

BREMBO
THIRD QUARTER REPORT
2019



CONTENTS

Company Officers	3
Summary of Group Results	5

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position	9
Consolidated Statement of Income	10
Consolidated Statement of Comprehensive Income	11
Consolidated Statement of Cash Flows	12
Consolidated Net Financial Position	12
Consolidated Statement of Changes in Equity	13

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Accounting Standards and Basis of Preparation	14
Consolidation Area	14
Notes on the Most Significant Changes in Items of the Consolidated Financial Statements	15
Sales Breakdown by Geographical Area and Application	17
Foreseeable Evolution	19

DIRECTORS' REPORT ON OPERATIONS AND SIGNIFICANT EVENTS

Macroeconomic Context	20
Currency Markets	22
Operating Structure and Reference Markets	23
Significant Events During the Quarter	25
Opt-out from the Obligations to Publish Disclosure Documents	25
Buy-back and Sale of Own Shares	25
Significant Events After 30 September 2019	25

ATTESTATION OF THE MANAGER IN CHARGE OF THE COMPANY'S

FINANCIAL REPORTS	26
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Company Officers

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

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

BOARD OF DIRECTORS

Chairman

Alberto Bombassei ^{(1) (8)}

Executive Deputy Chairman

Matteo Tiraboschi ^{(2) (8)}

Chief Executive Officer

Daniele Schillaci ^{(3) (8)}

Directors

Valerio Battista ^{(4) (9)}

Cristina Bombassei ^{(5) (8)}

Barbara Borra ⁽⁴⁾

Giovanni Canavotto ⁽⁷⁾

Laura Cioli ⁽⁴⁾

Nicoletta Giadrossi ^{(4) (6)}

Umberto Nicodano ⁽⁷⁾

Gianfelice Rocca ⁽⁴⁾

BOARD OF STATUTORY AUDITORS ⁽¹⁰⁾

Chairwoman

Raffaella Pagani ⁽⁶⁾

Acting Auditors

Alfredo Malguzzi

Mario Tagliaferri

Alternate Auditors

Myriam Amato ⁽⁶⁾

Marco Salvatore

INDEPENDENT AUDITORS

EY S.p.A. ⁽¹¹⁾

MANAGER IN CHARGE OF THE COMPANY'S FINANCIAL REPORTS

Andrea Pazzi ⁽¹²⁾

COMMITTEES

Control, Risks & Sustainability Committee ⁽¹³⁾

Laura Cioli **(Chairwoman)**

Barbara Borra

Nicoletta Giadrossi

Remuneration & Appointments Committee

Barbara Borra **(Chairwoman)**

Nicoletta Giadrossi

Umberto Nicodano

Supervisory Committee

Alessandro De Nicola **(Chairman)** ⁽¹⁴⁾

Laura Cioli

Alessandra Ramorino ⁽¹⁵⁾

- (1) The Chairman is the Company's legal representative and has powers of ordinary management, within the limits of the law.
- (2) The Executive Deputy Chairman is the Company's legal representative; the Board of Directors granted him special powers to manage the Company.
- (3) As announced in the press release issued on 3 May 2019, following the resignation of Andrea Abbati Marescotti from his position as Chief Executive Officer and the ensuing waiver of all related powers as of 1 July 2019, the Board of Directors held on 28 June 2019, in compliance with Article 2386 of the Italian Civil Code, co-opted Daniele Schillaci and appointed him Chief Executive Officer, vesting him with all related powers. The Ordinary General Shareholders' Meeting held on 29 July 2019 confirmed his appointment through to the end of the term of the current Board of Directors, i.e., until the approval of the 2019 Financial Statements. The Board of Directors granted Daniele Schillaci 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 the 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) 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.
- (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 Internal Control & Audit Committee 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 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.
- (13) This Committee also acts as the Related Party Transactions Committee.
- (14) Private practice lawyer - Senior Partner of Orrick Italian offices.
- (15) Chief Internal Audit Officer.

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

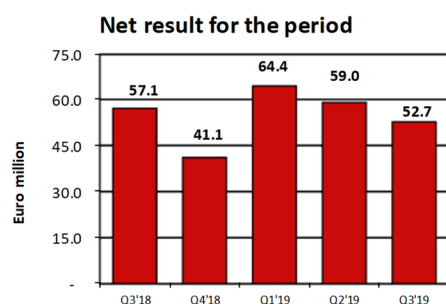
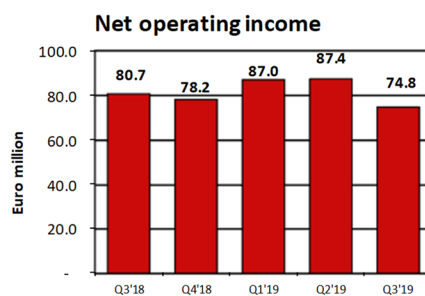
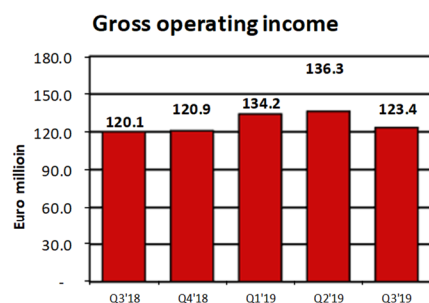
Summary of Group Results

It bears recalling that the Group adopted the new IFRS 16 effective 1 January 2019, using the modified retrospective method, option B, without restating contracts already in place at 1 January 2019 and not applying the standard to low-value and short-term assets.

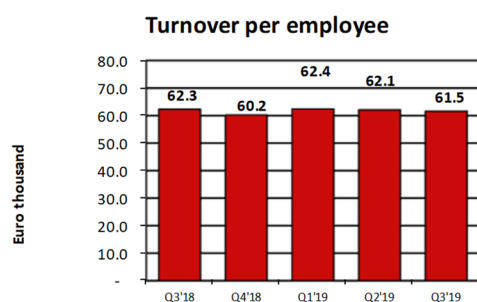
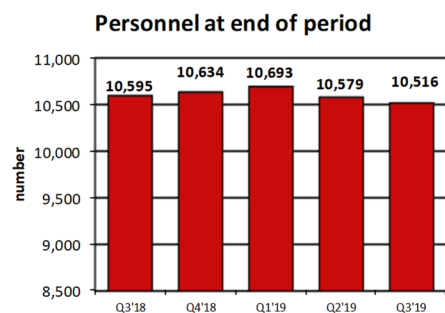
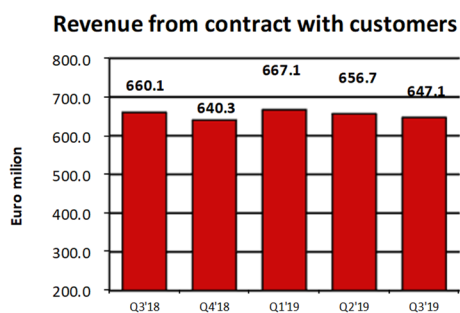
Data at 30 September 2019 include the following impacts due to the adoption of the new Standard:

- €173.9 million increase in Net Invested Capital;
- €175.2 million increase in Net Financial Position;
- €17.3 million reversal of rental costs;
- €14.8 million increase in depreciation;
- €3.8 million increase in interest expense.

