

Annual Report 2013



A world around our

Customer



Bonfiglioli



A world around our Customer



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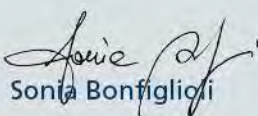
MESSAGE FROM OUR CHAIRMAN

It is my pleasure to invite you to discover how the Bonfiglioli Group has renewed itself in response to an awareness that changes occurring worldwide cannot be stopped but only turned into opportunities. My father was convinced of this, and put his conviction into practice with passion and determination throughout his life.

Thanks to his drive and inspiration, the Bonfiglioli Group has embraced new technologies, developed new applications and become a truly global player.

We have invested in the green economy, in mechatronics and in new technologies with the aim of supplying not only products but complete, advanced solutions all over the world.

Today we can look to the future with confidence. We have the ability to win the trust of those who do not yet know us, and to justify the fidelity of those who have been using our products and supporting our company for years.


Sonia Bonfiglioli




The future is our chance!



Always
around
you



Always
caring for
the people
and the planet



With our customer
always in mind

OUR FOUNDER

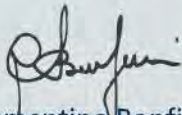
"I can say that the last fifty years have been well spent. We have done well and the validity of our product is recognised all over the world.

If I had to start all over again, I would do exactly as before, because my success was based on the support of excellent managers and workers, and, of course, my family.

I have always had the backing of my wife and children, who have supported and encouraged me to carry on even in the most difficult times.

I built up this company not so much for myself as 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.



So full speed ahead!



Clementino Bonfiglioli,
Founder of Bonfiglioli (1928 - 2010).

MILESTONES

1956

Bonfiglioli is formed in Bologna by Clementino Bonfiglioli.



The first planetary gearbox.

1964



1975

Acquisition of Trasmital, a producer of planetary gearboxes for mobile machinery and wind turbines.



1982

Beginning of the process of internationalisation.



1993

Certification of the Quality System by DNV and TÜV.



1995

The modular C-A-F Series.

2008

Bonfiglioli Vietnam Ltd. in Ho Chi Minh City.



1999

The Bonfiglioli Transmission Pvt Ltd. plant in Chennai, India.



2000

Launch of Mosaico, Bonfiglioli's e-Commerce application.



2003

Acquisition of Tecnoingranaggi, a producer of reduced backlash gearboxes.



2001

Acquisition of Vectron, specialists in control system electronics.



2002

BEST, the network of qualified distributors in Italy and abroad.





2011

The **Mannur** site opens in India to serve BU InS.



2010

BIC, Bonfiglioli Innovation Centre for technological research.



2011

Formation of **BMR, Bonfiglioli Mechatronic Research**, in Rovereto.



2012

Creation of the **Mechatronic Drives & Solutions** division.



2008

Implementation of the **Business Unit** based organisation.



2012

Creation of the **Electromobility Competence Centre**



2007

Bonfiglioli Italia SpA assumes control of the Italian market.



2013

Inauguration of the **Bonfiglioli South East Asia** subsidiary in Singapore.



2006

Celebration of the 50th year of activity: confirmation of the success of Bonfiglioli.



2013

The foundation stone is laid for the new Logistic and production site in **QingPu, Shanghai**.



2005

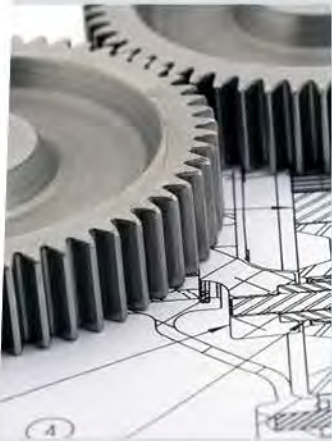
Construction of the plant in the **Slovak Republic**.

working on future...

A WORLD AROUND OUR CUSTOMER

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.



- Completely **Customer Oriented** corporate philosophy
- We 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.**



A winning strategy



Internationalization

- Reliable local service through a network of subsidiaries, production and assembly plants, direct distributors and dealers.
- A monitoring system that adapts general customer management guidelines to meet the needs of local areas and specific markets.



Lean

- Group activities are rationalized and measured to improve the quality and the services we offer thanks to the increase of the efficiency and of the value we are capable to transfer to our customers.
- All flows and processes are reviewed and aligned mainly (but not only) throughout the supply chain according to **Lean Manufacturing** standards and logics.

Innovation

There cannot be development without innovation: Bonfiglioli products and solutions are always cutting edge and based on the latest technology. Examples include our range of solutions for electromobility, our new integrated solutions for wind turbines, our mechatronic research and the results we have achieved in power transmission for industrial and mobile applications through highly innovative approaches to design.



