Bonfiglioli

ANNUAL REPORT

TWO THOUSAND FOURTEEN

Power, Control and Green Solutions

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Power, Control and Green Solutions

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MESSAGE FROM OUR CHAIRMAN

Challenge, Respect, Accountability, Winning Together: these are Bonfiglioli's Values, guiding us where we want to go and urging us to be who we want to be.

Searching for a limit, then doing our best to overcome it.
With ideas, **cutting-edge** products and high-level **performances**.
That's our daily Challenge.

Exploring different cultures, religions and experiences, thus **turning diversity into a resource**.
And pursuing a sustainable economic growth, **in harmony with the environment that surrounds us**.
We call all this **Respect**.

Putting our heart into everything we do.
In order to improve ourselves and to be an example for others.
Because the efficiency of a team begins with that of the individuals.
To us, this means **Accountability.**

Fostering talent to generate knowledge,
only to share it with everybody, to achieve success.
Because we want to be "Winning together".

This is Bonfiglioli.
I'm In It!

Sonia Bonfiglioli

CHALLENGE

RESPECT

ACCOUNTABILITY

WINNING TOGETHER

I'M IN IT!!

OUR FOUNDER

I built up
this company
not only for myself
but for the future,
for my family
and workforce,
and for the name
and brand of Bonfiglioli.

SO,

FULL SPEED

AHEAD!

Clementino Bonfiglioli

April 2006 on the occasion of
company's Fiftieth Anniversary.

LIOLI

MILESTONES

1956 — Formation of "Costruzioni Meccaniche Bonfiglioli" by Clementino

1964 — Debut of the RAE series of dual-stage planetary gearboxes

1975 — Acquisition of Trasmital

1982 — Opening of subsidiaries worldwide

1993 — DNV and TÜV certifications

1995 — Debut of the modular C-A-F series

1999 — Inauguration of the new factory in Chennai, India

2000 — Launch of the "Mosaico" e-commerce portal

2001 — Acquisition of Vectron

2002 — Creation of BEST, the international distributors network

2003 — Acquisition of Tecnoingranaggi

2014

Inauguration of the Photovoltaic site in Bangalore, India

~

Acquisition of a 95% holding in Tecnotrans

Opening of Bonfiglioli South East Asia in Singapore

~

Start of work on the Bonfiglioli site in Shanghai, China

2013

2012

Foundation of the Mechatronic Drives & Solutions Division

~

Formation of the Electromobility Competence Center

2011

Inauguration of the new site in Mannur, India

~

Opening of the Bonfiglioli Mechatronics Research center in Rovereto, Italy

~

Creation of the Regenerative and Photovoltaic Business Unit

2010

Formation of the Bonfiglioli Innovation Center in Krefeld, Germany

2008

Business Areas organization

~

Inauguration of Bonfiglioli Vietnam Ltd. in Ho Chi Minh City

2007

Direct control of the Italian market by Bonfiglioli Italia S.p.A.

2006

50th anniversary

2005

First plant in Slovakia

VISION & MISSION

Designing and manufacturing innovative and reliable solutions for power transmission and control in the industrial, mobile and renewable energy sectors. Encouraging and promoting sustainable and shared development worldwide, through dynamic, responsible, prompt and customer-oriented services.

STRATEGY

INNOVATION

- **Product and process** innovation
- Integrated **mechatronic** technology
- **New** technological **solutions**
- Higher **efficiency**

GLOBAL

- **Worldwide** presence
- **Close** to our customers
- **Global partner**
- **Local for local**
- **Customized** solutions
- Application **know-how**
- Specific **skills**
- **Co-engineering**

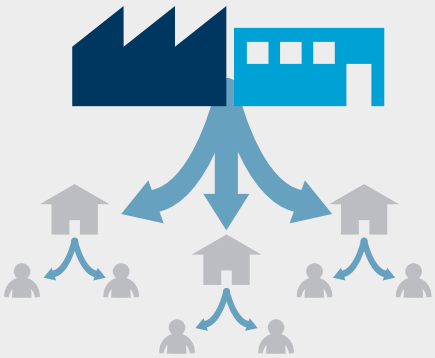
FOCUS

- Completely **Customer Oriented** corporate philosophy
- Design and make **dedicated, innovative and reliable solutions** for the world of power transmission.
- Clear focus on **ENERGY** issues: from renewable energies to energy saving and energy recovery.
- **A rapid and reliable** service **all over the world.**

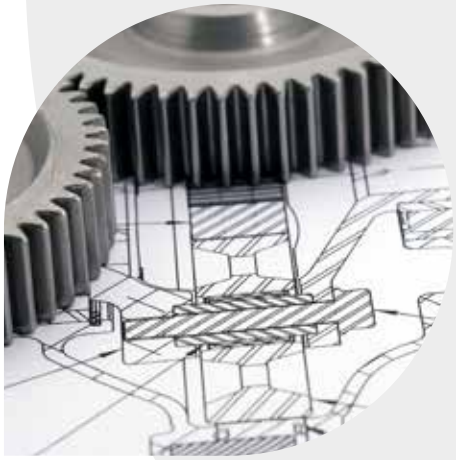
ADVANCED MANUFACTURING

- **Always at the forefront** in the use of existing industrial technologies
- **Lean approach**: efficient and reliable throughout the complete value chain, improving the quality and the services offered to our customers.

ADVANCED MANUFACTURING



- **Product development process** review in order to respond quickly and precisely to main customer needs.
- **Flows and processes alignment throughout the complete Supply Chain and manufacturing footprint** according to the logic of a continental platform.
- **Revision of the activities and the processes necessary to implement and measure the Group main activities** with the aim to improve the overall quality offered.



INNOVATION

Innovation has always been a key characteristic of Bonfiglioli's DNA.

All Bonfiglioli solutions are based on advanced research into technologies and materials and on design approaches and ideas selected to respond effectively to customer needs and to **anticipate future technical trends**.

Investments in **R&D**, support for and collaboration with **research institutes and universities all over the world**, and the **sharing of technology development platforms** across the Group have made Bonfiglioli a competent and reliable partner with a confident orientation to the future.

R&D

EDUCATION

GLOBAL

Bonfiglioli Worldwide Attitude: this is the key to the success of a Group that has expanded around the world in just over 60 years. It defines the attitude, approach and mission of a great company and people who are carefully selected for their mix of competence and passion.

Bonfiglioli is proud to have a presence in over 80 countries on all 5 continents, with 21 Subsidiaries and 13 production plants. This presence is expanding in all areas of industry thanks to competent, effective and sustainable solutions developed in faithful dialogue with the Customer and in constant consideration of his needs.

Global synergy and local partnerships ensure the solidity of an organisation that has a history of success behind it and a clear vision of future prosperity ahead.

Headquarters

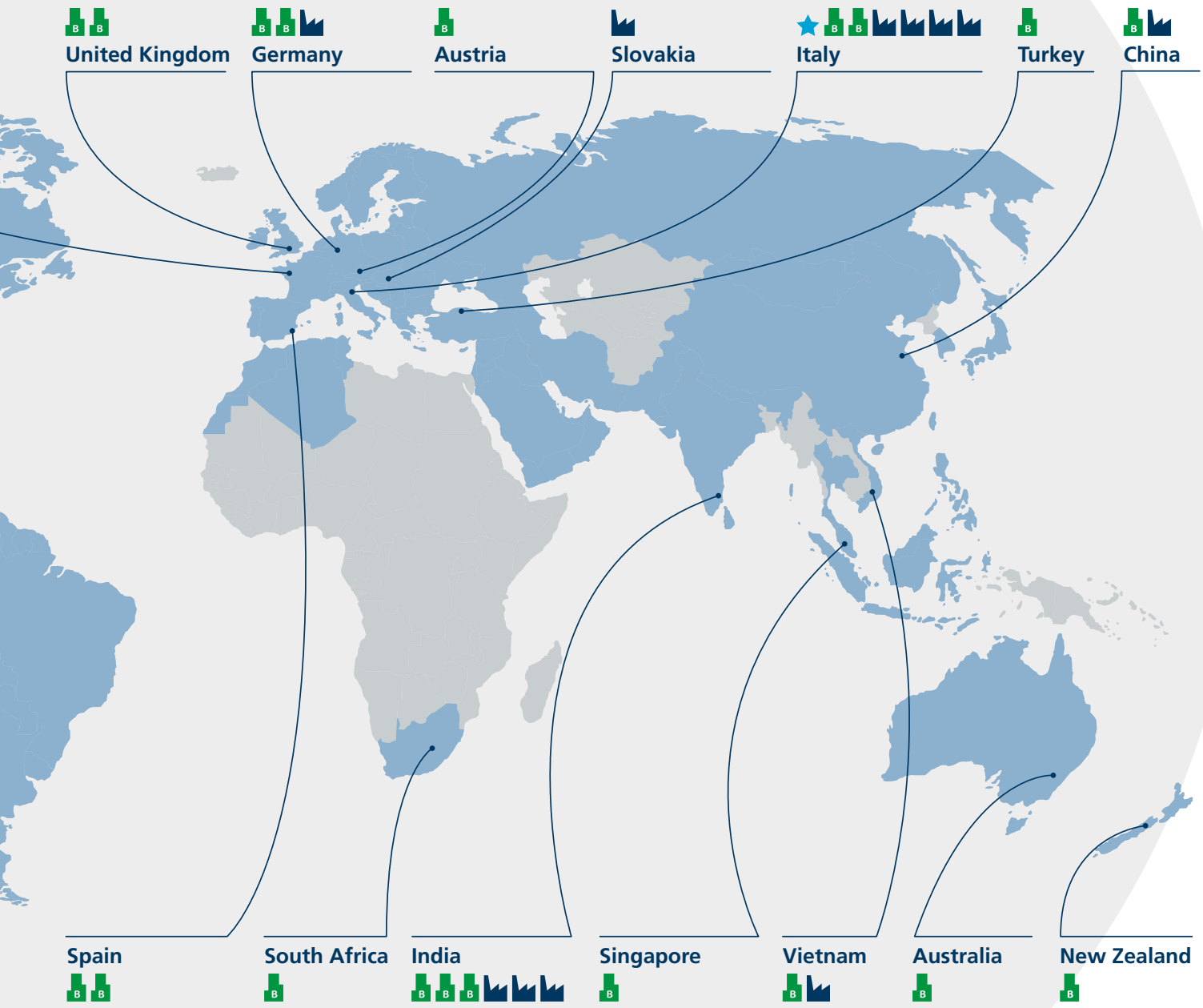
ITALY • Lippo di Calderara, Bologna ★

Production facilities

BRAZIL • São Paulo
CHINA • Shanghai
GERMANY • Krefeld
INDIA • Chennai
INDIA • Mannur
INDIA • Bangalore
ITALY • Vignola, Modena
ITALY • Calderara di Reno, Bologna
ITALY • Forlì
ITALY • Rovereto
SLOVAKIA • Považská Bystrica
USA • Cincinnati
VIETNAM • Ho Chi Minh

Subsidiaries

AUSTRALIA • Sidney
AUSTRIA • Wiener Neustadt
BRAZIL • São Paulo
CANADA • Toronto
CHINA • Shanghai
FRANCE • Paris
GERMANY • Neuss
GERMANY • Krefeld
INDIA • Chennai
INDIA • Mannur
INDIA • Bangalore
ITALY • Milano
ITALY • Rovereto
NEW ZEALAND • Auckland
SOUTH AFRICA • Johannesburg
SINGAPORE • Singapore
SPAIN • Barcelona
SPAIN • Madrid
TURKEY • Izmir
UNITED KINGDOM • Redditch
UNITED KINGDOM • Warrington
USA • Cincinnati
VIETNAM • Ho Chi Minh



Headquarters Production facilities Subsidiaries Distributors

FOCUS

We design and make dedicated, innovative and reliable solutions for the world of power transmission.
Bonfiglioli **has consolidated its position of global leadership in the field of power transmission** thanks to continuously improving product quality and the constant expansion of its offering of advanced solutions.
On top of this, Bonfiglioli delivers a complete range of expert services covering every corner of the globe.

POWER

Over fifty years of experience, competence and professionalism enable us to internationally offer excellent, efficient and innovative power transmission solutions.
We design, manufacture and distribute a complete range of gearmotors, planetary gearboxes, reduced backlash gearboxes, electric motors and servomotors capable of satisfying power transmission needs in all the areas of the industries we serve.
Our solutions are used in a wide range of applications around the world, in industry, mobile machinery and construction, to improve the quality of life and work on a daily basis.
In our group, everybody contributes to produce tangible results in terms of competitive advantages for customers by working to promote success and wellbeing.

CONTROL

Power control is the ability to harness, manage and use power.
Bonfiglioli designs, develops and produces solutions not only to transmit power but to control it in the most diverse industrial applications: frequency converters, drives, high-tech servo inverters, and man-machine interfaces.
The success of the Bonfiglioli team is the result of advanced qualifications, experience in the field, and focused specialisation.
In our group, everybody's contribution is recognised and appreciated, in full respect of the different cultural identities that inevitably make up a large international team.

GREEN

Green technology is not a game for Bonfiglioli but a clear strategic direction.
Our vision covers solutions for energy optimisation in all industrial applications, intelligent energy recovery, various renewable energy segments (photovoltaic, wind, biomass and energy storage), and electromobility solutions for agricultural and earth moving machines, materials handling and personal transport.
Bonfiglioli designs, develops and produces a complete range of control systems with advanced energy saving functions, energy recovering inverters, photovoltaic energy systems, yaw and pitch control systems for wind turbines, and innovative electromobility solutions.
In our group, respect for people and the environment is one of the values on which our entire business model is based.

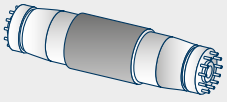
BUSINESS LINES

MOBILE

Bonfiglioli Trasmital

ELECTROMOBILITY

Bonfiglioli Trasmital

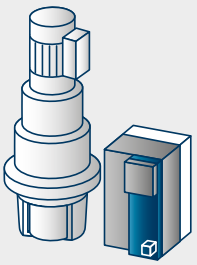


WIND

Bonfiglioli Riduttori

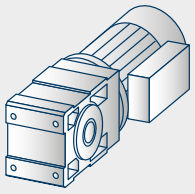
Bonfiglioli Trasmital

Bonfiglioli Vectron



POWER TRANSMISSION SOLUTIONS

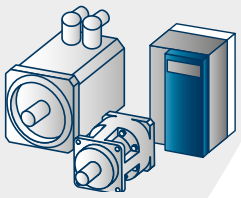
Bonfiglioli Riduttori



MECHATRONIC DRIVES & SOLUTIONS

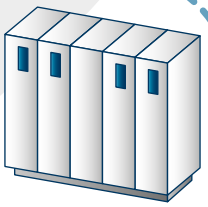
Bonfiglioli Tecnoingranaggi

Bonfiglioli Vectron



PHOTOVOLTAIC

Bonfiglioli Vectron



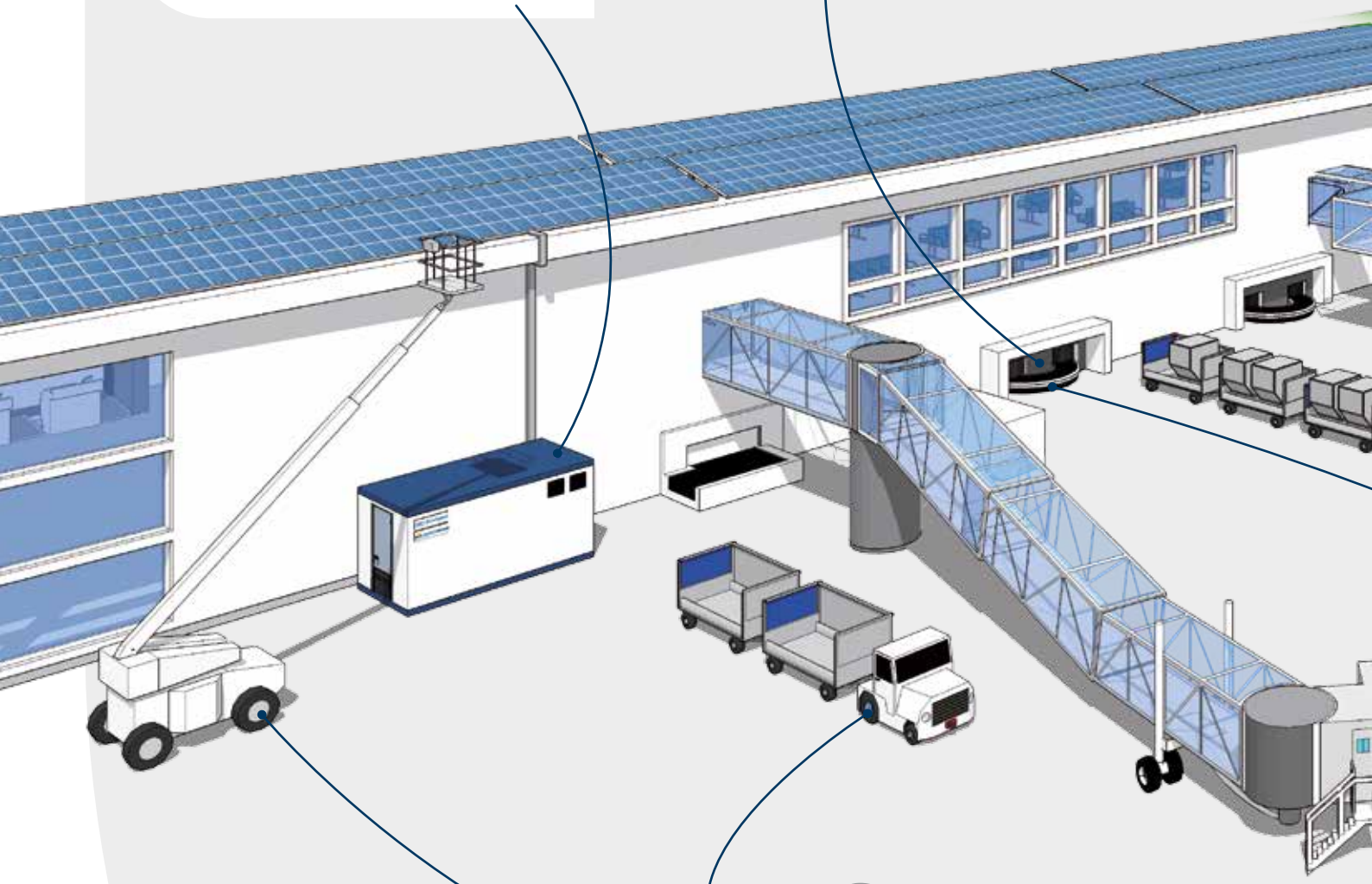
INTEGRATED & COMPLETE SOLUTIONS

Power Transmission Solutions

Industrial Power Transmission Solutions

Photovoltaic Solutions

Power conversion systems and solutions for photovoltaic



Electromobility Solutions

Solutions in the field of electric transmission

Mobile Solutions

Power transmission solutions for mobile machinery

Wind Solutions

Power transmission solution for wind-turbine yaw and pitch control

Mechatronic Drives & Solutions

Mechatronics Solutions for Industrial applications

MOBILE SOLUTIONS

CO-ENGINEERING

INNOVATION

WE OFFER SOLUTIONS TO BUILD GROWTH

- **Bonfiglioli Trasmital** has been designing and producing planetary gearboxes for earth moving, road surfacing, agricultural and construction machinery since 1975.
- **Tradition and innovation:** the ability to merge solid historical roots with an innovative approach to business.
- **A partner for the major OEMs** and machine constructors around the world in all areas of industry.
- **Traditional products** and solutions that combine the efficiency of conventional products with **electronic drives to create more energy efficient and sustainable systems**.

AGRICULTURE & FORESTRY

PRODUCTS

Planetary gearboxes for mobile machines:

- wheel drive
- track drive
- slew drive
- winch drive
- concrete mixer drum drive

APPLICATION SOLUTIONS

MARINE PLATFORMS

EARTH MOVING

ROAD CONSTRUCTION

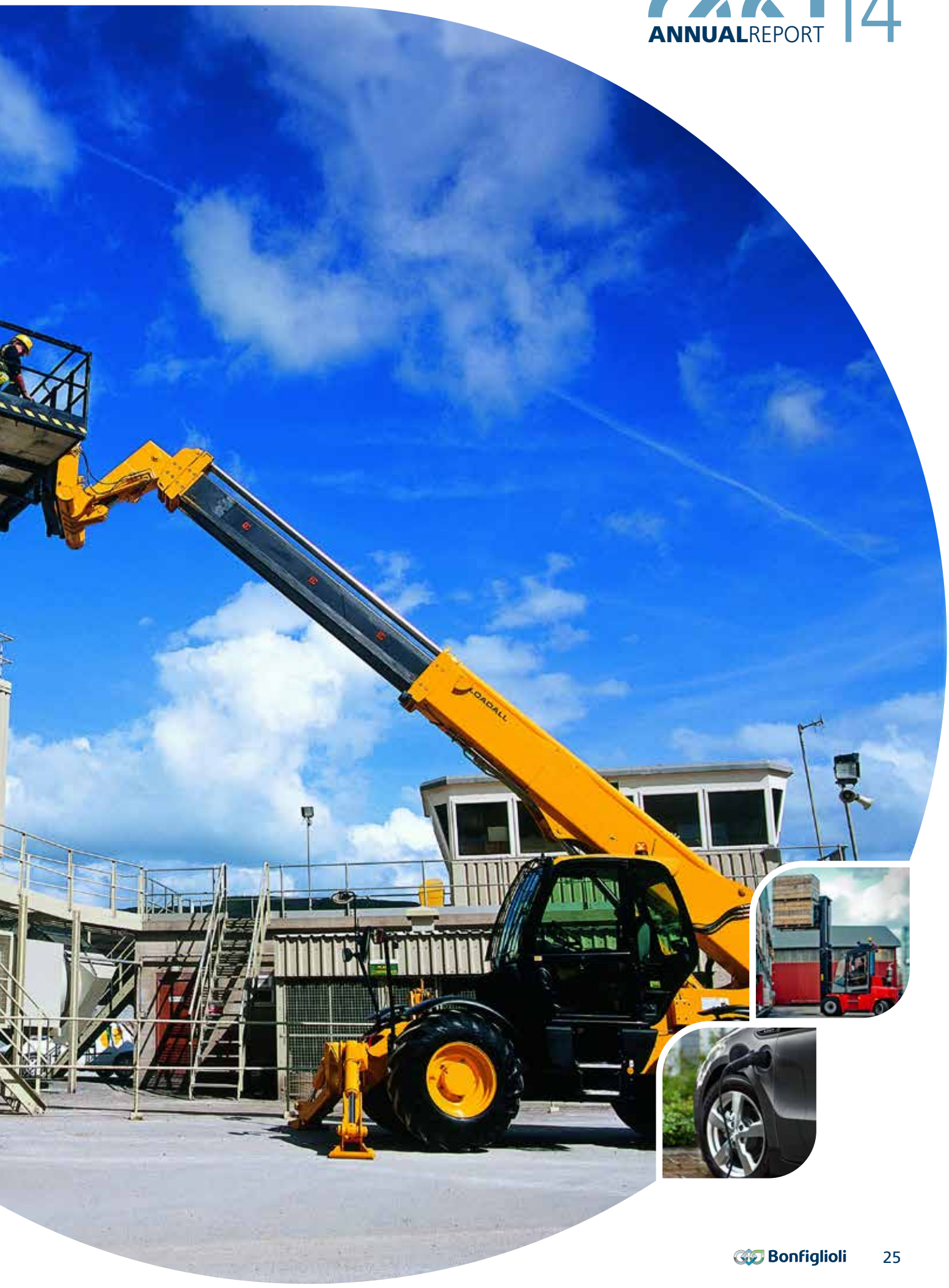
CONSTRUCTION

DRILLING

ELECTROMOBILITY SOLUTIONS

EXPERTISE & LEADERSHIP

G-LOCAL


JCB
LOADALL

DRIVING INNOVATION WITH ELECTROMOBILITY SOLUTIONS

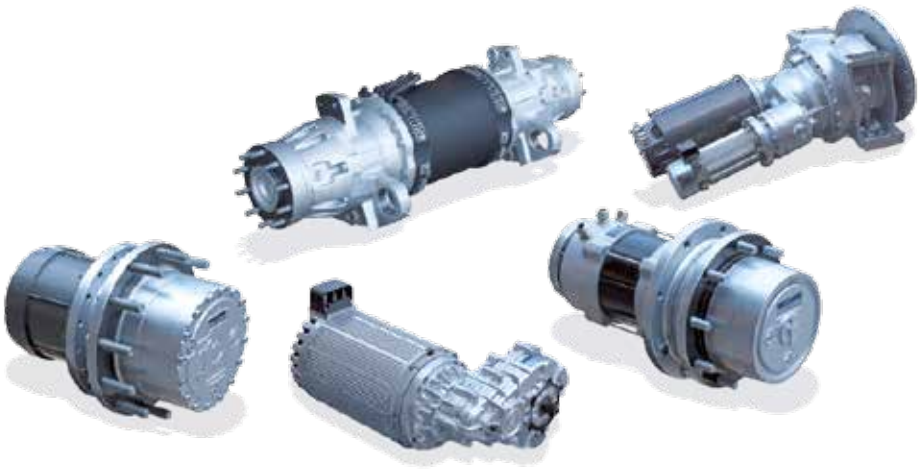
Electromobility (from agricultural machines to skylifts and off-highway applications) is a **challenge that the Bonfiglioli Group is eager to take on** in order to help satisfy the increasingly complex mobility needs of machine constructors.
Bonfiglioli is always keen to help build the future.