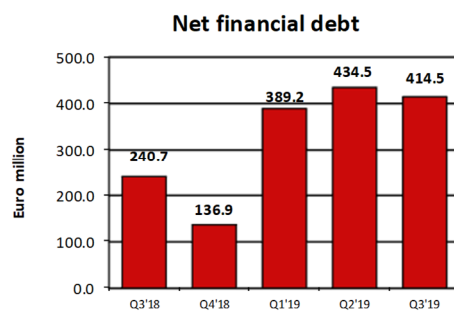
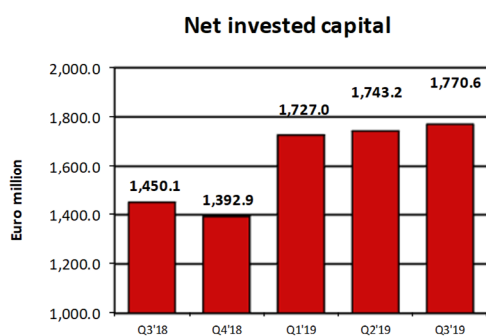
It should be noted that, as of 30 June 2019, Brembo decided to discontinue its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. will be placed in liquidation. Brembo took this decision as it was impossible to boost new projects because of the sharp downtrend experienced by the Argentinian automotive sector and its quite discouraging recovery prospects. Accordingly, all main local manufacturers decided not to proceed with industrial projects nor to launch new models. Consequently, in accordance with IFRS 5, the company's asset and liability items have been reclassified to "Assets/Liabilities from discontinued operations", whereas the item of its statement of income have been reclassified to "Result from discontinued operations".



ECONOMIC RESULTS (euro million)	A				B	% B/A
	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	
Revenue from contract with customers	660.1	640.3	667.1	656.7	647.1	-2.0%
Gross operating income	120.1	120.9	134.2	136.3	123.4	2.7%
% of revenue from contract with customer	18.2%	18.9%	20.1%	20.8%	19.1%	
Net operating income	80.7	78.2	87.0	87.4	74.8	-7.4%
% of revenue from contract with customer	12.2%	12.2%	13.0%	13.3%	11.6%	
Result before taxes	75.8	69.0	83.9	84.0	69.2	-8.7%
% of revenue from contract with customer	11.5%	10.8%	12.6%	12.8%	10.7%	
Net result for the period	57.1	41.1	64.4	59.0	52.7	-7.8%
% of revenue from contract with customer	8.7%	6.4%	9.7%	9.0%	8.1%	



	A				B	
	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	% B/A
FINANCIAL RESULTS (euro million)						
Net invested capital	1,450.1	1,392.9	1,727.0	1,743.2	1,770.6	22.1%
Equity	1,182.3	1,228.8	1,311.1	1,288.5	1,330.9	12.6%
Net financial debt	240.7	136.9	389.2	434.5	414.5	72.2%
PERSONNEL AND INVESTMENTS						
Personnel at end of period (No.)	10,595	10,634	10,693	10,579	10,516	-0.7%
Turnover per employee (euro thousand)	62.3	60.2	62.4	62.1	61.5	-1.2%
Net investments (euro million)	63.2	101.5	40.4	61.5	50.7	-19.8%



MAIN RATIOS	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19
Net operating income/Revenue from contract with customers	12.2%	12.2%	13.0%	13.3%	11.6%
Result before taxes/Revenue from contract with customers	11.5%	10.8%	12.6%	12.8%	10.7%
Net investments/Revenue from contract with customers	9.6%	16.0%	6.3%	9.4%	7.8%
Net Financial indebtedness/Equity	20.4%	11.1%	29.7%	33.7%	31.1%
Adjusted net interest expense(*)/Revenue from contract with customers	0.4%	1.0%	0.6%	0.6%	0.5%
Adjusted net interest expense(*)/Net operating income	3.3%	8.5%	4.4%	4.5%	4.5%
ROI	24.6%	24.8%	20.4%	20.2%	18.8%
ROE	22.5%	19.7%	20.0%	20.5%	18.5%

Notes:

ROI: Net operating income/Net invested capital x annualisation factor(days in the year/days from January 1st).

ROE: Result before minority interests (net of Result from discontinued operations)/Equity x annualisation factor(days in the year/days from January 1st).

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

Consolidated Financial Statements

Consolidated Statement of Financial Position

(euro thousand)	30.09.2019	31.12.2018	Change
ASSETS			
NON-CURRENT ASSETS			
Property, plant, equipment and other equipment	1,055,520	1,041,337	14,183
Right of use assets	173,917	105	173,812
Development costs	82,898	73,304	9,594
Goodwill and other indefinite useful life assets	84,474	82,722	1,752
Other intangible assets	52,069	53,113	(1,044)
Shareholding valued using the equity method	42,695	39,564	3,131
Other financial assets (including investments in other companies and derivatives)	8,370	8,190	180
Receivables and other non-current assets	7,007	2,981	4,026
Deferred tax assets	58,548	62,711	(4,163)
TOTAL NON-CURRENT ASSETS	1,565,498	1,364,027	201,471
CURRENT ASSETS			
Inventories	360,610	342,037	18,573
Trade receivables	451,070	407,414	43,656
Other receivables and current assets	67,820	72,132	(4,312)
Current financial assets and derivatives	741	307	434
Cash and cash equivalents	264,338	345,117	(80,779)
TOTAL CURRENT ASSETS	1,144,579	1,167,007	(22,428)
ASSETS FROM DISCONTINUED OPERATIONS	2,382	0	2,382
TOTAL ASSETS	2,712,459	2,531,034	181,425
EQUITY AND LIABILITIES			
GROUP EQUITY			
Share capital	34,728	34,728	0
Other reserves	106,045	108,784	(2,739)
Retained earnings/(losses)	983,699	817,219	166,480
Net result for the period	176,122	238,349	(62,227)
TOTAL GROUP EQUITY	1,300,594	1,199,080	101,514
TOTAL MINORITY INTERESTS	30,300	29,742	558
TOTAL EQUITY	1,330,894	1,228,822	102,072
NON-CURRENT LIABILITIES			
Non-current payables to banks	239,743	205,872	33,871
Long-term lease liabilities	156,966	19	156,947
Other non-current financial payables and derivatives	2,711	1,553	1,158
Other non-current liabilities	7,862	3,095	4,767
Non-current provisions	12,887	15,500	(2,613)
Provisions for employee benefits	26,405	27,141	(736)
Deferred tax liabilities	25,689	23,705	1,984
TOTAL NON-CURRENT LIABILITIES	472,263	276,885	195,378
CURRENT LIABILITIES			
Current payables to banks	261,017	273,328	(12,311)
Short-term lease liabilities	18,224	75	18,149
Other current financial payables and derivatives	948	1,488	(540)
Trade payables	477,722	566,737	(89,015)
Tax payables	8,349	6,003	2,346
Current provisions	2,239	13,504	(11,265)
Other current liabilities	140,013	164,192	(24,179)
TOTAL CURRENT LIABILITIES	908,512	1,025,327	(116,815)
LIABILITIES FROM DISCONTINUED OPERATIONS	790	0	790
TOTAL LIABILITIES	1,381,565	1,302,212	79,353
TOTAL EQUITY AND LIABILITIES	2,712,459	2,531,034	181,425

