

SIX
MONTHLY
REPORT
2021





**SIX
MONTHLY
REPORT
2021**



Humankind
and technology
in total **synergy**



This is a virtuous circle that unites humankind and nature with technology and the digital world. The path we have chosen to help build a sustainable future.



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Company Officers

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 23 April 2020 confirmed the number of Board members at 11 and appointed the Board of Directors for the three-year period 2020-2022, i.e., until the General Shareholders' Meeting called to approve the Financial Statements for the year ending 31 December 2022.

Composition of the Board of Directors, Board Committees and Main Governance Functions at the Date of Approval of the Six Monthly Financial Report 2021 (29 July 2021)

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⁾
	Laura Cioli ⁽⁴⁾
	Nicoletta Giadrossi ⁽⁴⁾ ⁽⁶⁾
	Elisabetta Magistretti ⁽⁴⁾
	Umberto Nicodano ⁽⁷⁾
	Elizabeth M. Robinson ⁽⁴⁾
	Gianfelice Rocca ⁽⁴⁾

Board of Statutory Auditors ⁽¹⁰⁾

Chairwoman	Raffaella Pagani ⁽⁶⁾
Acting Auditors	Mario Tagliaferri
	Paola Tagliavini
Alternate Auditors	Myriam Amato ⁽⁶⁾
	Stefania Serina



Independent AuditorsEY S.p.A.⁽¹¹⁾**Manager in Charge of
the Company's Financial Reports**Andrea Pazzi⁽¹²⁾**Committees****Audit, Risk & Sustainability Committee**⁽¹³⁾

Laura Cioli (**Chairwoman**)
 Nicoletta Giadrossi
 Elisabetta Magistretti

Remuneration & Appointments Committee

Nicoletta Giadrossi (**Chairwoman**)
 Laura Cioli
 Elizabeth M. Robinson

Supervisory Committee

Giovanni Canavotto (**Chairman**)⁽¹⁴⁾
 Elisabetta Magistretti
 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) The Board of Directors granted the Chief Executive Officer, 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 TUF (as required by Articles 147-ter, paragraph 4, and 147-quater of TUF) and Article 2 — Recommendation No. 7 of the Corporate Governance Code (January 2020 edition).
- (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) Director/Statutory Auditor elected from a minority list.
- (7) Non-executive Director.
- (8) Executive Director.
- (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 General 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 23 April 2020 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 2022.
- (13) This Committee also acts as the Related Party Transactions Committee.
- (14) External Advisor.
- (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

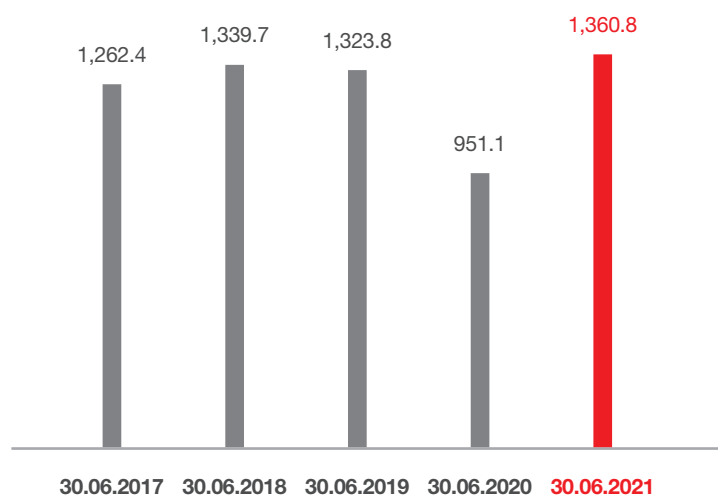




Summary of Group Results

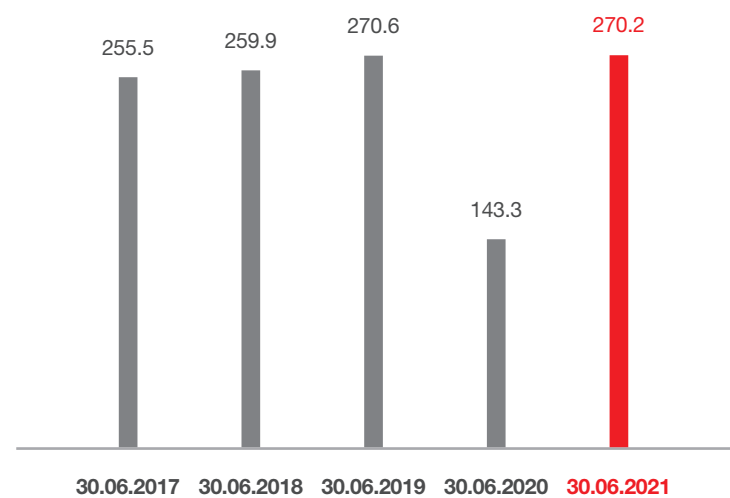
Revenue from contracts with customers

(euro million)



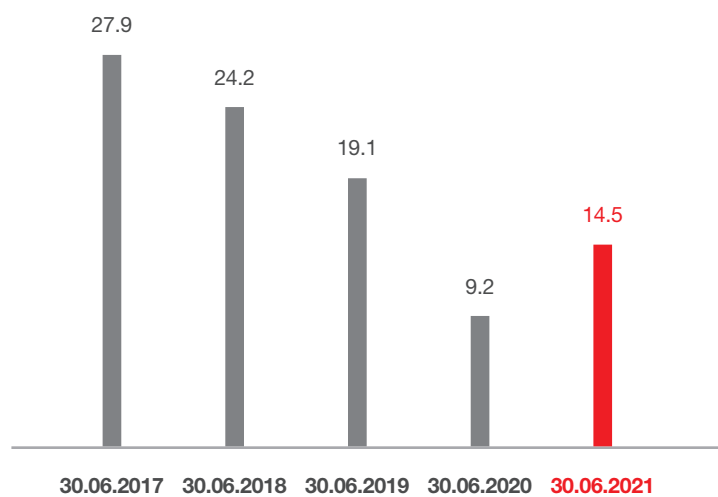
Gross operating income

(euro million)



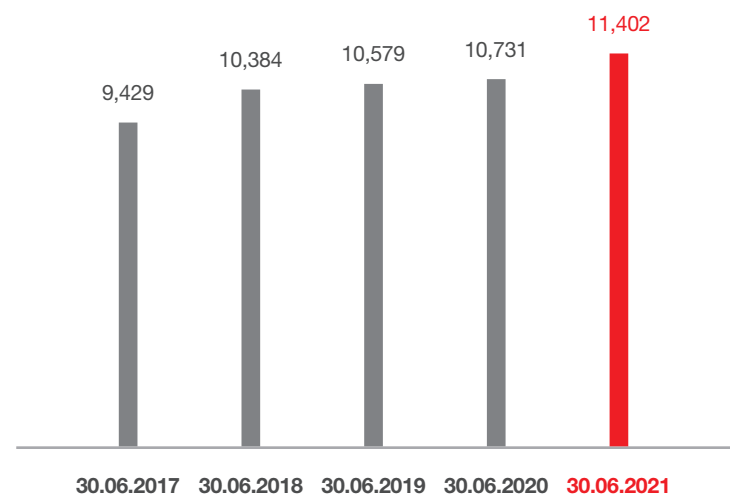
ROI

(percentage)



Personnel at end of period

(No.)



Economic results

(euro thousand)	30.06.2017	30.06.2018	30.06.2019	30.06.2020	30.06.2021	% 2021/2020
Revenue from contracts with customers	1,262,448	1,339,687	1,323,840	951,113	1,360,789	43.1%
Gross operating income	255,528	259,880	270,582	143,291	270,215	88.6%
% on revenue from contracts with customers	20.2%	19.4%	20.4%	15.1%	19.9%	
Net operating income	189,497	186,105	174,455	38,791	165,797	327.4%
% on revenue from contracts with customers	15.0%	13.9%	13.2%	4.1%	12.2%	
Result before taxes	186,477	180,609	167,875	24,678	168,237	581.7%
% on revenue from contracts with customers	14.8%	13.5%	12.7%	2.6%	12.4%	
Net result for the period	136,688	140,113	123,448	19,958	126,938	536.0%
% on revenue from contracts with customers	10.8%	10.5%	9.3%	2.1%	9.3%	

Financial results

(euro thousand)	30.06.2017	30.06.2018	30.06.2019	30.06.2020	30.06.2021	% 2021/2020
Net invested capital	1,232,875	1,415,082	1,743,190	1,994,850	2,120,187	6.3%
Equity	943,055	1,124,531	1,288,478	1,373,132	1,601,244	16.6%
Net financial debt	259,697	263,050	434,477	597,499	496,936	-16.8%

Personnel and investments

(euro thousand)	30.06.2017	30.06.2018	30.06.2019	30.06.2020	30.06.2021	% 2021/2020
Personnel at end of period (No.)	9,429	10,384	10,579	10,731	11,402	6.3%
Turnover per employee	133.9	129.0	125.1	88.6	119.3	34.7%
Net investments	161,496	120,829	101,860	73,374	99,903	36.2%

Main ratios

	30.06.2017	30.06.2018	30.06.2019	30.06.2020	30.06.2021	
Net operating income/Revenue from contracts with customers	15.0%	13.9%	13.2%	4.1%	12.2%	
Income before taxes/ Revenue from contracts with customers	14.8%	13.5%	12.7%	2.6%	12.4%	
Net investments/Revenue from contracts with customers	12.8%	9.0%	7.7%	7.7%	7.3%	
Net financial debt/Equity	27.5%	23.4%	33.7%	43.5%	31.0%	
Adjusted net interest expense(*)/Revenue from contracts with customers	0.3%	0.3%	0.6%	0.7%	0.4%	
Adjusted net interest expense (*)/Net operating income	2.3%	2.4%	4.4%	17.0%	3.2%	
ROI	27.9%	24.2%	19.1%	9.2%	14.5%	
ROE	26.9%	24.2%	17.9%	9.4%	15.3%	

Notes:

ROI: Net operating income (rolling 12 months)/Net invested capital.

ROE: Net income (loss) before minority interests (rolling 12 months) (net of Result from discontinued operations)/Equity.

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





Performance as
reflected in **figures**
and **numbers**



The excellence of a product that becomes performance in the results. The success of a Group that draws strength from reactivity to change, ability to dare and its diversified culture worldwide.



1. Directors' Report on Operations

Brembo and the Market

Macroeconomic Context

In order to properly assess Brembo's performance for the first half of 2021, as well as its outlook for the future, an analysis of the worldwide macroeconomic scenario is given here below, with particular reference to the markets in which the Group operates.

More than one year from the beginning of the Covid-19 pandemic, which has resulted in a decline in economic activity unprecedented in both its speed and globally synchronised nature, the global economic outlook remains highly uncertain. Nonetheless, thanks to the vaccination campaigns and fiscal stimuli implemented in several countries, the most recent estimates are showing an improved economic outlook, as reported at the end of May by Angel Gurría, Secretary General of the OECD (Organisation for Economic Co-operation and Development). In the OECD's last report, published on 31 May 2021, it is estimated that global GDP (gross domestic product) will increase by 5.8% in 2021 and by nearly 4.5% in 2022, with the global economy returning to pre-pandemic levels. These estimates are however still below the pre-crisis figures, above all for emerging market economies, which will only grow at robust rates after the impact of the virus is reduced – a process that has been delayed by the slow progress of the vaccination campaigns.

As far as the **Eurozone** is concerned, according to the latest data issued by the European Commission in its Spring Forecast, published in May 2021, economic developments in 2021 and 2022 will be largely determined by how successfully

vaccination programmes will tame the pandemic and how quickly governments will lift restrictions.

All in all, the EU economy is forecast to grow by 4.2% in 2021 and to strengthen to around 4.4% in 2022. A stronger-than-previously expected rebound in global activity and trade, and the growth impulse provided by NGEU/RRF, help to explain the brighter outlook for all countries compared to the Winter Forecast. Within this framework, Germany's GDP is expected to grow by 3.4% in 2021 and by 4.1% in 2022. France's growth figures, indicated in the Commission's report, are 5.7% this year and 4.2% in 2022, whereas Spain is expected to record growth of 5.9% in 2021 and of 6.8% in 2022.

The European Commission has also emphasised that inflation will vary significantly over the course of this year as the projected energy prices and changes in VAT rates will yield considerable fluctuations in price levels compared to the same period of the previous year. In the EU, inflation is forecast at 1.9% in 2021 and at 1.5% in 2022, whereas in the Euro Area alone it is projected at 1.7% in 2021 and at 1.3% in 2022.

With regard to Europe, worth of mention is the analysis provided by Chris Williamson, Chief Business Economist at IHS Markit, which each month updates the IHS Markit composite Purchasing Managers Index (PMI), considered a good indicator of economic



health. "The Eurozone economy is booming at a pace not seen for 15 years as businesses report surging demand, with the upturn becoming increasingly broad-based, spreading from manufacturing to encompass more service sectors, especially consumer-facing firms." The IHS Markit Eurozone Composite PMI index rose to 59.2 in June, thus reaching its highest level since June 2006.

As regards **Italy**, the Economic Outlook published by the OECD last 31 May calls for robust GDP growth of 4.5% in 2021 owing to a rigorous vaccine campaign, and then a decline to 4.4% in 2022. In Italy, the pandemic was kept under control by the containment measures adopted by the government, and the OECD report highlights that now is the right time to focus on reforming the public administration, more necessary than ever before to support greater economic growth in the country. The June report by the Confindustria Research Centre states that Italian industrial production continued to increase, following the recovery recorded in the first quarter of 2021 (+0.9%). After the contraction observed by ISTAT in March (-0.1%), activities progressed at a moderate pace in April and May (+0.3% and +0.4%, respectively), buoyed by both components of demand. With regard to Italy's unemployment rate, Brussels' outlook, as presented in the European Commission's May 2021 report, calls for growth of up to 10.2% in 2021, to then decline to below double digits in 2022 (9.9%).

Turning to the **US situation**, OECD economists expect that GDP will increase by 6.9% in 2021 and by 3.6% in 2022. A significant additional fiscal stimulus and a swift vaccination campaign boosted the economic recovery. The unemployment rate will continue to fall, and rising salaries, combined with government transfers and accumulated household savings, will stimulate consumption. Base price inflation is expected to rise, while remaining under control. The IHS Markit Flash U.S. Composite PMI Output index stood at 63.9 in June, confirming the historically high rate of increase in production throughout the private sector. With reference to other NAFTA countries, the OECD expects that Mexico's GDP will increase by 5.0% in 2021 and by 3.2% in 2022. In the United States, manufacturing exports will support growth, benefiting from the strong recovery and political support measures. The Canadian economy will

recover rapidly and grow by 6.1% in 2021 and by 3.8% in 2022 thanks to the easing of Covid-19 restrictions in the second half of this year and strong external demand.

In **Japan**, after a strong recovery at the end of 2020, the re-imposition of containment measures at the beginning of 2021 undermined short-term growth prospects (Economic Outlook of 31 May). Nonetheless, GDP is expected to grow by 2.6% in 2021 and by 2.0% in 2022, supported by the strong recovery of the global economy and public spending.

According to the OECD's estimates, **India** is expected to continue to recover robustly: after a decline of 7.7% in 2020, it is projected to recover by 9.9% in 2021, driven by pent-up demand for consumer and investment goods, and then by 8.2% in 2022. **China** stood apart as the only major economy not to experience a recession in 2020 (GDP at +2.3%). Its economic recovery was also swift: growth will reach 8.5% this year and 5.8% in 2022, assuming that the sanitary situation remains under control. According to the OECD Spring Report, investment will remain a key engine of growth in China, while consumption will recover only gradually. Robust export demand will keep industry capacity utilisation high. OECD also underlines that the low import content of consumption means that the surge of imported raw material prices will only have a limited impact on consumer price inflation. The OECD report published at the end of May also includes the estimates for **Brazil**, whose economy, despite a high number of infections and fatalities, entered a sharp recovery at the beginning of the year. GDP growth is expected to reach 3.7% in 2021 and 2.5% in 2022, driven by a progressive increase in household consumption and investment, which will result in inflation growing faster than projected during the forecast period. Finally, according to the **Russia** Economic Report published by the World Bank at the end of May, baseline Russian GDP growth is expected to amount to 3.2% in 2021, as in 2022, provided that new Covid-19 cases gradually decline.

As for commodities performance, the World Bank's report published in May calls for the price of oil to increase by nearly 56 points in 2021, reaching USD 67 a barrel (from an average of USD 41 dollars in 2020), considering the arithmetic mean of the Brent, Dubai and West Texas Intermediate (WTI) prices.



Currency Markets

In the first half of 2021, the **US dollar** began the reporting period by reaching a high for the half-year of 1.2338 on 6 January. The currency then entered a phase of lateral movement until the end of February (around 1.20-1.22), to then appreciate sharply, reaching 1.1725, the low for the period, on 31 March. Afterwards, it depreciated constantly for an extended period, exceeding 1.22 at the end of May, to end the half-year with further sharp appreciation. At the end of the period, the currency stood at 1.1884, below the half-yearly average rate of 1.2057.

Turning to the currencies of the other major markets in which Brembo operates at the commercial and industrial level, the **pound sterling** opened the reporting period at its half-yearly high at 0.9064 on 6 January. The British currency then appreciated sharply and decisively, bringing it to a low for the period of 0.8512 (29 March), after which it depreciated briefly in early April to end the half-year with lateral movement. At the end of the period, the currency stood at 0.8581, below the half-yearly average rate of 0.8684.

The **Polish zloty** began the half-year at around 4.55 with a brief period of volatility. The currency then appreciated to under 4.50, after which it abruptly reversed direction with a sharp depreciation, reaching its high for the period of 4.6582 (30 March). Afterwards, it appreciated decisively again to under 4.55, followed by a period of lateral movement until the end of April. In May, a further sharp appreciation led the zloty to reach a low for the period of 4.4520 on 3 June. At the end of the half-year, the currency depreciated again to close at 4.5201, below the half-yearly average rate of 4.5365.

The **Czech koruna** began the reporting period with a phase of appreciation that continued until mid-February. It then reversed direction, reaching a high for the period of 26.4170 (8 March). It subsequently underwent a period of sharp, prolonged appreciation until 11 June, when the currency reached a low for the period of 25.3350. At the end of the half-year, the currency depreciated slightly to 25.4880, below the half-yearly average rate of 25.8551.

The **Swedish krona** began the half-year with a very volatile phase until early February, moving within a range of 10.05-

10.15 to then show appreciation to a low for the period of 10.0315 (22 February). The currency then underwent a period of extended, sharp depreciation to reach a high for the half-year of 10.2753 on 1 April. In the latter part of the half-year, the currency alternated between periods of appreciation and periods of lateral movement to close at 10.1110, a value below the half-yearly rate average of 10.1299.

The **Danish kroner** started the half year at around 7.4380 and, after a brief lateral phase, reached a high for the period of 7.4406 on 25 January. It then appreciated slightly to its low for the period of 7.4360 on 1 March. The Danish kroner then moved substantially laterally throughout the reporting period in the range of 7.4360-7.4380. At the end of the period, the currency stood at 7.4362, in line with the half-yearly average rate of 7.4368.

The **Japanese yen** began the reporting period by appreciating to a low for the period of 125.1800 on 18 January. The currency then underwent a constant, sharp depreciation to a high for the half-year of 134.0500 (1 June). There was a further slight appreciation at the end of the reporting period. At the end of the period, the currency stood at 131.4300, above the half-yearly average rate of 129.8117.

The **Chinese yuan/renminbi** began the half year reaching a high for the period of 7.9653 on 6 January. The currency then appreciated until early February, after which it reversed course. In March, the yuan appreciated again to below 7.7000. The currency then underwent a period of depreciation followed by lateral movement. At the end of the half-year, it appreciated again to the low for the period of 7.6619 (18 June), closing at 7.6742, below the half-yearly average rate of 7.7981.

The **Indian rupee** began the half-year with a phase of sharp appreciation until early February, after which it briefly reversed course. At the beginning of March, it appreciated sharply, reaching a low for the period of 85.4845 (26 March). The currency then sharply reversed course with a marked depreciation to reach 90.5955 on 21 April, the high for the half-year. At the end of the reporting period, the rupee moved within a lateral range to close at 88.3240, in line with the half-yearly average rate of 88.4487.



In the Americas, the **Brazilian real** began the reporting period with a lateral phase to then enter into a phase of depreciation around the end of February, culminating in a high for the period of 6.9553 on 9 March. The currency then appreciated significantly, followed by a slight depreciation around mid-April. It appreciated sharply and constantly at the end of the half-year, reaching a low for the period of 5.8635 on 25 June, to close at 5.9050, below the half-yearly average rate of 6.4917.

The **Mexican peso** opened the half-year with a period of appreciation, but promptly reversed the trend with a sharp depreciation, leading it to reach a high for the period of 25.5759 (8 March). The currency then appreciated sharply to below 24 around the beginning of April. At the end of the period, the

peso moved within a lateral phase, followed by a further sharp appreciation, which led the currency to reach a low for the period of 23.5784 at the end of the half-year, below the half-yearly average rate of 24.3207.

The **Russian rouble** opened the reporting period with a phase of appreciation, but immediately reversed the trend with a sharp depreciation, leading it to reach a high for the half-year of 92.3842 (28 January). It then entered an extended period of appreciation until mid-March, after which it changed course again to climb above 92 around mid-April. After a brief lateral movement, the rouble appreciated constantly, reaching a low for the period of 86.0172 (18 June) to close at 86.7725, below the half-yearly average rate of 89.6053.

Group Activities and Reference Market

Brembo is the world leader and acknowledged innovator of the brake disc technology for automotive vehicles. It currently operates in 15 countries on 3 continents, through its production and business sites, and employs over 11,000 people worldwide. Manufacturing plants are located in Italy, Poland (Częstochowa, Dąbrowa Górnicza, Niepołomice), the United Kingdom (Coventry), the Czech Republic (Ostrava-Hrabová), Germany (Meitingen), Denmark (Svendborg), Mexico (Apodaca and Escobedo), Brazil (Betim), China (Nanjing, Langfang), India (Pune) and the United States (Homer). Other companies located in Spain (Zaragoza), Sweden (Göteborg), Germany (Leinfelden-Echterdingen), China (Qingdao), Japan (Tokyo) and Russia (Moscow) carry out distribution and sales activities.

Brembo's reference market is represented by the most important manufacturers of cars, motorbikes, commercial vehicles and racing cars and motorbikes. Constant focus on innovation, as well as technological and process development — factors that have always been fundamental to Brembo's philosophy — have earned the Group a strong international leadership position in the research, design and production of high-performance braking systems for a wide range of road and racing vehicles. Brembo operates in both the original equipment market and the aftermarket. Brembo's range of products for car and commercial

vehicle applications includes brake discs, brake calipers, the side-wheel module and, increasingly often, the complete braking system, including integrated engineering services. All of these back the development of new models produced by vehicle manufacturers. In addition to brake discs and brake calipers, motorbike manufacturers are also offered brake master cylinders, light-alloy wheels and complete braking systems. In the car aftermarket, Brembo offers in particular brake discs, in addition to pads, drums, brake shoes, drum-brake kits and hydraulic components: a vast and reliable range of products allows the Company to meet the needs of nearly all European vehicles.

In the first half of 2021, Brembo's consolidated net sales amounted to €1,360,789 thousand, up by 43.1% compared to the first half of 2020 (€951,113 thousand).

Information on the performance of the individual applications and their related markets — as available to the Company — is provided under the following headings. All markets reported significant increases compared to the first half of 2020, which had been negatively impacted by the strict measures adopted at global level in Europe, Asia, the United States and South America to combat the spread of the Covid-19 pandemic.



Passenger Cars



The global light vehicle market reported a significant sales growth in the first five months of 2021 (33.3%), owing above all to the rebound effect compared to the same period of the previous year, which had been affected by the Covid-19 pandemic.

The Western European market (EU14+EFTA+United Kingdom) closed the first five months of 2021 with a +31.1% rise in vehicle registrations compared to the first five months of 2020. All the main markets reported growth: Germany +12.8%, France +50.1%, Italy +62.8%, the United Kingdom +42.8%, and Spain +40.0%. The trend was also positive in Eastern Europe (EU12), with car registrations up by 24.2% compared to the first five months of 2020. In Russia, light vehicle registrations closed the first five months of 2021 recording a 38.7% increase in sales compared to the same period of the previous year.

In the United States, light vehicle sales grew by 32.7% overall in the first five months of 2021 compared to the same period of 2020. In the reporting period, Brazil and Argentina also reported an overall 32.8% growth in sales.

In Asian markets, China closed the first five months of 2021 on a positive note with light vehicle sales up +35.3% compared to the first five months of 2020. Japan also closed the reporting period positively, with a 13.2% increase in sales.

Within this scenario, Brembo's net sales of car applications in the first half of 2021 amounted to €980,611 thousand, accounting for 72.1% of the Group's turnover, up by 38.2% compared to the same period of 2020 (€709,317 thousand).

Motorbikes



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

In Europe, where the top markets in terms of motorbike registrations are Italy, Germany, France, Spain and the United Kingdom, registrations increased by 34.0% in the first five months of 2021 compared to the same period of 2020. In the first five months of 2021, sales of motorbikes and scooters in Italy increased by 87.7% compared to the same period of 2020 (motorbikes: +85.5%; motorbikes with displacements over 500cc alone: +67.0%; scooters: +89.9%).

In the United States, registrations of motorbikes, scooters and ATVs (All Terrain Vehicles, quadricycles for recreation and work) rose by 42.0% in the first quarter of 2021 compared to the same period of 2020. ATVs alone increased by 53.7%, while motorbikes and scooters together grew by 37.2%.

In the first five months of 2021, the Japanese market, considering displacements over 50cc overall, showed a 26.0% increase, whereas the figure for motorbikes with displacements over 125cc alone was +9.0%.

The Indian market (motorbikes and scooters) increased by 51.0% in the first five months of 2021, and Brazil reported a 34.9% growth in registrations.

Brembo's net sales of motorbike applications in the first half of 2021 amounted to €165,243 thousand, increasing by 82.9% (72.4% on a like-for-like consolidation basis) compared to €90,338 thousand for the same period of 2020.



