

# THINK AHEAD, TOMORROW IS NOW

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**BREMBO**  
FIRST QUARTER  
REPORT  
**2018**



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### **STATEMENT PURSUANT TO ARTICLE 154-*bis*, PARAGRAPH 2, PART IV, TITLE III, CHAPTER II, SECTION V-*bis*, OF ITALIAN LEGISLATIVE DECREE No. 58/1998**

# Company Officers

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

## COMPOSITION OF THE BOARD OF DIRECTORS, BOARD COMMITTEES AND MAIN GOVERNANCE FUNCTIONS AT THE DATE OF APPROVAL OF THE FIRST QUARTER REPORT 2018 (8 MAY 2018)

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

## BOARD OF STATUTORY AUDITORS <sup>(11)</sup>

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

## INDEPENDENT AUDITORS

EY S.p.A. <sup>(12)</sup>

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

Andrea Pazzi <sup>(13)</sup>

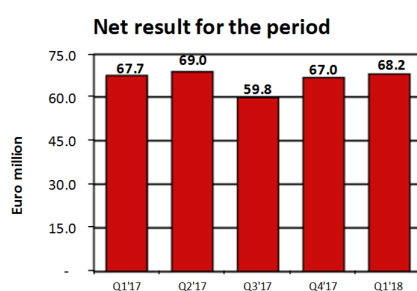
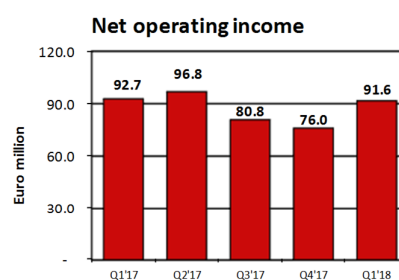
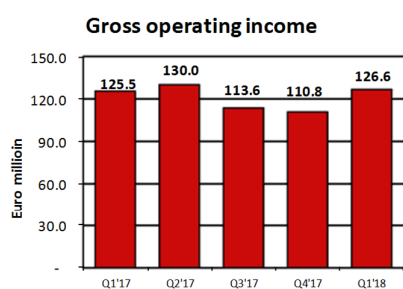
## COMMITTEES

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

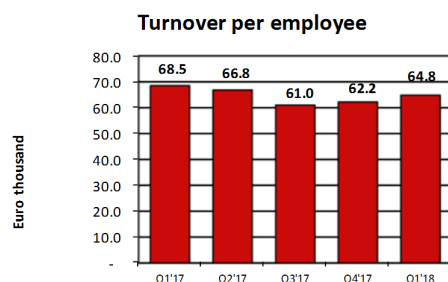
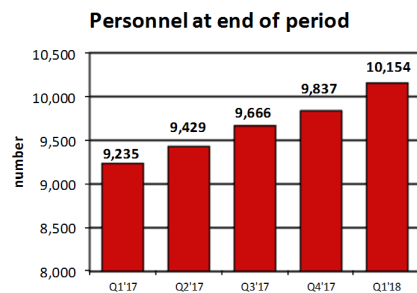
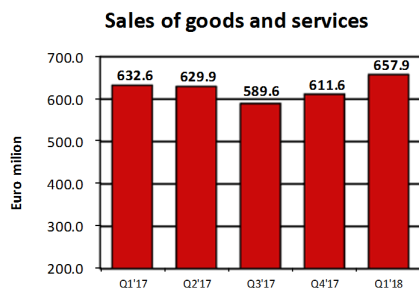
- (1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
- (2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
- (3) The Board of Directors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

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

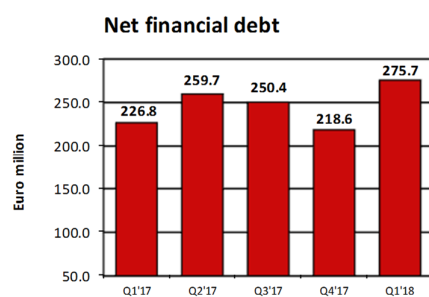
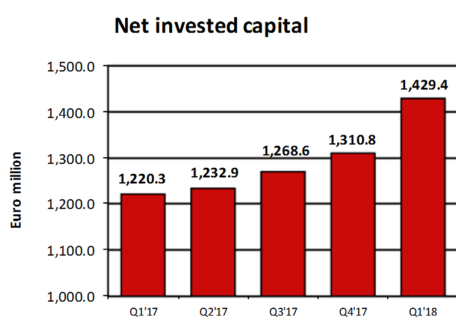
# Summary of Group Results



ECONOMIC RESULTS (euro million)	A				B	% B/A
	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	
Sales of goods and services	632.6	629.9	589.6	611.6	657.9	4.0%
Gross operating income	125.5	130.0	113.6	110.8	126.6	0.9%
% of sales	19.8%	20.6%	19.3%	18.1%	19.2%	
Net operating income	92.7	96.8	80.8	76.0	91.6	-1.3%
% of sales	14.7%	15.4%	13.7%	12.4%	13.9%	
Result before taxes	91.4	95.1	77.9	71.2	90.0	-1.5%
% of sales	14.4%	15.1%	13.2%	11.6%	13.7%	
Net result for the period	67.7	69.0	59.8	67.0	68.2	0.8%
% of sales	10.7%	11.0%	10.1%	11.0%	10.4%	