Today, Bonfiglioli produces a complete range of products designed especially for the hybrid and all-electric machines that represent the latest frontier for construction, material movement and agricultural machines as well as for personal mobility.

AIRPORT GROUND EQUIPMENT

PRODUCTS

- 600F Series
- 600WE Series
- 600D Series
- 600 Series with electric motor
- 500 Series with electric motor



APPLICATION SOLUTIONS

FORKLIFTS

AGRICULTURE

CONCRETE MIXERS

LIFTING

LIGHTWEIGHT VEHICLES

WIND SOLUTIONS

CO-ENGINEERING

LEADERSHIP

HARNESSING THE ENERGY OF THE WIND

Bonfiglioli has been investing in the wind sector since 1986.

- Complete solutions.
- Bonfiglioli is the **leading producer of planetary gearboxes for wind turbine yaw and pitch control, and has the technology needed to design, make and distribute all components.**
- Bonfiglioli **quality, service and innovation** are inside one in four of the world's wind turbines, from mini turbines to gigantic 7 MW turbines.
- **Major in-land and off-shore.**

ONE WIND TURBINE IN 4 AROUND THE WORLD IS DRIVEN BY BONFIGLIOLI SOLUTIONS

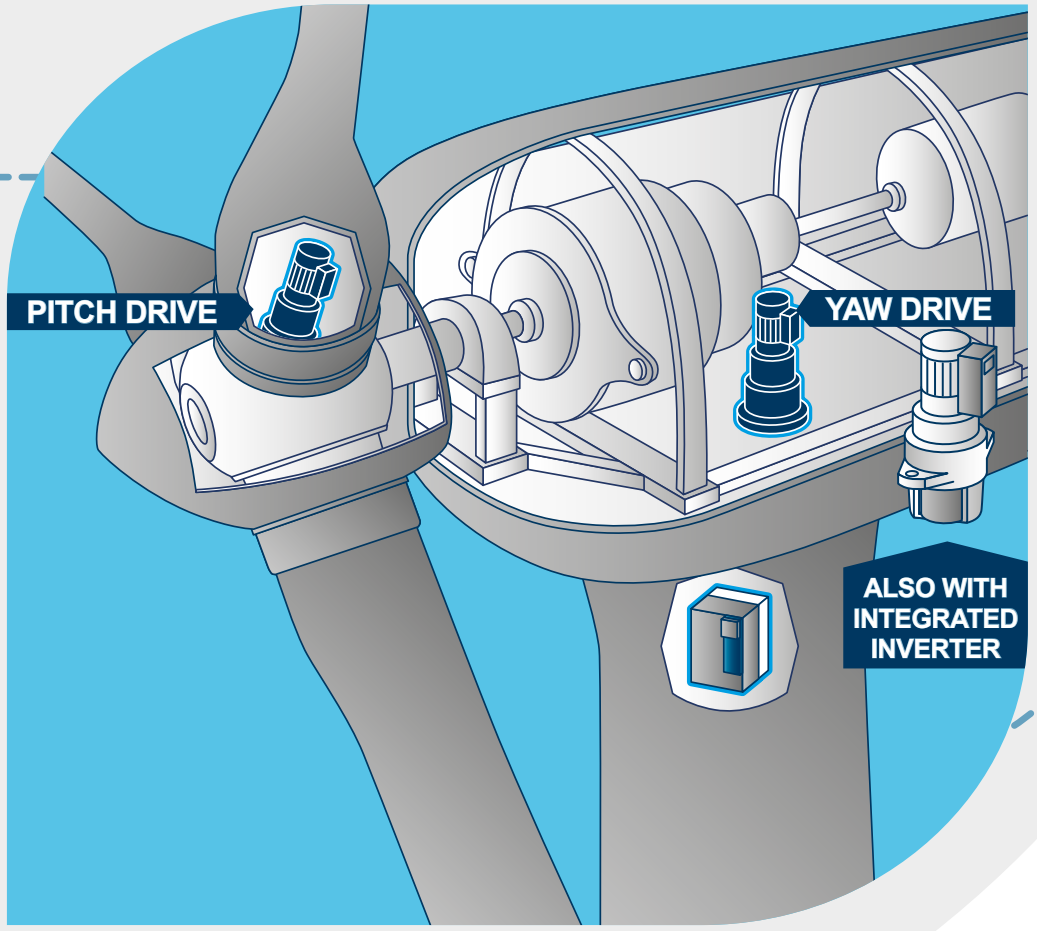
PRODUCTS

- Planetary gearboxes for yaw and pitch control in wind turbines
- Stand-alone and integrated inverters

APPLICATION SOLUTIONS

OFFSHORE

IN-LAND



POWER TRASMISSION SOLUTIONS

PRODUCT RANGE

EXPERTISE & LEADERSHIP

DISTRIBUTORS NETWORK

MOSAICO ENGINEERING

BEST DISTRIBUTORS

ASSISTANCE

PTS
KEEPING THE CUSTOMER IN MIND

Power Transmission Solutions: **integrated solutions tailored** to meet the needs of individual customers all designed to minimise the Total Cost of Ownership (TCO). The Bonfiglioli ultimate custom offering, based on a vast range of products and services, matches the needs of most areas of industry.

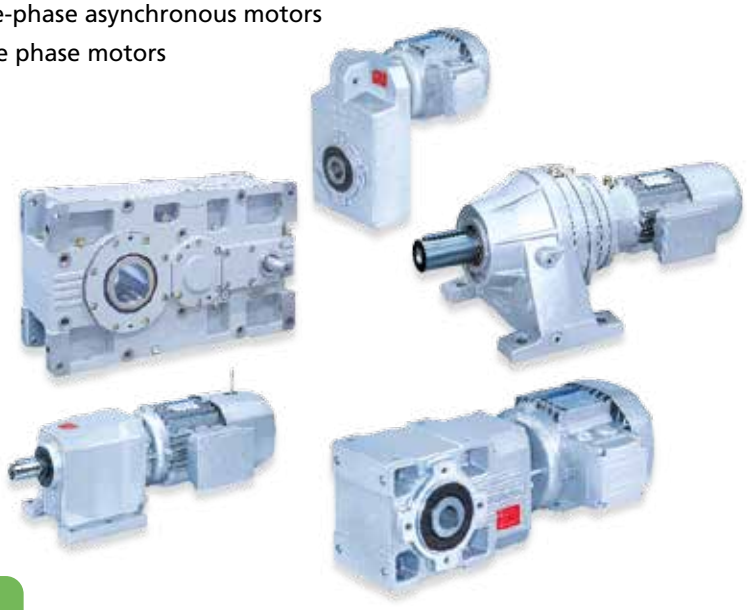
Wide **experience in all sectors**, the ability to understand **customer needs**, and a **wide range of products and services** have allowed Bonfiglioli to play a leading role in all areas of industry.

RUBBER & PLASTICS

WATER TREATMENT & WASTE RECYCLING

PRODUCTS

- Parallel shaft gearmotors
- Bevel-helical gearmotors
- Worm gearmotors
- Shaft-mounted gearmotors
- Planetary gearmotors
- Heavy Duty bevel helical and parallel shaft
- Three-phase asynchronous motors
- Single phase motors



THE WIDEST PRODUCT RANGE ON THE MARKET

to guarantee the right solution for all specific power transmission applications (from precision machines to heavy duty mining and processing plant)

APPLICATION SOLUTIONS

MINING

SUGAR CANE

CHEMICAL & PHARMA

RECYCLING

METAL PROCESS & MACHINE TOOLS

FOOD, BEVERAGE & TOBACCO

PAPER

MATERIAL HANDLING

BIOGAS

PACKAGING

MECHATRONIC DRIVES & SOLUTIONS

ONE STOP SHOP

ENERGY SAVING

INNOVATION

MDS
THE RELIABLE PARTNER

Bonfiglioli has implemented a precise and detailed development plan, leading to the development of the Mechatronic Drives & Solutions (MDS) division.

The aim of this division is to **develop new products that make greater use of electronic competence** to deliver integrated and vertical mechatronic solutions to customers.

The objective is **to ensure the integration, energy efficiency and added-value to the Bonfiglioli solutions**.

ONE STOP SHOP

- Complete solutions for mechatronic applications in the field of power transmission
- Integrated solutions for optimising energy consumption, recovering lost energy, and reducing TCO (Total Cost of Ownership)

PRODUCTS

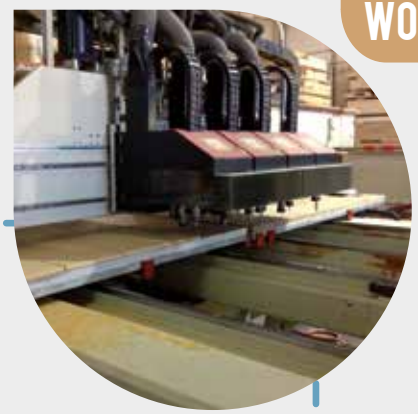
- Precision planetary gearboxes
- Servomotors
- Open loop inverters
- Closed loop inverters
- Servo inverters
- Regenerative inverters

APPLICATION SOLUTIONS

TEXTILE & LEATHER

PACKAGING

WOOD WORKING



RUBBER & PLASTICS

MATERIAL HANDLING

FOOD, BEVERAGE & TOBACCO

PHOTOVOLTAIC SOLUTIONS

EXPERTISE & LEADERSHIP

ALL-ROUND SERVICE

ASSISTANCE

BANKABILITY

TECHNOLOGY

INTERNATIONALIZATION

RPS Station

DELIVERING CLEAN SOLAR ENERGY TO THE GRID

We are investing in a healthier future for coming generations.

- Thanks to the technology developed by **Bonfiglioli Vectron**, Bonfiglioli can supply complete solutions for **solar energy conversion, grid feed, monitoring and management**.
- **Bonfiglioli inverters** transform the DC current generated by solar panels into the AC current needed by the power distribution grid.
- **Prestigious EPCs and IPPs have chosen Bonfiglioli** to supply inverters to some of the most important PV plants in Europe, Asia, South Africa, North America and South America.

ALL-ROUND SERVICE

- Warranty plans covering periods of over 20 years of product lifetime
- Training on-site and during plant start-up
- Design assistance
- Quick and easy commissioning
- Easy maintenance
- AFR (Anomaly & Failure Recovery)
- Prompt & reliable customer service

PRODUCTS

- Power conversion and grid supply systems
- Parallel string boxes
- Remote monitoring systems

APPLICATION SOLUTIONS

UTILITY SCALE GRID CONNECTED

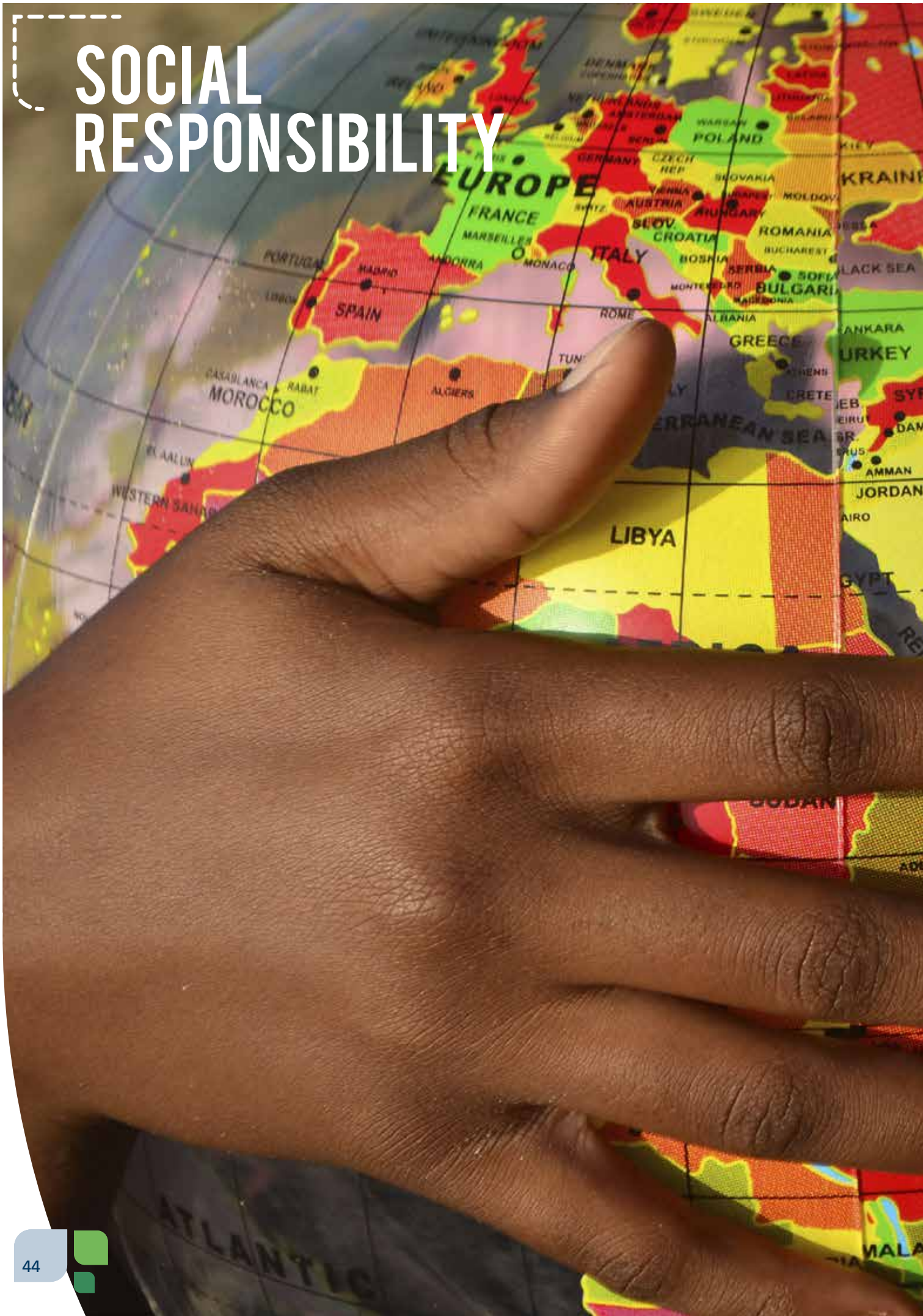
LARGE SCALE COMMERCIAL GRID CONNECTED

HYBRID AND STORAGE SOLUTIONS

TECHNOLOGY

- The German technology of Bonfiglioli Vectron guarantees exceptional uptime and reliability (well over the market average)
- Specialists in large and utility scale plants with over 2 GW installed around the world offering 98.6% conversion efficiency

SOCIAL RESPONSIBILITY



RUSSIA
FEDERATION
KAZAKHSTAN
GEORGIA
TBILISI
YEREVAN
AZER.
ARM.
CASPIAN SEA
TURKMENISTAN
IRAQ
BAGHDAD
KUWAIT
THE GULF
SAUDI
ARA
DJI
ADDIS ABABA
SEYCHELLES
INDIAN
OCEAN
COMOROS
MADAGASCAR

A GLOBAL COMMITMENT

There can be no real leadership without responsibility towards the community.

Social commitment dates back to the earliest days of Bonfiglioli, and stems from the **faith that our founder, Clementino Bonfiglioli, had in young people's ability to innovate and renew, for the benefit of the company** and for the planet as a whole.

Bonfiglioli's horizons have **always extended well into the future** and our company has always been committed to offering young people opportunities for employment and learning. The innovative solutions that Bonfiglioli develops clearly target the future that today's young people will build.

Our group is determined to make a tangible contribution towards creating a better future by helping those most in need and by offering development opportunities to young people. Bonfiglioli has put this policy into practice through a number of excellent projects around the world, including the CheerFutureLand charity in India, the Pho Cap School in Vietnam, joint projects with the Leonardo Committee in Italy, and cooperation with the Warrington Wolves Charitable Foundation in the UK to promote social integration, and many other initiatives besides.

Bonfiglioli's commitment has assumed a global profile precisely because we see social responsibility as the best way to invest in the future and in our company.

INDIA

VIETNAM

CheerFUTURELAND BONFIGLIOLI

It was a desire to make a tangible contribution in this direction that gave rise to the **Bonfiglioli CheerFutureLand** project in 2008 thanks to an agreement between **NAMASTE'**, an Italian non-profit association, and **PREMA VASAM**, an Indian association that provides accommodation and care for mentally and physically handicapped children and orphans. The project offers to underprivileged children an opportunity join society and develop their abilities to their full potential.

Thanks to generous contributions from friends and other companies, **Bonfiglioli has constructed a home near Chennai in India that provides care for 45 young children and teenagers from extremely poor backgrounds** and offers them cultural and emotional support in a family-style environment.

Bonfiglioli also **supports the work of Prema Vasam's main premises, which assists another 180 boys and girls** and provides special care in the form of physiotherapy, occupational therapy and assistance with study.

CheerFutureLand is a tangible sign of **Bonfiglioli's determination to share in all aspects of the social, economic and cultural life of India, where the Group has major production facilities**, and to lay foundations for a future of universal growth and development.

A SCHOOL FOR A BETTER FUTURE

Pho Cap School was founded in 2001 by three Vietnamese teachers (Doan, Trang and Khanh) with the help of the city authorities, an Italian company manager and the Italian consulate.

The school provides **free education for underprivileged children of Ho Chi Minh City**.

The school is located in an old abandoned house which was refurbished entirely by the teachers themselves, with the help of volunteers and students from the local neighbourhood, and with funding from voluntary contributions.

Until 2010, teaching at Pho Cap only took place for a couple of hours in the morning and a couple of hours in the early afternoon. For most of the time, the children had to play on the road outside with nothing to eat.

In 2011, a school canteen was opened to provide the children with decent food and to extend care throughout the day. **Then, in 2012**, in a substantial redevelopment project, **the upper floor of the building was refurbished as a kindergarten**. Both the canteen and the kindergarten were funded by private sponsors and Italian institutions in Vietnam. **Bonfiglioli Vietnam has long supported the school's work** and has sponsored both refurbishing work and teaching activities.

We are now **promoting training programs for teachers** as well as further restructuring work to improve the provisions for children.

Pho Cap School caters for underprivileged children, especially those from poor families, orphans and children with psychological and socialisation problems.

The school now provides education and nourishment for **over 90 children** (16 from 4-5 years in the kindergarten; 45 from 6 to 10 years in the primary school; and 30 from 11 to 18 years in the secondary school).

ITALY
EXCELLENCE IN EDUCATION

Clementino Bonfiglioli Prize

Named after our company's founder, this prize is awarded **to young people who demonstrate excellence in their studies**, and who complete a degree thesis relevant to the fields of industrial automation, power transmission and control or innovative mechatronics.

Rewarding merit, offering opportunities for employment and funding grants are practical ways of helping capable young people.

They are also excellent ways to contribute to global prosperity and enterprise.

COMITATO LEONARDO
ITALIAN QUALITY COMMITTEE

LEONARDO

UK

UTC WARRINGTON

UK

USA

BONFIGLIOLI UK SUPPORTS WARRINGTON UNIVERSITY TECHNICAL COLLEGE

Bonfiglioli UK is working closely with Warrington University Technical College to help ensure that students have the skills needed to join the labour market.

Engineering has played a key role in the history of Warrington, but today, not enough young people are qualified to work in the sector. Schools and colleges are simply not providing the right courses to develop the skills needed by local industry, including Bonfiglioli UK.

Bonfiglioli UK is therefore donating a number of gearboxes and gearmotors to the town's University Technical College as an initial step towards encouraging engineering-oriented learning.

Another example of Bonfiglioli supporting the local community.

WARRINGTON WOLVES CHARITABLE FOUNDATION

The **Warrington Foundation is a charity association** that focuses on supporting young people who have problems with social integration, offering activities to promote growth and development.
Bonfiglioli is one of the patrons of this organisation. Working with the local community of Warrington, where Bonfiglioli's UK subsidiary is located, the foundation **encourages sport as a means to promote health and wellbeing**, to guide young people towards constructive group activities and to support education and employment.

