

BREMBO  
ANNUAL  
REPORT  
**2014**

PERFORMANCE







# 1975-2015: Brembo's 40 years in racing

The technical team at work  
during a F1 Grand Prix.



# CALLING OF THE ORDINARY 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 23 April 2015 at 10:30 a.m. CET (first call) or, if necessary, on 24 April 2015 (second call), at the same place and time, to resolve on the following.

## AGENDA

1. Presentation of the Financial Statements of Brembo S.p.A. for the year ended 31 December 2014, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of the Company's Financial Reports. Allocation of profit for the year and ordinary dividend distribution. Ensuing resolutions.
2. Presentation of the Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2014, with the Directors' Report on Operations, the Statutory Auditors' Report, the Independent Auditors' Report and the Attestation of the Manager in Charge of Company's Financial Reports.
3. Proposal of extraordinary dividend distribution upon the 20<sup>th</sup> anniversary of the listing of Brembo S.p.A. Ensuing resolutions.
4. Authorisation for the buy-back and disposal of own shares. Ensuing resolutions.
5. Presentation of the Remuneration Report of Brembo S.p.A. Resolutions pursuant to Article 123-ter of TUF.

Stezzano, 5 March 2015

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

## CONTENTS

<b>Letter from the Chairman</b>	8
Company Officers	10
Summary of Group Results	12
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<b>DIRECTORS' REPORT ON OPERATIONS</b>	15
Brembo and the Market	16
Sales Breakdown by Geographical Area and Application	24
Brembo's Consolidated Results	26
Group Structure	34
Brembo Worldwide	36
Performance of Brembo Companies	38
Research and Development	46
Investments	52
Risk Management Policy	54
Human Resources and Organisation	61
Environment, Safety and Health	64
Related Party Transactions	68
Further Information	69
Significant Events After 31 December 2014	72
Foreseeable Evolution	72
Corporate Governance and Ownership Structure Report	74
Information About the Brembo S.p.A. Dividend Proposal	75
Brembo S.p.A. Stock Performance	76
<hr/>	
<b>PALMARES 2014</b>	79

<b>CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014</b>	89
Consolidated Financial Statements at 31 December 2014	90
Explanatory Notes to the Consolidated Financial Statements at 31 December 2014	100
Statutory Auditors' Report	170
Independent Auditors' Report Pursuant to Articles 14 and 16 of Legislative Decree No. 39 of 27 January 2010	172
Attestation of the Consolidated Financial Statements Pursuant to Article 154-bis of Legislative Decree No. 58/98	174
 <b>SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2014</b>	177
Separate Financial Statements of Brembo S.p.A. at 31 December 2014	178
Statutory Auditors' Report	188
Attestation of the Separate Financial Statements Pursuant to Article 154-bis of Legislative Decree No. 58/98	196

# LETTER FROM THE CHAIRMAN

## Shareholders,

Although the year that has just come to an end — the seventh since the global economic crisis began — did not yield the turnaround someone expected, it nonetheless showed many signs of improvement. Among the world's major economies, Europe remained in slow motion, with Germany in recovery but Italy still struggling. On the other hand, the United States appears to be well on the way to regaining strength. It intends to resume its previous role as the driving force behind global growth, after having ceded that same role to emerging economies in recent years. In South America, Brazil lost essentially all of the momentum that it had built up in previous years. In the Far East, where Japan has yet to regain its stride, China, along with India, continued to expand at GDP growth rates inconceivable for Western economies, despite having slowed its pace compared to previous years.

Within this scenario, the automotive market showed encouraging signs, growing by 3.5% at the global level. The main drivers of this result were the United States, Western Europe and China. In the USA — which in 2014 became Brembo's top market, exceeding Germany by share of sales — the increase in light vehicle sales reached nearly 6%. The European market grew by nearly 5% in Western Europe, after six years of constant decline, and by over 14% in Eastern Europe, except for Russia, where the downturn exceeded 10%, mirroring the negative performance of the previous year. Brazil and Argentina also declined. In Asia, Japan achieved moderate growth and China, while slowing, closed the year with a growth rate of over 8%, thus remaining the world's number-one car market by volume.

In a changing marketplace, Brembo continued to perform very strongly in 2014, as in the previous four years, when the Group demonstrated that it was able to effectively navigate even the height of the economic crisis. Revenues exceeded €1,800 million, up by over 15% compared to the previous year. Gross operating income reached nearly €280 million (+31.1%) and net income nearly €130 million (+45%). This was the result of the bold strategic decisions made by Brembo in previous years, even in the midst of the market crisis. These choices have proven — and continue to prove — effective in ensuring the Group a strong presence in the most rapidly growing areas and a leading position at the global level. Today, we are present in 17 countries worldwide, and in recent years we have consolidated our industrial presence through extensive investments

not only in Italy, but also in Poland, the Czech Republic, China, India, Mexico, Brazil and the United States.

Our investment policy continued in 2014 and will move forward in the coming years. In Italy, significant modernisation work was done on the Mapello cast-iron foundry, in the province of Bergamo, which is now among the best in its class in Europe in terms of efficiency and environmental respect.

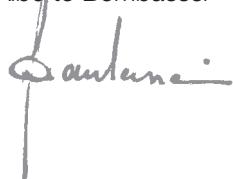
In Eastern Europe, investments aimed at increasing production capacity are still underway in the integrated industrial hubs in Poland and the Czech Republic, devoted respectively to the casting and processing of brake discs for cars and commercial vehicles, and the casting, processing and assembly of brake calipers and other aluminium components. A new investment plan of several tens of millions of euro was launched, which is set to be completed in 2017 and is aimed at further reinforcing Brembo's industrial presence in this area.

In the USA, we inaugurated our new plant in Homer, Michigan, in May. The plant manufactures brake systems for our major automotive clients on the North American market. The construction of a cast-iron foundry in an adjacent area has also been announced. The project aims to achieve vertical integration of our production capacity at this facility as well, thereby enhancing process efficiency. Works will begin in 2015 and conclude in 2017, entailing an investment of €74 million. During the same three-year period, the Group will invest €32 million in Mexico to build a foundry and a new aluminium caliper production facility, planned to start operations as early as 2016.

The key to Brembo's success has always been its strong ability to innovate, which translates into our high technological level and the reliability of our products. In this regard, it is with pleasure and pride that I point out that 2015 will mark 40 years from Brembo's beginnings in the racing sector in 1975, when it first supplied Ferrari with brake discs for its F1 vehicles. Since then, everyone at Brembo has remained committed to maintaining that level of excellence for which we have long been famous worldwide. To continue in this tradition of excellence, in 2014 the Group invested significant resources — 5% of turnover — in research and development projects with international universities and research centres, with the goal of continuing to develop new solutions, in terms of both materials and technologies, that will allow us to produce increasingly high-performance and eco-compatible brake systems. Brembo is dedicating considerable attention and resources to respecting the environment, with the aim of contributing to reducing vehicle consumption, and thus achieving lower CO<sub>2</sub> emissions, through its brake systems.

We have thus closed a year of excellent results, in which our company headcount also grew. In three years we have increased the number of our employees worldwide by more than 10% — they now number nearly 7,700 — and we have resumed hiring also in Italy. I wish to express my thanks to each and every one of them for the expertise, dedication and intelligence they devote to their work every day. This is yet another reason for us to look to the future with optimism.

The Chairman  
Alberto Bombassei



# COMPANY OFFICERS

The General Shareholders' Meeting of the Parent Company Brembo S.p.A. held on 29 April 2014 appointed the Board of Directors for the three-year period 2014–2016, i.e., until the General Shareholders' Meeting held to approve the Financial Statements for the year ending 31 December 2016. The election was based on the two lists submitted respectively by the majority shareholder Nuova FourB S.r.l. and a group of Asset Management Companies and other institutional investors (holding 2.11% of the share capital, overall).

At 31 December 2014, Company Officers were as follows:

## BOARD OF DIRECTORS

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

## BOARD OF STATUTORY AUDITORS <sup>(10)</sup>

Chairwoman	Raffaella Pagani <sup>(6)</sup>
Acting Auditors	Sergio Pivato Milena T. Motta
Alternate Auditors	Marco Salvatore Myriam Amato <sup>(6)</sup>

## INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A. <sup>(11)</sup>

## MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS

Matteo Tiraboschi <sup>(12)</sup>

## COMMITTEES

**Audit & Risk Committee** <sup>(13)</sup> Giovanni Cavallini (Chairman)  
 Giancarlo Dallera  
 Bianca Maria Martinelli <sup>(6)</sup>

**Remuneration & Appointments Committee** Barbara Borrà (Chairwoman)  
 Giovanni Cavallini  
 Umberto Nicodano

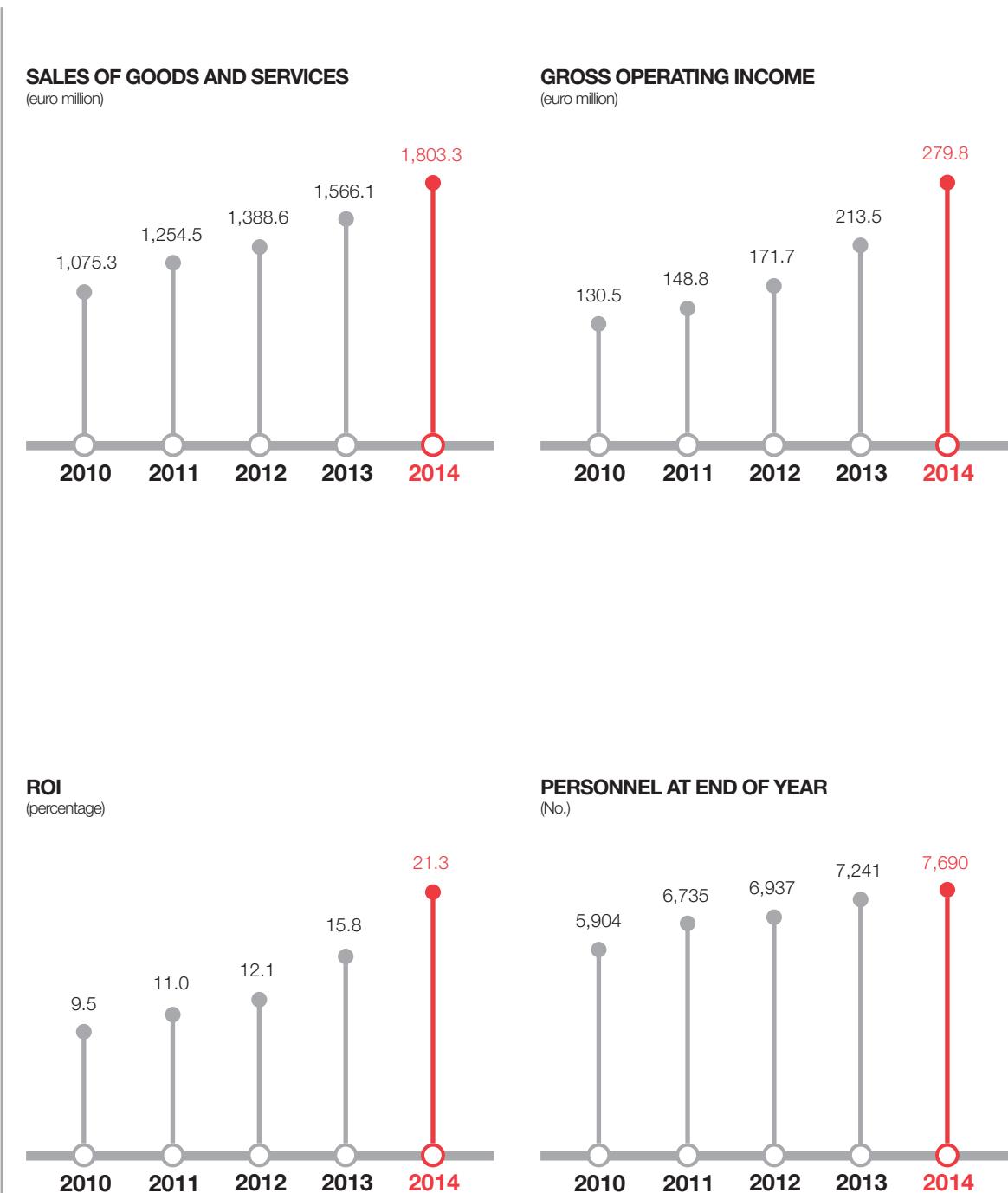
**Supervisory Committee** Raffaella Pagani (Chairwoman of the Board  
 of Statutory Auditors ) <sup>(6)</sup>  
 Sergio Pivato (Acting Auditor)  
 Milena T. Motta (Acting Auditor)  
 Alessandra Ramorino <sup>(14)</sup>  
 Mario Bianchi <sup>(15)</sup>  
 Mario Tagliaferri <sup>(16)</sup>

- (1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
- (2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
- (3) The Board of Directors granted the Chief Executive Officer and General Manager special powers to manage the Company, as well as powers, pursuant to Article 2381 of the Italian Civil Code, with reference to occupational health and safety (as per Legislative Decree No. 81/2008, as amended by Legislative Decree No. 106/2009), environmental protection and waste management.
- (4) The Director also holds the position of Executive Director in charge of the Internal Control and Risk Management System.
- (5) Independent and Non-executive Directors pursuant to Article 148, paragraph 3, of TUF (as required by Articles 147-ter, paragraph 4, and 147-quater of the TUF) and Article 2.2.3, paragraph 3, of the Rules of Borsa Italiana S.p.A. and Article 3.C.1 of the Corporate Governance Code of Brembo S.p.A.
- (6) Director/Auditor elected from the list submitted by a group of Asset Management Companies and other institutional investors (holding 2.11% of share capital, overall).
- (7) Non-executive Director.
- (8) Executive Directors.
- (9) This Director also holds the position of Lead Independent Director.
- (10) This Board holds the role of Audit Committee and Accounting Audit pursuant to Article 19 of Legislative Decree No. 39/2010.
- (11) The Shareholders' Meeting held on 23 April 2013 assigned the mandate until the approval of the 2021 Financial Statements.
- (12) Appointed by the Board of Directors on 29 April 2014. He also holds the position of Investor Relator.
- (13) This Committee also acts as the Related Party Transactions Committee.
- (14) Internal Audit Director of the Brembo Group.
- (15) Private practice lawyer - Studio Castaldi Mourre & Partners, Milan.
- (16) Certified Public Accountant and Certified Auditor, Private practice, Studio Lexis – Dottori Commercialisti associati in Crema.

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

## SUMMARY OF GROUP RESULTS



Following the entry into force of IFRS 11, and after thorough analysis, Brembo S.p.A.'s Directors concluded that the nature of the operations of the main JV (BSCCB S.p.A and BSCCB GmbH) is consistent with the Group's operating activities and should therefore be included in the Group's operating result.

On the basis of this assessment, the presentation of this component of the statement of income has been changed for both the reporting year and the previous year.

### Economic Results

(euro thousand)	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	% 2014/2013
Sales of goods and services	1,075,252	1,254,513	1,388,637	1,566,143	1,803,335	15.1%
Gross operating income	130,542	148,785	171,709	213,502	279,800	31.1%
% on sales	12.1%	11.9%	12.4%	13.6%	15.5%	
Net operating income	56,396	73,347	89,543	122,848	178,449	45.3%
% on sales	5.2%	5.8%	6.4%	7.8%	9.9%	
Result before taxes	45,433	54,696	82,853	104,385	164,916	58.0%
% on sales	4.2%	4.4%	6.0%	6.7%	9.1%	
Net result for the year	32,271	42,937	77,845	89,016	129,054	45.0%
% on sales	3.0%	3.4%	5.6%	5.7%	7.2%	

### Financial results

(euro thousand)	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	% 2014/2013
Net invested capital <sup>(1)</sup>	592,387	669,516	741,221	776,735	839,510	8.1%
Equity	325,859	330,689	393,824	429,207	536,330	25.0%
Net financial debt <sup>(1)</sup>	246,318	315,003	320,694	320,489	270,387	-15.6%

### Personnel and investments

	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	% 2014/2013
Personnel at end of year (No.)	5,904	6,735	6,937	7,241	7,690	6.2%
Turnover per employee	182.1	186.3	200.2	216.3	234.5	8.4%
Investments	77,164	165,326	140,601	133,078	126,776	-4.7%

### Main ratios

	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014
Net operating income/Sales	5.2%	5.8%	6.4%	7.8%	9.9%
Income before taxes/Sales	4.2%	4.4%	6.0%	6.7%	9.1%
Investments/Sales	7.2%	13.2%	10.1%	8.5%	7.0%
Net financial debt/Equity	75.6%	95.3%	81.4%	74.7%	50.4%
Net interest expense(*)/Sales	0.9%	0.9%	0.8%	0.7%	0.7%
Net interest expense (*)/Net operating income	16.6%	14.8%	12.9%	9.1%	7.1%
ROI <sup>(2)</sup>	9.5%	11.0%	12.1%	15.8%	21.3%
ROE <sup>(3)</sup>	9.8%	13.1%	19.7%	20.8%	24.0%

Notes:

(1) A breakdown of these items is provided in the reclassified Statement of Financial Position on page 28.

(2) Net operating income / Net invested capital x annualisation factor (days in the year/days in the reporting period).

(3) Net income (loss) before minority interests / Equity x annualisation factor (days in the year/days in the reporting period).

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



# DIRECTORS' Directors' Report on Operations

# REPORT ON OPERATIONS



# BREMBO AND THE MARKET

## Macroeconomic Context

For proper evaluation of Brembo's performance in 2014, it is important to consider the worldwide macroeconomic context, with particular reference to the markets in which the Group operates.



Racing cars.  
Aluminium fixed two-piece caliper, 1982.  
The first Brembo caliper for F1.

According to the figures published in January 2015 by the International Monetary Fund (IMF), in 2014 global gross domestic product (GDP) is estimated to have risen by 3.3%. For 2015 IMF forecasts growth of 3.5%, down from the 3.8% estimated in October. According to analysts, such low figures cannot ensure job creation, and thus an improvement in the condition of the most disadvantaged.

In the fourth and final quarter of the year, the Eurozone grew at its slowest rate of 2014. Accordingly, the economic situation in this region remains of greatest concern. According to the latest IMF January estimates, at year-end 2014, GDP should have risen by a mere 0.8%. The estimates for 2015 are not much more encouraging, forecasting growth of 1.2%. It should also be emphasised that the IMF has revised downwards almost all of its estimates for individual Eurozone countries from the figures published in October 2014 to account for the risk of deflation, which in all likelihood will slow economic activity. Very often the macroeconomic indicators are in conflict with one another both within countries and at the level of the entire region. In December, contrary to expectations, the manufacturing monthly PMI declined in Italy for the third time, falling to 48.4 points from 49 in November. This was the lowest level of the past 19 months, and well below the threshold of 50 points that separates economic growth from contraction. According

to the IMF data, the Italian economy closed 2014 with a 0.4% decline in GDP. In Germany there were positive signs that, while small in extent, drove the manufacturing PMI back above the threshold of 50 points to 51.2. The most recent January estimates indicate 1.5% GDP growth in Germany for 2014, while the estimates for 2015 have been revised downwards (+1.3%) from those published in October.

In short, in the Eurozone the recovery will take longer than previously forecast. According to the most recent Eurostat data, industrial production in the Eurozone increased slightly in November (+0.2%) compared to the previous month, with a similar performance in the EU28 as well. Among major Western European countries, there was stagnation in Germany, declines in France (-0.3%) and the United Kingdom (-0.1%), and slight growth in Italy (+0.3%). On an annual basis, compared to November 2013, the decline was 0.4% in the Eurozone and 0.1% in the EU28. The climate of uncertainty pervading the labour market is still weighing down recovery. The unemployment rate in the Eurozone amounted to 11.4% in December, down slightly from 11.5% in November, but still too high to allow the area's economy to recover. In Italy, the unemployment rate finally fell below 13%, to 12.9%, in the final month of the year, well below the 13.3% of the previous two months. Despite the decline, the Italian figure is quite alarming compared to the 4.8% recorded in Germany in December.

In the United States, according to the IMF's most recent January 2015 estimates, GDP grew by 2.4% in 2014, whereas in 2015 growth is expected to reach 3.6%, up sharply compared to the October estimates, thanks to the excellent results in the second half of the year. In the third quarter of 2014, the U.S. economy sharply outperformed analysts' expectations, recording the greatest increase since the third quarter of 2003. The most recent estimates are highly encouraging for the near term and indicate that the U.S. will once more be the only mature economy capable of recovering rapidly and thus contributing actively to global growth. After growth in November (+1.3%), in December industrial production declined slightly (-0.1%) in line with analysts' expectations. According to the Federal Reserve, the December decline was due above all to the warm weather, which reduced the demand for heating. However, on an annual basis, growth was 4.9%.

In Japan, the IMF's most recent estimates, revised further downwards, indicate that GDP essentially stagnated in 2014 (+0.1%) and grew slightly in 2015: +0.6% compared to the 0.8% estimated in October. In the third quarter of 2014, Japanese gross domestic product declined by 1.9% on an annual basis, showing that the country is experiencing a period of recession. Following on the increase in VAT from 5% to 8% on 1 April 2014, which had led consumers to move up many purchases, and especially those of durable goods, the highly hoped-for recovery of consumption failed to materialise. Prime Minister Abe's government launched a new aid package aimed at supporting low-income regions and households in order to stimulate a revival of consumption, which nonetheless remained essentially unchanged (+0.4%) in the third quarter of 2014. The industrial production index increased by 1% on a monthly basis (+0.3% on an annual basis) in December, after having declined by 0.5% (-3.7% on an annual basis) in November. Although positive, the

growth rate did not meet the expectations of analysts, who had foreseen +1.2% for the final month of 2014. Unemployment, after remaining stable at 3.5% in November, fell to 3.4% in December.

In China, GDP increased by 7.3% in the fourth quarter of 2014, in line with the figure for the previous quarter. This result brought total growth in 2014 to +7.4%, the lowest levels of the past 24 years and down sharply from 7.7% in 2013. According to the figures published by the IMF in January 2015, Chinese GDP is expected to grow by 6.8% in 2015 and 6.3% in 2016, down significantly from the October estimates. As a further sign of China's struggle to regain its previous momentum, according to the figures published by HSBC, the Purchasing Managers' Index (a composite indicator that provides a snap-shot of the working conditions of the manufacturing economy) declined to 49.6 in December from 50 points — the boundary between economic growth and contraction — where it stood in the previous month. The Chinese economy thus continued to grow, but at a markedly lower rate than in the past. There were positive signs from industrial production, which in December outperformed analysts' expectations, growing by +7.9% on an annual basis compared to 7.2% in November (+7.7% in October). According to the official figures, in 2014 industrial production increased by 8.3% on an annual basis, compared to +9.7% recorded in 2013. On the basis of these results, the objectives for industrial production in 2015 were revised downwards at the beginning of the year and are now expected to increase by 8%, compared to the 9.5% estimated in the previous year. In the final month of 2014, retail sales increased by 11.9% on an annual basis, compared to the 11.7% expected by economists.

In Brazil, GDP growth estimates have been constantly revised downwards in recent months.

In its most recent January estimates, the IMF has forecast that Brazilian GDP would remain essentially stagnant, at a meagre +0.1% in 2014 and +0.3% in 2015. This latter figure is more than one percentage point below the October estimates. In the third quarter of the year, GDP increased by just 0.1%, below analysts' expectations, after two quarters of decline. Brazil has gone from being an emerging country capable of overcoming the global financial crisis with ease to an economy now effectively at risk of recession, primarily as a result of inflationary pressures. According to the Central Bank of Brazil, inflation is estimated to reach 6.4% in 2014, considerably above the target range (from -2.5% to +4%). This figure is cause for great concern, since it is too close to the maximum tolerance level (+6.5%) established by that same institution.

Turning to commodities trends, in the last quarter of the year the average price of oil decreased gradually and significantly compared to the previous quarter. According to the figures published by the IMF, the arithmetic mean of the prices of the three Brent, Dubai and West Texas Intermediate (WTI) qualities decreased to 74.6 dollars a barrel, down 25.9% on the previous quarter and as much as 28.7% compared to the same period of 2013.

In short, looking to the immediate future, short-term forecasts for the global economy remain rather conservative, owing above all to the persistent situation of instability in the Eurozone and Japan, in addition to the prolonged slowdown of the economy in China and the difficult situation in which Russia finds itself. Due to the severe depreciation of the rouble, plummeting price of oil and penalties that block access to financing on international markets, Russia is at risk of default.

On the other hand, there have been encouraging signs from the United States, which after a rather turbulent first half of the year, showed a sharp acceleration of economic activity in the second half of the year.

Ultimately, as previously observed, we are faced with a highly irregular, uneven economic performance that leaves ample room for uncertainty regarding the future development of the global economy.

## Currency Markets

In the first few months of 2014, the dollar moved laterally above its annual average (1.328843), reaching a low for the year of 1.3953 on 8 May. The currency then appreciated gradually, with very sharp movement in August and September, leading the U.S. dollar to regain value against the euro and close at 1.2141.

With reference to the currencies of the main markets where Brembo operates at commercial and industrial level, the British Pound essentially followed the euro/dollar trend, albeit in a more linear way. After initial depreciation to a low on 18 March (0.8383), the currency appreciated constantly, reaching 0.7773 (30 September). The closing rate was 0.7789, below the annual average rate of 0.806429.

After four months of stability against the euro in a range of fluctuation of 4.20 to 4.15, the Polish zloty appreciated in May and June to reach 4.0997 (9 June) and then gradually lost value, falling to 4.3103 on 30 December. The closing rate was 4.2732, above the annual average rate of 4.184466.

The exchange rate between the Czech koruna and the euro remained below the average for the period in the first half of 2014 (27.535832), with the currency reaching a high against the euro of 27.325 on 26 February. In the second half of the year, the currency began to lose value, reaching 28.004 on 19 August, to then stabilise at around the annual average. The closing rate was 27.735.

In 2014, the Swedish krona continued the trend towards constant depreciation that had characterised it in 2013. Starting at an initial value of 8.7661, reached on 23 January, the

currency continued to lose ground to the euro, reaching 9.6234 on 29 December and closing at 9.393, far above the annual average rate of 9.096886.

In the East, the yen regained value against the euro, reaching a high of 134.95 (16 October). The Japanese currency then entered into a period of depreciation that culminated in a rate of 149.03 on 5 December. The closing rate was 145.23, above the annual average rate of 140.3772.

The trend toward depreciation against the euro with which the Chinese yuan/renminbi began 2014 lasted essentially throughout the first five months of the year, reaching 8.6891 on 8 May. In the remaining months of the year, the Chinese currency once more regained ground against the euro, climbing to a high of 7.5358 on 31 December, compared to an annual average of 8.18825.

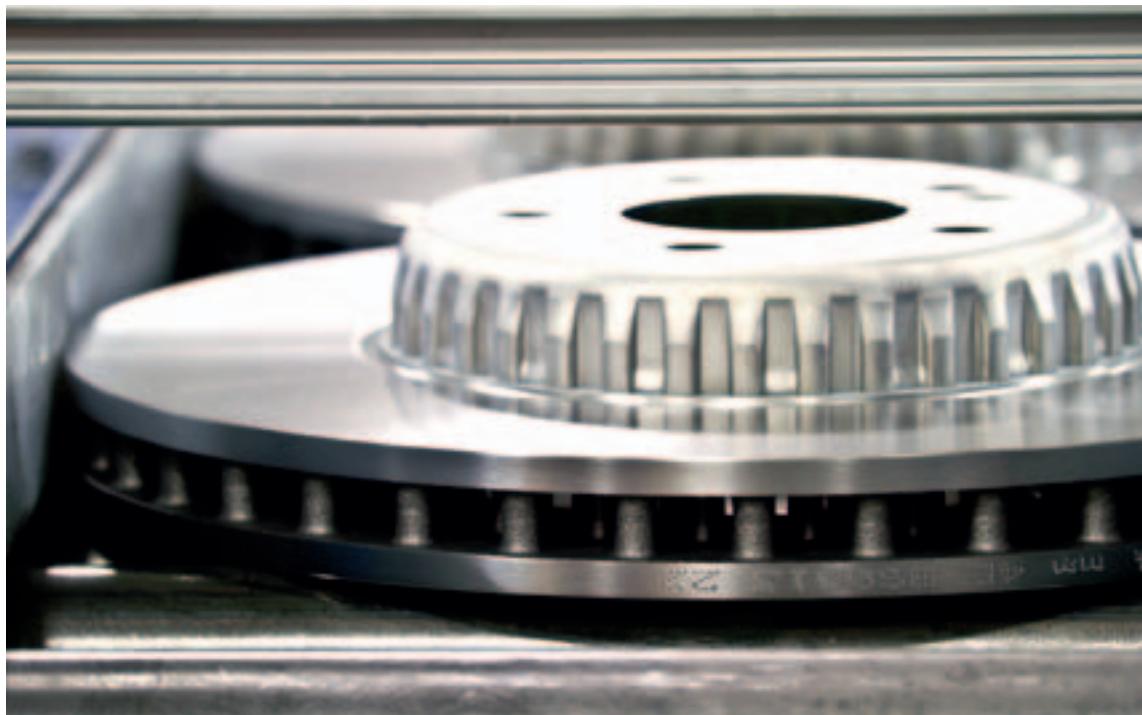
During the year, the Indian rupee appreciated overall, opening at 86.184 (27 January) and strengthening to 75.9015 on 8 December, to

close the period at 76.719, below the annual average rate of 81.06888.

In the Americas, the Brazilian real, after appreciating slightly in March and April, moved laterally against the euro more or less constantly, in line with the annual average of 3.12277 until mid-August, and then appreciated once more and reached a level of 2.9041 on 8 September. In the fourth quarter of 2014, the real — as opposed to the Chinese yuan, Indian rupee and most emerging market currencies generally — began to depreciate, reaching 3.4196 on 16 December. The closing rate was 3.2207.

The Mexican peso appreciated constantly in the first nine months of 2014, peaking at 16.8044 on 6 October. This trend gave way to movement in the opposite direction in the fourth quarter of the year, to a rate of 18.5391 on 16 December. The closing rate was 17.8679, essentially in line with the average for the period of 17.66209.

After having lost considerable ground to the euro in January, the Argentine peso moved



Homer plant,  
Michigan (USA).  
Processing of light brake  
disc for cars.

laterally throughout 2014. The Argentine currency closed the year at 10.2755, a level in line with the average for the period of 10.77447. In 2014 the loss of value between the high reached early in the year (8.915975 on 6 January) and the low (11.165318 on 8 May) was 25%.

Finally, the Russian rouble moved essentially laterally around 45, opening the period at 45.0019 (8 January) and then abruptly depreciating late in the year to reach a low of 91.52 on 16 December. The main cause of this depreciation was the decline in oil prices and the fact that the influx of foreign capital into Russia came to a halt due to geopolitical instability and the sanctions imposed by Western countries. Late in the year, the Russian currency regained ground against the euro, bringing it to close at 72.337, a value nonetheless above the average for the period (51.01125).

## Group Activities and Reference Market

Brembo is the world leader and acknowledged innovator of the brake disc technology for automotive vehicles. It currently operates in 17 countries on 3 continents, through its production and business sites, and employs over 7,500 people worldwide. Manufacturing plants are located in Italy, Poland (Częstochowa and Dąbrowa Górnica, Niepolomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), the Slovak Republic (Žilina), Germany (Meitingen), Mexico (Apodaca), Brazil (Betim and Santo Antônio de Posse), Argentina (Buenos Aires), China (Nanjing), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), France (Levallois Perret), Germany (Leinfelden-Echterdingen), China (Beijing and Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

Brembo's reference market is represented

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

In 2014, Brembo's consolidated net sales amounted to €1,803,335 thousand, up 15.1% compared to €1,566,143 thousand in 2013.

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

### Cars

The global light vehicle market closed 2014 with an overall sales growth of 3.5% compared to 2013. This positive result was mainly driven by China, the United States and western European countries.

For the first time after six consecutive years of decline, this latter market recorded sales growth of 4.8% in 2014 compared to the previous year. All five of Europe's foremost markets closed the year with a positive sign: Spain and the United Kingdom yielded the most brilliant performances, with increases of 18.4% and 9.3%, respectively, whereas Italy, Germany, and France stopped at 4.2%, 2.9% and 0.3%, respectively, and Germany remained the number-one country in Europe by sales volume. Car sales also performed well in Eastern Europe, up by 14.2% compared to 2013.

Russia closed with a decrease for the second consecutive year, with an overall decline in light vehicle sales of 10.3% compared to the previous year.

In the United States, the uptrend of recent years continued, and light vehicle sales increased by 5.9% overall on 2013. In South America, Brazil continued on the downtrend that began in the previous year, closing 2014 with an overall decrease in light vehicle sales of 6.9%, whereas Argentina, a volatile market struggling with a severe economic crisis, recorded an even heavier decline of more than 30% compared to the previous year.

In the Asian markets, China continued to grow, closing the year on a very strong note with light vehicle sales up by +8.3%, remaining the world's number-one market by volume. Also the Japanese market recorded a 3.6% growth in sales compared to 2013.

Within this scenario, Brembo reported €1,301,888 thousand net sales for car applications in 2014, which accounted for 72.2% of the Group's turnover, up by 18.6% compared to 2013.

## Motorbikes

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

In western Europe, overall motorbike regis-

tions increased by 6.3% in 2014 compared to the previous year.

The Spanish and UK markets recorded the most rapid growth, closing the year respectively at +19.5% and +12% on 2013. The other major European markets also showed positive signs: registrations increased by 7.3% in Germany, 2.4% in France and 1.3% in Italy.

The only segments in decline in western Europe were hypersports bikes, cross bikes and trikes.

In the United States, motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) recorded an overall increase of 2.7% over 2013.

In detail, the most significant growth was reported in the off-road segment (+10.9%), whereas the touring and street segments closed at +3.6% and +3% compared to the previous year. The scooter segment decreased by 3.5% compared to 2013.