	A				B	
FINANCIAL RESULTS (euro million)	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	% B/A
Net invested capital	1,220.3	1,232.9	1,268.6	1,310.8	1,429.4	17.1%
Equity	961.0	943.1	988.5	1,064.4	1,126.2	17.2%
Net financial debt	226.8	259.7	250.4	218.6	275.7	21.6%
PERSONNEL AND CAPITAL EXPENDITURE						
Personnel at end of period (No.)	9,235	9,429	9,666	9,837	10,154	10.0%
Turnover per employee (euro thousand)	68.5	66.8	61.0	62.2	64.8	-5.4%
Investments (euro million)	61.2	102.9	92.5	104.1	46.1	-24.7%



MAIN RATIOS	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18
Net operating income/Sales of goods and services	14.7%	15.4%	13.7%	12.4%	13.9%
Result before taxes/Sales of goods and services	14.4%	15.1%	13.2%	11.6%	13.7%
Investments/Sales of goods and services	9.7%	16.3%	15.7%	17.0%	7.0%
Net Financial debt/Equity	23.6%	27.5%	25.3%	20.5%	24.5%
Net interest expense(*)/Sales of goods and services	0.3%	0.4%	0.4%	0.4%	0.3%
Net interest expense(*)/Net operating income	2.1%	2.4%	3.0%	3.4%	2.3%
ROI	30.8%	31.5%	25.3%	23.0%	26.0%
ROE	28.9%	29.8%	24.5%	25.5%	24.8%

Notes:

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

ROE: Result before minority interests/ Shareholders equity x annualisation factor(days in the year/days in the reporting period).

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

# Consolidated Financial Statements

## Consolidated Statement of Financial Position

(euro thousand)	31.03.2018	31.12.2017	Change
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant, equipment and other equipment	933,638	933,774	(136)
Development costs	64,878	61,323	3,555
Goodwill and other indefinite useful life assets	82,535	82,837	(302)
Other intangible assets	49,460	50,425	(965)
Shareholdings valued using the equity method	38,487	34,300	4,187
Other financial assets (including investments in other companies and derivatives)	8,102	6,769	1,333
Receivables and other non-current assets	3,595	3,832	(237)
Deferred tax assets	62,250	57,818	4,432
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,242,945</b>	<b>1,231,078</b>	<b>11,867</b>
<b>CURRENT ASSETS</b>			
Inventories	340,185	311,116	29,069
Trade receivables	459,003	375,719	83,284
Other receivables and current assets	81,490	80,455	1,035
Current financial assets and derivatives	314	296	18
Cash and cash equivalents	215,697	300,830	(85,133)
<b>TOTAL CURRENT ASSETS</b>	<b>1,096,689</b>	<b>1,068,416</b>	<b>28,273</b>
<b>TOTAL ASSETS</b>	<b>2,339,634</b>	<b>2,299,494</b>	<b>40,140</b>
<b>EQUITY AND LIABILITIES</b>			
<b>GROUP EQUITY</b>			
Share capital	34,728	34,728	0
Other reserves	105,480	112,838	(7,358)
Retained earnings/(losses)	889,232	625,818	263,414
Net result for the period	68,186	263,428	(195,242)
<b>TOTAL GROUP EQUITY</b>	<b>1,097,626</b>	<b>1,036,812</b>	<b>60,814</b>
<b>TOTAL MINORITY INTERESTS</b>	<b>28,585</b>	<b>27,625</b>	<b>960</b>
<b>TOTAL EQUITY</b>	<b>1,126,211</b>	<b>1,064,437</b>	<b>61,774</b>
<b>NON-CURRENT LIABILITIES</b>			
Non-current payables to banks	307,545	319,314	(11,769)
Other non-current financial payables and derivatives	2,247	2,344	(97)
Other non-current liabilities	22,294	19,927	2,367
Provisions	40,403	39,613	790
Provisions for employee benefits	27,541	27,784	(243)
Deferred tax liabilities	24,251	24,716	(465)
<b>TOTAL NON -CURRENT LIABILITIES</b>	<b>424,281</b>	<b>433,698</b>	<b>(9,417)</b>
<b>CURRENT LIABILITIES</b>			
Current payables to banks	176,935	194,220	(17,285)
Other current financial payables and derivatives	4,943	3,845	1,098
Trade payables	465,586	470,390	(4,804)
Tax payables	11,201	9,719	1,482
Short term provisions	2,244	2,244	0
Other current payables	128,233	120,941	7,292
<b>TOTAL CURRENT LIABILITIES</b>	<b>789,142</b>	<b>801,359</b>	<b>(12,217)</b>
<b>TOTAL LIABILITIES</b>	<b>1,213,423</b>	<b>1,235,057</b>	<b>(21,634)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,339,634</b>	<b>2,299,494</b>	<b>40,140</b>