Consolidated Statement of Income (Third Quarter 2019)

	Q3'19	Q3'18	Change	%
Ricavi da contratti con clienti	647.147	660.059	(12.912)	-2,0%
Altri ricavi e proventi	5.681	2.562	3.119	121,7%
Costi per progetti interni capitalizzati	3.989	4.796	(807)	-16,8%
Costo delle materie prime, materiale di consumo e merci	(305.527)	(321.272)	15.745	-4,9%
Proventi (oneri) da partecipazioni di natura non finanziaria	3.132	4.124	(992)	-24,1%
Altri costi operativi	(117.062)	(115.489)	(1.573)	1,4%
Costi per il personale	(113.928)	(114.642)	714	-0,6%
MARGINE OPERATIVO LORDO	123.432	120.138	3.294	2,7%
<i>% sui ricavi da contratti con clienti</i>	<i>19,1%</i>	<i>18,2%</i>		
Ammortamenti e svalutazioni	(48.669)	(39.403)	(9.266)	23,5%
MARGINE OPERATIVO NETTO	74.763	80.735	(5.972)	-7,4%
<i>% sui ricavi da contratti con clienti</i>	<i>11,6%</i>	<i>12,2%</i>		
Proventi (oneri) finanziari netti	(5.618)	(4.957)	(661)	13,3%
Proventi (oneri) finanziari da partecipazioni	74	12	62	516,7%
RISULTATO PRIMA DELLE IMPOSTE	69.219	75.790	(6.571)	-8,7%
<i>% sui ricavi da contratti con clienti</i>	<i>10,7%</i>	<i>11,5%</i>		
Imposte	(16.339)	(18.310)	1.971	-10,8%
Risultato derivante dalle attività operative cessate	186	0	186	N/a
RISULTATO PRIMA DEGLI INTERESSI DI TERZI	53.066	57.480	(4.414)	-7,7%
<i>% sui ricavi da contratti con clienti</i>	<i>8,2%</i>	<i>8,7%</i>		
Interessi di terzi	(391)	(373)	(18)	4,8%
RISULTATO NETTO DI PERIODO	52.675	57.107	(4.432)	-7,8%
<i>% sui ricavi da contratti con clienti</i>	<i>8,1%</i>	<i>8,7%</i>		
RISULTATO PER AZIONE BASE/DILUITO (in euro)	0,16	0,18		

Consolidated Statement of Income (30 September 2019)

<i>(euro thousand)</i>	30.09.2019	30.09.2018	Change	%
Revenue from contracts with customers	1,970,986	1,999,746	(28,760)	-1.4%
Other revenues and income	21,171	15,809	5,362	33.9%
Costs for capitalised internal works	18,024	17,397	627	3.6%
Raw materials, consumables and goods	(929,315)	(955,973)	26,658	-2.8%
Income (expenses) from non-financial investments	9,033	12,579	(3,546)	-28.2%
Other operating costs	(346,614)	(358,789)	12,175	-3.4%
Personnel expenses	(349,271)	(350,752)	1,481	-0.4%
GROSS OPERATING INCOME	394,014	380,017	13,997	3.7%
% of revenue from contracts with customer	20.0%	19.0%		
Depreciation, amortisation and impairment losses	(144,796)	(113,178)	(31,618)	27.9%
NET OPERATING INCOME	249,218	266,839	(17,621)	-6.6%
% of revenue from contracts with customer	12.6%	13.3%		
Net interest income (expense)	(12,321)	(10,574)	(1,747)	16.5%
Interest income (expense) from investments	197	133	64	48.1%
RESULT BEFORE TAXES	237,094	256,398	(19,304)	-7.5%
% of revenue from contracts with customer	12.0%	12.8%		
Taxes	(53,331)	(57,292)	3,961	-6.9%
Result from discontinued operations	(6,567)	0	(6,567)	N/A
RESULT BEFORE MINORITY INTERESTS	177,196	199,106	(21,910)	-11.0%
% of revenue from contracts with customer	9.0%	10.0%		
Minority interests	(1,074)	(1,886)	812	-43.1%
NET RESULT FOR THE PERIOD	176,122	197,220	(21,098)	-10.7%
% of revenue from contracts with customer	8.9%	9.9%		
BASIC/DILUTED EARNINGS PER SHARE (euro)	0.54	0.61		

Consolidated Statement of Comprehensive Income (30 September 2019)

<i>(euro thousand)</i>	30.09.2019	30.09.2018	Change
RESULT BEFORE MINORITY INTERESTS	177,196	199,106	(21,910)
Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period:			
Effect of actuarial gain (loss) on defined-benefit plans	(520)	913	(1,433)
Tax effect	192	(163)	355
Effect of actuarial gain (loss) on defined-benefit plans regarding companies valued using the equity method	0	(80)	80
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period	(328)	670	(998)
Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period:			
Effect of hedge accounting (cash flow hedge) of derivatives	(1,787)	0	(1,787)
Tax effect	429	0	429
Change in translation adjustment reserve	10,232	(9,524)	19,756
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period	8,874	(9,524)	18,398
COMPREHENSIVE RESULT FOR THE PERIOD	185,742	190,252	(4,510)
Of which attributable to:			
– Minority Interests	1,358	1,425	(67)
– the Group	184,384	188,827	(4,443)