The Japanese market declined slightly overall, due to a decrease in displacements below 50cc (-4.1%) and between 50 and 125cc (-4.7%). If only two-wheel vehicles with displacements over 125cc are considered, the market grew, driven by increases in the segments 125 to 250cc (+11.1%) and over 250cc (+20.7%).

In Brazil, during the year vehicle registrations decreased by 5.7% compared to the previous year.

Against this background, Brembo's net sales of motorbike applications amounted to €173,649 thousand in 2014, up 15.5% compared to €150,329 thousand in the previous year.

## Commercial and Industrial Vehicles

The European light vehicles market (EU28 + EFTA), Brembo's market of reference, closed 2014 with overall growth of 7.3%, driven above all by the positive performance of light vehicles under 3.5 tonnes, which showed an increase of 10.7%. Among the primary Western European markets, Italy entered a firm recovery, with an

increase in registrations of more than 16%. There were also positive performances by Germany (+7.3%), the United Kingdom (+18.7%) and Spain, where growth exceeded 30%, whereas France closed the year just above the previous year's levels (+1.5%). In Eastern Europe (EU13), the market for vehicles under 3.5 tonnes grew by +12.3% compared to 2013.

On the other hand, the market for medium and heavy commercial vehicles over 3.5 tonnes declined, closing 2014 down 7.7% overall compared to 2013, with a decrease of more than 20% in the fourth quarter of the year alone. Registrations in this segment grew over 20% in Spain in 2014, whereas they remained essentially unchanged on the German market (-0.9%) and in Italy. In France and the UK, sales dropped by 13.7% and 27.8%, respectively. In Eastern Europe (EU13), sales of medium and heavy commercial vehicles declined by 4.7% compared to the previous year.

In 2014, Brembo's net sales of applications for this segment amounted to €187,605 thousand, down by 2.2% compared to €191,756 thousand for the previous year.

## Racing

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

In 2014, Brembo reported a 9.2% increase in net sales, which amounted to €131,061 thousand compared to €120,044 thousand for 2013.

Photo taken from a book published by *La Gazzetta dello Sport* to be released in September 2015, on Brembo's 40 years in racing.

Michael Schumacher, Ferrari team, celebrates his victory at the European F1 Grand Prix, Nürburgring circuit, Germany, 7 May 2006. Photograph by: Clive Rose/Getty Images



1975-2015:  
Brembo's  
**40 years**  
in racing

# SALES BREAKDOWN BY GEOGRAPHICAL AREA AND APPLICATION

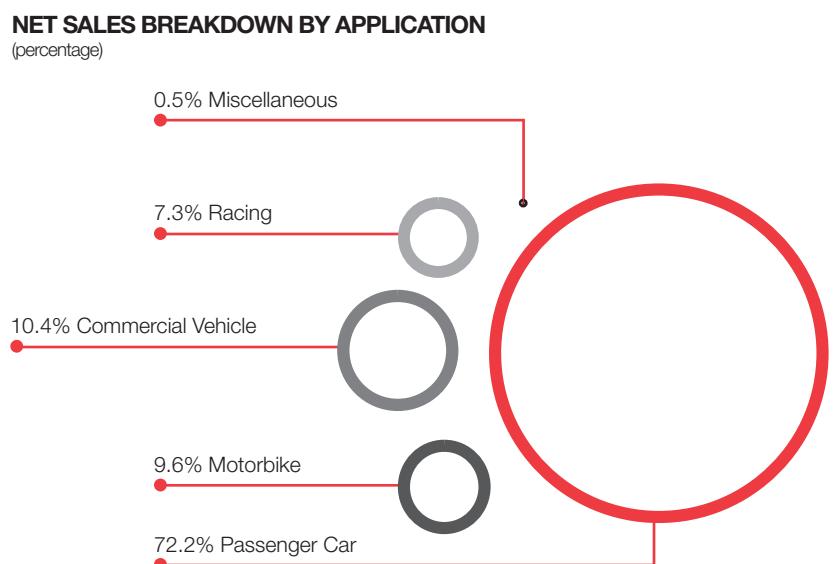
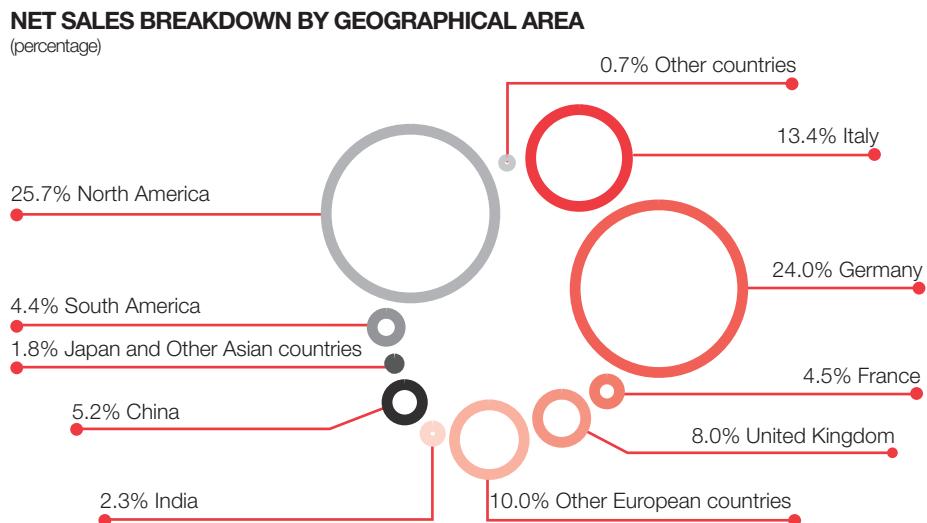
## Net sales breakdown by geographical area and application

### GEOGRAPHICAL AREA

(euro thousand)	31.12.2014	%	31.12.2013	%	Change	%
Italy	242,130	13.4%	212,114	13.5%	30,016	14.2%
Germany	432,823	24.0%	376,007	24.0%	56,816	15.1%
France	81,893	4.5%	69,737	4.5%	12,156	17.4%
United Kingdom	144,621	8.0%	114,696	7.3%	29,925	26.1%
Other European countries	180,734	10.0%	173,050	11.0%	7,684	4.4%
India	41,025	2.3%	35,175	2.2%	5,850	16.6%
China	93,127	5.2%	81,283	5.2%	11,844	14.6%
Japan	23,209	1.3%	21,779	1.4%	1,430	6.6%
Other Asian countries	9,709	0.5%	9,423	0.6%	286	3.0%
South America (Argentina and Brazil)	79,130	4.4%	89,249	5.7%	(10,119)	-11.3%
North America (USA, Canada and Mexico)	463,060	25.7%	372,809	23.8%	90,251	24.2%
Other countries	11,874	0.7%	10,821	0.8%	1,053	9.7%
<b>Total</b>	<b>1,803,335</b>	<b>100.0%</b>	<b>1,566,143</b>	<b>100.0%</b>	<b>237,192</b>	<b>15.1%</b>

### APPLICATION

(euro thousand)	31.12.2014	%	31.12.2013	%	Change	%
Passenger Car	1,301,888	72.2%	1,097,813	70.1%	204,075	18.6%
Motorbike	173,649	9.6%	150,329	9.6%	23,320	15.5%
Commercial Vehicle	187,605	10.4%	191,756	12.2%	(4,151)	-2.2%
Racing	131,061	7.3%	120,044	7.7%	11,017	9.2%
Miscellaneous	9,132	0.5%	6,201	0.4%	2,931	47.3%
<b>Total</b>	<b>1,803,335</b>	<b>100.0%</b>	<b>1,566,143</b>	<b>100.0%</b>	<b>237,192</b>	<b>15.1%</b>



# BREMBO'S CONSOLIDATED RESULTS

## Statement of Income

(euro thousand)	31.12.2014	31.12.2013 restated	Change	%
<b>Sales of goods and services</b>	<b>1,803,335</b>	<b>1,566,143</b>	<b>237,192</b>	<b>15.1%</b>
Cost of sales, operating costs and other net charges/income*	(1,200,393)	(1,051,623)	(148,770)	14.1%
Non-financial interest income (expense) from investments	6,442	1,410	5,032	356.9%
Personnel expenses	(329,584)	(302,428)	(27,156)	9.0%
<b>GROSS OPERATING INCOME</b>	<b>279,800</b>	<b>213,502</b>	<b>66,298</b>	<b>31.1%</b>
% on sales of goods and services	15.5%	13.6%		
Depreciation, amortisation and impairment losses	(101,351)	(90,654)	(10,697)	11.8%
<b>NET OPERATING INCOME</b>	<b>178,449</b>	<b>122,848</b>	<b>55,601</b>	<b>45.3%</b>
% on sales of goods and services	9.9%	7.8%		
Net interest income (expense) from investments	(13,533)	(18,463)	4,930	-26.7%
<b>RESULT BEFORE TAXES</b>	<b>164,916</b>	<b>104,385</b>	<b>60,531</b>	<b>58.0%</b>
% on sales of goods and services	9.1%	6.7%		
Taxes	(36,232)	(15,282)	(20,950)	137.1%
<b>RESULT BEFORE MINORITY INTERESTS</b>	<b>128,684</b>	<b>89,103</b>	<b>39,581</b>	<b>44.4%</b>
% on sales of goods and services	7.1%	5.7%		
Minority interests	370	(87)	457	-525.3%
<b>NET RESULT</b>	<b>129,054</b>	<b>89,016</b>	<b>40,038</b>	<b>45.0%</b>
% on sales of goods and services	7.2%	5.7%		
<b>Basic and diluted earnings per share (euro)</b>	<b>1.98</b>	<b>1.36</b>		

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

Sales results were highly positive, confirming the trend of constant increase in Group's turnover for the fifth consecutive year. Sales of goods and services in 2014 amounted to €1,803,335 thousand, up by 15.1% compared to 2013.

Nearly all applications contributed to revenue growth. The greatest contribution was provided by the car applications sector, which closed the year with an increase of 18.6% compared to

2013. There were also significant increases in motorbike applications (+15.5%) and the racing sector (+9.2%), whereas the commercial vehicles sector shrank slightly by -2.2% compared to the previous year.

At geographical level, almost all the areas in which the Group operates reported growth. In Europe, Germany, which is Brembo's second top market at 24.0% of sales, recorded an increase

of 15.1% compared to 2013. There were also strong performances in Italy (+14.2%), the United Kingdom (+26.1%) and France (+17.4%). North America, Brembo's top market since 2014 at 25.7% of sales, increased by 24.2%, whereas South America showed a 11.3% decline. In the main Asian markets, results for 2014 were particularly positive in China (+14.6%) and India (+16.6%), but also Japan showed a significant increase in sales (+6.6%).

During 2014, the **cost of sales** and **other net operating costs** amounted to €1,200,393 thousand, with a ratio of 66.6% to sales, in line with 67.1% for the previous year. Within this item, costs for capitalised internal works included in intangible assets amounted to €10,720 thousand compared to €11,154 thousand for 2013.

The item **Non-financial interest income (expense) from investments**, which amounted to €6,442 thousand (€1,410 thousand in 2013), may be attributed to the measurement of BSCCB Group's equity. Following the entry into force of IFRS 11, and after thorough analysis by the directors of Brembo S.p.A., it was determined that BSCCB Group's activity was within the scope of the Group's operating activity, and it has thus been included in a specific item within the Group's operating income.

**Personnel expenses** amounted to €329,584 thousand in 2014, with an 18.3% ratio to net sales, lower than the previous year (19.3%). At 31 December 2014, workforce numbered 7,690 (7,241 at 31 December 2013). The rise of 449 resources is due to the need to manage the increased level of production arising from the improvement in sales.

**Gross operating income** for 2014 was €279,800 thousand compared to €213,502 thousand in the previous year, with a ratio to sales of 15.5% (13.6% in 2013).

**Net operating income** amounted to €178,449 thousand (9.9% of sales), compared to €122,848 thousand (7.8% of sales) in 2013, after depreciation, amortisation and impairment losses of property, plant and equipment and intangible assets amounting to €101,351 thousand, compared to €90,654 thousand in 2013. The increase in the item "Depreciation, amortisation and impairment losses" relates primarily to the start of the amortisation process for new production investments recently put in place.

**Net interest expense** amounted to €13,678 thousand (€18,446 thousand in 2013) and consisted of net exchange losses of €1,000 thousand (€7,266 thousand in 2013) and other net interest expense of €12,678 thousand (€11,180 thousand in 2013).

**Interest income from investments** amounted to €145 thousand (compared to interest expense of €17 thousand in 2013) and were attributable to the effects of measuring investments in associate companies using the equity method.

**Result before taxes** was €164,916 thousand, compared to €104,385 thousand for the previous year. Estimated taxation amounted to €36,232 thousand, with a tax rate of 22% compared to 14.6% for 2013.

**Group net result** was €129,054 thousand, up 45% compared to €89,016 thousand for the previous year.

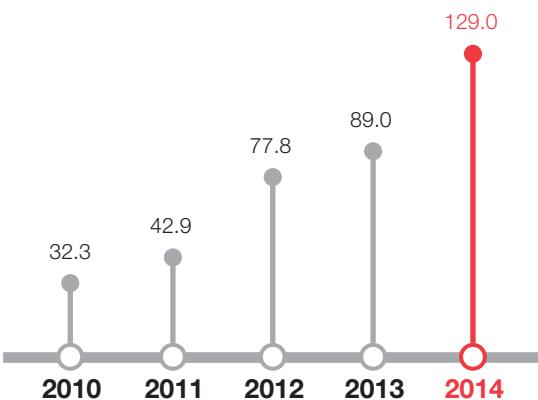


Performance Curno plant (Italy).  
Polishing machine for Marchesini motorbike rims.

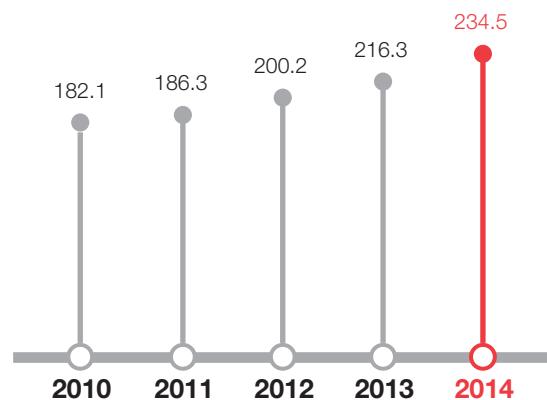
## Statement of Financial Position

(euro thousand)	31.12.2014	31.12.2013	Change
Property, plant and equipment	539,977	503,142	36,835
Intangible assets	99,158	100,397	(1,239)
Net financial assets	29,356	22,142	7,214
Other receivables and non-current liabilities	47,332	49,014	(1,682)
(a) <i>Fixed capital</i>	715,823	674,695	41,128
			6.1%
Inventories	230,655	208,963	21,692
Trade receivables	286,893	251,525	35,368
Other receivables and current assets	38,559	42,854	(4,295)
Current liabilities	(407,572)	(382,568)	(25,004)
Provisions / deferred taxes	(24,848)	(18,734)	(6,114)
(b) <i>Net working capital</i>	123,687	102,040	21,647
			21.2%
<b>(c) NET INVESTED CAPITAL (a)+(b)</b>	<b>839,510</b>	<b>776,735</b>	<b>62,775</b>
			8.1%
(d) <i>Equity</i>	536,330	429,207	107,123
(e) <i>Employees' leaving entitlement and other personnel provisions</i>	32,793	27,039	5,754
Medium/long-term financial debt	277,277	259,212	18,065
Short-term net financial debt	(6,890)	61,277	(68,167)
(f) <i>Net financial debt</i>	270,387	320,489	(50,102)
			(15.6%)
<b>(g) COVERAGE (d)+(e)+(f)</b>	<b>839,510</b>	<b>776,735</b>	<b>62,775</b>
			8.1%

**GROUP NET RESULT**  
(euro million)



**TURNOVER PER EMPLOYEE**  
(euro thousand)



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

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

**Net invested capital** at the end of the year amounted to €839,510 thousand, up by €62,775 thousand compared to 31 December 2013, when it amounted to €776,735 thousand.

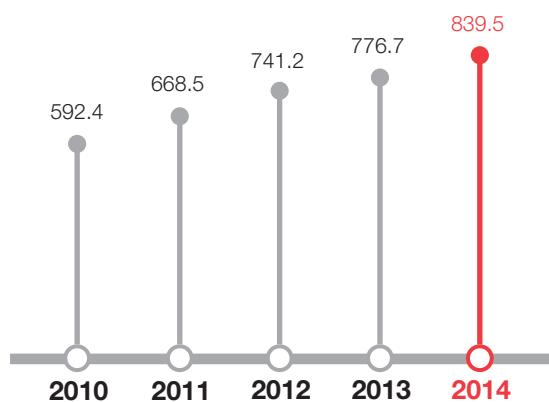
Net financial debt was €270,387 thousand in 2014, compared to €320,489 thousand at 31 December 2013.

Net financial debt decreased by €50,102 thousand during the reporting year, mainly due to the following factors:

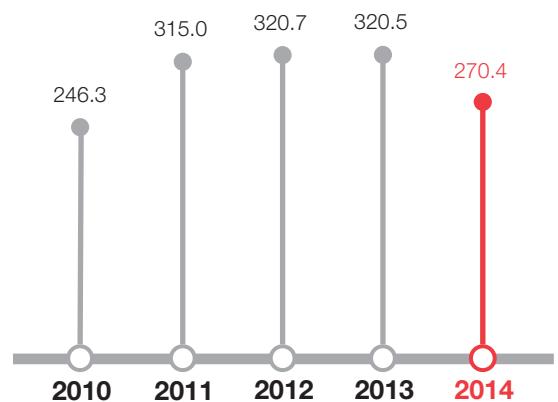
- the gross operating income of €279,800 thousand had a positive effect, with a €21,996 thousand decrease in working capital;
- net investments in property, plant, equipment and intangible assets totalled €123,409 thousand;
- the Parent Company paid the approved dividends in May, in the amount of €32,519 thousand;
- taxes paid amounted to €32,515 thousand.

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

**NET INVESTED CAPITAL**  
(euro million)



**NET FINANCIAL DEBT**  
(euro million)



**Statement of Cash Flows**

(euro thousand)	31.12.2014	31.12.2013 restated
<b>Net financial position at beginning of year (*)</b>	<b>(320,489)</b>	<b>(320,694)</b>
<b>Net operating income</b>	<b>178,449</b>	<b>122,848</b>
Depreciation, amortisation and impairment losses	101,351	90,654
<b>Gross operating income</b>	<b>279,800</b>	<b>213,502</b>
Investments in property, plant and equipment	(109,417)	(115,435)
Investments in intangible assets	(17,359)	(17,643)
Amounts received (paid) for changes in minority interests	1,700	(11,673)
Disposals	3,367	1,719
<b>Net investments</b>	<b>(121,709)</b>	<b>(143,032)</b>
Change in inventories	(26,093)	(10,633)
Change in trade receivables	(36,938)	(48,321)
Change in trade payables	7,392	54,322
Change in other liabilities	14,964	(2,003)
Change in receivables from others and other assets	3,756	(4,400)
Translation reserve not allocated to specific items	14,923	(2,167)
<b>Change in working capital</b>	<b>(21,996)</b>	<b>(13,202)</b>
Change in provisions for employee benefits and other provisions	7,291	6,973
<b>Operating cash flows</b>	<b>143,386</b>	<b>64,241</b>
Interest income and expense	(12,687)	(17,514)
Current taxes paid	(32,515)	(20,038)
Capital contributions to consolidated companies by minority shareholders	640	0
Non-financial interest income/expense from investments	(6,442)	(1,410)
Dividends paid	(32,519)	(26,015)
<b>Net cash flows</b>	<b>59,863</b>	<b>(736)</b>
Effect of translation differences on net financial position	(9,761)	941
<b>Net financial position at end of year (*)</b>	<b>(270,387)</b>	<b>(320,489)</b>

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



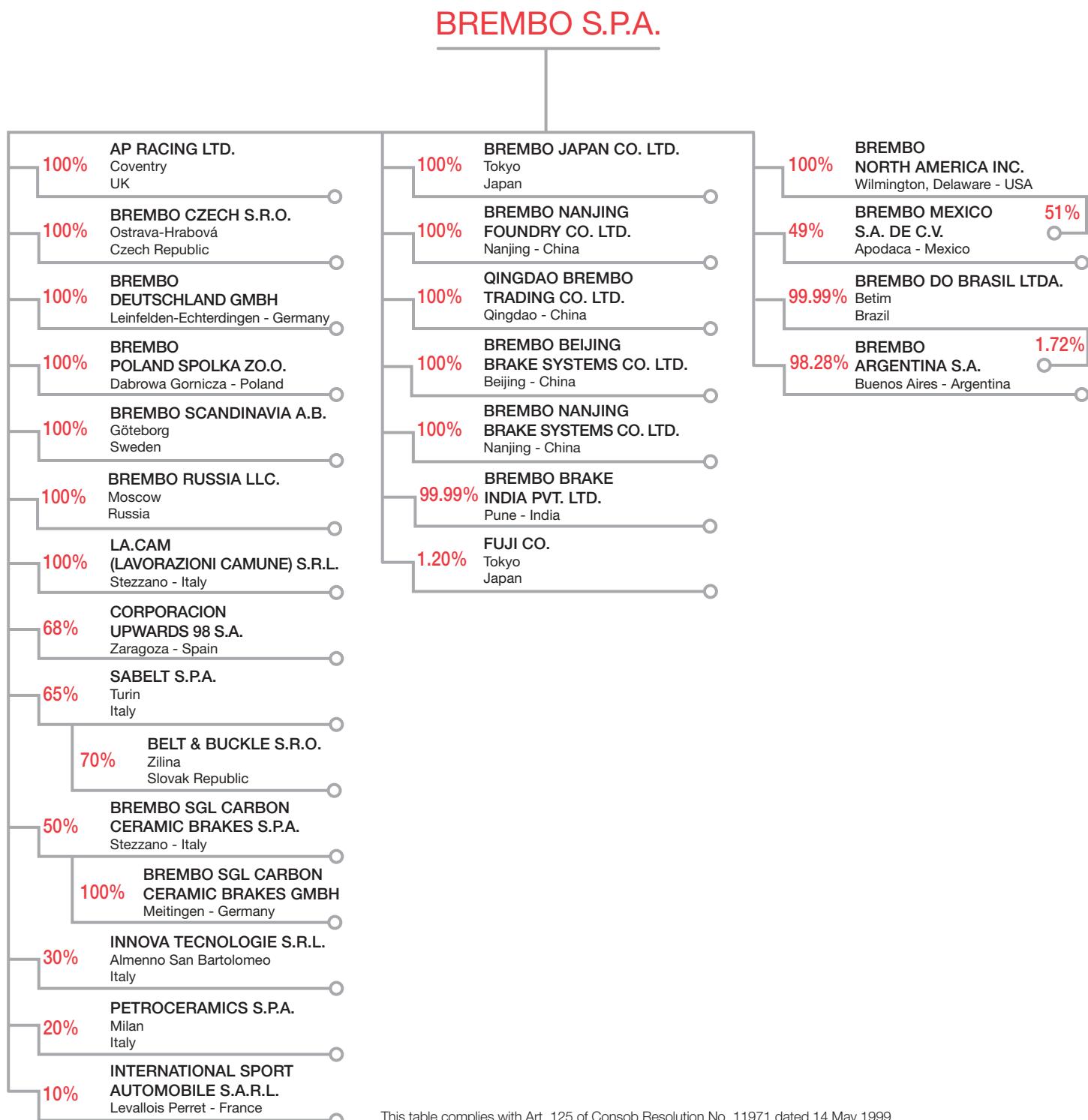




1975-2015:  
Brembo's  
**40 years**  
in racing

Alberto Bombassei  
meets Enzo Ferrari.

## GROUP'S STRUCTURE



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



Motorbikes.  
Caliper range.

## BREMBO WORLDWIDE

Brembo Deutschland GmbH   
Brembo SGL Carbon Ceramic Brakes GmbH 

    
Brembo North America Inc.

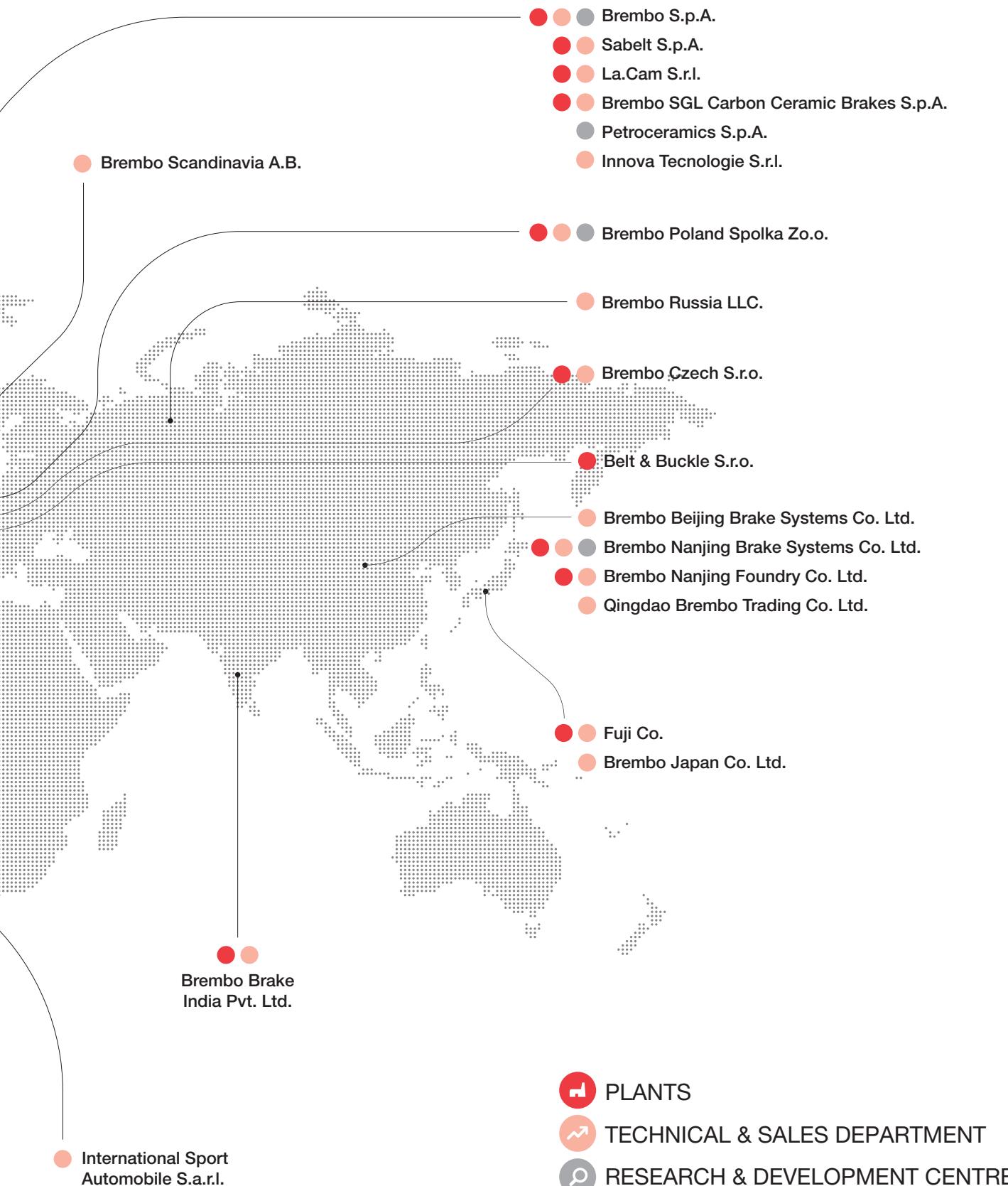
  Ap Racing Ltd.

   
Brembo Mexico S.A. de C.V.

   
Brembo do Brasil Ltda

   
Brembo Argentina S.A.

  Corporation  
Upwards 98 S.A.



## PERFORMANCE OF BREMBO COMPANIES

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



Cars. Brake calipers for the Corvette.

### BREMBO S.P.A.

CURNO (ITALY)

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

Brembo S.p.A. closed 2014 with sales of goods and services amounting to €713,357 thousand, up 11.8% compared to €638,022 thousand in 2013. The item "Other revenues and income" amounted to €26,904 thousand in 2014 compared to €28,246 thousand in 2013, whereas capitalised development costs in the year amounted to €9,601 thousand.

Gross operating income went from €67,574 thousand (10.6% of sales) in 2013 to €85,832 thousand (12.0% of sales) in 2014. Net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €37,119 thousand, closed at €48,713 thousand compared to €28,913 thousand for the previous year.

Net interest expense from financing activities amounted to €6,330 thousand, compared to €7,491 thousand for 2013. Income from shareholdings amounted to €43,439 thousand and was mainly attributable to the distribution of dividends by some subsidiaries (Brembo Poland Spolka Zo.o., Brembo Spolka Zo.o, Brembo Scandinavia A.B. and Petroceramics S.p.A.).

During the reporting year, net income amounted to €68,824 thousand, compared to €41,391 thousand in 2013.

The workforce numbered 2,860 at 31 December 2014, increasing by 12 compared to 2,848 at the end of 2013.

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

#### AP RACING LTD.

COVENTRY (UNITED KINGDOM)

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

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

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

Net sales for 2014 amounted to GBP 36,700 thousand (€45,509 thousand), compared to GBP 35,710 thousand (€42,049 thousand) in 2013. In the reporting year, net income amounted to GBP 3,906 thousand (€4,844

thousand), compared to GBP 3,488 thousand (€4,108 thousand) in 2013.

The workforce numbered 126 at 31 December 2014, six less than at the end of 2013.

### **BELT & BUCKLE S.R.O.**

ZILINA (SLOVAK REPUBLIC)

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

The company is 70% held by Sabelt S.p.A., which in November 2014 contributed to the said company its Child Safety Business and transferred 30% of its shareholding to third parties.

At 31 December 2014, net sales amounted to €6,714 thousand compared to €6,118 thousand for 2013, with a net loss of €76 thousand compared to a net income of €121 thousand in 2013.

The workforce numbered 101 at 31 December 2014, compared to 96 at 31 December 2013.

### **BREMBO ARGENTINA S.A.**

BUENOS AIRES (ARGENTINA)

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

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

Net sales amounted to ARS 199,546 thousand (€18,520 thousand), with a net loss of ARS 13,188 thousand (€1,224 thousand). In 2013, net sales amounted to ARS 163,484 thousand (€22,466 thousand) and net loss to ARS 13,732 thousand (€1,887 thousand).

The workforce numbered 123 at 31 December 2014, the same number as at 31 December 2013.

### **BREMBO BEIJING BRAKE SYSTEMS CO. LTD.**

BEIJING (CHINA)

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

Fully owned by Brembo S.p.A., the company sold its 31.12% stake in Brembo Nanjing Brake Systems Co. Ltd. to its Parent Company in 2014. It subsequently changed its company name from Brembo China Brake Systems Co. Ltd. to the current Brembo Beijing Brake Systems Co. Ltd. The company only deals with promotion and development initiatives on the Chinese market.

At 31 December 2014, it did not record any sales. In 2014, net income was Cny 26,141 thousand (€3,193 thousand), compared to a net income of Cny 1,623 thousand (€199 thousand) in 2013.

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

### **BREMBO BRAKE INDIA PVT. LTD.**

PUNE (INDIA)

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

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

In 2014, net sales totalled Inr 3,581,747 thousand (€44,182 thousand), with a net income of INR 276,109 thousand (€3,406 thousand). In 2013, net sales amounted to INR 2,950,912 thousand (€37,893 thousand), with a net income of INR 252,474 thousand (€3,242 thousand).

The workforce numbered 230 at 31 December 2014, compared to 200 at 31 December 2013.

### **BREMBO CZECH S.R.O.**

OSTRAVA-HRABOVÁ (CZECH REPUBLIC)

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

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

In 2014 net sales amounted to CZK 5,066,962 thousand (€184,013 thousand) compared to CZK 3,459,938 thousand (€133,140 thousand) in 2013, closing the year with a net income of CZK 247,214 thousand (€8,978 thousand) compared to a net loss of CZK 132,379 thousand (€5,094 thousand) in 2013.

The workforce numbered 614 at 31 December 2014, increasing compared to 515 for the previous year.

### **BREMBO DEUTSCHLAND GMBH**

LEINFELDEN – ECHTERDINGEN

(GERMANY)

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

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

At 31 December 2014, net sales amounted to €200 thousand (€221 thousand for 2013), with a net income of €60 thousand (€30 thousand for 2013).

The company has no employees and uses outside consultants only.

### **BREMBO DO BRASIL LTDA.**

BETIM (BRAZIL)

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

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

Net sales for 2014 amounted to BRL 186,704 thousand (€59,788 thousand) and net loss to BRL 38,705 thousand (€12,394 thousand). In 2013, net sales amounted to BRL 185,395 thousand (€64,666 thousand), with a net loss of BRL 13,558 thousand (€4,729 thousand).

The workforce numbered 503 at 31 December 2014, compared to 457 at the end of the previous year.

### **BREMBO JAPAN CO. LTD.**

TOKYO (JAPAN)

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

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

Net sales for 2014 amounted to JPY 595,475 thousand (€4,242 thousand), compared to JPY 613,722 thousand (€4,733 thousand) in 2013. Net income for the reporting year amounted to JPY 50,246 thousand (€358 thousand), compared to JPY 45,580 thousand (€352 thousand) in 2013.

The workforce numbered 16 at 31 December 2014, one less than at the end of 2013.

**BREMBO MÉXICO S.A. DE C.V.**

APODACA (MEXICO)

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

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

In 2014, net sales amounted to USD 98,035 thousand (€73,774 thousand), with a net income of USD 7,029 thousand for the year (€5,290 thousand).

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

The workforce numbered 263 at 31 December 2014, compared to 260 at the end of 2013.