## Consolidated Statement of Income

<i>(euro thousand)</i>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>Change</b>	<b>%</b>
<b>Sales of goods and services</b>	<b>657,944</b>	<b>632,553</b>	<b>25,391</b>	<b>4.0%</b>
Other revenues and income	5,143	4,496	647	14.4%
Costs for capitalised internal works	6,328	6,599	(271)	-4.1%
Raw materials, consumables and goods	(312,458)	(308,252)	(4,206)	1.4%
Non-financial interest income (expense) from investments	4,194	2,779	1,415	50.9%
Other operating costs	(119,089)	(104,962)	(14,127)	13.5%
Personnel expenses	(115,459)	(107,697)	(7,762)	7.2%
<b>GROSS OPERATING INCOME</b>	<b>126,603</b>	<b>125,516</b>	<b>1,087</b>	<b>0.9%</b>
<b>% of sales of goods and services</b>	<b>19.2%</b>	<b>19.8%</b>		
Depreciation, amortisation and impairment losses	(35,050)	(32,771)	(2,279)	7.0%
<b>NET OPERATING INCOME</b>	<b>91,553</b>	<b>92,745</b>	<b>(1,192)</b>	<b>-1.3%</b>
<b>% of sales of goods and services</b>	<b>13.9%</b>	<b>14.7%</b>		
Net interest income (expense)	(1,500)	(1,396)	(104)	7.4%
Interest income (expense) from investments	(7)	40	(47)	-117.5%
<b>RESULT BEFORE TAXES</b>	<b>90,046</b>	<b>91,389</b>	<b>(1,343)</b>	<b>-1.5%</b>
<b>% of sales of goods and services</b>	<b>13.7%</b>	<b>14.4%</b>		
Taxes	(21,062)	(22,882)	1,820	-8.0%
<b>RESULT BEFORE MINORITY INTERESTS</b>	<b>68,984</b>	<b>68,507</b>	<b>477</b>	<b>0.7%</b>
<b>% of sales of goods and services</b>	<b>10.5%</b>	<b>10.8%</b>		
Minority interests	(798)	(829)	31	-3.7%
<b>NET RESULT FOR THE PERIOD</b>	<b>68,186</b>	<b>67,678</b>	<b>508</b>	<b>0.8%</b>
<b>% of sales of goods and services</b>	<b>10.4%</b>	<b>10.7%</b>		
<b>BASIC/DILUTED EARNINGS PER SHARE (euro)</b>	<b>0.21</b>	<b>0.21*</b>		

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

## Consolidated Statement of Comprehensive Income

<i>(euro thousand)</i>	<b>31.03.2018</b>	<b>31.03.2017</b>	<b>Change</b>
<b>RESULT BEFORE MINORITY INTERESTS</b>	<b>68,984</b>	<b>68,507</b>	<b>477</b>
<b>Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period:</b>			
Effect (actuarial gain/loss) on defined-benefit plans	(20)	0	(20)
Fiscal effect	6	0	6
<b>Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period</b>	<b>(14)</b>	<b>0</b>	<b>(14)</b>
<b>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period:</b>			
Change in translation adjustment reserve	(7,196)	10,219	(17,415)
<b>Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period</b>	<b>(7,196)</b>	<b>10,219</b>	<b>(17,415)</b>
<b>COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>61,774</b>	<b>78,726</b>	<b>(16,952)</b>
<b>Of which attributable to:</b>			
– Minority Interests	960	713	247
– the Group	60,814	78,013	(17,199)

## Consolidated Statement of Cash Flows

<i>(euro thousand)</i>	31.03.2018	31.03.2017
<b>Cash and cash equivalents at beginning of period</b>	<b>155,973</b>	<b>63,929</b>
<b>Result before taxes</b>	<b>90,046</b>	<b>91,389</b>
Depreciation, amortisation/Impairment losses	35,050	32,771
Capital gains/losses	(187)	148
Income/expense from investments, net of dividends received	(4,187)	(2,819)
Financial portion of provisions for defined benefits and payables for personnel	130	150
Long-term provisions for employee benefits	541	568
Other provisions net of utilisations	7,207	9,512
<b>Cash flows generated by operating activities</b>	<b>128,600</b>	<b>131,719</b>
Paid current taxes	(14,048)	(12,117)
Uses of long-term provisions for employee benefits	(1,013)	(1,070)
<i>(Increase) reduction in current assets:</i>		
inventories	(34,286)	(23,720)
financial assets	21	(24)
trade receivables	(83,317)	(87,516)
receivables from others and other assets	(9,529)	(5,338)
<i>Increase (reduction) in current liabilities:</i>		
trade payables	(4,804)	14,075
payables to others and other liabilities	7,646	7,652
Translation differences on current assets	(864)	345
<b>Net cash flows from/(for) operating activities</b>	<b>(11,594)</b>	<b>24,006</b>
<i>Investments in:</i>		
intangible assets	(7,276)	(7,366)
property, plant and equipment	(38,864)	(53,859)
financial assets (shareholdings)	(1,350)	0
Price for disposal or reimbursement value of fixed assets	451	334
<b>Net cash flows from/(for) investing activities</b>	<b>(47,039)</b>	<b>(60,891)</b>
Change in fair value of derivatives	879	67
Loans and financing granted by banks and other financial institutions in the period	306	155,039
Repayment of long-term loans	(14,131)	(18,560)
<b>Net cash flows from/(for) financing activities</b>	<b>(12,946)</b>	<b>136,546</b>
<b>Total cash flows</b>	<b>(71,579)</b>	<b>99,661</b>
Translation differences on cash and cash equivalents	277	5,468
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>84,671</b>	<b>169,058</b>