Commercial and Industrial Vehicles



In the first five months of 2021, the European commercial vehicles market (EU+EFTA+United Kingdom) — Brembo's reference market — showed a 43.9% increase in registrations compared to the same period of 2020.

In detail, sales of light commercial vehicles (up to 3.5 tonnes) reported an overall rise of 46.6% in Europe. All five main European markets by sales volume grew sharply in the first five months of 2021, with Germany increasing by +21.8%, the United Kingdom by +43.4%, France by +59.3%, Spain by +55.5% and Italy by +74.9%. In the reporting period, Eastern European countries (EU12) rose by 41.3% compared to the same period of 2020.

Similarly, the segment of medium and heavy commercial vehicles (over 3.5 tonnes) increased in Europe in the first five months of 2021, closing at 34.7% compared to the same period of the previous year. Among the top European markets by sales volume, a positive performance was reported by Germany (+17.5%), France (+27.3%), Italy (49.1%), Spain (+35.3%) and the United Kingdom (+32.6%). In Eastern European countries, sales of commercial vehicles over 3.5 tonnes increased by 86.6% in the first five months of 2021 compared to the same period of the previous year.

Brembo's net sales of applications in this segment amounted to €148,366 thousand in the first half of 2021, increasing by 45.2% over the same period of 2020 (€102,170 thousand).

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 half of 2021, Brembo's net sales of applications in this segment amounted to €66,389 thousand, up by 35.8% compared to €48,894 thousand for the first half of 2020.



Sales Breakdown by Geographical Area and Application

Geographical area

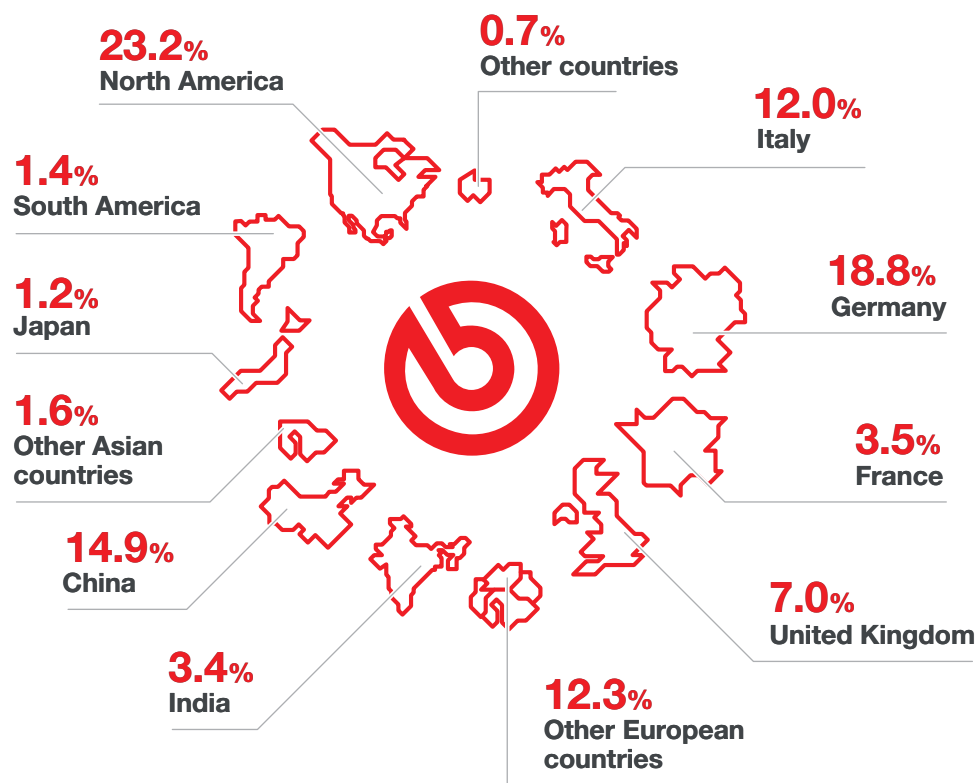
(euro thousand)	30.06.2021	%	30.06.2020	%	Change	%
Italy	163,488	12.0%	107,873	11.3%	55,615	51.6%
Germany	256,277	18.8%	182,136	19.2%	74,141	40.7%
France	47,265	3.5%	40,376	4.2%	6,889	17.1%
United Kingdom	95,774	7.0%	63,397	6.7%	32,377	51.1%
Other European countries	167,183	12.3%	123,145	12.9%	44,038	35.8%
India	46,606	3.4%	26,724	2.8%	19,882	74.4%
China	203,370	14.9%	140,596	14.8%	62,774	44.6%
Japan	15,693	1.2%	12,082	1.3%	3,611	29.9%
Other Asian countries	22,239	1.6%	13,793	1.5%	8,446	61.2%
South America (Argentina and Brazil)	18,987	1.4%	12,737	1.3%	6,250	49.1%
North America (USA, Mexico and Canada)	314,966	23.2%	220,212	23.2%	94,754	43.0%
Other countries	8,941	0.7%	8,042	0.8%	899	11.2%
Total	1,360,789	100.0%	951,113	100.0%	409,676	43.1%

Application

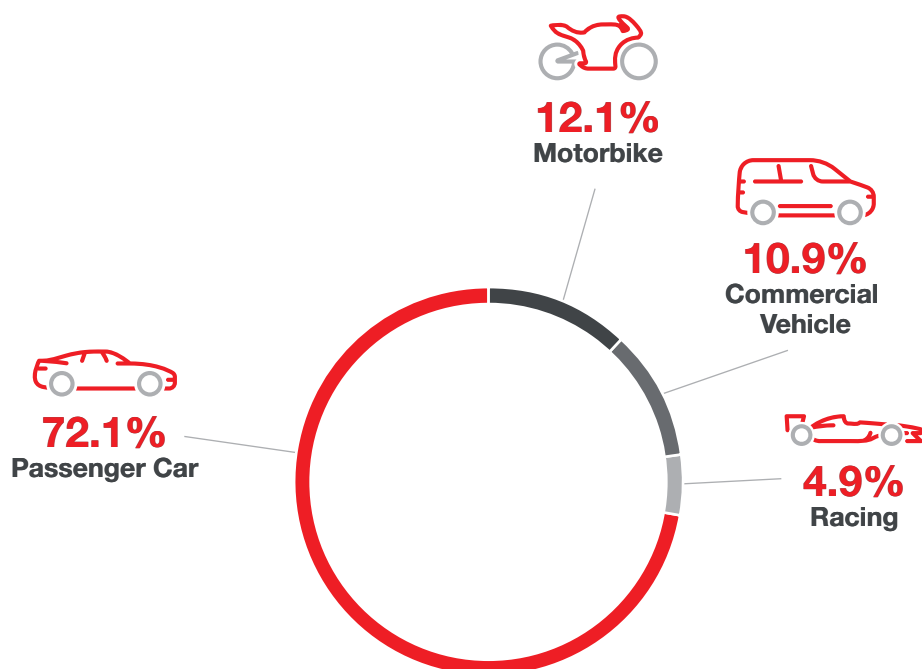
(euro thousand)	30.06.2021	%	30.06.2020	%	Change	%
Passenger Car	980,611	72.1%	709,317	74.7%	271,294	38.2%
Motorbike	165,243	12.1%	90,338	9.5%	74,905	82.9%
Commercial Vehicle	148,366	10.9%	102,170	10.7%	46,196	45.2%
Racing	66,389	4.9%	48,894	5.1%	17,495	35.8%
Miscellaneous	180	0.0%	394	0.0%	(214)	-54.3%
Total	1,360,789	100.0%	951,113	100.0%	409,676	43.1%



Sales Breakdown by Geographical Area



Sales Breakdown by Application





In continuous
and unstoppable
movement



Increasingly tighter connections.
Rapid, fluid, smart, functional.
Without ever stopping, conscious of having taken
the right direction.





Brembo's Consolidated Results

Consolidated Statement of Income

(euro thousand)	30.06.2021	30.06.2020	Change	%
Revenue from contracts with customers	1,360,789	951,113	409,676	43.1%
Cost of sales, operating costs and other net charges/income (*)	(843,893)	(607,624)	(236,269)	38.9%
Income (expense) from non-financial investments	7,641	1,884	5,757	305.6%
Personnel expenses	(254,322)	(202,082)	(52,240)	25.9%
GROSS OPERATING INCOME	270,215	143,291	126,924	88.6%
% on revenue from contracts with customers	19.9%	15.1%		
Depreciation, amortisation and impairment losses	(104,418)	(104,500)	82	-0.1%
NET OPERATING INCOME	165,797	38,791	127,006	327.4%
% on revenue from contracts with customers	12.2%	4.1%		
Net interest income (expense) and interest income (expense) from investments	2,440	(14,113)	16,553	-117.3%
RESULT BEFORE TAXES	168,237	24,678	143,559	581.7%
% on revenue from contracts with customers	12.4%	2.6%		
Taxes	(41,369)	(4,503)	(36,866)	818.7%
Result from discontinued operations	(95)	62	(157)	-253.2%
RESULT BEFORE MINORITY INTERESTS	126,773	20,237	106,536	526.4%
% on revenue from contracts with customers	9.3%	2.1%		
Minority interests	165	(279)	444	-159.1%
NET RESULT	126,938	19,958	106,980	536.0%
% on revenue from contracts with customers	9.3%	2.1%		
Basic and diluted earnings per share (euro)	0.39	0.06		

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



In the first half of 2021, Brembo's net sales amounted to €1,360,789 thousand, marking a 43.1% increase compared to the first half of 2020, partly arising from the rebound effect compared to the same period of the previous year, which had been impacted by the Covid-19 pandemic. On a like-for-like consolidation basis — thus excluding the contribution of SBS Friction A/S from the results for the first half of 2021 — the Group's sales grew by 42.1%.

The car applications sector, which accounted for 72.1% of the Group's sales, closed the first half of 2021 with a +38.2% increase compared to the same period of the previous year. Similarly, all other applications sharply recovered compared to the first half of 2020: applications for commercial vehicles closed at +45.2%, motorbike applications at +82.9% (+72.4% on a like-for-like consolidation basis), and racing applications at +35.8%.

At geographical level, and with specific reference to Europe, Germany grew by 40.7% compared to the first half of 2020. The other European countries also reported positive results, with France up by 17.1%, Italy by 51.6% and the United Kingdom by 51.1%. In North America, sales rose by 43.0%, while South America showed a +49.1% increase. In the Far East, China reported a 44.6% increase compared to the first half of 2020; India and Japan as well recovered sharply (+74.4% and +29.9%, respectively).

During the first half of 2021, the **cost of sales and other net operating costs** amounted to €843,893 thousand, with a ratio to sales of 62.0%, down on 63.9% for the first half of 2020. Within this item, development costs capitalised under intangible assets amounted to €11,547 thousand compared to €10,975 thousand in the first half of the previous year.

Income (expense) from non-financial investments amounted to €7,641 thousand and was attributable to the effects of valuing the investment in the BSCCB Group using the equity method (€1,884 thousand in the first half of 2020).

Personnel expenses amounted to €254,322 thousand, with a ratio to sales of 18.7%, decreasing compared to that of the same period of the previous year (21.2%). At 30 June 2021, workforce numbered 11,402 (11,039 at 31 December 2020 and

10,731 at 30 June 2020); the average workforce in the period amounted to 11,400 (10,832 for the first half of 2020).

Gross operating income was €270,215 thousand compared to €143,291 thousand for the first half of 2020, with a ratio to sales of 19.9% (15.1% for the same period of 2020).

Net operating income amounted to €165,797 thousand (12.2% of sales), compared to €38,791 thousand (4.1% of sales) for the first half of 2020, after depreciation, amortisation and impairment losses of €104,418 thousand, compared to depreciation, amortisation and impairment losses amounting to €104,500 thousand for the same period of 2020.

Net interest expense amounted to €1,471 thousand (€14,168 thousand in the first half of 2020) and consisted of exchange rate gains of €3,807 thousand (losses of €7,589 thousand in the first half of 2020) and interest expense of €5,278 thousand (€6,579 thousand for the first half of 2020).

Net interest income from investments, which amounted to €3,911 thousand (€55 thousand in the first half of 2020), was attributable to the effects of valuing investments in associates using the equity method and dividends received by investees not included in the consolidation area.

Result before taxes was positive at €168,237 thousand compared to €24,678 thousand in the first half of 2020. Based on tax rates applicable for the year under current tax regulations, estimated taxation amounted to €41,369 thousand, with a tax rate of 24.6% compared to 18.2% for the same period of the previous year.

The **result from discontinued operations** was negative for €95 thousand (positive for €62 thousand in the first half of 2020) and was attributable to the contribution of the company Brembo Argentina S.A. in liquidazione, reclassified to this item following the Group's decision, taken in 2019, to discontinue its industrial operations at the Buenos Aires plant.

The **Group's net result** for the first half of 2021 amounted to €126,938 thousand (9.3% of sales), up compared to €19,958 thousand for the first half of 2020 (2.1% of sales).



Statement of Financial Position

(euro thousand)	30.06.2021	31.12.2020	Change
Property, plant and equipment	1,205,500	1,183,280	22,220
Intangible assets	253,784	219,567	34,217
Net financial assets	293,044	261,210	31,834
Other receivables and non-current liabilities	92,914	80,082	12,832
Fixed capital	1,845,242	1,744,139	101,103
			5.8%
Inventories	450,433	354,887	95,546
Trade receivables	492,566	385,439	107,127
Other receivables and current assets	123,678	119,315	4,363
Current liabilities	(725,711)	(640,924)	(84,787)
Provisions/deferred taxes	(66,003)	(71,286)	5,283
Net working capital	274,963	147,431	127,532
			86.5%
Net invested capital from discontinued operations	(18)	(77)	59
NET INVESTED CAPITAL	2,120,187	1,891,493	228,694
			12.1%
Equity	1,601,244	1,481,041	120,203
Employees' leaving entitlement and other personnel provisions	22,655	26,567	(3,912)
Medium/long-term financial debt	619,628	736,588	(116,960)
Short-term net financial debt	(122,692)	(351,911)	229,219
Net financial debt	496,936	384,677	112,259
			29.2%
Net financial debt from discontinued operations	(648)	(792)	144
COVERAGE	2,120,187	1,891,493	228,694
			12.1%



The Group's Statement of Financial Position reflects reclassifications of consolidated accounting statements, as described in the following pages. In detail:

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

Net Invested Capital at the end of the first half of 2021 amounted to €2,120,187 thousand, up by €228,694 thousand compared to €1,891,493 thousand at 31 December 2020.

Net financial debt at 30 June 2021 was €496,936 thousand, compared to €384,677 thousand at 31 December 2020. The €112,259 thousand increase for the period was mainly attributable to the combined effect of the following factors:

- the positive effect of gross operating income of €270,215 thousand, with a €135,061 thousand decrease in working capital;
- net investments totalling €99,903 thousand;
- payment of taxes totalling €34,168 thousand;
- dividends received by the associate BSCCB S.p.A. totalling €5,000 thousand and by investees not included in the consolidation area amounting to €3,826 thousand;
- payment of the consideration amounting to €39,031 million for the acquisition of a 100% stake in SBS Friction A/S, including the net financial position acquired.

The Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report provide detailed information on the financial position and its assets and liabilities items.



Statement of Cash Flows

(euro thousand)	30.06.2021	30.06.2020
NET FINANCIAL POSITION AT BEGINNING OF PERIOD (*)	(384,677)	(346,189)
Net operating income	165,797	38,791
Depreciation, amortisation and impairment losses	104,418	104,500
Gross operating income	270,215	143,291
Investments in property, plant and equipment	(85,225)	(59,715)
<i>of which right of use assets</i>	<i>(7,712)</i>	<i>(4,508)</i>
Investments in intangible assets	(17,267)	(14,168)
Investments in financial assets	(130)	(177,590)
Disposals	2,589	509
Amounts (paid)/received for the acquisition/disposal of subsidiaries, including the net financial position acquired	(39,031)	0
Net investments	(139,064)	(250,964)
Change in inventories	(101,379)	(52,051)
Change in trade receivables	(103,835)	43,734
Change in trade payables	65,950	(108,203)
Change in other liabilities	(3,666)	(7,463)
Change in receivables from others and other assets	29	(3,704)
Translation reserve not allocated to specific items	7,840	(7,069)
Change in working capital	(135,061)	(134,756)
Change in provisions for employee benefits and other provisions	2,611	25,967
Operating cash flows	(1,299)	(216,462)
Interest income and expense	2,550	(13,950)
Result from discontinued operations	(95)	62
Current taxes paid	(34,168)	(22,936)
Dividend paid in the period to minority shareholders	(640)	(640)
Interest (income)/expense from investments, net of dividends received	(2,621)	3,196
Dividends paid in the period	(70,346)	0
Net cash flows	(106,619)	(250,730)
Effect of translation differences on net financial position	(5,640)	(580)
NET FINANCIAL POSITION AT END OF PERIOD (*)	(496,936)	(597,499)

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



Alternative Performance Measures

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

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

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

The APMs indicated below have been selected and represented in the Directors' Report on Operations:

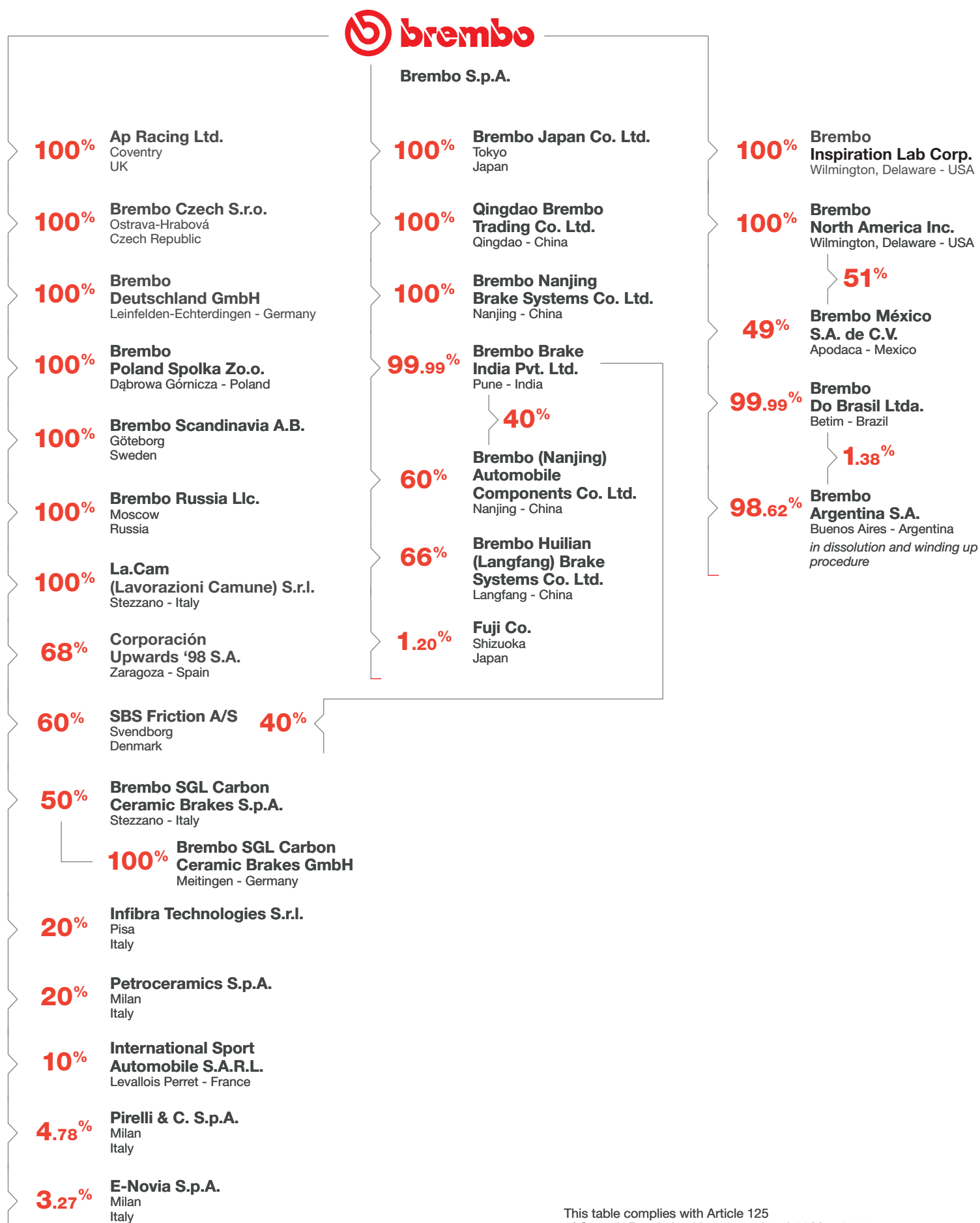
- Net Financial Debt, combined with other indicators such as Investments/Revenue from contracts with customers, Net Financial Debt/Equity, Net interest expense (less exchange gains or losses)/Revenue from contracts with customers and Net interest expense (less exchange gains or losses)/ Net operating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

The background of the slide is a composite image. On the left, a natural rock formation with prominent vertical columns (hoodoo rock) is shown. On the right, a dense city skyline with many skyscrapers is visible. The foreground features a body of water that reflects the sky and the rock formations. The sky is a mix of orange and blue, suggesting a sunset or sunrise.

A constant and unstoppable evolution



Organisations and infrastructures that are evolving into increasingly cutting-edge architectures, so as to adapt to and anticipate the needs of an ever more connected world. We are ready.



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







Performance of Brembo Companies

The following figures were taken from the financial statements at 30 June 2021 prepared by the companies in accordance with IAS/IFRS and approved by the respective Boards of Directors.

Brembo S.p.A.

Curno (Italy)



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

The first half of 2021 closed with revenue from contracts with customers amounting to €520,907 thousand, compared to €363,824 thousand for the first half of 2020. The item "Other revenues and income" amounted to €21,019 thousand compared to €20,183 thousand for the same period of 2020, whereas capitalised development costs in the half-year totalled €9,424 thousand compared to €8,528 thousand for the same period of the previous year.

Gross operating income was €93,303 thousand (17.9% of sales)

compared to €42,769 thousand (11.8% of sales) for the first half of 2020. Net operating income, after depreciation, amortisation and impairment losses of property, plant, equipment and intangible assets amounting to €31,176 thousand, closed at €62,127 thousand compared to €10,813 thousand for the same period of the previous year.

Net interest expense from financing activities amounted to €1,407 thousand compared to €1,723 thousand for the first half of 2020. Income from investments totalled €12,922 thousand and was attributable to the distribution of dividends by some subsidiaries. In addition, a provision for current taxes and deferred tax assets and liabilities was made in the amount of €21,854 thousand.

In the reporting period, net income amounted to €51,787 thousand, compared to €17,677 thousand for the same period of 2020.

At 30 June 2021, workforce numbered 3,062, with a reduction of 56 compared to 3,118 at the end of the first half of 2020.

Companies Consolidated on a Line-by-Line Basis

AP Racing Ltd.

Coventry (United Kingdom)



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

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

The company designs, assembles and sells cutting-edge, high-tech products throughout the world for the main F1, GT,

Touring and Rally teams. It also produces and sells original equipment brakes and clutches for prestige car manufacturers. Net sales for the first half of 2021 amounted to GBP 21,735 thousand (€25,027 thousand) compared to GBP 15,101 thousand (€17,272 thousand) for the first half of 2020. In the reporting period, net income amounted to GBP 2,144 thousand (€2,468 thousand), compared to GBP 113 thousand (€130 thousand) for the same period of 2020.

At 30 June 2021, workforce numbered 139, seven less than at the end of June 2020.



Brembo Brake India Pvt. Ltd.

Pune (India)



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

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

In the first half of 2021, net sales amounted to INR 5,094,754 thousand (€57,601 thousand), with a net income of INR 535,434 thousand (€6,054 thousand). In the same period of 2020, net sales had totalled INR 2,559,067 thousand (€31,332 thousand), with a net income of INR 128,312 thousand (€1,571 thousand). Workforce numbered 938 at 30 June 2021, compared to 583 at the end of the first half of 2020.

Brembo Czech S.r.o.

Ostrava-Hrabová (Czech Republic)



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

The company was formed in 2009 and started its production activity in 2011. It carries out the casting, processing and assembly of brake calipers and other aluminium components. In the first half of 2021, net sales amounted to CZK 2,853,882 thousand (€110,380 thousand) compared to CZK 1,883,249 thousand (€71,492 thousand) in the first half of 2020. Net loss for the reporting period was CZK 18,088 thousand (€700 thousand) compared to a net loss of CZK 344,847 thousand (€13,091 thousand) for the first half of 2020.

At 30 June 2021, workforce numbered 996, increasing by 35 compared to the same period of 2020.

Brembo Deutschland GmbH

Leinfelden-Echterdingen (Germany)



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

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

At 30 June 2021, net sales amounted to €1,298 thousand (€1,107 thousand for the first half of 2020), with a net income of €523 thousand, compared to €430 thousand for the first half of 2020.

Its workforce numbered eight.

Brembo Do Brasil Ltda.

Betim (Brazil)



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

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

Net sales for the first half of 2021 amounted to BRL 113,683 thousand (€17,512 thousand), with a net income of BRL 10,894 thousand (€1,678 thousand). In the same period of 2020, net sales had amounted to BRL 66,281 thousand (€12,236 thousand), with a net loss of BRL 4,997 thousand (€922 thousand).

At 30 June 2021, workforce numbered 219, compared to 222 at the same date of the previous year.



Brembo Huilian (Langfang) Brake Systems Co. Ltd.

Langfang (China)



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

In 2016, Brembo S.p.A. acquired a 66% stake in Brembo Huilian (Langfang) Brake Systems Co. Ltd. (formerly Asimco Meilian Braking Systems (Langfang) Co. Ltd.), a Chinese company that owns a foundry and a plant for the manufacturing of cast-iron brake discs. This company supplies local car manufacturers, mainly including joint ventures among Chinese firms and European and U.S. top players. The remaining 34% of the share capital continued to be owned by the public company Langfang Assets Operation Co. Ltd., controlled by the Municipality of Langfang. The consideration for the transaction amounted to CNY 580,060 thousand (approximately €79.6 million).