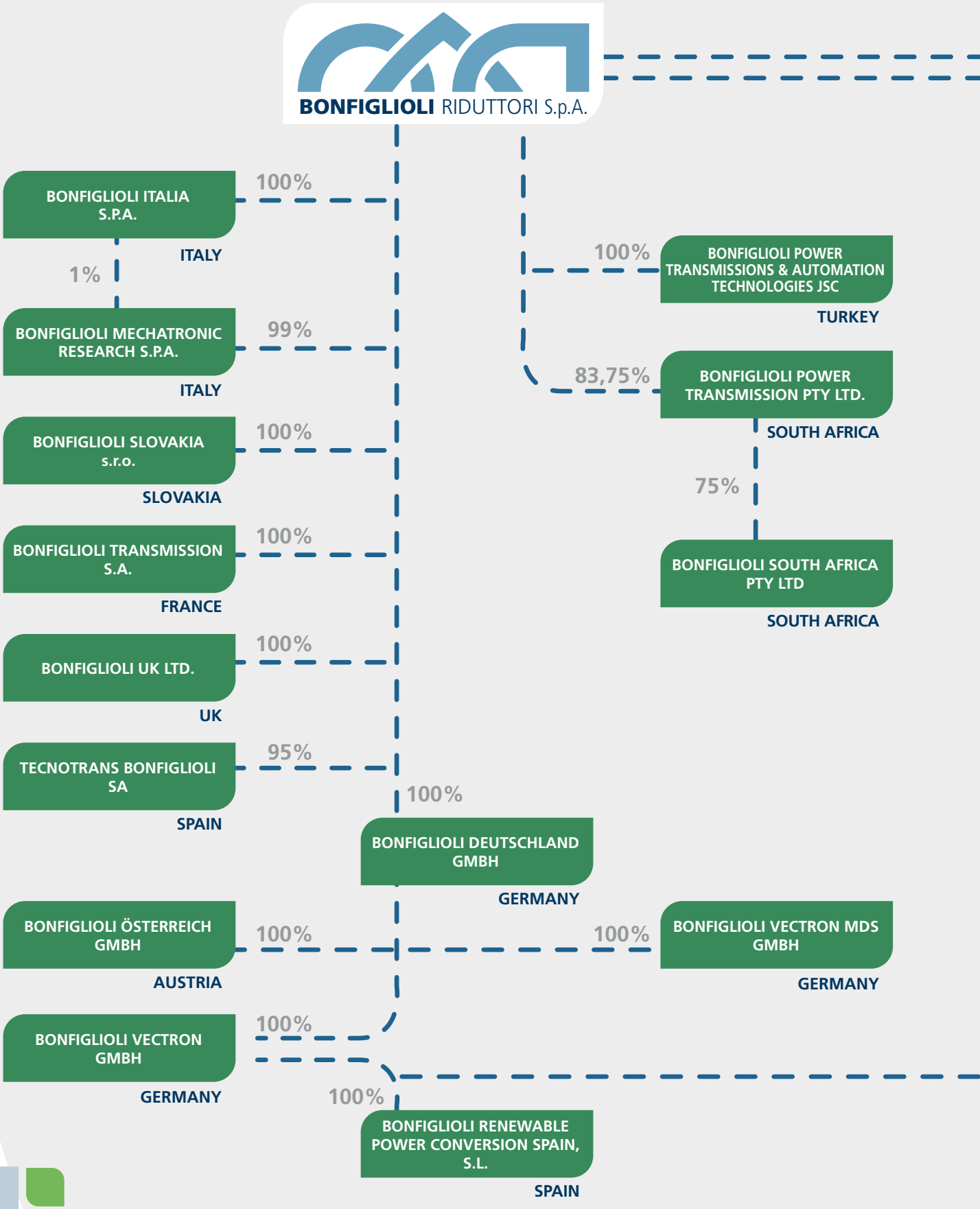
BONFIGLIOLI USA EMPLOYEES HOLD "JEANS FOR GENES" WEEK TO RAISE AWARENESS FOR DOWN SYNDROME

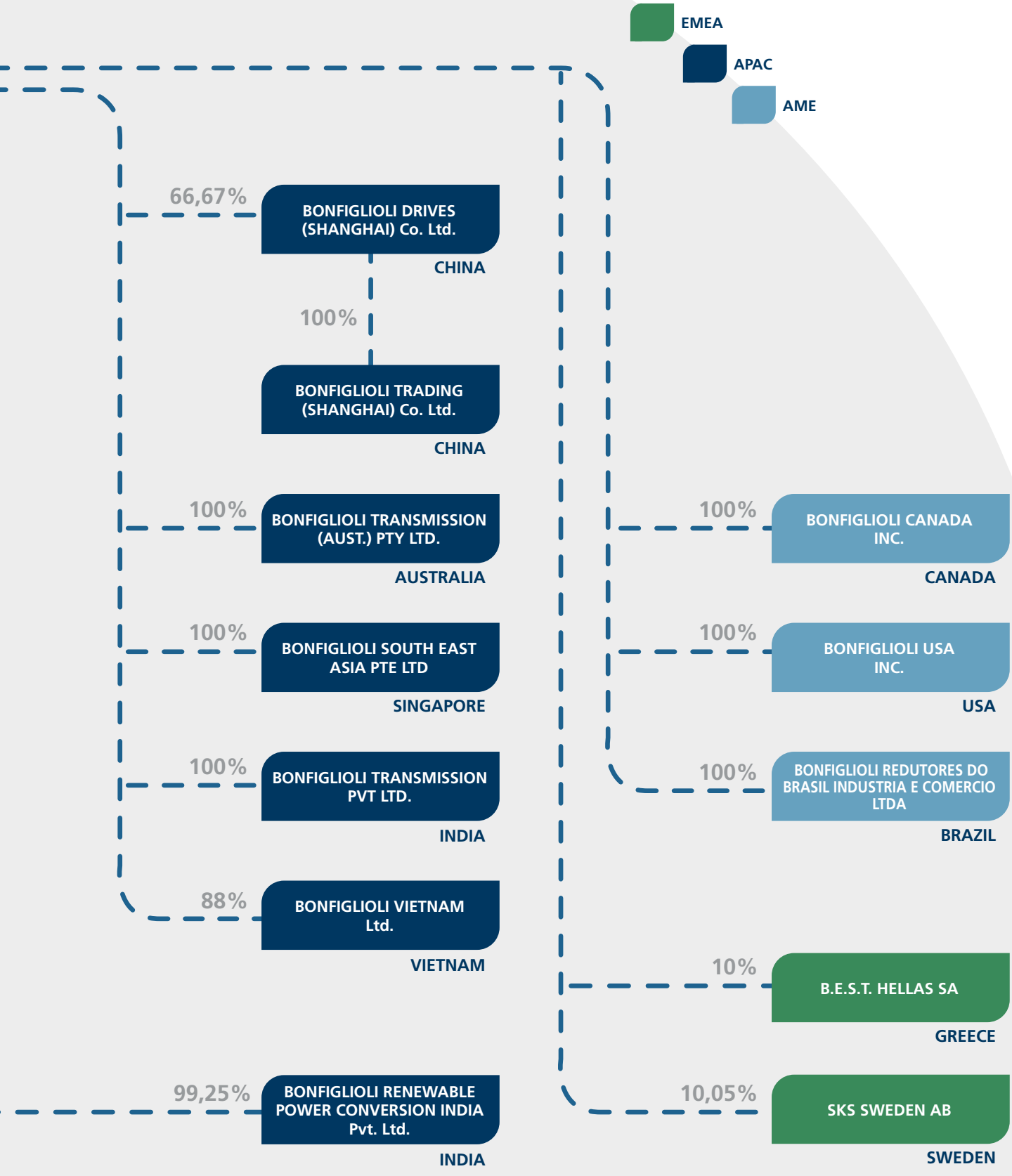
This event raises funds to help the children of local employees take part in the Buddy Walk, held every September by the Down Syndrome Association of Greater Cincinnati (DSAGC).

The funds raised at Bonfiglioli will support the "Elijah's Elite" team, and ultimately, the DSAGC. With a contribution, Bonfiglioli employees are entitled to wear jeans to work for the entire week.

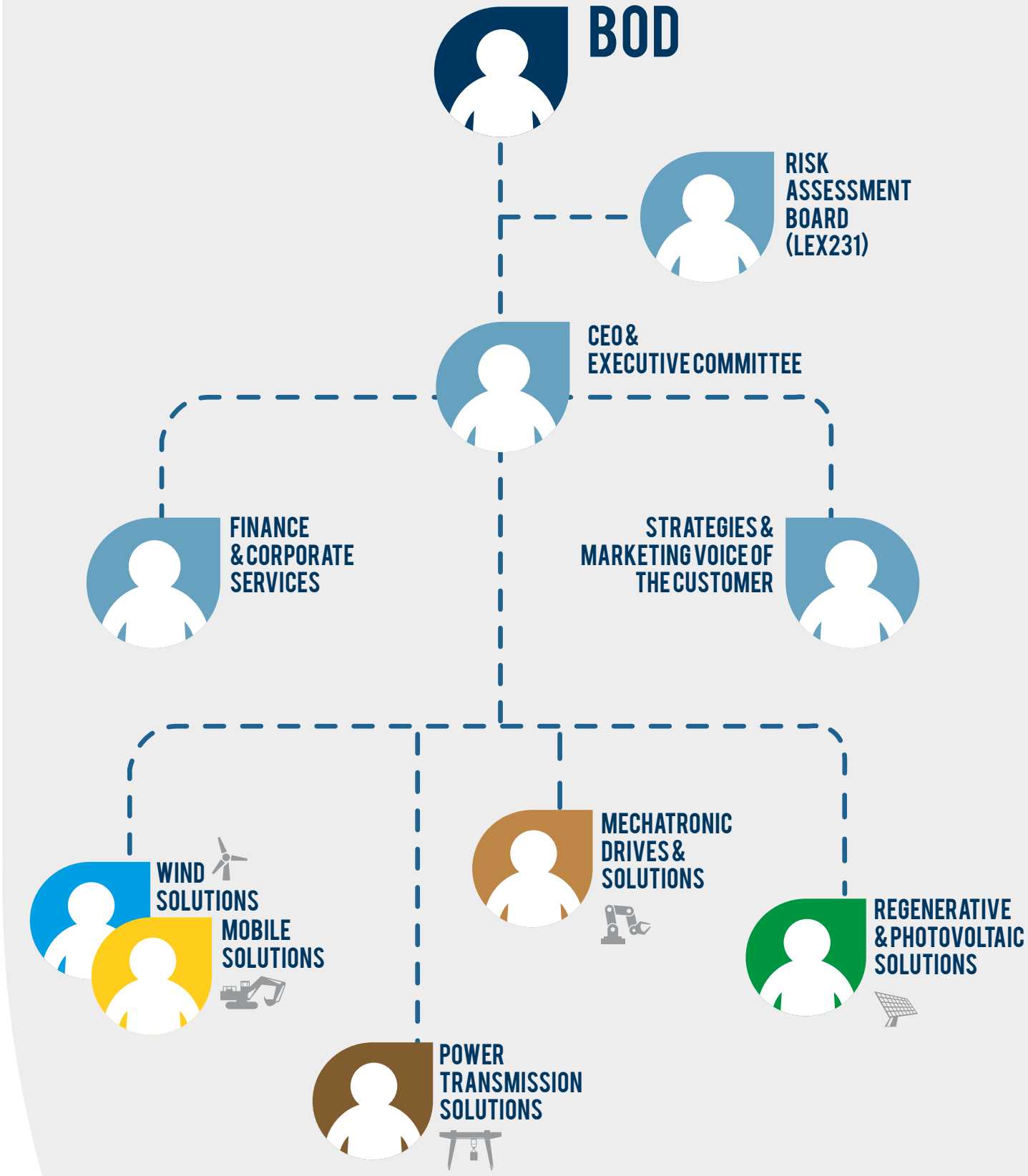
Greg Schulte, President of Bonfiglioli USA, said, "**As a company, here and abroad, Bonfiglioli is committed to initiatives that help families and children with special needs, especially those in the Bonfiglioli family.** It's a pleasure to help their families each year by helping with fundraising and participating in the Buddy Walk. I thank each and every one of our employees for participating."

THE GROUP AS OF THE 31ST DECEMBER 2014




EMEA
APAC
AME
66,67%
BONFIGLIOLI DRIVES (SHANGHAI) Co. Ltd.
CHINA
100%
BONFIGLIOLI TRADING (SHANGHAI) Co. Ltd.
CHINA
100%
BONFIGLIOLI TRANSMISSION (AUST.) PTY LTD.
AUSTRALIA
100%
BONFIGLIOLI SOUTH EAST ASIA PTE LTD
SINGAPORE
100%
BONFIGLIOLI TRANSMISSION PVT LTD.
INDIA
88%
BONFIGLIOLI VIETNAM Ltd.
VIETNAM
99,25%
BONFIGLIOLI RENEWABLE POWER CONVERSION INDIA Pvt. Ltd.
INDIA
100%
BONFIGLIOLI CANADA INC.
CANADA
100%
BONFIGLIOLI USA INC.
USA
100%
BONFIGLIOLI REDUTORES DO BRASIL INDUSTRIA E COMERCIO LTDA
BRAZIL
10%
B.E.S.T. HELLAS SA
GREECE
10,05%
SKS SWEDEN AB
SWEDEN

ORGANIZATION CHART



Board of Directors

Chairman & CEO • **Sonia Bonfiglioli**
Vice Chairman • **Luisa Lusardi**
Director • **Luciano Bonfiglioli**
Director • **Roberto Megna**
Director • **Tommaso Tomba**
Director • **Giovanni Scarlini**
CEO • **Tiziano Pacetti**
CEO • **Fausto Carboni**

Statutory Auditors

Chairman • **Alessandro Gualtieri**
Member • **Monica Marisaldi**
Member • **Piero Aicardi**

Independent Auditors

PriceWaterhouseCoopers S.p.A.

Executive Committee

CEO • **Sonia Bonfiglioli**
CFO • **Tiziano Pacetti**
BU InS PTS Managing Director • **Manfredi Ucelli di Nemi**
BU InS MDS Managing Director • **Gilbert Khawam**
BU MWS Managing Director • **Fausto Carboni**
BU RePvS Managing Director • **Massimo Sarti**

Local Management

Bonfiglioli do Brasil Ltda (Brazil)
Mateus Curras Botelhos

Bonfiglioli Canada Inc. (Canada)
Greg Schulte

Bonfiglioli Deutschland GmbH (Germany)
Manfredi Ucelli di Nemi • Jurgen Weber

Bonfiglioli Drives (Shanghai) Co. Ltd. (China)
Saverio Gaggero • York Zhang • John Liou

Bonfiglioli Italia S.p.A. (Italy)
Giuseppe Paladino • Pietro Gintoli

Bonfiglioli Mechatronic Research S.p.A. (Italy)
Gilbert Khawam

Bonfiglioli Österreich GmbH (Austria)
Tiziano Pacetti

Bonfiglioli Renewable Power Conversion India PVT Ltd (India)
KN Suresh • GA Balaji

Bonfiglioli Renewable Power Conversion Spain SL (Spain)
Hernan Gil

Bonfiglioli Slovakia s.r.o. (Slovak Republic)
Marek Kolarik

Bonfiglioli South Africa Pty Ltd (South Africa)
Robert Rohman

Bonfiglioli South East Asia Pte Ltd. (Singapore)
Yong Peh • Richard Chew

Bonfiglioli Trading (Shanghai) Co. Ltd (China)
York Zhang • John Liou

Bonfiglioli Transmission (Aust.) Pty. Ltd (Australia/New Zealand)
Malcolm Lewis

Bonfiglioli Transmission PVT Ltd. (India)
Andrea Genuini • Kaippally Kennady • GA Balaji

Bonfiglioli Transmissions France s.a. (France)
Nicola Boni • Pascal Froment

Bonfiglioli Turkey Jsc (Turkey)
Maurizio Pennetti

Bonfiglioli UK Ltd. (United Kingdom)
Mike McCann • John Adair

Bonfiglioli USA Inc. (United States)
Greg Schulte

Bonfiglioli Vectron GmbH (Germany)
Massimo Sarti • Frank Schramm

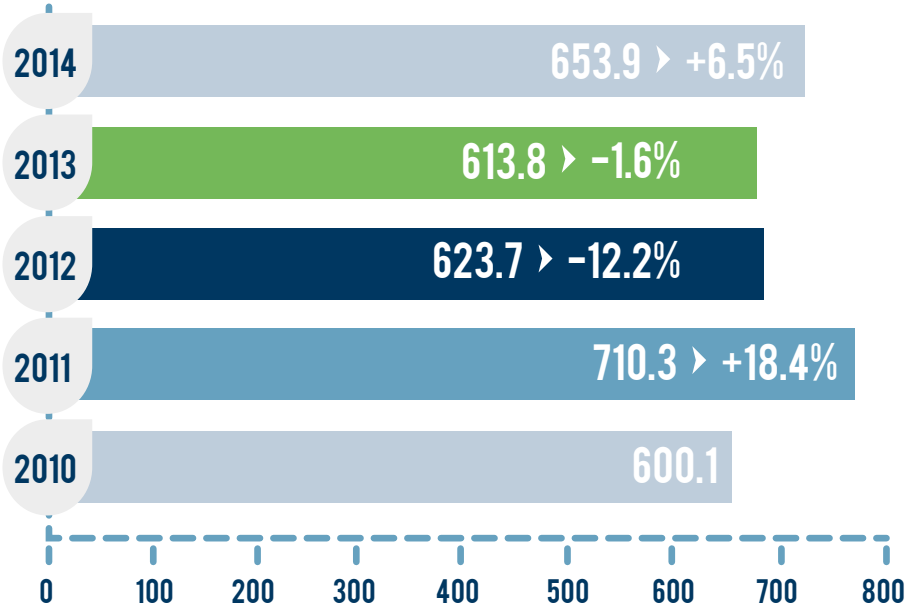
Bonfiglioli Vectron MDS GmbH (Germany)
Gilbert Khawam • Olaf Donner

Bonfiglioli Vietnam Ltd. (Vietnam)
Stefano Callegati

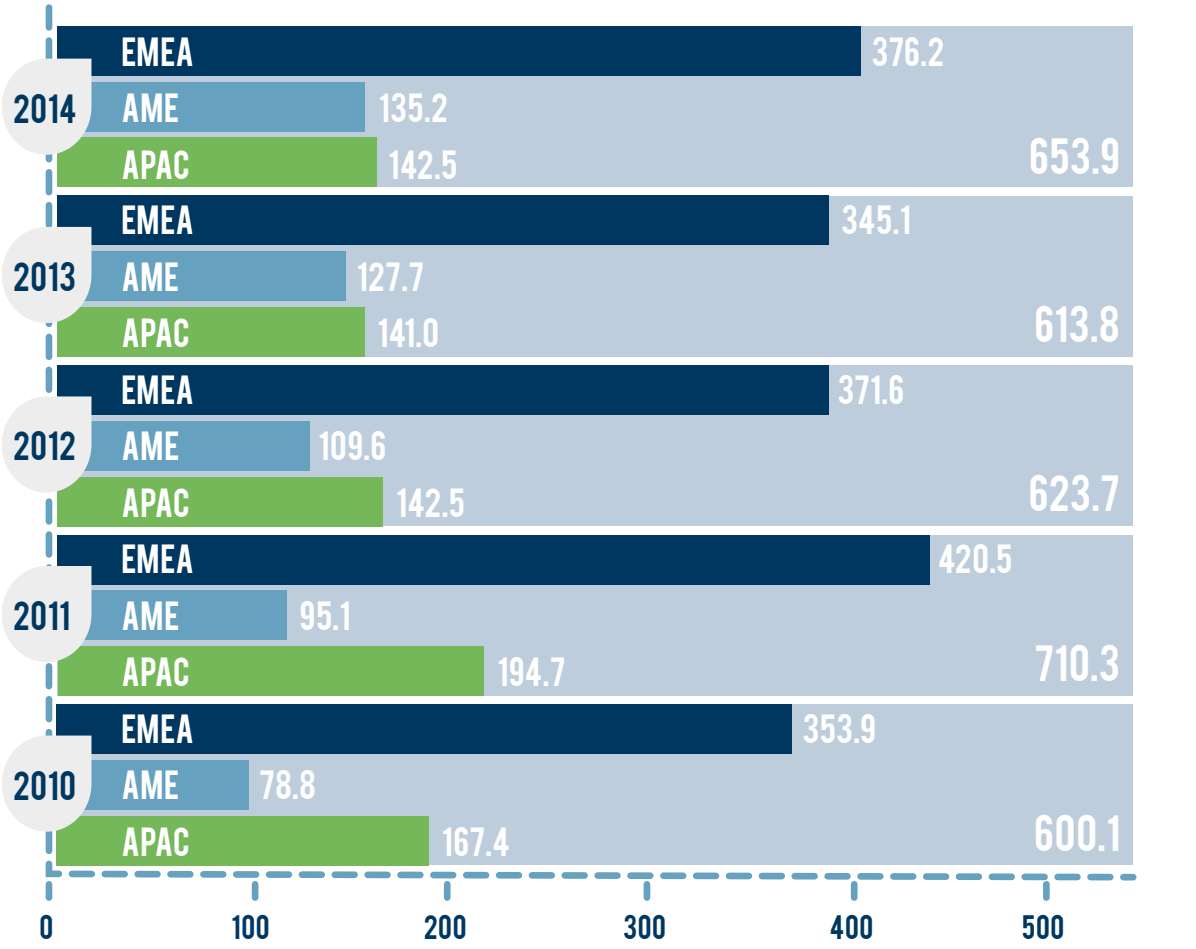
Tecnotrans Bonfiglioli s.a. (Spain)
David Bassas

FINANCIAL HIGHLIGHTS

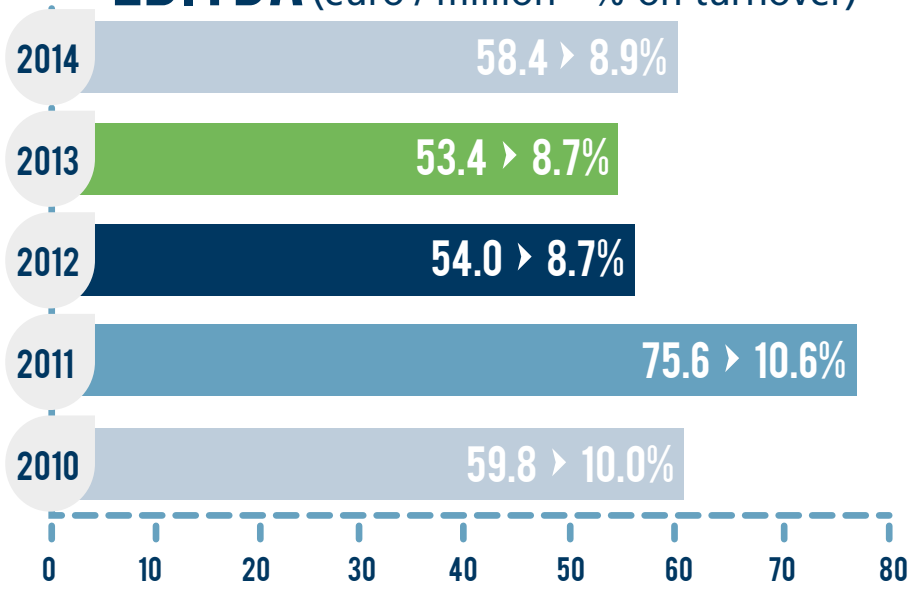
GROUP SALES (euro / million)



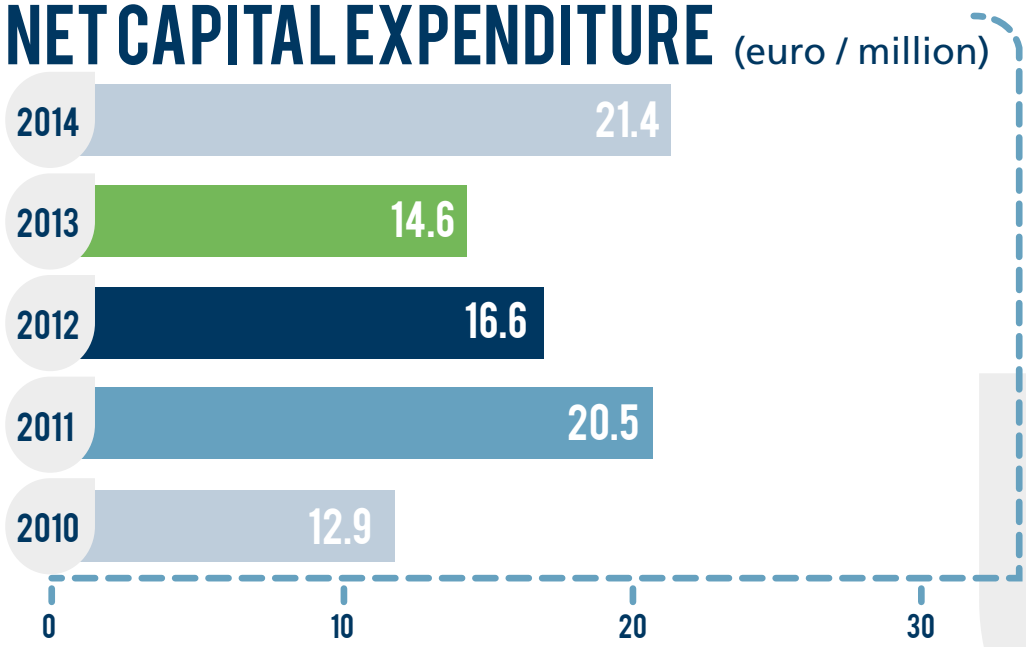
SALES BY GEOGRAPHICAL AREA (euro / million)



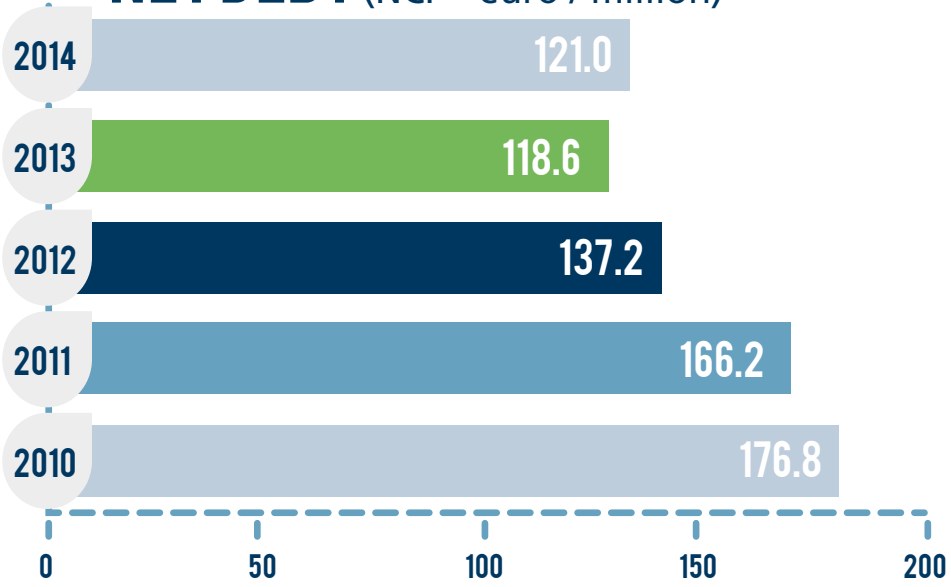
EBITDA (euro / million - % on turnover)