## Consolidated Net Financial Position

<i>(euro thousand)</i>	31.03.2018	31.12.2017
Cash	131	166
Other cash equivalents	215,566	300,664
Derivatives and securities held for trading	0	0
<b>LIQUIDITY (A+B+C)</b>	<b>215,697</b>	<b>300,830</b>
Current financial receivables	314	296
Current payables to banks	131,026	144,857
Current portion of non-current debt	45,909	49,363
Other current financial debts and derivatives	4,943	3,845
<b>CURRENT FINANCIAL DEBT (F+G+H)</b>	<b>181,878</b>	<b>198,065</b>
<b>NET CURRENT FINANCIAL DEBT (I-E-D)</b>	<b>(34,133)</b>	<b>(103,061)</b>
Non-current payables to banks	307,545	319,314
Bonds issued	0	0
Other non-current financial debts and derivatives	2,247	2,344
<b>NON-CURRENT FINANCIAL DEBT (K+L+M)</b>	<b>309,792</b>	<b>321,658</b>
<b>NET FINANCIAL DEBT (J+N)</b>	<b>275,659</b>	<b>218,597</b>

## Consolidated Statement of Changes in Equity

	Other Reserves			Retained earnings (losses)	Net result for the period	Group Equity	Result of minority interest	Share Capital and reserves of Minority Interests	Equity of Minority Interests	Equity
	Share Capital	Reserves	Treasury Shares							
(euro thousand)										
Balance at 1 January 2017	34,728	149,195	(13,476)	446,834	240,632	857,913	2,363	22,034	24,397	882,310
Allocation of profit for the previous year				240,632	(240,632)	0	(2,363)	2,363	0	0
Reclassification		1		(1)		0			0	0
Components of comprehensive income:										
Change in translation adjustment reserve		10,335				10,335		(116)	(116)	10,219
Net result for the period					67,678	67,678	829		829	68,507
Balance at 31 March 2017	34,728	159,531	(13,476)	687,465	67,678	935,926	829	24,281	25,110	961,036
Balance at 1 January 2018	34,728	126,314	(13,476)	625,818	263,428	1,036,812	4,472	23,153	27,625	1,064,437
Allocation of profit for the previous year										
				263,428	(263,428)	0	(4,472)	4,472	0	0
Components of comprehensive income:										
Effect (actuarial income /loss) on defined benefit plans				(14)		(14)			0	(14)
Change in translation adjustment reserve		(7,358)				(7,358)		162	162	(7,196)
Net result for the period					68,186	68,186	798		798	68,984
Balance at 31 March 2018	34,728	118,956	(13,476)	889,232	68,186	1,097,626	798	27,787	28,585	1,126,211

# Explanatory Notes to the Financial Statements

## Accounting Principles and Valuation Criteria

**T**he Interim Report for the first quarter of 2018, which includes 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 brief related Explanatory Notes, was prepared in compliance with recognition and measurement criteria provided for by the IFRS endorsed by the European Union, and voluntarily made available to the public. Please refer to the Company's website (<http://www.brembo.com/en/investors/calendar>) for information about the content, timing and methods of additional periodic financial disclosures.

Reference is made to the 2017 Financial Statements for the relevant international accounting standards and criteria adopted by the Group when preparing the above-mentioned Financial Statements. The preparation of the Interim Report requires management to make estimates and assumptions that have an effect on the amounts of recognised revenues, costs, assets and liabilities, and the disclosure of contingent assets and liabilities as of the reporting date. Should in the future such estimates and assumptions, which are based upon the management's best assessment, diverge from actual circumstances, they will be modified accordingly during the period in which such circumstances change.

It should also be noted that certain measurement processes, particularly the most complex ones such as the determination of any impairment for non-current assets, are typically carried out in full only during preparation of the Annual Financial Statements, when all necessary information is available, unless impairment indicators require immediate analysis. It is also pointed out that the value of inventories has been calculated for Brembo S.p.A. by applying the cost of inventories at 30 November 2017 to the inventory accounting results at 31 March 2018. Actuarial valuations necessary to determine employee benefits are typically performed during the preparation of the Annual Financial Statements. This Interim Report has not been audited.

## Consolidation Area

**T**he Financial Statements for the first quarter of 2018 include the financial statements of the Parent Brembo S.p.A. and the financial statements of the companies that Brembo S.p.A. controls as per IFRS 10. Compared to the first quarter of 2017, no corporate transactions impacting the Group's consolidation area were carried out.

## Notes on the Most Significant Changes in Items of the Consolidated Financial Statements

Confirming the sales uptrend also for the first quarter of 2018, the Group recorded a positive sales performance. In the reporting period, net sales amounted to €657,944 thousand, up 4.0% compared to the same period of 2017.

Nearly all applications contributed to revenue growth. The car applications sector closed the first quarter of 2018 with an increase of 3.7% compared to the same period of 2017. Applications for commercial vehicles (+10.9%) and motorbikes (+6.8%) also performed well, whereas the racing sector declined by 8.2%.

At the geographical level, and in Europe in particular, Germany recorded a 9.5% increase compared to the first quarter of 2017. The United Kingdom also performed well (+10.9%), whereas Italy and France declined by 5.3% and 7.1%, respectively. In North America, sales decreased by 8.9% (+3.6% on a like-for-like exchange rate basis). South America confirmed the signs of a market recovery achieving a +1.7% over the first quarter of 2017. In the Far East, a positive performance was recorded in China (+7.4%), India (+14.8%) and Japan (+11.1%).