**BREMBO NANJING BRAKE SYSTEMS CO. LTD.**

NANJING (CHINA)

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

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

At 31 December 2014, net sales amounted to CNY 667,154 thousand (€81,477 thousand) and net loss was CNY 6,377 thousand (€779 thousand); in 2013, net sales amounted to CNY 533,348 thousand (€65,317 thousand) and net income was CNY 1,237 thousand (€151 thousand).

The workforce numbered 222 at 31 December 2014, compared to 184 at the end of 2013.

**BREMBO NANJING FOUNDRY CO. LTD.**

NANJING (CHINA)

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

The company, set up in 2009 and 100% held by Brembo S.p.A., acquired the foundry activities in 2010 from the Chinese company Donghua. The aim was to develop an integrated industrial hub, including foundry and manufacture of brake calipers and discs for the car and commercial vehicle markets.

Net sales amounted to CNY 359,999 thousand at 31 December 2014 (€43,965 thousand), with a net income of CNY 87,258 thousand (€10,657 thousand), compared to net sales of CNY 319,725 thousand (€39,156 thousand) and a net income of CNY 3,999 thousand (€490 thousand) in 2013.

The workforce numbered 175 at 31 December 2014, compared to 159 at the end of 2013.

**BREMBO NORTH AMERICA INC.**

WILMINGTON, DELAWARE (USA)

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

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

Net sales for 2014 amounted to USD 422,649 thousand (€318,058 thousand) compared to net sales amounting to USD 309,687 thousand (€233,174 thousand) for the previous year.

Net income was USD 20,921 thousand (€15,744 thousand) at 31 December 2014, compared to net income of USD 20,060 thousand (€15,104 thousand) for 2013.

The workforce numbered 526 at the end of the reporting year, an increase of 83 compared to 2013.

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

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

On 1 October 2014, the merger of Brembo Spolka Zo.o. into Brembo Poland Spolka Zo.o., both wholly owned by Brembo S.p.A., became effective. The transaction was aimed at corporate streamlining, better organisational flexibility and rationalisation of structural costs.

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

In 2014, net sales amounted to PLN 1,421,046 thousand (€339,600 thousand), compared to PLN 1,280,363 thousand (€305,060 thousand) for 2013. At 31 December 2014, net income was PLN 272,547 thousand (€65,133 thousand), compared to net income of PLN 263,150 thousand (€62,699 thousand) for the previous year.

The workforce numbered 1,562 at the end of the year, compared to 1,472 at the end of 2013.

The 2013 figures combine the results of Brembo Poland Spolka Zo.o. and Brembo Spolka Zo.o.

### **BREMBO RUSSIA LLC.**

MOSCOW (RUSSIA)

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

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

Net sales amounted to RUB 6,195 thousand (€121 thousand) and net income was RUB 304 thousand (€6 thousand). The workforce numbered 2 at the end of 2014.

### **BREMBO SCANDINAVIA A.B.**

GÖTEBORG (SWEDEN)

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

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

Net sales for the reporting year amounted to SEK 6,710 thousand (€738 thousand), with a net income of SEK 1,080 thousand (€119 thousand), compared to net sales of SEK 7,844 thousand (€907 thousand) and net income of SEK 2,490 thousand (€288 thousand) for 2013.

The workforce numbered 1 at 31 December 2014, unchanged compared to the same date of the previous year.

### **CORPORACIÓN UPWARDS '98 S.A.**

ZARAGOZA (SPAIN)

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

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

Net sales for 2014 amounted to €20,853 thousand, compared to €20,215 thousand

for 2013. Net income amounted to €1,509 thousand compared to a net income of €1,265 thousand reported for 2013.

The workforce numbered 69 at 31 December 2014, compared to 73 at the end of 2013.

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

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

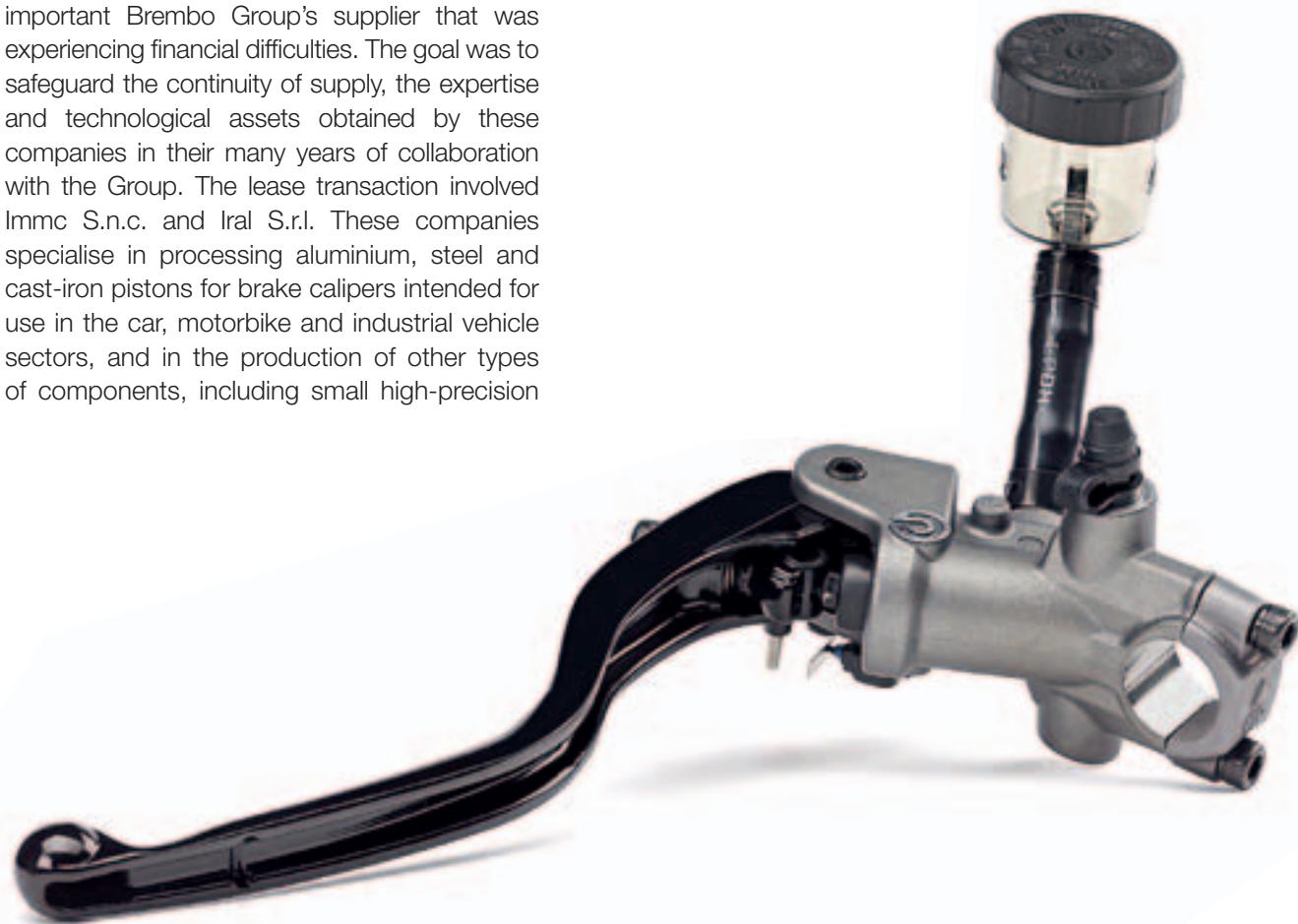
The company was incorporated by Brembo S.p.A. in 2010 and on 22 October of the same year it leased two companies from an important Brembo Group's supplier that was experiencing financial difficulties. The goal was to safeguard the continuity of supply, the expertise and technological assets obtained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

metallic parts and bridges for car brake calipers, as well as aluminium caliper supports for the motorbike sector, chiefly produced for the Brembo Group. In 2012 La.Cam. acquired the business units of both companies.

In 2014, net sales amounted to €32,329 thousand compared to €31,465 thousand in 2013, referring mainly to Brembo Group companies. Net income for 2014 was €489 thousand, compared to a net income of €170 thousand at the end of 2013.

The workforce numbered 205 at 31 December 2014, compared to 206 for the previous year.

Motorbikes. Radial clutch cylinder for the Kawasaki H2 and H2R.



**QINGDAO BREMBO  
TRADING CO. LTD.**  
QINGDAO (CHINA)

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

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

In 2014, net sales amounted to CNY 130,452 thousand (€15,932 thousand), compared to CNY 166,642 thousand (€20,408 thousand) for the previous year. Net income for the year was Cny 3,228 thousand (€394 thousand), down compared to a net income of Cny 9,020 thousand (€1,105 thousand) for 2013.

The workforce numbered 15 at 31 December 2014, unchanged compared to the same date of 2013.

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

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

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

At 31 December 2014, net sales amounted to €32,236 thousand and net income was €1,891 thousand, compared to net sales amounting to €29,726 thousand and a net loss of €1,214 thousand for 2013.

The workforce numbered 77 at 31 December 2014, compared to 78 at the end of 2013.

**Companies Valued Using the Equity Method**

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

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

As a result of the joint venture agreements finalised in 2009 between Brembo and SGL Group, the company is 50% owned by Brembo S.p.A. and in turn controls 100% of the German company Brembo SGL Carbon Ceramic Brakes GmbH.

Both companies carry out design, development, production and sale of braking systems in general, and particularly of OEM carbon ceramic brake discs for top-performance cars, as well as research and development activities concerning new materials and applications.

Net sales at 31 December 2014 totalled €44,689 thousand, up compared to €26,704 thousand in 2013. In the reporting year, net income amounted to €12,161 thousand compared to net income of €1,138 thousand in 2013.

The workforce numbered 111 at 31 December 2014, two more than at year-end 2013.

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

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

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

Net sales for 2014 amounted to €79,416 thousand, up compared to €56,293 thousand for the previous year. At 31 December 2014, net

income totalled €7,953 thousand, compared to a net income of €1,600 thousand in the previous year.

The workforce numbered 275 at 31 December 2014, compared to 246 at the end of 2013.

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

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

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

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

**Activities:** research and development of innovative technologies for the production of technical and advanced ceramic materials,

geomaterial processing and rock mass characterisation.

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

Net sales for 2014 amounted to €1,840 thousand, with a net income of €372 thousand. In 2013, net sales amounted to €1,637 thousand and net income to €196 thousand.

**Other Group Companies**

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

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

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

Cars. Brake caliper  
for the Mustang.



## RESEARCH AND DEVELOPMENT

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

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

The following is an illustration of several activities in the various sectors.

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

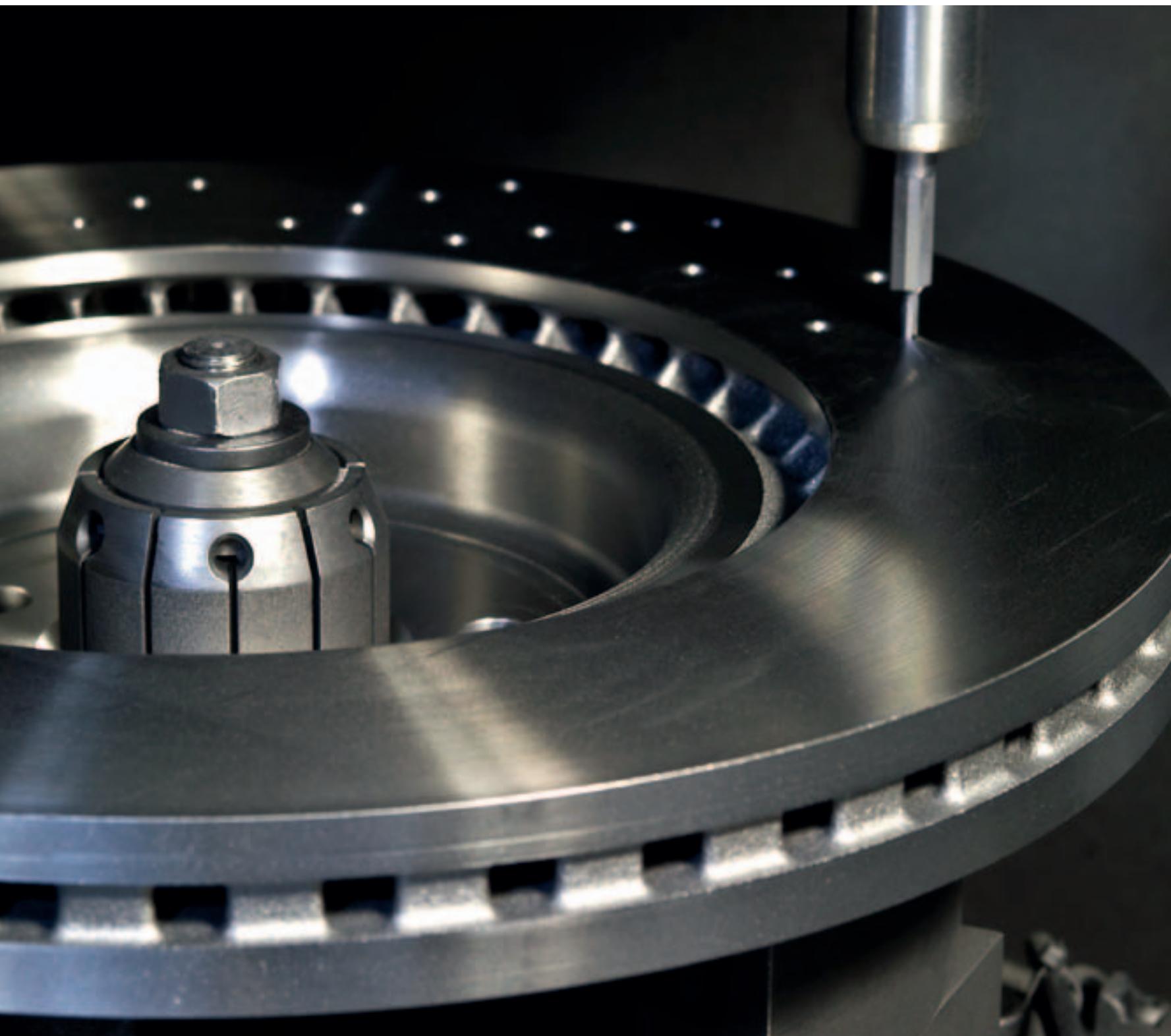
Specifically regarding heavy commercial vehicle cast-iron discs, work has continued on optimising the materials, mass characteristics and cooling and ventilation capacity, without penalising performance levels. The new technical solutions have been patented and presented to important clients, who are testing them to develop new applications.

For cast-iron discs used in automotive applications, in addition to the normal application developments with the world's major car manufacturers, Brembo began the production in

its plants in Europe, China and United States of an absolutely ground-breaking light disc, which will equip all the new Mercedes MRA platform, guaranteeing a weight reduction of up to 15%. The new concept, conceived by Daimler with Brembo as its lead partner in the development, combines two different materials: cast iron for the braking ring and a thin steel laminate for the disc hat. This disc gives impressive results in terms of weight saving, reducing the car's fuel consumption and the resultant environmental impact (reduced CO<sub>2</sub> emissions), according to the guidelines for the automotive market and all Brembo's development work.

Moreover, the development continued of new "light" disc concepts, particularly through the study of forms, materials, technologies and surface treatments that could meet the requirements of new-generation vehicles (electric and hybrid), with particular attention to the environmental impact characteristics (CO<sub>2</sub> and particulate emission). With the same environmental aim in mind, Brembo is developing new solutions, beside those already in production, that could help minimise wear for cast iron discs as well.

The utmost importance is attached to the joint development with innovative friction materials, complying with future legislative limits, designed for these types of disc. Brembo can be considered to be the only manufacturer with the in-house expertise for this type of development.



In street motorbike applications, technological alternatives for the manufacture of ceramic discs carbon continue to be assessed. Development work will also focus on specific friction materials and dedicated brake caliper configurations. Study began of a new line of pumps for street applications with innovative content in terms of design, product rationalisation and improvement of the user interface. Development work also continues on an innovative combined brake system for low-displacement motorbikes, testing of which has been scheduled for the first half of 2015.

Following the positive results of the concept prototypes, application of the sliding disc concept entered the vehicle testing phase, and finalisation of the standard application is planned for early 2016.

The year saw the conclusion of the first phase of acquisition of vehicle dynamic know-how in support of future Brake By Wire (BBW) development, and vehicle testing using specific instruments is being planned so as to validate the data gathered through numerical simulation. Demonstrators with BBW brakes are planned to be ready in the second half of 2015 in order to develop specific knowledge in motorbike applications. The project to miniaturise EPB calipers for motorbike applications is in progress.

Within the racing applications field, the fine tuning of the new carbon material for F1 and GT applications has been completed and for the first time since 1999 a material developed entirely by Brembo is being used on the track. The material has become a benchmark of performance in all categories in which the use of carbon is allowed (F1, GT and IRL), and this has permitted further increase of market share. In this context, the focus for the end of 2014 and beginning of 2015 is to stabilise the production chain and improve mechanical characteristics without reducing the system's performance.

During 2014, new carbon disc calculation

and simulation methods were introduced with the aim of integrating the disc "manufacturing" variability due to the production process into simulations.

These methods were successfully applied in the summer, including in the planning of a new disc drive system, which will be used in the 2015 season.

Again as regards innovative composite material discs, mention should be made of the good performance of the first CCM-R prototype discs for motorbike racing applications.

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

The second half of the season was devoted to the study of new brake systems for the 2015 season, starting, naturally, with F1. In particular, work continues for three clients on developing Brake By Wire systems, which will be modified in 2015 in order to improve speed of intervention and the weight of the system.

In the motorbike field, and in the MotoGP class in particular, a new brake caliper concept, initially used by two world-renowned pilots was also successfully tested by other pilots during the final trials required by competition rules following the Valencia race, and will be used in most motorbikes by next year. Development work continues in collaboration with Milan Polytechnic on the "instrumented wheel" system, which allows technicians to obtain information concerning torque and the force transmitted to the ground by the tyre. This was proved to be an excellent development tool for correlating telemetry measures, the driver's feel and the force actually transmitted.

In other projects with Milan Polytechnic, research is currently being conducted to improve the final performance of the rim-tyre system, through an analysis of the two components jointly rather than as two separate objects.

The Aeronautics project yielded two significant results in 2014. The first of these was

obtaining APDOA technical certification for Brembo from EASA (the European Aviation Safety Agency). The second highly important result relates to the complete brake system project (including calipers, discs, wheels, parking brakes and pumps), which was officially awarded to Brembo in June 2014.



Cars. Front brake system with ceramic carbon disc and Extrema caliper, for use on Ferrari supercars.

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

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

Since in the coming years it will be necessary to eliminate copper (as it is a pollutant) from the formulations of friction materials, new copper-free products have been developed for both European and U.S. applications, with an increasingly lower percentage of copper. The true challenge — which Brembo succeeded in overcoming — is modifying traditional formulations without decreasing the performance, characteristics and quality of the material itself.

This same challenge has also been taken up in the area of friction materials paired with carbon-ceramic discs: now that the research and development phase has been concluded, copper-free hybrid materials (combining the comfort of organic materials with the performances of ceramics) are now in production.

Research also continues in the field of unconventional friction materials to be paired with Brembo discs for motorbikes, heavy commercial vehicles and vehicles for special applications, in addition to research on unconventional materials and brake types to cover future market needs. The use of aluminium alloys for car calipers, obtained by bringing the alloy to a thixotropic state (in other words, to lower temperatures than the casting

process), has been validated, whilst the use of special aluminium alloys for forging is under development and expected to be validated early in 2015.

New solutions, aimed at reducing vehicle fuel consumption and the resultant CO<sub>2</sub> and particulate emissions through the brake system, are at the development stage; in particular, work is underway to improve caliper functionality by defining new lining/piston coupling characteristics and through a new pad sliding concept.

At the same time, work continues to improve products and processes in order to provide cutting-edge products to emerging markets such as China and to devise new types of fixed calipers to win new segments of the market, application of which is planned for the next two years. In addition, efforts continue to focus on ongoing improvement of solutions to reduce mass, increase performance and improve style.

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

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

Advanced R&D activities focus on me-

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

The high level of integration will bring the brake system into dialogue with other vehicle systems, such as electric traction motors and new suspension-steering concepts.

Such integration will allow for increased active safety and the optimisation of functions, such as regenerative braking.

Within this context, Brembo is continuing to develop a Brake By Wire system, with the aim of hastening the development of individual brake system components and holding on to its lead as a product innovator. This system concept will be able to be applied to all future vehicles: not only cars, but also commercial vehicles and motorbikes. Further system integration developments are currently being studied, in particular with electric drive systems and the associated next-generation architecture, as is an innovative vehicle wheel-side architecture with an electric traction motor and integrated, electronically controlled Brake By Wire systems.

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

Advanced R&D projects focus not only on products but also on development methods: advanced simulation and testing methods are thus studied and implemented with the aim of achieving an effective definition of project parameters from the first stages of setting.

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

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

In 2014, the COBRA project was also launched, funded as part of the European Life+ programmes, in collaboration with the partners of Kilometro Rosso, Ital cementi and the Mario Negri Institute, as well as with the consulting firm PNO Italia. The project's objective is to develop a technology with a low environmental impact (reduced water and power consumption in the pad life cycle), through the replacement of binders of organic origin (phenolics) with cement binders.

## INVESTMENTS

In 2014, Brembo's investment management policy developed along the lines that have been followed for the past several years, aiming to strengthen the Group's presence both in Italy and, above all, internationally.

The most significant investments were concentrated in Italy (34%), Poland (22%), the Czech Republic (18%), North America and Brazil (18%).

Investments in Italy chiefly involved the purchase of production plant, machinery and equipment, in addition to €10,955 thousand for development costs.

As part of its strategy of consolidation and development at the global level, Brembo has identified the North American hub as its preferred industrial hub for expanding and internationalising the Group in the North American market, which, since 2014 has become Brembo's top market.

Several investment programmes are underway:

- May 2014 saw the official inauguration of the renovated and expanded brake system production plant in Homer, Michigan. With a planned investment of €83 million in 2013-2015, the plant will allow the Group to gain additional market share, while also raising the level of service it provides to its major automotive clients in the North American market;
- on 23 July 2014, Brembo announced the start of construction of a cast-iron foundry in Michigan, in an area adjacent to the new Homer plants, marking the launch of the vertical integration process for its production capacity in the United States as well. Works will begin in 2015 and are expected to be completed in 2017. As a result all production phases will take place in a single site, establishing a more efficient production process. The investment programme, amounting to €74 million, will be funded through Group cash generation and will benefit from the incentives granted by the State of Michigan;
- on 2 December 2014 Brembo announced the beginning of construction of an aluminium foundry and an aluminium caliper manufacturing plant near Monterey, Mexico. The investment, spread over the period 2015-2017, will total €32 million. The new site will be capable of producing two million aluminium calipers a year, intended for major European, Asian and U.S. OEM manufacturers in Mexico and the United States.

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

Group's total investments undertaken in 2014 at all operating units amounted to €126,777 thousand, of which €109,418 thousand was invested in property, plant and equipment and €17,359 thousand in intangible assets.



## RISK MANAGEMENT POLICY

Effective risk management is a key factor in maintaining the Group's value over time.

In order to optimise this value, since 2012 Brembo has fully and formally adopted the principles laid down in Article 7 of the Corporate Governance Code, as amended in July 2014, updating the Internal Control System and integrating it with risk management, formerly an integral part of the corporate governance system. The structure and role of the main functions involved have been better defined and include:

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

Risks are monitored at meetings held on at least a monthly basis, where results, opportunities and risks are analysed for each business unit and geographical region in which Brembo operates. The meetings also focus on determining the actions required to mitigate any risks. Brembo's general risk-management policies and the bodies charged with risk evaluation and monitoring are included in the Corporate Governance Manual, in the

Organisation, Management and Control Model (as per Italian Legislative Decree No. 231/2001) and in the reference Layout for preparing accounting documents (as per Article 154-bis of TUF, to which the reader is referred).

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

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

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

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

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

## External Risks

### Country Risk

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

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

### Investments

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

## Strategic Risks

### Innovation

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

### Market

Brembo targets the Luxury and Premium segments of the automotive sector and, in terms

### Operating Risks

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

### Supply Chain

Supply chain risk manifests as the volatility of raw material prices and dependence on strategic suppliers, who could jeopardise the company's production process and ability to fill orders from clients in a timely manner by suddenly suspending supply arrangements. To mitigate this risk, the Purchasing Department identifies alternate suppliers to ensure the availability of critical materials (supplier risk management programme). The supplier selection process,

including an assessment of suppliers' financial solidity — an aspect that has taken on growing importance in the current scenario — has been reinforced. By diversifying its sources, Brembo can also reduce its risk exposure to price increases (a risk that is however partially offset by reflecting price increases in sales prices).

### Business Interruption

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

### Product Quality

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

### Environment, Health and Safety

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

- inadequate protection of employee health and safety, which can lead to serious accidents or work-related illnesses;
- environmental pollution resulting from sources such as uncontrolled emissions, inadequate

waste disposal or the spreading of dangerous substances on the ground;

- partial or full non-compliance with laws and regulations governing the sector.

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

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

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

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

In summary, although accidents and mistakes can happen, the Group has implemented sys-

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

The internationalisation strategies and, particularly, international industrial footprint de-

velopment have also highlighted the need to strengthen operational management able to operate locally and communicate effectively with the functional departments of Business Units and Central Functions, in order to improve the efficiency and effectiveness of the quality system and the capacity of production processes.

#### Legal & Compliance

Brembo is exposed to risks arising from the failure to rapidly comply with changing laws and new regulations in the sectors and markets in which



Pune motorbike plant  
(India).

it operates. To mitigate this risk, each compliance function stays abreast of the relevant legal and regulatory developments, with the assistance of outside consultants, where necessary, through a constant process of legal and regulatory updates and research.

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

For information concerning other compliance risks, including those arising as a result of Brembo's listing within Borsa Italiana's STAR Segment, see the Corporate Governance and Ownership Structure Report available on Brembo's website ([www.brembo.com](http://www.brembo.com), section Investors/Corporate Governance/Corporate Governance Reports).

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

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

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

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

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

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

- mapping (and periodic updates) by the Legal & Corporate Department of statutes that provide for administrative liability for companies in effect in all foreign countries in which the Group operates;
- reporting to the Country Committees of subsidiaries through a specific monitoring

system on the main issues of concern in the areas of compliance, governance, legal/ contracts and litigation;

- adoption and implementation (through training sessions) of a multiple-tier compliance system;
- a Group Code of Ethics and Anti-Bribery Code approved by the Boards of Directors of the Parent Company and each of the subsidiaries, laying down ethical and behavioural guidelines for managing stakeholder relations, including in light of the extraterritorial application of certain statutes such as the FCPA (USA) and Bribery Act (UK);
- compliance programmes at the local level;
- the Brembo Compliance Guidelines and Group Policies and Procedures issued by the Parent Company and disseminated and applied worldwide;
- the 231 Model, prepared by the Parent Company pursuant to Legislative Decree No. 231/2001, from which the Brembo Compliance Guidelines disseminated throughout the Group have been drawn.

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

### Planning and Reporting

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

### Financial Risks

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

#### Interest Rate Risk Management

Since most of the Group's financial debt is subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations.

To partially reduce this risk, the Group has entered into several medium/long-term fixed-rate loan agreements, as well as specific hedging contracts (IRS), accounting for approximately 4.6% of gross financial position.

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

#### Exchange Rate Risk Management

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

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

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

## Risk Management Process: Risk Financing

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

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

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

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

## HUMAN RESOURCES AND ORGANISATION

With the aim of maintaining alignment between its organisational structure and market needs, in 2014 Brembo continued to strengthen its central oversight, industrial presence and local entities, while constantly focusing on its overall potential to innovate both products and processes.

In terms of business areas, the new heads of the Systems Division and Discs Division reorganised the respective Sales Departments. Both of the above divisions launched projects to study and build two new plants in North America in order to expand Brembo's industrial footprint in that area. The Systems Division also strengthened its industrial area, concentrating its Operations process management within two different but related organisations, one devoted to aluminium foundries and the other focusing on processing and assembly, to achieve increasingly global coordination of its technologies and plants.

During the year, a new manager was appointed to head the Technical Department of the Discs Division and a new director was appointed for the Aftermarket Business Unit. The Unit also introduced a Design Department, in keeping with the goal of expanding the range of products it manages. In order to ensure increasingly effective internal coordination, given the complexity inherent in managing an area that includes various businesses, legal entities and geographical regions, the Performance Group reorganised its structure to consist of four separate business areas, autonomous from one another, that maintain direct responsibility for the Market, Technical Development and Operations, and five transversal functions that provide know-how and are tasked with ensuring the integration of the various structures.

The Purchasing Department welcomed a new Director and changed its organisational structure, creating a specific Purchasing Team for each Division or Business Unit, while also reinforcing its central Global Commodity Management structure. In addition, a new role, that of International Purchasing Officer (IPO) was identified, with responsibility for sourcing, including in the South East Asia, to identify and develop relations with new suppliers, in close collaboration with the Group's technical departments and supplier quality teams.

The Administration, Finance and Control (AFC) area was divided into two Departments: Administration and Finance, on the one hand, and Financial Controlling, on the other, both of which report directly to the Executive Deputy Chairman, so that each can concentrate on its specific tasks and improve their international oversight of the respective professional families.

Finally, in developments involving the Group's international companies, Brembo Czech appointed a new manager and reorganised the functions of its AFC area in view of more direct coordination with the corporate structure while Brembo China and Brembo India reorganised their AFC area and appointed a new Chief Financial Officer (CFO). In addition, Brembo North America and Brembo China are now reporting directly to Brembo's CEO, which clearly shows the high importance that the Group attaches to the U.S. and Chinese markets.



Brembo Racing.  
Lightweight Rally cast  
iron disc about 20%  
lighter, with redesigned  
ventilation.

In order to ensure that the Group's resources enjoy constant access to innovative new skill-sets, a number of training and development activities were organised during the year, using tools and methods increasingly in line with company strategies, which met with positive levels of satisfaction, learning and interest.

New offerings in 2014 included economic

and financial courses, organised at three different levels of increasing complexity, each followed by hands-on workshops at which two goals were pursued: updating knowledge of economic phenomena in light of current affairs, while also refreshing previously acquired knowledge. Another important initiative related to a new Project Management course, de-

Curno car plant (Italy).  
Assembly of brake  
calipers.



signed to ensure strong project management expertise, with a specific focus on the economic impact of projects. Finally, a workshop was held on business trends, delving into global macroeconomic and social scenarios and focusing on indicators concerning the markets of greatest interest to Brembo.

Traditional training programmes met with the usual success, with continuing investments in building interpersonal and public speaking skills. Behavioural and managerial training included a Knowledge Management course, designed to offer internal teachers the skills needed to plan and manage classrooms. Training was also enhanced for those preparing to undertake a long-term experience abroad: courses included a multicultural English communication programme and a guide to safety in complex countries.

In specialist and technical training, the R&D Academy, a school managed solely by internal teachers opened its doors, involving 70 participants in 2014. The Academy's goals — which were reached in full — are to spread knowledge and raise awareness of Brembo's past and present research as a key factor to maintaining the consistently high standards of creativity and innovation that have always characterised the Group. Several new specialist courses, such as Design of Experiment, Robust Design and Statistics — managed together with lecturers from well-known universities — met with appreciation, and were thus fully integrated into the company's catalogue of training courses alongside its traditional courses in this area.

The language school and mandatory training initiatives continued to respond effectively to internal needs relating to the Group's increasing internationalisation and rigorous observance of Safety and Environmental standards.

A Training Kit was planned and prepared in order to further share strategies and tools, increase dissemination of skills of fundamental importance to the business, and support foreign sites, in a closer relationship with the corporate

function. The Kit is a full set of multimedia training tools, shared with Human Resources departments throughout the world.

Another innovative project carried out in 2014 was the Brake Academy: monographic lessons that Brembo's R&D specialists gave to a group of selected undergraduates at Milan Polytechnic, co-managed with the Group's Recruiting and University Relations office, with the aim of bridging the gap between academe and business.

In development work, the BYR (Brembo Yearly Review) process and tool, used worldwide, was restyled to take on a leaner, more efficient form. This was an appreciated change that resulted in more widespread adoption.

Measures aimed at developing the Group's recruiting and university relations strategies achieved satisfactory results. In fact, resources were recruited from top Italian universities as part of LIFT - Leadership International Fast Track, the Brembo Group's first graduate programme of a fully interfunctional nature.

In addition, the periodic Engagement Survey of the entire Brembo Group was conducted at the end of the year. Now in its fifth edition, the questionnaire has been rethought and streamlined, with the aim of facilitating its completion and increasing its redemption. The multi-language tool has been structured so as to provide not only the classic detailed reports, but also a full Engagement Index, which indicates the emotional, intellectual and motivational involvement of employees in the company and the results to be achieved. The survey involved more than 7,000 employees, almost all of the company population. The results will become available in early 2015.

Overall, 716 training initiatives were implemented in 2014 for a total of 325 courses, 49,670 training hours and 4,661 participants.

## ENVIRONMENT, SAFETY AND HEALTH

For Brembo, the approach that assures the best results in the area of environmental protection, health and safety in the workplace is tied to establishing management processes that are not the responsibility of a few specialists, but rather involve the entire company organisation. This conviction has guided the Group in structuring its management model, which calls for the full involvement of all company functions, to which precise tasks and responsibilities are assigned.

The goals that Brembo aims to achieve are not only limited to compliance with the law or effective application of management systems, but also extend to planning innovative projects attentive to stakeholders' requests, with an increasingly greater focus on environmental and workplace safety issues.

In this context, Brembo participated in the past four years in the project implemented by the Carbon Disclosure Project (CDP Climate Change), relating to accounting for and minimising greenhouse gases. It has now taken part in a new initiative, proposed by that same organisation, aimed at accounting for and optimising corporate use of the natural resource water (CDP Water).

The project, which has now been completed, was structured into steps and involved gathering and reporting on corporate water use data (for 2013) both in production process and for human use.

In particular, the work done may be summarised as follows:

- identifying the various possible uses;
- determining the data collection and reporting model;
- recording and verifying the amounts of water used;
- analysing and reporting on the projects implemented in 2013 to reduce water use.