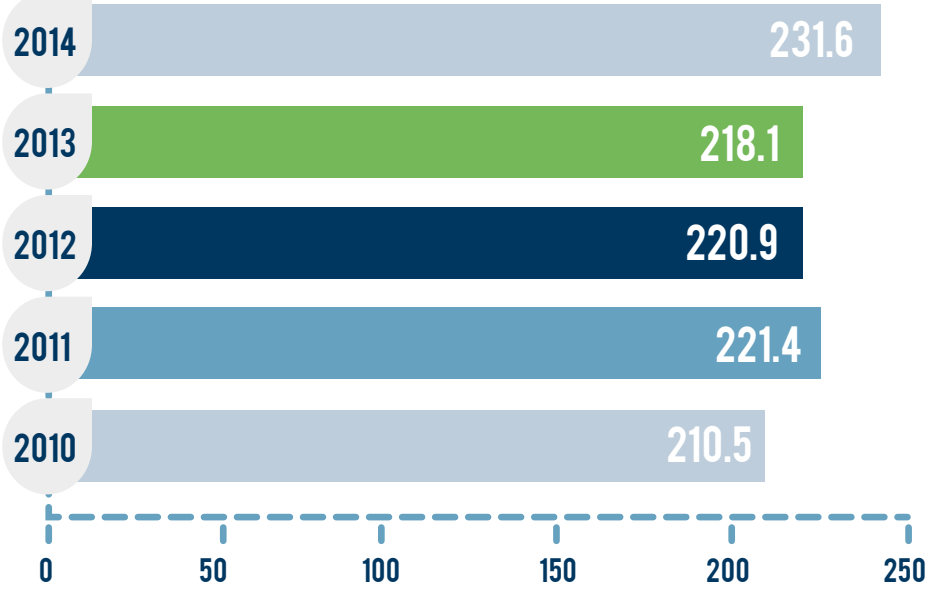
NET CAPITAL EXPENDITURE (euro / million)



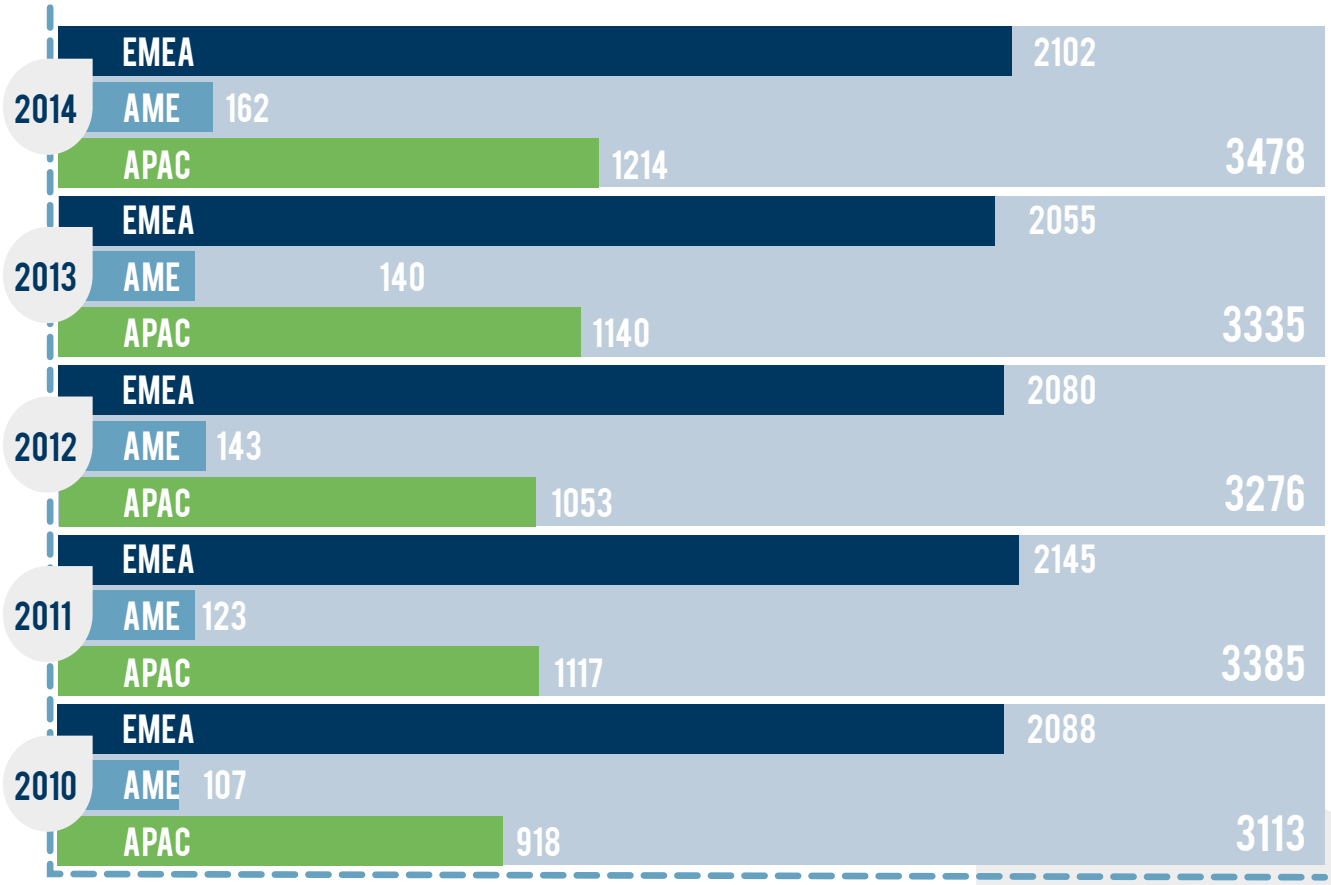
NET DEBT (NCP - euro / million)



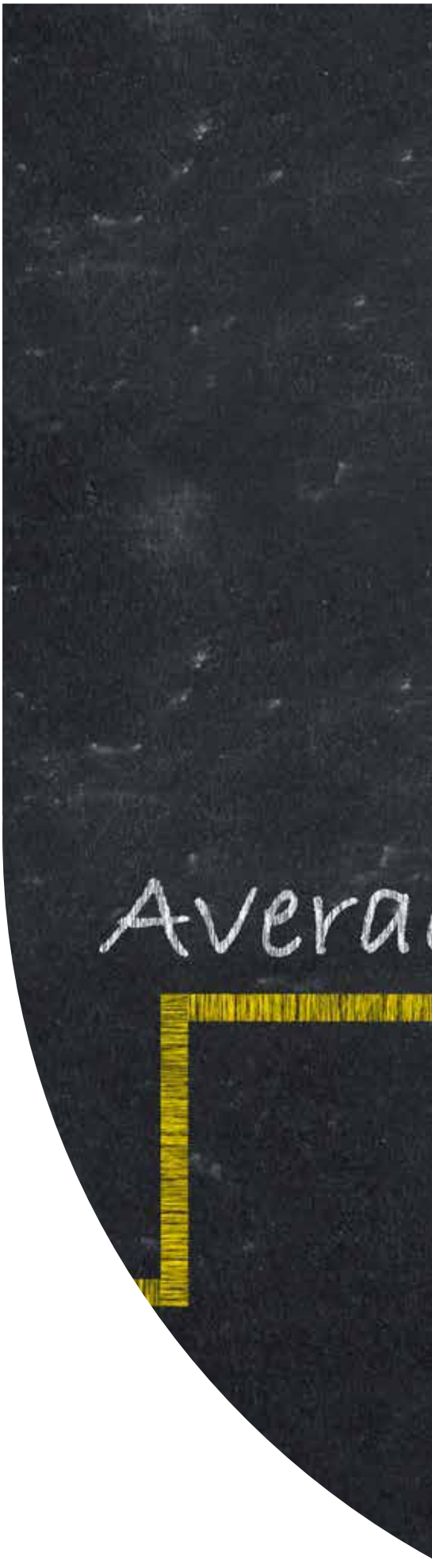
GROUP SHAREHOLDERS' EQUITY (euro / million)



NUMBER OF EMPLOYEES BY GEOGRAPHICAL AREA



MANAGEMENT REPORT



THIS SECTION HAS BEEN TRANSLATED INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS

Excellent
Good
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FOREWORD

This management report, drawn up in compliance with the provisions of Legislative Decree 127/1991, integrated and interpreted on the basis of the Italian National Councils of Chartered Accountants accounting principles, updated by the OIC (Italian Accounting Organisation), is submitted as a comment on the results recorded in the consolidated financial statement of the Bonfiglioli Group. Unless otherwise indicated, figures are expressed in millions of Euros.

REFERENCE ECONOMIC SITUATION

2014 saw moderate growth in the global economy, though at different levels during the year and between the various countries.

After contracting in the first quarter, the global economy grew in the middle quarters of the year, driven by renewed vigour in the US economy and falling oil prices, though momentum faded in the last quarter of the year.

Starting in the second quarter, the global economy benefited significantly from growth of the U.S. economy (+2.2% over the year with an impressive 5% in the third quarter, a record for the last ten years) driven by increased private and public spending and by the FED's decision to delay the interest rates increase, which notably improved the confidence of the financial markets.

In China, growth continued to slow (+7.4%, the lowest rate for the last twenty-four years), dragged down by poor performances in heavy industry and the property market, and by low export figures, depressed by stagnation in the global economy as a whole.

Among the emerging markets, growth in Russia fell dramatically (+0.2%) due to the collapse of the Ruble and geopolitical tensions in Ukraine. The economic sanctions imposed in 2014 by the leading nations of the European Union also led to reduced consumer and company confidence.

Growth remained buoyant in India (+5.3%), with further acceleration coming in the last part of the year following the result of the presidential elections in the first half of the year while in Brazil the situation remained more or less stagnant (+0.3%), with GDP continuing to suffer badly from weak and still slowing investment expenditure, partly due the high level of state bureaucracy.

Within the advanced economies, Japan (+0.9%) experienced a phase of recession following the increase in VAT imposed in April, but saw a slight upturn towards the end of the year. A pleasant surprise came from the growth rate announced by the UK, which saw a further rise in GDP to 3.2% in 2014, in keeping with a trend that has established the economy as the fifth largest among developed nations.

Inside the Eurozone, the much awaited recovery has still not come. On the contrary, as had already happened in France and Italy, even Germany, the continent's economic power house in previous years, had to downgrade its start-of-year growth forecasts, and entered recession by the Autumn. The weakness of the Eurozone is reflected in low investments

and high unemployment, two factors indicative of a climate of low confidence. Inflation also hovered around 0% throughout 2014, giving cause for concern regarding possible deflation.

The effects of the quantitative easing announced recently by the ECB as a tool for stimulating the EU economy and raising the inflation rate remain to be seen.

The last part of 2014 did see growth in manufacturing in EU member states, with production figures up over the previous quarter and over the same period of 2013. Germany's engineering sector saw its output rise.

Italy ended 2014 still in recession (-0.2%) and occupies last place among the area's major economies, though timid signs of recovery in family consumption were recorded during the course of the year, encouraged by lower energy costs, improved exports and a slight improvement in business and consumer confidence.

Italian economic activity continues to register a low level of investment due to still ample margins of spare capacity and widespread uncertainty. Unemployment remains high (12.6%), despite a small improvement towards the end of the year.

By way of an overview of the country's economic sectors, while Italy's service and agricultural sectors have remained substantially stable, industry and especially construction have recorded further contractions. The engineering sector in particular has seen a contraction of almost 1%, which must be added to the 10% contraction suffered over the last two years.

On a global level, economic and geopolitical uncertainty continues to cast a shadow over developments in the coming year: growth is therefore going to remain slow, though variations are likely between one economy and another.

Lower oil prices should stimulate global demand. Despite a foreseeable slow-down in exports caused by a strong Dollar, growth should also continue in the United States, driven by rising domestic consumer demand, favourable financial conditions and low taxes. This should continue to have a positive effect on the global economy.

A worrying level of uncertainty remains within the European Union, partly as a result of the conflict between Russia and Ukraine and partly for the possible outcome of the debt restructuring talks between the new Greek government and the European Union.

In addition to the measures introduced by the ECB, as mentioned above, we are also waiting to see implementation of the Juncker plan to relaunch expenditure on strategic investments, which should inject some 315 billion €uros into the EU economy over the next three months.

In Italy, according to the latest ISTAT statistics, the first few months of the year have seen an upturn in the economy and in the consumer and business confidence indexes, though other indicators are still returning negative results, with unemployment rising again and very low growth in manufacturing.

A weaker Euro compared to other leading international currencies (US Dollar, GB Pound and Chinese Renminbi) is making Eurozone exports more competitive on foreign markets, and the results of the ECB's quantitative easing, combined with low interest rates and falling oil prices can only improve prospects for economic growth over the present and years to come.

AREA OF CONSOLIDATION

As of 31st December 2014, the consolidation area includes, along with the parent company, twenty-four controlled companies representing the following manufacturing and industrial organisation:

- 13 production plants (4 in Italy, 3 in India, and 1 each in Germany, China, United States, Brazil, Slovakia and Vietnam) covering various areas of the extensive Bonfiglioli product range;
- directly controlled commercial companies in 17 countries, covering development, marketing and sales, logistics, customisation and final assembly of the Group's products, pre-sales and after-sales assistance and customer support.

With reference to the consolidation area, the following changes took place during the year 2014:

- purchase of the majority of shares of the company Tecnotrans Bonfiglioli S.A., with registered offices in Barcelona, Spain, by the parent company Bonfiglioli Riduttori S.p.A., increasing the shareholding from 33.33% to 95.0%.
- establishment of the company Bonfiglioli Vectron MDS GmbH, a company 100% controlled by Bonfiglioli Deutschland GmbH, with registered offices in Krefeld, Germany.

- purchase of the remaining 1.82% of share capital in controlled company Bonfiglioli Redutores Do Brasil Ltda, by the parent company Bonfiglioli Riduttori S.p.A, increasing the shareholding from 98.18% to 100%.
- increase of shareholding in Bonfiglioli Renewable Power Conversion India Pvt Ltd by Bonfiglioli Vectron GmbH from 95.0% to 99.25% through share capital increase.
- parent company, Bonfiglioli Riduttori S.p.A., increased the shareholding in Bonfiglioli Vietnam Ltd from 80% to 88% through share capital increase.
- purchase of a further 8.75% of share capital of the company Bonfiglioli Power Transmission Pty Ltd (South Africa), performed by the parent company Bonfiglioli Riduttori SpA increasing the shareholding from 75.0% to 83.75%.

ANALYSIS OF 2014 RESULTS

In keeping with Art. 2428 of the Italian Civil Code, the layouts for the Balance Sheet and Income Statement are set out below, reclassified with regard to the last five years' operation conducted by the Group.
The layouts presented hereunder show figures in millions of Euros and in percentage, as well as main economic-financial indicators.

	Values				
Reclassified income statement	**2014**	**2013**	**2012**	**2011**	**2010**
TURNOVER	**653.9**	**613.8**	**623.7**	**710.3**	**600.1**
Cost of sales	(500.0)	(474.1)	(493.0)	(556.9)	(469.3)
GROSS MARGIN	**153.9**	**139.7**	**130.7**	**153.4**	**130.8**
Structure and operating expenses	(126.2)	(113.7)	(107.3)	(112.2)	(103.2)
EBIT	**27.7**	**26.0**	**23.4**	**41.2**	**27.6**
Financial income and (expenses)	(10.4)	(9.2)	(12.5)	(11.8)	(11.4)
Exchange rate differences	2.9	(1.9)	(3.4)	(1.8)	0.5
Associated companies' result	-	-	(0.9)	-	0.1
Extraordinary income and (expenses)	(4.1)	(1.9)	0.3	(4.2)	(5.3)
PRE-TAX INCOME	**16.0**	**13.0**	**6.8**	**23.4**	**11.5**
Taxes	(9.8)	(7.7)	(4.6)	(10.6)	(6.5)
CONSOLIDATED INCOME AFTER TAX	**6.2**	**5.3**	**2.2**	**12.8**	**5.0**
Minority	(0.6)	(0.9)	(0.9)	(1.0)	(0.8)
NET GROUP PROFIT	**5.7**	**4.4**	**1.3**	**11.8**	**4.2**

PERSONNEL COSTS	**(130.8)**	**(120.1)**	**(114.1)**	**(114.6)**	**(108.8)**
AMORT./DEP., WRITE-DOWNS and PROVISIONS	**(30.7)**	**(27.4)**	**(30.6)**	**(34.4)**	**(32.2)**
EBITDA	**58.4**	**53.4**	**54.0**	**75.6**	**59.8**

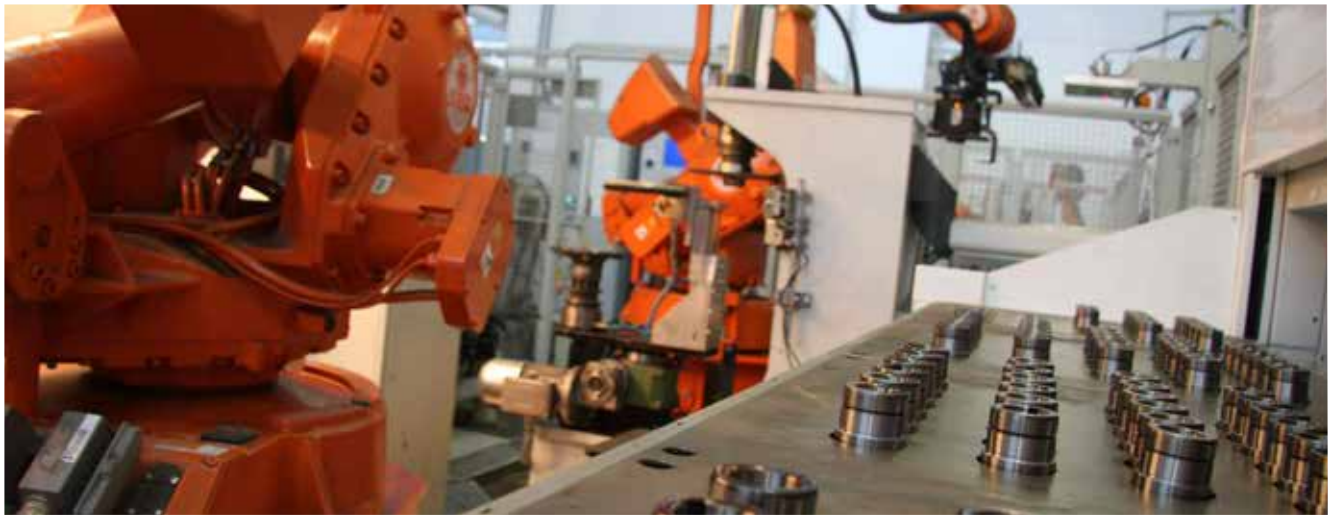
% of turnover

Reclassified income statement	2014	2013	2012	2011	2010
TURNOVER	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(76.5%)	(77.2%)	(79.0%)	(78.4%)	(78.2%)
GROSS MARGIN	23.5%	22.8%	21.0%	21.6%	21.8%
Structure and operating expenses	(19.3%)	(18.5%)	(17.2%)	(15.8%)	(17.2%)
EBIT	4.2%	4.2%	3.8%	5.8%	4.6%
Financial income and (expenses)	(1.6%)	(1.5%)	(2.0%)	(1.7%)	(1.9%)
Exchange rate differences	0.4%	(0.3%)	(0.6%)	(0.3%)	0.1%
Associated companies' result	0.0%	0.0%	(0.2%)	0.0%	0.0%
Extraordinary income and (expenses)	(0.6%)	(0.3%)	0.0%	(0.6%)	(0.9%)
PRE-TAX INCOME	2.5%	2.1%	1.1%	3.3%	1.9%
Taxes	(1.5%)	(1.3%)	(0.7%)	(1.5%)	(1.1%)
CONSOLIDATED INCOME AFTER TAX	1.0%	0.9%	0.4%	1.8%	0.8%
Minority	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)
NET GROUP PROFIT	0.9%	0.7%	0.2%	1.7%	0.7%

PERSONNEL COSTS	(20.0%)	(19.6%)	(18.3%)	(16.1%)	(18.1%)
AMORT./DEP., WRITE-DOWNS and PROVISIONS	(4.7%)	(4.5%)	(4.9%)	(4.8%)	(5.4%)
EBITDA	8.9%	8.7%	8.7%	10.6%	10.0%

	Values					Average rotation days (base 360)				
Reclassified balance sheet	**2014**	**2013**	**2012**	**2011**	**2010**	**2014**	**2013**	**2012**	**2011**	**2010**
Net working capital	208.5	189.2	191.2	224.8	197.1	115	111	110	114	118
Fixed assets	173.9	174.2	187.7	200.9	209.8	96	102	108	102	126
Other invested capital	(21.3)	(18.0)	(11.6)	(33.2)	(14.6)	(12)	(11)	(7)	(17)	(9)
Minority	(8.4)	(8.7)	(9.1)	(4.9)	(5.1)	(5)	(5)	(5)	(2)	(3)
CAPITAL EMPLOYED	**352.6**	**336.7**	**358.2**	**387.6**	**387.2**	**194**	**197**	**207**	**196**	**232**
Group shareholders' equity	231.6	218.1	220.9	221.4	210.4	128	128	128	112	126
Net Financial Position (NFP)	121.0	118.6	137.2	166.2	176.8	67	70	79	84	106
FUNDS	**352.6**	**336.7**	**358.2**	**387.6**	**387.2**	**194**	**197**	**207**	**196**	**232**

	Values					% of Turnover				
Turnover by Geographical AREA	**2014**	**2013**	**2012**	**2011**	**2010**	**2014**	**2013**	**2012**	**2011**	**2010**
EMEA	376.2	345.1	371.6	420.5	353.9	57.5%	56.2%	59.6%	59.2%	59.0%
AME	135.2	127.7	109.6	95.1	78.8	20.7%	20.8%	17.6%	13.4%	13.1%
APAC	142.5	141.0	142.5	194.7	167.4	21.8%	23.0%	22.8%	27.4%	27.9%
TOTAL TURNOVER	**653.9**	**613.8**	**623.7**	**710.3**	**600.1**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**



Indicators	2014	2013	2012	2011	2010	Description
ECONOMIC						
Net ROE	2.5%	2.0%	0.6%	5.3%	2.0%	(Net profit/Shareholders' equity)
ROI	7.9%	7.7%	6.5%	10.6%	7.1%	(EBIT/Lending)
ROS	4.2%	4.2%	3.8%	5.8%	4.6%	(EBIT/Turnover)
EBITDA/ Net Financial income and charges	5.6	5.8	4.3	6.4	5.2	
EQUITY AND STRUCTURAL						
Primary structural balance ratio	1.3	1.3	1.2	1.1	1.0	(Shareholders' equity/Fixed assets)
Financial indebtedness ratio	0.5	0.5	0.6	0.8	0.8	(NFP/Shareholders' equity)
NFP/EBITDA ratio	2.1	2.2	2.5	2.2	3.0	(PFN/EBITDA)
Shareholders' equity tangibility ratio	1.0	1.0	1.0	1.0	1.0	(Equity-Intangible assets / Equity)
OTHER						
Average number of employees	3597	3303	3339	3270	3002	Annual mean
Turnover per employee	182	186	187	217	200	Data expressed in thousands of Euro

During the course of 2014, in order to expand the Bonfiglioli Group's offer of electromobility solutions for the material handling sector and extend the range of gearboxes for crawler mini-excavators, an agreement was reached with the Comer Industries Group to acquire a company dedicated to the production of these two products lines. The acquisition, which was completed in the early months of 2015, will allow the Bonfiglioli Group to further increase its market share in the mobile market.
Furthermore, a new plant, owned by the controlled Bonfiglioli Drives (Shanghai) Co. Ltd., was completed in the Quingpu district of China. The plant, to be inaugurated in the coming months, confirms the Bonfiglioli Group's commitment to the development of this important market, and will expand the capacity of Chinese production, which began in recent business years.
2014 also saw completion of important projects aimed at localising production in Brazil (São Paulo) and the United States (Cincinnati). Both these projects aim at improving service to local customers and creating important new opportunities for growth in the North and South American markets.
As part of internal reorganisation and refocusing on the group's key businesses, two sale of business agreements were also completed between companies in the Group involved in the MDS (Mechatronic Drives & Solutions) business area, respectively from Bonfiglioli Italia S.p.A. to Bonfiglioli Mechatronic Research S.p.A., and from Bonfiglioli Vectron GmbH to the newly formed Bonfiglioli Vectron MDS GmbH.
Finally, it is to be noted that an important agreement was reached with the Group's main banks in the month of December 2014, which allowed the debt restructuring procedure under Art. 67, initiated in March 2010, to be concluded almost two years early and to provide new sources of medium-long term finance to cover the three-year investment plan for over 75 M€ scheduled till 2016.

The Group's 2014 turnover was up 6.5% over that of the previous year (653.9 M€ compared to 613.8 M€ in 2013).
This increase of over 40 M€ was achieved thanks to the excellent performance of the MWS Business Unit (+56 M€) and solid growth by the INS Business Unit (+8M€), though this was partly offset by a fall in turnover of 24 M€ in RePvS Business Unit. Another contribution to the rise in total Group turnover came from consolidation of the controlled company Tecnotrans Bonfiglioli S.A., worth 28.7 M€.