In the first quarter of the year, the **cost of sales** and **other net operating costs** amounted to €420,076 thousand, with a ratio of 63.8% to sales, slightly up compared to 63.6% for the same period of the previous year. Within this item, **costs for capitalised internal works** recognised as intangible assets amounted to €6,328 thousand compared to €6,599 thousand for the first quarter of 2017.

**Income (expense) from non-financial investments** totalled €4,194 thousand (€2,779 thousand in the first quarter of 2017) and were attributable to the effects of valuing the investment in the BSCCB Group using the equity method.

**Personnel expenses** amounted to €115,459 thousand, with a 17.5% ratio to sales, increasing compared to the same period of the previous year (17.0%). At 31 March 2018, workforce numbered 10,154 (9,837 at 31 December 2017 and 9,235 at 31 March 2017).

**Gross operating income** for the quarter was €126,603 thousand (19.2% of sales) compared to €125,516 thousand for the first quarter of 2017 (19.8% of sales).

**Net operating income** amounted to €91,553 thousand (13.9% of sales), compared to €92,745 thousand (14.7% of sales) for the first quarter of 2017, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets of €35,050 thousand, compared to depreciation, amortisation and impairment losses amounting to €32,771 thousand for the first quarter of 2017.

**Net interest expense** amounted to €1,500 thousand (€1,396 thousand in the first quarter of 2017), and consisted of net exchange gains of €573 thousand (€597 thousand in the first quarter of 2017) and interest expense of €2,073 thousand (€1,993 thousand for the same quarter of the previous year).

**Net interest expense from investments** amounted to €7 thousand and was attributable to the effects of valuing investments in associates using the equity method.

**Result before taxes** was €90,046 thousand (13.7% of sales), compared to €91,389 thousand (14.4% of sales) for the first quarter of 2017.

Based on tax rates applicable for the year under current tax regulations, estimated **taxation** amounted to €21,062 thousand (€22,882 thousand for the first quarter of 2017). Tax rate was 23.4%, compared to 25.0% in the first quarter of 2017.

**Group net result** was €68,186 thousand for the reporting quarter, increasing slightly compared to €67,678 thousand for the first quarter of 2017.

**Net invested capital** at the end of the reporting period amounted to €1,429,411 thousand, up by €118,593 thousand compared to €1,310,818 thousand at 31 December 2017.

**Net financial debt** at 31 March 2018 amounted to €275,659 thousand compared to €218,597 thousand at 31 December 2017. The €57,062 thousand increase reported during the period was mainly due to the combined effect of the following factors:

- a positive effect of gross operating income of €126,603 thousand;
- net investments in property, plant, equipment and intangible assets for a total of €45,876 thousand; they were mainly concentrated in Italy (29.6%), of which €5,446 thousand (11.9%) associated with development costs, North America (27.2%), Poland (18.3%) and China (17.0%);
- a negative change in working capital due to increased business for a total amount of €125,831 thousand;
- payment of taxes in the amount of €14,048 thousand.

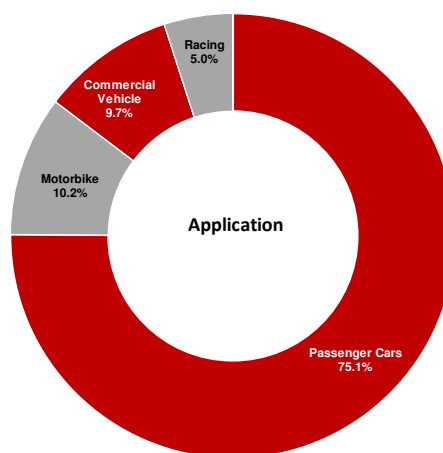
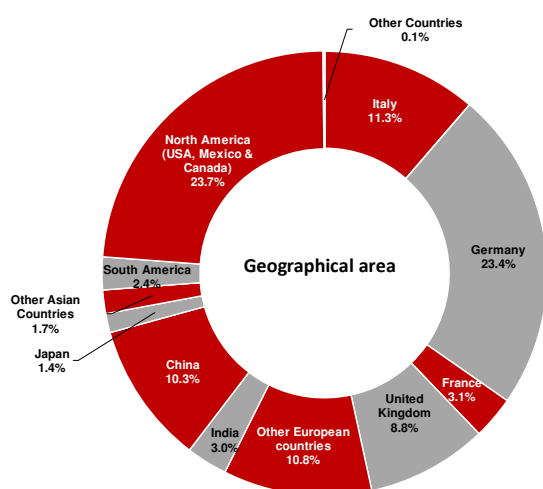
## Sales Breakdown by Geographical Area and Application

The following tables show net sales at 31 March 2018, broken down by geographical area and application.