Consolidated Statement of Cash Flows

<i>(euro thousand)</i>	30.09.2019	30.09.2018	Q3'19	Q3'18
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	195.871	155.973	132.203	98.963
Result before taxes	237.094	256.398	69.219	75.789
Depreciation, amortisation/Impairment losses	144.796	113.178	48.669	39.403
Capital gains/losses	(1.389)	(2.459)	(153)	(1.009)
Income/expense from investments, net of dividends received	(3.131)	(6.614)	(3.206)	(4.136)
Financial portion of provisions for defined benefits and payables for personnel	432	403	142	137
Long-term provisions for employee benefits	1.800	2.855	608	544
Other provisions net of utilisations	4.175	12.493	7.078	5.841
Result from discontinued operations	(6.567)	0	186	0
Cash flows generated by operating activities	377.210	376.254	122.543	116.569
Current taxes paid	(41.117)	(32.296)	(15.215)	(7.678)
Uses of long-term provisions for employee benefits	(3.646)	(2.946)	(1.061)	(1.016)
<i>(Increase) reduction in current assets:</i>				
inventories	(31.255)	(56.851)	(2.584)	4.731
financial assets	(37)	(22)	17	32
trade receivables	(45.171)	(107.253)	3.300	(6.674)
receivables from others and other assets	1.962	(2.323)	3.674	10.588
<i>Increase (reduction) in current liabilities:</i>				
trade payables	(88.501)	62.681	(25.768)	(31.069)
payables to others and other liabilities	(25.133)	6.887	2.474	(558)
Translation differences on current assets	4.244	(1.476)	4.181	(2.754)
Net cash flows from/(for) operating activities	148.556	242.655	91.561	82.171
<i>Investments in:</i>				
property, plant and equipment	(130.720)	(161.338)	(44.358)	(58.478)
of which right of use assets	(11.921)	0	3.765	0
intangible assets	(24.547)	(24.215)	(5.927)	(5.119)
financial assets (shareholdings)	(113)	(1.351)	0	(1)
Price for disposal or reimbursement value of fixed assets	4.129	3.951	(229)	1.374
Net cash flows from/(for) investing activities	(151.251)	(182.953)	(50.514)	(62.224)
Dividends paid in the period	(71.541)	(71.541)	0	0
Acquisition of own shares	(11.329)	0	(11.329)	0
Dividends paid to minority shareholders in the period	(800)	(800)	0	0
Change in fair value of derivatives	(825)	(109)	997	(490)
New lease agreements	11.202	0	(4.484)	0
Reimbursement of lease liabilities	(17.401)	0	(4.823)	0
Loans and financing granted by banks and other financial institutions in the period	103.098	6.265	1.819	6.173
Repayment of long-term loans and other financing	(76.840)	(34.428)	(26.126)	(14.836)
Net cash flows from/(for) financing activities	(64.436)	(100.613)	(43.946)	(9.153)
Total cash flows	(67.131)	(40.911)	(2.899)	10.794
Translation differences on cash and cash equivalents	(3.235)	(4.989)	(3.799)	316
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	125.505	110.073	125.505	110.073

Consolidated Net Financial Position

<i>(euro thousand)</i>	30.09.2019	31.12.2018
Cash	164	132
Other cash equivalents	264,174	344,985
Derivatives and securities held for trading	80	0
LIQUIDITY (A+B+C)	264,418	345,117
Current financial receivables	661	307
Current payables to banks	138,833	149,246
Current portion of non-current debt	122,184	124,082
Other current financial debts and derivatives	19,172	1,563
CURRENT FINANCIAL DEBT (F+G+H)	280,189	274,891
NET CURRENT FINANCIAL DEBT (I-E-D)	15,110	(70,533)
Non-current payables to banks	239,743	205,872
Bonds issued	0	0
Other non-current financial debts and derivatives	159,677	1,572
NON-CURRENT FINANCIAL DEBT (K+L+M)	399,420	207,444
NET FINANCIAL DEBT (J+N)	414,530	136,911

Consolidated Statement of Changes in Equity

	Share Capital	Reserves	Treasury Shares	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
<i>(euro thousand)</i>										
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				191,887	(191,887)	0	(4,472)	4,472	0	0
Payment of dividends					(71,541)	(71,541)		(800)	(800)	(72,341)
<i>Components of comprehensive income:</i>										
Effect of actuarial income/(loss) on defined benefit plans				750		750			0	750
Effect of actuarial income/(loss) on defined benefit plans, for companies valued using the equity method				(80)		(80)			0	(80)
Change in translation adjustment reserve		(9,063)				(9,063)		(461)	(461)	(9,524)
Net result for the period					197,220	197,220	1,886		1,886	199,106
Balance at 30 September 2018	34,728	117,251	(13,476)	818,375	197,220	1,154,098	1,886	26,364	28,250	1,182,348
<hr/>										
Balance at 1 January 2019	34,728	122,260	(13,476)	817,219	238,349	1,199,080	3,127	26,615	29,742	1,228,822
Allocation of profit for the previous year				166,808	(166,808)	0	(3,127)	3,127	0	0
Payment of dividends					(71,541)	(71,541)		(800)	(800)	(72,341)
Acquisition of own shares			(11,329)			(11,329)			0	(11,329)
<i>Components of comprehensive income:</i>										
Effect of actuarial income/(loss) on defined benefit plans				(328)		(328)			0	(328)
Effect of hedge accounting (cash flow hedge) of derivatives		(1,358)				(1,358)			0	(1,358)
Change in translation adjustment reserve		9,948				9,948		284	284	10,232
Net result for the period					176,122	176,122	1,074		1,074	177,196
Balance at 30 September 2019	34,728	130,850	(24,805)	983,699	176,122	1,300,594	1,074	29,226	30,300	1,330,894

Explanatory Notes to the Financial Statements

Accounting Standards and Basis of Preparation

The Interim Report for the third quarter of 2019, which includes the Consolidated Statement of Financial Position, the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and brief related Explanatory Notes, has been prepared in compliance with recognition and measurement criteria provided for by the IFRS endorsed by the European Union, and has been 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 2018 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 should also be pointed out that the value of inventories has been calculated for Brembo S.p.A. by applying the cost of inventories as at 31 May 2019 to the inventory accounting results as at 30 September 2019. Actuarial valuations necessary to determine employee benefits are typically performed during preparation of the Annual Financial Statements. This Interim Report has not been audited.

Consolidation Area

The Financial Statements for the third quarter of 2019 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 third quarter of 2018, no corporate transactions impacting the Group's consolidation area were carried out in the reporting period.

On 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. will be placed in liquidation. Pursuant to IFRS 5, the company's assets and liabilities have been reclassified to "Assets/Liabilities from discontinued operations", whereas its statement of income items have been reclassified to "Result from discontinued operations".

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

The Group's **net sales** for the third quarter of 2019 amounted to €647,147 thousand, down 2.0% compared to the same period of 2018, (-1.4% before Brembo Argentina S.A.'s reclassification), in line with the scenario marked by a significant volume decline across all automotive markets where the Group operates.

In detail, car applications closed the third quarter of 2019 with a 3.7% decline compared to the same period of 2018 (-3.0% before Brembo Argentina S.A.'s reclassification). Applications for commercial were stable compared to the third quarter of 2018, whereas an increase was reported by motorbikes (+6.9%) and racing vehicles (+6.4%).

At geographical level, and in Europe in particular, Germany showed a 15.3% decrease compared to the third quarter of 2018; France and Italy performed positively (+6.1% and +2.6%, respectively), whereas the United Kingdom declined by 1.9%. In North America, sales dropped by 3.6% compared to the same period of the previous year, whereas South America was essentially stable compared to the third quarter of 2018 (+32.8% before Brembo Argentina S.A.'s reclassification). In the Far East, compared to the third quarter of 2018, a positive performance was recorded in India (+14.0%) and China (+2.6%), whereas Japan recorded a decrease (-14.7%).

