the content of said report.

18. During the year, we carried out the monitoring activities set forth in Article 149.
During the meetings of the Board of Directors and our periodic meetings with the Directors, we were immediately informed of significant transactions and were able to obtain all the details required to analyse and evaluate their impact on the Company's economic and financial structure.
During our frequent meetings with the Audit Committee and with the Independent Auditors, we were able to obtain detailed information on the Internal Control System and on the Company's level of administration and accounting organisation.
We can confirm that in performing our activities, we did not note any irregularities, omissions or censurable operations.

19. We hereby propose that the General Shareholders' Meeting approve the Financial Statements for the year ended 31 December 2007 and we further express our favourable opinion on the proposal of the Board of Directors for the distribution of dividends.

Curno, 14 April 2008

BOARD OF STATUTORY AUDITORS
Sergio Mazzoleni (Chairman)
Enrico Cervellera (Auditor)
Andrea Puppo (Auditor

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LEGISLATIVE DECREE N° 58 DATED 24 FEBRUARY 1998

To the shareholders of
Brembo SpA

1 We have audited the financial statements of Brembo SpA as of 31 December 2007, constituted by the balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the related notes. These financial statements are the responsibility of Brembo SpA's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference is made to our report dated 11 April 2007.

3 In our opinion, the financial statements of Brembo SpA as of 31 December 2007 comply with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree n° 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the financial position, results of operations, changes in shareholders' equity and cash flows of Brembo SpA for the year then ended.

Milan, 14 April 2008

PricewaterhouseCoopers SpA

Signed by Luigi Migliavacca
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation. References in this report to the Financial Statements refer to the Financial Statements in original Italian and not to their translation.

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Certification of the financial statements according to art. 81-ter of Consob Resolution No. 11971 of 14 May 1999 with amendments and additions

1. We, the undersigned, Alberto Bombassei and Corrado Orsi, members of Brembo S.p.A., certify, taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998:

- the adequacy in relation to the characteristics of the company and
- the effective application,

of the administrative and accounting procedures used in the preparation of the separate financial statements, for the year ended December 31, 2007.

2. To this end, there have been no relevant aspects.

3. We also certify that the separate financial statements:

a) agree with the accounting records and entries;

b) have been prepared in accordance with IFRS, to our knowledge, and are suitable for providing a true and fair view of the presentation of the equity, economic and financial situation of the company.

Date: 26/03/2008

Alberto Bombassei
The Chairman
……………………

Corrado Orsi
Executive in charge of preparing the accounting statements
…………………

BREMBO S.p.A. **Sede legale** **Sede amministrativa e uffici**

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