Once these steps had been completed, the data and information gathered were sent to CDP.

For Brembo, this activity represented a further important step towards increasingly attentive management of its environmental footprint, beyond its legal obligations.

Another project, coordinated by the Energy Manager, involved one of Brembo's Italian production facilities and consisted of an energy analysis focusing on the supply and use of thermal and electrical energy, with the following objectives:

- preparing an energy snapshot of the facility;
- providing models for allocating use, essentially broken down into electrical and thermal sources;
- providing an overview of possible energy savings measures;
- assessing the possible incentives under current regulations for obtaining white certificates (TEE) and cutting greenhouse gas emissions.

The planned activities have been completed, and the proposed improvements identified in the study are now being assessed in order to determine the feasibility of their subsequent implementation.

In the next step, this energy analysis will be extended to all of the Group's Italian facilities, with the aim of completing work by the second half of 2015, at the latest.

The accident occurrence data for 2014 were highly positive for the entire Brembo Group. The Injury Severity Index decreased constantly throughout the year, closing the period at 0.50. This overall result depended essentially on the strong general performance at all of the Group's facilities: no facility reported significant negative divergence of its Injury Severity Index from expectations. Some facilities are noteworthy for the significantly positive performances they

achieved. For example, the facilities of the Motorbikes Business Unit in Curno (Italy), Niepolomice (Poland), Apodaca (Mexico), Sabelt (Italy), AP Racing (United Kingdom) and Homer (USA) closed the year with zero accidents and a severity index very close to zero.

Finally, it should be noted that all foundries, which are notably exposed to higher risk than mechanical processing facilities, reported accident severity indices below expectations.



Homer plant,  
Michigan (USA).



Photo taken from a book published by *La Gazzetta dello Sport*  
to be released in September 2015, on Brembo's 40 years in racing.  
Photograph by: Filippo Monteforte/AFP/Getty Images



# 1975-2015: Brembo's **40 years** in racing

Valentino Rossi, on Yamaha,  
followed by Max Biaggi, on Honda.  
Final stages of the Italian  
Grand Prix, Mugello Racetrack,  
5 June 2005.

## RELATED PARTY TRANSACTIONS

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

In 2013, on the basis of a favourable opinion from the Audit & Risk Committee, the Board of Directors unanimously resolved not to proceed with amendments to the Related Party

Procedure of Brembo S.p.A., partly in light of the efficacy shown in applied practice, and partly because it had already been revised in previous years. The Board thus deems already adopted both the contents of the Recommendation and the wishes expressed by Consob regarding the first revision of the procedure.

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

Homer plant,  
Michigan (USA).



## FURTHER INFORMATION

### Significant Events During the Year

On 25 February 2014, the Parent Company Brembo S.p.A. acquired full control of Brembo Nanjing Brake Systems Co. Ltd. from Brembo China Brake Systems Co. Ltd.

On 11 March 2014, the voluntary winding up of Brembo UK Ltd. was completed.

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

On 14 July 2014, the company Brembo China Brake Systems Co. Ltd. changed its name to Brembo Beijing Brake Systems Co. Ltd.

On 21 July 2014, the company Brembo Russia LLC., a limited liability company based in Moscow and wholly owned by Brembo S.p.A., was established in order to promote the sales of brake discs for the aftermarket car sector.

On 23 July 2014, Brembo announced the start of construction of a cast-iron foundry in Michigan, in an area adjacent to the new Homer plants, marking the launch of the vertical integration process for its production capacity in the United States as well. Works will begin in 2015 and are expected to be completed in 2017. As a result all production phases will take place in a single site, establishing a more efficient production process. The investment programme, amounting to €74 million, will be funded through Group cash generation and will benefit from the incentives granted by the State of Michigan. The building of an integrated hub in Michigan confirms and strengthens the

company's interest towards the North American market, which has recorded a very strong increase over the past five years becoming Brembo's top market.

On 1 October 2014, the merger of Brembo Spolka Zo.o. into Brembo Poland Spolka Zo.o., both wholly owned by Brembo S.p.A., became effective. The said transaction was aimed at achieving greater corporate streamlining in order to ensure a better organisational flexibility and structural costs rationalisation.

On 3 November 2014, after having contributed its Child Safety Business to Belt & Buckle S.r.o., Sabelt S.p.A. sold 30% of its shareholdings in Belt & Buckle S.r.o. to third parties. The sale agreement provides for an unconditional right for the third parties to exercise a call option for the remaining 70%. The third parties may also sell the previously purchased interests back to Sabelt S.p.A. if certain conditions specified in the contract are met.

On 2 December 2014, Brembo announced that construction had begun on an aluminium foundry and an aluminium caliper manufacturing plant near Monterey, Mexico. The investment, spread over the period 2015-2017, will total €32 million. The new site will be capable of producing two million aluminium calipers a year, intended for major European, Asian and U.S. OEM manufacturers in Mexico and the United States.

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

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

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

The maximum number of shares that may be purchased is 1,600,000 which, together with 1,747,000 own shares already in Brembo's portfolio (2.616% of share capital), represents 5.01% of the Company's share capital. The minimum purchase price was set at €0.52 (fifty-two euro cents) and the maximum purchase price at €30.00 (thirty euro), for a maximum expected outlay of €48,000,000. The authorisation to buy back own shares has a duration of 18 months from the date of the shareholders' resolution.

Brembo has neither bought nor sold own shares during the reporting year.

## Opt-out from the Obligations to Publish Disclosure Documents

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

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

In accordance with the requirements of Articles 36 and 39 of the Market Regulations (adopted with Consob Regulation No. 16191 of 29 October 2007 and amended with Resolution No. 16530 of 25 June 2008), the Brembo Group identified six subsidiaries based in five countries not belonging to the European Union

that are of significant importance, as defined under Paragraph 2 of the same Article 36, and therefore fall within the scope of application of the Regulations.

Brembo Group believes that its current administrative, accounting and reporting systems are adequate to ensure that the Parent Company's management and independent auditors receive any information regarding the Statement of Income, Statement of Financial Position and Cash Flow figures, as necessary for preparing the Consolidated Financial Statements.

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

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

The reconciliation of equity and result for the year, as reported in the Parent Company's Financial Statements, and the equity and result for the year recognised in the Consolidated Financial Statements shows that the Group's equity at 31 December 2014 was €273,497 thousand higher than the figure reported in the Brembo S.p.A. Financial Statements. Consolidated net result for the year, amounting to €129,054 thousand, was €60,230 thousand higher than that of Brembo S.p.A.

(euro thousand)	Net income 2014	Equity 31.12.2014	Net income 2013	Equity 31.12.2013
<b>Brembo S.p.A.</b>	<b>68,824</b>	<b>257,476</b>	<b>41,391</b>	<b>222,939</b>
<b>Consolidation adjustments:</b>				
Equity of consolidated companies and allocation of their result	107,691	531,502	78,708	443,172
Goodwill and other allocated surplus	(2,387)	8,162	0	9,725
Elimination of intra-Group dividends	(53,838)	0	(34,281)	0
Book value of consolidated shareholdings	(3,489)	(272,688)	0	(249,257)
Valuation of shareholdings in associate companies/JVs measured using the equity method	6,562	4,354	1,371	(1,799)
Elimination of intra-Group income	(369)	(5,811)	(745)	(5,307)
Other consolidation adjustments	5,690	13,335	2,659	9,734
Equity and result for the year attributable to minority interests	370	(5,357)	(87)	(4,857)
<b>Total consolidation adjustments</b>	<b>60,230</b>	<b>273,497</b>	<b>47,625</b>	<b>201,411</b>
<b>GROUP CONSOLIDATED EQUITY AND RESULT</b>	<b>129,054</b>	<b>530,973</b>	<b>89,016</b>	<b>424,350</b>

## SIGNIFICANT EVENTS AFTER 31 DECEMBER 2014

Due to the expression of interest confirmed by the minority shareholder of Belt & Buckle S.r.o. in the first few months of 2015, the Group believes it highly probable that its controlling interest in the company will be sold in the first half of 2015.

Apart from the above-mentioned aspect, no other significant events occurred after the end of 2014 and until 5 March 2015.

## FORESEEABLE EVOLUTION

The order book confirms a positive performance also for the first part of the year. In 2015, the recently announced manufacturing initiatives will be launched, particularly in the United States and Mexico.



## CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

Motorbikes. Two-circuit front brake caliper for combined system, for the Hero HX250R.



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

To conclude the Separate Financial Statements of Brembo S.p.A. for the year ended 31 December 2014, based also on the examination of our Report and the Explanatory Notes to the separate Financial Statements, in which we outlined the guidelines and operations, we submit for your approval our proposal for distributing the entire net income amounting to €68,824,317.57, as follows:

- to the Shareholders, a gross ordinary dividend of €0.6 for each of the outstanding ordinary shares, excluding own shares (payment as of 20 May 2015, ex-coupon date 18 May 2015 and record date 19 May 2015);
- to the shareholders, upon the 20<sup>th</sup> anniversary from the listing of the Company, an extraordinary dividend of €0.2 per each of the ordinary shares outstanding, excluding own shares (payment as of 8 July 2015, ex-coupon 6 July 2015 and record date 7 July 2015);
- to the restricted reserve pursuant to Article 6(2) of Legislative Decree No.38/2005 €357,167.67;
- the remaining amount carried forward.

Stezzano, 5 March 2015

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

## BREMBO S.P.A. STOCK PERFORMANCE



Brembo stock closed 2014 at €27.70, up 36.58% compared to the beginning of the year. The stock performed extremely well, reaching a low for the period of €18.88 on 27 January and a high of €29.66 on 9 June. In 2014, Brembo outperformed the FTSE MIB index, which closed the year up by 0.43%, the Italian index for the STAR segment (+8.51%) and the European index Stoxx Total Market Value Small (+5%).

Throughout 2014, Brembo also outperformed the BBG EMEA Automobiles Parts, which closed the year down by 6.37%.

In 2014, the performance of the most

representative equity indices was moderately positive.

One of the central themes to the economic scenario is the growth gap between the United States and the other advanced countries, which results in opposite monetary policy stances and a tendency towards the appreciation of the dollar. This is the backdrop for plummeting oil prices, the effects of which on the possible resumption of sustainable growth in Europe and Japan nonetheless remain uncertain.

Between the start of 2015 and 4 March, Brembo's stock continued to trend upwards, recording a further increase of 20.01%.

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

	31.12.2014	31.12.2013
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	66,784,450	66,784,450
Equity (excluding income for the year) (euro)	188,652,168	181,547,994
Net income for the year (euro)	68,824,318	41,391,335
Trading price (euro)		
Minimum	18.880	9.740
Maximum	29.660	20.790
Period end	27.700	19.580
Market capitalisation (euro million)		
Minimum	1,261	650
Maximum	1,981	1,388
Period end	1,850	1,308
Gross dividend per share	0.8(*)	0.5

(\*) To be approved by the Shareholders' Meeting convened on 23 April 2015.

Further information and updates regarding stock performance and recent corporate information are provided on Brembo's website at [www.brembo.com](http://www.brembo.com) – Investors section.

Investor Relator: Matteo Tiraboschi.

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





**Palmares  
2014**

**PALMARES  
2014**

# BREMBO Brake systems

## CARS

### “Open wheels” Championships

#### Formula 1

Drivers	Lewis Hamilton - Mercedes
Manufacturers	Mercedes

#### GP2

Drivers	Jolyon Palmer - Dams
Manufacturers	Dams

#### GP3

Drivers	Alex Lynn - Carlin
Manufacturers	Carlin

#### World Series by Renault

Drivers	Carlos Sainz Jr - Dams
Manufacturers	Dams

#### F3 Euroseries

Drivers	Esteban Ocon - Prema
Manufacturers	Prema

#### Verizon IndyCar Series

Drivers	Will Power-Team Penske
Team	Penske

#### 500 miglia Indianapolis

Ryan Hunter - Reay - Andretti

#### Super Formula Japan

Drivers	Kazuki Nakajima - Dallara Toyota
Manufacturers	Tom's

#### F3 Championship Japan

A-Class	N. Matsushita - HFDP Racing
B-Class	K. Yamashita - Petronas Team Tom's

## CARS

**“Closed wheels” Championships****FIA World Endurance Championship**

LMP1	Drivers: Buemi, Davidson - Toyota Team: Toyota
GTE PRO	Drivers: Bruni, Vilander - Ferrari AF Corse Team: Ferrari AF Corse
GTE AM	Drivers: Hansson, Poulsen - Aston Martin Team: Aston Martin

**24 Hours of Le Mans**

LMP1-H	Fassler, Lotterer & Treluyer - #2 Audi Sport Team Joest R18
GTE Pro	Bruni, Fisichella & Vilander - #51 Ferrari AF Corse
GTE AM	Hansson, Poulsen & Thiim - #95 Aston Martin Vantage

**GT3 Blancpain Endurance Series**

Drivers	Laurens Vanthoor – Audi WRT
Manufacturers	Audi WRT

**Tudor United SportsCar Championship**

PC	Team: Jon Bennett & Colin Braun - #54 CORE Autosport Oreca FLM09
GTLM	Team: Kuno Wittmer - #93 SRT Motorsports Viper

**Pirelli World Challenge GT Series**

GT	Team: Johnny O’Connell - #3 Cadillac Racing CTS-VR
GTS	Manufacturers: KIA

**SCORE International Overall & Trophy Truck Class**

Team	Steven Eugenio - #7 Chevrolet Silverado
Team	Rob MacCachren - #11 Ford F-150

**Nascar Nationwide**

Drivers	Elliot
Team	Team Roush Yates

**Rally Championships****WRC 2**

	Al-Attiyah Nasser - Ford Fiesta RRC
<b>WRC Production</b>	Rendina Max - Mitsubishi EVO X R4

**ERC - European Rally Championship**

	Lappi Esapekka - Skoda Fabia S2000

# AP RACING Brake systems and clutches

## CARS

### “Open wheels” Championships

#### Formula 1

Drivers	Lewis Hamilton - Mercedes
Manufacturers	Mercedes

#### IRL

Drivers	Will Power - Team Penske
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#### 500 miglia Indianapolis

Ryan Hunter-Reay - Andretti
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#### GP2

Drivers	Jolyon Palmer - Dams
Manufacturers	Dams

#### GP3

Drivers	Alex Lynn - Carlin
Manufacturers	Carlin

#### Super Formula

Drivers	Kazuki Nakajima - Dallara Toyota
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#### Formula3

British	Drivers: Cao - Fortec Motorsport
European	Drivers: Auer - Mucke Motorsport

### “Closed wheels” Championships

#### FIA World Endurance Championship

LMP Manufacturers	Drivers: Davidson, Buemi - Toyota
LMP1 Indipendents	Drivers: Beche, Heidfeld, Prost - Rebellion - Oreca
LMP2	Drivers: Zlobin - SMP Racing - Oreca

#### 24 Hours of Le Mans

LMP2	Drivers: Dolan, Ticknell, Turvey - JOTA Sport - Zytek Z11SN
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#### Nascar

Sprint Cup	Drivers: Harvick, Stewart - Haas Racing
Nationwide Series	Drivers: Elliot - Jnr Racing
Craftsman Truck Series	Drivers: Crafton - Thor Sport

#### Tudor United SportsCar Championship

P Class	Drivers: Barbossa, Fittipaldi - Action Express - Coyote
GTD Class	Drivers: Cameron - Turner Motorsport - BMW Z4
LMPC Class	Drivers: Bennet, Braun - Core Autosport - Oreca LMPC

#### ELMS

LMP2	Drivers: Panciatici, Webb, Chatin - Signatech Alpine
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**Touring Car**

British	Drivers: Turkington - eBay Motors BMW Manufacturers: eBay Motors BMW
DTM	Drivers: Wittman - BMW Team RMG
WTCC	Drivers: Lopez - Citroen C-Elysee
Australian V8 Supercar	Drivers: Whincup - Red Bull Racing Australia Manufacturers: Red Bull Racing Australia

**Japanese Super GT**

500 Class	Drivers: Matsuda, Quintarelli - Nismo Motul Autech GT-R Manufacturers: Nismo Motul Autech GT-R
300 Class	Drivers: Taniguchi, Kataoka - Goodsmile Hatsune Miku Z4 Manufacturers: Gainer Mercedes-Benz SLS AMG GT3

**CARS****FIA Rally Raid**

Drivers	Vasilyev - Mini ALL4 Racing X Raid
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**Dakar Sud America**

Drivers	Roma - Monster Energy X Raid - Mini ALL4 Racing
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**Rally Championships****SABELT Safety belts****“Closed wheels” Championships****Tudor United SportsCar Championship**

GTLM	Drivers: K.Wittmer, J.Bomarito Team: SRT Motorsports
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**Touring Car**

WTCC	Drivers: Lopez Team: Citroen
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# BREMBO Brake systems

## MOTORBIKES

### Motorbike

#### Moto GP

Driver	Marc Marquez - #93 Repsol Honda
Manufacturers	Honda

#### Moto2

Drivers	Esteve Rabat - #53 Marc VDS Racing Team
Manufacturers	Kalex

#### Moto3

Drivers	Alex Marquez - #12 Estrella Galicia 0,0
Drivers	Honda

### WSBK Championship

#### World Superbike

Drivers	Sylvain Guintoli - #50 Aprilia Racing Team RSV4
Manufacturers	Aprilia Racing Team

#### World Superstock 1000

Drivers	Leandro Mercado - #36 Ducati 1189 Panigale R
Manufacturers	Ducati

#### American Superbike

Drivers	Josh Herrin
Manufacturers	Yamaha

#### JSB

Drivers	Katsuyuki Nakasuga
Manufacturers	Yamaha

#### GP2

Drivers	Yuuki Takahashi
Manufacturers	Moriwaki

#### BSB

SBK	Drivers: Shane Byrne - Rapid Solicitors Kawasaki Manufacturers: Kawasaki
Supersport	Drivers: Billy McConnell - Smiths Triumph

#### IDM

SBK	Drivers: Xavi Fores - Ducati 1199
Superstock 1000	Drivers: Marco Nekvasil - BMW S1000rr

#### CIV

Moto3	Drivers: Manuel Pagliani - MT Racing Honda
SBK	Drivers: Ivan Goi - Ducati 1199 Barni Racing Team

#### CEV

Moto3	Drivers: Fabio Quartararo - Monlau
Moto2	Drivers: Jesko Raffin - Pons Racing
SBK	Drivers: Kenny Noyes - Palmeto

**FFM**

FSBK	Drivers: Gregory Leblanc - Kawasaki SRC
FSSP	Drivers: Lucas Mahias - Yamaha
<b>Endurance</b>	
EWC	Drivers: David Checa
	Manufacturers: Yamaha Racing GMT94
Superstock	Drivers: Kenny Foray - LMS Suzuki Junior Team

**MOTORBIKES****Off-Road Championship****Motocross**

MX1	Drivers: Antonio Cairoli - KTM
MX2	Drivers: Jordi Tixier - KTM

**Enduro**

E1	Drivers: Christophe Nambotin - KTM
E2	Drivers: Pierre Alexandre Renet - Husqvarna
E3	Drivers: Matthew Phillips - KTM
EJ	Drivers: Danny Mccanney - Team Costa Ligure Beta Boano
EY	Drivers: Davide Soreca - Team Costa Ligure Beta Boano

**Trial**

TR1 World	Drivers: Toni Bou - Montesa - HRC
TR1 Italian	Drivers: Matteo Grattarola - Gas Gas

**Rally Raid**

Dakar	Marc Coma - KTM
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**Road Race**

TT Senior	Michael Dunlop - BMW Buildbase
North West 200	Michael Dunlop - BMW Buildbase
Grand Prix Macau	Stuart Easton - PBM Kawasaki

**China Regional Champ CSBK**

Drivers	Huang Shizhao - Team Yamaha
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# MARCHESEINI Wheels

## MOTORBIKES

<b>MotoGP</b>	
Drivers	Marc Marquez - #93 Repsol Honda
Manufacturers	Honda
<b>World Superbike</b>	
Drivers	Sylvain Guintoli - #50 Aprilia Racing Team RSV4
Manufacturers	Aprilia Racing Team
<b>World Superstock 1000</b>	
Driver	Leandro Mercado - #36 Ducati 1189 Panigale R
Manufacturers	Ducati
<b>JSB</b>	
Drivers	Katsuyuki Nakasuga
Manufacturers	Yamaha
<b>GP2</b>	
Drivers	Yuuki Takahashi
Manufacturers	Moriwaki
<b>BSB</b>	
SBK	Drivers: Shane Byrne Manufacturers: Kawasaki
<b>CIV</b>	
Moto3	Drivers: Manuel Pagliani - MT Racing Honda
SBK	Drivers: Ivan Goi - Ducati 1199 Barni Racing Team
<b>FFM</b>	
FSBK	Drivers: Gregory Leblanc - Kawasaki SRC
FSSP	Drivers: Lucas Mahias - Yamaha
<b>Enduro</b>	
EJ	Drivers: Danny Mccanney - Team Costa Ligure Beta Boano
EY	Drivers: Davide Soreca - Team Costa Ligure Beta Boano

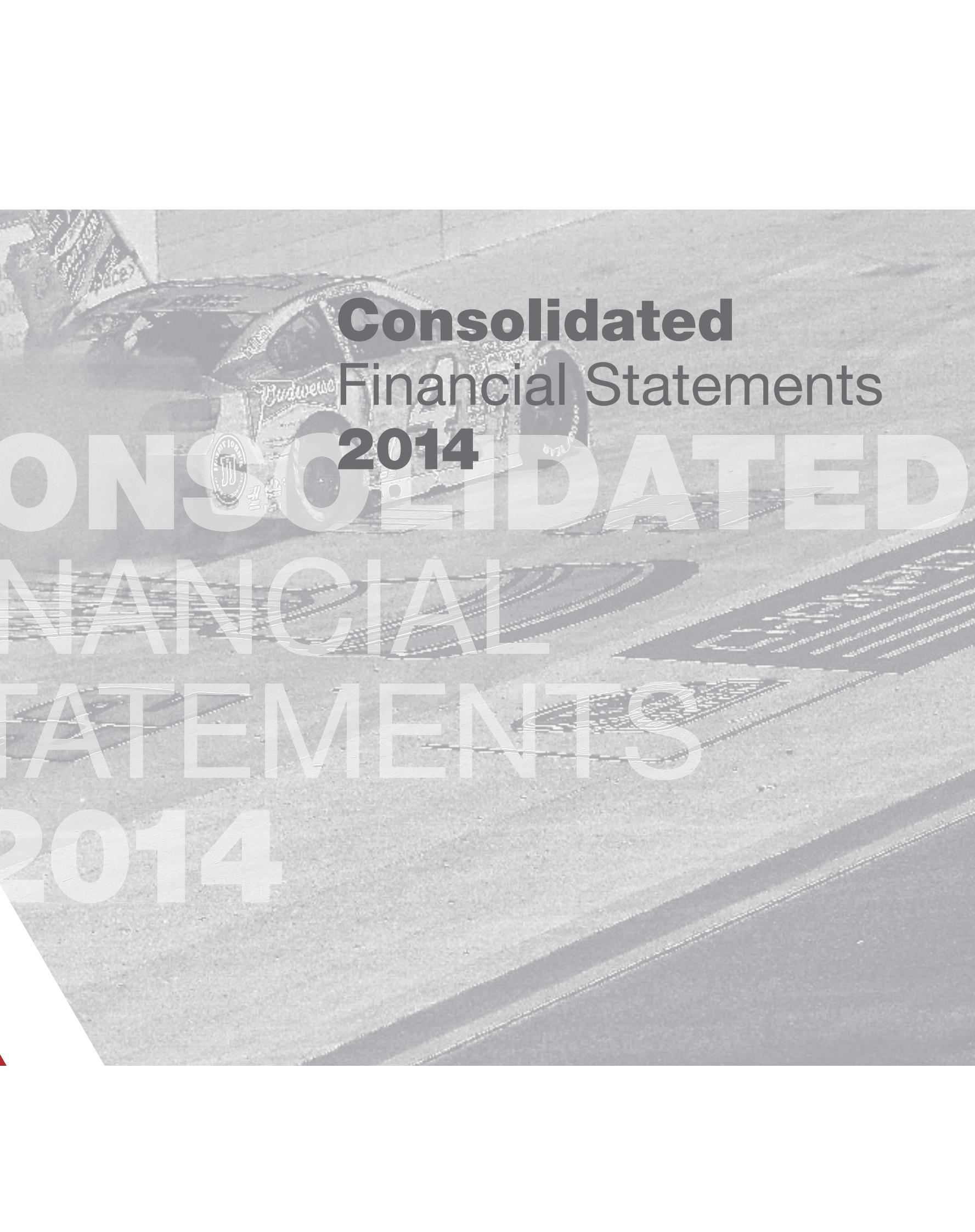


1975-2015:  
Brembo's  
**40 years**  
in racing

Photo taken from a book published  
by *La Gazzetta dello Sport*  
to be released in September 2015,  
on Brembo's 40 years in racing.

Ayrton Senna, Williams team, waits  
for the start of the San Marino Grand Prix,  
Enzo and Dino Ferrari Racetrack,  
Imola, 1 May 1994.





# **Consolidated Financial Statements**

**2014**

**CONSOLIDATED  
FINANCIAL  
STATEMENTS  
2014**

# CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

## Consolidated Statement of Financial Position

### ASSETS

(euro thousand)	Notes	31.12.2014	of which with related parties	31.12.2013	of which with related parties	Change
<b>NON-CURRENT ASSETS</b>						
Property, plant, equipment and other equipment	1	539,977		503,142		36,835
Development costs	2	43,705		45,333		(1,628)
Goodwill and other indefinite useful life assets	2	40,789		39,556		1,233
Other intangible assets	2	14,664		15,508		(844)
Shareholdings valued using the equity method	3	28,176		21,926		6,250
Other financial assets (including investments in other companies and derivatives)	4	1,180		216		964
Receivables and other non-current assets	5	6,123		7,044		(921)
Deferred tax assets	6	55,591		46,923		8,668
<b>TOTAL NON-CURRENT ASSETS</b>		<b>730,205</b>		<b>679,648</b>		<b>50,557</b>
<b>CURRENT ASSETS</b>						
Inventories	7	230,655		208,963		21,692
Trade receivables	8	286,893	3,353	251,525	3,147	35,368
Other receivables and current assets	9	38,559		42,854		(4,295)
Current financial assets and derivatives	10	10,146	9,484	9,962	9,233	184
Cash and cash equivalents	11	206,024	19,904	106,092	31,818	99,932
<b>TOTAL CURRENT ASSETS</b>		<b>772,277</b>		<b>619,396</b>		<b>152,881</b>
<b>TOTAL ASSETS</b>		<b>1,502,482</b>		<b>1,299,044</b>		<b>203,438</b>

## EQUITY AND LIABILITIES

(euro thousand)	Notes	31.12.2014	of which with related parties	31.12.2013	of which with related parties	Change
<b>GROUP EQUITY</b>						
Share capital	12	34,728		34,728		0
Other reserves	12	109,269		93,397		15,872
Retained earnings/(losses)	12	257,922		207,209		50,713
Profit (loss) for the year	12	129,054		89,016		40,038
<b>TOTAL GROUP EQUITY</b>		<b>530,973</b>		<b>424,350</b>		<b>106,623</b>
<b>TOTAL MINORITY INTERESTS</b>		<b>5,357</b>		<b>4,857</b>		<b>500</b>
<b>TOTAL EQUITY</b>		<b>536,330</b>		<b>429,207</b>		<b>107,123</b>
<b>NON-CURRENT LIABILITIES</b>						
Non-current payables to banks	13	271,079	14,212	250,328	19,385	20,751
Other non-current financial payables and derivatives	13	6,198		8,884		(2,686)
Other non-current liabilities	14	14,382	4,945	4,953	1,844	9,429
Provisions	15	9,640		6,194		3,446
Provisions for employee benefits	16	32,793	8,136	27,039	4,236	5,754
Deferred tax liabilities	6	14,563		12,540		2,023
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>348,655</b>		<b>309,938</b>		<b>38,717</b>
<b>CURRENT LIABILITIES</b>						
Current payables to banks	13	202,605	33,363	171,543	41,248	31,062
Other current financial payables and derivatives	13	6,675		5,788		887
Trade payables	17	308,977	14,491	301,585	15,693	7,392
Tax payables	18	14,385		4,122		10,263
Provisions	15	645		0		645
Other current payables	19	84,210	2,064	76,861	1,869	7,349
<b>TOTAL CURRENT LIABILITIES</b>		<b>617,497</b>		<b>559,899</b>		<b>57,598</b>
<b>TOTAL LIABILITIES</b>		<b>966,152</b>		<b>869,837</b>		<b>96,315</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,502,482</b>		<b>1,299,044</b>		<b>203,438</b>

## Consolidated Statement of Income

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(euro thousand)	Notes	31.12.2014	of which with related parties	31.12.2013 restated	of which with related parties	Change
<b>Sales of goods and services</b>	20	<b>1,803,335</b>	<b>4,608</b>	<b>1,566,143</b>	<b>42,626</b>	<b>237,192</b>
Other revenues and income	21	13,915	3,344	14,818	3,283	(903)
Costs for capitalised internal works	22	10,720		11,154		(434)
Raw materials, consumables and goods	23	(928,724)	(64,078)	(802,827)	(42,225)	(125,897)
Non-financial interest income (expense) from investments	24	6,442		1,410		5,032
Other operating costs	25	(296,304)	(6,597)	(274,768)	(5,654)	(21,536)
Personnel expenses	26	(329,584)	(6,154)	(302,428)	(4,153)	(27,156)
<b>GROSS OPERATING INCOME</b>		<b>279,800</b>		<b>213,502</b>		<b>66,298</b>
Depreciation, amortisation and impairment losses	27	(101,351)		(90,654)		(10,697)
<b>NET OPERATING INCOME</b>		<b>178,449</b>		<b>122,848</b>		<b>55,601</b>
Interest income	28	52,477		37,427		15,050
Interest expense	28	(66,155)		(55,873)		(10,282)
Net interest income (expense)	28	(13,678)	(571)	(18,446)	(1,648)	4,768
Interest income (expense) from investments	29	145		(17)	21	162
<b>RESULT BEFORE TAXES</b>		<b>164,916</b>		<b>104,385</b>		<b>60,531</b>
Taxes	30	(36,232)		(15,282)		(20,950)
<b>RESULT BEFORE MINORITY INTERESTS</b>		<b>128,684</b>		<b>89,103</b>		<b>39,581</b>
Minority interests		370		(87)		457
<b>GROUP NET RESULT</b>		<b>129,054</b>		<b>89,016</b>		<b>40,038</b>
<b>BASIC/DILUTED EARNINGS PER SHARE (euro)</b>	31	<b>1.98</b>		<b>1.36</b>		

## Consolidated Statement of Comprehensive Income

(euro thousand)	31.12.2014	31.12.2013	Change
<b>RESULT BEFORE MINORITY INTERESTS</b>	<b>128,684</b>	<b>89,103</b>	<b>39,581</b>
<b>Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year</b>			
Effect (actuarial income/loss) on defined benefit plans	(6,752)	249	(7,001)
Tax effect	1,609	(207)	1,816
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method	(410)	17	(427)
<b>Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year</b>	<b>(5,553)</b>	<b>59</b>	<b>(5,612)</b>
<b>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year</b>			
Effect of hedge accounting (cash flow hedge) of derivatives	92	218	(126)
Tax effect	(26)	(60)	34
Change in translation adjustment reserve	15,805	(16,249)	32,054
<b>Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year</b>	<b>15,871</b>	<b>(16,091)</b>	<b>31,962</b>
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>	<b>139,002</b>	<b>73,071</b>	<b>65,931</b>
<b>Of which attributable to:</b>			
- <i>the Group</i>	139,384	73,111	66,273
- <i>Minority Interests</i>	(382)	(40)	(342)

## Consolidated Statement of Cash Flows

(euro thousand)	31.12.2014	31.12.2013
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>42,511</b>	<b>41,145</b>
<b>Result before taxes</b>	<b>164,916</b>	<b>104,385</b>
Depreciation, amortisation/Impairment losses	101,351	90,654
Capital gains/losses	284	(438)
Write-ups/Write-downs of shareholdings	(6,563)	(1,371)
Financial portion of provisions for defined benefits and payables for personnel	967	911
Long-term provisions for employee benefits	1,374	3,647
Other provisions net of utilisations	9,650	7,103
<b>Cash flows generated by operating activities</b>	<b>271,979</b>	<b>204,891</b>
Paid current taxes	(32,515)	(20,038)
Uses of long-term provisions for employee benefits	(3,733)	(3,777)
<i>(Increase) reduction in current assets:</i>		
inventories	(26,093)	(10,633)
financial assets	(964)	(39)
trade receivables	(36,938)	(48,321)
receivables from others and other assets	4,544	(4,434)
<i>(Increase) reduction in current liabilities:</i>		
trade payables	7,392	54,322
payables to others and other liabilities	17,025	(2,773)
Translation differences on current assets	11,396	(541)
<b>Net cash flows from/(for) operating activities</b>	<b>212,093</b>	<b>168,657</b>

(euro thousand)	31.12.2014	31.12.2013
<i>Investments in:</i>		
intangible assets	(17,359)	(17,643)
property, plant and equipment	(109,417)	(115,435)
Price for disposal or reimbursement value of fixed assets	3,083	2,157
<b>Net cash flows from/(for) investing activities</b>	<b>(123,693)</b>	<b>(130,921)</b>
Dividends paid in the year	(32,519)	(26,015)
Capital contributions to consolidated companies by minority shareholders	640	0
Amounts received (paid) for changes in minority interests	1,700	(11,673)
Change in fair value of derivatives	429	(279)
Loans and financing granted by banks and other financial institutions in the year	112,503	203,441
Repayment of long-term loans	(115,137)	(200,020)
<b>Net cash flows from/(for) financing activities</b>	<b>(32,384)</b>	<b>(34,546)</b>
<b>Total cash flows</b>	<b>56,016</b>	<b>3,190</b>
Translation differences on cash and cash equivalents	820	(1,824)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>99,347</b>	<b>42,511</b>

## Consolidated Statement of Changes in Equity

(euro thousand)	Share capital	Other reserves	Hedging reserve	Retained earnings (losses)
<b>Balance at 1 January 2013</b>	<b>34,728</b>	<b>109,711</b>	<b>(274)</b>	<b>161,332</b>
Allocation of profit for the previous year				51,830
Payment of dividends				
Acquisition of shares in BNBS/Brembo Argentina from third-party shareholders				(6,088)
Reclassification		(77)		77
<i>Components of comprehensive income:</i>				
Effect (actuarial income/loss) on defined benefit plans				41
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method				17
Effect of hedge accounting (cash flow hedge) of derivatives (*)				158
Change in translation adjustment reserve		(16,121)		
Net result				
<b>Balance at 1 January 2014</b>	<b>34,728</b>	<b>93,513</b>	<b>(116)</b>	<b>207,209</b>
Allocation of profit for the previous year				56,497
Payment of dividends				
Capital increase of consolidated companies by minority shareholders				
Disposal of shares in Belt & Buckle to third-party shareholders				(242)
<i>Components of comprehensive income:</i>				
Effect (actuarial income/loss) on defined benefit plans				(5,132)
Effect (actuarial income/loss) on defined benefit plans, for companies valued using the equity method				(410)
Effect of hedge accounting (cash flow hedge) of derivatives (*)				66
Change in translation adjustment reserve		15,806		
Net result				
<b>Balance at 31 December 2014</b>	<b>34,728</b>	<b>109,319</b>	<b>(50)</b>	<b>257,922</b>

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

Net result	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
<b>77,845</b>	<b>383,342</b>	<b>(80)</b>	<b>10,562</b>	<b>10,482</b>	<b>393,824</b>
(51,830)	0	80	(80)	0	0
(26,015)	<b>(26,015)</b>			0	<b>(26,015)</b>
	<b>(6,088)</b>		(5,585)	<b>(5,585)</b>	<b>(11,673)</b>
	0			0	0
	<b>41</b>		1	1	<b>42</b>
	<b>17</b>			0	<b>17</b>
	<b>158</b>			0	<b>158</b>
	<b>(16,121)</b>		(128)	<b>(128)</b>	<b>(16,249)</b>
89,016	<b>89,016</b>	87		87	<b>89,103</b>
<b>89,016</b>	<b>424,350</b>	<b>87</b>	<b>4,770</b>	<b>4,857</b>	<b>429,207</b>
(56,497)	0	(87)	87	0	0
(32,519)	<b>(32,519)</b>			0	<b>(32,519)</b>
	0		640	<b>640</b>	<b>640</b>
	<b>(242)</b>		242	<b>242</b>	0
	<b>(5,132)</b>		(11)	<b>(11)</b>	<b>(5,143)</b>
	<b>(410)</b>			0	<b>(410)</b>
	66			0	66
	<b>15,806</b>		(1)	(1)	<b>15,805</b>
129,054	<b>129,054</b>	(370)		(370)	<b>128,684</b>
<b>129,054</b>	<b>530,973</b>	<b>(370)</b>	<b>5,727</b>	<b>5,357</b>	<b>536,330</b>



Photo taken from a book published by *La Gazzetta dello Sport*  
to be released in September 2015, on Brembo's 40 years in racing.  
Photograph by: Peter Parks/AFP/Getty Images



# 1975-2015: Brembo's 40 years in racing

Fernando Alonso, Renault team, with Flavio Briatore, Team Manager, wins his seventh Grand Prix of the season, Shanghai circuit, China, 16 October 2005.

# EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

## Brembo's Activities

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

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

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

## Form and Content of the Consolidated Financial Statements at 31 December 2014

### Introduction

The Consolidated Financial Statements of the Brembo Group for the year ended 31 December 2014 have been prepared in compliance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2014, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations. IFRS means all international accounting standards and all interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

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

On 5 March 2015, the Board of Directors approved the consolidated Annual Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.

## Basis of Preparation and Presentation

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

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

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

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

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

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

The Financial Statements presented herein comply with Consob resolution No. 15519 of 27 July 2006.

## Discretionary Valuations and Significant Accounting Estimates

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

adjustments to the book value of assets and liabilities in the next accounting period, are discussed in the notes to the individual financial statement entries.

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

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

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

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

## Change in Accounting Standards and Disclosures

The valuation and measurement criteria used are based on IFRS in force as of 31 December 2014 and endorsed by the European Union.

Some standards and amendments which have been applied by the Group for the first time required the figures from prior years' Financial Statements to be restated. These included IFRS 10 – *Consolidated Financial Statements* and IFRS 11 – *Joint Arrangements*. The application of IFRS 12 – *Disclosure of Interest in Other Entities* required additional disclosures to be included in the Consolidated Financial Statements.

Several amendments were applied for the first time in 2014, with no impact on the Group's Consolidated Financial Statements.

The nature and impact of new standards/amendments are described here below.

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

IFRS 10 introduces a single control model to be applied to all companies, including special purpose

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

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

IFRS 11 replaces IAS 31 - *Interests in Joint Ventures* and SIC 13 - *Jointly Controlled Entities - Non-Monetary Contributions by Venturers* and eliminates the option to account for joint ventures by using the proportional consolidation method. If companies are considered joint ventures according to IFRS 11 definitions, they must be accounted for using the equity method. IFRS 11 had no impact on the shareholdings in associate company or joint ventures held by the Group.

On the basis of the analysis, Directors also concluded that the nature of the business of the Group's major JV (manufacture and marketing of carbon ceramic discs) falls within the scope of the Group's operations and should thus be included in the Group's operating performance. In light of the foregoing, the presentation of this component of operating performance was thus changed for both the current and comparative years, with the following impact on the Group's Statement of Income:

(euro thousand)	31.12.2013 restated	%	31.12.2013 disclosed	%	Effects arising from the application of IFRS 11
<b>EFFECTS ON STATEMENT OF INCOME AT 31.12.2013</b>					
Sales of goods and services	1,566,143	100.0%	1,566,143	100.0%	0
Other revenues and income	14,818	0.9%	14,818	0.9%	0
Costs for capitalised internal works	11,154	0.7%	11,154	0.7%	0
Raw materials, consumables and goods	(802,827)	-51.3%	(802,827)	-51.3%	0
Non-financial interest income (expense) from investments	1,410	0.1%	0	0.0%	1,410
Other operating costs	(274,768)	-17.5%	(274,768)	-17.5%	0
Personnel expenses	(302,428)	-19.3%	(302,428)	-19.3%	0
<b>GROSS OPERATING INCOME</b>	<b>213,502</b>	<b>13.6%</b>	<b>212,092</b>	<b>13.5%</b>	<b>1,410</b>
Depreciation, amortisation and impairment losses	(90,654)	-5.8%	(90,654)	-5.8%	0
<b>NET OPERATING INCOME</b>	<b>122,848</b>	<b>7.8%</b>	<b>121,438</b>	<b>7.8%</b>	<b>1,410</b>
Net interest income (expense)	(18,446)	-1.2%	(18,446)	-1.2%	0
Interest income (expense) from investments	(17)	0.0%	1,393	0.1%	(1,410)
<b>RESULT BEFORE TAXES</b>	<b>104,385</b>	<b>6.7%</b>	<b>104,385</b>	<b>6.7%</b>	<b>0</b>

Information provided for in these Explanatory Notes refers to restated data.



Brembo Racing.  
6-piston front GT  
caliper with quick-  
release system for pad  
replacement.

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

IFRS 12 establishes disclosure requirements for interests held by an entity in subsidiaries, joint ventures, associates and structured entities. IFRS 12 defines disclosures requirements which are more comprehensive than previous requirements (e.g., in case of entities exercising control with less than a majority of voting rights). The Group does not hold interests in subsidiaries with significant minority interests or in unconsolidated structured entities. Disclosure requirements set forth in IFRS 12 are described in the Explanatory Notes.

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

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

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

The amendments provide clarifications on the meaning of legally enforceable right of set-off and on the application of offsetting rules regarding settlement systems (such as centralised clearing systems) that settle on a non-simultaneous gross basis. These amendments had no impact on the Group's Financial Statements, as none of the Group's entities is counterparty in netting arrangements.

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

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

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

These amendments remove the unintentional consequences of IFRS 13 for the disclosures required by IAS 36. In addition, these amendments require disclosure of the recoverable amount of assets or CGUs for which an impairment loss has been recognised or reversed during the year.

All standards and interpretations that have been issued but have not yet entered into force at the date of preparation of these Consolidated Financial Statements are described below.

**IFRIC 21 – Levies**

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. IFRIC 21 shall be applied retrospectively. This amendment is of mandatory application to accounting periods beginning on or after 17 June 2014.

Lastly, the following table shows the other amendments to current accounting standards and interpretations, or specific provisions set forth in the standards and interpretations approved by the IASB, with an indication of which of these had or had not been endorsed by the European Union at the date of preparation of these Financial Statements:

Description	Endorsed at the reporting date	Expected date of entry into force
IFRS 9 Financial Instruments	NO	1 January 2018
IFRS 14 Regulatory Deferral Accounts	NO	1 January 2016
IFRS 15 Revenue from Contracts with Customers	NO	1 January 2017
Amendments to IFRS 10, IFRS 12 and IAS 28: Applying the Consolidation Exception (issued on December 2014)	NO	1 January 2016
Amendments to IAS 1: Disclosure Initiative (issued on 18 December 2014)	NO	1 January 2016
Annual Improvements to IFRSs 2012–2014 Cycle (issued on September 2014)	NO	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on September 2014)	NO	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on August 2014)	NO	1 January 2016
Amendments to IAS 16 and IAS 41: Bearer Plants (issued on June 2014)	NO	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on May 2014)	NO	1 January 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on May 2014)	NO	1 January 2016
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (issued on November 2013)	YES	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle (issued on December 2013)	YES	1 July 2014
Annual Improvements to IFRSs 2011–2013 Cycle (issued on December 2013)	YES	1 July 2014

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

## Consolidation Criteria

The Consolidated Financial Statements include the Financial Statements of the Parent Company, Brembo S.p.A., at 31 December 2014, and the Financial Statements of the companies controlled by Brembo S.p.A. pursuant to IFRS (IFRS 10).

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

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

The Group reconsiders whether it controls an investee if the facts and circumstances indicate that there have been changes in one or more of the factors relevant to determining control. A subsidiary begins to be consolidated when the Group obtains control of it and ceases to be consolidated when the Group loses control. The assets, liabilities, revenues and costs of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the

Group obtains control until the date the Group no longer controls the company.

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

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

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

### Consolidation Area

The list of consolidated subsidiaries, associates and joint ventures that are accounted for using the equity method, along with information regarding their registered offices and the percentage of capital held, is included in Note 33 hereof. Corporate transactions carried out in 2014 are listed below:

- on 25 February 2014, the Parent Company Brembo S.p.A. acquired full control of BNBS Co. Ltd from Brembo China Brake Systems Co. Ltd.; subsequently, on 14 July 2014, the company Brembo China Brake Systems Co Ltd. changed its name to Brembo Beijing Brake Systems Co. Ltd.;
- on 11 March 2014, the voluntary winding up of Brembo UK Ltd. was completed and the company is no longer part of the Group structure;
- on 21 July 2014, the company Brembo Russia LLC, a limited liability company based in Moscow and wholly owned by Brembo S.p.A., was established in order to promote the sale of brake discs for the aftermarket car sector;
- on 1 October 2014, the merger of Brembo Spolka Zo.o. into Brembo Poland Spolka Zo.o., both wholly owned by Brembo S.p.A., became effective. The said transaction was aimed at achieving greater corporate streamlining in order to ensure a better organisational flexibility and structural costs rationalisation;
- on 3 November 2014, after having contributed its Child Safety Business to Belt & Buckle S.r.o., Sabelt S.p.A. sold 30% of its interest in Belt & Buckle S.r.o. to third parties. The sale agreement provides for an unconditional right for the third parties to exercise a call option for the remaining 70% by 2016. The third parties may also sell the previously purchased interests back to Sabelt S.p.A. if certain conditions specified in the contract are met.



Nanjing disc plant  
(China).

## Accounting Standards and Valuation Criteria

### Business Combinations and Goodwill

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

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

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

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

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

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

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

## Equity Investments in Associates and Joint Ventures

An associate is a company over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

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

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

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

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

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

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

## Conversion of Items Denominated in Foreign Currencies

### Conversion of the Financial Statements of Foreign Companies

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

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

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

Euro against other currencies	Average at		Average at	
	31.12.2014	December 2014	31.12.2013	December 2013
US Dollar	1.214100	1.328843	1.379100	1.328137
Japanese Yen	145.230000	140.377215	144.720000	129.659504
Swedish Krona	9.393000	9.096886	8.859100	8.650498
Polish Zloty	4.273200	4.184466	4.154300	4.197081
Czech Koruna	27.735000	27.535832	27.427000	25.987149
Mexican Peso	17.867900	17.662094	18.073100	16.964439
Pound Sterling	0.778900	0.806429	0.833700	0.849253
Brazil Real	3.220700	3.122767	3.257600	2.866943
Indian Rupee	76.719000	81.068883	85.366000	77.875251
Argentine Peso	10.275500	10.774471	8.989140	7.276801
Chinese Renminbi	7.535800	8.188248	8.349100	8.165487
Russian Rouble	72.337000	51.011253	45.324600	42.324825

### Transactions in Currencies Other than the Functional Currency

Transactions in currencies other than the functional currency are initially converted into the functional currency using the exchange rate prevailing at the date of the transaction. At the closing date of the accounting period, monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at that date. Exchange differences arising from such translation are recognised in the Statement of Income.

Non-monetary assets and liabilities denominated in currencies other than the functional currency

that are carried at cost are translated using the exchange rate prevailing at the transaction date, while those carried at fair value are translated using the exchange rate prevailing on the date the fair value is determined.

## Property, Plant, Equipment and Other Equipment

### Recognition and Measurement

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

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

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

### Subsequent Costs

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

### Depreciation and Amortisation

Depreciation and amortisation represent the economic and technical loss of value of the asset and are 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 - 20 years
Industrial and commercial equipment	2.5 - 10 years
Other assets	4 - 10 years

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

### Leases

Assets held under finance leases (where the Group assumes substantially all the risks and rewards of ownership) are recognised and recorded at the inception of the lease under property, plant and



Curno performance plant (Italy).  
Manual deburring of Marchesini rims.

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

#### **Leasehold improvements**

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

#### **Development Costs and Other Intangible Assets**

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

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

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

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

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

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

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

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

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

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

### Impairment of Non-Financial Assets

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

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

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

### Inventories

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

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

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

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



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

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash balances, unrestricted deposits and other treasury investments with original maturities of up to three months. A treasury investment is considered as availability, when it is instantly convertible to cash with minimal risk of any fluctuation in value and, further, it is intended to meet short-term cash requirements and is not held as an investment.

For purposes of the Statement of Cash Flows, cash balances are stated net of bank overdrafts at the end of the period.

### **Provisions**

Provisions include certain or probable costs of a specific nature, the amount or settlement date of which could not be determined at year end. A provision is recognised when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the present value of the expected expenditure required to settle the obligation in question. Where the Group expects that some or all of the expenditure required to settle a provision to be reimbursed, such as for the case of insured risks, the reimbursement is treated as a separate asset and is recognised when, and only when, it is virtually certain that the reimbursement will be received. In this case, the expense relating to the provision is presented in the Statement of Income net of the amount recognised for the reimbursement. Provisions are periodically updated to reflect changes in cost estimates, timing and present value, if any; revisions to estimates are recognised under the same heading of the Statement of Income under which the original provision was recognised and in the Statement of Income of the period in which the change is made. When provisions are discounted to present value, the change resulting from the passage of time or interest rate fluctuations is recorded under "Net interest income (expense)". Any provisions for restructuring costs are recognised when the company involved has approved a formal detailed plan and communicated it to affected parties.

### **Product Warranties**

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

### **Employee Benefits**

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

### Defined contribution plans

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

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

### Defined benefit plans and other long-term benefits

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

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

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

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

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

### Own shares

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

### Government Grants

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

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



Motorbikes.  
Clutch cylinder for the  
Kawasaki H2 and H2R.

## Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

## Financial Instruments

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

### Financial Assets

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

Loans and receivables (the category of greatest significance for the Group) are non-derivative

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

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

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

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

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

### Financial Liabilities

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

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

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

Financial guarantees issued are contracts that require a payment to reimburse the holder of a debt instrument for a loss incurred by the holder due to default by the debtor on payment at the

contractual due date. When the Group issues financial guarantees, the financial guarantee contracts are initially recognised as liabilities at fair value, plus the transaction costs directly attributable to issuing the guarantee. The liability is then measured at the greater of the best estimate of the outlay required to meet the guaranteed obligation at the reporting date and the initially recognised amount, less cumulative amortisation.

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

### Offsetting of Financial Instruments

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

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

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

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

### Derivatives

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

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

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

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

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

By contrast, the ineffective portion of the change in fair value, along with the entire change in the

fair value of derivatives not designated as hedges or that do not meet the requirements presented in IAS 39, is recognised directly in profit or loss.

## Revenues, Other Revenues and Income

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

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

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

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

## Interest Income (Expense)

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

## Income Taxes

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

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

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

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

will be reversed in the foreseeable future and there will be sufficient taxable income to permit such temporary differences to be recovered.

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

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

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

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

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

## **Dividends**

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

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

## Financial Risk Management

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

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

### Market Risk

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

### Interest Rate Risk

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

Since most of the Brembo's financial debt is subject to variable interest rates, Brembo is exposed to the risk of interest-rate fluctuations.

Brembo enters into interest rate hedging agreements (mainly interest rate swaps) to ensure guaranteed interest rates on a portion of its debt that are sustainable in relation to the hedges.

A sensitivity analysis is provided below to illustrate the effects of a change in interest rates of +/- 50 base points compared to the rates at 31 December 2014 and 31 December 2013, with other variables held constant. The potential impacts were calculated on the variable-rate financial assets and liabilities at 31 December 2014. The above change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,446 thousand (€1,541 thousand at 31 December 2013), gross of the tax effect.

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

### Exchange Rate Risk

#### ***Transactional exchange rate risk***

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

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

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

Starting with the exposures at 31 December 2013 and 2014, a change calculated as the standard deviation of the exchange rate with respect to the average exchange rate was applied to the average exchange rates for 2013 and 2014 to measure exchange rate volatility.



Brembo Racing.  
WRC caliper with liquid cooling.

(euro thousand)	Change %	31.12.2014		31.12.2013		
		Effect of exchange rate increase	Effect of exchange rate decrease	Change %	Effect of exchange rate increase	Effect of exchange rate decrease
EUR/CNY	4.26%	(21.3)	23.1	1.71%	(243.1)	251.5
EUR/GBP	2.12%	5.1	(5.3)	1.42%	1.2	(1.2)
EUR/JPY	2.29%	29.6	(31.0)	4.66%	18.1	(19.9)
EUR/PLN	0.79%	0.3	(0.3)	1.31%	0.0	0.0
EUR/SEK	1.95%	(4.2)	4.3	2.00%	(1.4)	1.5
EUR/USD	3.96%	(240.1)	259.9	1.97%	(76.2)	79.3
EUR/INR	3.50%	0.3	(0.3)	7.90%	0.0	0.0
EUR/CZK	0.49%	0.1	(0.1)	2.31%	0.0	0.0
EUR/CHF	0.70%	(0.2)	0.2	0.69%	(0.2)	0.2
PLN/EUR	0.79%	55.4	(56.2)	1.30%	(450.4)	462.3
PLN/GBP	2.34%	(1.1)	1.1	1.65%	(0.3)	0.3
PLN/JPY	2.21%	0.0	0.0	4.58%	0.8	(0.9)
PLN/SEK	1.91%	0.0	0.0	2.02%	0.3	(0.3)
PLN/USD	4.35%	(51.1)	55.8	2.44%	(18.3)	19.2
PLN/CZK	0.71%	0.0	0.0	2.66%	0.0	0.1
PLN/CHF	1.25%	5.3	(5.4)	1.20%	0.1	(0.1)
GBP/EUR	2.11%	9.3	(9.7)	1.43%	(1.9)	1.9
GBP/USD	2.67%	0.7	(0.8)	2.74%	(7.3)	7.7
USD/CNY	0.97%	3.0	(3.1)	0.83%	6.7	(6.8)
USD/EUR	4.08%	198.6	(215.4)	1.96%	70.3	(73.2)
USD/MXN	3.16%	(67.7)	72.1	2.56%	(55.6)	58.6
BRL/EUR	3.38%	43.3	(46.3)	7.70%	231.4	(270.1)
BRL/USD	5.42%	22.0	(24.5)	6.58%	8.5	(9.7)
JPY/EUR	2.24%	2.0	(2.1)	4.73%	14.8	(16.3)
JPY/USD	5.06%	1.3	(1.4)	4.07%	0.2	(0.2)
CNY/EUR	4.35%	122.0	(133.1)	1.71%	103.5	(107.2)
CNY/JPY	5.63%	3.8	(4.2)	4.59%	0.0	0.0
CNY/USD	0.97%	(8.9)	9.1	0.83%	(12.5)	12.7
INR/EUR	3.51%	(24.1)	25.9	7.86%	27.2	(31.8)
INR/JPY	4.59%	0.2	(0.2)	5.68%	0.0	0.0
INR/USD	1.79%	22.1	(22.9)	6.71%	29.0	(33.1)
CZK/EUR	0.49%	27.4	(27.6)	2.22%	226.3	(236.6)
CZK/GBP	2.42%	2.7	(2.8)	3.02%	0.0	0.0
CZK/PLN	0.72%	2.5	(2.6)	2.58%	3.7	(3.8)
CZK/USD	4.27%	232.1	(252.8)	2.28%	13.9	(14.6)
ARS/BRL	7.18%	48.4	(55.9)	4.08%	31.4	(34.0)
ARS/EUR	4.93%	42.9	(47.4)	8.59%	88.1	(104.7)
ARS/USD	6.04%	0.8	(1.0)	7.26%	6.3	(7.3)

## Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. In 2014, no specific hedging transactions were undertaken.

## Liquidity Risk

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

To mitigate liquidity risk, the Treasury & Credit Department:

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

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

For fixed- and variable-rate financial liabilities, both principal and interest were considered for the different maturity periods; for variable-rate liabilities, the rate at 31 December 2014 plus the relevant spread.

(euro thousand)	Carrying value	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
<b>Non-derivative financial liabilities</b>					
Short-term credit lines and bank overdrafts	106,677	106,678	106,678	0	0
Payables to banks (loans and bonds)	367,007	385,405	97,990	271,504	15,911
Payables to other financial institutions	7,887	8,744	3,529	3,517	1,698
Finance leases	4,338	4,487	3,191	724	572
Trade and other payables	312,489	312,489	312,489	0	0
<b>Derivative financial liabilities</b>					
Derivatives	648	648	270	378	0
<b>Total</b>	<b>799,046</b>	<b>818,451</b>	<b>524,147</b>	<b>276,123</b>	<b>18,181</b>

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

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

- Net financial debt/Gross operating income  $\leq 3.5$
- Net financial debt/Equity  $\leq 1.7$



Mapello plant (Italy).  
Disc processing.

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

The value of the covenants is monitored at the end of each quarter. At 31 December 2014 these ratios were amply met by the Group.

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

In further detail, at 31 December 2014, unused bank credit facilities were 71% (a total of €367 million in credit facilities were available).

### Credit Risk

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

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

### Fair Value Measurement

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

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

(euro thousand)	31.12.2014			31.12.2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets (liabilities) measured at fair value:</b>						
Forward contracts denominated in foreign currency	0	314	0	0	387	0
Interest rate swaps	0	(68)	0	0	(175)	0
Embedded derivative	0	0	(135)	0	0	(36)
Sabelt S.p.A. option	0	0	0	0	0	(965)
Belt & Buckle S.r.o. option	0	0	(1,700)	0	0	0
<b>Total financial assets (liabilities) measured at fair value:</b>	<b>0</b>	<b>246</b>	<b>(1,835)</b>	<b>0</b>	<b>212</b>	<b>(1,001)</b>
<b>Assets (liabilities) for which fair value is indicated:</b>						
Current and non-current payables to banks	0	(324,730)	0	0	(351,656)	0
Other current and non-current financial liabilities	0	(5,502)	0	0	(4,340)	0
<b>Total assets (liabilities) for which fair value is indicated:</b>	<b>0</b>	<b>(330,232)</b>	<b>0</b>	<b>0</b>	<b>(355,996)</b>	<b>0</b>

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

(euro thousand)	Carrying value		Fair value	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>Loans, receivables and financial liabilities valued at amortised costs</b>				
Current and non-current financial assets (excluding derivatives)	10,567	9,791	10,567	9,791
Trade receivables	286,893	251,525	286,893	251,525
Loans and receivables	38,200	42,488	38,200	42,488
Cash and cash equivalents	206,024	106,092	206,024	106,092
Current and non-current payables to banks	(473,684)	(421,871)	(489,457)	(433,944)
Other current and non-current financial liabilities	(12,225)	(14,461)	(12,266)	(14,616)
Trade payables	(308,977)	(301,585)	(308,977)	(301,585)
Other current payables	(84,210)	(76,861)	(84,210)	(76,861)
Other non-current liabilities	(14,382)	(4,953)	(14,382)	(4,953)
<b>Derivatives</b>	<b>111</b>	<b>176</b>	<b>111</b>	<b>176</b>
<b>Total</b>	<b>(351,683)</b>	<b>(409,659)</b>	<b>(367,497)</b>	<b>(421,887)</b>

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

- loans, payables to other lenders and intercompany loans with a duration of more than 12 months have been measured at fair value determined by applying the forward rates curve to the residual duration of the loan;
- receivables, trade payables, held-to-maturity financial assets, payables and receivables to and from banks due within 12 months have been measured at their carrying amounts, inasmuch as this is believed to approximate fair values;
- finance leases were valued at cost, as they are outside the scope of IAS 39;
- the fair value of derivatives was determined on the basis of valuation techniques that take into account market parameters other than the prices of the financial instrument;
- the fair value of call options held by minority shareholders has been determined on the basis of specific contractual provisions, based in part on economic multipliers that take account of the economic performance of individual subsidiaries and their net financial position.



Photo taken from a book published by *La Gazzetta dello Sport*  
to be released in September 2015, on Brembo's 40 years in racing.  
Photograph by: Toru Yamanaka/AFP/Getty Images



# 1975-2015: Brembo's 40 years in racing

Max Biaggi alongside his Yamaha waits for the start of the 500cc class qualifying session, Japanese Grand Prix, Suzuka circuit, 7 April 2001.

## ANALYSIS OF EACH ITEM

### STATEMENT OF FINANCIAL POSITION

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

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

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	23,989	174,377	656,404	150,352	28,906	27,854	<b>1,061,882</b>
Accumulated depreciation	0	(45,554)	(385,129)	(129,652)	(24,124)	0	<b>(584,459)</b>
Write-down provision	0	0	(1,918)	(4)	0	(111)	<b>(2,033)</b>
<b>Balance at 1 January 2013</b>	<b>23,989</b>	<b>128,823</b>	<b>269,357</b>	<b>20,696</b>	<b>4,782</b>	<b>27,743</b>	<b>475,390</b>
<b>Changes:</b>							
Translation differences	(202)	(2,072)	(7,909)	(437)	(44)	(1,977)	<b>(12,641)</b>
Reclassification	0	804	14,945	660	202	(17,190)	<b>(579)</b>
Acquisitions	46	13,538	78,606	9,095	2,105	12,045	<b>115,435</b>
Disposals	0	(239)	(997)	(411)	(54)	(9)	<b>(1,710)</b>
Depreciation	0	(7,687)	(53,870)	(8,453)	(2,317)	0	<b>(72,327)</b>
Impairment losses	0	(16)	(55)	3	0	(358)	<b>(426)</b>
<b>Total changes</b>	<b>(156)</b>	<b>4,328</b>	<b>30,720</b>	<b>457</b>	<b>(108)</b>	<b>(7,489)</b>	<b>27,752</b>
Historical cost	23,833	186,470	721,461	157,592	30,220	20,699	<b>1,140,275</b>
Accumulated depreciation	0	(53,319)	(419,954)	(136,439)	(25,546)	0	<b>(635,258)</b>
Write-down provision	0	0	(1,430)	0	0	(445)	<b>(1,875)</b>
<b>Balance at 1 January 2014</b>	<b>23,833</b>	<b>133,151</b>	<b>300,077</b>	<b>21,153</b>	<b>4,674</b>	<b>20,254</b>	<b>503,142</b>
<b>Changes:</b>							
Translation differences	(15)	453	9,451	(23)	121	(51)	<b>9,936</b>
Reclassification	128	6,666	(4,843)	9,685	1,740	(13,514)	<b>(138)</b>
Acquisitions	592	9,210	62,270	12,994	3,066	21,285	<b>109,417</b>
Disposals	0	(3)	(1,602)	(539)	(17)	(121)	<b>(2,282)</b>
Depreciation	0	(8,753)	(59,333)	(9,340)	(2,419)	0	<b>(79,845)</b>
Impairment losses	0	(159)	(9)	(19)	0	(66)	<b>(253)</b>
<b>Total changes</b>	<b>705</b>	<b>7,414</b>	<b>5,934</b>	<b>12,758</b>	<b>2,491</b>	<b>7,533</b>	<b>36,835</b>
Historical cost	24,538	203,315	776,023	186,126	36,019	28,270	<b>1,254,291</b>
Accumulated depreciation	0	(62,595)	(468,418)	(152,207)	(28,854)	0	<b>(712,074)</b>
Write-down provision	0	(155)	(1,594)	(8)	0	(483)	<b>(2,240)</b>
<b>Balance at 31 December 2014</b>	<b>24,538</b>	<b>140,565</b>	<b>306,011</b>	<b>33,911</b>	<b>7,165</b>	<b>27,787</b>	<b>539,977</b>

During 2014, investments in property, plant and equipment amounted to €109,417 thousand, including €21,285 thousand on assets in course of construction.

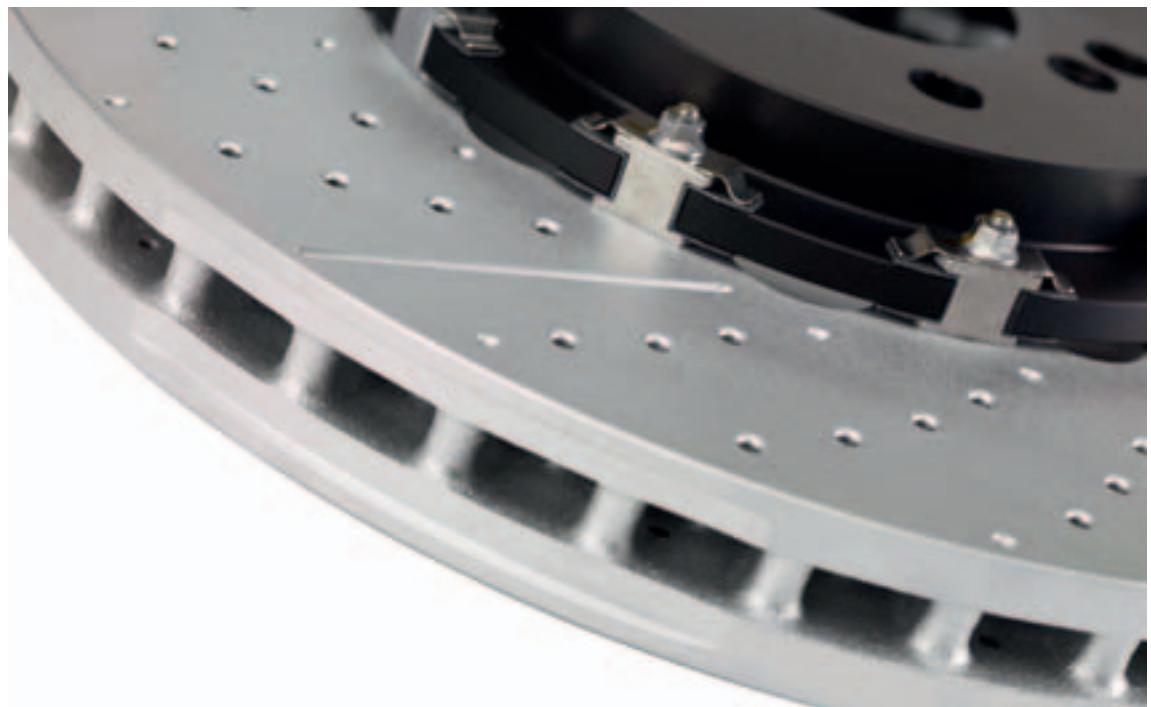
As already noted in the Report on Operations, the Group continued its international development programme. This involved significant investments in production plants, machinery and equipment in Poland, the Czech Republic, as well as in Italy and the United States.

Net disposals amounted to €2,282 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for 2014 amounted to €79,845 thousand (€72,327 thousand in 2013).

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

(euro thousand)	31.12.2014		31.12.2013	
	Leased	Not leased	Leased	Not leased
Land	570	23,968	570	23,263
Buildings	11,779	128,786	12,237	120,914
Plant and machinery	2,011	304,000	3,913	296,164
Industrial and commercial equipment	4	33,907	7	21,146
Other assets	298	6,867	260	4,414
Assets in course of construction and payments on account	0	27,787	358	19,896
<b>Total</b>	<b>14,662</b>	<b>525,315</b>	<b>17,345</b>	<b>485,797</b>



Cars. Floating  
brake disc from the  
Premium range, for the  
aftermarket.