In terms of the Group's consolidated Income Statement, it is to be noticed that earnings before interest, taxes, depreciation and amortisation (EBITDA) stood at 58.4 M€, equivalent to 8.9% of sales, an improvement over the previous year of +0.2% or 5.0 M€ in absolute value.
It should also be noted that:

- Cost of sales for 2014 fell to 76.5% of turnover, continuing the positive trend of the last two years (77.2% and 79.0% respectively). The increase in profit margin is the result of savings and greater efficiency in purchasing and production in all Business Units, with the Industrial Solution (INS) BU performing particularly well.
- Structural and operating expenses rose to an absolute value of 12.5 M€, equivalent to a rise from 18.5% to 19.3% of turnover. The main causes for this lie in the inclusion of Tecnotrans within the consolidation area (4.0 M€), various provisions (1.5 M€), and allocations for the extraordinary maintenance of photovoltaic products (4.5 M€). Excluding these non-repeatable expenses, the total incidence of structural and operating expenses actually improved, falling to 17.8%.
- Total cost of labour rose from 120.1 to 130.8 M€, accounting for a increase from 19.6%, to 20.0% of turnover. This increase is mainly due to the inclusion of TTB within the consolidation area (3.6 M€), growth in the workforce in countries with growing economies (USA, China, Brazil, India) and reduced use of state unemployment benefits by the parent company.
- Amortisation, depreciation and other allocations rose by an absolute value of around 3.3 M€, accounting for a slightly increased impact on turnover (from 4.5% in 2013 to 4.7% by the end of 2014). This is due to the above-mentioned allocation for extraordinary maintenance on photovoltaic products still under warranty and must be seen in the light of an overall fall in amortisation (from 22.9 M€ to 21.5 M€).

- Net financial income and expenses maintain a substantially stable incidence on turnover, rising only from 1.5% to 1.6% in 2014. In absolute value, net financial expenses rose by 1.2 M€, partly as a result of the early closure of the medium-long term finance operation permitted by Article 67, initiated by the parent company in 2010 (+0.3 M€), but remained in line with the increase in net circulating capital required by the year's improved sales.
- The rising value of various foreign currencies, mainly in the third and fourth quarters of the year, and of the US Dollar, Chinese Renminbi and Indian Rupee in particular, generated exchange rate earnings of 2.9 M€, equivalent to 0.4% of consolidated turnover (-0.3% in 2013).
- Extraordinary income and expenses fell by 4.1 M€, equivalent to -0.6% of turnover as a result of capital losses and write-downs involving buildings sold or destined for sale and provisions and extraordinary expenses for the completion of business restructuring activities.

With regard to the Group's Assets and liabilities structure, Net Working Capital increased in absolute value from 189.2 M€ to 208.5 M€ and in terms of rotation on sales (from 111 to 115 average rotation days) as forecast when the opening of new production plants in China, USA and Brazil was planned.
In terms of Net Financial Position (NFP) total indebtedness rose from 118.6 M€ at the close of 2013 to 121.0 M€ by December 2014, generating an improvement in inventory turnover compared to 2013 (from an average of 70 to 67 days). NFP was also negatively influenced by the weakening of the Euro compared to the other currencies already mentioned, which accounted for over 5.0 M€. (At an unchanged exchange rate, NFP would have been around 116.0 M€.)
Net investments amount to 21.4 M€. Details are given below:

Values in millions of Euro	2014	2013	2012	2011	2010
Land and buildings	(0.5)	1.5	1.1	0.5	0.1
Plant and machinery	4.1	5.2	4.5	9.8	8.5
Equipment	8.7	4.7	4.8	6.7	4.7
Other assets	1.3	1.6	1.3	1.9	1.5
Assets in progress	6.0	0.1	0.9	(0.1)	(3.2)
Tangible fixed assets	**19.6**	**13.1**	**12.6**	**18.8**	**11.6**
Software, trademarks, patents	0.7	0.6	1.1	1.5	0.4
Goodwill	-	-	0.2	-	0.1
Other	1.1	0.9	2.7	0.2	0.7
Intangible fixed assets	**1.8**	**1.5**	**4.0**	**1.7**	**1.3**
Total investments	**21.4**	**14.6**	**16.6**	**20.5**	**12.9**

The Group's main investments in 2014 are described below:

- The investments in industrial and commercial plants, machinery and equipments were made mainly by the parent company, which invested 5.6 M€ in upgrading its production system. Bonfiglioli do Brasil and Bonfiglioli USA Inc invested (0.9 M€ and 2.3 M€ respectively) in localising the production of MWS products. Bonfiglioli Transmission Pvt Ltd (India) also made investments for 1.9 M€.
- Investments in tangible fixed assets in progress are mainly related to the construction of the new plant in China (5.4 M€), completed in early 2015.
- Investments in intangible fixed assets refer mainly to the acquisition of licences in the IT area and, under the heading "Others", to improvements made by the parent company to leased assets, and ongoing investments for 0.7 M€ in Research and Development by Bonfiglioli Mechatronic Research S.p.A. targeting new, high efficiency mechatronic systems as part of a project financed by the Autonomous Province of Trento.

RISK MANAGEMENT

An analysis is set out below of the main risks to which the Group is exposed, these risks being represented by events capable of producing negative effects on the pursuit of the company's objectives and which could therefore restrict the creation of value.

RISKS CONNECTED WITH GENERAL ECONOMIC CONDITIONS

The economic and financial standing of the Group, as well as its assets and liabilities, are influenced by a number of factors that make up the macro-economic picture in the various countries in which the Group operates: increase or decrease in GDP, consumer and business confidence, currency and interest rate fluctuations, the cost of raw materials.

RISKS CONNECTED WITH THE MARKET SECTORS SERVED

The Group operates in many markets divided among three main Businesses: *Industrial* (which in turn has two product divisions, PTS and MDS), *Mobile & Wind* and *Photovoltaic and Renewable Energies*. Each business is followed by dedicated organisations, i.e. Business Units, which are responsible for the specific sectors.
The wide range of outlet markets and applications supplied has always provided refuge from economic slumps, by allowing the Group to shift the product offering from sectors in decline to those in growth. The Group is still exposed to financial and systemic crises, such as the world economic crisis of 2008-2009.

RISKS CONNECTED WITH FINANCIAL RESOURCE REQUIREMENTS

Group performance depends, among other things, on its ability to meet the needs arising from maturing debts and scheduled investments through cash flows coming from operations, available liquidity, the renewal or refinancing of bank loans and, if necessary, recourse to other sources of funds. In order to keep the Net Financial Position under constant check and to monitor the business' short-term capacity to meet its commitments, short-term and mid-term cash flow estimates were drawn up in order to make the most appropriate decisions.

CREDIT RISK

Credit risk is represented by the Group's exposure to potential losses that may stem from the failure by customers to meet their obligations.
Customer credit risk is constantly monitored with the use of information and customer assessment procedures and this type of risk has historically had very little physiological scope.

RISKS CONNECTED WITH EXCHANGE AND INTEREST RATE FLUCTUATIONS

Operating in more than one market at a worldwide level, the Group is naturally exposed to exchange rate and interest rate fluctuations. Exposure to exchange rate fluctuations is linked mainly to the geographical distribution of production and sales activities which generate import/export flows in foreign currency different from that of the production countries. In particular, the Group is exposed through its exports from the Eurozone to the areas of the US Dollar, GB Pound, Australian Dollar and other minor currencies. On the level of incoming flows, risks concern imports from Japan in Yen and, for those companies based in India, Vietnam, China, Singapore, Turkey, Brazil and South Africa, by imports of goods from countries having strong currencies (Euro and USD).
In keeping with its risk management policies, the Group tries to tackle risks relating to exchange and interest rate fluctuations with the use of short-term hedging financial instruments.

RISKS CONNECTED WITH THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses financial instruments to hedge the interest/exchange rate risk as pointed out in the foregoing section for minimising the import-export operational risks. The companies in the Group do not use speculative-type derivative financial instruments.

RISKS CONNECTED WITH EMPLOYMENT RELATIONS

In the various countries in which the Group operates, employees are protected by laws and by collective labour contracts which provide them with guarantees through local and national representatives. Employees are entitled to be consulted on specific matters, including the reduction in size or closure of departments or reductions in work force. These laws and collective labour contracts applicable to the Group could affect the flexibility with which it redefines or strategically repositions its activities.

RISKS CONNECTED WITH COMPETITION

The macroeconomic crisis of recent years has had the effect of reducing consumption in almost all sectors in which Group products are used (manufacturing and building in particular) thereby changing the overall value of the available market and increasing competition. The success of the Group is therefore also dependent on its ability to maintain and increase its market share, perhaps expanding into new sectors and emerging countries.

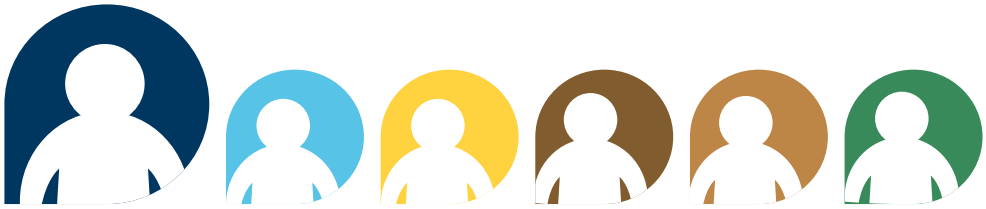
QUALITY, SAFETY, HEALTH AND ENVIRONMENT

A number of major projects were completed in 2014 to improve the Quality System and the robustness of the production processes implemented by all Business Units. These projects improved the effective quality of Bonfiglioli products and also improved customers' perception of quality over previous years.

The approach to internal audits was thoroughly revised; a larger number of internal auditors were trained and the number of internal audits completed over the course of the year significantly increased. This enabled the Group to improve compliance with operating standards and detect opportunities for improvement in company processes more effectively.

The perimeter of ISO 9001 certified plants was extended to include the new Indian plant in Bangalore (BRPCI) belonging to BU RePvS and the new BMR plant in Rovereto (Italy) belonging to the MDS division.

HUMAN RESOURCES



Total group workforce rose from 3,335 at the end of 2013 to 3,383 by the end of 2014. This figure only considers personnel actually on the Bonfiglioli payroll (under permanent or fixed term contracts) and does not include personnel engaged under other forms of contract, such as temporary, agency and other such workers (95 persons at the 31/12/2014).

Of the complete Group workforce, 1,240 are employed by the parent company, Bonfiglioli Riduttori S.p.A., while 1,289 are employed at other production plant in Italy and abroad, 385 by commercial subsidiaries in Europe and 469 by commercial subsidiaries overseas.

The increase in human resources is mainly due to the inclusion of the personnel employed by Tecnotrans Bonfiglioli SA (77 as of 31 December 2014), and new jobs created at foreign production plants, especially in Slovakia, India and Vietnam.

Over the course of 2014, the parent company, Bonfiglioli Riduttori S.p.A., implemented a project to restructure its production areas to recover efficiency and competitiveness in the face of contracting orders and falling production volumes.

In the last part of the year the Chinese subsidiary, Bonfiglioli Drives Shanghai, as part of its plan to expand production and local business, moved to new premises in Quingpu near Shanghai. The new plant provides more space for production and more modern facilities, and is better able to represent Bonfiglioli's presence in China.

Continuing the reorganisation process begun in 2013, the HR function expanded its central organisation and took on new junior resources to create the HR Lab and provide the support needed by HR Process Leaders and Business Partners. HR has strengthened its presence in the more complex organisations, such as China, the United States and Brazil (Slovakia, India and Vietnam have already been mentioned), where local HR functions support business, manage locally employed human resources in conformity to local laws and practices, and ensure continuous coordination of the function with Headquarters.

Last year also saw an important phase in the development of the Group's People Strategy, with the introduction of a multi-year plan for HR processes. In particular, CEO and Corporate Top Management redefined the Corporate Values and the Core Behaviours expected of all Group employees. Diffusion of the new Values and Core Behaviours began early in 2015. A new map of the competences present within the organisation was also drawn up based on Professional Families linked by a shared mission and by the competences needed to carry out their tasks at work.

Training is essential for the acquisition of the competence and know-how needed for the Group to remain competitive in its reference markets. For this reason, in 2014, the parent company's Training Centre examined the needs of the various functions and developed a unified Corporate Training Plan, largely financed by interprofessional funds. The new Plan introduced courses to improve soft skills ("Grow Up"), negotiating techniques and competences in economic affairs. Training programs introduced in previous years were also continued. These concerned mandatory training (health and safety), technical training in the use of equipment and machines in the production environment and language training (English and German).

The Group organised its first ever WOB (Welcome on Board). This was held on 2 December 2014 and brought together personnel employed by Bonfiglioli Riduttori S.p.A. over the last 18 months with a view of getting to know each other and the Company, its culture and the most important milestones in its history. The event was held at the Forlì plant and saw the participation of top management.

Cooperation with the universities of Bologna, Modena, Reggio Emilia, Ferrara and Padua continues, with curriculum-linked placements being offered and theses and post-graduate activities promoted in areas associated with core business.

In memory of the founder Clementino Bonfiglioli, Order of Merit for Labour, the company participated in the "Leonardo Committee" again in 2014, by offering a paid work placement for a student presenting a particularly interesting thesis on a theme relevant to mechanical competence. The prize went to a young mechanical engineer from Forlì, who began his work placement at the start of 2015. The winner of last year's prize finished his placement at Bonfiglioli Mechatronic Research (BMR) in Rovereto and was employed by the company with a fixed term contract for the whole of 2015.

RESEARCH AND DEVELOPMENT

Expenditure in 2014 in the field of Research and Development totalled around 11.1 M€ at Group level.
A summary of the major product development projects funded by the various Business Units is provided below.

BUINS - POWER TRANSMISSION SOLUTIONS (PTS) DIVISION

The PTS division carried out major activities in the following areas in 2014:

- Product projects
- Research projects with the support of universities and research laboratories
- Organisational/management projects

PRODUCT PROJECTS

978 special (pull) projects were developed in 2014. Of these, 341 medium to complex gearbox, motor and gearmotor projects (35%) were handled by the parent company's R&D department. The remaining (pull) projects were managed by DSC departments (323 projects – 33%) and foreign subsidiaries (314 projects – 32%).
The period from 2013 to 2014 saw a significant increase in push/pull development activities (38% to 46%) against a reduction in generic plant, branch and division support activities.
In terms of developments in the standard product range, the industrialisation phase of the HDP/O project was completed and new casings introduced to improve product quality and performance and to extend the range.
Another phase of development was completed for the 300 Series, with the definition of standard solutions for 3HD combinations, the introduction of slew drive versions for the most common applications and the development of new standard options for improved installability and maintenance.
The project to extend the configurator to cover the most common special options in various product families (C Series slow reduction ratios and low backlash W/VF versions) was also completed.
The project to introduce bolt-on feet for the VF49 family was completed and production started.
Special applications were developed for high efficiency self-braking motors.
The development of phase 1 IE3 motors (sizes 132, 160 and 180) for nominal power ratings was also completed, with performance and cost targets met.

RESEARCH PROJECTS WITH THE SUPPORT OF UNIVERSITIES AND RESEARCH LABORATORIES

In 2014 we continued to work with Italian universities on vibration analysis projects designed to detect, diagnose and prevent failures and damage to gearbox components, and jointly developed a dedicated hardware and software development tool for planetary gearboxes.

We also collaborated with a number of university students on theses in the field of mechanical engineering.

Other projects on innovative themes, run in collaboration with universities and research institutes, included:

- Design and simulation for IE3 motors
- Analysis of thermofluid dynamics in gearboxes
- Development of test equipment for dynamic seals.

ORGANISATION/MANAGEMENT PROJECTS

The new PdP (Product Development Process) was subjected to a design review supported by the subsidiaries involved in the pilot. The process included the review/optimisation of the development management work flow in the corporate PLM environment. The reviewed procedure was extended to the development of lightweight pull projects by the Drive Service Centres of the three pilot subsidiaries. It is also currently being extended to all technical references in the group's BUs and subsidiaries.

An important training project was also completed (over 1600 hours) to promote the new organisation of gearbox development teams (R&D - GTD), which is no longer product based but (push/pull) project based.

A great deal of progress was also made in consolidating calculation and dimensioning tools for Bonfiglioli products.

The project to develop thermal calculation, dimensioning and verification for Atex products reached 90% completion and is due to be released in the first three months of 2015.

The year also saw the start of migrating all products from the old custom configurator to the standard SAP configurator.

Finally, after three years of work, the PLM team finished updating the software tools for managing technical documentation (TCE) and CAD (NX), taking them to the latest version released by the software house. This activity has involved all the relevant Business Units (PTS, MDS and MWS) and required an extensive user training plan.

BUINS – MECHATRONIC DRIVES & SOLUTIONS (MDS) DIVISION

RESEARCH PROJECTS

Research activities based on studies and analyses undertaken in previous years continued throughout 2014.
Work focused on design completion, the release of final drawings for the construction of prototypes, and the experimental validation of new designs. Technologies were selected and construction aspects assessed in preparation for production.
The first prototypes were tested in-house while other analyses, including thermal and performance tests, are ongoing in university laboratories.
We concentrated on innovative technologies in order to achieve high performance and energy efficiency in industrial applications, focusing on:

- New motor structures
- Improved control algorithms
- Virtual gearbox prototyping using CFD simulations
- High efficiency gears

Over the year, new software tools were introduced to simulate and define mathematical and thermal models of actuators and complete systems, based on commercial software and internally developed code.

SERVOMOTORS

The technical documentation has been released and UL certification extended to all available options for the new BMD Series motors (intermediate sizes).
In addition to various research projects, the motor R&D group was also involved in the design and development of custom solutions for specific applications, and provided constant support for requests from the market.

HIGH PRECISION PLANETARY GEARBOXES

2014 saw the development of the TQ flanged shaft version (TQF Series) along with the release of drawings for prototype construction. Tests on samples were completed successfully and performance ratings for the series were established.
A new version with increased torque was developed, prototypes validated and products released for production in the LC Series.
The gearbox R&D group continued work on product customisation and on the development of special versions for all low backlash planetary gearbox series (TQ, LC, MP and TR) while also providing technical support for the sales network.

BUSINESS UNIT MOBILE & WIND SOLUTIONS (BUMWS)

PRODUCTS FOR MOBILE MACHINES

In the road surfacing sector, the range of hub drive gearboxes for asphalt millers is being extended by developing a product dedicated to low power machines. These products are characterised by innovative solutions chosen specifically to satisfy application needs.

In agricultural machinery, we reviewed the existing range of travel drive gearboxes with a view to optimising the product and satisfying specific market needs, especially in terms of overhung load capacity and special use profiles.

Finally, we are currently completing the development of a new gearbox size with an integrated tyre pressure monitoring system for large agricultural machines, capable of withstanding the high loads associated with twin wheel applications.

GEARBOXES FOR TRACKED VEHICLES

Among other projects aimed at extending the range of gearboxes for tracked vehicles, we have completed the bench testing and validation of two new sizes (destined for hydraulic excavators for quarrying and mining weighing up to 350 tons, drilling rigs and tracked cranes up to 400 tons). The new products are currently undergoing machine trials with customers.

WIND TURBINE PRODUCTS

We continued development activities aimed at maintaining market leadership. We completed research into new ways of improving reliability and performance and carried out studies aimed at reducing size and weight without degrading performance, and improving maintenance and handling. A design that integrates the inverter inside the electric motor is currently undergoing trials with selected customers.

ELECTROMOBILITY PRODUCTS

Development is continuing in the field of electric traction solutions for various market segments. In the material handling sector in particular, we finished development of a complete range of planetary axles with integrated electric motors for front loading forklifts between 1 and 5 tons lifting capacity, as well as a number of special narrow track versions for articulated trucks and a special version for airport trucks.

We are also continuing the development of small sizes in the 600 Series. Their integrated low voltage electric motors guarantee high performance and reduced overall dimensions and make these products particularly suitable for articulated, telescopic and scissor skylifts, and for large capacity front loading forklift trucks.

We are also continuing the development of new ultra-high power density electric motor technology for the agricultural market and certain niche automotive applications. In particular we are now at the road testing stage for a gearbox with an integrated motor and mechanical differential for hybrid commercial vehicles, developed under a project financed by the Ministry for the Environment.

MARINE & OFFSHORE

Development of special product versions for marine and offshore applications is also continuing along with the activities involved in obtaining the certification necessary to compete effectively in this area.
Two new sizes, designed to extend the range of gearboxes for ship and offshore platform lifting systems, are currently being bench tested.

ACTIVITIES INDIRECTLY AFFECTING PRODUCTS AND TESTING ACTIVITIES

In addition to bench testing activities aimed at validating materials, treatments and alternative suppliers, we are also continuing development of new solutions for orbital and axial piston hydraulic motors in order to acquire greater flexibility and optimise production costs and processes.
A large number of projects are ongoing, mainly for the electromobility sector. These have required the development of test benches and special equipment to perfect solutions for reducing power losses, optimising transmission organs design, improving efficiency and reducing noise at high speeds. Vibration measurement and testing instruments have also been developed.

PRODUCT AND PROCESS DEVELOPMENT

We are continuing to improve internal processes for the automation, monitoring and measuring of various design phases. These include the validation testing and value analysis activities integrated in PLM (Product Lifecycle Management). These activities have already simplified the management of design and development activities and will lead to increased efficiency and reduced throughput times.

BUSINESS UNIT RENEWABLE & PHOTOVOLTAIC SOLUTIONS (BUREPVS)

La BU ha focalizzato le proprie attività di sviluppo del portafoglio di Inverter per il mercato fotovoltaico sulle seguenti
BURePvS focussed its inverter portfolio development activities for the photovoltaic market on the following main actions:

- launch of the new RPS TL-4Q series of inverters for megawatt scale applications with energy storage batteries, developed as a spin-off from the RPS TL photovoltaic inverter platform;
- launch of the first series of inverters optimised for use with DC power converters, in the context of activities for the HDPV® industrial alliance;
- development of localisation and technical adaptation options for the production of inverters at the new plant in Bangalore, India;
- development of a new generation of power and control modules for the RPS TL product family.

The BU is also currently developing a platform of RPS ND inverters for scalable megawatt scale solutions.
BURePvS also continued working to reduce product costs and improve the quality and performance of its product range.

SIGNIFICANT EVENTS AFTER YEAR END

The following significant events occurred after the end of the 2014 business year:

- The company CO. BO WHEELS Srl was acquired by the parent company, Bonfiglioli Riduttori S.p.A., on 7 January 2015. This acquisition from the Comer Industries Group is intended to expand the offer of electromobility solutions for the material handling sector and extend the range of travel drive gearboxes for tracked mini-excavators.
- On 19 March 2015 in South Africa, as part of the renewed BEE (Black Economic Empowerment), an agreement was formalised to transfer shares of Bonfiglioli South Africa Pty Ltd to the new local partner, TWB Investments Pty Ltd.

BUSINESS OUTLOOK

There has been an overall decrease in incoming orders in the first few months of the new year with respect to the same period in the previous year (-5.0%). This is the result of the downturn recorded by BU MWS at the start of business.
This has been partly compensated by growth in BU INS (+3.8%) and BU RePvS (+58.6%). The PTS Division has recorded a slight upturn while the MDS Division has returned very encouraging figures (+10.4%). BU RePvS too has done well thanks to large contracts acquired in the USA and India. There is uncertainty over orders from China, Turkey and France while Italy, Brazil, South East Asia and India are all showing signs of recovery compared to the same period of last year.
In terms of consolidated turnover for the first months of 2015, as of today we have recorded a turnover of around 170 M€, better than the 155 M€ recorded in the same period of last year (+9.1%). This result has been favoured to some extent by the greater strength of other currencies with respect to the Euro. All BUs have recorded improvements with the sole exception of RePvS, partly for the effect of the sector's project-based invoicing practices. The Group overall and BU PTS and MWS in particular are performing well, even with respect to budgeted figures.
We therefore believe that total turnover for the 2015 business year could show an improvement over that of 2014, despite the expected downturn in the agricultural machinery sector served by BU MWS.
During the course of the new year, production of BU MWS products in the USA, China and Brazil will become fully operational and the new planetary gearbox lines acquired last January will also be started up.
All BUs and especially the PTS and MDS divisions are continuing to work hard to develop and improve their organisations, to renew and extend their product ranges and to focus on the most strategic areas of industry.
At the end of 2014 an organisational change plan designated *One Company Approach* was launched. Starting from shared Corporate Values and Core Behaviours, this plan aims at strengthening the Bonfiglioli Group's organisation and its leadership in the core business of power transmission. The plan also aims at maximising synergy by applying best practices across all

Business Units while maintaining their individual focus and specialisation in products and markets.
The increasing complexity of the Group needs to be kept in check by progressive simplification.
While confirming and consolidating focus through Business Units, we must also prioritise the One Company Approach.
By improving and speeding up its implementation we can become one of the leading worldwide players in every sector we serve, maximising economic resources and achieving effective improvements in performance in market share and overall economic and financial efficiency. Readiness to accept challenges and openness to change are key characteristics of the Bonfiglioli Group, as are constant evolution and innovation. The new One Company Approach will further consolidate sustainable growth within the long term vision that has always typified the Group.
We are convinced that 2015 will be an important business year for strengthening the organisation and consolidating results.