(euro thousand)	31.03.2018	%	31.03.2017	%	Change	%
<b>GEOGRAPHICAL AREA</b>						
Italy	74,063	11.3%	78,232	12.4%	(4,169)	-5.3%
Germany	153,662	23.4%	140,375	22.2%	13,287	9.5%
France	20,116	3.1%	21,643	3.4%	(1,527)	-7.1%
United Kingdom	57,655	8.8%	51,965	8.2%	5,690	10.9%
Other European countries	71,205	10.8%	56,987	9.0%	14,218	24.9%
India	19,536	3.0%	17,011	2.7%	2,525	14.8%
China	67,923	10.3%	63,227	10.0%	4,696	7.4%
Japan	9,160	1.4%	8,245	1.3%	915	11.1%
Other Asian Countries	11,035	1.7%	4,206	0.7%	6,829	162.4%
South America (Argentina and Brazil)	15,726	2.4%	15,464	2.4%	262	1.7%
North America (USA, Mexico & Canada)	155,838	23.7%	171,045	27.0%	(15,207)	-8.9%
Other Countries	2,025	0.1%	4,153	0.7%	(2,128)	-51.2%
<b>Total</b>	<b>657,944</b>	<b>100.0%</b>	<b>632,553</b>	<b>100.0%</b>	<b>25,391</b>	<b>4.0%</b>

(euro thousand)	31.03.2018	%	31.03.2017	%	Change	%
<b>APPLICATION</b>						
Passenger Cars	494,200	75.1%	476,388	75.3%	17,812	3.7%
Motorbike	66,952	10.2%	62,706	9.9%	4,246	6.8%
Commercial Vehicle	63,939	9.7%	57,636	9.1%	6,303	10.9%
Racing	32,767	5.0%	35,707	5.7%	(2,940)	-8.2%
Miscellaneous	86	0.0%	116	0.0%	(30)	-25.9%
<b>Total</b>	<b>657,944</b>	<b>100.0%</b>	<b>632,553</b>	<b>100.0%</b>	<b>25,391</b>	<b>4.0%</b>

### RATIO TO SALES



## Foreseeable Evolution

The order backlog forecast confirms that sales will continue to rise in the remainder of the year, although the currency trends might curtail their growth also in the forthcoming months.

Therefore, we will continue to carefully monitor the evolution of the global macroeconomic scenario.



# Directors' Report on Operations and Significant Events

## Macroeconomic Context

In order to properly assess Brembo's performance for the first quarter of 2018, the worldwide macroeconomic scenario should be taken into consideration, with particular reference to the increasing number of markets in which the Group operates.

The global economy continues to grow. The International Monetary Fund (IMF) has confirmed its forecasts of an increase in global gross domestic product (GDP) of +3.9% in 2018 and 2019. According to the update to the World Economic Outlook published by the IMF in April 2018, global growth was mainly attributable to the effects of US fiscal policy changes. Beyond 2019, global growth is projected to gradually decline to +3.7%. This projection is attributable to a moderate slowing of developed economies and stabilisation of developing economies. In its April update, the IMF also revised its growth estimated slightly upwards for the United States (+2.9% in 2018 and +2.7% in 2019), as well as for the Eurozone, which will reach +2.4% at the end of this year and +2.0% in 2019. The IMF economists estimated that GDP will increase in all major Eurozone countries in 2018, in particular +2.8% in Spain, +2.5% in Germany, +2.1% in France and +1.5% in Italy.

Within the **Eurozone**, the economic recovery is expected to continue, reflecting an increase in domestic demand, monetary policy and the prospects for an increase in foreign demand. The region's GDP will increase by 2.4% this year (0.2 percentage points more than estimated in January), whereas in 2019 economic growth will slow to +2.0%, precisely as estimated in previous forecasts. According to the IMF's estimates, Italy is expected to grow by 1.5% in 2018, as also forecast by the Italian government in the note updating its economic and finance document of last September. The study published by the Confindustria Research Centre also confirmed the gradual recovery of Italian industrial production, particularly following the sharp fluctuations seen in December and January, primarily due to an unusual occurrence of holidays. However, in the first quarter of 2018, the performance of industry and its contribution to GDP growth were more modest than in the fourth quarter of 2017, increasing by 0.2%, compared with +0.9% in the fourth quarter of 2017. According to the April Markit Economics survey, economic activity in the Eurozone continues to grow, yet the growth rate has remained considerably lower than in previous months, signalling weakening demand and pressure on supply. Slower order flow and a less optimistic outlook for the future suggest that growth may slow in May. The survey also pointed to an increase in the employment rate, with a sharp rise in the number of jobs in April compared with the survey's historical standards, while remaining below the levels of the beginning of the year.

Turning to the **United States**, the IMF's economists revised their growth estimates upwards for both 2018 (+2.9%) and 2019 (+2.7%), by 0.2 percentage points in both cases, compared with the estimates provided in last January's update to the World Economic Outlook. Growth forecasts for the United States were revised upwards in view of the significant factors that occurred in 2017 and are expected for 2018, including solid foreign demand and the effects of the tax policy introduced at the end of 2017 in terms of the reduction of corporate tax rates and the temporary allowance for full expensing of investment. The revision also reflects higher public spending following the February 2018 bipartisan budget agreement. The IMF also confirmed its growth forecast for the **Mexican** economy at +2.3% in 2018 and +3.0% in 2019.

The recovery of the **Japanese** economy is confirmed, with nationwide growth consolidated at around 1.7% in 2017, although according to the most recent update to the World Economic Outlook growth is expected to slow to approximately +1.2% in 2018 and +0.9% in 2019. The growth of manufacturing activity was a positive factor in April, remaining in the expansionary territory for the eighth consecutive month. The preliminary reading of the

Purchasing Manager's Index (PMI) prepared by Markit/Nikkei showed a slight increase in April to 53.3 points from 53.1 points at the end of March.