## 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.

	Development costs	Intangible assets with indefinite useful lives		Sub-total	Industrial patents and similar rights	Other intangible assets	Total other intangible assets	Total
		Goodwill	A					
(euro thousand)								
Historical cost	<b>94,224</b>	60,165	1,033	<b>61,198</b>	29,251	65,656	<b>94,907</b>	<b>250,329</b>
Accumulated amortisation	<b>(49,699)</b>	0	0	<b>0</b>	(23,775)	(53,010)	<b>(76,785)</b>	<b>(126,484)</b>
Write-down provision	<b>(719)</b>	(19,402)	(3)	<b>(19,405)</b>	(506)	0	<b>(506)</b>	<b>(20,630)</b>
<b>Balance at 1 January 2013</b>	<b>43,806</b>	<b>40,763</b>	<b>1,030</b>	<b>41,793</b>	<b>4,970</b>	<b>12,646</b>	<b>17,616</b>	<b>103,215</b>
<b>Changes:</b>								
Translation differences	<b>(15)</b>	(2,237)	0	<b>(2,237)</b>	(4)	(266)	<b>(270)</b>	<b>(2,522)</b>
Reclassification	<b>6</b>	0	0	<b>0</b>	9	(44)	<b>(35)</b>	<b>(29)</b>
Acquisitions	<b>12,261</b>	0	0	<b>0</b>	891	4,491	<b>5,382</b>	<b>17,643</b>
Disposals	<b>0</b>	0	0	<b>0</b>	(5)	(4)	<b>(9)</b>	<b>(9)</b>
Amortisation	<b>(10,138)</b>	0	0	<b>0</b>	(1,861)	(5,316)	<b>(7,177)</b>	<b>(17,315)</b>
Impairment losses	<b>(587)</b>	0	0	<b>0</b>	1	0	<b>1</b>	<b>(586)</b>
<b>Total changes</b>	<b>1,527</b>	<b>(2,237)</b>	<b>0</b>	<b>(2,237)</b>	<b>(969)</b>	<b>(1,139)</b>	<b>(2,108)</b>	<b>(2,818)</b>
Historical cost	<b>105,886</b>	57,660	1,033	<b>58,693</b>	30,080	69,506	<b>99,586</b>	<b>264,165</b>
Accumulated amortisation	<b>(59,832)</b>	0	0	<b>0</b>	(25,574)	(57,999)	<b>(83,573)</b>	<b>(143,405)</b>
Write-down provision	<b>(721)</b>	(19,134)	(3)	<b>(19,137)</b>	(505)	0	<b>(505)</b>	<b>(20,363)</b>
<b>Balance at 1 January 2014</b>	<b>45,333</b>	<b>38,526</b>	<b>1,030</b>	<b>39,556</b>	<b>4,001</b>	<b>11,507</b>	<b>15,508</b>	<b>100,397</b>
<b>Changes:</b>								
Translation differences	<b>57</b>	3,620	0	<b>3,620</b>	(3)	223	<b>220</b>	<b>3,897</b>
Reclassification	<b>0</b>	0	0	<b>0</b>	113	(270)	<b>(157)</b>	<b>(157)</b>
Acquisitions	<b>11,667</b>	0	0	<b>0</b>	1,089	4,603	<b>5,692</b>	<b>17,359</b>
Disposals	<b>(1,075)</b>	0	0	<b>0</b>	(8)	(2)	<b>(10)</b>	<b>(1,085)</b>
Amortisation	<b>(10,802)</b>	0	0	<b>0</b>	(1,556)	(4,763)	<b>(6,319)</b>	<b>(17,121)</b>
Impairment losses	<b>(1,475)</b>	(2,387)	0	<b>(2,387)</b>	1	(271)	<b>(270)</b>	<b>(4,132)</b>
<b>Total changes</b>	<b>(1,628)</b>	<b>1,233</b>	<b>0</b>	<b>1,233</b>	<b>(364)</b>	<b>(480)</b>	<b>(844)</b>	<b>(1,239)</b>
Historical cost	<b>115,238</b>	62,154	1,033	<b>63,187</b>	31,217	72,492	<b>103,709</b>	<b>282,134</b>
Accumulated amortisation	<b>(70,678)</b>	0	0	<b>0</b>	(27,076)	(61,465)	<b>(88,541)</b>	<b>(159,219)</b>
Write-down provision	<b>(855)</b>	(22,395)	(3)	<b>(22,398)</b>	(504)	0	<b>(504)</b>	<b>(23,757)</b>
<b>Balance at 31 December 2014</b>	<b>43,705</b>	<b>39,759</b>	<b>1,030</b>	<b>40,789</b>	<b>3,637</b>	<b>11,027</b>	<b>14,664</b>	<b>99,158</b>

### Development costs

The item "Development costs" includes internal and external costs for development for a gross historical cost of €115,238 thousand. During the reporting year, this item changed due to higher costs incurred for works begun in 2014, for orders received both during the year and in previous years, for which additional development costs were incurred; amortisation amounting to €10,802 thousand was recognised for development costs associated with products that have already entered into mass production.

The gross amount includes development activities for projects underway totalling €14,379 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item "Costs for capitalised internal works" during the year amounted to €10,720 thousand (€11,154 thousand in 2013).

Impairment losses totalled €1,475 thousand and are recognised in the Statement of Income under "Amortisation, depreciation and impairment losses." Impairment losses refer to development costs incurred mainly by the Parent Company, Brembo S.p.A., in relation to projects that, consistently with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

### Goodwill

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

(euro thousand)	31.12.2014	31.12.2013
<b>Discs – Systems and Motorbikes:</b>		
Brembo North America Inc. (Hayes Lemmerz)	14,059	12,377
Brembo México S.A. de C.V. (Hayes Lemmerz)	856	753
Brembo Nanjing Brake Systems Co. Ltd.	929	838
Brembo Brake India Pvt. Ltd.	8,583	7,715
<b>After Market - Performance Group:</b>		
Corporación Upwards '98 (Freenco S.A.)	2,006	2,006
Ap Racing Ltd.	13,326	12,450
Sabelt Group	0	2,387
<b>Total</b>	<b>39,759</b>	<b>38,526</b>

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

The Sabelt Group's goodwill was tested for impairment by taking into account the value of the net assets recognised in the company's financial statements, adjusted as appropriate to render them consistent with the Group's accounting policies. The tests indicated the need to write off Sabelt Group's goodwill by €2,387 thousand, previously allocated to the After Market-Performance Group segment.

The main assumptions used to determine the value in use of other cash-generating units relate to the discount rate and growth rate. Specifically, calculations used cash-flow projections for the 2015-2017 period covered by the corporate business plans. Cash flows for subsequent years were extrapolated using a prudential steady 1-1.5% medium- to long-term growth rate, on a case by case basis. The discount rate used was 7.5% (WACC), which reflected the current market assessments of the time value of money and the risks specific to the asset in question.

In the event of a change in the WACC from 7.5% to 8% and the growth rate from 1% to 0.5% (or from 1.5% to 1%), no previously unimpaired goodwill would have become impaired.

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

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

#### **Intangible assets with indefinite useful lives**

The item amounted to €1,030 thousand and consists of the trademark Villar, owned by the subsidiary Corporación Upwards '98 S.A. For information concerning impairment testing methods, the reader is referred to the above section relating to goodwill. The impairment tests did not detect any impairment losses.

#### **Other intangible assets**

Acquisitions of "Other intangible assets" totalled €5,692 thousand and refer for €1,089 thousand to the purchase of specific patents and trademarks, and for the remaining amount, consist mainly of the share of the investment for the year associated with the gradual implementation and the development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group.

Brembo Racing.  
Brake disc for F1.



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

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

(euro thousand)	31.12.2013	Write-ups/ Write-downs	Reclassification	Other changes	31.12.2014
Gruppo Brembo SGL Carbon Ceramic Brakes	21,757	6,442	0	(410)	27,789
Innova Tecnologie S.r.l.	0	(97)	97	0	0
Petroceramics S.r.l.	169	218	0	0	387
<b>Total</b>	<b>21,926</b>	<b>6,563</b>	<b>97</b>	<b>(410)</b>	<b>28,176</b>

It bears recalling that the impact on the Statement of Income of shareholdings valued using the equity method regards two items. The first is "Non-financial interest income (expense) from investments" attributable to the effect of the valuation using the equity method of the BSCCB Group, whose activity has been recognised among the Groups' operating activities, following the entry into force of IFRS 11 and upon analysis by Brembo S.p.A.'s Directors. The second item is "Interest income (expense) from investments" attributable to the valuation of associates using the equity method.

The shareholding in Innova Tecnologie S.r.l. was reduced to zero at 31 December 2013 and further written down by an additional €97 thousand to account for losses for the year.

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

#### Joint Ventures

Group Brembo SGL Carbon Ceramic Brakes		
(euro thousand)	31.12.2014	31.12.2013
<b>Sales of goods and services</b>	<b>119,499</b>	<b>81,020</b>
Other revenues and income	1,156	1,579
Raw materials, consumables and goods	(40,244)	(26,471)
Other operating costs	(34,573)	(26,616)
Personnel expenses	(27,183)	(22,761)
<b>GROSS OPERATING INCOME</b>	<b>18,655</b>	<b>6,751</b>
Depreciation, amortisation and impairment losses	(4,634)	(3,779)
<b>NET OPERATING INCOME</b>	<b>14,021</b>	<b>2,972</b>
Net interest income (expense)	9	87
<b>RESULT BEFORE TAXES</b>	<b>14,030</b>	<b>3,059</b>
Taxes	(1,128)	(366)
<b>NET RESULT FOR THE YEAR</b>	<b>12,902</b>	<b>2,693</b>
% ownership	50%	50%
Other consolidation adjustments	(9)	63
<b>GROUP NET RESULT</b>	<b>6,442</b>	<b>1,410</b>

(euro thousand)	31.12.2014	31.12.2013
Property, plant, equipment and other equipment	23,243	20,472
Other intangible assets	129	163
Other financial assets (including investments in other companies and derivatives)	127	127
Deferred tax assets	3,486	679
<b>TOTAL NON-CURRENT ASSETS</b>	<b>26,985</b>	<b>21,441</b>
Inventories	15,850	14,225
Trade receivables	20,602	18,493
Other receivables and current assets	2,139	2,311
Current financial assets and derivatives	1	0
Cash and cash equivalents	22,922	4,885
<b>TOTAL CURRENT ASSETS</b>	<b>61,514</b>	<b>39,914</b>
<b>TOTAL ASSETS</b>	<b>88,499</b>	<b>61,355</b>
Share capital	4,000	4,000
Other reserves	41,606	40,488
Retained earnings/(losses)	(4,752)	(5,509)
Net result for the year	12,902	2,693
<b>TOTAL EQUITY</b>	<b>53,756</b>	<b>41,672</b>
Other non-current liabilities	40	0
Provisions	2,138	861
Provisions for employee benefits	2,867	1,619
Deferred tax liabilities	572	379
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>5,617</b>	<b>2,859</b>
Trade payables	20,933	12,530
Tax payables	2,548	143
Provisions	15	0
Other current payables	5,630	4,151
<b>TOTAL CURRENT LIABILITIES</b>	<b>29,126</b>	<b>16,824</b>
<b>TOTAL LIABILITIES</b>	<b>34,743</b>	<b>19,683</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>88,499</b>	<b>61,355</b>
% ownership	50%	50%
Goodwill	1,033	1,033
Other consolidation adjustments	(122)	(112)
<b>CARRYING VALUE OF GROUP SHAREHOLDING</b>	<b>27,789</b>	<b>21,757</b>

**Associates**

(euro thousand)	31.12.2014		31.12.2013	
	Innova Tecnologie S.r.l.	Petroceramics S.p.A.	Innova Tecnologie S.r.l.	Petroceramics S.p.A.
Sales of goods and services	0	1,840	0	1,637
<b>Net result for the year</b>	<b>(324)</b>	<b>372</b>	<b>(127)</b>	<b>196</b>
% ownership	30%	20%	30%	20%
Other consolidation adjustments	0	144	0	(39)
<b>GROUP NET RESULT</b>	<b>(97)</b>	<b>218</b>	<b>(38)</b>	<b>0</b>
Total current assets	8,501	2,581	8,564	2,061
Total non-current assets	1	508	1	598
Total current liabilities	9,462	1,053	9,200	905
Total non-current liabilities	9	99	8	89
<b>Total equity</b>	<b>(969)</b>	<b>1,937</b>	<b>(643)</b>	<b>1,665</b>
% ownership	30%	20%	30%	20%
Other consolidation adjustments	291	0	193	(164)
<b>CARRYING VALUE OF GROUP SHAREHOLDING</b>	<b>0</b>	<b>387</b>	<b>0</b>	<b>169</b>

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

This item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Shareholdings in other companies	99	99
Derivatives	273	0
Other	808	117
<b>Total</b>	<b>1,180</b>	<b>216</b>

The item "Shareholdings in other companies" mainly includes the 10% interest in International Sport Automobile S.a.r.l. and 1.20% interest in Fuji Co.

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



Motorbikes. Brake disc for Harley Davidson.

## 5. Receivables and Other Non-current Assets

This item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Receivables from others	5,713	6,293
Income tax receivables	376	717
Non-income tax receivables	34	34
<b>Total</b>	<b>6,123</b>	<b>7,044</b>

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

Tax receivables mostly refer to applications for tax refunds.

## 6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 31 December 2014 is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Deferred tax assets	55,591	46,923
Deferred tax liabilities	(14,563)	(12,540)
<b>Total</b>	<b>41,028</b>	<b>34,383</b>

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

Movements for the year are reported in the following table:

(euro thousand)	31.12.2014	31.12.2013
<b>Balance at beginning of year</b>	<b>34,383</b>	<b>29,030</b>
Deferred tax liabilities generated	(1,807)	(6,022)
Deferred tax assets generated	26,169	19,583
Use of deferred tax assets and liabilities	(17,907)	(6,568)
Exchange rate fluctuations	(1,316)	(1,225)
Tax rate changes	0	(126)
Reclassification	(76)	(166)
Other movements	1,582	(123)
<b>Balance at end of year</b>	<b>41,028</b>	<b>34,383</b>

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

(euro thousand)	Assets		Liabilities		Net	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Property, plant, equipment and other equipment	12,351	7,946	20,022	18,166	(7,671)	(10,220)
Development costs	28	0	94	129	(66)	(129)
Goodwill and other assets with indefinite useful lives	0	0	250	132	(250)	(132)
Other intangible assets	17	2	1,413	986	(1,396)	(984)
Other financial assets	0	0	130	130	(130)	(130)
Trade receivables	2,743	2,037	179	210	2,564	1,827
Inventories	9,434	7,857	72	4	9,362	7,853
Other receivables and current assets	178	323	211	190	(33)	133
Financial liabilities	(142)	(135)	0	0	(142)	(135)
Other financial liabilities	644	901	(13)	(115)	657	1,016
Provisions	3,577	3,122	0	0	3,577	3,122
Provisions for employee benefits	8,202	3,401	1,432	1,557	6,770	1,844
Trade payables	377	562	0	0	377	562
Other liabilities	3,641	2,717	0	0	3,641	2,717
Other	14,785	20,361	1,203	520	13,582	19,841
Tax losses	10,186	7,198	0	0	10,186	7,198
Compensation balance between deferred tax assets and liabilities	(10,430)	(9,369)	(10,430)	(9,369)	0	0
<b>Total</b>	<b>55,591</b>	<b>46,923</b>	<b>14,563</b>	<b>12,540</b>	<b>41,028</b>	<b>34,383</b>

The measurement of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In particular, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. resides in a "special economic zone" and is entitled to deduct 50% of its investments from its current taxes owed through 2026. Based on the new investments made during the year, the company calculated the estimate of benefit recovery for the year also on the basis of the estimate of the benefit that can be used over a three-year timeframe, which is the reference period of the plans drawn up by the company. At 31 December 2014, the company recognised deferred tax assets of PLN 32,335 thousand (€7,567 thousand) under the item "Other" in the table above.

Brembo Czech Sro. has two tax incentive plans, one of CZK 368 million (expiring in 2018) and another of CZK 133.7 million (expiring in 2021), on which the company has recognised deferred tax assets of CZK 144 million. At 31 December 2014, the unrecognised potential future tax benefit amounted to CZK 357.7 million (approximately €12.9 million), inasmuch as there is no certain evidence, according to current forecasts, that such benefit may be used before it expires.

Brembo Czech Sro., Brembo Nanjing Foundry Co. Ltd., Brembo do Brasil Ltda., Brembo Argentina S.A., La.Cam S.r.l., Sabelt S.p.A. and Corporación Upwards '98 S.A. recognised deferred tax assets on their losses for the current and previous years for a total of €10,186 thousand, basing their assessment of the satisfaction of requirements for future recoverability of such assets on updated strategic plans.

In addition, it should be noted that:

- Sabelt S.p.A. did not recognise deferred tax assets for €2.9 million, calculated based on tax loss carryforwards amounting to €10.7 million;
- unrecognised deferred tax assets of Brembo do Brasil Ltda., calculated on tax losses for the year (BRL 38.7 million), amounted to BRL 13.2 million;
- at 31 December 2014, no deferred tax liabilities were recognised for taxes on undistributed profits of subsidiaries, associates or joint ventures, as currently the Group does not deem that such profits will be distributed in the foreseeable future, with the exception of €1.1 million accounted for in deferred tax liabilities.

## 7. Inventories

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

(euro thousand)	31.12.2014	31.12.2013
Raw materials	96,130	77,267
Work in progress	43,647	45,146
Finished products	77,004	74,926
Goods in transit	13,874	11,624
<b>Total</b>	<b>230,655</b>	<b>208,963</b>

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

(euro thousand)	31.12.2013	Provisions	Use/ Release	Exchange rate fluctuations	31.12.2014
Inventory write-down provision	28,204	10,411	(6,444)	434	32,605

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

## 8. Trade receivables

At 31 December 2014, the balance of trade receivables compared to the previous year was as follows:

(euro thousand)	31.12.2014	31.12.2013
Trade receivables	284,675	249,413
Receivables from associates and joint ventures	2,218	2,112
<b>Total</b>	<b>286,893</b>	<b>251,525</b>

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

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

At the end of 2014, factored receivables amounted to €2,459 thousand (€30,948 thousand at 31 December 2013).

Trade receivables are recognised net of the provision for bad debts, which amounted to €5,808 thousand. Movements in the provision are shown below:

(euro thousand)	31.12.2013	Provisions	Use/Release	Exchange rate fluctuations	Reclassifications	31.12.2014
Provision for bad debt	4,199	2,762	(1,287)	95	39	5,808

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

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

The approach taken to presenting the credit quality of financial assets is a distinction between listed and unlisted clients (excluding a net negative amount of €29,267 thousand in credit notes and invoices to be issued at 31 December 2014). Listed customers are customers that are listed on a stock market, directly or indirectly controlled by a listed company or closely connected to listed companies.

(euro thousand)	31.12.2014	31.12.2013
Listed clients	208,610	168,936
Unlisted clients	113,358	108,944
<b>Total</b>	<b>321,968</b>	<b>277,880</b>

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)	31.12.2014	Write-down 2014	31.12.2013	Write-down 2013
Current	183,843	0	139,755	1
Expired by 0 to 30 days	4,359	0	5,818	6
Expired by 30 to 60 days	7,696	308	8,792	0
Expired by over 60 days	12,712	1,562	14,571	1,260
<b>Total</b>	<b>208,610</b>	<b>1,870</b>	<b>168,936</b>	<b>1,267</b>
<i>% Ratio of expired receivables not written down to total exposure</i>	11.0%		16.5%	
<b>Total expired receivables, not written down</b>	<b>22,897</b>		<b>27,915</b>	

**Unlisted clients**

(euro thousand)	31.12.2014	Write-down 2014	31.12.2013	Write-down 2013
Current	100,942	0	95,024	6
Expired by 0 to 30 days	5,003	0	5,337	0
Expired by 30 to 60 days	2,845	396	2,323	0
Expired by over 60 days	4,568	3,542	6,260	2,926
<b>Total</b>	<b>113,358</b>	<b>3,938</b>	<b>108,944</b>	<b>2,932</b>
<i>% Ratio of expired receivables not written down to total exposure</i>	7.5%		10.1%	
<b>Total expired receivables, not written down</b>	<b>8,478</b>		<b>10,994</b>	

Expired receivables from listed clients mainly refer to leading car manufacturers, and almost all the related repayment plans were defined at the beginning of 2015.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been collected in the first months of 2015.

## 9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Income tax receivables	6,106	6,693
Non-income tax receivables	23,034	26,556
Other receivables	9,419	9,605
<b>Total</b>	<b>38,559</b>	<b>42,854</b>

The item "Income tax receivables" includes the receivable recognised by the Parent Company in prior years in relation to the application of an IRES refund, concerning the non-deductibility for IRAP purposes of personnel expenses, and other applications for IRES and IRAP refund totalling €5,118 thousand.

The item "Non-income tax receivables" primarily includes VAT receivables totalling €18.3 million and a receivable for which a refund has been requested in connection with previous years.

## 10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Receivables from associates	9,485	9,233
Derivatives	486	387
Security deposits	175	339
Other receivables	0	3
<b>Total</b>	<b>10,146</b>	<b>9,962</b>

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

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

## 11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	31.12.2014	31.12.2013
Bank and postal accounts	205,900	105,981
Cash-in-hand and cash equivalents	124	111
<b>Total cash and cash equivalents</b>	<b>206,024</b>	<b>106,092</b>
Payables to banks: ordinary current accounts and foreign currency advances	(106,677)	(63,581)
<b>Cash and cash equivalents from the Statement of Cash Flows</b>	<b>99,347</b>	<b>42,511</b>

The amounts shown can be readily converted into cash and the risk of change in value is not considered material. It is deemed that the book value of cash and cash equivalents approximates the fair value at the reporting date.

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the year totalled €14,694 thousand.

## 12. Equity

Group consolidated equity at 31 December 2014 increased by €106,623 thousand compared to 31 December 2013. Movements for the year are given in the relevant statement.

### Share Capital

The subscribed share capital of the Parent Company is fully paid up and amounted to €34,728 thousand at 31 December 2014. It is divided into 66,784,450 ordinary shares with a nominal value of €0.52 each.



Industrial Vehicles.  
Star Pillar self-ventilated  
brake disc.

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

(No. of shares)	31.12.2014	31.12.2013
Ordinary shares issued	66,784,450	66,784,450
Own shares	(1,747,000)	(1,747,000)
<b>Total shares outstanding</b>	<b>65,037,450</b>	<b>65,037,450</b>

As part of Brembo's buy-back plan, in 2014 the Company neither purchased nor sold own shares.

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

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

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

#### Share Capital and Reserves of Minority Interests

The main changes in this item are related to loss replenishment and share capital increase of the consolidated company Sabelt S.p.A. by third parties, as well as the sale of 30% interest in Belt & Buckle Sro to minority shareholders.

### 13. Financial Debt and Derivatives

This item is broken down as follows:

(euro thousand)	31.12.2014			31.12.2013		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
<b>Payables to banks:</b>						
– ordinary current accounts and advances	106,677	0	106,677	63,581	0	63,581
– loans	95,928	271,079	367,007	107,962	250,328	358,290
<b>Total</b>	<b>202,605</b>	<b>271,079</b>	<b>473,684</b>	<b>171,543</b>	<b>250,328</b>	<b>421,871</b>
Payables to other financial institutions	6,405	5,820	12,225	5,616	8,845	14,461
Derivatives	270	378	648	172	39	211
<b>Total</b>	<b>6,675</b>	<b>6,198</b>	<b>12,873</b>	<b>5,788</b>	<b>8,884</b>	<b>14,672</b>

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

(euro thousand)	Original amount	Amount at 31.12.2013	Amount at 31.12.2014	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
<b>Payables to banks:</b>						
San Paolo IMI loan Law 346/88 (reinforced aluminium project)	3,091	(104)	0	0	0	0
San Paolo IMI loan Law 100 (China project)	4,653	461	0	0	0	0
Centrobanca 2 loan (€25 million)	25,000	1,250	0	0	0	0
BNL loan (€50 million)	50,000	0	(150)	0	(150)	0
Centrobanca 3 loan (€30 million)	30,000	12,839	4,283	4,283	0	0
Creberg loan (€50 million)	50,000	14,985	4,998	4,998	0	0
Unicredit loan (€10 million)	10,000	3,746	1,249	1,249	0	0
UBI loan (€25 million)	25,000	15,043	10,034	5,065	4,969	0
Intesa San Paolo loan (€30 million)	30,000	14,956	4,982	4,982	0	0
Intesa San Paolo loan (€50 million)	50,000	19,906	9,972	9,972	0	0
Banca Popolare di Sondrio loan (€25 million)	25,000	21,835	15,602	6,267	9,335	0
Mediobanca loan (€35 million)	35,000	34,909	34,851	(55)	34,906	0
UBI loan (€30 million)	30,000	24,255	16,815	7,571	9,244	0
Mediobanca loan (€50 million)	50,000	49,607	49,698	94	49,604	0
EIB R&D loan (€55 million)	55,000	0	48,811	8,070	32,593	8,148
Mediobanca loan (€45 million)	45,000	0	44,827	(173)	45,000	0
Intesa San Paolo NY credit line	7,029	14,507	10,302	10,302	0	0
Intesa San Paolo NY loan	16,982	2,593	0	0	0	0
Unicredit NY loan (USD 25 million)	18,270	18,137	16,406	4,118	12,288	0
Unicredit NY loan (€40 million)	40,000	39,997	31,871	8,000	23,871	0
Citibank Shanghai loan (RMB 200 million)	22,727	10,883	7,234	4,823	2,411	0
Bank Handlowy loan (€40 million)	40,000	22,222	13,333	8,889	4,444	0
EIB loan (€30 million, New Foundry Project)	30,000	30,000	26,673	3,810	15,242	7,621
BNP CAPEX LINE (CNY 50 million)	5,902	0	4,697	146	4,551	0
Citibank Brazil loan (BRL 5 million)	1,946	1,538	1,555	3	1,552	0
Santander loan (BRL 15 million)	4,657	0	4,963	1,999	2,964	0
Bradesco loan (BRL 15 million)	5,006	4,725	4,001	1,515	2,486	0
<b>Total payables to banks</b>	<b>710,263</b>	<b>358,290</b>	<b>367,007</b>	<b>95,928</b>	<b>255,310</b>	<b>15,769</b>
<b>Payables to other financial institutions:</b>						
Production Activity Ministry Law 46/82 (CCM Project)	2,371	846	578	310	268	0
Finlombarda MIUR loan	272	115	253	30	223	0
MIUR BBW loan	2,443	0	1,875	(11)	1,505	381
Payables to factors	N/A	1,627	568	568	0	0
MCC Law 598 Isofix	120	152	110	44	66	0
MCC Law 598/94 Research	364	36	0	0	0	0
Ministerio de Industria España	3,237	2,306	2,269	300	1,052	917
Payables to minority shareholders of Sabelt S.p.A.	3,087	965	0	0	0	0
Payables to minority shareholders of Belt & Buckle Sro.	1,700	0	1,700	1,700	0	0
Renault Argentina S.A. loan	797	469	377	210	167	0
FINAME Brembo Do Brasil loan	433	297	157	145	12	0
Payables for leases	26,747	7,648	4,338	3,109	657	572
<b>Total payables to other financial institutions</b>	<b>41,571</b>	<b>14,461</b>	<b>12,225</b>	<b>6,405</b>	<b>3,950</b>	<b>1,870</b>
<b>TOTAL</b>	<b>751,834</b>	<b>372,751</b>	<b>379,232</b>	<b>102,333</b>	<b>259,260</b>	<b>17,639</b>



Homer plant,  
Michigan (USA).  
Assembly of car modules.

As at 31 December 2014, the debt arising from the exercise of the put option for 35% of Sabelt S.p.A. held by the company's minority shareholders, exercisable from 1 January 2015, within a binding term of five years, was written off on the basis of the determination of its fair value according to the financial performance variables of the Sabelt business, as presented in **Note 27**.

A liability of €1.7 million relating to the put option reserved to the minority shareholders of Belt & Buckle Sro. was recognised in 2014. This amount is equal to that paid by those minority shareholders to purchase 30% of the company.

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

In 2014, Brembo S.p.A. obtained the following medium-/long-term financing: €45 million from Mediobanca, maturing in 2019, €2,443 thousand from the Ministry of Instruction, Universities and Research (MIUR) for the Brake By Wire project, maturing in 2020, €50 million from BNL, maturing in 2019 (not yet used), and an additional €141 thousand from MIUR–Finlombarda, maturing in 2019.

In 2014, Brembo do Brasil also obtained financing of BRL 15 million from Banco Santander, maturing in 2017, and Brembo Nanjing Brakes Systems obtained a capex line of €5.9 million from BNP Paribas China, maturing in 2016.

It should be noted that there are several other loans which require the compliance with certain financial covenants. At the reporting date, all of these covenants had been met. At 31 December 2014, there was no financial debt secured by collateral.

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

(euro thousand)	31.12.2014			31.12.2013		
	Instalment	Interest	Principal	Instalment	Interest	Principal
Within 1 year	3,186	77	3,109	3,587	305	3,282
Between 1 and 5 years	859	202	657	3,917	299	3,618
Beyond 5 years	572	0	572	784	36	748
<b>Total</b>	<b>4,617</b>	<b>279</b>	<b>4,338</b>	<b>8,288</b>	<b>640</b>	<b>7,648</b>

The following table provides a breakdown of operating lease instalments:

(euro thousand)	31.12.2014	31.12.2013
Within 1 year	18,981	16,150
Between 1 and 5 years	58,120	52,694
Beyond 5 years	95,844	36,792
<b>Total</b>	<b>172,945</b>	<b>105,636</b>

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

	31.12.2014			31.12.2013		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	21,755	307,734	329,489	39,449	280,046	319,495
US Dollar	0	26,708	26,708	0	35,237	35,237
Chinese Renminbi	0	11,931	11,931	0	10,883	10,883
Argentine Peso	377	35	412	472	76	548
Japanese Yen	8	0	8	10	0	10
Brazil Real	1,721	8,963	10,684	1,853	4,725	6,578
<b>Total</b>	<b>23,861</b>	<b>355,371</b>	<b>379,232</b>	<b>41,784</b>	<b>330,967</b>	<b>372,751</b>

The average variable rate applicable to the Group's debt is 2.57% and the average fixed rate is 3.47%.

In 2012, the Brembo Group entered into an IRS directly with the Parent Company, Brembo S.p.A., for a remaining notional amount of €10 million at 31 December 2014, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge). The €91 thousand change in fair value at 31 December 2014 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

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

(euro thousand)	31.12.2014	31.12.2013
<b>Balance at beginning of year</b>	<b>(159)</b>	<b>(377)</b>
Movements from reserve for fair value	(38)	8
Movements from reserve for the payment/collection of differentials	129	210
<b>Balance at end of year</b>	<b>(68)</b>	<b>(159)</b>

### Net Financial Position

The following table shows the breakdown of the net financial position at 31 December 2014 (€270,387 thousand), and at 31 December 2013 (€320,489 thousand) based on the layout prescribed by Consob Communication No. 6064293 of 28 July 2006.

(euro thousand)	31.12.2014	31.12.2013
A Cash	124	111
B Other cash equivalents	205,900	105,981
C Derivatives and securities held for trading	486	387
<b>D LIQUIDITY (A+B+C)</b>	<b>206,510</b>	<b>106,479</b>
E Current financial receivables	9,660	9,575
F Current payables to banks	106,677	63,581
G Current portion of non-current debt	95,928	107,962
H Other current financial debts and derivatives	6,675	5,788
<b>I CURRENT FINANCIAL DEBT (F+G+H)</b>	<b>209,280</b>	<b>177,331</b>
<b>J NET CURRENT FINANCIAL DEBT (I-E-D)</b>	<b>(6,890)</b>	<b>61,277</b>
K Non-current payables to banks	271,079	250,328
L Bonds issued	0	0
M Other non-current financial debts and derivatives	6,198	8,884
<b>N NON-CURRENT FINANCIAL DEBT (K+L+M)</b>	<b>277,277</b>	<b>259,212</b>
<b>O NET FINANCIAL DEBT (J+N)</b>	<b>270,387</b>	<b>320,489</b>

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

### 14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Social security payables	2,206	669
Payables to employees	9,651	3,463
Other payables	2,525	821
<b>Total</b>	<b>14,382</b>	<b>4,953</b>

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

## 15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2013	Provisions	Use/Release	Exchange rate fluctuations	31.12.2014
Provisions for contingencies and charges	5,806	5,732	(1,748)	10	9,800
Provision for loss replenishment in associates	388	97	0	0	485
<b>Total</b>	<b>6,194</b>	<b>5,829</b>	<b>(1,748)</b>	<b>10</b>	<b>10,285</b>
<b>of which, short-term</b>	<b>0</b>				<b>645</b>

Provisions totalled €9,800 thousand, including product warranties amounting to €5,947 thousand, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway. The item Provision for loss replenishment in associates, amounting to €485 thousand, includes the provision linked to the measurement of not fully consolidated shareholdings using the equity method.

## 16. Provisions for Employee Benefits

Group companies provide post-employment benefits through defined contribution plans or defined benefit plans.