FURTHER INFORMATION

EQUITY SHARES

The parent company does not hold and has never held treasury shares, nor does it hold stakes or shares in controlling companies inasmuch as no legal entity holds a controlling stake in Bonfiglioli Riduttori S.p.A. stock.

Calderara di Reno (Bo), 27th March, 2015
for THE BOARD OF DIRECTORS
The Chairman
Sonia Bonfiglioli

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2014

THIS SECTION HAS BEEN TRANSLATED INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS

Given Name
(yrs)
2005
2006
2007
2008
2009
2010
Visits
Mrs
Miss
Other
Middle

CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31ST 2014

Consolidated balance sheet

(Euro Thousand)

ASSETS	2014	2013
B) Fixed assets (net of cumulated depreciation)		
I. Intangible fixed assets		
1) Start up costs	15	17
3) Patents and rights to use intellectual properties	226	279
4) Concession, licenses, trademarks and similar rights	576	249
5) Goodwill	21	154
6) Assets in progress and advances	1,568	662
7) Other intangible fixed assets	5,372	5,294
Total Intangible fixed assets	**7,778**	**6,655**
II. Tangible fixed assets		
1) Land and buildings	105,893	111,289
2) Plant and machinery	30,222	34,730
3) Industrial and commercial equipments	15,396	11,526
4) Other tangible fixed assets	4,106	4,237
5) Assets in progress and advances	9,188	3,009
Total Tangible fixed assets	**164,805**	**164,791**
III. Financial fixed assets		
1) Investments:		
b) associated companies	-	2,706
d) other companies	57	56
sub total	57	2,762
2d) Other receivables		
- due within 12 months	1,248	-
Total Financial fixed assets	**1,305**	**2,762**
B) TOTAL FIXED ASSETS (NET OF CUMULATED DEPRECIATION)	**173,888**	**174,208**
C) Current assets		
I. Inventory		
1) Raw materials, supplies and consumables	24,772	27,064
2) Work in progress and semifinished goods	60,794	54,669
4) Finished goods and goods for resale	102,494	79,459
5) Advances	269	120
Total Inventory	**188,329**	**161,312**

(Euro Thousand)

	2014	2013
II. Receivables		
1) Trade receivables		
- due within 12 months	170,559	157,420
3) Receivables from associated companies		
- due within 12 months	-	6,809
4bis) Tax receivables		
- due within 12 months	8,195	7,596
- due after 12 months	6,138	6,053
sub total	14,333	13,649
4ter) Deferred tax assets		
- due within 12 months	10,559	10,630
- due after 12 months	21,207	21,074
sub total	31,766	31,704
5) Other receivables		
- due within 12 months	3,367	2,911
- due after 12 months	3,364	3,250
sub total	6,731	6,161
Total Receivables	**223,389**	**215,743**
IV. Cash at bank and on hand		
1) Banks	26,417	62,864
3) Cash on hand	52	55
Total Cash at bank and on hand	**26,469**	**62,919**
C) TOTAL CURRENT ASSETS	**438,187**	**439,974**
D) Prepaid expenses and accrued income		
- Other prepaid expenses and accrued income	2,913	1,723
D) TOTAL PREPAID EXPENSES AND ACCRUED INCOME	**2,913**	**1,723**
TOTAL ASSETS	**614,988**	**615,905**

Consolidated balance sheet

(Euro Thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	2014	2013
A) Shareholders' equity		
I. Share capital	30,000	30,000
III. Revaluation reserves	60,195	60,195
IV. Legal reserve	4,240	4,240
VII. Other reserves		
-) Extraordinary reserve	44,961	51,584
-) Consolidation reserve	16,965	16,965
-) Foreign exchange currency conversion reserve	(82)	(9,268)
-) Other reserves	5,451	5,451
sub total	67,295	64,732
VIII. Retained earnings (losses) carried forward	64,208	54,534
IX. Net income (loss) of the Group	5,675	4,371
Group shareholders' equity	**231,613**	**218,072**
Minority interests share capital and reserves	7,849	7,867
Minority interests net income (loss)	573	871
Minority Interests	**8,422**	**8,738**
A) CONSOLIDATED SHAREHOLDERS' EQUITY	**240,035**	**226,810**
B) Reserves for risks and charges		
1) Termination indemnity and similar liabilities	1,353	1,319
2) Taxes and deferred taxes liabilities	7,506	9,305
3) Other reserves	21,668	17,928
B) TOTAL RESERVES FOR RISKS AND CHARGES	**30,527**	**28,552**
C) Employee severance indemnity reserve	**15,248**	**15,429**
D) Payables		
1) Bonds		
- due after 12 months	2,750	2,750
sub total	2,750	2,750

(Euro Thousand)

	2014	2013
4) Banks		
- due within 12 months	73,091	91,213
- due after 12 months	61,689	77,413
sub total	134,780	168,626
5) Other financial institutions		
- due within 12 months	2,832	2,458
- due after 12 months	7,138	7,684
sub total	9,970	10,142
6) Advances		
- due within 12 months	2,994	3,440
7) Trade payables		
- due within 12 months	147,417	131,149
10) Payables to associated companies		
- due within 12 months	-	1,786
12) Tax payables		
- due within 12 months	3,527	3,435
13) Social security		
- due within 12 months	7,299	6,670
14) Other payables		
- due within 12 months	18,016	15,207
- due after 12 months	1,929	1,157
sub total	19,945	16,364
D) TOTAL PAYABLES	**328,682**	**344,362**

E) Accrued expenses and deferred income

- Other accrued expenses and deferred income	496	752
E) TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	**496**	**752**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**614,988**	**615,905**

MEMORANDUM ACCOUNTS	2014	2013
Guarantees given from third parties in own favour	7,900	7,681
Commitments on investments' purchase	5,096	5,096
TOTAL MEMORANDUM ACCOUNTS	**12,996**	**12,777**

Consolidated income statement

(Euro Thousand)

	2014	2013
A) Production value		
1) Net revenue from sales and services	653,936	613,842
2) Change in work in progress, semi-finished and finished goods	14,855	(5,184)
4) Assets increase for internal works	716	437
5) Other revenues and incomes:		
- others	10,406	9,446
A) TOTAL PRODUCTION VALUE	**679,913**	**618,541**
B) Production costs		
6) Raw materials, supplies, consumables & goods for resale	373,872	348,800
7) Services	103,251	90,298
8) Use of third party assets	6,918	6,726
9) Personnel		
a) Wages and salaries	99,635	91,083
b) Social contributions	26,835	24,903
c) Severance indemnity	4,318	4,104
e) Other personnel costs	25	-
sub total	130,813	120,090
10) Depreciation, amortization and write-downs		
a) Amortization of intangible fixed assets	1,347	1,531
b) Depreciation of tangible fixed assets	20,135	21,409
c) Write off fixed assets	66	-
d) Bad debts provision	3,014	3,290
sub total	24,562	26,230
11) Change in raw materials, supplies, consumables & goods for resale	2,663	(5,244)
13) Other provisions	6,143	1,173
14) Other operating expenses	3,973	4,462
B) TOTAL PRODUCTION COSTS	**652,195**	**592,535**
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A–B)	**27,718**	**26,006**
C) Financial income and expenses		
15) Income from other equity investments		
- other equity investments	3	-

(Euro Thousand)

	2014	2013
16) Other financial income:		
d) other than the above:		
- from associated companies	-	98
- other	1,366	1,479
17) Interest expenses and other financial charges:		
- other	(11,773)	(10,781)
17bis) Exchange rate gains and losses, net	2,856	(1,910)
C) TOTAL FINANCIAL INCOME AND EXPENSES	**(7,548)**	**(11,114)**
D) Adjustments to financial assets		
18) Revaluations		
a) investments	-	16
D) TOTAL ADJUSTMENTS TO FINANCIAL ASSETS		**16**
E) Extraordinary income and expenses		
20) Income:		
- other	3,104	210
21) Expenses:		
- other	(7,225)	(2,092)
E) TOTAL EXTRAORDINARY ITEMS	**(4,121)**	**(1,882)**
INCOME BEFORE TAXES (A–B±C±D±E)	**16,049**	**13,026**
22) Income taxes		
- current	(8,534)	(8,263)
- deferred	(1,267)	479
TOTAL INCOME TAXES	**(9,801)**	**(7,784)**
23) NET INCOME (LOSS) INCLUDING MINORITY INTEREST	**6,248**	**5,242**
Minority interest income	(573)	(871)
NET INCOME (LOSS) OF THE GROUP	**5,675**	**4,371**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

THIS SECTION HAS BEEN TRANSLATED INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS

onfiglioli
nfiglioli

FOREWORD

The consolidated financial statements have been prepared in compliance with Italian Legislative Decree no. 127 dated 9th April 1991.

The Notes include the reconciliation statement between shareholders' equity and the net income of the Parent company and the same items in the consolidated financial statements; in addition, the consolidated cash-flow statement has been annexed to the Notes.

As regards the nature of the activities conducted by the Group and developments occurring, as well as events arising after the date of the consolidated financial statements, reference is made to the contents of the Management Report.

All figures in the financial statements and the relative Notes are expressed in thousands of Euros (K€), unless otherwise indicated.

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of Bonfiglioli Group's companies, namely the parent company Bonfiglioli Riduttori SpA and the Italian and foreign subsidiaries in which the company holds more than 50% of the capital, either directly or indirectly, or exercises management and control in relation to specific agreements to this effect.

The financial statements of the Group Companies utilised for the integral consolidation were approved by the shareholders' meetings of the individual companies concerned, suitably modified wherever necessary to unify them with the accounting principles adopted by the Group, which comply with the financial principles imposed by law. If the relative financial statements had not yet been approved by the respective general meetings when the consolidated financial statement was drawn up, the draft financial statements prepared for approval by the respective Boards of Directors were utilised.

If the financial year of companies closes on a date other than 31st December, interim financial statements were drawn up at 31st December utilising the Group accounting principles.

The subsidiary companies included in the consolidation area at 31st December 2014 are as follows:

Denomination	Country	Currency	Share Capital	Shareholding	
				31/12/14	31/12/13
Bonfiglioli Riduttori SpA	Italy	€	30,000,000	Parent Company	
Bonfiglioli Italia Spa Unipersonale	Italy	€	16,000,000	100%	100%
Bonfiglioli Canada Inc.	Canada	CAD	4,000,000	100%	100%
Bonfiglioli U.S.A. Inc.	U.S.A.	USD	4,000,000	100%	100%
Bonfiglioli Deutschland GmbH	Germany	€	3,000,000	100%	100%
Bonfiglioli Transmissions Sa	France	€	1,900,000	100%	100%
Bonfiglioli Transmission (Aust) Pty Ltd	Australia	AUD	15,000,004	100%	100%
Bonfiglioli U.K. Ltd	Great Britain	GBP	200,000	100%	100%
Bonfiglioli Power Transmission Pty Ltd	South Africa	ZAR	64,000	83.75%	75%
Bonfiglioli South Africa Pty Ltd (*)	South Africa	ZAR	8,000,000	62.81%	56.25%
Bonfiglioli Transmission Pvt Ltd	India	INR	1,250,000,000	100%	100%
Bonfiglioli Drives (Shanghai) Co. Ltd	China	USD	15,000,000	66.67%	66.67%
Bonfiglioli Vectron Gmbh (**)	Germany	€	500,000	100%	100%
Bonfiglioli Slovakia Sro	Slovakia	€	14,937,263	100%	100%
Bonfiglioli Power Transmission Jsc	Turkey	TRY	10,000,000	100%	100%
Bonfiglioli Vietnam Ltd	Vietnam	USD	17,000,000	88%	80%
Bonfiglioli Redutores do Brasil	Brazil	BRL	38,500,000	100%	98.18%
Bonfiglioli Österreich GmbH (**)	Austria	€	35,000	100%	100%
Bonfiglioli South East Asia Pte Ltd	Singapore	SGD	1,750,000	100%	100%
Bonfiglioli Mechatronic Research SpA	Italy	€	1,500,000	100%	100%
Bonfiglioli Renewable Power Conversion Spain S.L (***).	Spain	€	5,000	100%	100%
Bonfiglioli Renewable Power Conversion India Pvt Ltd. (***)	India	INR	200,000,000	99.25%	95%
Bonfiglioli Trading (Shanghai) Co. Ltd (****)	China	CNY	1,500,000	66.67%	66.67%
Bonfiglioli Vectron MDS GmbH (**)	Germany	€	25,000	100%	-
Tecnotrans Bonfiglioli Sa	Spain	€	2,175,000	95%	33.3%

(*) Subsidiary indirectly controlled through Bonfiglioli Power Transmission Pty Ltd

(**) Subsidiary indirectly controlled through Bonfiglioli Deutschland GmbH

(***) Subsidiary indirectly controlled through Bonfiglioli Vectron GmbH

(****) Subsidiary indirectly controlled through Bonfiglioli Drives (Shanghai) Co. Ltd

With reference to the changes made during the year, we draw your attention to the following events:

- share capital increase in subsidiary company "Bonfiglioli Vietnam Ltd" for 7 MUSD (roughly 5.1 M€). Said transaction increased the Group's stake from 80% to 88% due to the dilution of the minority shareholders that did not participate to the share capital increase;
- purchase of 61.67% from minority shareholders of the company "Tecnotrans Bonfiglioli S.a." with registered office in Spain, at a consideration equal to 2.2 M€. Consequently to said transaction the Group's stake passed from 33.33% to 95%;
- purchase from minority shareholders of a further stake of 8.75% of the share capital of the South African subsidiary "Bonfiglioli Power Transmission Pty Ltd" for total 11.2 MZAR (784 K€). Said transaction increased the Group's stake from 75% to 83,75%;
- share capital increase in Indian subsidiary "Bonfiglioli Renewable Power Conversion India Pvt. Ltd" for 170 MINR total (2.2 M€). Said transaction increased the Group's stake from 95% to 99.25% due to the dilution of the minority shareholders that did not participate to the share capital increase;
- incorporation through "Bonfiglioli Deutschland GmbH" of the "Bonfiglioli Vectron MDS GmbH" with registered office in Krefeld and share capital of 25 K€. The company, owned at 100%, purchased by "Bonfiglioli Vectron GmbH" the business related with Business Unit MDS (Mechatronic Drives & Solutions) through sale of business agreement;
- purchase from the minority shareholders of the remaining 1.82% of the share capital of the subsidiary "Bonfiglioli Redutores do Brasil Ltda" at a consideration equal to 275 KBLR (86 K€). The purchase increased the Group's stake from 98.18% to 100%;
- share capital increase of the subsidiary "Bonfiglioli Redutores do Brasil Ltda" for 30 MBRL (9.4 M€). Said transaction did not entail changes in the company structure as the company is already wholly owned by the group;
- reduction and increase of the share capital of the Turkish subsidiary "Bonfiglioli Transmission & Automation Technologies JSC": the share capital has been decreased for 9 MTRY (3.2 M€) to cover previous years' losses, simultaneously the share capital increase of 6 MTRY (2.2 M€) occurred. Said transaction did not entail changes it the company structure as the company is already wholly owned by the Group;
- share capital increase in the Australian subsidiary "Bonfiglioli Transmission (AUST) Pty Ltd" for 4 MAUD (2.7 M€). The said transaction did not entail changes in the company structure as the company is already wholly owned by the Group;
- capital reserve contribution paid by "Bonfiglioli Deutschland GmbH" to the subsidiary "Bonfiglioli Österreich GmbH" for 750 K€;
- capital reserve contribution paid by Bonfiglioli Riduttori SpA to the subsidiary "Bonfiglioli Mechatronic Research SpA" for 5 M€. Said subsidiary has been moreover involved in sale of business transaction by the company "Bonfiglioli Italia SpA" with regard to the business MDS (Mechatronic Drives & Solutions).

CONSOLIDATION AREA CHANGES

We draw your attention to the change in consolidation area with regard to previous year, following the purchase of the majority stake of 95% of the company "Tecnotrans Bonfiglioli Sa". The company, that in previous year was evaluated using the Net Equity Method, is now integrally consolidated.

DRAFTING PRINCIPLES

The structure of the balance sheet and the income statement are as required by Italian Legislative Decree 127/91.
Items preceded by Arabic numerals having zero contents have been omitted. The balance sheet provides separate indication of shareholders' equity and the minority interests share of profits. No items of assets and liabilities are recorded under more than one caption of the tables.

CONSOLIDATION PRINCIPLES

A. In preparing the financial statements for the consolidated companies, the net assets method is used (line-by-line), consisting in recording all the captions under assets and liabilities and in the income statement in their entirety.

B. The book value of consolidated equity investments is written off against the related equity at the time of first consolidation and the resulting differences, if negative, were recognised under a specific item of consolidated equity denominated "Consolidation Reserve" or "Future Losses Fund" where representing estimated losses for future years. Any positive differences existing at the time of first consolidation were recorded in the consolidated financial statements, where possible, under the items of assets of the companies included in the consolidation area, or under the assets caption "Consolidation differences" for differences that, despite their characteristics of deferment affecting more than one year, could not be allocated to specific items under assets. In contrast, if these items were not considered to be deferred to more than one year, they were deducted from the consolidation reserve.

C. The positive differences recorded were amortised in accordance with the rates utilised for the assets to which they refer; the consolidation difference is amortised throughout the estimated future working life of the assets in question.

D. The results achieved, following initial consolidation, were entered under a specific caption of consolidated equity denominated "Retained earnings and losses carried forward".

E. Any profits and losses that have yet to be realised in relation to third parties deriving from transactions between Group companies were eliminated, as well as the items that give rise to payables, receivables, costs and revenues.

F. The dividends distributed by the Companies within the Group were cancelled.

G. The portions of shareholders' equity and profit due to minority shareholders of the consolidated subsidiaries were deducted from the Group portions and recorded separately under specific captions of consolidated equity and in the income statement.

H. The financial statements of foreign companies were converted to Euro, applying the year-end exchange rate for all assets and liabilities and the average exchange rate calculated over the full twelve months for captions in the income statement. The items of equity, existing at the date of initial consolidation, are converted at the exchange rates effective at that date, while subsequent changes are converted at the historic exchange rates effective at the date of the relative transactions. Conversion differences arising both from the conversion of equity captions to the year-end rates with respect to the historic rates, and existing between the average exchange rates and year-end exchange rates for the income statement, are recorded under a specific caption of consolidated equity denominated "Currency conversion reserve".

The exchange rates utilised for companies operating outside the Euro area are as follows:

Company	Currency	B.S. exchange rate 2014	P.L. exchange rate 2014	B.S. exchange rate 2013	P.L. exchange rate 2013
Bonfiglioli U.K. Ltd	GBP	0.779	0.806	0.834	0.849
Bonfiglioli Canada Inc.	CAD	1.406	1.466	1.467	1.368
Bonfiglioli USA Inc.	USD	1.214	1.329	1.379	1.328
Bonfiglioli Transmission (Aust) Pty Ltd	AUD	1.483	1.472	1.542	1.378
Bonfiglioli Power Transmission Pty Ltd	ZAR	14.035	14.404	14.566	12.833
Bonfiglioli Transmission Pvt Ltd	INR	76.719	81.041	85.366	77.930
Bonfiglioli Renewable Power Conversion India Pvt Ltd	INR	76.719	81.041	85.366	77.930
Bonfiglioli Drives (Shanghai) Co. Ltd.	CNY	7.536	8.186	8.349	8.165
Bonfiglioli Trading (Shanghai) Co. Ltd.	CNY	7.536	8.186	8.349	8.165
Bonfiglioli Power Transmission JSC	TRY	2.832	2.907	2.961	2.534
Bonfiglioli Redutores Do Brasil Ltda	BRL	3.221	3.121	3.258	2.869
Bonfiglioli South East Asia Pte Ltd	SGD	1.606	1.682	1.741	1.662
Bonfiglioli Vietnam Ltd	VND	25,972.10	28,153.96	29,096.70	27,925.04

I. There are no companies consolidated through Net Equity Method.

VALUATION CRITERIA

The accounting principles and valuation criteria adopted in drafting the financial statements are in compliance with the principles of the Italian Civil Code and the accounting standards prescribed by the Italian Accounting Authority (O.I.C.). Where such principles are lacking or insufficient, the point of reference is provided by international accounting standards (IAS/IFRS) where these latter are in compliance with Italian legal requirements.

The Italian Accounting Authority (OIC) provided during the year to an organic upgrade of the national accounting standards applicable for financial statements closed from December 31st 2014. It is noticed, however, that said upgrade did not entail relevant effects on the Financial Statements of the companies and that the criteria utilised are not significantly different from the ones utilised for preparing previous year's financial statements.

The consolidated cash-flow statement has been restated considering the required information provided by the "OIC -10 cash flow statement" principle.

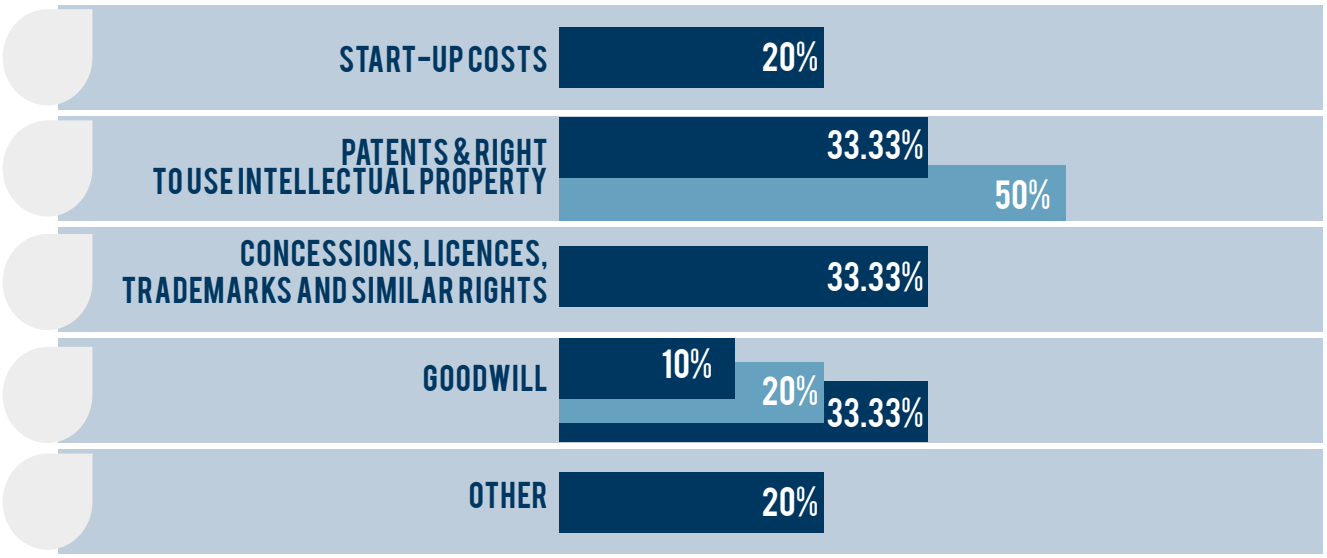
The consolidated financial statements were prepared in accordance with the general principles of clarity, truthfulness and fairness; specifically:

- valuation of the items of the financial statements was carried out in accordance with the general principles of prudence and economic competence in a prospective of on-going business;
- account was taken of the risks and losses relating to the year, even when such risks and losses became known after the end of the year;
- the statements refer exclusively to profits realised at the closing date of the financial year;
- income and expenses are considered to be relative to the year irrespective of the effective collection or payment dates;
- dissimilar components covered by single captions have been valued separately;
- the valuation principles are unchanged with respect to those utilised in the previous year;
- no exceptional cases occurred that justified a departure from the provisions of legislative enactments.