In the quarter under review, the **cost of sales** and **other net operating costs** amounted to €412,919 thousand, with a ratio of 63.8% to sales, down compared to 65.1% for the same period of the previous year. Within this item, **costs for capitalised internal works** included in intangible assets amounted to €3,989 thousand compared to €4,796 thousand for the third quarter of 2018.

Income (expense) from non-financial investments totalled €3,132 thousand (€4,124 thousand in the third quarter of 2018) and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method.

Personnel expenses amounted to €113,928 thousand, with a 17.6% ratio to sales, essentially in line with the same period of the previous year (17.4%). At 30 September 2019, workforce numbered 10,516 (10,634 at 31 December 2018 and 10,595 at 30 September 2018).

Gross operating income for the quarter was €123,432 thousand (19.1% of sales) compared to €120,138 thousand for the third quarter of 2018 (18.2% of sales).

Net operating income amounted to €74,763 thousand (11.6% of sales), after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets of €48,669 thousand, compared to €80,735 thousand (12.2% of sales) for the third quarter of 2018, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €39,403 thousand.

Net interest expense amounted to €5,618 thousand (€4,957 thousand in the third quarter of 2018) and consisted of net exchange losses of €2,254 thousand (€2,270 thousand for the third quarter of 2018) and interest expense of €3,364 thousand (€2,687 thousand for the same quarter of the previous year).

Net interest income from investments, which amounted to €74 thousand, was attributable to the effects of valuing investments in associates using the equity method.

The **result from discontinued operations**, positive for €186 thousand, was attributable to the contribution to the quarterly results of Brembo Argentina S.A., reclassified to this item following the Group's decision to

discontinue its industrial operations at the Buenos Aires plant, and the ensuing liquidation of the company.

Result before taxes was positive at €69,219 thousand (10.7% of sales) compared to €75,790 thousand (11.5% of sales) in the third quarter of 2018. Based on tax rates applicable for the year under current tax regulations, estimated **taxes** amounted to €16,339 thousand (€18,310 thousand in the third quarter of 2018), with a tax rate of 23.6% compared to 24.2% for the third quarter of 2018.

The **Group's net result** for the reporting period totalled €52,675 thousand compared to €57,107 thousand for the third quarter of 2018.

Net Invested Capital at the end of the period amounted to €1,770,582 thousand, up by €377,708 thousand compared to €1,392,874 thousand at 31 December 2018.

Net financial debt at 30 September 2019 was €414,530 thousand, compared to €136,911 thousand at 31 December 2018. The €277,619 thousand increase for the period was mainly attributable to the combined effect of the following factors:

- the positive effect of gross operating income of €394,014 thousand, with a €190,776 thousand decrease in working capital;
- net investments totalling €152,527 thousand; they were mainly concentrated in Italy (36.8%), of which €14,143 thousand (9.3%) associated with development costs, Poland (22.6%), North America (18.0%) and China (10.9%);
- the Parent's payment of the approved dividends in the amount of €71,541 thousand;
- payment of taxes totalling €41,117 thousand;
- dividends received by the associate BSCCB S.p.A. amounting to €6,000 thousand;
- the impact arising from the application of the new IFRS 16 for €175,191 thousand.

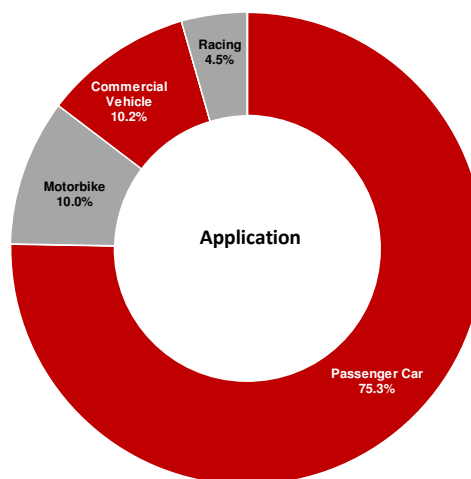
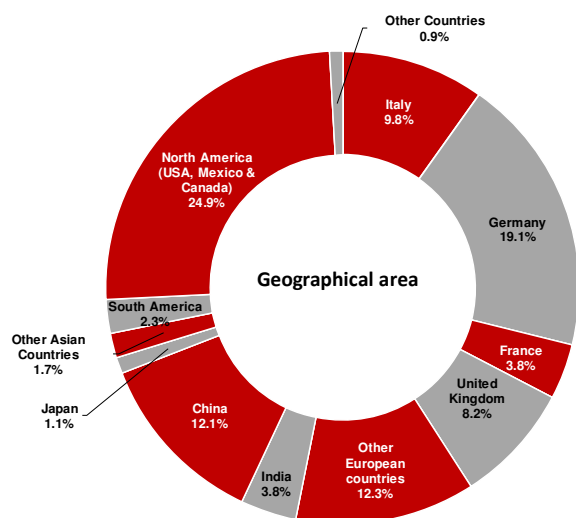
Sales Breakdown by Geographical Area and Application

The following tables show net sales for the third quarter of 2019 and for the period ended 30 September 2019, broken down by application and geographical area.

<i>(euro thousand)</i>	Q3'19	%	Q3'18	%	Change	%
GEOGRAPHICAL AREA						
Italy	62,957	9.8%	61,368	9.3%	1,589	2.6%
Germany	123,447	19.1%	145,782	22.1%	(22,335)	-15.3%
France	24,861	3.8%	23,434	3.6%	1,427	6.1%
United Kingdom	52,879	8.2%	53,923	8.2%	(1,044)	-1.9%
Other European countries	79,602	12.3%	74,391	11.3%	5,211	7.0%
India	24,771	3.8%	21,738	3.3%	3,033	14.0%
China	78,530	12.1%	76,530	11.6%	2,000	2.6%
Japan	7,229	1.1%	8,474	1.3%	(1,245)	-14.7%
Other Asian Countries	10,731	1.7%	10,226	1.5%	505	4.9%
South America (Argentina and Brazil)	15,159	2.3%	15,046	2.3%	113	0.8%
North America (USA, Mexico & Canada)	161,209	24.9%	167,149	25.3%	(5,940)	-3.6%
Other Countries	5,772	0.9%	1,998	0.2%	3,774	188.9%
Total	647,147	100.0%	660,059	100.0%	(12,912)	-2.0%

<i>(euro thousand)</i>	Q3'19	%	Q3'18	%	Change	%
APPLICATION						
Passenger Car	487,537	75.3%	506,095	76.7%	(18,558)	-3.7%
Motorbike	64,606	10.0%	60,410	9.2%	4,196	6.9%
Commercial Vehicle	66,097	10.2%	66,118	10.0%	(21)	0.0%
Racing	29,056	4.5%	27,313	4.1%	1,743	6.4%
Miscellaneous	(149)	0.0%	123	0.0%	(272)	-221.1%
Total	647,147	100.0%	660,059	100.0%	(12,912)	-2.0%