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

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

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

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

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

(euro thousand)	31.12.2013	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Actuarial (gains)/losses	31.12.2014
Employees' leaving entitlement	20,812	0	(1,580)	711	0	2,645	22,588
Defined benefit plans and other long-term benefits	5,081	147	(596)	256	318	4,107	9,313
Defined contribution plans	1,146	1,227	(1,557)	0	76	0	892
<b>Total</b>	<b>27,039</b>	<b>1,374</b>	<b>(3,733)</b>	<b>967</b>	<b>394</b>	<b>6,752</b>	<b>32,793</b>

Liabilities at 31 December 2014 are shown below:

#### Defined benefit plans

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>A. Change in defined benefit obligation</b>												
1. Defined benefit obligation at the end of prior year	20,812	21,389	27,290	25,072	420	405	0	274	352	396	189	171
2. Service cost:												
Current service cost	0	0	0	0	50	45	0	0	70	66	28	70
Past service cost	0	0	0	777	0	(19)	0	0	0	0	0	0
3. Interest expense	711	688	1,300	1,101	34	32	0	0	37	31	2	2
4. Cash flows:												
Benefit payments from plan	0	0	(526)	(1,125)	0	0	0	0	(22)	(9)	0	0
Benefit payments from employer	(1,580)	(774)	0	0	(9)	(10)	0	(75)	(24)	(2)	(29)	(12)
Settlement payments from plan	0	0	0	0	0	0	0	(201)	0	0	0	0
6. Remeasurements:												
Effects of changes in demographic assumptions	0	0	0	0	0	0	0	0	(42)	0	0	0
Effects of changes in financial assumptions	3,762	(491)	5,099	2,709	77	(16)	0	0	47	(1)	0	0
Effects of experience adjustments	(1,117)	0	11	(762)	9	0	0	0	28	(26)	0	0
7. Effect of changes in foreign exchange rates	0	0	2,128	(482)	(1)	(17)	0	2	47	(61)	(1)	(42)
<b>8. Defined benefit obligations at end of year</b>	<b>22,588</b>	<b>20,812</b>	<b>35,302</b>	<b>27,290</b>	<b>580</b>	<b>420</b>	<b>0</b>	<b>0</b>	<b>535</b>	<b>352</b>	<b>189</b>	<b>189</b>

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>B. Change in fair value of plan assets</b>												
1. Fair value of plan assets at the end of prior year	0	0	23,099	21,519	0	0	0	0	71	72	0	0
2. Interest income	0	0	1,111	937	0	0	0	0	6	6	0	0
3. Cash flows:												
<i>Total employer contributions:</i>												
Employer contributions	0	0	544	497	0	0	0	0	19	12	0	0
Employer direct benefit payments	1,580	774	0	0	9	10	0	0	24	2	0	0
Benefit payments from plan	0	0	(526)	(1,125)	0	0	0	0	(22)	(9)	0	0
Benefit payments from employer	(1,580)	(774)	0	0	(9)	(10)	0	0	(24)	(2)	0	0
5. Remeasurements:												
Return on plan assets (excluding interest income)	0	0	1,272	1,686	0	0	0	0	0	2	0	0
6. Effect of changes in foreign exchange rates	0	0	1,710	(415)	0	0	0	0	9	(12)	0	0
7. Fair value of plan assets at end of year	0	0	27,210	23,099	0	0	0	0	83	71	0	0
<b>E. Amounts recognised in the Statement of Financial Position</b>												
1. Defined benefit obligation	22,588	20,812	35,302	27,290	580	420	0	0	535	352	189	189
2. Fair value of plan assets	0	0	27,210	23,099	0	0	0	0	83	71	0	0
3. Funded status	22,588	20,812	8,092	4,191	580	420	0	0	452	281	189	189
5. Net liability (asset)	22,588	20,812	8,092	4,191	580	420	0	0	452	281	189	189



(euro thousand)	Unfunded Plan (Employee's leaving entitlement)		Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan	
End of financial year	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>G. Net defined benefit liability (asset) reconciliation</b>												
1. Net defined benefit liability (asset)	20,812	21,389	4,191	3,553	420	405	0	274	281	324	189	171
2. Defined benefit cost included in P&L	711	688	189	941	84	59	0	0	130	22	30	72
3. Total remeasurements included in OCI	2,645	(491)	3,838	261	86	(17)	0	0	46	(2)	0	0
5. Cash flows:												
Employer contributions	0	0	(544)	(497)	0	0	0	0	(19)	(12)	0	0
Employer direct benefit payments	(1,580)	(774)	0	0	(9)	(10)	0	(75)	(24)	(2)	(29)	(12)
Settlement payments from plan	0	0	0	0	0	0	0	(201)	0	0	0	0
7. Effect of changes in foreign exchange rates	0	0	419	(67)	(1)	(17)	0	2	38	(49)	(1)	(42)
<b>8. Net defined benefit liability (asset) at end of year</b>	<b>22,588</b>	<b>20,812</b>	<b>8,093</b>	<b>4,191</b>	<b>580</b>	<b>420</b>	<b>0</b>	<b>0</b>	<b>452</b>	<b>281</b>	<b>189</b>	<b>189</b>
<b>H. Defined benefit obligation</b>												
1. Defined benefit obligation by participant status												
Actives	22,588	20,812	0	0	580	417	0	0	535	352	0	0
Vested deferred	0	0	22,552	16,602	0	0	0	0	0	0	0	0
Retirees	0	0	12,750	10,688	0	0	0	0	0	0	0	0
<b>Total</b>	<b>22,588</b>	<b>20,812</b>	<b>35,302</b>	<b>27,290</b>	<b>580</b>	<b>417</b>	<b>0</b>	<b>0</b>	<b>535</b>	<b>352</b>	<b>0</b>	<b>0</b>

(euro thousand)	Unfunded Plan (Employee's leaving entitlement)	Funded Plan (Ap Racing plan)		Brembo México plan		Brembo Nanjing Brake Systems plan		Brembo Brake India plan		Brembo Japan plan		
End of financial year	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
<b>I. Plan assets</b>												
1. Fair value of plan assets:												
Cash and cash equivalents	0	0	108	49	0	0	0	0	0	0	0	0
Equity instruments	0	0	15,725	14,271	0	0	0	0	0	0	0	0
Debt instruments	0	0	11,379	8,779	0	0	0	0	0	0	0	0
Assets held by insurance company	0	0	0	0	0	0	0	83	64	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>27,212</b>	<b>23,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>0</b>
												Unallocated assets: 8
2. Fair value of assets with quoted market price:												
Cash and cash equivalents	0	0	108	49	0	0	0	0	0	0	0	0
Equity instruments	0	0	15,725	14,271	0	0	0	0	0	0	0	0
Debt instruments	0	0	11,379	8,779	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>27,212</b>	<b>23,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>J. Significant actuarial assumptions</b>												
Weighted-average assumptions to determine benefit obligations												
1. Discount rate	1.80%	3.50%	3.70%	4.65%	7.00%	8.00%	N/A	N/A	8.00%	9.10%	1.00%	1.40%
2. Rate of salary increase	N/A	N/A	N/A	4.50%	4.50%	N/A	N/A	11.00%	11.00%	N/A	N/A	
3. Rate of price inflation	1.75%	2.00%	3.20%	3.35%	3.50%	3.50%	N/A	N/A	0.00%	0.00%	0.00%	0.00%
4. Rate of expected salary increases	N/A	N/A	3.20%	3.25%	0.00%	0.00%	N/A	N/A	0.00%	0.00%	2.00%	2.00%
Weighted-average assumptions to determine defined benefit cost												
1. Discount rate	3.50%	3.30%	4.65%	4.60%	8.00%	7.75%	N/A	N/A	9.10%	8.20%	N/A	N/A
2. Rate of salary increase	0.00%	0.00%	N/A	N/A	4.50%	4.50%	N/A	N/A	11.00%	8.00%	N/A	N/A
3. Rate of price inflation	2.00%	2.00%	3.35%	2.70%	3.50%	0.00%	N/A	N/A	0.00%	0.00%	N/A	N/A
4. Rate of expected salary increase	0.00%	0.00%	3.25%	2.60%	0.00%	0.00%	N/A	N/A	0.00%	0.00%	N/A	N/A

By applying a uniform change in the discount rate by  $\pm$  25 basis points, the consolidated liabilities would have been respectively lower/higher by approximately €2.4 million compared to the base liabilities value of €59 million.

The average duration of the plans is 16.50 years.

## 17. Trade Payables

At 31 December 2014, trade payables were as follows:

(euro thousand)	31.12.2014	31.12.2013
Trade payables	296,347	287,979
Payables to associates and joint ventures	12,630	13,606
<b>Total</b>	<b>308,977</b>	<b>301,585</b>

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

## 18. Tax Payables

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

(euro thousand)	31.12.2014	31.12.2013
Tax payables	14,385	4,122

The increase compared to the previous year refers primarily to the Parent Company, which due to the result before tax for the year had to recognise tax payables in excess of the prepayments made.

## 19. Other Current Payables

Other current payables at 31 December 2014 are shown below:

(euro thousand)	31.12.2014	31.12.2013
Tax payables other than current taxes	8,900	8,014
Social security payables	14,552	13,355
Payables to employees	37,674	31,505
Other payables	23,084	23,987
<b>Total</b>	<b>84,210</b>	<b>76,861</b>

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



Photo taken from a book published by *La Gazzetta dello Sport*  
to be released in September 2015, on Brembo's 40 years in racing.  
Photograph by: Rainer W. Schlegelmilch/Getty Images



# 1975-2015: Brembo's 40 years in racing

Gilles Villeneuve, on the Ferrari 312T5, Monaco Grand Prix, Monte Carlo, 18 May 1980.

## CONSOLIDATED STATEMENT OF INCOME

### 20. Sales of Goods and Services

Breakdown of sales of goods and services was as follows:

(euro thousand)	31.12.2014	31.12.2013
Italy	242,130	212,114
Abroad	1,561,205	1,354,029
<b>Total</b>	<b>1,803,335</b>	<b>1,566,143</b>

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

### 21. Other Revenues and Income

These are made up of:

(euro thousand)	31.12.2014	31.12.2013
Miscellaneous recharges	5,640	6,594
Gains on disposal of assets	1,534	854
Miscellaneous grants	2,872	2,062
Other revenues	3,869	5,308
<b>Total</b>	<b>13,915</b>	<b>14,818</b>

### 22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the year, amounting to €10,720 thousand (€11,154 thousand in 2013).

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

The item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Purchase of raw materials, semi-finished and finished products	848,432	725,576
Purchase of consumables	80,292	77,251
<b>Total</b>	<b>928,724</b>	<b>802,827</b>

## 24. Non-Financial Interest Income (Expense) from Investments

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

## 25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Transports	46,819	42,883
Maintenance, repairs and utilities	80,276	77,480
Contracted work	61,961	58,906
Rent	25,246	26,355
Other operating costs	82,002	69,144
<b>Total</b>	<b>296,304</b>	<b>274,768</b>

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

## 26. Personnel Expenses

Breakdown of personnel expenses is as follows:

(euro thousand)	31.12.2014	31.12.2013
Wages and salaries	234,176	212,588
Social security contributions	54,322	50,984
Employees' leaving entitlement and other personnel provisions	9,842	10,328
Other costs	31,244	28,528
<b>Total</b>	<b>329,584</b>	<b>302,428</b>

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

	Managers	White-collar	Blue-collar	Total
2014 average	110	2,290	5,243	<b>7,643</b>
2013 average	112	2,186	4,787	<b>7,085</b>
<b>Changes</b>	<b>(2)</b>	<b>104</b>	<b>456</b>	<b>558</b>
Total at 31 December 2014	111	2,316	5,263	<b>7,690</b>
Total at 31 December 2013	110	2,260	4,871	<b>7,241</b>
<b>Changes</b>	<b>1</b>	<b>56</b>	<b>392</b>	<b>449</b>



Brembo Racing.  
Front brake disc for  
use at GT category  
championships.

## 27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
<b>Amortisation of intangible assets:</b>		
Development costs	10,802	10,138
Industrial patents and similar rights for original work	1,156	1,506
Licences, trademarks and similar rights	400	355
Other intangible assets	4,763	5,316
<b>Total</b>	<b>17,121</b>	<b>17,315</b>
<b>Depreciation of property, plant and equipment:</b>		
Buildings	8,295	7,229
Leased buildings	458	458
Plant and machinery	58,494	52,569
Leased plant and machinery	839	1,301
Industrial and commercial equipment	9,337	8,450
Leased industrial and commercial equipment	3	3
Other property, plant and equipment	2,372	2,296
Other leased property, plant and equipment	47	21
<b>Total</b>	<b>79,845</b>	<b>72,327</b>
<b>Impairment losses:</b>		
Property, plant and equipment	253	426
Intangible assets	4,132	586
<b>Total</b>	<b>4,385</b>	<b>1,012</b>
<b>TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES</b>	<b>101,351</b>	<b>90,654</b>

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

## 28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Exchange rate gains	47,510	31,458
Interest income from employee's leaving entitlement and other personnel provisions	1,110	937
Interest income	3,857	5,032
<b>Total interest income</b>	<b>52,477</b>	<b>37,427</b>
Exchange rate losses	(48,510)	(38,724)
Interest expense from employees' leaving entitlement and other personnel provisions	(2,077)	(1,848)
Interest expense	(15,568)	(15,301)
<b>Total interest expense</b>	<b>(66,155)</b>	<b>(55,873)</b>
<b>TOTAL NET INTEREST INCOME (EXPENSE)</b>	<b>(13,678)</b>	<b>(18,446)</b>

"Net Interest income (expense)" also includes the effect of an adjustment to the estimate of the amount due in relation to the put option on 35% of the capital of Brembo Sabelt S.p.A., granted to minority shareholders under the agreements in force. The net interest income totalled €965 thousand (€2,617 thousand in 2013).

## 29. Interest Income (Expense) from Investments

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

## 30. Taxes

This item is broken down as follows:

(euro thousand)	31.12.2014	31.12.2013
Current taxes	42,532	23,178
Deferred tax (assets) and liabilities	(6,455)	(6,993)
Estimated tax payables and taxes from previous years	155	(903)
<b>Total</b>	<b>36,232</b>	<b>15,282</b>

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

(euro thousand)	31.12.2014	31.12.2013
Theoretical income taxes	38,050	26,203
Prior years' taxes	85	(987)
Tax incentive effects	(9,707)	(12,584)
Unallocated DTA effect	(4,699)	(243)
Other differences	5,967	(2,196)
<b>Current and deferred taxes (excluding IRAP)</b>	<b>29,696</b>	<b>10,193</b>
Current and deferred IRAP	6,536	5,089
<b>Total</b>	<b>36,232</b>	<b>15,282</b>

The Group's tax rate was 22.0% (31 December 2013: 14.6%).

### 31. Earnings per Share

Basic earnings per share were €1.98 at 31 December 2014 (€1.36 at December 2013), and were calculated dividing the net result for the year attributable to holders of ordinary equity instruments of the Parent Company by the weighted average number of ordinary shares outstanding in 2014, amounting to 65,231,002 (December 2013: 65,231,002). The weighted average did not change since no share capital transactions took place during the reporting year.

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

### 32. Related Parties

The Group carries out transactions with parent companies, subsidiaries, associates, joint ventures, directors, key management personnel and other related parties. The Parent Company Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.522% of its share capital. Brembo did not engage in dealings with its parent in 2014, except for the dividend distribution.

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

The item "Salaries and other incentives" includes the estimate of the cost of the 2013-2015 plan accrued in 2014, compensation paid as salaries for the function of employee and provisions for bonuses still to be paid.

(euro thousand)	31.12.2014	31.12.2013		
	Directors	Auditors	Directors	Auditors
Emoluments for the office held	1,980	209	2,030	196
Participation in committees and specific tasks	88	0	0	0
Salaries and other incentives	6,533	0	3,860	0

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

(euro thousand)	31.12.2014						31.12.2013					
	RELATED PARTIES						RELATED PARTIES					
	Carrying value	Total	Minority interests	Joint ventures	Associates	%	Carrying value	Total	Minority interests	Joint ventures	Associates	%
Trade receivables	286,893	3,353	1,135	2,155	63	1.2%	251,525	3,147	1,035	1,933	179	1.3%
Current financial assets and derivatives	10,146	9,484	0	0	9,484	93.5%	9,962	9,233	0	0	9,233	92.7%
Cash and cash equivalents	206,024	19,904	19,904	0	0	9.7%	106,092	31,818	31,818	0	0	30.0%
Non-current payables to banks	(271,079)	(14,212)	(14,212)	0	0	5.2%	(250,328)	(19,385)	(19,385)	0	0	7.7%
Other non-current liabilities	(14,382)	(4,945)	(4,945)	0	0	34.4%	(4,953)	(1,844)	(1,844)	0	0	37.2%
Provisions for employee benefits	(32,793)	(8,136)	(8,136)	0	0	24.8%	(27,039)	(4,236)	(4,236)	0	0	15.7%
Current payables to banks	(202,605)	(33,363)	(33,363)	0	0	16.5%	(171,543)	(41,248)	(41,248)	0	0	24.0%
Trade payables	(308,977)	(14,491)	(1,861)	(12,369)	(261)	4.7%	(301,585)	(15,693)	(2,086)	(13,136)	(471)	5.2%
Other current payables	(84,210)	(2,064)	(1,936)	(128)	0	2.5%	(76,861)	(1,869)	(1,742)	(127)	0	2.4%

b) Weight of transactions or positions with related parties on items of the Statement of Income	31.12.2014						31.12.2013					
	RELATED PARTIES						RELATED PARTIES					
	Carrying value	Total	Minority interests	Joint ventures	Associates	%	Carrying value	Total	Minority interests	Joint ventures	Associates	%
Sales of goods and services	1,803,335	4,608	4,230	372	6	0.3%	1,566,143	42,626	42,193	330	103	2.7%
Other revenues and income	13,915	3,344	5	3,178	161	24.0%	14,818	3,283	3	3,082	198	22.2%
Raw materials, consumables and goods	(928,724)	(64,078)	(404)	(63,343)	(331)	6.9%	(802,827)	(42,225)	(52)	(41,819)	(354)	5.3%
Other operating costs	(296,304)	(6,597)	(5,828)	(55)	(714)	2.2%	(274,768)	(5,654)	(4,949)	(21)	(684)	2.1%
Personnel expenses	(329,584)	(6,154)	(6,154)	0	0	1.9%	(302,428)	(4,153)	(4,103)	(50)	0	1.4%
Net interest income (expense)	(13,678)	(571)	(821)	(1)	251	4.2%	(18,446)	(1,648)	(1,890)	(3)	245	8.9%
Interest income (expense) from investments	145	0	0	0	0	0.0%	(17)	21	0	0	21	-123.5%

Sales of products, supply of services and the transfers of fixed assets between Group companies were carried out at prices reflecting fair market conditions, as is customary. The trading volumes reflect the internationalisation process aimed at constantly improving both operating and organisational standards and optimising synergies within the company. From a financial standpoint, the company's subsidiaries operate independently, although some benefit from various forms of centralised financing. Since 2008, a zero-balance cash-pooling system has been effective, with Brembo S.p.A. as the pool leader. In 2013, an additional cash pooling arrangement was put in place, denominated in CNY,

with Brembo Nanjing Foundry Co. Ltd. as pooler and Brembo Nanjing Brake Systems Co. Ltd. and Qingdao Brembo Trading Co. Ltd. as participants. The cash pooling is entirely based in China, and Citibank Nanjing is the service provider.

### 33. Segment Report

From an organisational standpoint, the Group is structured by applications based on the products offered. Considering the similar economic characteristics, the Group identified the following reportable operating segments:

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

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

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

Cars.

Front and rear Extrema  
brake calipers, for use  
on Ferrari supercars.



The following table shows segment information on sales of goods and services and results at 31 December 2014 and 31 December 2013:

	Total	Discs/Systems/Motorbikes	After Market / Performance Group	Interdivision	Non-segment data	
(euro thousand)	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Sales	1,811,798	1,578,646	1,545,442	1,343,659	272,394	257,414
Allowances and discounts	(18,941)	(17,705)	(6,807)	(6,009)	(12,133)	(11,690)
<b>Net sales</b>	<b>1,792,857</b>	<b>1,560,941</b>	<b>1,538,635</b>	<b>1,337,650</b>	<b>260,261</b>	<b>245,724</b>
Transport costs	17,245	18,476	13,460	14,284	3,785	4,192
Variable production costs	1,183,277	1,042,573	1,027,618	905,559	159,465	157,548
<b>Contribution margin</b>	<b>592,335</b>	<b>499,892</b>	<b>497,557</b>	<b>417,807</b>	<b>97,011</b>	<b>83,984</b>
Fixed production costs	239,512	214,894	216,040	194,034	23,041	19,931
<b>Production gross operating income</b>	<b>352,823</b>	<b>284,998</b>	<b>281,517</b>	<b>223,773</b>	<b>73,970</b>	<b>64,053</b>
BU personnel costs	109,032	100,021	65,754	62,140	36,708	32,833
<b>BU gross operating income</b>	<b>243,791</b>	<b>184,977</b>	<b>215,763</b>	<b>161,633</b>	<b>37,262</b>	<b>31,220</b>
Costs for Central Functions	71,880	59,432	49,665	42,254	10,896	9,714
<b>Operating income (loss)</b>	<b>171,911</b>	<b>125,545</b>	<b>166,098</b>	<b>119,379</b>	<b>26,366</b>	<b>21,506</b>
Extraordinary costs and revenues	(969)	(380)	0	0	0	0
Financial costs and revenues	(14,775)	(19,987)	0	0	0	0
Interest income (expense) from investments	6,602	1,371	0	0	0	0
Non-operating costs and revenues	2,147	(2,164)	0	0	0	0
<b>Result before taxes</b>	<b>164,916</b>	<b>104,385</b>	<b>166,098</b>	<b>119,379</b>	<b>26,366</b>	<b>21,506</b>
Taxes	(36,232)	(15,282)	0	0	0	0
<b>Result before minority interests</b>	<b>128,684</b>	<b>89,103</b>	<b>166,098</b>	<b>119,379</b>	<b>26,366</b>	<b>21,506</b>
Minority interests	370	(87)	0	0	0	0
<b>Net result</b>	<b>129,054</b>	<b>89,016</b>	<b>166,098</b>	<b>119,379</b>	<b>26,366</b>	<b>21,506</b>

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

(euro thousand)	31.12.2014	31.12.2013
<b>SALES OF GOODS AND SERVICES</b>	<b>1,803,335</b>	<b>1,566,143</b>
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(11,988)	(11,317)
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	911	449
Effect of adjustment of transactions among consolidated companies	(151)	517
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	3,719	3,944
Other	(2,969)	1,205
<b>NET SALES</b>	<b>1,792,857</b>	<b>1,560,941</b>

(euro thousand)	31.12.2014	31.12.2013
<b>NET OPERATING INCOME</b>	<b>178,449</b>	<b>122,848</b>
Differences in preparation criteria of internal and statutory reports	(925)	2,605
Non-financial interest income (expense) from investments	(6,442)	(1,410)
Claim compensation and subsidies	(1,507)	(303)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	256	(20)
Different classification of the provision for receivable write-downs (in the segment report they are included in "Non-operating costs and revenues")	0	113
Different classification of the provision for risks (in the segment report they are included in "Non-operating costs and revenues")	500	21
Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	1,082	1,563
Other	498	128
<b>OPERATING RESULT</b>	<b>171,911</b>	<b>125,545</b>

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

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

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
(euro thousand)										
Property, plant and equipment	539,977	503,142	488,252	459,383	43,451	40,440	25	17	8,249	3,302
Intangible assets	55,684	55,063	33,044	31,750	15,784	17,183	0	0	6,856	6,130
Financial assets and other non-current assets/liabilities	76,116	69,841	556	515	0	0	3,600	1,064	71,960	68,262
<b>(a) Total fixed assets</b>	<b>671,777</b>	<b>628,046</b>	<b>521,852</b>	<b>491,648</b>	<b>59,235</b>	<b>57,623</b>	<b>3,625</b>	<b>1,081</b>	<b>87,065</b>	<b>77,694</b>
Inventories	230,594	208,920	159,427	138,063	74,282	73,399	(101)	(101)	(3,014)	(2,441)
Current assets	321,098	286,809	246,859	222,186	49,641	49,382	(20,903)	(31,983)	45,501	47,224
Current liabilities	(403,439)	(374,727)	(287,761)	(308,391)	(56,240)	(49,321)	20,903	31,983	(80,341)	(48,998)
Provisions for contingencies and charges and other provisions	(12,305)	(5,457)	0	0	0	0	0	0	(12,305)	(5,457)
<b>(b) Net working capital</b>	<b>135,948</b>	<b>115,545</b>	<b>118,525</b>	<b>51,858</b>	<b>67,683</b>	<b>73,460</b>	<b>(101)</b>	<b>(101)</b>	<b>(50,159)</b>	<b>(9,672)</b>
<b>NET INVESTED OPERATING CAPITAL (a+b)</b>	<b>807,725</b>	<b>743,591</b>	<b>640,377</b>	<b>543,506</b>	<b>126,918</b>	<b>131,083</b>	<b>3,524</b>	<b>980</b>	<b>36,906</b>	<b>68,022</b>
IAS adjustments	31,785	33,144	32	32	4,250	3,947	0	0	27,503	29,165
<b>NET INVESTED CAPITAL</b>	<b>839,510</b>	<b>776,735</b>	<b>640,409</b>	<b>543,538</b>	<b>131,168</b>	<b>135,030</b>	<b>3,524</b>	<b>980</b>	<b>64,409</b>	<b>97,187</b>
Group equity	530,973	424,350	0	0	0	0	0	0	530,973	424,350
Minority interests	5,357	4,857	0	0	0	0	0	0	5,357	4,857
<b>(d) Equity</b>	<b>536,330</b>	<b>429,207</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>536,330</b>	<b>429,207</b>
<b>(e) Provisions for employee benefits</b>	<b>32,793</b>	<b>27,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,793</b>	<b>27,039</b>
Medium/long-term financial debt	277,277	259,212	0	0	0	0	0	0	277,277	259,212
Short-term financial debt	(6,890)	61,277	0	0	0	0	0	0	(6,890)	61,277
<b>(f) Net financial debt</b>	<b>270,387</b>	<b>320,489</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>270,387</b>	<b>320,489</b>
<b>(g) COVERAGE (d+e+f)</b>	<b>839,510</b>	<b>776,735</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>839,510</b>	<b>776,735</b>

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

- intangible assets mainly consist of development costs;
- financial assets mainly consist of the value of shareholdings;
- current assets and liabilities mainly consist of trade receivables and payables;
- provisions for contingencies and charges and other provisions are not allocated.

### 34. Information about the Group

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

COMPANY	HEADQUARTERS			SHARE CAPITAL	STAKE HELD BY GROUP COMPANIES	
Brembo S.p.A.	Curno (Bergamo)	Italy	Eur	34,727,914		
AP Racing Ltd.	Coventry	United Kingdom	Gbp	135,935	100%	Brembo S.p.A.
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany	Eur	25,000	100%	Brembo S.p.A.
Brembo North America Inc.	Wilmington, Delaware	USA	Usd	33,798,805	100%	Brembo S.p.A.
Brembo Nanjing Foundry Co. Ltd.	Nanjing	China	Cny	315,007,990	100%	Brembo S.p.A.
Brembo Czech S.r.o.	Ostrava-Hrabová	Czech Republic	Czk	605,850,000	100%	Brembo S.p.A.
La.Cam (Lavorazioni Camune) S.r.l.	Stezzano (Bergamo)	Italy	Eur	100,000	100%	Brembo S.p.A.
Qingdao Brembo Trading Co. Ltd.	Qingdao	China	Cny	1,365,700	100%	Brembo S.p.A.
Brembo Japan Co. Ltd.	Tokyo	Japan	Jpy	11,000,000	100%	Brembo S.p.A.
Brembo Poland Spolka Zo.o.	Dabrowa Górnica	Poland	Pln	144,879,500	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	Sek	4,500,000	100%	Brembo S.p.A.
Brembo China Brake Systems Co. Ltd.	Beijing	China	Cny	125,333,701	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	146,446,679	100%	Brembo S.p.A.
Brembo Russia L.I.c.	Moscow	Russia	Rub	1,250,000	100%	Brembo S.p.A.
Brembo Argentina S.A.	Buenos Aires	Argentina	Ars	90,807,900	98.28% 1.72%	Brembo S.p.A. Brembo do Brasil Ltda.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,836	49% 51%	Brembo S.p.A. Brembo North America Inc.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	28,441,451	99.99%	Brembo S.p.A.
Corporación Upwards '98 S.A.	Saragoza	Spain	Eur	498,043	68%	Brembo S.p.A.
Sabett S.p.A.	Turin	Italy	Eur	1,000,000	65%	Brembo S.p.A.
Belt & Buckle S.r.o.	Zilina	Slovak Republic	Eur	5,360,552	70%	Sabett S.p.A.
Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano (Bergamo)	Italy	Eur	4,000,000	50%	Brembo S.p.A.
Innova Tecnologie S.r.l	Almenno S. Bartolomeo (Bergamo)	Italy	Eur	100,000	30%	Brembo S.p.A.
Petroceramics S.p.A.	Milan	Italy	Eur	123,750	20%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes Gmbh	Meitingen	Germany	Eur	25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.

There are no subsidiaries with significant minority interests nor interests in unconsolidated structured entities.

### 35. Independent Auditors' Fees

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

(euro thousand)	31.12.2014	31.12.2013
<b>Independent Auditors' fees for the provision of audit services:</b>		
to the Parent Company Brembo S.p.A.	222	223
to the subsidiaries	16	16
to the subsidiaries (services provided by the network)	344	312
<b>Independent Auditors' fees for the provision of auditing services for issuing attestation:</b>		
to the Parent Company Brembo S.p.A.	46	0
<b>Independent Auditors' fees for the provision of other services:</b>		
to the subsidiaries (services provided by the network)	101	96
<b>Fees of entities belonging to the Independent Auditors' network for the provision of services:</b>		
to the Parent Company Brembo S.p.A.	97	7
other services rendered to subsidiaries	89	0

### 36. Commitments

The Group had no commitments at the closing date of the 2014 Financial Statements.

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

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

### 38. Significant Events after 31 December 2014

Following the expression of interest confirmed by the minority shareholder of Belt & Buckle S.r.o., in the first few months of 2015 the Group believes it highly probable that its controlling interest in that company will be sold in the first half of 2015.

No other significant events occurred after the end of 2014 and up to 5 March 2015.

Stezzano, 5 March 2015

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

# 1975-2015: Brembo's 40 years in racing

Michael Doohan, on Honda,  
Spanish Grand Prix,  
Jerez de la Frontera circuit,  
7 May 1995.





Photo taken from a book published by *La Gazzetta dello Sport*  
to be released in September 2015, on Brembo's 40 years in racing.  
Photograph by: Mike Cooper/Allsport

## STATUTORY AUDITORS' REPORT

### Report of the Board of Statutory Auditors on the Consolidated Financial Statements for the Year Ended 31 December 2014

Shareholders of the Parent Company, Brembo S.p.A., this Statutory Auditors' Report concerns Brembo Group's Consolidated Financial Statements.

This Report was prepared in accordance with the tasks assigned to the Board of Statutory Auditors by Legislative Decree No. 58 of 24 February 1998 and Legislative Decree No. 39 of 27 January 2010. In this regard, it refers to the Report on Operations accompanying the Financial Statements at 31 December 2014 of the Parent Company Brembo S.p.A.

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

- it has obtained information and verified, within the limits of its competence, whether the organisational structure of the company complies with the principles of proper administration. It has obtained information by direct observation, from executives involved in corporate duties, and from meetings with the Independent Auditors Reconta Ernst & Young S.p.A., focused on a mutual exchange of relevant data and information;
- it has received from the Board of Directors, within the time limit prescribed by law, the Annual Report, consisting of the Report on Operations, the separate Financial Statements of the Parent Company Brembo S.p.A. for 2014 and the Consolidated Financial Statements for 2014;
- it has acknowledged that the Consolidated Financial Statements and the Report on Operations have been prepared in compliance with relevant laws;
- it has acknowledged the Independent Auditors' Report issued on 23 March 2015, which does not present any points of issue;
- it has verified that the Financial Statements of the main subsidiaries have been audited by independent auditors.

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

Brembo Group's Consolidated Financial Statements for the year ended 31 December 2014 were prepared in accordance with the provisions of European Regulation No. 1606/2002 and the IFRS effective at 31 December 2014, issued by the International Accounting Standard Board (IASB) and adopted by EC Regulations.

The comparative figures at 31 December 2013 have been restated according to the same principles as those used at 31 December 2014.

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

### Statement of Financial Position

(euro thousand)

Non-current assets	730,205
Current assets	772,277
Non-current assets held for sale and/or disposal Groups and/or discontinued operations	–
<b>Total assets</b>	<b>1,502,482</b>

### Equity and liabilities

Equity	536,330
Non-current liabilities	348,655
Current liabilities	617,497
Non-current liabilities held for sale and/or included in discontinued operations	–
<b>Total equity and liabilities</b>	<b>1,502,482</b>

### Statement of Income

(euro thousand)

Gross operating income	279,800
Net operating income	178,449
Result before taxes	164,916
Net result before minority interests	128,684
<b>Group net result</b>	<b>129,054</b>

In our opinion, the 2014 Consolidated Financial Statements present a fair picture of Brembo Group's equity, financial situation and operating result for the year ended 31 December 2014, in compliance with the above-mentioned accounting standards and regulations for the Consolidated Financial Statements.

In conclusion, the Board of Statutory Auditors deems the Directors' Report on Group Operations correct and consistent with the Consolidated Financial Statements.

Stezzano, 23 March 2015

BOARD OF STATUTORY AUDITORS  
 signed Raffaella Pagani (*Chairwoman*)  
 signed Milena Motta (*Acting Auditor*)  
 signed Sergio Pivato (*Acting Auditor*)



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**Independent auditors' report**  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010

(Translation from the original Italian text)

To the Shareholders  
of Brembo S.p.A.

1. We have audited the consolidated financial statements of Brembo S.p.A. and its subsidiaries, (the "Brembo Group") as of 31 December 2014 and for the year then ended, comprising the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of Brembo S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated 24 March 2014.

3. In our opinion, the consolidated financial statements of the Brembo Group at 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Brembo Group for the year then ended.
4. The Directors of Brembo S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Company's Ownership Structure published in the section "Investors, Corporate Governance, Report on Corporate Governance" of Brembo S.p.A.'s website. Our responsibility is to express an opinion on the consistency with the financial statements of

Reonta Ernst & Young S.p.A.  
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the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Company's Ownership Structure, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Company's Ownership Structure, are consistent with the consolidated financial statements of the Brembo Group at 31 December 2014.

Bergamo, 23 March 2015

Reconta Ernst & Young S.p.A.