Net sales for the first half of 2021 amounted to CNY 252,501 thousand (€32,380 thousand) and net loss to CNY 2,039 thousand (€261 thousand). In the first half of 2020, net sales had amounted to CNY 233,249 thousand (€30,104 thousand) and net income had been CNY 11,072 thousand (€1,429 thousand). At 30 June 2021, workforce numbered 578, compared to 617 for the first half of 2020.

Brembo Inspiration Lab Corp.

Wilmington, Delaware (USA)



Activities: strengthening expertise in software development, data science and artificial intelligence.

The company — Brembo's first centre of excellence — will begin its operations in the fourth quarter of 2021 and will be based in the Silicon Valley (California, USA). It will be an experimental lab mainly focused on strengthening the Company's expertise in software development, data science and artificial intelligence, for the benefit of the development of Brembo's future braking solutions. The new centre of excellence will also be a point of reference for the technological and commercial development of Brembo's relationships with customers in the Silicon Valley.

Brembo Japan Co. Ltd.

Tokyo (Japan)



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

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

Net sales for the first half of 2021 amounted to JPY 417,699 thousand (€3,218 thousand) compared to JPY 317,051 thousand (€2,660 thousand) for the first half of 2020. Net income for the reporting period was JPY 61,488 thousand (€474 thousand), compared to JPY 32,010 thousand (€269 thousand) for the first half of 2020.

At 30 June 2021, workforce totalled 20 employees, two more than in the first half of 2020.

Brembo México S.A. de C.V.

Apodaca (Mexico)



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

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

In the first half of 2021, net sales amounted to USD 172,010 thousand (€142,668 thousand), with net income for the period totalling USD 9,526 thousand (€7,901 thousand). In the first half of 2020, net sales had amounted to USD 111,588 thousand (€101,310 thousand), with net income for the period totalling USD 5,759 thousand (€5,229 thousand).

At 30 June 2021, workforce numbered 1,350, increasing compared to 1,087 at the same date of the previous year.



Brembo (Nanjing) Automobile Components Co. Ltd.

Nanjing (China)

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

The company, which is 60% owned by Brembo S.p.A. and 40% owned by Brembo Brake India Pvt. Ltd., was set up in April 2016 and carries out casting, processing and assembly of braking systems for cars and commercial vehicles.

Net sales amounted to CNY 615,190 thousand (€78,890 thousand), with a net income of CNY 75,626 thousand (€9,698 thousand); in the first half of 2020, net sales had amounted to CNY 364,405 thousand (€47,032 thousand) and net loss had been CNY 2,290 thousand (€296 thousand).

At 30 June 2021, workforce numbered 344, compared to 333 at the same date of the previous year.

Brembo Nanjing Brake Systems Co. Ltd.

Nanjing (China)



Activities: development, production and sale of OEM brake discs for cars.

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

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

At 30 June 2021, net sales amounted to CNY 577,617 thousand (€74,072 thousand) and net income was CNY 81,305 thousand (€10,426 thousand); in the first half of 2020, net sales had amounted to CNY 444,578 thousand (€57,379 thousand) and net income had been CNY 26,032 thousand (€3,360 thousand). At 30 June 2021, workforce numbered 554, compared to 571 at the end of the first half of 2020.

Brembo North America Inc.

Wilmington, Delaware (USA)



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

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

At 30 June 2021, net sales amounted to USD 178,113 thousand (€147,730 thousand); in the same period of the previous year, net sales had amounted to USD 121,222 thousand (€110,057 thousand). Net income was USD 11,143 thousand (€9,242 thousand) at 30 June 2021 compared to USD 2,528 thousand (€2,295 thousand) for the first half of 2020.

At the end of the period, workforce numbered 649, an increase of 7 compared to the end of the first half of 2020.

Brembo Poland Spolka Zo.O.

Dąbrowa-Górnica (Poland)



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

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

Net sales amounted to PLN 1,116,915 thousand (€246,204 thousand) in the first half of 2021 compared to PLN 805,789 thousand (€182,569 thousand) for the first half of 2020. Net income at 30 June 2021 amounted to PLN 115,056 thousand (€25,362 thousand) compared to net income of PLN 39,948 thousand (€9,051 thousand) for the same period of the previous year.

At the end of the period, workforce numbered 2,182, increasing compared to 2,150 at the end of the first half of 2020.





Brembo Russia LLC.

Moscow (Russia)



Activities: promotion of the sale of car brake discs.

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

In the first half of 2021, net sales amounted to RUB 48,085 thousand (€537 thousand) and net income was RUB 13,028 thousand (€145 thousand); in the first half of 2020, net sales had amounted to RUB 27,299 thousand (€356 thousand) and net income had been RUB 1,725 thousand (€22 thousand).

At 30 June 2021, workforce numbered 3, unchanged compared to the same period of the previous year.

Brembo Scandinavia A.B.

Göteborg (Sweden)



Activities: promotion of the sale of car brake discs.

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

Net sales for the period amounted to SEK 5,038 thousand (€497 thousand), with a net income of SEK 2,223 thousand (€219 thousand), compared to net sales of SEK 5,586 thousand (€524 thousand) and net income of SEK 3,119 thousand (€293 thousand) for the first half of 2020.

At 30 June 2021, workforce numbered 2, unchanged compared to 30 June 2020.

Corporación Upwards '98 S.A.

Zaragoza (Spain)



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

The company carries out sales activities exclusively for the aftermarket.

Net sales amounted to €14,670 thousand in the first half of 2021, compared to €9,934 thousand in the first half of 2020. Net income was €809 thousand, compared to €327 thousand for the first six months of 2020.

At 30 June 2021, workforce numbered 67, four less compared to the end of June 2020.

La.Cam (Lavorazioni Camune) S.r.l.

Stezzano (Italy)



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

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

In the first half of 2021, net sales amounted to €22,295 thousand and were almost entirely related to Brembo Group companies. Net income totalled €1,578 thousand. In the same period of the previous year, net sales had been €14,247 thousand, with a net income of €148 thousand.

At 30 June 2021, workforce numbered 159 compared to 168 at 30 June 2020.



Qingdao Brembo Trading Co. Ltd.

Qingdao (China)



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

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

In the first half of 2021, net sales amounted to CNY 159,102 thousand (€20,403 thousand), compared to CNY 125,932 thousand (€16,253 thousand) for the same period of the previous year.

The company closed the first half of the year with a net income of CNY 7,770 thousand (€996 thousand), compared to a net income of CNY 5,823 thousand (€752 thousand) for the first half of 2020. At 30 June 2021, workforce numbered 31, unchanged compared to the same date of 2020.

SBS Friction A/S

Svendborg (Denmark)



Activities: development, production and sale of brake pads for motorbikes.

On 7 January 2021, Brembo acquired SBS Friction A/S, a Danish company based in Svendborg, Denmark, that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million).

In the first half of 2021, net sales amounted to DKK 94,936 thousand (€12,766 thousand) and net income was DKK 9,928 thousand (€1,335 thousand).

At 30 June 2021, workforce numbered 101.

Companies Valued Using the Equity Method

Brembo SGL Carbon Ceramic Brakes S.p.A.

Stezzano (Italy)



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

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

At 30 June 2021, net sales amounted to €30,604 thousand, compared to €17,651 thousand for the same period of 2020. Net income for the reporting period was €10,042 thousand, compared to a net income of €7,354 thousand for the first half of 2020.

At 30 June 2021, workforce numbered 153, increasing by 3 compared to the same date of the previous year.

Brembo SGL Carbon Ceramic Brakes GmbH

Meitingen (Germany)



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

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

Net sales for the first half of 2021 amounted to €75,400 thousand, compared to €47,725 thousand for the same period of the previous year. At 30 June 2021, net income was €11,402 thousand, compared to €3,076 thousand for the same period of 2020.

At 30 June 2021, workforce numbered 412, increasing by 28 compared to the same date of the previous year.



Petroceramics S.p.A.

Milan (Italy)



Activities: research and development of innovative technologies for the production of technical and advanced ceramic materials, geomaterial processing and rock mass characterisation.

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

Net sales for the first half of 2021 totalled €1,300 thousand, compared to €761 thousand for the same period of the previous year. The company closed the reporting period with a net income of €299 thousand, compared to €215 thousand for the same period of 2020.

Infibra Technologies S.r.l.

Pisa (Italy)



Activities: development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems.

On 5 February 2020, Brembo acquired a 20% stake in Infibra Technologies S.r.l. for a consideration of €800 thousand. The company is specialised in the development, design, industrialisation, manufacturing, installation and marketing of fibre optic sensors systems and photonic subsystems for sensing and communications. The agreement with the current shareholders envisages Brembo's right to exercise a call option on the remaining 80% interest in the second half of 2024.

Net sales for the first half of 2021 totalled €70 thousand, compared to €17 thousand for the same period of the previous year. The company closed the reporting period with a net loss of €56 thousand, compared to a net loss of €11 thousand for the same period of 2020.







Investments

In the first half of 2021, Brembo's investment management policy, following the previous year's slowdown due to the lockdowns implemented in various countries to combat the effects of the Covid-19 pandemic, continued in line with the guidelines followed to date, with the aim of strengthening the Group's presence not only in Italy, but also at the international level.

The Group's total net investments undertaken in the first half of 2021 at all operations amounted to €99,903 thousand, of which €76,069 thousand was invested in property, plant and equipment, €16,144 thousand in intangible assets, and €7,690 thousand in leased assets. The most significant investments were concentrated in Italy (30.8%), North America (34.0%), Poland (8.7%) and China (14.5%).

In Italy, works on the new building in Curno, which houses the Carbon Factory, continued. The building has been designed in view of progressively verticalising — within a single production facility adjacent to Brembo's current hub — the entire development and production process for raw components used in carbon-fibre discs and pads for racing applications and for high-performance road vehicles. The building occupies an area of approximately 7,000 square metres, in addition to the 10,000 square metres of green space, parking and logistics and storage areas planned as part of the project. After having installed and started up the first systems in the previous years, additional machines continued to be installed in the first half of 2021 for a gradual increase in production capacity to reach full operation in 2022.

To meet the need for new manufacturing spaces, at the end of 2020 Brembo Czech entered into a new operating lease for a building (designated O23) of approximately 22,000 square meters in the same business park where the current production facility is located.

The RoU (Right of Use) recognised, calculated over a period of 15 years, has a value of approximately €25 million. Painting, pad printing and assembly of fixed aluminium calipers will be gradually transferred to the new building, as well as storage of semi-finished and finished products, in addition to a part dedicated to office space.

The other investments in property, plant and equipment made by the Group primarily related to purchases of plant, machinery and equipment to increase the level of automation of production and constantly improve the mix and quality of factories.

With regard to investments in intangible assets, development costs for the first half of 2021 amounted to €10,778 thousand (10.8% of the Group's total investments).







Research and Development

Innovation, sustainability and the mobility of the future. Brembo has always been committed to researching and developing cutting-edge technological solutions that not only stand out for their focus on performance, comfort and style, but are also aimed at preserving the environment.

The vehicles of the future are increasingly oriented towards the green model, electrification, overall efficiency and reduced emissions. The focus is on an integrated, complementary brake system in which caliper, disc, pad, suspension and control unit are in synergy with the new vision of mobility, where technology and the environment can coexist in constant equilibrium.

For many years, Brembo has been conducting specific research on mechatronic products, which are increasingly widespread in the automotive sector, thus honing skills that have now been applied to systems such as electric parking brakes and brake-by-wire systems for some time now.

After an initial phase of pure research, Brembo is beginning to offer increasingly green products on the market, with a particular focus on carbon neutrality and improvement of the environmental impact of products in use. Since the market requires constantly shorter time to market, the Group strongly concentrates its efforts and resources on implementing cutting-edge simulation methods, in which new virtual reality and augmented reality technologies are increasingly applied, in addition to designing uniform development processes at Brembo's Technical Centres based in Italy, Poland, Denmark, North America, China and India.

In the first half of 2021, R&D activities mainly focused on the following aspects.

For its **cast-iron discs**, at the end of 2020 Brembo presented its customers and the press its Greentive® disc, the result of the experience it has acquired in the field of brake systems, and particularly of the know-how and expertise gained through the European LowBraSys project. The Greentive® disc is characterised by an innovative coating applied to the cast-iron braking ring, which ensures very low wear and tear, extends disc life and, combined with the dedicated friction material, also reduces particulate emissions during braking, and hence the impact on the environment. Another distinctive quality

of Greentive® is its high resistance to corrosion, particularly appreciable for the new generations of electric vehicles, characterised by a different use of the brake system. In the first half of 2021, application development was intensified with a major German manufacturer for the supply of the Greentive® disc paired with brake pads developed specifically by Brembo Friction for high-performance applications, in particular for the premium and luxury segment vehicles. Production is set to begin in 2022, while the development phase continued in parallel with other major car manufacturers.

The Greentive® disc encompasses cutting-edge technological solutions and is merely the first step in Brembo's product roadmap for brake discs in pursuit of environmental sustainability. In fact, work also proceeded on researching, developing and testing other solutions to be applied to cast-iron brake discs, with a focus on the study of materials, technologies and surface treatments in collaboration with European research centres and suppliers. Also of fundamental importance is in-depth study of the processes of applying these unconventional new brake disc technologies, with a specific focus on industrialisation for high volumes.

Particular attention is being devoted to the new needs of hybrid and electric vehicles, which use regenerative braking and thus introduce new requirements for brake discs.

These new solutions, which aim to reduce environmental impact (lower emissions of fine particulates and wheel dust) and improve aesthetics and corrosion resistance, are meeting with strong interest among Brembo's main clients. In particular, production of discs that will adopt one of these technologies is set to begin for a major electrical vehicle manufacturer in Europe in 2022.

In cooperation with various entities, the simulation method tied to the structural and thermal part was consolidated for cast-iron discs, with a focus on aspects relating to comfort and fluid-dynamics in the entire brake system. According to precise



guidelines applied throughout the automotive sector and all of Brembo's development activities, considerable attention is also paid to new solutions that are able to reduce disc weight, as a lower weight translates into lower vehicle fuel consumption, and consequently a smaller environmental impact (reduced CO₂ emissions). This is an aspect that has become even more important due to the entry into force of the new European Regulation setting the new emissions limits for manufacturers. Work on discs for heavy commercial vehicles — an application segment which is of particular interest to Brembo — continued with a focus on improving performance. Activities therefore intensified with several customers, also outside Europe. The applications developments related to such customers are underway and should be finalised during the next two years. The acquisition of new businesses with major European customers will enable the Group to further increase its market share in this specific segment.

In car applications, after having worked with a major German customer to develop the concept for the light brake disc currently installed in its entire platform of core vehicles, Brembo will also supply this product for the next generation of vehicles within the same platform, for which the application development phase was completed and a range of the new models — some of which are fully electric — is being launched.

The light disc — which enables a reduction in weight of up to 15% compared to a conventional disc due to the combination of two different materials (cast iron for the braking ring and a thin steel laminate for the disc hat) — has also been successfully developed for other major automotive manufacturers, which are already using it in some of their models, and continues to meet with the interest of several new customers, also outside Europe.

The development of composite street **motorbike discs** continued; new samples are under development so that concept validation may be finalised.

In the innovative handlebar master cylinder project (based on two Brembo patents), the possibility of using the BSSM (Brembo Semi-Solid Metal Casting) technology was analysed to reduce weights and improve the aesthetic aspect, although further work is required on the economic sustainability of this solution, compared to traditional technologies.

For the new product range created for the Indian market, the four-piston front caliper and the handlebar master cylinder were added; their design was defined and the first prototypes for permanent mould casting are being awaited. In addition to its uniform design, the entire new product range has been

conceived to be able to be customised according to the needs of motorbike manufacturers.

The first series of vehicle testing of the new low-vibration floating disc (concept patented by Brembo) was performed; this testing will continue throughout the year.

On the basis of the positive results of the initial phases of development of brake-by-wire for motorbikes, a further development of the system has been planned for the second half of 2021 that calls for rationalisation of the layout, simplification and upgrades of the architecture.

After optimising the design of the new disc hat, featuring further weight reduction and improvements, official feedback is being awaited from the customers who have expressed interest in technical performance.

Following a thorough process of assessment, the technical specifications of the new range of brakes and clutches for offroad applications were formulated.

Brembo's commitment to increasing its presence in the scooter market has taken concrete form with the launch of six different projects for two important customers, with design work to take place in Italy and manufacturing in India. Research for new markets in the field of two-wheel vehicles is also continuing: pump and caliper concept prototypes have been built for light applications and comparison tests between Brembo's design and that of similar products available on the market are currently underway.

The motorbike innovation roadmap, which is constantly updated in terms of content and timescales, entails three levels of progress: constant improvement of existing products, development of new concepts for products in the range and development of new technologies/products not currently in the portfolio.

Regarding the **racing** world, the carbon/carbon brake system for racing applications project (F1, LMP – Le Mans Prototype, IRL – Indy Racing League and Super-Formula) continued on three development areas:

- start of production of carbon/carbon discs and pads. At present, the installed capacity makes it possible to start the full production of the 2022 F1 discs intended for testing, use in competitions by different customers and internal development, in addition to a modest production of 2021 F1 discs;
- development of new systems — on the basis of the F1 disc — for the other categories as well; launch of new research activity relating to the architecture and fibre used in the F1



discs and pads, with pad research on mechanical, thermal and friction characteristics;

- development of new carbon ceramic discs for extreme road applications for both cars and motorbikes, as well as for particular competitions.

For the first time, three racing brake systems were tested (cast-iron disc, CCMR disc and carbon/carbon disc) by our development partner in Germany, also with the aim of quantifying their emissions. In the area of carbon ceramic discs destined for road applications, mass production of the Lamborghini with CCMR carbon ceramic brakes was launched. This vehicle, which offers racing-like performance, will be in production for around two years, for a total of approximately 2,000 vehicles. A significant 48 V electro-mechanical brake-by-wire project with hydraulic actuator and a safety concept based on F1 experience is already in place with a top team in a major World Motorsport Championship. The project, which will undergo continuous development throughout the 2021 season, has outperformed previous prototypes and has already been used in races with very positive results.

With regard to further brake-by-wire developments, activities relating to the braking system of the upcoming FE GEN 3 vehicle have begun; in this case, Brembo will supply the entire brake system and front brake-by-wire starting with the 2023 season. At Brembo, the entire car design team is committed to defining and designing the 2022 F1 brake systems, which, due to the new regulations, will be completely different and for which the use of a new carbon/carbon material is planned. The project involves designing, producing and testing, in accordance with the new 2022 F1 FIA rules, brake systems differing from the current models, while confirming the supply of discs, pads, disc hats, calipers, various types of master cylinders and electronic-controlled hydraulic brake-by-wire systems. In the 2022 season, an F1 team will launch a new caliper concept with embedded sensors for both axles following the positive feedback during use on the track in several testing sessions conducted in late 2020.

As regards the simulation field, testing is continuing of new calculation methodologies for the structural part and thermal properties of the disc, for the thermoelastic and fatigue calculation, as well as for integrating the calculation within the customer wheel unit — in other words, mechanical and thermal calculations with computational fluid dynamics (CFD) solutions. Continuing with an internal project of constant fine-tuning on testing benches and in simulations that began in the first half

of 2021, several testing methods were refined and further enhanced.

In the MotoGP class of motorbike applications, new systems are fully available to all clients, including a new brake caliper ensuring amplified force and an anti-drag system. In line with the F1 initiatives, a series of new projects were confirmed with a major Italian motorbike manufacturer. The projects will be governed by a development contract with the manufacturer and will concern new brake and clutch systems and wheels. The debut on the track of the new 2020 MotoGP caliper, designed with the best available simulations, was a success, so that this solution was soon confirmed by all the teams for the 2021 season. Important developments on the discs to be tested by the teams during the current season are also expected in view of 2022.

Mention should also be made of the collaboration between Brembo and e-Novia for electronic development, as well as development synergies that will enable both organisations to achieve increasingly closer integration, in order to expedite the development and sale of brake-by-wire electromechanical brake systems, calipers with embedded sensors and other possible projects.

Brembo Friction — now a well established, stable entity in line with a Company's philosophy constantly focused on continuous improvement — plays an increasingly strategic role for the corporate goal of becoming a solution provider. Today's customers expect increasingly flexible, customised and green friction materials, with demands met specifically and reactively through the combined efforts of the Research and Development Department together with all of Brembo's other departments. Brake pads with increasingly advanced performance characteristics, paired with both carbon ceramic and cast-iron discs, designed for applications with increasingly more challenging objectives, require particularly sophisticated development processes, also in light of the ongoing market demands for meeting the new requirements of electric vehicles. Once again, the market is showing every confidence in Brembo Friction, whose excellence is confirmed by the most demanding car manufacturers, which choose Brembo's pads for their top-end applications. All main markets — including the European one, which is very demanding when it comes to performance, and markets that are more demanding in terms of comfort, such as the USA and Asia, but also the more innovative markets, such as those focusing on electric calipers — can now benefit from Brembo's know-how on Cu-free (i.e., copper-free)



friction materials, also thanks to the technical and industrial collaboration with the Japanese partner Showa Denko (former Hitachi Chemical) to develop new materials and manufacture Brembo products in China, Mexico and Japan.

The development of friction materials with an increasingly lower environmental impact, combined with a focus on recyclable, low-environmental impact raw materials and reduced greenhouse gas production, reflects the green drive of global research. Projects such as AFFIDA and LIBRA flow from Brembo's increasingly close focus on the environment.

AFFIDA, the natural extension of the COBRA project (which was part of the European Life+ project), in collaboration with the Mario Negri Institute, seeks to bring the innovative technology already developed by COBRA to the OE market. The project involves the study of cement-based materials to replace the phenolic binders commonly used in all friction materials. The new materials must perform on a par with their traditional predecessors, while also meeting the high-performance standards required by the most challenging sporting applications and limiting fine particulate emissions and environmental impact. The prototype pre-industrialisation phase has now been successfully completed using a press created with ad-hoc technology that enables customers' demands to be met, and specific activity has been launched as these materials ensure performance levels that are fully comparable to those of traditional pads. The introduction of the cement-based binder proved decisive in reducing volatile organic compound (VOC) emissions, with important positive repercussions for the environment.

The LIBRA project, which has been ongoing since 2015, eliminated the steel backing plate in brake pads, replacing it with high-performance composite materials. The advantages are clear: from a lighter pad, with the resulting reduction in the overall brake system's weight, to a shorter production process. A press fully devoted to manufacturing these specific pads was installed at the end of 2019 to prepare for mass production of the product. A new short-term goal is to transfer the innovation and technology applied to these pads, now used for parking, to rear brake pads.

The constant drive to innovation enabled the development of friction materials for light discs with extreme thermo-mechanical durability, such as those for the German market, coated with Si-SiC (silicon-silicon carbide).

To this end, Brembo Frictions avails of statistical models capable of optimising friction material formulations and identifying the raw materials that most influence their chemical and physical properties.

Finally, the constant demand from the market for brake systems increasingly integrated into the new vehicles resulted in the development of a new concept for a brake pad with embedded sensors. Thanks to the use of specific sensors embedded in the friction material, the ongoing tests performed show that real-time measurement of braking torque is possible.

In **Car and Commercial Vehicle Systems**, Brembo's goals — summed up in its offering of increasingly low-emission, high-performance products capable of offering the best driving experience — translate into the following activities aimed at identifying solutions designed to ensure customers are completely satisfied.

The objective of low emissions, i.e., aimed at contributing to the reduction of vehicle consumption and the resultant CO₂ and fine particle emissions through braking systems, is pursued by adopting methods designed to minimise caliper mass, while maintaining performance, and reducing residual torque by formulating new characteristics of coupling between seals and pistons, in addition to optimising a pad sliding system based on a new concept.

These solutions allowed the Company to be competitive and contributed to winning the contract to renew the range of vehicles produced by a major European manufacturer, with production set to begin in 2023. In addition, in keeping with the low-emission objective, approval of an alloy using completely recycled aluminium is currently pending. Production of fixed calipers using recycled aluminium is expected to begin in 2025 with a major European manufacturer.

The product and process improvement work is constantly ongoing in the same way as the search for solutions to reduce mass, optimise performance and improve styling. Two examples of this continuous improvement aimed at providing state-of-the-art solutions for the high-performance market are the Dyadema™ caliper, which entered into production in the second half of 2019 and was designed with the goal of considerably reducing track operating temperatures, and the Flexira™ caliper, developed to meet the needs of several new market segments.

In keeping with this vision, development continues for the Company's patented Brembo Semi-Solid Metal (BSSM) casting technology, which maintains equal performance while enabling a reduction in weight of 5 to 10% in relation to caliper geometry. Concept approval is currently underway, whereas start of production for the first vehicles is expected by the end of 2022.



The development of friction materials also pursues low emissions and high performance objectives. In the case of the former, materials paired with coated discs are being developed, whereas in the case of the latter the materials in development are paired with all types of carbon ceramic discs.

Brembo's mechatronic products, namely various configurations of electric parking brakes, both for cars and commercial vehicles up to 7.5 tonnes, are being promoted with the Group's customers.

With regard to next-generation electric-drive vehicles, brake systems will change considerably in the coming years, above all as concerns braking management and the interface with the vehicle. Brembo promotes the "best driving experience", particularly in this sector, offering the market its brake-by-wire systems, which have now reached a high degree of performance and functioning, thus ensuring that the digital brake system is ready for industrialisation and distribution. The industrialisation and launch planning phase has begun and pre-development activity is in progress with an important manufacturer, with Brembo set to become the first in the world to enter into production at the end of 2023.

Not only the system, but also the caliper component itself will undergo significant development: the addition of sensors to the component becomes fundamental and the collection of the resulting data will yield an evolution of the entire brake system, which can be calibrated to the actual use of the vehicle, with the consequent benefits in terms of weight. Within this framework, a project to equip calipers with sensors is in progress and approval is expected to be received by 2025.

The formation of partnerships with new players that have entered the electric vehicles market is a strategic priority. In this sector, a major US client entrusted Brembo with supplying the front brake system for a commercial electric vehicle that entered production in 2021.

The ongoing evolution of simulation methodologies is focused on aspects linked to brake system comfort and caliper functionality. Brembo's objective is to develop the simulation capacity for the entire brake system, including the friction material. From this standpoint, the ability to rely on the know-how and installed capacity within the Brembo Friction project represents a strength for the Group, which can position itself as a supplier of solutions for complete brake systems. On the other hand, the development of a methodology for simulating caliper functionality is aimed at establishing, during the design stage, the caliper characteristics that influence a constant performance over time and the car's pedal feel.