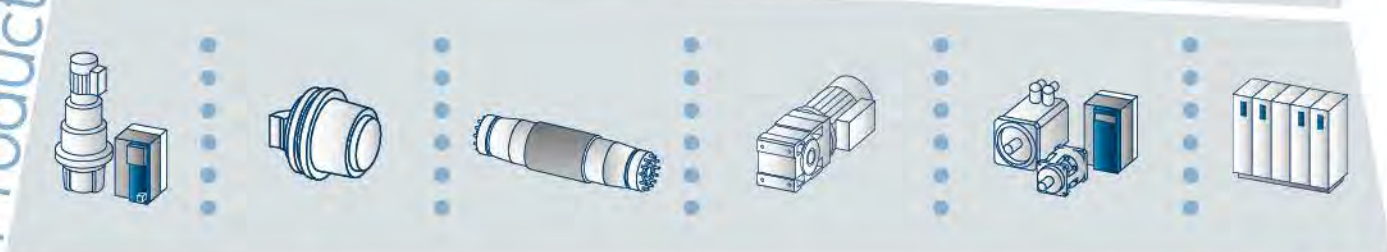
Focus

- Focus, through company structures and organisations dedicated to the different market areas we serve, and created to deliver effective and efficient services.
- The figure of the Customer is central, even in the preliminary phases of analysis and during the definition of objectives and targets.