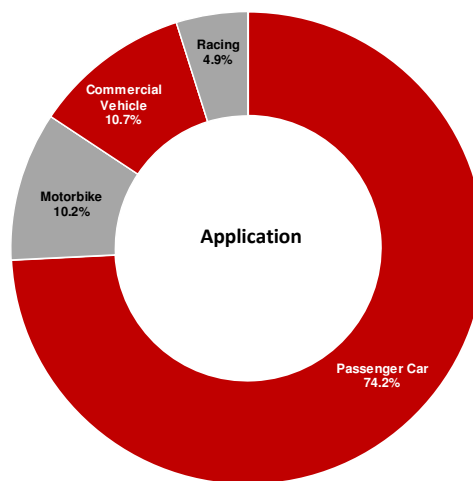
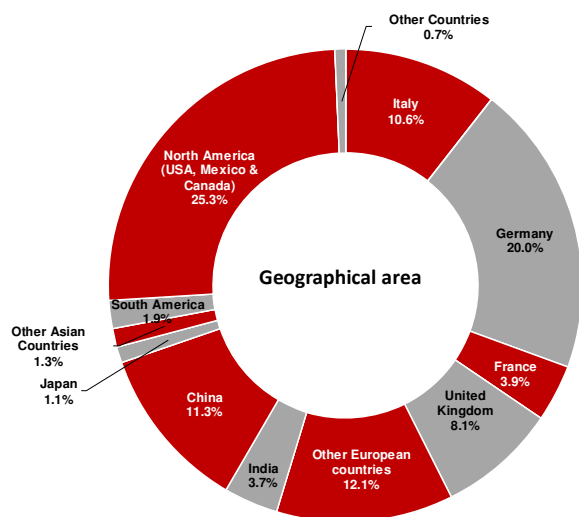
RATIO TO SALES



<i>(euro thousand)</i>	30.09.2019	%	30.09.2018	%	Change	%
GEOGRAPHICAL AREA						
Italy	207,946	10.6%	213,302	10.7%	(5,356)	-2.5%
Germany	393,220	20.0%	457,934	22.9%	(64,714)	-14.1%
France	76,989	3.9%	72,945	3.6%	4,044	5.5%
United Kingdom	159,382	8.1%	159,326	8.0%	56	0.0%
Other European countries	238,417	12.1%	219,886	11.0%	18,531	8.4%
India	71,978	3.7%	61,679	3.1%	10,299	16.7%
China	222,552	11.3%	221,305	11.1%	1,247	0.6%
Japan	20,979	1.1%	23,356	1.2%	(2,377)	-10.2%
Other Asian Countries	26,101	1.3%	32,448	1.6%	(6,347)	-19.6%
South America (Argentina and Brazil)	37,880	1.9%	46,069	2.3%	(8,189)	-17.8%
North America (USA, Mexico & Canada)	498,948	25.3%	483,773	24.2%	15,175	3.1%
Other Countries	16,594	0.7%	7,723	0.3%	8,871	114.9%
Total	1,970,986	100.0%	1,999,746	100.0%	(28,760)	-1.4%

<i>(euro thousand)</i>	30.09.2019	%	30.09.2018	%	Change	%
APPLICATION						
Passenger Car	1,462,292	74.2%	1,526,804	76.4%	(64,512)	-4.2%
Motorbike	201,498	10.2%	190,241	9.5%	11,257	5.9%
Commercial Vehicle	210,433	10.7%	192,460	9.6%	17,973	9.3%
Racing	96,468	4.9%	89,906	4.5%	6,562	7.3%
Miscellaneous	295	0.0%	335	0.0%	(40)	-11.9%
Total	1,970,986	100.0%	1,999,746	100.0%	(28,760)	-1.4%

RATIO TO SALES



Foreseeable Evolution

In light of the automotive sector's ongoing uncertainties, Brembo expects to close the year with a slight decrease in volumes compared to the previous year and to be able to reach profitability in line with 2018.

Directors' Report on Operations and Significant Events

Macroeconomic Context

In order to properly assess Brembo's performance for the third quarter of 2019, the world macroeconomic scenario should be taken into consideration, specifically for the markets in which the Group operates.

According to the October update to the World Economic Outlook published by the International Monetary Fund (IMF), the global economy is in a synchronised slowdown that affects a large number of economies in both developed countries and emerging markets. Translated into numbers, this slowdown means a growth forecast of 3% in 2019 and 3.4% in 2020 (a downward revision of 0.2 percent compared with April).

The World Economic Outlook cites the uncertainties surrounding international trade and weakness in the manufacturing sector among the main causes of slowing growth. The automobile industry is among those most severely affected, not just by the tariffs, but also by the new emissions standards in the Euro Area and China. The IMF estimates the impact of persistent international trade tensions on global GDP in 2020 at -0.8%.

In addition to the tariffs, in the IMF's analysis the main causes of the global slowdown are attributable to geopolitical tensions, tepid productivity growth and aging population in advanced countries. Within this scenario, thus far employment has been supported by the service sector, which, however, the Fund warns, is beginning to feel the effects of the weakness in manufacturing. Advanced economies are expected to grow by 1.7% in both 2019 and 2020, compared with 2.3% in 2018. GDP is forecast to increase by 2.4% in 2019 and by 2.1% in 2020, respectively, in the United States, and by 1.2% and 1.4% in the Eurozone. Germany was subject to the deepest cuts: 0.5% in 2019 and 1.2% in 2020.

In the **Eurozone**, weaker growth in foreign demand and a drawdown of inventories have kept a lid on growth for over a year, as may be seen from the October update to the IMF's World Economic Outlook. The Fund's economists therefore revised their estimates of growth in the Eurozone in 2019 downwards from +1.3% in July to +1.2%, while also paring back their forecasts for 2020 to +1.4% from the previous +1.6%. The IMF explained: "escalating trade tensions are jeopardising the European recovery. We are concerned with recent developments: spiralling taxes may undermine efforts to combat the slowdown of the economy in Europe." The Fund's forecast for UK GDP growth of 1.2% in 2019 assumes an orderly exit from the EU with a positive agreement, but a more abrupt exit could yield a worse outcome.

According to the most recent reading, the last update to the IHS Markit manufacturing PMI decreased from 47 points in August to 45.7 points in September, reaching its lowest level since October 2012. Operating conditions thus worsened in the Eurozone's manufacturing sector, which presented a PMI below the minimum threshold of no change, i.e., 50 points, for the eighth consecutive month. Germany's PMI reached 41.7 points, France's 50.1 points and Spain's 47.7 points. At the Italian level, PMI reached 47.8 points.