Specifically, the valuation criteria adopted in the preparation of the financial statements are as specified below.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are recorded at purchasing cost increased by ancillary expenses or, if the assets were internally constructed, on the basis of the costs sustained directly or indirectly, entered in respect of the attributable portion.
The cost, calculated as illustrated above, may be revaluated in certain cases if this action is permitted by the relative laws.
Intangible fixed assets were systematically amortised on the basis of the following rates:

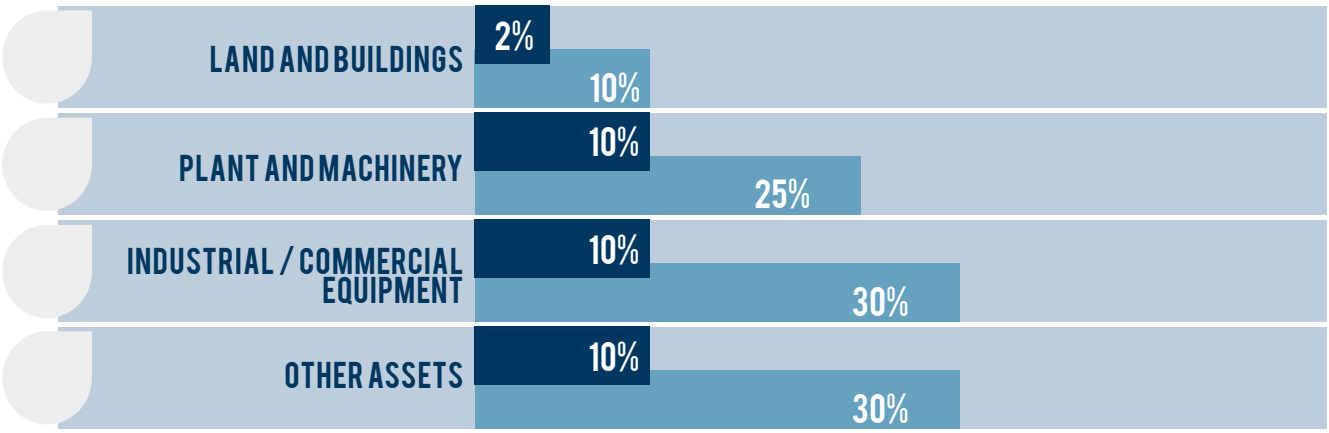


(*) or other specific rates tied, for example, to the term of the contracts to which the fixed assets refer

TANGIBLE FIXED ASSETS

Plant and equipment are recorded in the financial statement at purchasing cost or construction cost, inclusive of all directly connected ancillary expenses and adjusted in the event that specific laws allow assets value to be adapted to the changes occurred in the buying power of the currency .
The revaluation figure for an asset does not exceed the value actually attributable to it with reference to its likely economic use by the company or, if it does exceed this level, with reference to its sale value.
Assets acquired by means of leasing contracts are recorded in accordance with the requirements of international accounting standard IAS no. 17 which is, in turn, implemented by the accounting principle set down by the National Council of Chartered Accountants with reference to the consolidated financial statements. The financial method is therefore applied, involving the attribution of the historic cost of the relative goods under assets, recording of the debt

under liabilities, and entry of the relative financial expenses and depreciation amounts in the income statement.
Provisions made in lieu of depreciation are systematically allocated by the application of rates that are considered to accurately reflect the residual useful working life of the assets to which they refer.
Ordinary costs for maintenance and repair are treated as operating costs; while extraordinary costs that extend the useful life are added to the value of the asset.
The ordinary annual rates utilised for the depreciation of tangible assets are as follows:



EQUITY INVESTMENTS HELD AS FIXED ASSETS

The other investments are recorded at their purchase cost adjusted, when necessary, for lasting loss in value.

INVENTORIES

Inventories are valued in accordance with the general principle of the lower between purchasing cost and market value:

- raw materials are valued adopting the FIFO method;
- work in progress is valued according to the stage of completion reached on the basis of the cost of materials, labour, industrial depreciation and indirect production costs;
- semi-finished and finished products are valued adopting the FIFO method, on the basis of the cost of materials, labour, industrial depreciation and other production costs;
- obsolete or slow-moving materials and products are valued according to their estimated useful life or future market value, by means of an entry under write-down provisions.

Infra-group profits present within the inventories of the consolidated companies are eliminated.

RECEIVABLES

Receivables are entered at their presumed realisation value through direct write-down of bad debts and entry of write-down provisions.

CASH AT BANKS AND ON HAND

Cash at banks and on hand is entered at nominal value, considered to represent the presumed realisation value.

ACCRUALS AND DEFERMENTS

For multi-year transactions, accruals and deferments are calculated on a "pro tempore" basis, so as to enter the relevant cost and revenue portion shared by two or more years.
Specifically, accrued income and deferred charges refer to revenues and costs of the year, although formally recorded in the following year; prepaid expenses and deferred income refer to expenses and income materially occurred during the current year, but that relate to future years.

RESERVES FOR RISKS AND CHARGES

Reserves for risks and charges consider the provisions allocated to cover losses, or debts of a given nature and certain or probable existence, for which however the exact amount or contingency date was not known at year-end.
The allocations reflect the best possible estimation of the relative amounts based on available information.
Risks for which a liability is only possible and not certain are illustrated in the Notes to the financial statements, without allocating a specific risks and charges provision.

EMPLOYEES' SEVERANCE INDEMNITY RESERVE

The severance indemnity reserve is commensurate with the amounts payable to the employees on the workforce at the closing date of the year, in compliance with statutory legislation and the applicable collective employment contracts.

PAYABLES

Payables are entered at their nominal value with regard to the principal, while interest is entered under payables if already due, and under accruals, according to the accrual principle if not yet due.

COST AND REVENUE RECOGNITION

Sales revenues and purchasing costs are recognised at the time of transfer of ownership, which generally occurs at the time of shipment or at the time of receiving respectively, net of returns, discounts, allowances and premiums; the other revenues and costs (supplies of services, financial, etc.) are recorded in accordance with the accrual principle.
Costs and revenues arising between Group companies and infra-group dividends are eliminated.

TAXES

Income taxes are recorded based on the estimated tax burden for the year with reference to statutory tax regulations and taking account of exemptions and concessions applicable.
Deferred and pre-paid taxes are recorded to take account of the fiscal effects both in relation to items of income or costs that concur in forming the profit for the year other than the year in which they contribute to form the taxable income and in order to reflect the deferred fiscal effects relative to the consolidation adjustments.

CAPTIONS STATED IN FOREIGN CURRENCY

Transactions in foreign currency are converted into Euro at the historic exchange rates on the transaction dates. Exchange rate gains and losses incurred at the time of collection of receivables and settlement of payables in foreign currency are recorded in the income statement under financial income and expenses.
Receivables and payables existing at year-end expressed in currencies other than Euro were converted at the exchange rates effective at year-end, also considering existing hedging contracts.
The difference arising from these transactions (gain or loss) was verified and reflected in the income statement for the year, with the matching receivable or payable entry.
Specifically, with regard to captions in foreign currency for which forward contracts were taken out to hedge against the relative exchange risk, the following valuation principle was adopted:

- the difference generated between the value in Euro determined by the adoption of the historic exchange rate at the time of registration of the transaction and the amount in Euro determined on the basis of the contractual spot exchange rate established was entered in the income statement with a matching trade receivable or payable entry;
- the discount or premium involved in the transaction was recorded on an accrual basis with respect to its duration.

DERIVATIVES

Contracts taken out to cover exchange risks are valued consistent with the underlying financial transactions to which they refer.

Exchange rate or interest rate swap contracts that are not correlated to the receivables and/or payables entered at the reference date of the financial statements are valued separately. If, in relation to the separate valuation, losses are predicted, these are recognised in the income statement and reflected in a specific risks reserve; if the valuation points to the likelihood of profits, these are deferred to the moment of their effective realisation.

Derivative contracts are valued in the same manner as the hedged asset or liability or as the contractual undertaking assumed at the date of the financial statements. If the existence of a hedging relationship with the underlying financial transactions is not proven or insufficiently documented, a fair value assessment is made of said financial instruments and, also on the basis of this latter valuation, any possible latent losses are estimated, making a commensurate allocation to the risks and charges reserve.

COMMITMENTS AND GUARANTEES

Contractual commitments and guarantees are entered under commitments at the value resulting from the contractual undertaking after deducting any liabilities that have already been recorded.

SIGNIFICANT EVENTS OCCURRING AFTER THE CLOSING OF THE YEAR

Please refer to the Management Report for information about the significant events that occurred after the closing of the year.

COMMENTS ON THE SINGLE CAPTIONS OF THE FINANCIAL STATEMENTS

In the tables that follows, the column "consolidation area changes" reflects the balances at December 31st 2013 of the company "Tecnotrans Bonfiglioli Sa" that entered in the consolidation area Due to the acquisition of the majority of the company in 2014.

Balance sheet

Fixed assets

Intangible fixed assets

Description	Opening balance	Consolidation area changes	Increases	Decreases	Other changes	Closing balance
Historic cost						
Start-up costs	92	-	4	-	-	96
Patents & right to use intellectual property	18,633	-	420	(23)	5	19,035
Concessions, licences & trademarks	2,210	859	299	-	33	3,401
Consolidation differences	339	-	-	-	4	343
Assets in progress and advances	662	-	950	-	(44)	1,568
Other	7,975	-	745	(848)	(100)	7,772
TOTAL (A)	**29,911**	**859**	**2,418**	**(871)**	**(102)**	**32,215**
Accumulated amortisation						
Start-up costs	75	-	6	-	-	81
Patent & rights to use intellectual property	18,354	-	464	(11)	2	18,809
Concessions, licences & trademarks	1,961	584	254	-	26	2,825
Consolidation differences/Goodwill	185	-	136	-	1	322
Other	2,681	-	553	(549)	(285)	2,400
TOTAL (B)	**23,256**	**584**	**1,413**	**(560)**	**(256)**	**24,437**
Net values						
Start-up costs	17	-	(2)	-	-	15
Patents & right to use intellectual property	279	-	(44)	(12)	3	226
Concessions, licences & trademarks	249	275	45	0	7	576
Consolidation differences/Goodwill	154	-	(136)	0	3	21
Assets in progress and advances	662	-	950	-	(44)	1,568
Other	5,294	-	192	(299)	185	5,372
TOTAL (A-B)	**6,655**	**275**	**1,005**	**(311)**	**154**	**7,778**

The "other changes" column includes cancellations of the fully amortised items and the effect of the exchange rate fluctuation, as well as reclassifications made for a more homogeneous presentation of various items.

START-UP COSTS

These cover start-up costs and expenses incurred when amending the articles of association, were recorded in the financial statements with the consent of the Statutory Auditors.

PATENTS AND RIGHT TO USE INTELLECTUAL PROPERTIES

This caption includes deferred expenses sustained for the registration of industrial patents and the costs sustained for application software purchased outright and/or under open term license.
The increase in the year is mainly due to the purchase and implementation of software for IT resource planning of the companies.
In keeping with art.10 of Italian Law 72/83 the values resulting from monetary revaluation are indicated below:

Description	Rev. L. 342/2000
Patents and right to use intellectual property	5,547
TOTAL (A)	5,547

This revaluation had no effect on the income statement for the year since it had already been fully amortised.

CONCESSIONS, LICENCES AND TRADEMARKS

In the most part these costs are constituted by trademark registration charges.

GOODWILL

The value recorded stems to goodwill paid to thirds, recorded in the financial statement with the consent of the Statutory Auditors, namely:

Company	Goodwill	Amortisation
Bonfiglioli Renewable Power Conversion India Pvt Ltd	21	33.33%
TOTAL	21	

The variation of the year consists of amortization of consolidation differences involving the subsidiaries "Bonfiglioli Vectron GmbH" and "Bonfiglioli Redutores do Brasil Ltda" together with the devaluation of consolidation differences pertaining to the subsidiary "Bonfiglioli Redutores do Brasil Ltda" for impairment.

ASSETS IN PROGRESS AND ADVANCES

The increase in the year is tied, for K€ 716, to the Research & Development project "SMART GEARBOX" – co-financed by Trentino (Italian region) that "Bonfiglioli Mechatronic Research SpA" continue for the realization of high efficiency mechatronic systems.

OTHER

In the most part these costs are composed of maintenance increases in the value of third parties assets.

TANGIBLE FIXED ASSETS

Description	Opening balance	Consolidation area changes	Increases	Decreases	Other changes	Closing balance
Historic cost						
Land and buildings	135,214	2,337	492	(1,069)	(6,146)	130,828
Plant and machinery	190,233	756	4,207	(3,209)	3,182	195,169
Industrial and commercial equipment	75,883	1,052	8,579	(2,816)	1,163	83,861
Other assets	20,755	782	1,534	(1,632)	976	22,415
Assets in progress and advances	3,009	-	7,962	(1,255)	(528)	9,188
TOTAL (A)	**425,094**	**4,927**	**22,774**	**(9,981)**	**(1,353)**	**441,461**
Accumulated depreciation						
Land and buildings	23,925	712	3,077	(75)	(2,704)	24,935
Plant and machinery	155,503	590	10,080	(2,864)	1,638	164,947
Industrial and commercial equipment	64,357	907	5,353	(2,534)	382	68,465
Other assets	16,518	712	1,625	(1,313)	767	18,309
TOTAL (B)	**260,303**	**2,921**	**20,135**	**(6,786)**	**83**	**276,656**
Net values						
Land and buildings	111,289	1,625	(2,585)	(994)	(3,442)	105,893
Plant and machinery	34,730	166	(5,873)	(345)	1,544	30,222
Industrial and commercial equipment	11,526	145	3,226	(282)	781	15,396
Other assets	4,237	70	(91)	(319)	209	4,106
Assets in progress and advances	3,009	-	7,962	(1,255)	(528)	9,188
TOTAL (A-B)	**164,791**	**2,006**	**2,639**	**(3,195)**	**(1,436)**	**164,805**

The column "other changes" includes exchange rate differences and reclassification of individual captions made for a more homogeneous presentation of various items. In particular with reference to the item "Land and Buildings" the column "other changes" includes value adjustments of buildings pertaining to the company "Bonfiglioli Riduttori SpA" effected releasing former IAS 17 revaluation (1.7 M€) as well as the direct devaluation (3 M€) that has been necessary to align the net book value with market value.

For an analysis of the investments made during the year we refer you to the Management report.

Within the meaning and for the purposes envisaged in article 10 of Italian Law no. 72/83 and subsequent amendments and additions thereto, an indication is provided of assets still recognised in equity for which monetary revaluation has been carried out, specifying the relative net amounts:

Description	Rev. L. 72/83	Rev. L. 413/91	Rev. L. 342/2000	Rev. L. 2/2009	Other	Total
Land and buildings	406	2,264	-	43,173	686	46,529
Plant and machinery	240	-	15,177	-	155	15,572
Industrial / commercial equipment	153	-	-	-	-	153
Other assets	19	-	-	-	-	19
TOTAL	**818**	**2,264**	**15,177**	**43,173**	**841**	**62,273**

It is clarified that the revaluation pursuant to Italian Law 2/2009 has led to a K€ 312 increase in depreciation on the 2014 income statement.

FINANCIAL FIXED ASSETS

INVESTMENTS

The following table provides a breakdown of the "Investments" item and the changes that occurred during the year:

Description	Opening balance	Increases	Decreases	Other changes	Closing balance
Investments					
in associated companies	2,706	-	-	(2,706)	-
in other companies	56	1	-	-	57
TOTAL	2,762	1	-	(2,706)	57

The variation in "Investments in associated companies" refers to the above said consolidation area changes that entailed the integral consolidation of the company "Tecnotrans Bonfiglioli Sa", previously valued using the Net Equity Method. The variation of the "Investments in other companies" pertains to the increase of other investments of the Parent Company.

RECEIVABLES FROM OTHERS

The breakdown and the changes during the year are given below:

	31/12/2014	31/12/2013	Changes
Receivables from others			
Due within 12 months	1,248	-	1,248
TOTAL	1,248	-	1,248

The item "Receivables from others" refers to advances paid by Parent Company for Share Investments acquisition performed in a company operating in the electromobility field, in order to increase the range of products and of solutions offered by the Business Unit MWS. For more details reference to consolidated Management Report is made.

WORKING CAPITAL

INVENTORY

A breakdown is given below:

	31/12/2014	31/12/2013	Changes
Raw materials, supplies and consumables	24,772	27,064	(2,292)
Work in progress and semi-finished goods	60,794	54,669	6,125
Finished goods and goods for resale	102,494	79,459	23,035
Advances	269	120	149
TOTAL	**188,329**	**161,312**	**27,017**

The foregoing amounts are net of obsolescence reserve, made up as follows:

	31/12/2014	31/12/2013	Changes
Raw and consumable materials	7,527	7,365	162
Semi-finished products	12,610	10,602	2,008
Finished goods and goods for resale	12,296	9,748	2,548
TOTAL	**32,433**	**27,715**	**4,718**

Changes in the obsolescence provision are shown below:

	2014	2013
Opening value	27,715	28,750
Increases	4,307	3,550
Decreases	(2,633)	(3,522)
Consolidation area changes	535	-
Other changes	2,509	(1,063)
CLOSING VALUE	**32,433**	**27,715**

The increase in inventories generated in 2014 is partially due to the inventory of the company "Tecnotrans Bonfiglioli Sa" entered into the consolidation area (6.6 M€) and to the physiological increase responding to the sales volume increase. Considering rotation index, it worsened increasing from 95 at 2013 yearend to 105 average days at the end of 2014.

RECEIVABLES

TRADE RECEIVABLES

A breakdown is given below:

	31/12/2014	31/12/2013	Changes
Trade receivables from customers	190,511	174,565	15,946
Receivables from associated companies	-	6,809	(6,809)
(minus) Bad debt reserve	(19,952)	(17,145)	(2,807)
TOTALE	**170,559**	**164,229**	**6,330**

The variation occurred in item "Receivables from associated companies" is wholly connected with the trade receivables versus "Tecnotrans Bonfiglioli Sa", in 2013 classified in this item.
The trend of trade receivables improves the average rotation on sales from 96 to 94 days, due to focused collection actions by some subsidiaries.
Receivables from customers are recorded net of provision for bad debts, a breakdown of movements occurred during the year is given below:

	2014	2013
Opening value	17,145	15,493
Provisions	3,014	3,290
Applications	(2,011)	(940)
Consolidation area changes	1,992	-
Other changes	(188)	(698)
Closing value	**19,952**	**17,145**

Breakdown of trade receivables by geographical area:

	2014	2013
Italy	41,086	44,959
Europe	51,526	44,117
Overseas	77,947	75,153
TOTAL	**170,559**	**164,229**

OTHER RECEIVABLES

A breakdown is given below:

	31/12/2014	31/12/2013	Changes
Tax receivables	14,333	13,649	684
Deferred Tax assets	31,766	31,704	62
Receivables from others	6,731	6,161	570
TOTAL	**52,830**	**51,514**	**1,316**

Tax receivables can be broken down as follows:

	2014	2013
Short-term receivables		
VAT credits	6,505	5,850
Direct Tax Receivables	1,223	817
Other	467	929
Total short-term tax credits	**8,195**	**7,596**
Mid-long-term receivables		
VAT refunds	4,749	4,660
Direct tax refunds	1,343	1,393
Other	46	-
Total mid-long-term tax credits	**6,138**	**6,053**
TOTAL	**14,333**	**13,649**

The increase in short-term VAT receivables is given by VAT receivables cumulated by the Indian companies (CENVAT) partially offset by Parent Company receivables that have been reimbursed during the year.
Direct Tax receivable shows exceeding advance settlements in respect with the due taxes calculated at the end of the year.
Other tax receivables mainly refers to receivables booked by the Vietnamese subsidiary for customs that will be set off during the following year.
Direct Tax refunds shows the receivable booked by the Parent Company and "Bonfiglioli Italia S.p.A." for income tax reimbursement due to higher IRAP deductions recognized for 2007-2011 fiscal years as per Italian Law Decree no. 201/2011 and that should be refunded within next five years.
The VAT refunds under mid-long-term receivables entry is connected to the VAT receivable in favour of the Indian branch, which is to be refunded over the next five years.

Changes in Deferred tax assets are as follows:

	2014	2013
Opening balance	31,704	32,486
Consolidation area changes	2,366	-
Provisions	7,546	5,243
Applications	(10,412)	(5,668)
Other changes	562	(357)
Closing Balance	**31,766**	**31,704**

Other receivables can be broken down as follows:

	2014	2013
Short-term receivables		
Receivables from employees	577	41
Advances to suppliers for services	1,671	1,088
Receivables from social security institutions	607	847
Insurance refunds	183	-
Currency exchange gains	-	701
Other	329	234
TOTAL OTHER SHORT-TERM RECEIVABLES	**3,367**	**2,911**
Mid-long-term receivables		
Receivables for pensions fund insurance	2,913	2,760
Guarantee deposits	451	490
Total other mid-long-term receivables	**3,364**	**3,250**
TOTAL	**6,731**	**6,161**

The increase in receivables from employees is mainly connected with the change of the management of the Credit Cards given to employees by the Parent company that led to a substantial settlement at yearend to cover the new nominative "prepaid" cards not yet used.
The increase in receivables for advance to suppliers is mainly connected with the dynamics of payment of the Parent Company and advance for customs.
The decrease in receivables from social security institutions is due to lower advances connected with utilisation of Government support for occupation (CIGS) in Parent Company.
There are no receivables due in a period beyond five years.

CASH AT BANKS AND ON HAND

	31/12/2014	31/12/2013	Changes
Bank and post office deposits	26,417	62,864	(36,447)
Cash and cash equivalents	52	55	(3)
TOTAL	**26,469**	**62,919**	**(36,450)**

For a comprehensive evaluation of the change in the Group net cash position we invite you to refer to the section in which the company's debts are analysed and to the cash-flow statement.

PREPAID EXPENSENS AND ACCRUED INCOME

	31/12/2014	31/12/2013	Changes
TOTAL	2,913	1,723	1,190

Breakdown:

	2014	2013
Advertising	285	178
Insurance policies	144	242
Bank commissions re-scheduling	1,551	723
Hire charges and rentals	97	184
Other	836	396
TOTAL	2,913	1,723

SHAREHOLDERS' EQUITY

At 31/12/2014 the overall share capital of € 30,000,000 was represented by 30,000,000 ordinary shares with par value of € 1 each.

RECONCILIATION STATEMENT BETWEEN NET EQUITY AND INCOME FOR THE YEAR AT 31ST DECEMBER 2014 OF PARENT COMPANY BONFIGLIOLI RIDUTTORI S.P.A.

	Result for the year	Shareholders' equity
BONFIGLIOLI RIDUTTORI S.P.A. STATUTORY FINANCIAL STATEMENT	(4.249)	158.417
Accounting of the shareholders' equity and results of consolidated and associated equity investments to replace book value in the financial statement of the Parent company, net of infra-group dividends	10,062	100,039
Shareholders' equity and profit attributable to minority interests	(573)	(8,422)
Elimination of infragroup profits on stock	180	(23,193)
Reversal of infragroup contribution	262	(919)
Leasing agreements recorded using financial method	(95)	5,636
Other	88	55
CONSOLIDATED GROUP FINANCIAL STATEMENT	5,675	231,613

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS AT 31ST DECEMBER 2014

	Share capital	Legal reserve	Revaluation reserve	
BALANCE AS AT 31/12/2011	**30,000**	**4,240**	**60,195**	
Allocation of 2011 profit	-	-	-	
Currency conversion differences	-	-	-	
Other changes	-	-	-	
Net income (Loss) of the Group for 2012	-	-	-	
BALANCE AS AT 31/12/2012	**30,000**	**4,240**	**60,195**	
Allocation of 2012 profit	-	-	-	
Currency conversion differences	-	-	-	
Other changes	-	-	-	
Net income (Loss) of the Group for 2013	-	-	-	
BALANCE AS AT 31/12/2013	**30,000**	**4,240**	**60,195**	
Allocation of 2013 profit		-	-	
Currency conversion differences	-	-	-	
Other changes	-	-	-	
Net income (Loss) of the Group for 2014	-	-	-	
BALANCE AS AT 31/12/2014	**30,000**	**4,240**	**60,195**	

The change in the currency conversion provision is mainly due to the strengthening of all the major currencies against the Euro.

The change in profits and losses carried forward is mainly due (M€ 1.3) to the change in the IAS 17 value of the buildings, as mentioned in the section dedicated to the tangible fixed assets.