The BRICS (Brazil, Russia, India and China) continue to grow, driven primarily by China and India. The IMF confirmed its growth forecast for all of Asia at 6.5% in 2018 and 6.6% in 2019, led by **China** (6.6% and 6.4%) and **India** (7.4% and 7.8%). In the long term, growth is expected to fall gradually in China, but to remain essentially stable in the ASEAN-5 region (Indonesia, Malaysia, Philippines, Thailand and Vietnam).

The **Russian** economy continues to recover, set to grow by 1.7% in 2018 and by 1.5% in 2019, as estimated by the IMF's economists in the most recent edition of the World Economic Outlook.

After a deep recession, the **Brazilian** economy, which returned to growth in 2017, is expected to post a further increase in gross domestic product in real terms (i.e., net of inflation) in 2018 and 2019, estimated at +2.3% and +2.5%, respectively.

Turning to commodities trends, the average price of oil increased gradually and significantly in the first quarter of the year to over USD 60 a barrel. In the update to the World Economic Outlook published in April, the IMF revised upwards the average prices of the three oil benchmarks — Brent, Dubai and West Texas Intermediate (WTI) — forecasting a price of USD 62.30 a barrel at the end of 2018 and of USD 58.20 a barrel at the end of 2019, with an increase of 22.2 percentage points on 2017 (USD 52.80 a barrel).

## Currency Markets

**I**n the first quarter of 2018, the **U.S. dollar**, after opening the period at 1.2065 (2 January), gained ground against the euro, reaching 1.1932 (9 January), after which it once again plummeted to 1.2493 (15 February), followed by lateral movement within a range of 1.21 to 1.24. The dollar closed the period at 1.2321, higher than the quarterly average rate of 1.229450.

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level, the **pound sterling** opened the period by appreciating considerably against the euro, reaching 0.87038 on 25 January. It then depreciated to 0.89513 (7 March), followed by renewed appreciation near the end of the period. At the end of the period, the currency stood at 0.8749, in line with the average for the period (0.883382).

The **Polish zloty**, after opening the quarter at 4.1633, appreciated to 4.1422 (26 January), followed by lateral movement until the end of February. The currency began to depreciate in March, reaching 4.2364 on 21 March. At the end of the period, the currency stood at 4.2106, above the quarterly average rate (4.179255).

The **Czech koruna** opened the period at 25.494, depreciating to 25.594 on 5 January, after which it completely reversed direction, appreciating to 25.192 (2 February). The currency then moved laterally, followed by depreciation to levels even lower than its opening value. At the end of the period, the currency stood at 25.4250, essentially in line with the average for the period (25.400321).

The **Swedish krona** began the quarter at 9.8283, remaining at this level until 31 January, after which it reversed course and depreciated considerably, reaching the closing rate of 10.2843, above the quarterly average of 9.973074.

In the Far East, the **Japanese yen** opened the period at 135.35 and then depreciated against the euro, reaching 137.22 on 22 February. The currency then made an about-face, appreciating against the euro once more to reach 129.74 (23 March). At the end of the period, the currency stood at 131.15, below the quarterly average rate (133.135055).

The **Chinese yuan/renminbi** opened the quarter at 7.8338, alternating between periods of depreciation and appreciation (7.9261 on 15 February and 7.7285 on 28 February), closing the period up considerably. At the end of the period, the currency stood at 7.7468, below the average for the period (7.814917).

The **Indian rupee** opened the quarter at 76.6005, constantly losing ground to the euro and reaching 80.898 on 8 March. At the end of the period, the currency stood at 80.296, above the quarterly average rate (79.156622).

In the Americas, the **Brazilian real** began the period by appreciating to 3.8571 (9 January) and then depreciated constantly to 4.1264 on 28 March. At the end of the period, the currency stood at 4.0938, value above the average rate for the period (3.990143).

The **Mexican peso** began the quarter at 23.5534, immediately appreciating to 22.8062 (22 January) and then alternating between depreciation and appreciation within a range of 23.4 to 22.8. At the end of the period, the currency stood at 22.5249, below the quarterly average rate (23.036187).

The **Argentine peso** started the quarter by appreciating against the euro, reaching 22.124, and then reversed course, losing ground constantly throughout the period to reach 25.3272 on 8 March. At the end of the period, the currency stood at 24.8189, above the average rate for the period (24.203259).

Finally, the **Russian rouble** began the period by appreciating against the euro, reaching 68.0535 on 9 January. The currency then reversed course, losing ground to reach 71.2558 (13 February), followed by rapid appreciation to around 69. In March, it reversed course again, losing ground and falling to its previous values of mid-February. At the end of the period, the currency stood at 70.8897, above the quarterly average rate (69.946407).

## Operating Structure and Reference Markets

**I**n the first quarter of 2018, Brembo's consolidated net sales amounted to €657,944 thousand, up 4.0% compared to the first quarter of 2017 (€632,553 thousand).

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

### Cars

**D**uring the first quarter of 2018, the global light vehicles market showed a 2.4% increase in sales compared to the same period of 2017, mainly driven by the Chinese and Eastern European markets.

The Western European market (EU15+EFTA) closed the first quarter of 2018 with registrations at -0.3% compared to the same period of 2017. The major five markets of reference reported an uneven performance: Germany (+4.0%), France (+2.9%) and Spain (+10.5%) contributed to growth, whereas Italy and the United Kingdom decreased to -1.5% and -8.9%, respectively. Car registrations in Eastern Europe (EU 12) rose by 11.9% compared to the first quarter of 2017.