Digitalisation of the Brembo product life cycle is ensured by the **Product Development Methods** function that, with the GBUs (Global Business Units) and GCFs (Global Central Functions), provides methodological, operational and legal support for managing data and project flows, using and customising commercial PLM (Product Lifecycle Management) software tools. The Product Development Methods function also supports and guides the GBUs/GCFs in identifying the benefits that PLM may yield during product development and perform benchmarking analyses using various commercial tools to identify those best suited to the needs of Brembo's products. PLM is also used to share design documents, development phases, the various technical bases and CAD drawings employed for numerical simulations. The main purpose of PLM and the Product Development Methods is the greatest possible integration of instruments connected to product development in order to ensure the uniqueness of the data, their position within PLM and the traceability of their impacts following changes in requirements or project variables.

The state of the art of simulation of products and physical processes is constantly monitored both to update the Company's technological and methodological content and to realise virtual models that are increasingly representative of the reality that they seek to reproduce, thus rendering them more efficient and predictive.

To this end, at Brembo particular emphasis is placed on simulation process automation, which translates the routine manual operations performed by simulation analysts into automatic digital flows, with the goal of condensing into procedures the know-how gained in implementing simulations, reducing errors relating to manual performance of such simulations and also making them available to a broader audience.

On the basis of the know-how consolidated during the previous three years, the global **Data Science and HPC** (High Performance Computing) team began a five-year upgrade process, which focused on doubling the resources dedicated to achieving the Company's digital transformation through the application of artificial intelligence and machine learning to big data. This includes the ongoing processes of:

- developing mobile technologies for gathering data from multiple internal and external sources;
- assembling, analysing and enriching big data;
- developing inferential and predictive models;
- industrial application of artificial intelligence, with a particular focus on product quality;



- digital automation techniques for office and production processes;
- development and engineering of software tools that implement the algorithms and solutions described above;
- development of apps for mobile devices (smartphones);
- construction of a patent portfolio for certifying know-how.

Acting as a competence centre for all GBUs and GCFs, the team operates within a multi-disciplinary Digital Lab that brings together the expertise of Data Scientists, Big Data Engineers, Domain Experts and Project Managers, developed and constantly renewed through an intense internal training programme to ensure the spread of “Data Culture” according to Brembo.

Advanced R&D activities constantly monitor the evolution of vehicles, in line with key general trends: electrification, advanced driver assistance systems (ADASs), autonomous driving, low environmental impact, and connectivity. The high level of integration will bring the brake system into dialogue with other vehicle systems, such as electric-drive motors and new suspension/steering concepts. Such integration will allow for increased active safety and the optimisation of functions, such as regenerative braking.

Brembo is continuing to develop and refine a new brake-by-wire system, whose peculiarity lies in its “decentralised” architecture, in which each wheel side has its own electromechanical actuator for generating and controlling the required braking force. This architecture is proving ideally suited to future vehicles with high-level autonomous driving capability, in addition to ensuring a greater control of the vehicle dynamics also in traditional vehicles.

Mechatronics and system integration entail the development of new components for Brembo's products, including sensors and electric mechanisms and motors. Brembo therefore coordinated a group of companies based in the Lombardy region within the framework of the funded project “Inproves”, with the aim

of creating brushless motors based on permanent magnets offering very high levels of performance, specifically designed for the brakes of the future. The project was officially concluded in May 2021, with a view to extending the activities performed to specific future projects for Brembo.

In addition, Brembo continued to conduct R&D activities in cooperation with international universities and research centres with the aim of constantly seeking out new solutions to apply to brake discs and calipers, in terms of new materials, innovative technologies and mechanical and electronic components. The need to reduce product weight is leading the research function to evaluate the use of unconventional materials, such as technopolymers or reinforced light metal alloys, to produce structural components.

Another initiative in this area is Brembo's investment in Infibra Technologies, a spin-off of the academic institution Sant'Anna - School of Advanced Studies of Pisa, specialised in developing photonic sensors through the use of fibre-optics as the sensor element.

After the LowBraSys project funded by the European Union as part of its Horizon 2020 programme with the aim of proving that fine particle emissions can be reduced, work continued with other projects financed at the European level, such as MODALES (MODify Drivers' behaviour to Adapt for Lower EmissionS), involving Brembo as a development partner. The goal of the MODALES project is to promote an understanding of the variability due to user (driver) behaviour and that due to vehicular emissions from powertrain, brakes and tyres. Its aim is to modify users' behaviour also through dedicated training. Within the framework of the Horizon 2020 programme, Brembo is also participating in the European consortium that is developing the funded project EVC1000. The goal of this project is to demonstrate the technological feasibility of a completely electric vehicle with a range of more than 1,000 km per charge, where Brembo's contribution is to provide a further refinement of its brake-by-wire system.



Risk Management Policy

Effective risk management is a key factor in maintaining the Group's value over time. In this regard, within the framework of its Corporate Governance system, the Group defined Brembo's Internal Control and Risk Management System (ICRMS) consistent and compliant with the provisions of Article 6 of the "Internal Control and Risk Management System" of the new Corporate Governance Code, which Brembo will soon adopt in 2021 and, more generally, with national and international best practices.

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

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

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

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

Risks are monitored at meetings held on at least a monthly basis, where results, opportunities and risks are analysed for each business unit and geographical region in which Brembo operates. The meetings also focus on determining the actions required to mitigate any risks. Brembo's general risk-management policies and the bodies charged with risk evaluation and monitoring are included in the Corporate Governance Manual, in the Risk Management Policy and Procedure, in the Organisational, Management and Control Model (as per Italian Legislative Decree No. 231/2001) and in the reference layout for preparing accounting documents (as per Article 154-*bis* of TUF), to which the reader is referred.

The Executive Director with responsibility for the Internal Control and Risk Management System fully enforces the risk management guidelines based on principles of prevention,



cost effectiveness and ongoing improvement, as approved by the Board of Directors. In order to provide the organisation with the instruments for defining the risk categories to which attention should be drawn, Brembo has developed a model which identifies and classifies risk classes by type, based on the managerial level or corporate function from which they originate or that is responsible for monitoring and managing them.

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

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

- a. External risks;
- b. Strategic risks;
- c. Operating risks;
- d. Financial risks.

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

External risks

Country risk

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

In addition, Brembo constantly monitors the development of political, financial and security risks associated with countries in which the general political and economic climate and tax system could prove unstable in the future, also in light of possible Covid-19-related economic effects, so as to take any measures suited to mitigating the potential risks.

Covid-19 risk

Brembo has been following developments relating to the spread of the pandemic very closely since its outbreak, establishing a dedicated task force and promptly adopting the necessary measures to prevent, monitor and contain the virus at all of its locations worldwide, with the aim of protecting the health of employees and contractors (rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, blood tests, hygiene rules and social distancing, remote working, etc.).

The Safety Officers and top managers organise periodical calls to analyse and monitor the implementation, application and efficacy of the measures taken in relation with the provisions issued by the competent authorities from time to time and the pandemic evolution in the different countries where the Group's operating sites are located.

The Audit, Risk & Sustainability Committee, the Board of Statutory Auditors and the Supervisory Body are kept promptly informed of company management and the epidemiological emergency, and all measures have always been checked and verified in order to ensure operational continuity and people protection.

Risks associated with the evolution of macroeconomic conditions and demand

In recent months, the automotive industry — like other sectors — has begun to suffer the effects of the global microchip shortage, which is leading some OEMs to slow the production of certain car models, reduce the volumes of vehicles produced and, in some cases, plan temporary plant closures. Although Brembo does not have any directly affected products, it could be indirectly affected by these OEMs' operational difficulties, which are expected to extend into the second half of 2021. Accordingly, Brembo has set up an internal task force to monitor the market and predict possible future developments. In light of the market segments targeted by Brembo, the risk is nonetheless to be regarded as modest with reference to the automotive industry benchmark.



Strategic Risks

Innovation

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

Market

Brembo targets the top-end segments of the automotive sector and, in terms of geography, generates most of its sales in Europe, North America and China. In order to reduce the risk of segment/market saturation in the countries where it operates, the Group has long ago implemented a strategy aimed at diversifying into other geographical areas and is gradually broadening its product range, also by focusing on the mid-premium segment. In addition, the Group is also developing solutions for its customers, in line with its new corporate mission statement.

Investments

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

Corporate Social Responsibility

Brembo continues to engage in ongoing development aimed at strengthening its Sustainability Model and fulfilling its legal non-financial disclosure requirements under Legislative Decree No. 254/2016 and periodically updates its sustainability risk assessment system, using measurement criteria in line with the Group's risk management methodology.

Through specially created working teams, Brembo monitors and manages the achievement of the objectives and compliance with the requirements set by the reference legislation or established on a voluntary basis in relation to the increasing orientation of civil society and end consumers towards the development of products and industrial processes with a lower environmental impact (e.g., carbon neutrality objective). The focus on the theme of the climate change risk has increased. With the support of a specialised consulting firm, Brembo has launched a project designed to assess the impacts of climate change risks. Brembo considers the risk arising from the use of resources, such as water, with reference to all production sites, particularly those located in geographical areas marked by water scarcity; it also pays equal attention to risks linked to the pollution of waterbodies due to any contamination.

Safety in the workplace is always a priority where the relevant risks are assessed and managed by the competent functions. In addition, Brembo's supply chain is becoming more and more globalised and strategic; therefore, suppliers are required to operate in accordance with the sustainability standards identified by the Group. Moreover, considering that potential risk factors exist within the supply chain, Brembo is implementing numerous measures aimed at all its suppliers, both in Italy and abroad, to promote the safeguard of the environment and ensure appropriate working conditions with a view to continuous improvement.

Operating Risks

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

Supply Chain

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



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

Business Interruption

Natural or accidental events (e.g., earthquakes or fires), malicious behaviour (e.g., acts of vandalism) or malfunctioning of systems may result in damage to assets, the unavailability of production facilities and discontinuity of operation of such facilities. Brembo therefore reinforced its risk mitigation process, through the planning of loss prevention engineering based on standards recognised at an international level. The aim of this process was to eliminate risk factors in terms of probability of occurrence and to implement protective measures aimed at limiting the impact of this risk, thereby constantly enhancing the current operating continuity levels of the Group's production facilities.

Product Quality

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

Information Technology

Brembo attaches much importance to the operating continuity of its IT systems. In this regard, it has implemented risk mitigation measures aimed at guaranteeing network connectivity and data availability and safety, while also ensuring compliance with the European data protection regulation (GDPR) and the national laws applicable in each EU member country. These issues are growing in importance also in light of the start of the Group's smart factory (Industry 4.0) process and the implementation of the strategic pillars associated with the new corporate mission. In 2020, the Group's three Italian companies were certified according to the ISO 27001 international standard, which sets the requirements and defines the methods for proper, secure management of information within the Company. Over the next

two years, the standard will also be implemented at the Group's foreign subsidiaries, starting in North America, Poland, the Czech Republic and China.

Environment, Safety and Health

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

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

The occurrence of these events could result in substantial criminal penalties or pecuniary fines against Brembo, the entity of which could be material in the case of sanctions related to the Legislative Decree No. 231/01. Brembo manages this type of risk by carrying out ongoing and systematic evaluations of its exposure to specific risks and reducing or eliminating those considered unacceptable. This procedure is organised within a Management System that covers job health and safety, as well as environmental aspects, and that is compliant with the international ISO 14001 and OHSAS 18001 standards and certified by an independent body.

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

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



Legal & Compliance

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

With reference to the risk of non-compliance with tax laws and regulations, or of operating in conflict with the principles or spirit of the systems in the jurisdictions in which the Group operates, in accordance with the guidelines laid down in the Global Tax Strategy and the Brembo S.p.A.'s Tax Strategy adopted in 2019, Brembo pursues the goal of proactively managing the tax risk by ensuring that such risk is timely recognised, properly measured, monitored and contained through the Tax Control Framework.

With regard to compliance risk on issues related to workers' health and safety and environmental protection, and in light of the complexity and lack of clarity of the applicable laws and regulations, and the uncertain and often lengthy period of time needed to obtain the necessary authorisations and patents, the Group relies on specific functions, such as the Health & Safety function and the Energy & Environment Department (see Operating Risks – Environment, Safety and Health section), tasked with handling the related complexities.

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

Among compliance-related risks, attention should be drawn to the risk associated with breaches of national, international and industry regulations, and unethical professional behaviour in breach of the Company's ethics policy that expose it to vicarious administrative liability, in addition to undermining the Group's reputation on the market.

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

- mapping (and periodic updates) by the Legal & Corporate

Department of statutes that provide for administrative liability for companies in effect in all foreign countries in which the Group operates;

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

The application of the provisions and preventive measures continued constantly and successfully, due in part to the training activity carried out and the progressive monitoring conducted within the framework of ordinary legal activities.

With reference to litigation, the Legal & Corporate Department periodically monitors the progress of existing and potential litigations and determines the strategy to be applied and the most appropriate steps to take in managing them, involving specific corporate functions, when needed. The Administration



and Finance Department is responsible for the appropriate checks or write-downs related to such risks and their economic effects.

Planning and Reporting

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

Financial Risks

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

Market Risk

Interest Rate Risk Management

Since the Group's financial debt is partly subject to variable interest rates, it is exposed to the risk of interest-rate fluctuations. To reduce this risk, the Group has entered into several medium-/long-term fixed rate loan agreements, as well as specific hedging contracts (IRS), which account — including lease liabilities — for approximately 56% of gross financial position. The objective is to eliminate the variability of the borrowing costs associated with a portion of debt and benefit from fixed rates. The Group's Central Treasury & Credit Department constantly monitors rate trends in order to evaluate in advance the need for any changes to the financial indebtedness structure.

Exchange Rate Risk Management

Since Brembo operates in international markets, it is exposed to exchange rate risks. To mitigate this risk, the Group uses natural hedging (offsetting receivables and payables) and hedges only net positions in foreign currency, using mostly, and where advisable, forward contracts in order to reduce exchange rate risk exposure.

Commodity Risk

Through a dedicated task force, the Brembo Group closely analyses and monitors the course of the risk associated with fluctuations in the prices of raw materials and commodities. A specific financial transaction was undertaken in the first half of 2021 to hedge against the risk of fluctuation in the price of electricity. However, it bears recalling that fixed prices are set in supply contracts with certain commodities suppliers for a given period of time and that the contracts in place with the main customers also provide for automatic periodic indexing on the basis of commodities prices. Both these approaches mitigate the risk of fluctuations in commodities prices.

Liquidity Risk

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

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

Credit Risk

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



Risk Management Process: Risk Financing

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

Brembo's changing needs through the years have been specifically reflected in its insurance coverage, which has been optimised to significantly decrease the Company's exposure to intrinsic risks related to the type of activities carried out

by Brembo. Thanks to international programmes, all Brembo Group companies are currently covered against the following key strategic risks: property all risks, general liability, general product liability, product recall and environmental responsibility. Additional coverage has been arranged locally based on the specific requirements of local legislation or collective labour contracts and/or corporate agreements or regulations. Insurance analysis and transfer of the risks to which the Group is exposed are conducted in collaboration with a high-standing insurance broker, which supports this process with its international organisation and is responsible for the compliance and management of Group insurance programmes at global level.







Human Resources and Organisation

In the first half of 2021, Brembo's organisational structure continued to evolve to meet market requirements and ensure the achievement of the business objectives tied to the new challenges in the automotive sector.

The configuration of some organisational areas was revised to encourage innovation, indispensable to garnering a leading position and a competitive advantage in a rapidly changing sector. In February 2021, two distinct areas of responsibility were created: the Digital & Innovation GCF (Global Central Function) and the Research & Development GCF, both reporting to the CEO. The Digital & Innovation GCF is the company competence centre and point of reference for the execution of all digital projects through the application of advanced multidisciplinary techniques (e.g., complex mathematics, statistical learning, machine learning and artificial intelligence), ensuring the digitalisation of existing processes and the development of new digital tools. The GCF also designs and creates data apps and data products and promotes the innovation of product development processes by identifying and spreading methods and tools for simulating, designing and managing product information.

The Research & Development GCF manages and develops product innovation projects, electronic and mechatronic systems, friction and materials R&D, product development process virtualisation and testing and validation systems. In particular, it formulates innovative ideas and R&D projects, designs mechanical, electronic and software systems, manages functional technological and internal logistics R&D laboratories, formulates physical models for upgrading and optimising vehicles and smart products and for their development, and validates innovative and traditional products.

Other organisational changes related to the Quality GCF, with the creation of the Product Regulations Area, responsible for developing and consolidating binding product management requirements expertise.

The Motorbike Operations Area was then created in June 2021 in response to the increasing size and complexity of the motorbike business industrial operations worldwide.

Finally, in view of the strategic nature of the Chinese market, the position of Brembo China Deputy CEO was created within

Brembo China with the task of coordinating strategic projects, activities and initiatives in China.

Most recently, following the presentation of Brembo's new vision and mission in September 2020, the Company conducted various information and communications campaigns concerning the new company purpose, i.e., the combination of vision, mission and values that characterise the essence of the "new" Brembo, involving individuals from all company sites. The Group is currently committed to translating the new purpose into practice through projects grouped under three strategic pillars — Digital, Global and Cool — involving around a hundred individuals of various origins and background. The strategy is being implemented by means of seamless, coherent and credible communication, via channels of interaction that make it possible to reach the base and also move back up the structure to the top management.

The critical nature of the pandemic situation required the Company to make a considerable effort to convert classroom training — maintained solely to manage health and safety training — into online training and to revise the content to meet training needs, ensuring the contribution of expertise and knowledge instrumental to responding to and anticipating business requirements in a rapidly changing market.

Among the training projects implemented in the first half of 2021, mention should be made of the structured Knowledge Management course focusing on certifying staff with specific critical expertise and the related possible allocation, with the goal of drawing up specific manuals and transferring this know-how to other personnel to be qualified as internal lecturers at the Brembo Academy. The latter are in addition to the over 50 internal trainers already certified and involved actively in technical seminars.

Another process linked to the cascading of the new Brembo purpose is the Culture of Data, arising from the Big Data & Data Science course launched in 2017 with the advent of



Industry 4.0 and totally contextualised within the framework of the Manufacturing Academy. The course was completely redesigned to maximise the spread of data culture and the use of data in support of the business and decision-making processes within the Company. This was in addition to other courses — available in self-learning mode — concerning various aspects of the same theme with increasingly complexity and breadth of subject matter. This project involved Italy and Poland in the first half of 2021 and will be extended to China, the United States and Mexico by year-end.

In the area of virtual classroom training, Brembo continued to organise editions of the multi-level People Management course for new Italian managers: four modules that offer participants techniques and tools for managing personnel. In addition, the Personnel Effectiveness Development course was redesigned in virtual mode: it aids in the development of conceptual tools and strategies for managing the complexity of the working environment and relationship dynamics. Both courses delve into the skills and tools for promoting and leveraging all types of diversity in the working environment.

In technical training, two seminars were launched: the “Brake by Wire Seminar” included in the R&D Academy is

aimed at technical personnel, whereas the “Cast Iron Foundry Seminar” included in the Manufacturing Academy is dedicated to iron casting and is open to Brembo personnel worldwide.

The first half of 2021 also saw the launch of the Skill Factory global development project for various company populations with critical know-how regarding Commercial, Technical and Platform Management issues.

This assessment was divided into two separate inquiries focusing on two aspects: the mindset and the technical skills critical for the role. The assessment was followed by a structured individual feedback process within which to share the outputs of the inquiry. Finally, the individual, the direct superior and the relevant HR manager formulated an individual development plan.

Starting in March 2021, a new talent development initiative known as the Gen Z Forum involved representatives of Generations Z and Y in developing and collecting creative ideas, including outside of traditional frameworks, to contribute to building the Brembo of the future. This project is entrusted to 20 young employees who participate in the work by connecting from their respective Brembo offices around the world, in Europe, China and North America.



Confident and
always **inspired**



This is a changing world in which we believe more and more. We are transforming energy into inspiration to help create a planet that is increasingly liveable, secure and sustainable.





Environment, Safety and Health

Brembo's commitment to environmental sustainability and safety continued to be an increasingly strategic and essential factor for developing the Group's business.

Environment and Energy

In the first half of 2021, the Brembo Group recorded a significant increase in requests from all stakeholders — and above all from customers — for information concerning environmental aspects that rose compared to the recent past in both quantitative and qualitative terms. This element bears witness to the international community's growing interest in topics relating to the SDGs, among which environmental topics have a significant weight and are increasingly recognised as a competitive, distinctive element for those operating in the automotive sector. In fact, there has been a considerable increase in market demand for products and the related production processes, throughout the life cycle, that are increasingly environmentally friendly and capable of combating climate change. The environmental sustainability development strategy that the Group has formulated in recent years is proving appropriate and capable of anticipating and fulfilling such requests through concrete actions, as also recognised by international organisations, such as CDP, which in 2020 had awarded the Brembo Group a double-A for its Climate Change and Water Security programmes for the third consecutive year.

The main areas of focus with regard to environmental issues for the first half of 2021 are set out below.

Energy Management: implementation of the energy consumption monitoring, analysis and management platform (Brembo Energy Platform) was completed at all Group plants and it is currently being extended to monitoring other types of consumption such as gas, compressed air and water, the infrastructure for which is being assessed for adequacy and the actions needed to allow meters to communicate with the platform are being identified. The update plans consist of multi-year programmes also based on the priority of monitoring the vectors with the greatest impacts.

After the slowdown suffered as a result of the pandemic in 2020, the plan to extend the ISO 50001 certification regarding energy management, involving the certification of three facilities in 2021, resumed at full pace: the first of these, La.Cam. (Italy), was certified in the first half of 2021, whereas the other two, the cast-iron foundries in Homer (USA) and Escobedo (Mexico), will complete the certification process by year-end.

As customary, at the beginning of the year the annual energy efficiency objectives were assigned to all Group plants, which are implementing the actions to achieve them.

Life Cycle Assessment: in order to obtain an increasingly clear understanding and measurement of the environmental impacts of products throughout their life cycle, a programme dedicated to the LCA (Life Cycle Assessment) approach was launched in the first half of 2021. The systematic implementation of this model of analysis makes it possible to quantify environmental impacts throughout the value chain (e.g., supply chain) with greater precision, identifying the areas of improvement on which to focus, starting in the planning phase, to ensure that the environmental impacts are minimised. This programme involves the Group's product and process design and purchasing functions and its factories.

Circular Economy: opportunities to increase circularity throughout the Group continued to be sought in the first half of 2021. One of the main ongoing actions relates to the pilot project at the Mapello cast-iron foundry, involving the use of spent alkaline batteries in the casting process to replace one of the main elements of the cast-iron alloy, primary ferromanganese, with that contained in batteries at the end of their life cycles. Experimentation will conclude in the autumn, to be followed by the definitive phase after final approval by the



competent bodies. This process yields multiple advantages for the environment as it enables safe, complete disposal of waste that otherwise is difficult to recover, while also reducing the overall environmental impact of brake discs. Additional initiatives relating to the reuse of production waste that could prove of interest to other production chains, such as carbon ceramic disc production waste, were also launched. To support this process, various partnerships were formed with research and university organisations, as well as with trade associations, with the aim of identifying those possibly interested in using the waste materials from Brembo's industrial processes, currently primarily disposed of as waste, and recovered materials from other production chains that could be reused in Brembo's production process.

Sustainability and energy efficiency goals: in 2021, sustainability and energy efficiency goals were once again

set at the beginning of the year in order to pursue the Group's medium- and long-term objectives, established in accordance with the instructions given in the 2015 Paris Agreement on climate. The sustainability goal, calculated as a percent reduction in CO₂ emissions with respect to the 2020 emissions achieved through improvement projects, has been set at 19%, whereas the energy efficiency objective, calculated as a percent reduction in energy consumption compared to 2020 achieved through improvement measures, has been set at 2.77%.

As already stated in the recently published Consolidated Disclosure of Non-Financial Information, the Brembo Group has declared its ambition of achieving carbon-neutrality by 2040. Accordingly, a working group has been organised with the task of drawing up the neutrality roadmap, which will be disclosed with the most appropriate timing and methods, once completed.

Workplace Safety

With regard to workplace health and safety issues, the first half of 2021 continued to be severely affected by the Covid-19 pandemic. Once the technical and organisational measures established by Brembo protocols were finalised, the Group's plants continued to work towards promptly bringing prevention and protection initiatives into line with the changing local pandemic situation, in accordance with the Plant Committees, consisting of the Employer, H&S Manager, Occupational Physician, Human Resources and Workers' Safety Representatives. A constant flow of information to workers regarding the Committees' decisions and careful compliance with regulations by workers prevented hotbeds of infection from forming at plants, thus minimising the risk of contagion. The general structure at Group level, applied to all plants, ensured that the measures adopted by Brembo were increasingly protective and prudent compared to those provided for in the home country's laws.

This entail some additional efforts by workers (such as the use of FFP2 and not surgical masks), who responded positively, applying protocols optimally, as witnessed by the entirely positive results of 385 audits conducted by the H&S authority at all Group plants in the first half of 2021 (97% compliance).

In addition to pandemic management, worth of mention are four projects that saw the light in the first half of 2021:

1. Preventive Ergonomics

The project's goal is to set a Brembo standard for assessing ergonomic risks to be applied throughout the process of creating new production lines, from design to commissioning. This will prevent many ergonomic risks and the costs of modifying existing lines as, from first use, plants will have production facilities free of significant ergonomic risks for the workers assigned to them. Once Brembo's ergonomic assessment standard has been defined, it will also be used for gap analysis with respect to existing lines and for outlining any improvements.

2. WCM Safety-Pillar

The project — launched at the pilot car and motorbike plants in Curno (Bergamo) — calls for a systematic, organic approach to mapping the improvements achieved, thus laying the foundation for step-by-step growth, in view of the spread of safety knowledge at all levels of the organisation.



3. Aluminium Foundry Workshop

Following the launch at the end of the previous year, in early 2021 the project's areas were identified with a primary focus on the gravity casting lines, resulting in the formulation of three areas of intervention: support for improving the ergonomics of workstations (testing with exoskeletons), organisation of workstations (improvement of layout and tool positioning) and tools for monitoring and correcting unsafe behaviour.