	Other reserves			Retained earnings carried forward	Net income (Net loss)	Total
	Consolidation reserve	Currency conversion reserve	Other			
	16,965	**(289)**	**60,120**	**38,372**	**11,796**	**221,399**
	-	-	(1,118)	12,914	(11,796)	-
	-	(1,776)	-	-	-	(1,776)
	-	-	-	(35)	-	(35)
	-	-	-	-	1,332	1,332
	16,965	**(2,065)**	**59,002**	**51,251**	**1,332**	**220,920**
	-	-	(1,967)	3,299	(1,332)	-
	-	(7,203)	-	-	-	(7,203)
	-	-	-	(16)	-	(16)
	-	-	-	-	4,371	4,371
	16,965	**(9,268)**	**57,035**	**54,534**	**4,371**	**218,072**
	-	-	(6,623)	10,994	(4,371)	-
	-	9,186	-	-	-	9,186
	-	-	-	(1,320)	-	(1,320)
	-	-	-	-	5,675	5,675
	16,965	**(82)**	**50,412**	**64,208**	**5,675**	**231,613**

MINORITY INTERESTS

	Minority profit/loss	Minority capital and reserves	Minority Interests
BALANCE AS AT 31/12/2013	**871**	**7,867**	**8,738**
Allocation of net income for 2013	(871)	871	-
Distribution of dividends	-	(686)	(686)
Currency conversion differences	-	99	99
Consolidation area changes (Tecnotrans)	-	370	370
Acquisitions by the Group	-	(639)	(639)
Other changes	-	(33)	(33)
Net income for 2014 attributable to minority interests	573	-	573
BALANCE AS AT 31/12/2014	**573**	**7,849**	**8,422**

The caption originates from the attribution to minority shareholders of the portion of shareholders' equity and net income deriving from the full consolidation of the following companies:

Company	2014			2013		
	Profit	Capital and reserves	Total	Profit	Capital and reserves	Total
Bonfiglioli Power Transmission Pty Ltd (*)	639	2,364	3,003	885	2,697	3,582
Bonfiglioli Do Brasil Ltda	-	-	-	(46)	50	4
Bonfiglioli Vietnam Ltd	-	1,337	1,337	-	1,337	1,337
Bonfiglioli Drives Shanghai Co. Ltd. (**)	-	3,759	3,759	38	3,765	3,803
Bonfiglioli Renewable Power Conversion India	(4)	19	15	(6)	18	12
Tecnotrans Bonfiglioli S.a.	(62)	370	308	-	-	-
TOTAL	**573**	**7,849**	**8,422**	**871**	**7,867**	**8,738**

(*) also includes the results recorded by Bonfiglioli South Africa Pty Ltd.

(**) also includes the results recorded by Bonfiglioli Trading Shanghai Co. Ltd.

RESERVES FOR RISKS AND CHARGES

	31/12/2014	31/12/2013	Changes
Termination indemnity and similar liabilities	1,353	1,319	34
Deferred Tax Liabilities	7,506	9,305	(1,799)
Other Reserves	21,668	17,928	3,740
TOTAL	**30,527**	**28,552**	**1,975**

TERMINATION INDEMNITY AND SIMILAR LIABILITIES

This is the sales agents' indemnity reserve, which saw the following changes during the year:

	2014	2013
Opening value	1,319	1,485
Provisions	78	46
Applications	(44)	(212)
CLOSING VALUE	**1,353**	**1,319**

DEFERRED TAX LIABILITIES

With reference to the deferred tax liabilities, changes in the year are broken down as follows:

	2014	2013
Opening value	9,305	10,381
Provision for deferred taxation	1,022	1,032
Applications/releases	(2,621)	(1,936)
Other changes	(200)	(172)
CLOSING VALUE	**7,506**	**9,305**

OTHER RESERVES FOR RISKS AND CHARGES

This caption can be broken down as follows:

Description	Opening balance	Consolidation area changes	Provisions	Applications	Other changes	Balance closing
Product warranties	10,911	25	5,921	(2,166)	161	14,852
Legal risks	799	-	222	(405)	50	666
Other	6,218	-	2,006	(2,385)	311	6,150
TOTAL	**17,928**	**25**	**8,149**	**(4,956)**	**522**	**21,668**

Warranty reserve increase is consequent to the adjustment of the value to the actual warranty exposure level.
The Legal risks fund variation is due to regularization of the matters for which the funds were set up in the Parent company and in the German subsidiary.
The item "Other" mainly includes:

- restructuring fund set up by the Parent Company for total M€ 4.5, by the Italian subsidiary "Bonfiglioli Italia SpA" for M€ 0.5 and by Spanish subsidiary "Tecnotrans Bonfiglioli S.a" for M€ 0.2;
- losses on returned goods fund of the Parent Company of M€ 0.5
- future losses fund arise at the time of first full consolidation of the subsidiary "Tecnotrans Bonfiglioli Sa" for M€ 0.3.

The variation of the year mainly refers to the dynamics of "Restructuring fund" by the Parent Company.

EMPLOYEES' SEVERANCE INDEMNITY RESERVE

Changes in the severance indemnity fund in 2014 were as follows:

	2014	2013
Opening balance	15,429	15,745
Provisions	4,318	4,104
Applications	(4,666)	(4,529)
Other changes	167	109
CLOSING BALANCE	**15,248**	**15,429**

The number of employees in the workforce during the year was as follows (spot and average data):

	31/12/2014	31/12/2013	2014 average	2013 average
Executives and managers	195	180	192	173
White collar and middle management	1,552	1,363	1,469	1,363
Direct and indirect blue collar	1,547	1,647	1,626	1,645
Temporary staff	184	145	310	122
TOTAL	**3,478**	**3,335**	**3,597**	**3,303**

PAYABLES

BONDS

	31/12/2014	31/12/2013	Changes
Bonds	2,750	2,750	-

This item shows the debenture loan issued by the Parent Company on 8 September 2005 renewed at maturing date on 30 June 2027, which is liable to interest at an annual rate of 1.63%, The foregoing loan, issued for a total of K€ 3,750, is recorded in the financial statements as at the end of 2014 for K€ 2,750. The remaining debt recorded is due for K€ 875 over the following year and for K€ 1,875 after five years.
During 2014 no changes occurred.

FINANCIAL BORROWINGS

	31/12/2014	31/12/2013	Changes
Overdraft, financing < 12 months	51,655	59,709	(8,054)
Financing > 12 months	83,125	108,917	(25,792)
TOTAL DUE TO BANKS	**134,780**	**168,626**	**(33,846)**
Amounts due to other financial institutions	9,970	10,142	(172)
Bonds	2,750	2,750	-
(minus) Cash at banks and on hand	(26,469)	(62,919)	36,450
NET CASH POSITION	**121,031**	**118,599**	**2,432**

The caption Due to other financial institutions includes both the medium/long-term loans received from institutions other than banks (Ministry of Industry pursuant to Law 46 – SIMEST Law 394) and also the residual portions of capital of leasing contracts recorded in accordance with accounting standard IAS no. 17. The figure is recorded at face value with regard to the principal, whilst the interests due at the end of the year are recorded on an accrual basis.

Changes occurring during the year with reference to bank loans with a term of over 12 months and amounts due to other financial institutions are detailed in the following table:

Company	Balance as at 31/12/2013	Consolidation area changes	Amounts loaned	
Financing with term > 12 months				
Bonfiglioli Riduttori SpA	93,977	-	65,000	
Bonfiglioli Trans. (Aust.) Pty Ltd	1,401	-	-	
Bonfiglioli Deutschland GmbH	3,967	-	-	
Bonfiglioli Transmission France Sa	476	-	-	
Bonfiglioli Transmission PVT LTD	2,169	-	4,123	
Bonfiglioli Drives (Shanghai) Co. Ltd	-	-	3,660	
Bonfiglioli Slovakia Sro	3,300	-	-	
Bonfiglioli Power Transmission JSC	2,036	-	-	
Bonfiglioli Vietnam Ltd	81	-	377	
Bonfiglioli USA Inc.	1,480	-	-	
Bonfiglioli Redutores do Brasil Ltda	30	-	-	
Tecnotrans Bonfiglioli SA	-	802	-	
TOTAL FINANCING WITH TERM > 12 MONTHS	**108,917**	**802**	**73,160**	

Amounts due to other financial institutions				
Bonfiglioli Riduttori Spa	8,594	-	180	
Bonfiglioli Transmission PVT Ltd	1,218	-	-	
Bonfiglioli USA Inc.	196	-	1,268	
Bonfiglioli Deutschland GmbH	134	-	-	
Bonfiglioli Renewable Power Conversion India Pvt	-	-	68	
TOTAL DUE TO OTHER FINANCIAL INSTITUTIONS	**10,142**		**1,516**	

	Amounts repaid	Exchange rate delta	Balance as at 31/12/2014	Within 12 months	Beyond 12 months	Beyond 5 years	Guarantees
	(91,625)	-	67,352	14,352	39,000	14,000	
	(1,401)	-	-	-	-	-	(*)
	(360)	-	3,607	380	1,743	1,484	(*)(**)
	(476)	-	-	-	-	-	(*)
	(768)	158	5,682	5,084	598	-	(***)
	(79)	(9)	3,572	128	3,444	-	
	(1,532)	-	1,768	872	896	-	(*)
	(2,036)	-	-	-	-	-	(*)
	-	10	468	468	-	-	(*)
	(1,480)	-	-	-	-	-	(***)
	(15)	-	15	15	-	-	
	(141)	-	661	137	524	-	
	(99,913)	**159**	**83,125**	**21,436**	**46,205**	**15,484**	
	(1,362)	-	7,412	2,011	3,407	1,994	
	(309)	103	1,012	491	521	-	
	(23)	23	1,464	290	1,174	-	
	(106)	-	28	28	-	-	
	(13)	(1)	54	14	40	-	
	(1,813)	**125**	**9,970**	**2,834**	**5,142**	**1,994**	

(*) Parent Company Sureties

(**) Loan secured by pledge on owned factory premises

(***) Credit lines (short- and M/L-term) secured by pledge on assets of the company

TRADE PAYABLES

	31/12/2014	31/12/2013	Changes
Advances	2,994	3,440	(446)
Trade payables due to suppliers	147,417	131,149	16,268
Amounts due to associated companies	-	1,786	(1,786)
TOTAL	**150,411**	**136,375**	**14,037**

Breakdown of trade payables by geographical area:

	2014	2013
Italy	105,669	102,080
Europe	11,896	11,742
Overseas	32,846	22,553
TOTAL	**150,411**	**136,375**

OTHER PAYABLES

	31/12/2014	31/12/2013	Changes
Tax payables	3,527	3,435	92
Amounts due to social security	7,299	6,670	629
Other payables	19,945	16,364	3,581
TOTAL	**30,771**	**26,469**	**4,302**

The following table provides a breakdown of the "Tax payables"

	2014	2013
Short-term tax payables		
Employees' taxes	2,733	2,869
Withholding tax	522	248
Other	272	318
TOTAL	**3,527**	**3,435**

The following table provides a breakdown of the "Other payables":

	2014	2013
Other short-term payables		
Amounts due to employees	15,906	13,987
Right to use land - Vietnam	149	250
Payables for purchasing investments	1,135	-
Currency exchange losses	153	-
Other	673	970
Total other short-term payables	**18,016**	**15,207**
Other mid/long-term payables		
Right to use land - Vietnam	227	249
Amounts due to employees	96	83
Payables for purchasing investments	740	-
Other	866	825
Total other mid-long-term payables	**1,929**	**1,157**
TOTAL	**19,945**	**16,364**

The "payables for investments purchase" caption is the balance figure of the Parent company for the purchase of investments occurred during the year. The amounts due over the following year entail the purchase of the company "Tecnotrans Bonfiglioli Sa" above said.
It is noted that amongst the mid-long term caption "Other" it is booked an advance disbursed by APIAE (a Trentino Regional authority) following the approval of the R&D Project of the subsidiary "Bonfiglioli Mechatronic Research SpA" and related with the achieved pre-requirements.

ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2014	31/12/2013	Changes
TOTAL	**496**	**752**	**(256)**

Breakdown:

	2014	2013
Interest payable on loans	168	348
Insurance policies	-	2
Exchange rate fluctuations	-	57
Contribution of capital	119	225
Other	209	120
TOTAL	**496**	**752**

The decreases in the year are mostly attributable to the interests on loans booked by the Parent Company.

MEMORANDUM ACCOUNTS

The following memorandum accounts are included at the foot of the balance sheet:

	31/12/2014	31/12/2013	Changes
TOTAL	12,996	12,777	219

Guarantees granted by third parties refer to sureties or primary request guarantees issued from Credit institution on contractual undertakings or debts beard by Bonfiglioli. To this M€ 5.1 is added, representing commitments for the acquisition of shares (respectively Vietnam for M€ 1.3 and China for M€ 3.8) taken up by the Parent company.
The variation of the year is due to the variation of the undertakings and debts, and, consequently of the related guarantees.

INCOME STATEMENT

NET REVENUES FROM SALES AND SERVICES

	31/12/2014	31/12/2013	Changes
TOTAL	653,936	613,842	40,094

Sales were made in the following geographic areas:

Values in M€	2014	%	2013	%
Italy	115.0	17.6	105.5	17.2
Europe	246.3	37.7	224.7	36.6
Overseas	292.6	44.7	283.6	46.2
TOTAL	653.9	100.0	613.8	100.0

For more details on the trend of the Group, we refer you to the Management report.

ASSETS INCREASE FOR INTERNAL WORKS

This caption reflects the increase for intangible assets concerning specifically Research & Development project started in June 2012 in the Company "Bonfiglioli Mechatronic Research S.p.A." dedicated to new generation mechatronic products.

OTHER REVENUES AND INCOME

	31/12/2014	31/12/2013	Changes
TOTAL	10,406	9,446	960

This item can be broken down as follows:

	2014	2013
Refund for packaging and transport costs	2,251	2,221
Refunds for defective processing/material	700	535
Sales and minor services	4,677	4,010
Capital gains and contingent assets	1,394	846
Capital contribution	359	1,063
Other	1,025	771
TOTAL	10,406	9,446

The variation occurred in capital contribution is wholly connected to minor R&S contribution received by the Parent company.

COSTS FOR RAW MATERIALS, SUPPLIES, CONSUMABLES AND GOODS FOR RESALE

	31/12/2014	31/12/2013	Changes
TOTAL	373,872	348,800	25,072

COSTS FOR SERVICES

	31/12/2014	31/12/2013	Changes
TOTAL	103,251	90,298	12,953

This caption includes outsourced processes in the amount of K€ 26,162 (K€ 21,953 in 2013), costs for commission, transport, advertising and other commercial services, remuneration of the Board of Directors and auditing bodies, insurance policies, consultancy, bank charges, electrical power, external labour, logistics and security services, travel expenses and other minor items.

COSTS FOR USE OF THIRD PARTY ASSETS

	31/12/2014	31/12/2013	Changes
TOTAL	6,918	6,726	192

This item mainly concerns the lease of IT systems, motor vehicles, rentals for the lease of plants and external depots and royalties paid to third parties.

PERSONNEL COSTS

	31/12/2014	31/12/2013	Changes
Salaries and wages	99,635	91,083	8,552
Social security contributions	26,835	24,903	1,932
Employees severance indemnity	4,318	4,104	214
Other costs	25	-	25
TOTAL	130,813	120,090	10,723

DEPRECIATION, AMORTISATION AND WRITE-DOWNS

	31/12/2014	31/12/2013	Changes
Amortisation of intangible fixed assets	1,347	1,531	(184)
Depreciation of tangible fixed assets	20,135	21,409	(1,274)
Fixed Assets write-downs	66	-	66
Bad debts provision	3,014	3,290	(276)
TOTAL	**24,562**	**26,230**	**(1,668)**

OTHER PROVISIONS

	31/12/2014	31/12/2013	Changes
TOTAL	**6,143**	**1,173**	**4,970**

Mainly reflects allocations made in the year to product warranty provisions.

OTHER OPERATING EXPENSES

	31/12/2014	31/12/2013	Changes
TOTAL	**3,973**	**4,462**	**(489)**

This caption is a residual item and it includes expenses and charges that cannot be classified under the previous headings. It relates to local duties, general production, commercial, and minor administrative expenses, capital losses of an ordinary nature, and other minor items.

INCOME FROM INVESTMENTS

	31/12/2014	31/12/2013	Changes
TOTAL	**3**	**-**	**3**

This caption includes the incomes of the Parent company following the liquidation of the company "Overmotion Srl".

INTEREST RECEIVABLE AND FINANCIAL INCOME

	31/12/2014	31/12/2013	Changes
TOTAL	**1,366**	**1,577**	**(211)**

This caption can be broken down as follows:

	2014	2013
Interest receivable from associated companies	-	98
Bank interest receivable	562	801
Leasing rentals indexation	106	142
Cash discounts received	188	279
Commercial and other interest receivable	510	257
TOTAL	**1,366**	**1,577**

INTEREST PAYABLE AND FINANCIAL EXPENSES

	31/12/2014	31/12/2013	Changes
TOTAL	**11,773**	**10,781**	**992**

This caption can be broken down as follows:

	2014	2013
Interest on amounts due to banks	2,724	2,317
Interest payable on loans	6,923	5,603
Interest payable on leasing/business contracts	411	411
Interest payable on bonds	45	45
Premiums and expenses on derivatives (IRS and forward contracts)	966	1,589
Cash discounts distributed	589	600
Other	115	216
TOTAL	**11,773**	**10,781**

EXCHANGE RATE GAINS (LOSSES)

	31/12/2014	31/12/2013	Changes
TOTAL	**2,856**	**(1,910)**	**4,766**

This amount can be broken down as follows:

	2014	2013
Currency exchange gains	10,984	15,042
Currency exchange losses	(8,128)	(16,952)
TOTAL	**2,856**	**(1,910)**

ADJUSTMENTS OF FINANCIAL ASSETS

	31/12/2014	31/12/2013	Changes
TOTAL	-	16	(16)

The item was entirely referred to the share of result of the associated company "Tecnotrans Bonfiglioli SA" evaluated until 31/12/2013 with the Net Equity method.

EXTRAORDINARY INCOME AND EXPENSES

	31/12/2014	31/12/2013	Changes
NET TOTAL	(4,121)	(1,882)	(2,239)

This caption includes, in particular, the following items:

	2013	2012
Insurance refunds	9	-
Tax refunds from past years	629	45
Funds reversal	1,808	-
Contingent assets	658	165
Contingent liabilities	(1,976)	(155)
Taxes from past years	(138)	(46)
Capital losses on assets	(424)	-
Buildings write-down	(3,000)	(217)
Provision to funds	(1,687)	(1,674)
TOTAL	(4,121)	(1,882)

INCOME TAXES

	31/12/2014	31/12/2013	Changes
Current taxes	(8,534)	(8,263)	271
Deferred taxes	1,599	904	695
Prepaid taxes	(2,866)	(425)	(3,603)
TOTAL	(9,801)	(7,784)	(2,017)

FURTHER INFORMATION

In order to complete the information required by article 38 of Italian Legislative Decree 127/1991 and other provisions of the Italian Civil Code, the following further information is set out below:

REMUNERATION PAID TO DIRECTORS AND STATUTORY AUDITORS

During the year the following amounts were paid out as remuneration to Group Directors and auditing bodies:

	2014	2013
Directors	976	921
Auditors	760	627
TOTAL	1,736	1,548

OPERATIONS WITH RELATED PARTIES

The Group has business relations with B.R.T. S.p.A., owned by shareholders and Directors of Bonfiglioli Riduttori S.p.A..
The company B.R.T. S.p.A. supplies spare parts in Italy on behalf of Bonfiglioli Riduttori S.p.A, and, partly, abroad.
The business relations relate to the sale of Bonfiglioli components and products under normal market conditions and, taken as a whole, do not account for significant figures, considering the size of the Group.
Please also note that B.R.T. S.p.A. rents a factory to Bonfiglioli Riduttori S.p.A., under normal market conditions.

DERIVATIVE FINANCIAL INSTRUMENTS

DERIVATIVES

In the drive to hedge financial risks, the Group has entered into the following derivative contracts:

Underlying	Interest rates and debt instruments			Exchange rates		
Type of transaction						
	NOTIONAL VALUE	FAIR VALUE		NOTIONAL VALUE	FAIR VALUE	
		Pos.	Neg		Pos.	Neg
Unlisted financial derivatives						
- Forward contracts						
Sale of USD				8.7 MUSD		323 K€
Sale of GBP				2.4 MGBP	38 K€	
Sale of AUD				4.1 MAUD	54 K€	
Purchase of JPY				1.213 MJPY	211 K€	
Purchase of USD				0.5 MUSD	22 K€	
Purchase of EUR				13.4 MEUR	293 K€	
IRS	26.5 MEUR		146 K€			
COLLAR	16.1 MEUR		63 K€			

The above mentioned hedging transactions relate exclusively to ordinary non-speculative hedging management operations carried out by the Parent Company, the Chinese and Indian subsidiaries.

Calderara di Reno (Bo), March 27th, 2015

for THE BOARD OF DIRECTORS

THE CHAIRMAN

Sonia Bonfiglioli

CONSOLIDATED CASH-FLOW STATEMENT

(in K€)

	2014 (*)	2013
A. OPENING NET CASH POSITION	**(118,599)**	**(137,236)**
B. OPERATING ACTIVITIES		
Net income of the group	5,675	4,371
Minority interest income	573	871
Depreciation, amortisation and write-downs	27,562	26,416
Provision for funds	6,143	1,173
Associated companies' result	-	(16)
Tax provision	9,801	7,784
FIRST LEVEL CASH FLOW	**49,754**	**40,599**
Decrease (Increase) in Trade Receivables	(25)	(25,027)
Decrease (Increase) in INVENTORY	(22,492)	7,971
Decrease (Increase) in other ASSETS	(2,973)	3,562
Decrease (Increase) in TRADE PAYABLES	7,092	18,543
Decrease (Increase) in other LIABILITIES	4,451	(3,286)
(Utilization) of funds	(4,046)	(2,490)
Tax payments	(8,619)	(3,119)
B. CASH FLOW ORIGINATING FROM (USED FOR) OPERATING ACTIVITIES	**23,142**	**36,753**
C. INVESTING ACTIVITIES		
Net investments in tangible and intangible fixed assets	(21,414)	(14,574)
(Increase) in share investments and other financial fixed assets	(1,249)	-
Tecnotrans Bonfiglioli Sa aggregation	(7,570)	-
C. CASH FLOW ORIGINATING FROM (USED FOR) INVESTING ACTIVITIES	**(30,233)**	**(14,574)**
D. FINANCING ACTIVITIES		
Change in minority interests	(889)	(1,252)
Net effect of exchange rate change	9,186	(7,203)
Exchange rate (gains) losses fixed assets	(3,672)	4,929
Other minor changes	34	(16)
D. CASH FLOW ORIGINATING FROM (USED FOR) FINANCING ACTIVITIES	**4,659**	**(3,542)**
E. CASH FLOW FOR THE YEAR (B+C+D)	**(2,432)**	**18,637**
F. CLOSING NET CASH POSITION (A+E)	**(121,031)**	**(118,599)**

(*) the Cash flow of the year considers the balances at 01.01.2014 of the company Tecnotrans Bonfiglioli Sa.

INDEPENDENT AUDITORS' REPORT

THIS SECTION HAS BEEN TRANSLATED INTO THE ENGLISH LANGUAGE SOLELY FOR THE CONVENIENCE OF INTERNATIONAL READERS

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE NO. 39 OF 27 JANUARY 2010

To the Shareholders of
Bonfiglioli Riduttori SpA

1 We have audited the consolidated financial statements of Bonfiglioli Riduttori SpA and its subsidiaries (hereinafter also the "Group" or "Bonfiglioli Group") as of 31 December 2014 and for the year then ended. The directors of Bonfiglioli Riduttori SpA are responsible for the preparation of these consolidated financial statements in compliance with the laws governing the criteria for their preparation. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB (the Italian Commission for listed Companies and the Stock Exchange). Those standards require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 28 April 2014.

3 In our opinion, the consolidated financial statements of Bonfiglioli Group as of 31 December 2014 comply with the laws governing the criteria for their preparation; accordingly, they have been prepared clearly and give a true and fair view of the financial position and result of operations of the Group.

4 The directors of Bonfiglioli Riduttori SpA are responsible for the preparation of the Management report in compliance with the applicable laws. Our responsibility is to express an opinion on the consistency of the Management report with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Italian Auditing Standard No. 001 issued by Consiglio Nazionale dei Dottori Commercialisti e degli Esperti

PricewaterhouseCoopers SpA

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Contabili and recommended by CONSOB. In our opinion, the Management report is consistent with the consolidated financial statements of Bonfiglioli Group as of 31 December 2014.

Bologna, 24 April 2015

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

NOTE

NOTE

Bonfiglioli

Bonfiglioli has been designing and developing innovative and reliable power transmission and control solutions for industry, mobile machinery and renewable energy applications since 1956.

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