Signed by: Claudio Ferigo, partner

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



## Attestation of the Consolidated Financial Statements Pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, Alberto Bombassei, in his capacity as Chairman, and Matteo Tiraboschi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the consolidated financial statements for the period from 1 January to 31 December 2014:
  - are appropriate in relation to the company features; and
  - have been consistently applied.
2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the Consolidated Financial Statements at 31 December 2014 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.
3. The undersigned further declare that:
  - 3.1 3.1 the Consolidated Financial Statements:
    - a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;
    - b) reflect the accounting books and records; and
    - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.
  - 3.2 The Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of the companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

5 March 2015

Alberto Bombassei  
Chairman  
A handwritten signature in blue ink, appearing to read 'Alberto Bombassei'.

Matteo Tiraboschi  
Manager in Charge of the Company's  
Financial Reports  
A handwritten signature in blue ink, appearing to read 'Matteo Tiraboschi'.

BREMBO S.p.A. Sede legale

Sede amministrativa e uffici

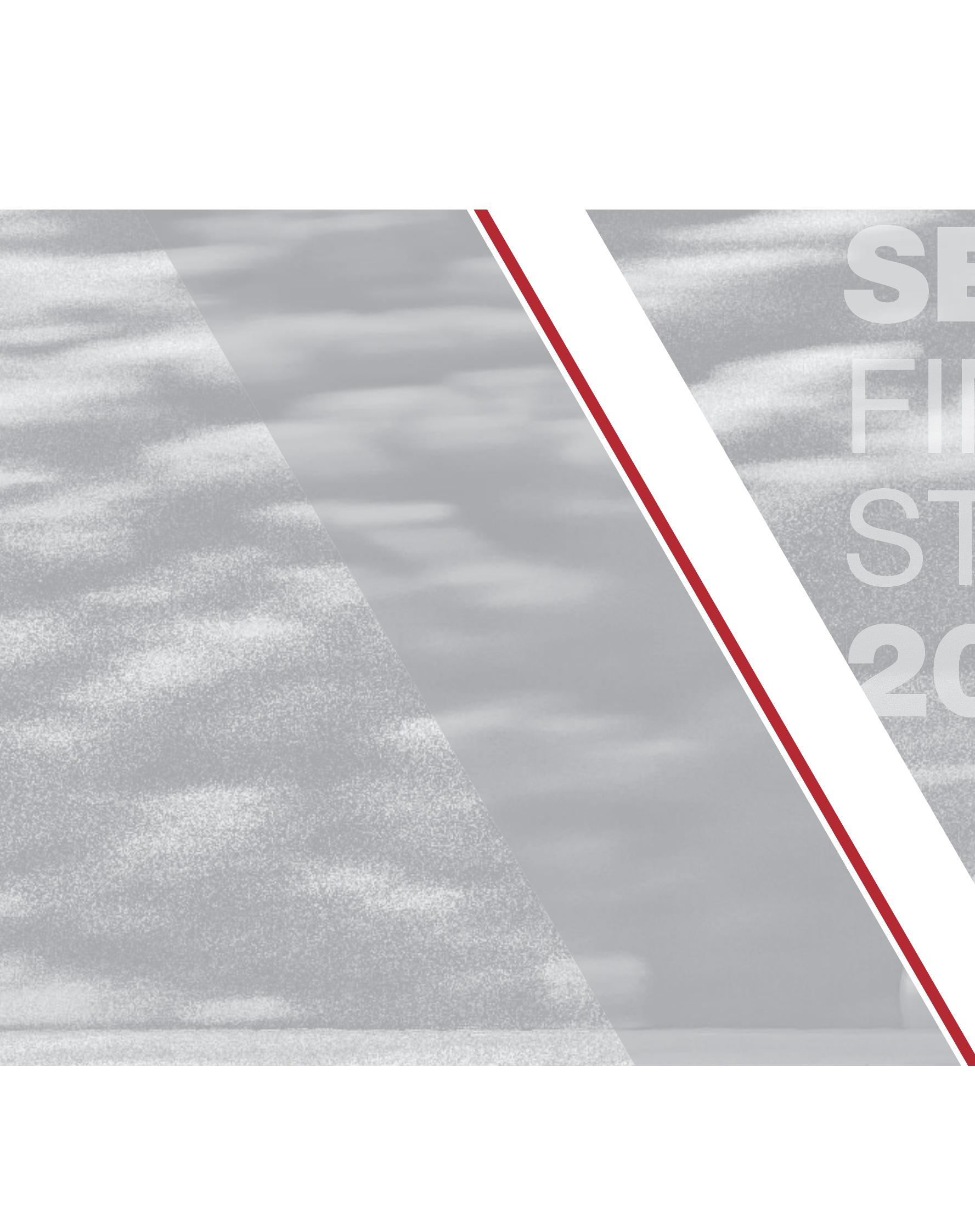
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n° 00222620163





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# SEPARATE **Separate** Financial Statements **2014**

## FINANCIAL STATEMENTS **2014**



# FINANCIAL STATEMENTS OF BREMBO S.P.A.

## AT 31 DECEMBER 2014

### Statement of Financial Position of Brembo S.p.A.

#### ASSETS

(euro)	Notes	31.12.2014	of which with related parties	31.12.2013	of which with related parties	Change
<b>NON-CURRENT ASSETS</b>						
Property, plant, equipment and other equipment	1	119,933,069		117,583,390		2,349,679
Development costs	2	38,203,645		40,864,572		(2,660,927)
Other intangible assets	2	11,190,906		11,225,114		(34,208)
Shareholdings	3	261,790,170		247,779,373		14,010,797
Other financial assets (including investments in other companies and derivatives)	4	543,499	162,485	361,563	254,008	181,936
Receivables and other non-current assets	5	178,783		283,621		(104,838)
Deferred tax assets	6	9,550,204		3,046,260		6,503,944
<b>TOTAL NON-CURRENT ASSETS</b>		<b>441,390,276</b>		<b>421,143,893</b>		<b>20,246,383</b>
<b>CURRENT ASSETS</b>						
Inventories	7	95,462,717		100,120,961		(4,658,244)
Trade receivables	8	136,009,230	39,777,548	119,924,900	49,131,810	16,084,330
Other receivables and current assets	9	12,637,670		14,203,830		(1,566,160)
Current financial assets and derivatives	10	29,713,382	29,162,420	54,155,762	53,720,189	(24,442,380)
Cash and cash equivalents	11	103,428,754	19,052,689	55,012,780	31,818,277	48,415,974
<b>TOTAL CURRENT ASSETS</b>		<b>377,251,753</b>		<b>343,418,233</b>		<b>33,833,520</b>
<b>TOTAL ASSETS</b>		<b>818,642,029</b>		<b>764,562,126</b>		<b>54,079,903</b>

## EQUITY AND LIABILITIES

(euro)	Notes	31.12.2014	of which with related parties	31.12.2013	of which with related parties	Change
<b>EQUITY</b>						
Share capital	12	34,727,914		34,727,914		0
Other reserves	12	119,266,728		119,200,301		66,427
Retained earnings/(losses)	12	34,657,526		27,619,779		7,037,747
Net result	12	68,824,318		41,391,335		27,432,983
<b>TOTAL EQUITY</b>		<b>257,476,486</b>		<b>222,939,329</b>		<b>34,537,157</b>
<b>NON-CURRENT LIABILITIES</b>						
Non-current payables to banks	13	193,648,696	14,212,434	152,317,736	17,438,636	41,330,960
Other non-current financial payables and derivatives	13	26,755,229	24,000,000	35,450,687	32,000,000	(8,695,458)
Other non-current liabilities	14	12,657,742	4,944,925	4,049,020	1,844,317	8,608,722
Provisions	15	4,934,583		1,597,209		3,337,374
Provisions for employee benefits	16	21,709,766	45,212	20,039,786	44,617	1,669,980
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>259,706,016</b>		<b>213,454,438</b>		<b>46,251,578</b>
<b>CURRENT LIABILITIES</b>						
Current payables to banks	13	60,227,361	19,813,116	63,362,168	35,782,925	(3,134,807)
Other current financial payables and derivatives	13	65,428,845	61,520,432	91,927,158	87,182,452	(26,498,313)
Trade payables	17	121,645,741	17,395,877	129,424,046	21,191,952	(7,778,305)
Tax payables	18	7,810,446		855,342		6,955,104
Provisions	15	645,000		0		645,000
Other current payables	19	45,702,134	2,064,499	42,599,645	1,716,038	3,102,489
<b>TOTAL CURRENT LIABILITIES</b>		<b>301,459,527</b>		<b>328,168,359</b>		<b>(26,708,832)</b>
<b>TOTAL LIABILITIES</b>		<b>561,165,543</b>		<b>541,622,797</b>		<b>19,542,746</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>818,642,029</b>		<b>764,562,126</b>		<b>54,079,903</b>

## Statement of Income of Brembo S.p.A.

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(euro)	Notes	31.12.2014	of which with related parties	31.12.2013	of which with related parties	Change
<b>Sales of goods and services</b>	20	<b>713,356,511</b>	<b>96,250,803</b>	<b>638,021,552</b>	<b>79,227,227</b>	<b>75,334,959</b>
Other revenues and income	21	26,904,277	20,907,932	28,246,217	20,699,108	(1,341,940)
Costs for capitalised internal works	22	9,600,541		9,919,779		(319,238)
Raw materials, consumables and goods	23	(336,148,309)	(86,927,763)	(300,826,933)	(80,703,393)	(35,321,376)
Other operating costs	24	(138,487,199)	(12,001,386)	(132,897,277)	(11,172,481)	(5,589,922)
Personnel expenses	25	(189,394,081)	(6,149,302)	(174,889,477)	(4,139,473)	(14,504,604)
<b>GROSS OPERATING INCOME</b>		<b>85,831,740</b>		<b>67,573,861</b>		<b>18,257,879</b>
Depreciation, amortisation and impairment losses	26	(37,118,770)		(38,660,424)		1,541,654
<b>NET OPERATING INCOME</b>		<b>48,712,970</b>		<b>28,913,437</b>		<b>19,799,533</b>
Interest income	27	6,913,230		5,611,692		1,301,538
Interest expense	27	(13,243,075)		(13,103,129)		(139,946)
Net interest income (expense)	27	(6,329,845)	(510,797)	(7,491,437)	(562,064)	1,161,592
Interest income (expense) from investments	28	43,438,622	53,620,590	29,406,352	29,430,978	14,032,270
<b>RESULT BEFORE TAXES</b>	28	<b>85,821,747</b>		<b>50,828,352</b>		<b>34,993,395</b>
Taxes	29	(16,997,429)		(9,437,017)		(7,560,412)
<b>NET RESULT</b>		<b>68,824,318</b>		<b>41,391,335</b>		<b>27,432,983</b>

## Statement of Comprehensive Income of Brembo S.p.A.

(euro)	Notes	31.12.2014	31.12.2013	Change
<b>NET RESULT</b>		<b>68,824,318</b>	<b>41,391,335</b>	<b>27,432,983</b>
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year:				
Effect (actuarial income/loss) on defined benefit plans	12	(2,530,845)	474,837	(3,005,682)
Tax effect	12	695,982	(130,580)	826,562
<b>Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the year</b>		<b>(1,834,863)</b>	<b>344,257</b>	<b>(2,179,120)</b>
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year:				
Effect of hedge accounting (cash flow hedge) of derivatives	12	91,623	217,941	(126,318)
Tax effect	12	(25,196)	(59,934)	34,738
<b>Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the year</b>		<b>66,427</b>	<b>158,007</b>	<b>(91,580)</b>
<b>COMPREHENSIVE RESULT FOR THE YEAR</b>		<b>67,055,882</b>	<b>41,893,599</b>	<b>25,162,283</b>

## Statement of Cash Flows of Brembo S.p.A.

(euro)	Notes	31.12.2014	31.12.2013
<b>Cash and cash equivalents at beginning of year</b>	11	<b>53,020,668</b>	<b>50,977,832</b>
<b>Result before taxes</b>		<b>85,821,747</b>	<b>50,828,352</b>
Depreciation, amortisation/impairment losses		37,118,770	38,660,424
Capital gains/losses		(180,012)	(987,788)
Write-ups/Write-downs of shareholdings		10,181,968	24,626
Financial portion of provisions for payables for personnel		684,204	663,368
Other provisions net of utilisations		6,531,405	1,822,725
<b>Cash flows generated by operating activities</b>		<b>140,158,082</b>	<b>91,011,707</b>
Paid current taxes		(15,794,524)	(7,349,083)
Uses of long-term provisions for employee benefits		(1,545,069)	(762,909)
<i>(Increase) reduction in current assets:</i>			
inventories		2,501,650	5,380,515
trade receivables and receivables from other Group companies		(16,410,103)	(22,120,789)
receivables from others and other assets		1,590,039	776,916
<i>Increase (reduction) in current liabilities:</i>			
trade payables and payables to other Group companies		(7,778,305)	17,344,249
payables to others and other liabilities		11,365,645	832,981
<b>Net cash flows from / (for) operating activities</b>		<b>114,087,415</b>	<b>85,113,587</b>

(euro)	Notes	31.12.2014	31.12.2013
<i>Investments in:</i>			
intangible assets		(14,958,199)	(14,908,793)
property, plant and equipment		(24,428,393)	(16,996,748)
financial assets (shareholdings)	3	(24,192,764)	(23,498,914)
Price for disposal, or reimbursement value of fixed and intangible assets		2,726,625	3,261,304
Price for disposal, or reimbursement value of shareholdings		0	352,698
<b>Net cash flows from / (for) investing activities</b>		<b>(60,852,731)</b>	<b>(51,790,453)</b>
Dividends paid in the year		(32,518,725)	(26,014,980)
Loans to Group companies and amounts payable to companies participating in the centralised treasury system		(9,012,498)	43,304,516
Change in fair value valuation of derivatives		155,529	(203,585)
Loans and financing granted by banks and other financial institutions in the year		103,152,062	131,757,695
Repayment of long-term loans and other liabilities		(72,506,951)	(180,123,944)
<b>Net cash flows from / (for) financing activities</b>		<b>(10,730,583)</b>	<b>(31,280,298)</b>
<b>Total cash flows</b>		<b>42,504,101</b>	<b>2,042,836</b>
<b>Cash and cash equivalents at end of year</b>	11	<b>95,524,769</b>	<b>53,020,668</b>

## Statement of Changes in Equity of Brembo S.p.A.

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(euro)	Share capital	Other reserves	Retained earnings/(losses)	Result for the year	Equity
<b>Balance at 1 January 2013</b>	<b>34,727,914</b>	<b>119,119,700</b>	<b>17,944,078</b>	<b>35,269,018</b>	<b>207,060,710</b>
Allocation of profit for the previous year			9,254,038	(9,254,038)	<b>0</b>
Payment of dividends				(26,014,980)	<b>(26,014,980)</b>
Reclassification (**)		(77,406)	77,406		<b>0</b>
<i>Components of comprehensive income:</i>					
Effect (actuarial income/loss) on defined benefit plans, net of tax			344,257		<b>344,257</b>
Effect of hedge accounting (cash flow hedge) of derivatives, net of tax (*)		158,007			<b>158,007</b>
Net result			41,391,335		<b>41,391,335</b>
<b>Balance at 1 January 2014</b>	<b>34,727,914</b>	<b>119,200,301</b>	<b>27,619,779</b>	<b>41,391,335</b>	<b>222,939,329</b>
Allocation of profit for the previous year			8,872,610	(8,872,610)	<b>0</b>
Payment of dividends				(32,518,725)	<b>(32,518,725)</b>
<i>Components of comprehensive income:</i>					
Effect (actuarial income/loss) on defined benefit plans, net of tax			(1,834,863)		<b>(1,834,863)</b>
Effect of hedge accounting (cash flow hedge) of derivatives, net of tax (*)		66,427			<b>66,427</b>
Net result			68,824,318		<b>68,824,318</b>
<b>Balance at 31 December 2014</b>	<b>34,727,914</b>	<b>119,266,728</b>	<b>34,657,526</b>	<b>68,824,318</b>	<b>257,476,486</b>

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

(\*\*) The restricted reserve Re. Article 6, paragraph 2, of Legislative Decree No. 38/2005 was reclassified under retained earnings, since it is no longer subject to non-distributability.



1975-2015:  
Brembo's  
**40 years**  
in racing

Photo taken from a book published  
by *La Gazzetta dello Sport*  
to be released in September 2015,  
on Brembo's 40 years in racing.

Lewis Hamilton, on Mercedes,  
during the first F1 Grand Prix held  
in Russia, Sochi racetrack,  
12 October 2014. Photograph by:  
Alexander Nemenov/AFP/Getty Images

# 1975-2015: Brembo's 40 years in racing

Valentino Rossi, Yamaha  
team, celebrates his victory  
at the Australian MotoGP  
Grand Prix, Phillip Island,  
19 October 2014.





Photo taken from a book published by *La Gazzetta dello Sport*  
to be released in September 2015, on Brembo's 40 years in racing.  
Photograph by: Mirco Lazzari gp/Getty Images

## 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 2014

Shareholders,

We first of all remind you that on 29 April 2014:

- the General Shareholders' Meeting of Brembo S.p.A. (hereinafter "Brembo") elected the new Board of Statutory Auditors, as the three-year term of office of the previous one had expired. The Shareholders appointed Raffaella Pagani (Chairwoman), Milena Motta (Acting Auditor), Sergio Pivato (Acting Auditor) for the three-year period 2014–2016 and until the approval of the Financial Statements for the year ending 31 December 2016;
- the Board of Directors also appointed a Supervisory Committee made up of a mixed panel of six members, of whom three are Acting Auditors, for the three-year period 2014–2016 and until approval of the Financial Statements for the year ending 31 December 2016.

During the year ended 31 December 2014, the Board of Statutory Auditors carried out the supervisory activities requested by law and the By-laws, in accordance with the Code of Conduct for the Board of Statutory Auditors recommended by the National Commission of Certified Accountants and Bookkeepers and the provisions of the Corporate Governance Code of Borsa Italiana S.p.A. (edition of July 2014), thus performing the tasks as per Article 149 of Legislative Decree No. 58/1998 and Article 19 of Legislative Decree No. 39/2010. In performing their function and considering the activities carried out by the current Supervisory Committee and those carried out by the Supervisory Committee whose term expired on 29 April 2014, the Board of Statutory Auditors in 2014 made 6 periodic assessments<sup>1</sup> and participated in all the meetings of the Shareholders and the Board of Directors (8 meetings of the Board of Directors and 1 General Shareholders' Meeting) and, through its Chairwoman, also to the meetings of the Internal Audit & Risk Committee (6 meetings) and the Remuneration & Appointments Committee (1 meeting).

Pursuant to Article 153 of Legislative Decree No. 58/1998 and Article 2459, paragraph 2, of the Italian Civil Code, and in accordance with Consob recommendations, the following information is reported.

1. The Directors constantly provided us with detailed information on the operations and the foreseeable outlook, as well as the activities performed and the highly significant financial and capital transactions made by the Company or its subsidiaries. They also reported on the progress of activities and the strategic plans launched, and in no case have we any particular observations to make. Based on available information, the Board of Statutory Auditors did not detect any

<sup>1</sup> In 2014, the Board of Statutory Auditors in office until 29 April 2014 performed 2 assessments, whereas the Board of Statutory Auditors appointed on 29 April 2014 performed 4 assessments.

violations of the law or By-laws, or outwardly imprudent or risky transactions, or transactions in contrast with the resolutions taken by the Shareholders' Meeting, or such as to jeopardise the integrity of the Company's assets or its ability to continue to operate as a going concern.

2. Amongst the most significant corporate transactions carried out during the year, which also influenced the Group's organisational structure, the following should be mentioned:
  - on 21 July 2014, the incorporation of a Russian limited liability company based in Moscow, named Brembo Russia LLC., specialised in promoting sales of brake systems, 100% held by Brembo S.p.A.;
  - the merger of Brembo Sp.zo.o. into Brembo Poland Sp.zo.o., effective 1 October 2014;
  - the completion of the transfer process of a 24.63% stake in Brembo Nanjing Brake Systems Co. Ltd. from Brembo China Brake Systems to Brembo S.p.A., on 25 February 2014.
  - the change of the Chinese Beijing-based subsidiary Brembo China Brake Systems Co. Ltd.'s company name into Brembo Beijing Brake Systems Co. Ltd., effective 14 July 2014, and the start of winding-up procedures as of 11 December 2014;
  - the transfer by Sabelt S.p.A. to Indiana Mills & Manufacturing Inc. of a 30% stake in Belt & Buckle s.r.o., on 3 November 2014, with prior contribution of the Child Safety business from Sabelt S.p.A. to Belt & Buckle S.r.o.
3. During its periodic assessments, the Board of Statutory Auditors met with the Independent Auditors<sup>2</sup> and the Manager in charge of the Company's financial reports, to obtain information on the activities performed and the control plans and no relevant data or information have emerged that need to be highlighted in this report;
4. The Board of Statutory Auditors has obtained knowledge of and, within its sphere of competence, has supervised:
  - the organisational structure, which is deemed adequate and suitable for the size and the managerial and operating complexity of the Company and the Group;
  - the functioning of the internal control system and the administrative and accounting system, which are adequate and reliable and thus enable the Company to fairly represent operating events, in accordance with the principles of proper administration;
  - the adequacy of instructions issued by the Company to its Subsidiaries, as provided for by Article 114, paragraph 2, of Legislative Decree No. 58/1998.
5. With reference to the financial reporting process, the Board of Statutory Auditors verified the constant updating at Group level of the set of administrative and accounting rules and procedures, aimed at controlling the process of preparation and disclosure of the financial reports and information, which are deemed suitable for the issuing of attestations pursuant to Article 154 of Legislative Decree No. 58/1998. The actual application and reliability of accounting and administrative procedures have been verified by the Manager in charge of the Company's financial reports, also relying on the competent internal structures (the Internal Audit function), through a monitoring plan that covered both the control and governance environment and the key process controls of the significant entities and processes.

<sup>2</sup> With regard to the audit appointment, it should be noted that, upon reasoned proposal submitted by the Board of Statutory Auditors, the Shareholders' Meeting of 23 April 2014 appointed the audit firm Reconta Ernst & Young S.p.A. as entity in charge of the statutory audit for the years 2014 to 2021.

6. With reference to the provisions of Article 36, paragraph 1, of the Market Regulations (Consob Resolution No. 16191 of 20 October 2007), we report that on 31 December 2014 such provisions apply to the subsidiaries indicated by Brembo as being significant to the system of controls on financial reporting. No shortcomings were noted in this regard.
7. During the periodic assessments, the Board of Statutory Auditors constantly received reports on the financial situation and the loans granted to the Company by financial institutions: EIB loan to Brembo S.p.A., amounting to €55 million, with 7-year maturity, disbursed in February 2014; Mediobanca loan to Brembo S.p.A., amounting to €45 million, maturing in 2019.
8. In relation to financial aspects, it was noted that the Subsidiaries operate with banking counterparties and also benefit from forms of centralised treasury management, where this is envisaged by the legal and fiscal framework of reference. In particular, there are three EUR and USD zero-balance cash-pooling systems with the pooler Brembo S.p.A., and in CNY with Pooler Brembo Nanjing Foundry.
9. In 2014, the Company did not carry out any unusual or atypical transactions with third parties, intra-group companies or related parties, nor any transaction that could have a significant impact on the Company's operating, capital or financial situation.
10. With regard to ordinary intragroup and related party transactions carried out during the reporting year, about which the Company provided detailed and specific information in its interim financial reports, we acknowledge that these transactions were carried out in the interest of the company and in accordance with the Related Party Transactions Procedure prepared on 12 November 2010, in compliance with Consob Regulations (Resolution No. 17221 of 12 March 2010 and Resolution No. 17389 of 23 June 2010), which were approved after receiving the unanimous favourable opinion of the Audit & Risk Committee (this Committee also performs the functions of Related Party Transactions Committee).
11. With reference to the Related Party Transactions Procedure, we point out that during the year, having heard the favourable opinion of the Internal Audit & Risk Committee, the relevance parameters defining Highly Significant Related Party Transactions were updated based on the 2013 financial statements figures, and the "threshold" for determining Low Value Transactions was confirmed (€250,000.00).
12. It should be noted that no purchase or sale transactions were carried out as part of the plan for the purchase and sale of own shares, authorised by the Shareholders' Meeting on 29 April 2014. At 31 December 2014, the Company therefore held a total of 1,747,000 own shares, representing 2.616% of the share capital, at an average book value of €7.71 per share and for an overall value of €13,475,897.
13. The Board of Statutory Auditors also oversaw the implementation methods of recommendations on corporate governance, as provided for by the Corporate Governance Code of Listed Companies issued by Borsa Italiana, which the Company has adopted. It also verified the Company's compliance with STAR segment requisites and the compliance of Brembo's corporate governance system with the recommendations of the above-mentioned code.
14. In detail, during the year the Company acknowledged the amendments introduced in the Corporate Governance Code in July 2014, with regards to transparency issues, termination benefits for executive directors and general managers upon expiry and/or termination of contractual relations with any of the aforesaid company officers and clawback clauses. It accordingly entrusted the Chairman and/or the Executive Deputy Chairman to introduce the necessary amendments in Brembo S.p.A.'s Corporate Governance Code.

15. Detailed information on the Company's corporate governance system is provided by the annual Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-bis of the Consolidated Law on Finance and approved by the Board of Directors on 5 March 2015. Such Report also provides information about:
- the corporate governance procedures actually applied by the Company other than those required by applicable laws and regulations;
  - the main characteristics of the risk management and control systems in place with regards to the financial reporting process, including consolidated reporting;
  - the operating mechanisms of the General Shareholders' Meeting, its main powers, shareholders' rights and the methods for exercising such rights;
  - the composition and functioning of the Board of Directors and its committees.
16. The Board of Statutory Auditors acknowledges that following the appointment of the new Company Officers, the Company launched an Induction Programme, which is organised in several sections and dedicated to all the Directors and Statutory Auditors of Brembo S.p.A., and in particular those newly elected. This Programme aims at providing appropriate information on the business industry in which Brembo operates, its products, Company trends and their evolution, as well as corporate organisation and applicable legislative framework.
17. The Board of Statutory Auditors was also provided information on the Lead Independent Director's annual assessment on its size, composition and functioning and the relevant results, which were summarised in the Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-bis of the (TUF).
18. The Board of Statutory Auditors verified the proper application of the requirements and the principle of substance over form in the procedures followed by the Board of Directors to assess that Directors and Statutory Auditors have met and continue to meet the requirements of professionalism and independence. The outcome of such assessment is given in the Corporate Governance and Ownership Structure Report prepared pursuant to Article 123-bis of the Consolidated Law on Finance.
19. The Board of Statutory Auditors also verified that the Remuneration & Appointments Committee, in whose meetings the Chairwoman of the Board of Statutory Auditors participated, had adequately formulated the substantive and procedural indications for setting and implementing the short- and long-term remuneration policies for the governing body, Executive Directors and Top Managers. These policies were then incorporated into the Remuneration Report pursuant to Article 123-ter of the TUF, approved by the Board of Directors on 5 March and subject to a consultative vote during the next session of the General Shareholders' Meeting.
20. The Board of Statutory Auditors and the Internal Audit & Risk Committee (on certain occasions and as a function of specific subject matter, through meetings held jointly so as to optimise the exchange of information and share opinions):
- met quarterly with the Internal Audit Director and were informed of the results of audit processes aimed at verifying the adequacy and efficacy of the Internal Control System, compliance with the law and company procedures and processes, and implementation of the related improvement plans;
  - received reports about the progress of the implementation of the 2014 Audit Plan and analysed the 2015 Plan. As part of the 2014 Audit Plan, the Internal Audit function also carried out assessments on the reliability of the Company's IT systems, with specific emphasis on the

accounting systems. The outcome of such assessments has been provided both to the Board of Statutory Auditors and the Internal Audit & Risk Committee.

21. With regard to the Risk Management System, the Board of Statutory Auditors periodically received information about the progress of the Enterprise Risk Management project, focused on the risks deemed most significant by the Brembo Group's Top Management, and on established action plans aimed at improving company performance on the basis of identification of the main areas of risk.
22. On the basis of the information received, the Internal Control and Risk Management System was found to be adequate overall and suited to preventing risks and ensuring the effective application of company rules of conduct. In addition, the System's organisational structure was found to ensure coordination between the various individuals and functions involved, in part through a constant exchange of information between the various participants. Accordingly, there are no remarks to be submitted to the General Shareholders' Meeting.
23. The Chairwoman of the Board of Statutory Auditors and the two Acting Auditors, in their capacity as members of the Supervisory Committee, took part in all six of the sessions held in 2014, acknowledging on each occasion the processes of updating the Organisational, Management and Control Model pursuant to Legislative Decree No. 231/2001 (hereinafter the "231 Model") and the activities performed to ensure that it is constantly effective and suited to preventing all liability in connection with the offences punishable under Legislative Decree No. 231/2001 through implementation of the appropriate procedures and preventative measures. The Supervisory Committee also constantly monitored the channel opened for receiving reports of possible violations of the Model, the Code of Ethics and the Anti-Bribery Code of Conduct and reviewed the reports submitted from time to time. On the basis of these activities, the Supervisory Committee confirmed that the general structure of the 231 Model was solid and that the assurance and monitoring activities carried out by Internal Audit, 231 Risk Assessment and evaluations of the reports received did not identify any cases relevant to the purposes of Legislative Decree No. 231/01.
24. In addition, training activities on Model 231 continued through online courses dedicated to all employees and specific classroom sessions for the persons involved in sensitive processes and relevant control mechanisms. Training sessions dedicated to compliance with 231 Model were also carried out at the Group's Italian and foreign companies.
25. Furthermore, legal compliance programmes continued at the major group companies. Through risk assessment and gap analysis, these programmes verified the state of compliance with local statutes and assessed the implementation of improvement plans, where appropriate.
26. The Board of Statutory Auditors met periodically with representatives of the Independent Auditors, Reconta Ernst & Young S.p.A., and constantly received information concerning their work and audit plans, and the progress and results of their efforts. No relevant data and/or aspects deserving of mention were brought to light in connection with the matters in our purview.
27. The Board of Statutory Auditors supervised the independence of the Independent Auditors pursuant to Article 19 of Legislative Decree No. 39/2010 and verified the nature and extent of the assignments received from Brembo S.p.A. and Group companies concerning services other than independent auditing. In detail, the assignments were as follows:<sup>3</sup>

<sup>3</sup> It should be noted that the aforementioned amounts mainly refer to the continuation of tasks assigned to Ernst & Young's network before the appointment as Brembo Group's Independent Auditors.

(euro thousand)	31.12.2014	31.12.2013
<b>Independent Auditors' fees for the provision of audit services:</b>		
- to the Parent Company Brembo S.p.A.	222	223
- to the subsidiaries	16	16
- to the subsidiaries (services provided by the network)	344	312
<b>Independent Auditors' fees for the provision of auditing services for issuing attestation:</b>		
- to the Parent Company Brembo S.p.A.	46	0
<b>Independent Auditors' fees for the provision of other services:</b>		
- to the subsidiaries (services provided by the network)	101	96
<b>Fees of entities belonging to the independent auditors' network for the provision of services:</b>		
- to the Parent Company Brembo S.p.A.	97	7
- other services rendered to subsidiaries	89	0

These assignments and the relevant fees are suited to the scope and complexity of the work done, and are thus compatible with the independent auditing assignment. Accordingly, there are no anomalies that would affect the independence criteria for the Independent Auditors.

28. The Independent Auditors Reconta Ernst & Young S.p.A. issued:

- their report pursuant to Article 19, paragraph 3, of Legislative Decree No. 39/2010 on 23 March 2015, in which they indicated that no fundamental issues or significant deficiencies in the internal control system with respect to the financial reporting process had emerged during their audit;
- their report pursuant to Article 14 of Legislative Decree No. 39/2010 of 23 March 2015, containing a clean opinion, without requests for additional information.

29. The Board of Statutory Auditors also acknowledges that no complaints were filed pursuant to Article 2408 of the Italian Civil Code nor other similar reports.

On the basis of the activity performed and information obtained, the Board of Statutory Auditors therefore believes that it may confirm that there have been no findings of omissions, censurable conduct, irregularities or other material facts that would need to be reported to the Oversight Authorities or mentioned in this Report. It therefore expresses a favourable opinion on the approval of Brembo's Financial Statements for the year ended 31 December 2014 and the proposed allocation of profit and distribution of the ordinary and extraordinary dividends as formulated by the Board of Directors.

Stezzano, 23 March 2015

BOARD OF STATUTORY AUDITORS  
 signed Raffaella Pagani (*Chairwoman*)  
 signed Milena Motta (*Acting Auditor*)  
 signed Sergio Pivato (*Acting Auditor*)

# 1975-2015: Brembo's 40 years in racing

Valentino Rossi, Yamaha team, celebrates his victory at the Australian MotoGP Grand Prix, Phillip Island, 19 October 2014.





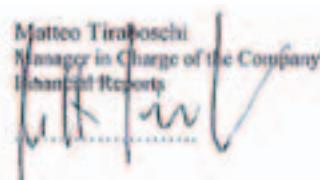
Photo taken from a book published by *La Gazzetta dello Sport*  
to be released in September 2015, on Brembo's 40 years in racing.  
Photograph by: Mirco Lazzari gp/Getty Images



**Attestation of the Financial Statements of Brembo S.p.A. Pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended**

1. We the undersigned, Alberto Bombassei, in his capacity as Chairman, and Matteo Tiraboschi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the financial statements for the period from 1 January to 31 December 2014:
  - are appropriate in relation to the company features; and
  - have been consistently applied
2. The assessment of the appropriateness of the administrative and accounting procedures used in preparing the Financial Statements at 31 December 2014 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.
3. The undersigned further declare that:
  - 3.1 the Financial Statements:
    - a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;
    - b) reflect the accounting books and records; and
    - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.
  - 3.2 The Report on Operations includes a reliable analysis of the operating performance and results, as well as the condition of the issuer and the aggregate of companies included in the consolidation area, along with a description of the main risks and uncertainties to which they are exposed.

5 marzo 2015

<p>Alberto Bombassei Chairman</p> 	<p>Matteo Tiraboschi Manager in Charge of the Company's Financial Reports</p> 
<p>BREMBO S.p.A.</p>	<p>Sede legale</p>
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