4. Safe behaviour (Behaviours Continuous Improvement)

The project was based on the observation that most accidents may be directly correlated with improper worker behaviour/conduct that may give rise to accidents or near-misses. After a phase of analysis and classification of such behaviours, the Team Leaders monitored the implementation of this behaviour by workers to create short training modules designed to correct it through constant feedback for the workers involved.



Related Party Transactions

In compliance with Consob Regulation introduced with Resolution No. 17221 of 12 March 2010, as amended, Brembo S.p.A. adopted the Related Party Transactions Procedure. The procedure was approved for the first time by the Board of Directors of Brembo S.p.A. during the meeting held on 12 November 2010, after receiving the favourable opinion of the Audit, Risk & Sustainability Committee, which also acts as Related Party Transactions Committee since it meets the requirements set out by the above-mentioned regulatory provisions. Said procedure was constantly updated to comply with the regulatory provisions in force from time to time, as well as with the existing practices. The procedure aims to ensure the full transparency and propriety of Related Party Transactions.

On 10 May 2021, the Board of Directors — after receiving the unanimous favourable opinion of the Audit, Risk & Sustainability Committee, which also acts as Related Party Transactions Committee and passed this resolution at the presence of

all its members — approved unanimously the new Related Party Transaction Procedure, aligned with the new provisions regarding related party transactions adopted by Consob with Resolutions No. 21624 of 10 December 2020. The Procedure, effective 1 July 2021, was published on the Company's website (www.brembo.com, section Company, Corporate Governance, Governance Documents).

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



Further Information

Impacts of the Covid-19 Pandemic on the Condensed Six Monthly Financial Report at 30 June 2021

Brembo constantly follows developments relating to the spread of the Covid-19 pandemic at all its sites worldwide, promptly adopting all necessary measures to prevent, monitor and contain the virus, with the aim of protecting the health of employees and

contractors, such as extended remote working, rearrangement of production layouts, sanitisation of the premises, personal protective equipment, temperature measurement, heat scans, hygiene rules and social distancing.

Significant Events During the Six-month Period

On 7 January 2021, after issuing the press release dated 17 November 2020, Brembo completed the acquisition of SBS Friction A/S, a company based in Svendborg (Denmark) that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million), paid using available cash.

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 22 April 2021 approved the Financial Statements for the financial year ended 31 December 2020, allocating net income for the year amounting to €85,505,062.96 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per ordinary share outstanding, excluding own shares;
- the remaining amount carried forward.

The Extraordinary Shareholders' Meeting of the Parent Brembo S.p.A. held on 22 April 2021 approved the amendment to Articles 1 and 4 of the By-laws, which entailed the expansion of the purpose to render it compatible with the technological evolution of the automotive market and with Brembo's new mission of becoming a Solution Provider to support its partners in creating solutions to the challenges posed by the new mobility paradigms, such as electrification, autonomous vehicles and digitalisation, as well as to allow the Company to enter sectors of activity adjacent to that in which it currently operates. At the same Meeting, the Company's name was changed from Freni Brembo S.p.A. to Brembo S.p.A., effective as of the registration

of the resolution in the Bergamo Register of Companies (29 April 2021). Pursuant to Article 2437 of the Italian Civil Code, the shareholders of Brembo who did not contribute to passing the resolution concerning the amendment to the By-laws were entitled to exercise the right of withdrawal, with a liquidation value of €10.036 per share, as established by the Board of Directors, after receiving the favourable opinion of the Board of Statutory Auditors, in reference to the arithmetic average of the closing prices of the shares on the Electronic Share Market (MTA) in the six months prior to the date of publication of the notice of calling of the General Shareholders' Meeting. Based on the declarations received by Brembo, the Right of Withdrawal was validly exercised for a total of No. 16,852 shares (representing 0.00505% of the Company's share capital, for a total liquidation value of €169,126.672), which were therefore offered on option and pre-emption to all shareholders of the Company who held shares for which the right of withdrawal had not been exercised, in proportion to the number of Shares held by them. For further information, reference should be made to the documentation published on Brembo's website at <https://www.brembo.com/en/investors/for-shareholders/company-notice>.

On 28 April 2021, Brembo signed an agreement for the acquisition of a 100% stake in the J.Juan Group, a Spanish company specialising in the development and production of motorbike braking systems. Founded in 1965, J.Juan is based in Gavà, Barcelona, and has three plants in Spain and one in China, manufacturing especially brake hoses, a strategic component for the braking system's safety that will complement the current range of Brembo products for motorbikes. The acquisition of J.Juan enables the Group to complete its range of solutions for



the motorbike braking system and to expand its brand family for the growing motorbike sector.

The consideration for the transaction is currently estimated at €70 million and will be subject to the usual adjustment mechanisms envisaged for similar transactions. The acquisition is subject to the approval of the Antitrust authorities, following which the closing is expected to occur in the second half of 2021.

Brembo established the company Inspiration Lab Corp. with registered office in Wilmington (Delaware, USA) and share capital

of USD 300 thousand. The company — Brembo's first centre of excellence — will begin its operations in the fourth quarter of 2021 and will be based in the Silicon Valley (California, USA). It will be an experimental lab mainly focused on strengthening the Company's expertise in software development, data science and artificial intelligence, for the benefit of the development of Brembo's future braking solutions. The new centre of excellence will also be a point of reference for the technological and commercial development of Brembo's relationships with customers in the Silicon Valley.

Plans for the Buy-back and Sale of Own Shares

The General Shareholders' Meeting held on 22 April 2021 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 10,035,000 own shares already held (3.005% of share capital), represents 5.401% of the Company's share capital.

Own shares can be bought back 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%.

With reference to the disposal of own shares, the Board of Directors will define, from time to time, in accordance with applicable legislation and/or allowed market practices, the criteria to set the relevant consideration and/or methods, terms and conditions to use own shares in portfolio, taking due account of the realisation methods applied, the price trend of the stock in the period before the transaction and the best interest of the Company.

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 back nor sold own shares during the reporting period.



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

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

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

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

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.



Significant Events After 30 June 2021

No further significant events occurred after the end of the first half of the year and until 29 July 2021.

Foreseeable Evolution

Order levels for the coming months remain solid; the Group is continuing to monitor the impacts of the shortage of electronic components on its customers' production chains. On the basis of the current scenario and its results for the first half of the

year, for financial year 2021 the Group expects an increase in revenues of between 20% and 25% compared to the previous year and an EBITDA margin in the region of 19.5%.

Stezzano, 29 July 2021

On behalf of the Board of Directors

The Executive Deputy Chairman

Matteo Tiraboschi

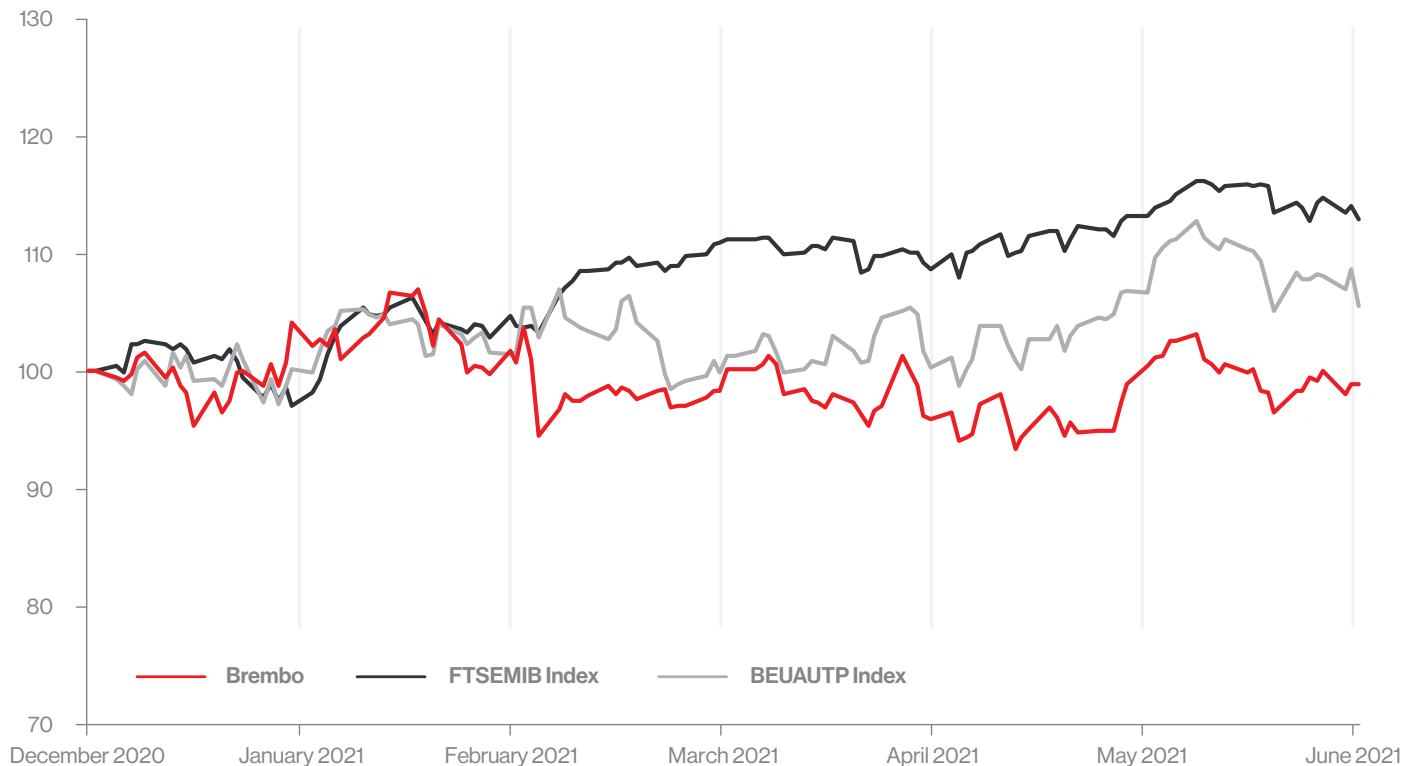


Brembo S.p.A. Stock Performance

Brembo stock closed the first half of 2021 at €10.68, down 11.1% compared to 31 December 2020. The stock reached a high for the period of €11.54 on 16 February and a low of €10.08 on 12 May 2021.

The FTSE MIB index closed the year on a positive note at 12.9%, whereas the BBG EMEA Automobiles Parts index rose by 5.5%.

Thanks to the success of the vaccinations and fiscal policy support, 2021 began with a post-pandemic rebound fuelled by consumption, which will dominate 2021-2022. The current flaring of inflation is likely to prove temporary, although the scope of the risks varies according to local conditions. A swifter recovery to pre-crisis levels could result in cautious tightening of monetary policy in the United States and Europe next year.



An overview of stock performance of Brembo S.p.A. at 30 June 2021 is given in the following table, compared with that at 31 December 2020.

	30.06.2021	31.12.2020
Share capital (euro)	34,727,914	34,727,914
No. of ordinary shares	333,922,250	333,922,250
Equity (excluding net income for the period) (euro)	682,892,406	644,300,524
Net income for the period (euro)	51,787,467	85,505,063
Trading price (euro)		
Minimum	10.08	5.91
Maximum	11.54	11.21
Period end	10.68	10.80
Market capitalisation (euro million)		
Minimum	3,366	1,973
Maximum	3,853	3,743
Period end	3,566	3,606
Gross dividend per share	N/A	0.22(*)

(*) Approved by the General Shareholders' Meeting of 22 April 2021.

Further information and updates regarding stock performance and recent corporate information are available on Brembo's website at www.brembo.com – *Investors* section

Investor Relations Manager: Laura Panseri



Fully focused
on our **goals**



An ideal dynamic balance between research and technology, innovation and style. With a focus on performance and results. And every goal is closer if you can rely on in-depth skills and great experience.





2. Condensed Consolidated Six Monthly Financial Report at 30 June 2021

Consolidated Financial Statements at 30 June 2021

Consolidated Statement of Financial Position

Assets

(euro thousand)	Notes	30.06.2021	of which with related parties	31.12.2020	of which with related parties	Change
NON-CURRENT ASSETS						
Property, plant, equipment and other equipment	1	998,641		975,824		22,817
Right of use assets	1	206,859		207,456		(597)
Development costs	2	96,116		92,292		3,824
Goodwill and other indefinite useful life assets	2	105,057		79,882		25,175
Other intangible assets	2	52,611		47,393		5,218
Shareholdings valued using the equity method	3	46,641		43,947		2,694
Other financial assets (including investments in other companies and derivatives)	4	246,403	128	217,263	2,716	29,140
Receivables and other non-current assets	5	20,754		18,242		2,512
Deferred tax assets	6	74,043		76,731		(2,688)
TOTAL NON-CURRENT ASSETS		1,847,125		1,759,030		88,095
CURRENT ASSETS						
Inventories	7	450,433		354,887		95,546
Trade receivables	8	492,566	1,488	385,439	1,775	107,127
Other receivables and current assets	9	123,678		119,315		4,363
Current financial assets and derivatives	10	1,297		1,938		(641)
Cash and cash equivalents	11	451,057		551,282		(100,225)
TOTAL CURRENT ASSETS		1,519,031		1,412,861		106,170
ASSETS FROM DISCONTINUED OPERATIONS		712		855		(143)
TOTAL ASSETS		3,366,868		3,172,746		194,122



Equity and liabilities

(euro thousand)	Notes	30.06.2021	of which with related parties	31.12.2020	of which with related parties	Change
GROUP EQUITY						
Share capital	12	34,728		34,728		0
Other reserves	12	77,043		37,428		39,615
Retained earnings/(losses)	12	1,331,240		1,241,370		89,870
Net result for the period	12	126,938		136,533		(9,595)
TOTAL GROUP EQUITY		1,569,949		1,450,059		119,890
TOTAL MINORITY INTERESTS		31,295		30,982		313
TOTAL EQUITY		1,601,244		1,481,041		120,203
NON-CURRENT LIABILITIES						
Non-current payables to banks	13	433,426		548,220		(114,794)
Long-term lease liabilities	13	185,488		187,415		(1,927)
Other non-current financial payables and derivatives	13	714		953		(239)
Other non-current liabilities	14	1,883		14,891	5,147	(13,008)
Non-current provisions	15	37,642		42,990		(5,348)
Provisions for employee benefits	16	22,655	620	26,567	4,292	(3,912)
Deferred tax liabilities	6	28,169		26,421		1,748
TOTAL NON-CURRENT LIABILITIES		709,977		847,457		(137,480)
CURRENT LIABILITIES						
Current payables to banks	13	305,792		175,998		129,794
Short-term lease liabilities	13	21,234		21,473		(239)
Other current financial payables and derivatives	13	2,636		3,838		(1,202)
Trade payables	17	542,588	11,565	474,906	9,289	67,682
Tax payables	18	8,416		7,405		1,011
Current provisions	15	192		1,875		(1,683)
Other current liabilities	19	174,707	10,707	158,613	2,825	16,094
TOTAL CURRENT LIABILITIES		1,055,565		844,108		211,457
LIABILITIES FROM DISCONTINUED OPERATIONS		82		140		(58)
TOTAL LIABILITIES		1,765,624		1,691,705		73,919
TOTAL EQUITY AND LIABILITIES		3,366,868		3,172,746		194,122



Consolidated Statement of Income

(euro thousand)	Notes	30.06.2021	of which with related parties	30.06.2020	of which with related parties	Change
Revenue from contracts with customers	20	1,360,789	164	951,113	130	409,676
Other revenues and income	21	10,340	1,703	8,147	1,847	2,193
Costs for capitalised internal works	22	11,547		10,975		572
Raw materials, consumables and goods	23	(608,806)	(22,359)	(431,363)	(15,169)	(177,443)
Income (expense) from non-financial investments	24	7,641		1,884		5,757
Other operating costs	25	(256,974)	(6,096)	(195,383)	(4,594)	(61,591)
Personnel expenses	26	(254,322)	(3,278)	(202,082)	(2,248)	(52,240)
GROSS OPERATING INCOME		270,215		143,291		126,924
Depreciation, amortisation and impairment losses	27	(104,418)		(104,500)		82
NET OPERATING INCOME		165,797		38,791		127,006
Interest income	28	27,817		88,216		(60,399)
Interest expense	28	(29,288)		(102,384)		73,096
Net interest income (expense)	28	(1,471)	1	(14,168)	18	12,697
Interest income (expense) from investments	29	3,911	3,822	55		3,856
RESULT BEFORE TAXES		168,237		24,678		143,559
Taxes	30	(41,369)		(4,503)		(36,866)
Result from discontinued operations	32	(95)		62		(157)
RESULT BEFORE MINORITY INTERESTS		126,773		20,237		106,536
Minority interests		165		(279)		444
NET RESULT FOR THE PERIOD		126,938		19,958		106,980
BASIC/DILUTED EARNINGS PER SHARE (euro)	31	0.39		0.06		



Consolidated Statement of Comprehensive Income

(euro thousand)	30.06.2021	30.06.2020	Change
RESULT BEFORE MINORITY INTERESTS	126,773	20,237	106,536
<i>Other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period:</i>			
Effect of actuarial income/(loss) on defined benefit plans	3,499	(980)	4,479
Tax effect	(747)	170	(917)
Fair value measurement of investments	22,118	(1,662)	23,780
Tax effect	(266)	0	(266)
Total other comprehensive income/(losses) that will not be subsequently reclassified to income/(loss) for the period	24,604	(2,472)	27,342
<i>Other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period</i>			
Effect of hedge accounting (cash flow hedge) of derivatives	12,789	(1,127)	13,916
Tax effect	(735)	233	(968)
Change in translation adjustment reserve	28,679	(31,114)	59,793
Total other comprehensive income/(losses) that will be subsequently reclassified to income/(loss) for the period	40,733	(32,008)	72,741
COMPREHENSIVE RESULT FOR THE PERIOD	192,110	(14,243)	206,619
Of which attributable to:			
- Minority Interests	953	(39)	992
- the Group	191,157	(14,204)	205,361



Consolidated Statement of Cash Flows

(euro thousand)	30.06.2021	30.06.2020
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	445,230	168,559
Result before taxes	168,237	24,678
Depreciation, amortisation/impairment losses	104,418	104,500
Capital gains/losses	235	(555)
Income/expense from investments, net of dividends received	(2,706)	3,160
Financial portion of provisions for defined benefits and payables for personnel	195	199
Long-term provisions for employee benefits	1,321	1,206
Other provisions net of utilisations	3,529	26,749
Result from discontinued operations	(95)	62
Cash flows generated by operating activities	275,134	159,999
Current taxes paid	(34,168)	(22,936)
Uses of long-term provisions for employee benefits	(2,239)	(1,988)
<i>(Increase) reduction in current assets:</i>		
inventories	(101,379)	(52,051)
financial assets	(33)	85
trade receivables	(103,835)	43,734
receivables from others and other assets	(2,143)	(2,751)
<i>Increase (reduction) in current liabilities:</i>		
trade payables	65,950	(108,203)
payables to others and other liabilities	460	(3,558)
Translation differences on current assets	3,349	(3,199)
Net cash flows from/(for) operating activities	101,096	9,132



(euro thousand)	30.06.2021	30.06.2020
<i>Investments in:</i>		
property, plant and equipment	(85,225)	(59,715)
<i>of which right of use assets</i>	(7,712)	(4,508)
intangible assets	(17,267)	(14,168)
financial assets	(130)	(177,590)
Price for disposal or reimbursement value of fixed assets	2,354	1,064
Amounts (paid)/received for the acquisition/disposal of subsidiaries, net of the relevant cash and cash equivalents	(30,414)	0
Net cash flows from/(for) investing activities	(130,682)	(250,409)
Dividends paid in the period	(70,346)	0
Dividend paid to minority shareholders in the period	(640)	(640)
Change in fair value of derivatives	1,643	(1,184)
New lease agreements	7,042	3,664
Reimbursement of lease liabilities	(14,354)	(12,183)
Loans and financing granted by banks and other financial institutions in the period	0	425,000
Repayment of long-term loans and other financing	(50,136)	(62,614)
Net cash flows from/(for) financing activities	(126,791)	352,043
Total cash flows	(156,377)	110,766
Translation differences on cash and cash equivalents	1,981	(4,960)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	290,834	274,365



Consolidated Statement of Changes in Equity

	Share capital	Other reserves		Retained earnings (losses)
		Reserves	Treasury shares	
Balance at 1 January 2020	34,728	132,130	(24,805)	983,809
Allocation of profit for the previous year		1,125		230,176
Payment of dividends				
<i>Components of comprehensive income:</i>				
Effect of actuarial income/(loss) on defined benefit plans				(810)
Fair value measurement of investments				(1,662)
Effect of hedge accounting (cash flow hedge) of derivatives		(894)		
Change in translation adjustment reserve		(30,796)		
Net result for the period				
Balance at 30 June 2020	34,728	101,565	(24,805)	1,211,513
Balance at 1 January 2021	34,728	62,233	(24,805)	1,241,370
Allocation of profit for the previous year				65,278
Payment of dividends				
Other changes				(12)
<i>Components of comprehensive income:</i>				
Effect of actuarial income/(loss) on defined benefit plans				2,752
Fair value measurement of investments				21,852
Effect of hedge accounting (cash flow hedge) of derivatives		12,054		
Change in translation adjustment reserve		27,561		
Net result for the period				
Balance at 30 June 2021	34,728	101,848	(24,805)	1,331,240



Net result for the period	Group equity	Result of Minority Interests	Share capital and reserves of Minority Interests	Equity of Minority Interests	Equity
231,301	1,357,163	1,760	29,092	30,852	1,388,015
(231,301)	0	(1,760)	1,760	0	0
	0		(640)	(640)	(640)
	(810)			0	(810)
	(1,662)			0	(1,662)
	(894)			0	(894)
	(30,796)		(318)	(318)	(31,114)
19,958	19,958	279		279	20,237
19,958	1,342,959	279	29,894	30,173	1,373,132
136,533	1,450,059	1,405	29,577	30,982	1,481,041
(65,278)	0	(1,405)	1,405	0	0
(71,255)	(71,255)		(640)	(640)	(71,895)
	(12)			0	(12)
	2,752			0	2,752
	21,852			0	21,852
	12,054			0	12,054
	27,561		1,118	1,118	28,679
126,938	126,938	(165)		(165)	126,773
126,938	1,569,949	(165)	31,460	31,295	1,601,244



Explanatory Notes to the Condensed Consolidated Six Monthly Financial Report at 30 June 2021

Brembo's Activities

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

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

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

Form and Content of the Condensed Consolidated Six Monthly Financial Report at 30 June 2021

Introduction

The Condensed Consolidated Six Monthly Financial Report at 30 June 2021 has been prepared in accordance with Article 154-ter of Legislative Decree No. 58/98 and applicable Consob provisions, as well as the provisions of IAS 34 – *Interim Financial Reporting*, and has been subjected to a limited audit according to the criteria recommended by Consob. In further detail, the Financial Report for the period ended 30 June 2021 has been prepared in condensed form and does not contain all the information and notes required for the consolidated annual financial statements. Consequently, the Report should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2020.

The Condensed Consolidated Six Monthly Financial Report comprises 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 these Explanatory Notes; it includes the situation at 30 June 2021 of Brembo S.p.A., the Parent, and the companies controlled by Brembo S.p.A. pursuant to IFRS 10.

On 29 July 2021, the Board of Directors approved the Condensed Consolidated Six Monthly Financial Report and requested that it be made available to the public and Consob, within the terms and according to the procedures provided for by applicable laws and regulations.







Basis of Preparation and Presentation

The accounting standards, consolidation principles and measurement criteria adopted to prepare the Condensed Consolidated Six Monthly Financial Report comply with those used to prepare the Consolidated Financial Statements at 31 December 2020, to which specific reference is made.

With reference to the new standards or amendments already issued that were applied for the first time from 1 January 2021, the following is reported.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments include the temporary reduction of the requirements relating to the effects on financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative risk-free rate (RFR).

The amendments include the following practical expedients:

- considering contractual changes or changes in cash flows that are directly required by the reform to be changes in a variable interest rate equivalent to a market interest rate movement;
- allowing the changes required by the IBOR reform to be made within the framework of designation of a hedge and hedging documentation without the hedging relationship having to be discontinued;
- providing entities with a temporary reduction of separate identification requirements when a RFR is designated as hedging a component of risk.

These amendments did not have any impact on the Group's Condensed Consolidated Six Monthly Financial Report. The Group intends to use these practical expedients in the future periods in which they are applicable.

Other standards or amendments, not yet entered into force at the reporting date, are summarised in the following table:

Description	Endorsed at the reporting date	Date of entry into force of the standard
IFRS 17 – <i>Insurance Contracts</i> (issued on 18 May 2017), including Amendments to IFRS 17 (issued on 25 June 2020)	NO	1 January 2023
Amendments to IAS 1:		
• <i>Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date</i> (issued on 23 January 2020 and 15 July 2020, respectively)	NO	1 January 2023
• Amendments to IAS 1 – <i>Presentation of Financial Statements</i> and IFRS Practice Statement 2: <i>Disclosure of Accounting Policies</i> (issued on 12 February 2021)		
Amendments to IAS 8 – <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates</i> (issued on 12 February 2021)	NO	1 January 2023
Amendments to IAS 12 – <i>Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i> (issued on 7 May 2021)	NO	1 January 2023

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

The Condensed Consolidated Six Monthly Financial Report has been prepared on the basis of the half-yearly financial statements at 30 June 2021 drawn up by the Boards of Directors of the relevant consolidated companies.



Due to the type of business, data included in the Condensed Consolidated Six Monthly Financial Report are not influenced by material seasonal or cyclical effects, compared to full year data.

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

The Condensed Consolidated Six Monthly Financial Report is presented in euro, which is the functional currency of the Parent, Brembo S.p.A., and all amounts are rounded to the nearest thousand unless otherwise indicated.

Discretionary Valuations and Significant Accounting Estimates

Preparing financial statements in compliance with the applicable accounting standards requires management to make estimates that may have a significant effect on the items reported in the accounts. Estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the current circumstances and given the information available at the reporting date. Actual results may differ from these estimates. Estimates and associated assumptions are reviewed on an ongoing basis. Revisions of estimates are recognised in the period in which such estimates are revised. Management's decisions that have a significant impact on the financial statements and estimates, and have a significant risk of material adjustments to the book value of assets and liabilities in the next accounting period, are discussed in the notes to the individual financial statement entries.