For **Italy**, 2019 will be a year of zero growth (-0.1% on the July estimates) and for 2020 the IMF forecasts a recovery to 0.5%. This estimate is weighed down by declining consumption, lower stimulus for growth from budget policies and the international situation. The public deficit is forecast to be 2% in 2019 and 2.5% in 2020. The forecast is consistent with that published by the Confindustria Research Centre, which emphasises that the Italian economy is still at the zero growth threshold: it risks sliding into recession in the event of new shocks, which remain possible, above all on the external front, as shown by the very high level of uncertainty on the markets. In 2020, the Confindustria Research Centre's scenario calls for a downward revision of GDP by 0.4 points compared

with its spring estimates. This is due to the downturn forecast to occur in the second half of 2019, the lower-than-expected performance of global trade (due to flaring protectionist tensions and geo-economic uncertainty) and the greater-than-expected deterioration of production activity in Germany (the number-one export market for Italian products). Turning to the job market, on the basis of the most recent ISTAT data, in August 2019 estimated job-holders were essentially stable on July; the employment rate was 59.2%.

In the **United States**, growth slowed from 2.9% in 2018 to 2.1% in 2020. Retail sales declined by 0.3% in September, falling short of analysts' expectations (+0.3%), following the +0.6% recorded in August (revised upwards from +0.4%). The decline, which was spread across all sectors, was particularly pronounced in the automotive and materials construction sectors. Net of the automotive sector, the change was -0.1%. Industrial output shrank by 0.4% in September, more sharply than expected, whereas the August figure was revised upwards (from +0.6% to +0.8%). The decline was due in large part to the automotive and manufacturing sectors.

The **Japanese economy** is at risk of a contraction, consolidating the entire country's growth around 0.9% in 2019. The most recent update to the World Economic Outlook revises the growth estimate up slightly for the following year, confirming slowing Japanese economic growth to around +0.5% in 2020. The Jibun Bank Flash Japan Manufacturing and Services PMI, compiled by HIS Markit, fell from 51.5 points in September to 49.8 points in October, signalling the first decline in production in the Japanese private sector in just over three years. This PMI level indicates that the annual GDP growth rate has remained stable since the beginning of the fourth quarter. This contraction, above all in the service sector, is mainly due to the increased sales tax, which just entered into effect.

Over the last year, growth in the BRIC economies (Brazil, Russia, India and China) slowed sharply from the historical average in recent years. According to the OECD's estimates, the **Indian economy** will grow by 6.0% this year and by 6.2% next year, whereas growth in **China** will amount to +6.1% in 2019 and +5.7% in 2020, both revised downwards from the May estimates. In the third quarter of 2019, the Chinese economy slowed its growth rate to 6%. A performance that fell slightly short of expectations and represents the worst figure since the first quarter of 1992: a further sign that the global economy is slowing, amidst the effects of the US-China trade dispute and diminishing manufacturing activity and investments. Chinese GDP growth amounted to 6.2% in the second quarter of 2019. The subsequent further slowing was due in part to the weak performance of exports, which declined by 0.4% (whereas imports decreased by 6.5%). On 1 September, the US began to levy additional 15% tariffs on \$110 billion of Chinese goods, on top of the 25% tariffs previously introduced on \$250 billion of imported goods.

The **Russian economy** continues to recover and is set to grow at a rate of 1.1% in 2019 and of 1.9% in 2020. According to the IMF economists' estimates, growth has been weaker this year than forecast in April, but is projected to recover next year, contributing to the upward revision to projected 2020 growth for the region. The decline in growth this year was particularly influenced by the complex economic and financial policies.

Brazil continued in its gradual recovery from the profound depression of 2015-2016, confirming its estimated growth rates for 2018 (+0.9%) and 2019 (+2.0%). According to the OECD's September update, lower real interest rates provide support for private consumption, and progress towards implementing reforms should help to support investment.

Turning to commodities trends, the average price of oil declined in the first nine months of the year compared to 68.33 dollars a barrel at the end of 2018. In fact, in the last update to the World Economic Outlook published in October, IMF economists sharply revised downwards the average prices of the three oil benchmarks — UK Brent, Dubai Fateh and West Texas Intermediate (WTI) — on the July figures, forecasting a price of 61.78 dollars a barrel (-5.5%) at the end of 2019 and of 57.94 dollars a barrel (-3.7%) at the end of 2020, with a decrease of 9.6 percentage points compared to year-end 2018.

Currency Markets

In the third quarter of 2019, the **US dollar** reached its highest rate for the period of 1.1349, followed by a period of constant appreciation until mid-August. It then reversed course, remaining at around 1.1100, to then appreciate constantly and close the reporting quarter at its lowest rate for the period of 1.0889, below the quarterly average of 1.1116.

Turning to the other currencies of Brembo's main markets of industrial and commercial operation, the **pound sterling** began the quarter at around 0.8950, to depreciate markedly until late July, reaching its highest rate for the period of 0.9283 on 13 August. The currency then appreciated constantly to reach its lowest rate of 0.8815 on 24 September. At the end of the period, the currency stood at 0.8857, below the quarterly average rate (0.9020).

The **Polish zloty** began the third quarter by reaching its lowest rate for the period of 4.2427. The currency then depreciated sharply until late August, followed by further depreciation, reaching the highest rate for the period of 4.3915 on 25 September. At the end of the period, the currency stood at 4.3782, above the quarterly average rate (4.3198).

The **Czech koruna** began the quarter at its lowest rate for the period of 25.4340 (4 July) and then depreciated constantly throughout the quarter, reaching its highest rate for the period of 25.9190 on 2 September. In the final month of the quarter, the currency moved laterally within a range of 25.80-25.90. At the end of the period, the currency stood at 25.8160, slightly above the quarterly average rate (25.7390).

The **Swedish krona** began the quarter by depreciating slightly and then appreciated to its lowest rate for the period of 10.4947 on 25 July. The currency then depreciated sharply to above 10.7500 in early August, to then fluctuate laterally within a range of 10.70-10.80 for the entire month. The currency reached its highest rate for the period of 10.8395 on 30 August, after which it appreciated to around the average values for the period. At the end of the period, the currency stood at 10.6958, slightly above the quarterly average rate (10.6643).

In Asia, the **Japanese Yen** opened the reporting period at 122.9300, reaching its high for the period, and then underwent sharp, constant appreciation until 3 September (lowest rate for the period of 116.0500). Subsequently, it depreciated markedly, to then slightly appreciate at the end of the quarter. At the end of the period, the currency stood at 117.5900, below the quarterly average rate (119.2755).

The **Chinese yuan/renminbi** began the quarter at values near the average for the period, to then appreciate slightly but constantly, reaching 7.6177 (its lowest rate for the period) on 1 August. The currency then depreciated sharply until mid-August (due to increasing trade tensions), followed by a slight appreciation and then a further depreciation, bringing it to its highest rate for the period of 7.9519 on 27 August. In the final month of the quarter, the currency appreciated constantly, to close at around the average values. At the end of the period, the currency stood at 7.7784, slightly below the quarterly average rate (7.8018).

The **Indian rupee** began the quarter by appreciating until 1 August, reaching its lowest value for the period of 76.2720. The currency then depreciated sharply and decisively, reaching its highest rate for the period of 80.1865 on 13 August. The currency then entered a lateral phase in September, after which it appreciated once more, ending the quarter below the average rate. At the end of the period, the currency stood at 77.1615, below the quarterly average rate (78.2953).