Light vehicle registrations in Russia continued to show positive sings, ending the first quarter of 2018 with a 21.7% increase in sales compared to the same period of the previous year.

In the first quarter of 2018, the United States reported a positive performance, with light vehicle sales increasing by 2.0% overall compared to the first quarter of 2017. The Brazilian and Argentine markets confirmed their recovery trend and closed the first quarter with sales up by 15.4% overall.

In Asian markets, China closed the first quarter of 2018 on a positive note with a 2.4% increase in sales of light vehicles compared to same period of the previous year, once again confirming its position as the world's top market. On the contrary, Japan recorded a negative performance, ending the quarter with sales at -2.0%.

Within this scenario, Brembo reported €494,200 thousand net sales for car applications in the first quarter of 2018, accounting for 75.1% of the Group's turnover, up by 3.7% compared to the same period of 2017.

## Motorbike

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

In the first quarter of 2018, sales of motorbikes and scooters in Italy rose by 1.4% compared to the same period of 2017; considering registrations of motorbikes alone, the increase amounted to 10.1% (motorbikes with displacements over 500cc declined by 4.0%). With regard to the other European markets, registrations of motorbikes and scooters grew in the United Kingdom (+7.7%), Spain (+24.5%) and Germany (+1.7%).

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) declined by 3.5% in the first quarter of 2018 compared to the same period of 2017. ATVs alone decreased by 0.7%, while motorbikes and scooters together declined by 4.6%.

The Japanese market, considering displacements over 50cc overall, reported a 2.9% increase in registrations compared to the same period of the previous year.

In the quarter under review, registrations of two-wheel vehicles in Brazil rose by 4.0% compared to 2017.

Registrations of two-wheel vehicles grew in India as well, up by 23.9% in the reporting period compared to the first quarter of 2017.

In the first quarter of 2018, Brembo's net sales of motorbike applications amounted to €66,952 thousand, increasing by 6.8% compared to the first quarter of 2017.

## Commercial and Industrial Vehicles

In the first quarter of 2018, the European commercial vehicles market (EU15+EFTA), Brembo's reference market, showed a 2.5% increase in registrations.

In the reporting period, sales of light commercial vehicles (up to 3.5 tonnes) in Europe increased by 2.7% overall compared to the same period of 2017. Among the first five European markets by sales volume, a positive performance was reported by Germany (+2.3%), Spain (+9.3%), France (+6.0%) and Italy (+4.1%), whereas the United Kingdom showed a downtrend, decreasing by 3.7%. Within this segment, Eastern European countries alone grew by 7.3% in the first three months of 2018 compared to the same period of 2017.

The segment of medium and heavy commercial vehicles (over 3.5 tonnes) grew in Europe, closing the first quarter with a +2.2% increase compared to the same period of the previous year. Among the first five European markets by sales volume, a significant uptrend was reported by France (+9.7%), Italy (+8.0%) and Spain (+5.6%), whereas the United Kingdom and Germany declined (-10.0% and -4.5%, respectively). In Eastern European countries, sales of commercial vehicles over 3.5 tonnes rose by 10.8% compared to the same period of the previous year.

In the first quarter of 2018, Brembo's net sales of applications for this segment totalled €63,939 thousand, up 10.9% compared to the first quarter of 2017.

## Racing

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

In the first quarter of 2018, Brembo's net sales of racing applications amounted to €32,767 thousand, decreasing by 8.2% compared to the first quarter of 2017.

## Significant Events During the Quarter

No significant events occurred in the first quarter of 2018.

## 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.

## Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 20 April 2018 passed a new plan for the buy-back and sale of own shares with the following objectives:

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

The maximum number of shares that may be purchased is 8,000,000 that, with the 8,735,000 own shares already held (2.616% of share capital), represent 5.012% of the Company's share capital.

Own shares shall be purchased and sold up to a maximum amount of €144 million:

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

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

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

## Significant Events After 31 March 2018

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 20 April 2018 approved the Financial Statements for the financial year ended 31 December 2017, allocating profit for the year amounting to €149,484 thousand as follows:

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

**Statement Pursuant to Article 154-*bis*, Paragraph 2, Part IV, Title III, Chapter II, Section V-*bis*, of Italian Legislative Decree No. 58 of 24 February 1998: "Consolidation Act on Financial Brokerage Pursuant to Articles 8 and 21 of Italian Law No. 52 of 6 February 1996"**

RE: Interim Report at 31 March 2018, approved on 8 May 2018.

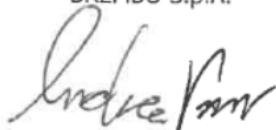
I, the undersigned, Andrea Pazzi, the Manager in charge of the financial reports of BREMBO S.p.A. hereby

**DECLARE**

in accordance with Article 154-*bis*, paragraph 2, part IV, title III, chapter II, section V-*bis*, of Italian Legislative Decree No. 58 of 24 February 1998, that to the best of my knowledge, the Interim Report at 31 March 2018 corresponds with the documented results, books and accounting records.

Andrea Pazzi

BREMBO S.p.A.



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**BREMBO S.p.A.**

Registered offices: CURNO (Bergamo) - Via Brembo, 25

Share capital: €34,727,914.00

Tax Code (VAT Code) - Bergamo Register of Companies No. 00222620163