The main estimates are used to recognise the capitalisation of development costs, taxes (including the estimate of any tax liabilities associated with tax litigation, underway or that is likely to occur), impairment of non-financial assets, and the actuarial assumptions used in the valuation of defined benefit plans. Other estimates relate to provisions for contingencies, product warranties, inventory obsolescence, useful lives of certain assets, the designation of lease contracts and the determination of the fair value of financial instruments, including derivatives. 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. Actuarial valuations necessary to determine provisions for employee benefits are conducted in complete form when preparing the Annual Financial Statements and in simplified form when preparing this Six Monthly Financial Report.

Consolidation Area

The list of consolidated subsidiaries, associates and joint ventures that are accounted for using the equity method, along with information regarding their registered offices and the percentage of capital held, is included in the paragraph "Information About the Group" of these Explanatory Notes.

Compared to the first half of 2020 and 31 December 2020, the following corporate transactions impacting the Group consolidation area were performed.

- On 7 January 2021, Brembo acquired a 100% interest in SBS Friction A/S, a company based in Svendborg, Denmark. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million), paid using available cash.



- Brembo established the company Inspiration Lab Corp. with registered office in Wilmington (Delaware, USA) and share capital of USD 300 thousand. The company — Brembo's first centre of excellence — will begin its operations in the fourth quarter of 2021 and will be based in the Silicon Valley (California, USA).

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

Euro against other currencies	30.06.2021	Average at June 2021	30.06.2020	Average at June 2020
U.S. Dollar	1.188400	1.205666	1.119800	1.101452
Japanese Yen	131.430000	129.811724	120.660000	119.207159
Swedish Krona	10.111000	10.129897	10.494800	10.660961
Danish Krone	7.436200	7.436844	7.452600	7.464784
Polish Zloty	4.520100	4.536548	4.456000	4.413618
Czech Koruna	25.488000	25.855134	26.740000	26.342135
Mexican Peso	23.578400	24.320724	25.947000	23.857114
Pound Sterling	0.858050	0.868442	0.912430	0.874320
Brazilian Real	5.905000	6.491692	6.111800	5.416938
Indian Rupee	88.324000	88.448707	84.623500	81.676639
Argentine Peso	113.643500	109.973247	78.785900	71.032888
Chinese Renminbi	7.674200	7.798055	7.921900	7.748053
Russian Rouble	86.772500	89.605334	79.630000	76.682517

Group Activities, Segments, Significant Transactions and Further Information

Business Combinations

On 7 January 2021, after issuing the press release dated 17 November 2020, Brembo completed the acquisition of SBS Friction A/S, a company based in Svendborg (Denmark) that develops and manufactures brake pads for motorbikes using particularly innovative and eco-friendly sintered organic materials. The investment is 60% held by Brembo S.p.A. and 40% by Brembo Brake India Pvt. Ltd. The total outlay for the transaction was DKK 226 million (€30.4 million), paid using available cash.

The transaction has been accounted for using the acquisition method and the Consolidated Financial Statements include the result of SBS Friction A/S as of 1 January 2021, the day conventionally designated as the acquisition date for accounting purposes only, as there were no significant changes between this date and the actual acquisition date and accounts were available on that date.



The breakdown of the acquisition date fair value of the assets and liabilities is as follows:

	Acquisition date fair value	
	(DKK/1000)	(€/1000)
Net assets		
Property, plant and equipment	53,131	7,142
Intangible assets	51,583	6,934
Other receivables and non-current liabilities	16,201	2,178
Inventories	26,945	3,622
Trade receivables	26,097	3,508
Other receivables and current assets	2,157	290
Cash and cash equivalents	0	0
Trade payables	(12,885)	(1,732)
Other payables and current liabilities	(26,141)	(3,514)
Provisions / deferred taxes	(30)	(4)
Short-term financial debt	(64,104)	(8,617)
Total net assets measured at fair value	72,955	9,807
Group equity (100% of net assets)	(72,958)	(9,807)
Consideration agreed	226,228	30,411
<i>Goodwill arising from acquisition</i>	<i>153,270</i>	<i>20,604</i>
	Cash flows at acquisition	
Subsidiary's net cash and cash equivalents	0	0
Amount paid	(226,228)	(30,411)
Net cash flows at acquisition	(226,228)	(30,411)

Trade receivables amounted to €3.5 million and correspond to their fair value, which represents the value that is expected to be received from these receivables.

Recognised goodwill is attributable to the synergies and other economic benefits generated by the integration of commercial activities and transactions of SBS Friction A/S into the Group.

With regard to intangible assets, identified using the acquisition method, fair value has been based on the methods commonly used for this purpose by international valuation practice (such as for example the relief from royalty for technology and trademark). The useful life of technology is estimated at 15 years, while trademark has an indefinite useful life.

Sales generated by SBS Friction A/S after the acquisition date amounted to €12,766 thousand and net income to €1,335 thousand.



Segment Report

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

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

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

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

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

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

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

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

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

In light of the requirements of IFRS 8 in terms of revenues earned from major customers, where a single customer is defined as all companies that belong to a given Group, Brembo had two customers in the first half of 2021 who accounted for over 10% of consolidated net revenues, although considering the individual car makers that compose such groups, only one of them slightly exceeded this threshold.



The following table shows segment information on operating data at 30 June 2021 and 30 June 2020:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020	30.06.2021	30.06.2020
Sales	1,376,696	972,400	1,150,946	799,133	234,822	175,523	(2,177)	(1,633)	(6,895)	(623)
Allowances and discounts	(25,136)	(18,630)	(2,842)	(1,718)	(22,294)	(16,912)	0	0	0	0
Net sales	1,351,560	953,770	1,148,104	797,415	212,528	158,611	(2,177)	(1,633)	(6,895)	(623)
Transport costs	11,622	7,274	8,140	4,598	3,476	2,675	0	0	6	1
Variable production costs	835,707	586,024	706,006	484,225	137,019	102,698	(2,163)	(1,633)	(5,155)	734
Contribution margin	504,231	360,472	433,958	308,592	72,033	53,238	(14)	0	(1,746)	(1,358)
Fixed production costs	201,633	192,468	185,731	179,668	14,528	11,555	0	0	1,374	1,245
Production gross operating income	302,598	168,004	248,227	128,924	57,505	41,683	(14)	0	(3,120)	(2,603)
BU personnel costs	93,985	83,239	57,260	52,603	26,905	22,559	(14)	0	9,834	8,077
BU gross operating income	208,613	84,765	190,967	76,321	30,600	19,124	0	0	(12,954)	(10,680)
Costs for Central Functions	59,862	50,100	40,247	36,337	6,640	6,120	0	0	12,975	7,643
OPERATING INCOME (LOSS)	148,751	34,665	150,720	39,984	23,960	13,004	0	0	(25,929)	(18,323)
Extraordinary costs and revenues	2,898	5,879	0	0	0	0	0	0	2,898	5,879
Financial costs and revenues	1,773	(14,411)	0	0	0	0	0	0	1,773	(14,411)
Income (expense) from investments	7,726	1,921	0	0	0	0	0	0	7,726	1,921
Non-operating costs and revenues	6,994	(3,314)	0	0	0	0	0	0	6,994	(3,314)
Result before taxes	168,142	24,740	150,720	39,984	23,960	13,004	0	0	(6,538)	(28,248)
Taxes	(41,369)	(4,503)	0	0	0	0	0	0	(41,369)	(4,503)
Result before minority interests	126,773	20,237	150,720	39,984	23,960	13,004	0	0	(47,907)	(32,751)
Minority interests	165	(279)	0	0	0	0	0	0	165	(279)
NET RESULT	126,938	19,958	150,720	39,984	23,960	13,004	0	0	(47,742)	(33,030)



A reconciliation between the Consolidated Six Monthly Financial Report and the above operating data is provided below:

(euro thousand)	30.06.2021	30.06.2020
REVENUE FROM CONTRACTS WITH CUSTOMERS	1,360,789	951,113
Scrap sales (in the segment report they are subtracted from "Variable production costs")	(8,660)	(4,359)
Differences between internal and statutory reports relating to developments activities	(1,148)	6,566
Capital gains on sale of equipment (in the Consolidated Financial Statements they are included in "Other revenues and income")	460	421
Effect of adjustment of transactions among consolidated companies	(89)	(134)
Miscellaneous recharges (in the Consolidated Financial Statements they are included in "Other revenues and income")	825	942
Other	(617)	(779)
NET SALES	1,351,560	953,770

(euro thousand)	30.06.2021	30.06.2020
NET OPERATING INCOME	165,797	38,791
Differences between internal and statutory reports relating to developments activities	(2,880)	2,809
Other differences between internal and statutory reports	(5,423)	(2,613)
Income (expense) from non-financial investments	(7,641)	(1,884)
Claim compensation and subsidies	(1,489)	(2,569)
Capital gains/losses on disposal of assets (in the segment report they are included in "Non-operating costs and revenues")	(218)	(108)
Different classification of banking expenses (in the segment report they are included in "Financial costs and revenues")	491	301
Reclassification of Brembo Argentina	(3)	23
Other	117	(85)
OPERATING RESULT	148,751	34,665

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



Segment information on Statement of Financial Position data at 30 June 2021 and 31 December 2020 is provided in the following table:

	Total		Discs/Systems/Motorbikes		After Market / Performance Group		Interdivision		Non-segment data	
(euro thousand)	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Property, plant and equipment	1,205,500	1,183,280	1,094,161	1,073,821	76,693	74,322	5	5	34,641	35,132
Intangible assets	157,668	127,275	131,865	103,837	19,045	17,653	0	0	6,758	5,785
Financial assets and other non-current assets/liabilities	103,401	83,570	396	369	0	0	0	0	103,005	83,201
(a) Total fixed assets	1,466,569	1,394,125	1,226,422	1,178,027	95,738	91,975	5	5	144,404	124,118
Inventories	455,279	354,749	358,600	260,891	95,984	92,935	0	0	695	923
Current assets	621,778	523,126	415,226	345,509	91,091	47,970	(10,270)	(16,525)	125,731	146,172
Current liabilities	(736,099)	(659,014)	(457,950)	(413,288)	(109,245)	(85,648)	10,270	16,525	(179,174)	(176,603)
Provisions for contingencies and charges and other provisions	(60,113)	(63,800)	0	(514)	0	0	0	0	(60,113)	(63,286)
(b) Net working capital	280,845	155,061	315,876	192,598	77,830	55,257	0	0	(112,861)	(92,794)
NET INVESTED OPERATING CAPITAL (a+b)	1,747,414	1,549,186	1,542,298	1,370,625	173,568	147,232	5	5	31,543	31,324
Extraordinary components	372,773	342,307	54	53	0	0	0	0	372,719	342,254
NET INVESTED CAPITAL	2,120,187	1,891,493	1,542,352	1,370,678	173,568	147,232	5	5	404,262	373,578
Group equity	1,569,949	1,450,059	0	0	0	0	0	0	1,569,949	1,450,059
Minority interests	31,295	30,982	0	0	0	0	0	0	31,295	30,982
(d) Equity	1,601,244	1,481,041	0	0	0	0	0	0	1,601,244	1,481,041
(e) Provisions for employee benefits	22,655	26,567	0	0	0	0	0	0	22,655	26,567
Medium/long-term financial debt	619,628	736,588	0	0	0	0	0	0	619,628	736,588
Short-term financial debt	(123,340)	(352,703)	0	0	0	0	0	0	(123,340)	(352,703)
(f) Net financial debt	496,288	383,885	0	0	0	0	0	0	496,288	383,885
(g) COVERAGE (d)+(e)+(f)	2,120,187	1,891,493	0	0	0	0	0	0	2,120,187	1,891,493

The following should be noted in regard to the non-segment data:

- intangible assets mainly consist of development costs;
- financial assets mainly refer to the value of investments in associates or other companies;
- current assets and liabilities mainly consist of trade receivables and payables;
- provisions for contingencies and charges and other provisions are not allocated.



Financial Risk Management

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

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

Market Risk

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

Interest Rate Risk

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

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

A sensitivity analysis was performed to analyse the effects of a change in interest rates of +/- 50 base points compared to the rates at 30 June 2021 and 31 December 2020, with other variables held constant. The potential impacts were calculated on the variable-rate financial liabilities at 30 June 2021. The aforementioned change in interest rates would result in a higher (or lower) annual net pre-tax expense of approximately €1,663 thousand (€1,133 thousand at 31 December 2020), gross of the tax effect.

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

Exchange Rate Risk

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

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

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

Starting with the exposures at the end of June 2021 and at the end of 2020, a change calculated as the standard deviation of the exchange rate with respect to the average exchange rate was applied to the average exchange rates for the first half of 2021 and for full-year 2020 to measure exchange rate volatility.



(euro thousand)	30.06.2021			31.12.2020		
	Change %	Effect of exchange rate increase	Effect of exchange rate decrease	Change %	Effect of exchange rate increase	Effect of exchange rate decrease
EUR/CHF	0.93%	(0.3)	0.3	0.92%	(0.2)	0.2
EUR/CNY	0.75%	(25.4)	25.8	2.27%	(35.7)	37.4
EUR/CZK	1.13%	1.8	(1.8)	2.82%	1.0	(1.1)
EUR/DKK	0.01%	(1.1)	1.1	0.16%	(51.5)	51.7
EUR/GBP	1.47%	0.6	(0.6)	2.62%	5.9	(6.2)
EUR/INR	1.30%	(0.4)	0.4	4.18%	5.4	(5.9)
EUR/JPY	1.91%	(57.4)	59.6	2.56%	(38.5)	40.6
EUR/PLN	0.99%	(8.4)	8.6	2.28%	(21.0)	22.0
EUR/RUB	1.70%	4.1	(4.2)	9.25%	29.0	(34.9)
EUR/SEK	0.50%	6.5	(6.5)	2.20%	26.7	(27.9)
EUR/USD	1.10%	55.1	(56.4)	3.90%	72.1	(78.0)
PLN/CNY	1.41%	5.0	(5.1)	2.96%	4.9	(5.2)
PLN/EUR	0.99%	(449.3)	458.3	2.31%	(577.8)	605.1
PLN/GBP	1.94%	(0.1)	0.1	1.98%	2.4	(2.5)
PLN/JPY	2.26%	0.1	(0.1)	3.50%	0.5	(0.5)
PLN/USD	1.91%	(5.8)	6.1	4.09%	(35.5)	38.6
PLN/CHF	0.92%	1.0	(1.0)	2.65%	(0.7)	0.7
GBP/AUD	1.33%	(0.1)	0.1	3.97%	(0.7)	0.7
GBP/EUR	1.44%	0.9	(1.0)	2.69%	14.8	(15.6)
GBP/USD	1.29%	2.4	(2.4)	3.10%	2.6	(2.8)
USD/CNY	0.69%	1.1	(1.2)	2.69%	(1.3)	1.3
USD/EUR	1.10%	58.3	(59.6)	3.88%	108.1	(116.8)
USD/MXN	1.93%	52.4	(54.5)	8.12%	89.5	(105.3)
BRL/EUR	3.80%	0.6	(0.7)	12.37%	47.7	(61.2)
BRL/GBP	3.85%	0.0	0.0	9.95%	0.1	(0.2)
BRL/USD	4.08%	4.8	(5.2)	10.21%	4.7	(5.7)
JPY/EUR	1.91%	4.1	(4.3)	2.58%	9.0	(9.5)
JPY/USD	2.22%	2.1	(2.2)	1.89%	0.8	(0.9)
CNY/EUR	0.75%	251.1	(254.9)	2.26%	211.8	(221.5)
CNY/CHF	1.43%	32.8	(33.7)	1.90%	11.2	(11.6)
CNY/JPY	2.28%	3.8	(4.0)	1.92%	0.6	(0.6)
CNY/USD	0.69%	(42.4)	43.0	2.75%	(36.2)	38.2
INR/EUR	1.31%	(41.7)	42.8	4.28%	(64.3)	70.0
INR/JPY	2.11%	46.1	(48.1)	3.14%	39.4	(41.9)
INR/USD	1.02%	17.0	(17.4)	2.08%	11.4	(11.9)
CZK/EUR	1.13%	71.9	(73.6)	2.87%	143.0	(151.5)
CZK/GBP	1.44%	(0.1)	0.1	2.16%	(0.3)	0.3
CZK/PLN	0.97%	2.0	(2.0)	1.08%	1.1	(1.1)
CZK/USD	1.80%	(29.2)	30.3	4.67%	(44.6)	49.0
DKK/GBP	1.46%	(2.2)	2.2	2.74%	0.0	0.0
DKK/JPY	1.91%	(2.4)	2.5	2.68%	0.0	0.0
DKK/USD	1.10%	(5.8)	5.9	4.03%	0.0	0.0



Commodity Risk

The Group is exposed to changes in prices of main raw materials and commodities. It bears recalling that fixed prices are set in supply contracts with certain commodities suppliers for a given period of time and that the contracts in place with the main customers also provide for automatic periodic indexing on the basis of commodities prices; both these approaches thus mitigate the risk of fluctuations in commodities prices. Moreover, in the first half of 2021 Brembo Poland Spolka Zo.o. signed a financial derivative (Virtual Power Purchase Agreement) in order to mitigate the risk of fluctuation in the price of electricity.

Liquidity Risk

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

To mitigate liquidity risk, the Treasury & Credit area:

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

The following table provides information on payables, other payables and derivatives broken down by maturity. The maturities are determined based on the period from the reporting date to the expiry of the contractual obligations. The amounts shown in the table reflect undiscounted cash flows and the fair value of existing derivative liabilities. For fixed- and variable-rate financial liabilities, both principal and interest were considered for the different maturity periods; for variable-rate liabilities, the rate at 30 June 2021 plus the relevant spread was used.

(euro thousand)	Carrying value	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Non-derivative financial liabilities					
Short-term credit lines and bank overdrafts	160,223	160,223	160,223	0	0
Payables to banks (loans and bonds)	578,995	593,022	147,583	306,923	138,516
Payables to other financial institutions	989	990	275	715	0
Lease liabilities	206,722	206,722	21,234	67,007	118,481
Trade and other payables	558,607	558,607	558,607	0	0
Derivative financial liabilities					
Derivatives	2,361	2,361	2,361	0	0
Total	1,507,897	1,521,925	890,283	374,645	256,997

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

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

- Net financial debt/Gross operating income <3.5.



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

The values of these covenants are monitored at the end of each quarter, and at 30 June 2021 the Group had complied with the covenants in question by a considerable margin. On the basis of the most updated estimates for 2021, the aforementioned financial ratios are expected to be met.

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

In further detail, at 30 June 2021, unused bank credit facilities were 70% (a total of €532.1 million in credit facilities were available).

Credit Risk

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

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

Fair Value Measurement

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

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

(euro thousand)	30.06.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets (liabilities) measured at fair value						
Forward contracts denominated in foreign currency	0	(1,234)	0	0	186	0
Interest rate swaps	0	(495)	0	0	(3,558)	0
Embedded derivative	0	0	87	0	0	312
Commodity derivatives	0	0	9,728	0	0	0
Total financial assets (liabilities) measured at fair value	0	(1,729)	9,815	0	(3,372)	312
Assets (liabilities) for which fair value is indicated						
Current and non-current payables to banks	0	(452,666)	0	0	(620,611)	0
Current and non-current lease liabilities	0	(206,722)	0	0	(208,888)	0
Other current and non-current financial liabilities	0	(989)	0	0	(1,227)	0
Total assets (liabilities) for which fair value is indicated	0	(660,377)	0	0	(830,726)	0



Movements for the period of Level 3 were as follows:

(euro thousand)	30.06.2021
Opening value	312
Movements in Statement of Income	(225)
Closing value	87

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

(euro thousand)	Carrying value		Fair value	
	30.06.2021	31.12.2020	30.06.2021	31.12.2020
Other financial assets	235,917	214,669	235,917	214,669
Loans, receivables and financial liabilities valued at amortised costs:				
Current and non-current financial assets (excluding derivatives)	1,336	4,028	1,336	4,028
Trade receivables	492,566	385,439	492,566	385,439
Loans and receivables	76,245	66,515	76,245	66,515
Cash and cash equivalents	451,057	551,282	451,057	551,282
Current and non-current payables to banks	(739,218)	(724,218)	(757,658)	(750,144)
Current and non-current lease liabilities	(206,722)	(208,888)	(206,722)	(208,888)
Other current and non-current financial liabilities	(989)	(1,227)	(989)	(1,227)
Trade payables	(542,588)	(474,906)	(542,588)	(474,906)
Other current liabilities	(174,707)	(158,613)	(174,707)	(158,613)
Other non-current liabilities	(1,883)	(14,891)	(1,883)	(14,891)
Derivatives	8,086	(3,060)	8,086	(3,060)
Total	(400,900)	(363,870)	(419,340)	(389,796)

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

- loans, payables to other lenders with a duration of more than 12 months were measured at fair value determined by applying the forward rates curve to the residual duration of the loan;
- receivables, trade payables, held-to-maturity financial assets, payables and receivables to and from banks due within 12 months were measured at their carrying amounts, inasmuch as this is believed to approximate fair values;
- the fair value of derivatives was determined on the basis of valuation techniques that take into account market parameters other than the prices of the financial instrument.



Related Parties

The Group carries out transactions with parents, subsidiaries, associates, joint ventures, directors, key management personnel and other related parties. The Parent Brembo S.p.A. is a subsidiary of Nuova FourB S.r.l., which holds 53.527% of its share capital. Brembo did not engage in dealings with its parent in the first half of 2021.

Information pertaining to the fees paid to Directors and Statutory Auditors of Brembo S.p.A. and of other Group companies and additional information required is reported below:

(euro thousand)	30.06.2021		30.06.2020	
	Directors	Auditors	Directors	Auditors
Emoluments and other incentives for the office held	3,623	98	2,895	98
Participation in committees and specific tasks	78	0	78	0
Salaries and other incentives	2,441	0	1,601	0

The item “Salaries and other incentives” includes the estimate of the cost of the 2019-2021 plan reserved for the Company’s top managers and accrued in the reporting period, remuneration paid as salaries for the employee function and provisions for bonuses still to be paid.

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

(euro thousand)	30.06.2021						31.12.2020					
	Related Parties						Related Parties					
	Carrying value	Total	Other*	Joint ventures	Associates	%	Carrying value	Total	Other*	Joint ventures	Associates	%
a) Weight of transactions or positions with related parties on items of the Statement of Financial Position												
Other financial assets (including investments in other companies and derivatives)	246,403	128	128	0	0	0.1%	217,263	2,716	0	0	2,716	1.3%
Trade receivables	492,566	1,488	7	1,389	92	0.3%	385,439	1,775	5	1,696	74	0.5%
Other non-current liabilities	(1,883)	0	0	0	0	0.0%	(14,891)	(5,147)	(5,147)	0	0	34.6%
Provisions for employee benefits	(22,655)	(620)	(620)	0	0	2.7%	(26,567)	(4,292)	(4,292)	0	0	16.2%
Trade payables	(542,588)	(11,565)	(3,688)	(7,683)	(194)	2.1%	(474,906)	(9,289)	(3,541)	(5,504)	(244)	2.0%
Other current liabilities	(174,707)	(10,707)	(10,580)	(127)	0	6.1%	(158,613)	(2,825)	(2,698)	(127)	0	1.8%
b) Weight of transactions or positions with related parties on items of the Statement of Income												
Revenue from contracts with customers	1,360,789	164	0	164	0	0.0%	951,113	130	0	130	0	0.0%
Other revenues and income	10,340	1,703	12	1,606	85	16.5%	8,147	1,847	12	1,745	90	22.7%
Raw materials, consumables and goods	(608,806)	(22,359)	0	(22,331)	(28)	3.7%	(431,363)	(15,169)	0	(15,122)	(47)	3.5%
Other operating costs	(256,974)	(6,096)	(4,561)	(1,376)	(159)	2.4%	(195,383)	(4,594)	(3,740)	(411)	(443)	2.4%
Personnel expenses	(254,322)	(3,278)	(3,278)	0	0	1.3%	(202,082)	(2,248)	(2,248)	0	0	1.1%
Net interest income (expense)	(1,471)	1	2	(1)	0	-0.1%	(14,168)	18	18	(1)	1	-0.1%
Interest income (expense) from investments	3,911	3,822	0	0	3,822	97.7%	55	0	0	0	0	0.0%

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





Sales of products, supply of services and the transfer of fixed assets between Group companies were carried out at prices reflecting fair market conditions. The trading volumes reflect the internationalisation process aimed at constantly improving both operating and organisational standards and optimising synergies within the Company. From a financial standpoint, the subsidiaries operate independently, although some of them benefit from various forms of centralised financing. Since 2008, a zero-balance cash-pooling system has been effective, with Brembo S.p.A. as the pool leader. In 2013, an additional cash pooling arrangement was put in place, denominated in CNY, with Brembo Nanjing Brake Systems Co. Ltd. as pooler and Brembo Nanjing Automobile Components Co. Ltd., Qingdao Brembo Trading Co. Ltd. and Brembo Huilian (Langfang) Brake Systems Co. Ltd. as participants. The cash pooling is entirely based in China, and Citibank China is the service provider.