In the Americas, the **Brazilian real** began the quarter at around 4.3500, appreciating in July to reach its lowest rate for the period of 4.1771 on 25 July. The currency then depreciated sharply and constantly, reaching its highest rate for the period of 4.6144 on 27 August. In the final month of the quarter, the currency remained in the lateral range of 4.45-4.60. At the end of the period, the currency stood at 4.5288, slightly above the quarterly average rate (4.4124).

The **Mexican peso** began the reporting quarter by appreciating, to then return to a rate around the average for the period. In the second half of July, it appreciated further, reaching 21.1145 on 25 July, its lowest rate for the period. The currency then depreciated sharply, decisively and constantly, reaching its highest rate for the quarter of 22.2046 on 29 August. In September, it underwent further sharp appreciation until mid-month, stabilising within a range of 21.30-21.50 for the remainder of the period. At the end of the period, the currency stood at 21.4522, below the average for the period (21.5971).

The **Argentine peso** began the quarter by reaching its lowest rate for the period of 46.8406 on 9 July. After a lateral phase that lasted until mid-August, the Argentine currency underwent decisive, very rapid depreciation, fuelled by concerns surrounding the country's financial stability, reaching its highest rate for the quarter of 66.6643 on 15 August. Then, after appreciating slightly, the currency remained within the range of 60-63. At the end of the period, the currency stood at 62.3995, above the quarterly average rate (55.9248).

The **Russian rouble** began the quarter at around the average for the period, to then appreciate constantly until the end of July. The currency then depreciated sharply, reaching its high for the period of 74.2984 on 19 August. It then appreciated sharply and decisively to its lowest rate for the period of 70.0259 on 24 September. At the end of the period, the currency stood at 70.7557, below the quarterly average rate (71.8445).

Operating Structure and Reference Markets

In the third quarter of 2019, Brembo's consolidated net sales amounted to €647,147 thousand, down 2.0% compared to the third quarter of 2018 (€660,059 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.

Passenger Cars

In the third quarter of 2019, the global light vehicle market showed a 3.4% decrease in sales compared to the same period of 2018, mainly due to the performance of the Chinese market.

Western Europe (EU15+EFTA) closed the third quarter of 2019 with a -1.8% decrease in car registrations compared to the same period of 2018. Among the main markets, a positive contribution came from Germany (+6.8%), France (+0.1%) and Italy (+4.2%), whereas the United Kingdom and Spain recorded a decline (-0.6% and -11.4%, respectively). Eastern Europe (EU12) saw a 5.2% increase in car registrations in the third quarter of 2019 compared to the same period of 2018.

In Russia, light vehicle registrations showed negative signs, closing the third quarter of 2019 with a -1.2% decrease compared to the same period of the previous year.

By contrast, the United States closed the third quarter of 2019 reporting an overall 0.8% increase in sales of light vehicles compared to the same period of 2018.

In the third quarter of 2019, the Brazilian and Argentine markets declined by 2.5% on the third quarter of 2018.

In Asian markets, China closed the third quarter of 2019 on a negative note, with a 5.7% decline in sales of light vehicles compared to same period of the previous year, but it nevertheless remained the number-one market in the world. The Japanese market showed a positive performance, ending the quarter with a +7.8% increase in sales compared to the same period of 2018.

Within this scenario, Brembo's net sales of car applications in the third quarter of 2019 amounted to €487,537 thousand, accounting for 75.3% of the Group's turnover, down 3.7% compared to the same period of 2018 (-

3.0% before Brembo Argentina S.A.'s reclassification).

Motorbikes

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

In Italy, sales of motorbikes and scooters rose by 6.0% in the third quarter of 2019 compared to the same period of 2018; the increase amounted to 5.0% when considering registrations of motorbikes with displacements over 500cc alone.

All the other major European markets (Germany, France, Spain and the United Kingdom) ended the third quarter of 2019 with sales of motorbikes and scooters up by +5.0%. The increase was 9.0% when considering registrations of motorbikes with displacements over 500cc alone.

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) for the third quarter of 2019 were essentially in line (-0.2%) with the same period of 2018.

In the third quarter of 2019, registrations in the Japanese market rose by 20.0%, considering displacements over 50cc overall, whereas the Indian market (motorbikes and scooters together) dropped by 21.0% overall.

The Brazilian market showed an 11.0% increase in the third quarter of 2019 compared to the same period of the previous year.

Brembo's net sales of motorbike applications in the third quarter of 2019 amounted to €64,606 thousand, increasing by 6.9% compared to the same period of 2018.

Commercial and Industrial Vehicles

In the third quarter of 2019, the European commercial vehicles market (EU15+EFTA) — Brembo's reference market — showed an overall 2.1% increase in registrations compared to the same period of the previous year.

In the reporting period, sales of light commercial vehicles (up to 3.5 tonnes) increased in Europe by 6.0% overall. Among the first five European markets by sales volume, a positive performance was reported by Germany (+10.2%), Spain (+1.0%), France (+6.8%) and Italy (+9.6%), whereas the United Kingdom witnessed a downtrend, decreasing by 3.6%. In Eastern European countries alone, registrations rose by 5.7% in the reporting quarter, compared to the same period of 2018.

The segment of medium and heavy commercial vehicles (over 3.5 tonnes) decreased in Europe, closing the reporting quarter with a -17.5% decrease compared to the same period of the previous year. Among the first five European markets by sales volume, a negative performance was shown by Germany (-11.1%), Italy (-23.1%), France (-14.3%), the United Kingdom (-11.3%) and Spain (-16.6%). In Eastern European countries, sales of commercial vehicles over 3.5 tonnes declined by 28.8% compared to the same period of the previous year.

In the third quarter of 2019, Brembo's net sales of applications in this segment amounted to €66,097 thousand, stable compared to the same period of 2018.

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 third quarter of 2019, Brembo's net sales of applications for the racing segment amounted to €29,056 thousand, increasing by 6.4% compared to the third quarter of 2018.

Significant Events During the Quarter

No significant events occurred in the third quarter of 2019.

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 18 April 2019 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), represents 5.012% of the Company's share capital.

Own shares shall be purchased and sold up to a maximum 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.

In the reporting period, Brembo bought back 1,300,000 own shares, for a total amount of €11,329 thousand, which with the 8,735,000 own shares already held represent 3.005% of the Company's share capital.

Significant Events After 30 September 2019

No significant events occurred after the end of the third quarter of 2019 and until 7 November 2019.

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 30 September 2019, approved on 7 November 2019.

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 30 September 2019 corresponds with the documented results, books and accounting records.

Andrea Pazzi

Manager in Charge of
the Company's Financial Reports

BREMBO S.p.A.

Registered offices: CURNO (BG) – Via Brembo 25

Share capital €34,727,914.00

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