Information About the Group

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

COMPANY	HEADQUARTERS		SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES	
Brembo S.p.A.	Curno (Bergamo)	Italy	Eur	34,727,914		
AP Racing Ltd.	Coventry	United Kingdom	Gbp	135,935	100%	Brembo S.p.A.
Brembo Deutschland GmbH	Leinfelden-Echterdingen	Germany	Eur	25,000	100%	Brembo S.p.A.
Brembo North America Inc.	Wilmington, Delaware	USA	Usd	33,798,805	100%	Brembo S.p.A.
Brembo Inspiration Lab Corp.	Wilmington, Delaware	USA	Usd	300,000	100%	Brembo S.p.A.
Brembo Czech S.r.o.	Ostrava-Hrabová	Czech Republic	Czk	605,850,000	100%	Brembo S.p.A.
La.Cam (Lavorazioni Camune) S.r.l.	Stezzano (Bergamo)	Italy	Eur	100,000	100%	Brembo S.p.A.
Qingdao Brembo Trading Co. Ltd.	Qingdao	China	Cny	1,365,700	100%	Brembo S.p.A.
Brembo Japan Co. Ltd.	Tokyo	Japan	Jpy	11,000,000	100%	Brembo S.p.A.
Brembo Poland Spolka Zo.o.	Dąbrowa Górnicza	Poland	Pln	144,879,500	100%	Brembo S.p.A.
Brembo Scandinavia A.B.	Göteborg	Sweden	Sek	4,500,000	100%	Brembo S.p.A.
Brembo Nanjing Brake Systems Co. Ltd.	Nanjing	China	Cny	492,030,169	100%	Brembo S.p.A.
Brembo Russia LLC.	Moscow	Russia	Rub	1,250,000	100%	Brembo S.p.A.
Brembo Argentina S.A. <i>in liquidazione</i>	Buenos Aires	Argentina	Ars	62,802,000	98.62%	Brembo S.p.A.
					1.38%	Brembo do Brasil Ltda.
Brembo México S.A. de C.V.	Apodaca	Mexico	Usd	20,428,836	49%	Brembo S.p.A.
					51%	Brembo North America Inc.
Brembo (Nanjing) Automobile Components Co. Ltd.	Nanjing	China	Cny	235,194,060	60%	Brembo S.p.A.
					40%	Brembo Brake India Pvt. Ltd.
SBS Friction A/S	Svendborg	Denmark	Dkk	12,001,000	60%	Brembo S.p.A.
					40%	Brembo Brake India Pvt. Ltd.
Brembo Brake India Pvt. Ltd.	Pune	India	Inr	140,000,000	99.99%	Brembo S.p.A.
Brembo do Brasil Ltda.	Betim	Brazil	Brl	159,136,227	99.99%	Brembo S.p.A.



COMPANY	HEADQUARTERS		SHARE CAPITAL		STAKE HELD BY GROUP COMPANIES	
Corporación Upwards '98 S.A.	Zaragoza	Spain	Eur	498,043	68%	Brembo S.p.A.
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	Langfang	China	Cny	170,549,133	66%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes S.p.A.	Stezzano (Bergamo)	Italy	Eur	4,000,000	50%	Brembo S.p.A.
Petroceramics S.p.A.	Milan	Italy	Eur	123,750	20%	Brembo S.p.A.
Infibra Technologies S.r.l.	Pisa	Italy	Eur	53,133	20%	Brembo S.p.A.
Brembo SGL Carbon Ceramic Brakes GmbH	Meitingen	Germany	Eur	25,000	100%	Brembo SGL Carbon Ceramic Brakes S.p.A.

Commitments

The Group had no commitments at 30 June 2021.

Position or Transactions from Atypical and/or Unusual Operations

Pursuant to Consob Notice No. 6064293 dated 28 July 2006, it is hereby specified that during the first half of 2021 the Company did not carry out any atypical and/or unusual transactions, as defined by the said Notice.

Significant Events After 30 June 2021

No other significant events occurred after the end of the first half of the year and up to 29 July 2021.





An unmistakable
style



Essential and contemporary.
A design that expresses attention to the tiniest detail
in all its nuances, always. And which generates
spontaneous appeal and recognition.





Analysis of each item

Statement of Financial Position

1. Property, Plant and Equipment

Property, Plant, Equipment and Other Equipment

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

(euro thousand)	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets in course of construction and payments on account	Total
Historical cost	31,911	433,396	1,406,365	250,247	68,480	63,986	2,254,385
Accumulated depreciation	0	(128,980)	(811,555)	(203,968)	(42,830)	0	(1,187,333)
Write-down provision	0	(13)	(2,404)	(18)	0	(310)	(2,745)
Balance at 1 January 2020	31,911	304,403	592,406	46,261	25,650	63,676	1,064,307
Changes:							
Translation differences	(27)	(4,727)	(11,112)	(948)	(229)	(1,914)	(18,957)
Reclassification	294	2,224	26,967	5,459	330	(38,474)	(3,200)
Acquisitions	0	1,592	13,219	3,203	686	36,507	55,207
Disposals	0	0	(194)	(224)	0	(77)	(495)
Depreciation	0	(9,519)	(57,621)	(9,998)	(2,773)	0	(79,911)
Impairment losses	0	0	0	0	0	(15)	(15)
Total changes	267	(10,430)	(28,741)	(2,508)	(1,986)	(3,973)	(47,371)
Historical cost	32,178	429,751	1,414,597	255,039	68,596	59,999	2,260,160
Accumulated depreciation	0	(135,766)	(848,533)	(211,268)	(44,932)	0	(1,240,499)
Write-down provision	0	(12)	(2,399)	(18)	0	(296)	(2,725)
Balance at 30 June 2020	32,178	293,973	563,665	43,753	23,664	59,703	1,016,936
Historical cost	31,465	420,847	1,417,585	259,155	71,304	64,734	2,265,090
Accumulated depreciation	0	(141,911)	(878,236)	(218,184)	(48,084)	0	(1,286,415)
Write-down provision	0	(17)	(2,679)	(18)	(13)	(124)	(2,851)
Balance at 1 January 2021	31,465	278,919	536,670	40,953	23,207	64,610	975,824
Changes:							
Translation differences	223	6,267	10,366	466	670	1,404	19,396
Change in consolidation area	278	4,111	2,503	0	247	0	7,139
Reclassification	0	1,017	23,087	2,151	367	(28,623)	(2,001)
Acquisitions	4,534	1,574	23,504	6,239	1,409	40,253	77,513
Disposals	0	(3)	(1,270)	(145)	(17)	(9)	(1,444)
Depreciation	0	(9,337)	(55,788)	(9,347)	(3,159)	0	(77,631)
Impairment losses	0	0	(150)	0	0	(5)	(155)
Total changes	5,035	3,629	2,252	(636)	(483)	13,020	22,817
Historical cost	36,500	436,146	1,502,362	268,919	75,086	77,755	2,396,768
Accumulated depreciation	0	(153,585)	(960,817)	(228,584)	(52,351)	0	(1,395,337)
Write-down provision	0	(13)	(2,623)	(18)	(11)	(125)	(2,790)
Balance at 30 June 2021	36,500	282,548	538,922	40,317	22,724	77,630	998,641



In the first half of 2021, investments in property, plant and equipment amounted to €77,513 thousand, including €40,253 thousand in assets in course of construction. As already noted in the Directors' Report on Operations, the Group continued its international development programme. This involved significant investments in Italy, Poland, North America and China.

Net disposals amounted to €1,444 thousand and refer to the normal cycle of machinery replacement, as it becomes unusable in production processes.

Total depreciation charges for the first half of 2021 amounted to €77,631 thousand (€79,911 thousand at 30 June 2020).

Right of use assets

The following table shows the movements in item "Right of use assets":

(euro thousand)	Land	Buildings	Other assets	Total
Historical cost	705	190,548	23,119	214,372
Accumulated depreciation	0	(13,978)	(5,901)	(19,879)
Balance at 1 January 2020	705	176,570	17,218	194,493
Changes:				
Translation differences	(25)	(2,901)	(266)	(3,192)
New contracts/leases for the period	7	1,039	3,462	4,508
Unwinding of lease contract	0	0	27	27
Other	3,683	0	0	3,683
Depreciation	(55)	(7,201)	(3,842)	(11,098)
Total changes	3,610	(9,063)	(619)	(6,072)
Historical cost	4,595	188,305	25,686	218,586
Accumulated depreciation	(280)	(20,798)	(9,087)	(30,165)
Balance at 30 June 2020	4,315	167,507	16,599	188,421
Historical cost	4,530	212,698	30,524	247,752
Accumulated depreciation	(320)	(27,598)	(12,378)	(40,296)
Balance at 1 January 2021	4,210	185,100	18,146	207,456
Changes:				
Translation differences	166	3,472	249	3,887
Change in consolidation area	0	0	3	3
Reclassification from leased assets to property, plant and equipment	0	0	(21)	(21)
New contracts/leases for the period	0	6,570	1,142	7,712
Unwinding of lease contract	0	0	(1)	(1)
Depreciation	(44)	(8,105)	(4,028)	(12,177)
Total changes	122	1,937	(2,656)	(597)
Historical cost	4,711	223,307	31,069	259,087
Accumulated depreciation	(379)	(36,270)	(15,579)	(52,228)
Balance at 30 June 2021	4,332	187,037	15,490	206,859

Note 13 provides information on the Group's financial commitment with respect to leased assets.





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

Development costs, goodwill and other intangible assets

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

	Development costs	Goodwill	Intangible assets with indefinite useful lives	Sub-total	Industrial patents and similar rights	Other intangible assets	Total other intangible assets	Total
(euro thousand)		A	B	A+B	C	D	C+D	
Historical cost	209,139	94,665	1,404	96,069	42,542	138,436	180,978	486,186
Accumulated amortisation	(119,828)	0	0	0	(31,090)	(91,642)	(122,732)	(242,560)
Write-down provision	(2,070)	(12,183)	(3)	(12,186)	(1,089)	0	(1,089)	(15,345)
Balance at 1 January 2020	87,241	82,482	1,401	83,883	10,363	46,794	57,157	228,281
Changes:								
Translation differences	48	(1,765)	(5)	(1,770)	(16)	(341)	(357)	(2,079)
Reclassification	0	0	0	0	290	(3,040)	(2,750)	(2,750)
Acquisitions	10,934	0	0	0	175	3,059	3,234	14,168
Disposals	0	0	0	0	(31)	(10)	(41)	(41)
Amortisation	(6,232)	0	0	0	(699)	(4,560)	(5,259)	(11,491)
Impairment losses	(985)	0	0	0	(1,000)	0	(1,000)	(1,985)
Total changes	3,765	(1,765)	(5)	(1,770)	(1,281)	(4,892)	(6,173)	(4,178)
Historical cost	220,127	92,077	1,399	93,476	42,851	137,640	180,491	494,094
Accumulated amortisation	(126,066)	0	0	0	(31,680)	(95,738)	(127,418)	(253,484)
Write-down provision	(3,055)	(11,360)	(3)	(11,363)	(2,089)	0	(2,089)	(16,507)
Balance at 30 June 2020	91,006	80,717	1,396	82,113	9,082	41,902	50,984	224,103
Historical cost	229,986	90,020	1,394	91,414	44,563	136,674	181,237	502,637
Accumulated amortisation	(133,714)	0	0	0	(32,404)	(99,351)	(131,755)	(265,469)
Write-down provision	(3,980)	(11,529)	(3)	(11,532)	(2,089)	0	(2,089)	(17,601)
Balance at 1 January 2021	92,292	78,491	1,391	79,882	10,070	37,323	47,393	219,567
Changes:								
Translation differences	357	3,093	17	3,110	11	1,067	1,078	4,545
Change in consolidation area	1,705	20,744	1,321	22,065	0	3,771	3,771	27,541
Reclassification	0	0	0	0	198	244	442	442
Acquisitions	11,901	0	0	0	414	4,952	5,366	17,267
Disposals	(1,123)	0	0	0	0	0	0	(1,123)
Amortisation	(8,465)	0	0	0	(818)	(4,621)	(5,439)	(13,904)
Impairment losses	(551)	0	0	0	0	0	0	(551)
Total changes	3,824	23,837	1,338	25,175	(195)	5,413	5,218	34,217
Historical cost	245,198	114,408	2,732	117,140	45,281	147,662	192,943	555,281
Accumulated amortisation	(144,551)	0	0	0	(33,317)	(104,926)	(138,243)	(282,794)
Write-down provision	(4,531)	(12,080)	(3)	(12,083)	(2,089)	0	(2,089)	(18,703)
Balance at 30 June 2021	96,116	102,328	2,729	105,057	9,875	42,736	52,611	253,784



Development costs

The item “Development costs” includes costs for development, internal and external, for a gross historical cost of €245,198 thousand. They refer to development projects, agreed upon with end customers and confirmed, that at the reporting date have neither been suspended or cancelled. During the reporting period, this item changed due to higher costs incurred in the first half of 2021, for development orders received both during the half-year period and in previous periods, for which additional development costs were incurred; amortisation amounting to €8,465 thousand was recognised for development costs associated with orders regarding products that have already entered into production.

The gross amount includes development activities for projects underway totalling €53,255 thousand. The total amount of costs for capitalised internal works charged to the Statement of Income in the item “Costs for capitalised internal works” in the reporting period amounted to €11,547 thousand (first half of 2020: €10,975 thousand).

Impairment losses totalled €551 thousand (€985 thousand in the first half of 2020) and are recognised in the Statement of Income under “Amortisation, depreciation and impairment losses.” Impairment losses refer to development costs incurred mainly by the Parent, Brembo S.p.A., in relation to projects that, consistent with the desire of the customer or Brembo, were not completed or underwent changes in terms of their end destination.

Goodwill

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

(euro thousand)	30.06.2021	31.12.2020
Discs - Systems - Motorbikes:		
Brembo North America Inc. (Hayes Lemmerz)	14,363	13,910
Brembo México S.A. de C.V. (Hayes Lemmerz)	874	847
Brembo Nanjing Brake Systems Co. Ltd.	912	872
Brembo Brake India Pvt. Ltd.	7,455	7,344
Brembo Huilian (Langfang) Brake Systems Co. Ltd.	43,870	41,965
SBS Friction A/S	20,750	0
After Market – Performance Group:		
Corporación Upwards '98 (Frenco S.A.)	2,006	2,006
Ap Racing Ltd.	12,098	11,547
Total	102,328	78,491

The change compared to 31 December 2020 was attributable to the consideration paid for acquiring the 100% stake in SBS Friction A/S and recognised under goodwill, and to the change in consolidation differences.

CGUs are typically identified as the business being acquired and therefore tested for impairment. If the asset being tested for impairment refers to businesses operating in multiple business lines, it is attributed to all business lines in existence at the date of acquisition; this approach is consistent with valuations carried out at the acquisition date, which are typically based on the estimated recoverable amount of the entire investment. The main assumptions used to determine the value in use of the cash-generating unit relate to the discount rate, the long-term growth rate and the cash flows arising on corporate business plans.

When preparing the Condensed Consolidated Six Monthly Financial Report, impairment tests are conducted on the values of recognised goodwill whenever impairment indicators are detected. As part of this process, the



performance of the various CGUs was assessed by comparing their results with the forecasts in the Company's business plans (2021 forecasts and 2022-2024 plans) and updating the estimate of the Group's WACC to 5.55% (5.58% in 2020).

Considering these elements, the net assets of Brembo Huilian (Langfang) Brake Systems Co. Ltd. were tested for impairment; the test identified no need for any write-down.

Intangible assets with indefinite useful lives

This item includes €1,030 thousand related to the Villar trademark, owned by the subsidiary Corporación Upwards '98 S.A., €1,321 thousand for the SBS Friction trademark and for the remaining part the value of the trademark LF of Brembo Huilian (Langfang) Brake Systems Co. Ltd.

The value of trademarks was tested for impairment as described in the previous section. For information concerning impairment-testing methods, reference should be made to the above notes on goodwill.

Other intangible assets

Acquisitions of "Other intangible assets" totalled €5,366 thousand and refer for €414 thousand to the filing of specific patents and trademarks, and for the remaining amount mainly to the share of the investment for the reporting period associated with the development of new features regarding the new ERP (Enterprise Resource Planning) system within the Group and the acquisition of other IT applications.

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

This item includes the amounts attributable to the Group related to the shareholdings valued using the equity method. The following table shows all relevant movements:

(euro thousand)	31.12.2020	Write-ups/ Write-downs	Dividends	Other changes	30.06.2021
Brembo Group SGL Carbon Ceramic Brakes	42,201	7,641	(5,000)	0	44,842
Petroceramics S.p.A.	955	97	(20)	(12)	1,020
Infibra	791	(12)	0	0	779
Total	43,947	7,726	(5,020)	(12)	46,641

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

The investment in Brembo SGL Carbon Ceramic Brakes S.p.A. was written up by €7,641 thousand, mainly to account for net income for the period.



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

This item is broken down as follows:

(euro thousand)	30.06.2021	31.12.2020
Shareholdings in other companies	235,917	213,669
Receivables from associates	0	2,716
Derivatives	9,727	152
Other	759	726
Total	246,403	217,263

The item “Shareholdings in other companies” includes the 10% interest in International Sport Automobile S.a.r.l., the 4.78% interest in Pirelli S.p.A., the 3.27% interest in e-Novia S.p.A. and the 1.20% interest in Fuji Co.

At 30 June 2021, the measurement of the interest in Pirelli S.p.A. at fair value resulted in a €22,118 thousand increase in its value and in the Group’s equity compared to 31 December 2020 (due to the change in the market price of the stock from €4.433 to €4.896). In accordance with IFRS 9, this change was recognised in the Consolidated Statement of Comprehensive Income.

The further change of €130 thousand on 31 December 2020 is attributable to the Parent’s interest in consortium funds intended for research.

The change in the item “Receivables from associates” refers to the receivable arising from the loan granted by Brembo to Innova Tecnologie S.r.l. (the liquidation process for which was concluded during the half-year), 30% owned by Brembo S.p.A., of which €958 thousand was recovered, whereas the remainder was covered by a provision for risks that was used in its entirety during the half-year.

The item “Derivatives” refers to the fair value of derivative assets relating to a specific financial transaction hedging against the risk of fluctuation of the electricity price undertaken in the first half of 2021.

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

5. Receivables and Other Non-Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2021	31.12.2020
Receivables from others	17,918	17,671
Income tax receivables	2,802	537
Non-income tax receivables	34	34
Total	20,754	18,242

The item “Receivables from others” mainly includes the amounts related to contributions towards clients for the acquisition of long-term exclusive supply arrangements, which were released to the Statement of Income in accordance with the supply schedule for the clients.

Income tax receivables mostly refer to applications for tax refunds.





6. Deferred Tax Assets and Liabilities

The net balance of deferred tax assets and liabilities at 30 June 2021 is broken down as follows:

(euro thousand)	30.06.2021	31.12.2020
Deferred tax assets	74,043	76,731
Deferred tax liabilities	(28,169)	(26,421)
Total	45,874	50,310

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

Movements for the period are reported in the following table:

(euro thousand)	30.06.2021	30.06.2020
Balance at beginning of period	50,310	26,207
Change in consolidation area	2,178	0
Deferred tax liabilities generated	(933)	(1,246)
Deferred tax assets generated	14,241	16,867
Use of deferred tax assets and liabilities	(22,085)	(3,150)
Exchange rate fluctuations	625	(1,820)
Reclassification	3,286	0
Other movements	(1,748)	(2,274)
Balance at end of period	45,874	34,584

The item "Use of deferred tax assets and liabilities" includes €9,691 thousand referring to the release of deferred tax assets recognised in 2020 in connection with the third instalment of the Patent Box benefit arising from the direct exploitation of intangible assets relating to tax periods 2016, 2017, 2018 and 2019.

The recognition of deferred tax assets was made by assessing the existence of the prerequisites for their future recovery based on updated strategic plans. In particular, it should be noted that the consolidated subsidiary Brembo Poland Spolka Zo.o. is located in a "special economic zone" and is entitled to deduct a percentage from 25% to 50% of its investments from its current taxes owed through 2026. At 30 June 2021, the company had used all the existing credit at 31 December 2020 besides the credit accrued in the first half of 2021.

Brembo Czech S.r.o. has two tax incentive plans, one of CZK 132.6 million (expiring in 2026) and another of CZK 63.8 million (expiring in 2029), respectively, on which the company recognised deferred tax assets amounting to CZK 123.5 million.

The company Brembo do Brasil Ltd. recognised deferred tax assets on the losses for the reporting period and the previous years for a total of €256 thousand, basing the assessment of the satisfaction of requirements for future recoverability of such assets on updated strategic plans.



It should also be noted that:

- recognised deferred tax assets of Brembo Czech S.r.o., calculated on prior years' tax losses and tax losses for the period (CZK 283.5 million), amounted to CZK 53.9 million;
- unrecognised deferred tax assets of Brembo do Brasil Ltda. — calculated on prior years' tax losses (BRL 128.07 million) eligible to be unlimitedly carried forward — amounted to BRL 43.55 million;
- at 30 June 2021, deferred tax liabilities of €4,429 thousand were recognised on profits of subsidiaries, associates or joint ventures which the Group considers may be distributed in the foreseeable future.

7. Inventories

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

(euro thousand)	30.06.2021	31.12.2020
Raw materials	186,071	144,669
Work in progress	88,004	66,938
Finished products	144,437	116,656
Goods in transit	31,921	26,624
Total	450,433	354,887

The change compared to 31 December 2020 is attributable to the increase of both volumes and cost of raw materials.

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

(euro thousand)	31.12.2020	Provisions	Use/Release	Exchange rate fluctuations	Reclassification	Change in consolidation area	30.06.2021
Inventory write-down provision	59,013	12,390	(3,622)	728	(41)	109	68,577

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

8. Trade Receivables

At 30 June 2021, the balance of trade receivables compared to the end of the previous year was as follows:

(euro thousand)	30.06.2021	31.12.2020
Accounts receivable from customers	491,085	383,669
Receivables from associates and joint ventures	1,481	1,770
Total	492,566	385,439

The increase of accounts receivable from customers is mainly due to higher sales volumes.

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





Accounts receivable from customers are recognised net of the provision for bad debts, which amounted to €6,784 thousand. Movements in the provision for bad debts are shown below:

(euro thousand)	31.12.2020	Provisions	Use/Release	Exchange rate fluctuations	Change in consolidation area	30.06.2021
Provision for bad debts	6,547	506	(405)	115	21	6,784

Brembo Group's maximum credit risk exposure is the book value of the gross financial assets recognised in the Statement of Financial Position net of any amounts offset in accordance with IAS 32 and impairment losses recognised in accordance with IFRS 9.

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

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

(euro thousand)	30.06.2021	31.12.2020
Listed clients	354,117	312,908
Unlisted clients	145,233	79,078
Total	499,350	391,986

The following table provides details on trade receivables that have not been adjusted for impairment, broken down by maturity.

Listed clients

(euro thousand)	30.06.2021	Write-down 2021	31.12.2020	Write-down 2020
Current	325,241	0	293,981	0
Expired up to 30 days	6,579	0	2,900	20
Expired by 30 to 60 days	5,608	207	8,946	218
Expired by over 60 days	16,689	2,993	7,081	2,393
Total	354,117	3,200	312,908	2,631
% ratio of expired receivables not written down to total exposure	7.3%		5.2%	
Total expired receivables, not written down	25,676		16,296	

Unlisted clients

(euro thousand)	30.06.2021	Write-down 2021	31.12.2020	Write-down 2020
Current	139,249	0	70,613	0
Expired up to 30 days	(1,585)	0	1,416	0
Expired by 30 to 60 days	2,923	0	3,079	0
Expired by over 60 days	4,646	3,584	3,970	3,916
Total	145,233	3,584	79,078	3,916
% ratio of expired receivables not written down to total exposure	1.7%		5.8%	
Total expired receivables, not written down	2,400		4,549	



Expired receivables from listed clients, whose repayment plans are set for the second half of 2021, mainly refer to leading car manufacturers.

With regard to the portion of expired receivables from unlisted clients, most of this amount has already been defined and collected after the end of the first half of 2021.

9. Other Receivables and Current Assets

This item is broken down as follows:

(euro thousand)	30.06.2021	31.12.2020
Income tax receivables	65,385	70,505
Non-income tax receivables	32,512	30,572
Other receivables	25,781	18,238
Total	123,678	119,315

The item "Income tax receivables" includes the receivable recognised by the Parent in prior years in relation to the application of an IRES refund, concerning the non-deductibility for IRAP purposes of personnel expenses, and other applications for IRES and IRAP refund totalling €1,965 thousand, besides the €3,597 thousand R&D tax credit calculated pursuant to Ministerial Decree dated 27 May 2015.

The item "Non-income tax receivables" primarily includes the VAT receivables of Brembo S.p.A. and of subsidiaries located in Poland and Mexico.

"Other receivables" include receivables from insurance companies related to insurance refund claims underway at the reporting date, advances paid to suppliers for goods and services, and other accrued income.

10. Current Financial Assets and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2021	31.12.2020
Other securities	0	1,000
Derivatives	720	352
Security deposits	555	561
Other receivables	22	25
Total	1,297	1,938

The item "Derivatives" mainly refers to the fair value at 30 June 2021 (amounting to €614 thousand) of an IRS entered into directly by the Parent Brembo S.p.A., for a remaining notional amount of €200 million at 30 June 2021, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge). The change in fair value compared to 31 December 2020 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

The item also includes the fair value of derivative assets embedded in commercial contracts with customers to cover the exchange rate risk.



11. Cash and Cash Equivalents

Cash and cash equivalents include:

(euro thousand)	30.06.2021	31.12.2020
Bank and postal accounts	450,834	551,163
Cash-in-hand and cash equivalents	223	119
Total cash and cash equivalents	451,057	551,282
Payables to banks: overdrafts and foreign currency advances	(160,223)	(106,052)
Cash and cash equivalents from the Statement of Cash Flows	290,834	445,230

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

It should be noted that, with regard to the amount recognised in the Statement of Cash Flows, interest paid in the half year totalled €6,462 thousand (€6,724 thousand at 30 June 2020).

12. Equity

Group consolidated equity at 30 June 2021 increased by €119,890 thousand compared to 31 December 2020. Movements are given in the relevant statement within the Condensed Consolidated Six Monthly Financial Report.

Share capital

The subscribed and paid up share capital amounted to €34,728 thousand at 30 June 2021. It is divided into 333,922,250 ordinary shares.

The table below shows the composition of the share capital and the number of shares outstanding at 30 June 2021 and 31 December 2020.

(No. of shares)	30.06.2021	31.12.2020
Ordinary shares issued	333,922,250	333,922,250
Own shares	(10,035,000)	(10,035,000)
Total shares outstanding	323,887,250	323,887,250

As part of Brembo's buy-back plan, the Company neither purchased nor sold own shares in the first half of 2021.

Other reserves and retained earnings/(losses)

The General Shareholders' Meeting of the Parent Brembo S.p.A. held on 22 April 2021 approved the Financial Statements for the financial year ended 31 December 2020, allocating net income for the year amounting to €85,505,062.96 thousand as follows:

- to the Shareholders, a gross ordinary dividend of €0.22 per ordinary share outstanding, excluding own shares;
- the remaining amount carried forward.



Share capital and reserves of minority interests

This item changed due to dividends paid to minority shareholders, as well as to the change in consolidation differences.

13. Financial Debt and Derivatives

This item is broken down as follows:

(euro thousand)	30.06.2021			31.12.2020		
	Due within one year	Due after one year	Total	Due within one year	Due after one year	Total
Payables to banks:						
- overdrafts and advances	160,223	0	160,223	106,052	0	106,052
- loans	145,569	433,426	578,995	69,946	548,220	618,166
Total	305,792	433,426	739,218	175,998	548,220	724,218
Lease liabilities	21,234	185,488	206,722	21,473	187,415	208,888
Payables to other financial institutions	275	714	989	274	953	1,227
Derivatives	2,361	0	2,361	3,564	0	3,564
Total	23,870	186,202	210,072	25,311	188,368	213,679

The following table provides a breakdown of "Payables to banks":

(euro thousand)	Amount at 31.12.2020	Amount at 30.06.2021	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Payables to banks:					
Banca Popolare di Sondrio loan (€75 million)	31,244	18,747	18,747	0	0
BNL loan (€80 million)	21,660	9,997	9,997	0	0
Mediobanca loan (€130 million)	4,998	0	0	0	0
BNL loan (€100 million)	99,906	99,921	16	87,407	12,498
BNL loan (€300 million)	299,326	299,454	99,811	99,695	99,948
Banca Popolare di Sondrio loan (€125 million)	125,057	125,066	136	99,933	24,997
Intesa Sanpaolo loan (USD 35 million)	9,503	4,903	4,903	0	0
Banamex loan (USD 30 million)	12,224	8,415	8,415	0	0
EIB loan (€30 million, New Foundry Project)	3,810	1,905	1,905	0	0
Citi Nanjing loan (RMB 100 million)	10,438	10,587	1,639	8,948	0
Total payables to banks	618,166	578,995	145,569	295,983	137,443

It should be noted that several loans require compliance with certain financial covenants. At the end of the reporting period, all of these covenants had been met. Even on the basis of the most updated estimates for 2021, all the required financial ratios are expected to be met. At 30 June 2021, there was no financial debt secured by collateral.



The following table shows the structure of loans, broken down by annual interest rate and currency at 30 June 2021:

(euro thousand)	30.06.2021			31.12.2020		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
Euro	329,296	226,783	556,079	356,632	230,596	587,228
US Dollar	0	13,318	13,318	0	21,727	21,727
Chinese Renminbi	0	10,587	10,587	0	10,438	10,438
Total	329,296	250,688	579,984	356,632	262,761	619,393

The average variable rate applicable to the Group's debt is 0.91% and the average fixed rate is 1%.

The item "Derivatives" includes the fair value at 30 June 2021 (amounting to €1,069 thousand) of an IRS entered into directly by the Parent Brembo S.p.A., for a remaining notional amount of €100 million at 30 June 2021, hedging the change in interest rate risk associated with a specific outstanding loan. This IRS falls within the requirement set forth in the accounting standards relating to hedge accounting (cash flow hedge). The change in fair value compared to 31 December 2020 was recognised as a component of comprehensive income, net of the tax effect, given that the hedge is fully effective.

At 30 June 2021, IRS derivatives had a negative fair value of €455 thousand, entirely taken to a cash flow hedge reserve, gross of tax effects.

Changes in the Cash Flow Hedge Reserve are shown below, gross of tax effects:

(euro thousand)	30.06.2021
Opening value	3,518
Fair value reserve releases	(12,302)
Movements from reserve for payment/collection of differentials	(488)
Closing value	(9,272)

The following table shows the breakdown of "Other financial liabilities".

(euro thousand)	Amount at 31.12.2020	Amount at 30.06.2021	Portion due within one year	Portion due between 1 and 5 years	Portion due after 5 years
Other financial liabilities:					
Payables to other financial institutions:					
Libra loan	64	58	11	47	0
Ministerio Industria España	1,163	931	264	667	0
Total payables to other financial institutions	1,227	989	275	714	0
Lease liabilities	208,888	206,722	21,234	67,007	118,481
Total other financial liabilities	210,115	207,711	21,509	67,721	118,481



Net Financial Position

The following table shows the reconciliation of the net financial position at 30 June 2021 (€496,936 thousand) and at 31 December 2020 (€384,677 thousand) based on the layout prescribed by ESMA32-382-1138 Guidelines of 4 March 2021 and specified in Consob Warning Notice 5/21 of 29 April 2021:

(euro thousand)	30.06.2021	31.12.2020
A Cash	451,057	551,282
B Cash equivalents	0	0
C Other current financial assets	1,297	1,938
D Liquidity (A+B+C)	452,354	553,220
E Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	184,093	131,363
F Current portion of non-current financial debt	145,569	69,946
G Current financial debt (E + F)	329,662	201,309
H Net current financial debt (G - D)	(122,692)	(351,911)
I Non-current financial debt (excluding the current portion and debt instruments)	619,628	736,588
J Debt instruments	0	0
K Trade payables and other non-current payables	0	0
L Non-current financial debt (I + J + K)	619,628	736,588
M Total financial debt (H + L)	496,936	384,677

The various components that gave rise to the change in net financial position during the reporting period are presented in the Statement of Cash Flows in the Directors' Report on Operations.

14. Other Non-current Liabilities

This item is broken down as follows:

(euro thousand)	30.06.2021	31.12.2020
Social security payables	0	2,236
Payables to employees	1,641	10,736
Other payables	242	1,919
Total	1,883	14,891

The changes in the items "Payables to employees", "Social security payables" and "Other payables" primarily consisted of the reclassification to "current liabilities" of the liability associated with the 2019-2021 three-year incentive plan reserved for top managers, to be settled in May 2022.



15. Provisions

This item is broken down as follows:

(euro thousand)	31.12.2020	Change in consolidation area	Provisions	Use/ Release	Exchange rate fluctuations	Other	30.06.2021
Provisions for contingencies and charges	11,745	4	1,358	(9,590)	80	2	3,599
Provision for product warranties	33,120	0	5,650	(12,613)	244	7,834	34,235
Total	44,865	4	7,008	(22,203)	324	7,836	37,834
of which short-term	1,875						192

Provisions totalled €37,834 thousand, including a provision for product warranties, which rose by €5,650 thousand for probable future costs linked to contractual warranties, supplemental customer indemnities — in connection with the Italian agency contract — and the valuation of risks related to litigation underway, as well as an estimate of liabilities that could arise as a result of tax litigation underway.

The item “Use/Release” refers to the use of the €6,983 thousand provision for risks allocated in 2020 following the completion of the settlement procedure entered into with the revenue authorities relating to the greater values of the intangible assets in relations with the Group’s international subsidiaries for the years 2016 and 2017.

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

16. Provisions for Employee Benefits

Group companies provide post-employment benefits through defined contribution plans or defined benefit plans. In the case of defined contribution plans, the Group companies pay contributions to public or private insurance institutes based on legal or contractual obligations or on a voluntary basis. Once such contributions have been paid, the companies have no further payment obligations.

Defined contribution plans include a plan relating to Brembo Huilian (Langfang) Brake Systems (Langfang) Co. Ltd and reserved for approximately 70 early retired employees, who have guaranteed monthly payments until they reach pension age.

The employees of the UK subsidiary AP Racing Ltd. have the benefit of a corporate pension plan (AP Racing Pension Scheme), which is made up of two sections: the first is a defined contribution plan for employees hired after 1 April 2001, and the second is a defined benefit plan for those already in service at 1 April 2001 (and previously covered by the AP Group Pension Fund). The defined benefit plan is funded by employer and employee contributions made to a trustee that is legally separate from the enterprise providing benefits to its employees. Brembo México S.A. de C.V., Brembo Japan Co. Ltd. and Brembo Brake India Pvt. Ltd. offer to their employees specific pension plans that qualify as defined benefit plans.

Unfunded defined benefit plans include also the “Employees’ leaving indemnity” provided by the Group’s Italian companies, in accordance with current applicable regulations.

The value of funds is calculated on an actuarial basis using the “Projected Unit Credit Method”. The item “Other employee provisions” also refers to other employee benefits.



Liabilities at 30 June 2021 are given in the table below:

(euro thousand)	31.12.2020	Provisions	Use/ Release	Interest expense	Exchange rate fluctuations	Other	30.06.2021
Employees' leaving entitlement	18,058	0	(540)	74	0	(212)	17,380
Defined benefit plans and other long-term benefits	7,316	265	(449)	121	268	(3,287)	4,234
Defined contribution plans	1,193	1,056	(1,250)	0	42	0	1,041
Total	26,567	1,321	(2,239)	195	310	(3,499)	22,655

17. Trade Payables

At 30 June 2021, trade payables were as follows:

(euro thousand)	30.06.2021	31.12.2020
Trade payables	534,711	469,158
Payables to associates and joint ventures	7,877	5,748
Total	542,588	474,906

18. Tax Payables

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

(euro thousand)	30.06.2021	31.12.2020
Tax payables	8,416	7,405

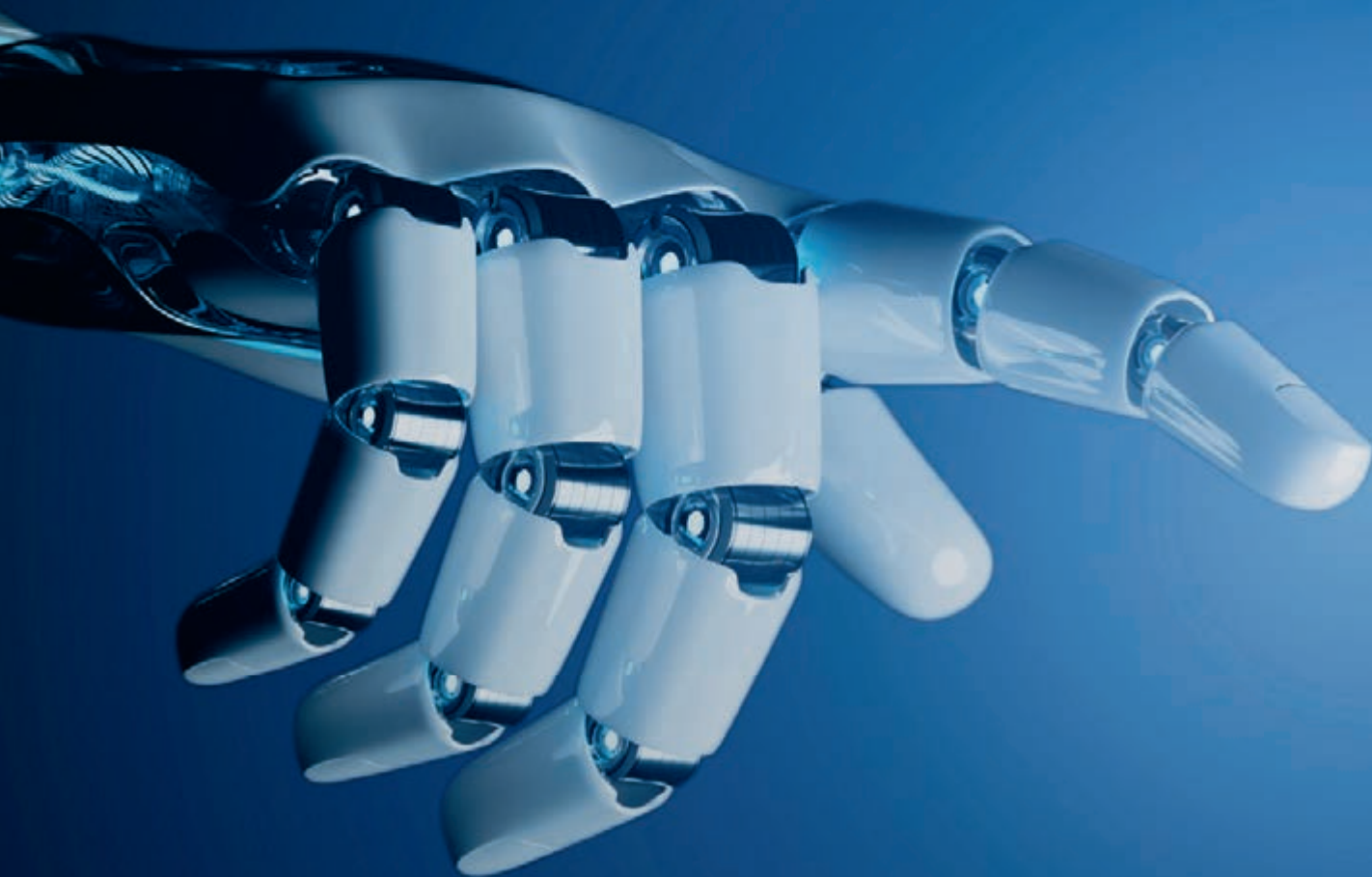
19. Other Current Payables

Other current payables at 30 June 2020 are given in the table below:

(euro thousand)	30.06.2021	31.12.2020
Tax payables other than current taxes	8,456	11,207
Social security payables	21,250	20,298
Payables to employees	69,835	55,909
Other payables	75,166	71,199
Total	174,707	158,613

The changes in the items "Payables to employees", "Social security payables" and "Other payables" primarily consisted of the reclassification to "current liabilities" of the liability associated with the 2019-2021 three-year incentive plan reserved for top managers, to be settled in May 2022.

"Other payables" also include deferred income in the form of public grants received and released to the Statement of Income in accordance with the related amortisation plans to which they refer, in addition to deferred income amounting to €41,973 thousand (€43,121 thousand at 31 December 2020) in the form of grants received by customers towards brake system development activities suspended until the conclusion of the development activity and then recognised over the useful lives of the products to which the grants refer.



A profound
transformation
underway

The perfect dialogue between humankind and machine. An increasingly vast and in-depth knowledge communicates with technology and the possibilities it offers. Digitalisation and artificial intelligence are already our present.





Statement of Income

20. Revenue from Contracts with Customers

The item is broken down as follows:

(euro thousand)	30.06.2021	30.06.2020
Revenue from sales of brake systems	1,338,128	937,430
Revenue from equipment	9,678	6,217
Revenue from study and design activities	12,562	6,973
Revenue from royalties	421	493
Total	1,360,789	951,113

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

21. Other Revenues and Income

These are made up of:

(euro thousand)	30.06.2021	30.06.2020
Miscellaneous recharges	4,225	2,070
Gains on disposal of assets	667	558
Miscellaneous grants	1,811	3,312
Other revenues	3,637	2,207
Total	10,340	8,147

The item "Miscellaneous grants" includes grants for research and development projects amounting to €303 thousand and a tax credit for research and development investment of €705 thousand, calculated pursuant to Ministerial Decree of 27 May 2015.

22. Costs for Capitalised Internal Works

This item refers to the capitalisation of development costs incurred during the period, amounting to €11,547 thousand (first half of 2020: €10,975 thousand).



23. Cost of Raw Materials, Consumables and Goods

The item is broken down as follows:

(euro thousand)	30.06.2021	30.06.2020
Purchase of raw materials, semi-finished and finished products	548,510	389,315
Purchase of consumables	60,296	42,048
Total	608,806	431,363

24. Income (Expense) from Non-Financial Investments

Income (expense) from non-financial investments amounted to €7,641 thousand and is attributable to the effects of valuing the investment in the BSCCB Group using the equity method (first half of 2020: €1,884 thousand).

25. Other Operating Costs

These costs are broken down as follows:

(euro thousand)	30.06.2021	30.06.2020
Transports	35,893	21,549
Maintenance, repairs and utilities	78,594	62,774
Contracted work	56,977	34,534
Rent	9,895	9,648
Other operating costs	75,615	66,878
Total	256,974	195,383

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

26. Personnel Expenses

The breakdown of personnel expenses is as follows:

(euro thousand)	30.06.2021	30.06.2020
Wages and salaries	176,815	145,455
Social security contributions	40,832	33,384
Employees' leaving entitlement and other personnel provisions	6,673	6,389
Other costs	30,002	16,854
Total	254,322	202,082



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

	Managers	White-collar	Blue-collar	Total
H1 2021: average	145	3,165	8,090	11,400
H1 2020: average	143	3,118	7,571	10,832
Change	2	47	519	568
Total at 30 June 2021	144	3,196	8,062	11,402
Total at 30 June 2020	142	3,128	7,461	10,731
Change	2	68	601	671

27. Depreciation, Amortisation and Impairment Losses

The item is broken down as follows:

(euro thousand)	30.06.2021	30.06.2020
Amortisation of intangible assets:		
Development costs	8,465	6,232
Industrial patents and similar rights for original work	576	527
Licences, trademarks and similar rights	242	172
Other intangible assets	4,621	4,560
Total	13,904	11,491
Depreciation of property, plant and equipment:		
Buildings	9,337	9,519
Plant and machinery	55,788	57,621
Industrial and commercial equipment	9,347	9,998
Other property, plant and equipment	3,159	2,773
Right of use assets	12,177	11,098
Total	89,808	91,009
Impairment losses:		
Property, plant and equipment	155	15
Intangible assets	551	1,985
Total	706	2,000
TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	104,418	104,500

Further information on item “Impairment losses” is given in Note 2 of these Explanatory Notes.



28. Net Interest Income (Expense)

This item is broken down as follows:

(euro thousand)	30.06.2021	30.06.2020
Exchange rate gains	26,165	86,674
Interest income from employee's leaving entitlement and other personnel provisions	268	350
Interest income	1,384	1,192
Total interest income	27,817	88,216
Exchange rate losses	(22,358)	(94,263)
Interest expense from employees' leaving entitlement and other personnel provisions	(463)	(549)
Lease interest expense	(2,537)	(2,508)
Interest expense	(3,930)	(5,064)
Total interest expense	(29,288)	(102,384)
TOTAL NET INTEREST INCOME (EXPENSE)	(1,471)	(14,168)

29. Interest Income (Expense) from Investments

Net interest income from investments, which amounted to €3,911 thousand (€55 thousand in the first half of 2020), was attributable to the effects of valuing investments in associates using the equity method and dividends received by investees not included in the consolidation area.

30. Taxes

This item is broken down as follows:

(euro thousand)	30.06.2021	30.06.2020
Current taxes	35,316	17,092
Deferred tax (assets) and liabilities	8,777	(12,471)
Prior years' taxes and other tax payables	(2,724)	(118)
Total	41,369	4,503

The Group's actual tax rate was 24.6% (11.4% at 31 December 2020 - 18.2% at 30 June 2020).

31. Earnings Per Share

Basic earnings per share were €0.39 at 30 June 2021 (€0.06 at 30 June 2020), and were calculated by dividing the net income or loss for the period attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in the first half of 2021, amounting to 323,887,250 (323,887,250 in the first half of 2020). Diluted earnings per share are identical to basic earnings per share inasmuch as no share capital transactions were undertaken in the reporting period.



32. Non-Current Assets/Liabilities Held for Sale and/or Discontinued Operations

On 30 June 2019, Brembo discontinued its industrial operations at the Buenos Aires plant. As a result, the subsidiary Brembo Argentina S.A. was placed in liquidation. Brembo took this decision as it was impossible to boost new projects because of the downtrend experienced by the Argentinian automotive sector and its quite discouraging recovery prospects, as well as because all main 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, net of intercompany payables, have been reclassified to "Assets/Liabilities from discontinued operations", whereas the Statement of Income items have been reclassified to "Result from discontinued operations", as shown here below.

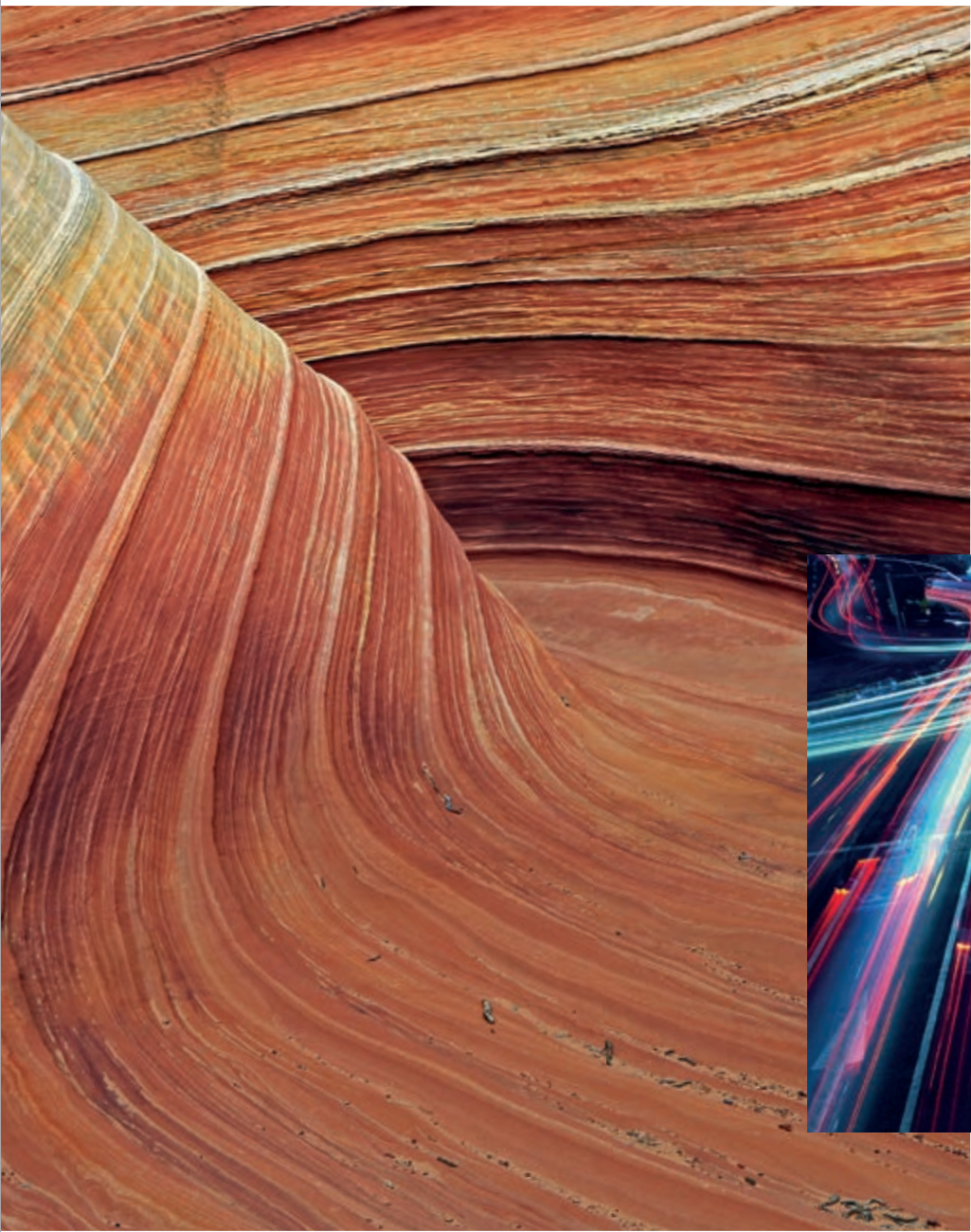
(euro thousand)	30.06.2021
Revenue from contracts with customers	0
Other revenues and income	39
Raw materials, consumables and goods	
Other operating costs	(42)
GROSS OPERATING INCOME	(3)
Depreciation, amortisation and impairment losses	
NET OPERATING INCOME	(3)
Net interest income (expense)	(92)
RESULT FROM DISCONTINUED OPERATIONS	(95)
Inventories	
Trade receivables	63
Other receivables and current assets	1
Cash and cash equivalents	648
TOTAL CURRENT ASSETS	712
TOTAL ASSETS	712
Non-current provisions	(11)
TOTAL NON-CURRENT LIABILITIES	(11)
Trade payables	(69)
Other current payables	(2)
TOTAL CURRENT LIABILITIES	(71)
TOTAL LIABILITIES	(82)

Stezzano, 29 July 2021

On behalf of the Board of Directors

The Executive Deputy Chairman
Matteo Tiraboschi







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Review report on the interim condensed consolidated six monthly financial statements (Translation from the original Italian text)

To the Shareholders of
Brembo S.p.A.

Introduction

We have reviewed the condensed consolidated six monthly financial statements, comprising the statement of financial position, the statements of income, the statement of comprehensive income, the statement of changes in equity and cash flows and the related explanatory notes of Brembo S.p.A. and its subsidiaries (the "Brembo Group") as of June 30, 2021. The Directors of Brembo S.p.A. are responsible for the preparation of the interim condensed consolidated six monthly financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Brembo Group as of June 30, 2021 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Bergamo, July 29, 2021

EY S.p.A.

Signed by: Marco Malaguti, Statutory Auditor

This report has been translated into the English language solely for the convenience of international readers

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Attestation of the Condensed Six Monthly Financial Statements Pursuant to Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended and extended

1. We the undersigned, Matteo Tiraboschi, in his capacity as Executive deputy Chairman, and Andrea Pazzi, in his capacity as Manager in Charge of the Financial Reports of Brembo S.p.A., hereby declare, pursuant to the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree No. 58 of 24 February 1998, that the administrative and accounting procedures for preparing the Condensed Six Monthly Financial Statements for the period from 1 January 2021 to 30 June 2021:
 - are appropriate in relation to the company features; and
 - have been consistently applied.
2. The assessment of the adequacy of the administrative and accounting procedures used in preparing the Condensed Six Monthly Financial Statements at 30 June 2021 was based on a process defined by Brembo S.p.A. in accordance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, an internationally-accepted reference framework. Regarding this point there are no issues.
3. The undersigned further declare that:
 - 3.1 The Condensed Six Monthly Financial Statements:
 - a) have been prepared in accordance with applicable International Accounting Standards, as adopted by the European Union through (EC) Regulation No. 1606/2002 of European Parliament and Council on 19 July 2002;
 - b) reflect the accounting books and records; and
 - c) provide a true and fair view of the assets, liabilities, profit or loss and financial position of the issuer and the companies included in the consolidation area.
 - 3.2 The interim Report on Operations includes a reliable analysis of the significant events that occurred during the first six months of the financial year and the impact of such events on the Company's Condensed Six Monthly Financial Statements, along with a description of the main risks and uncertainties for the remaining six months of the year.

Furthermore, the interim Report on Operations contains a reliable analysis of significant related party transactions.

Stezzano, 29 July 2021

Matteo Tiraboschi
Executive Deputy Chairman

Andrea Pazzi
Manager in Charge of the Company's
Financial Reports





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