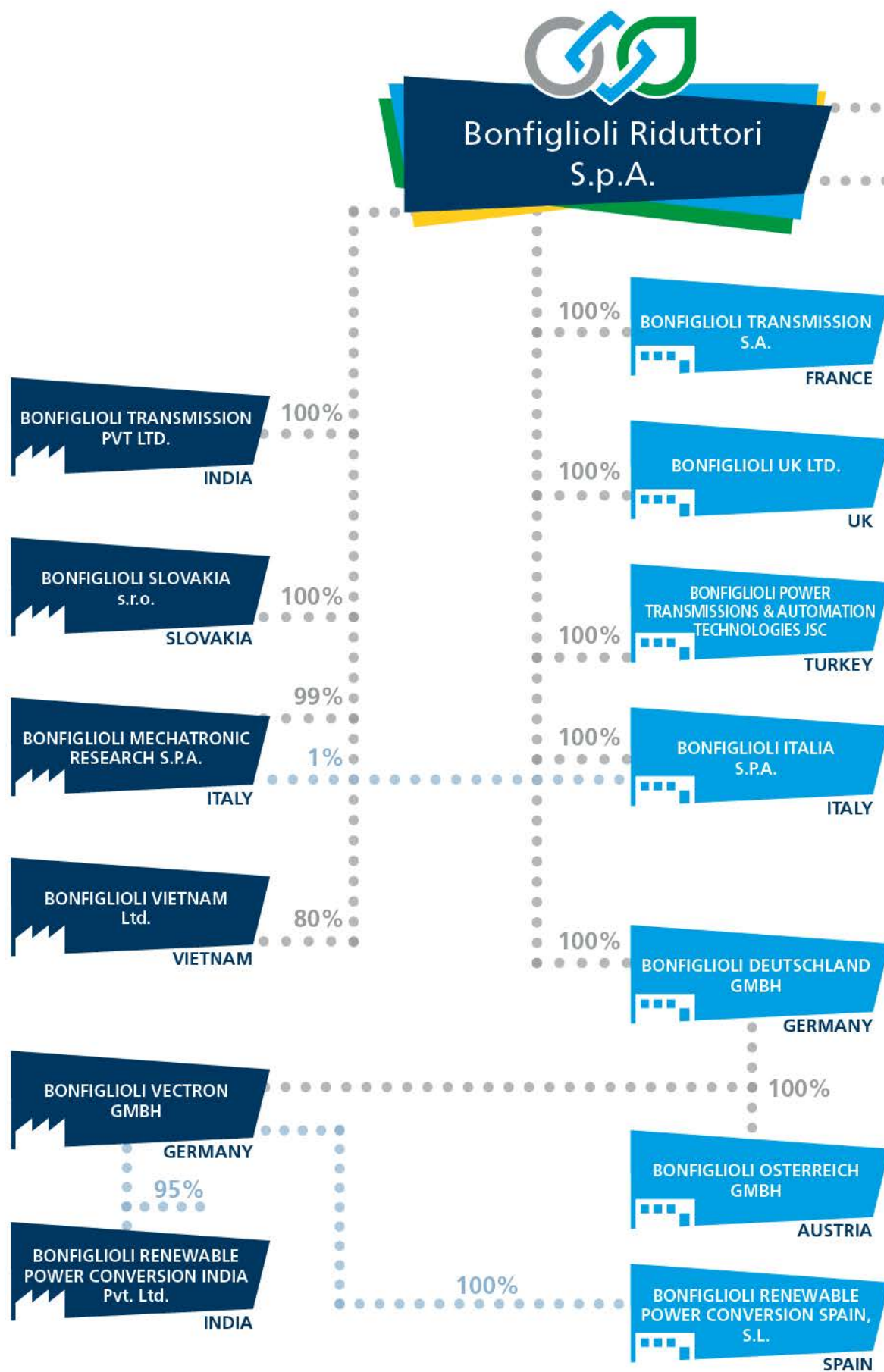
Lines of Business

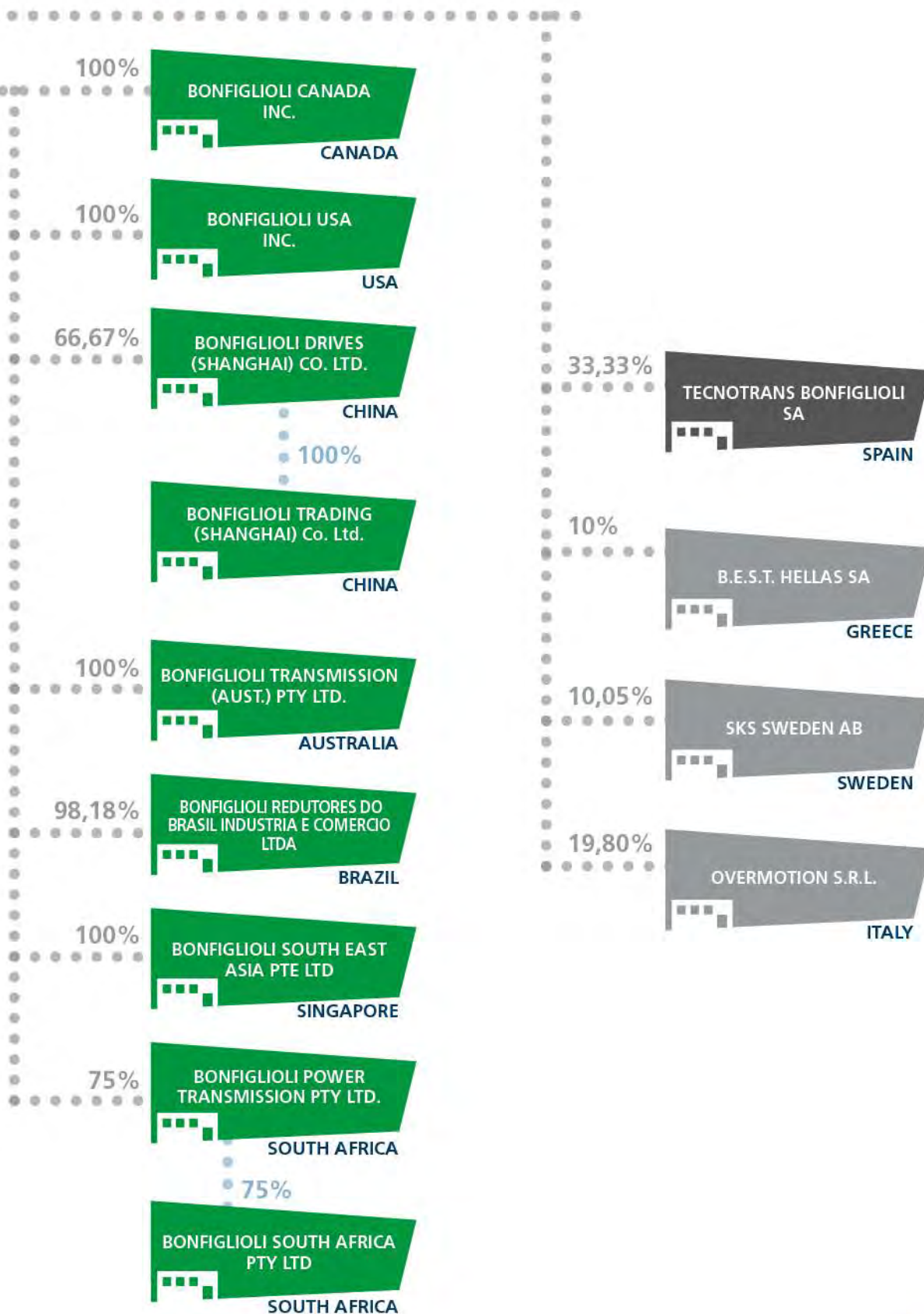


Products

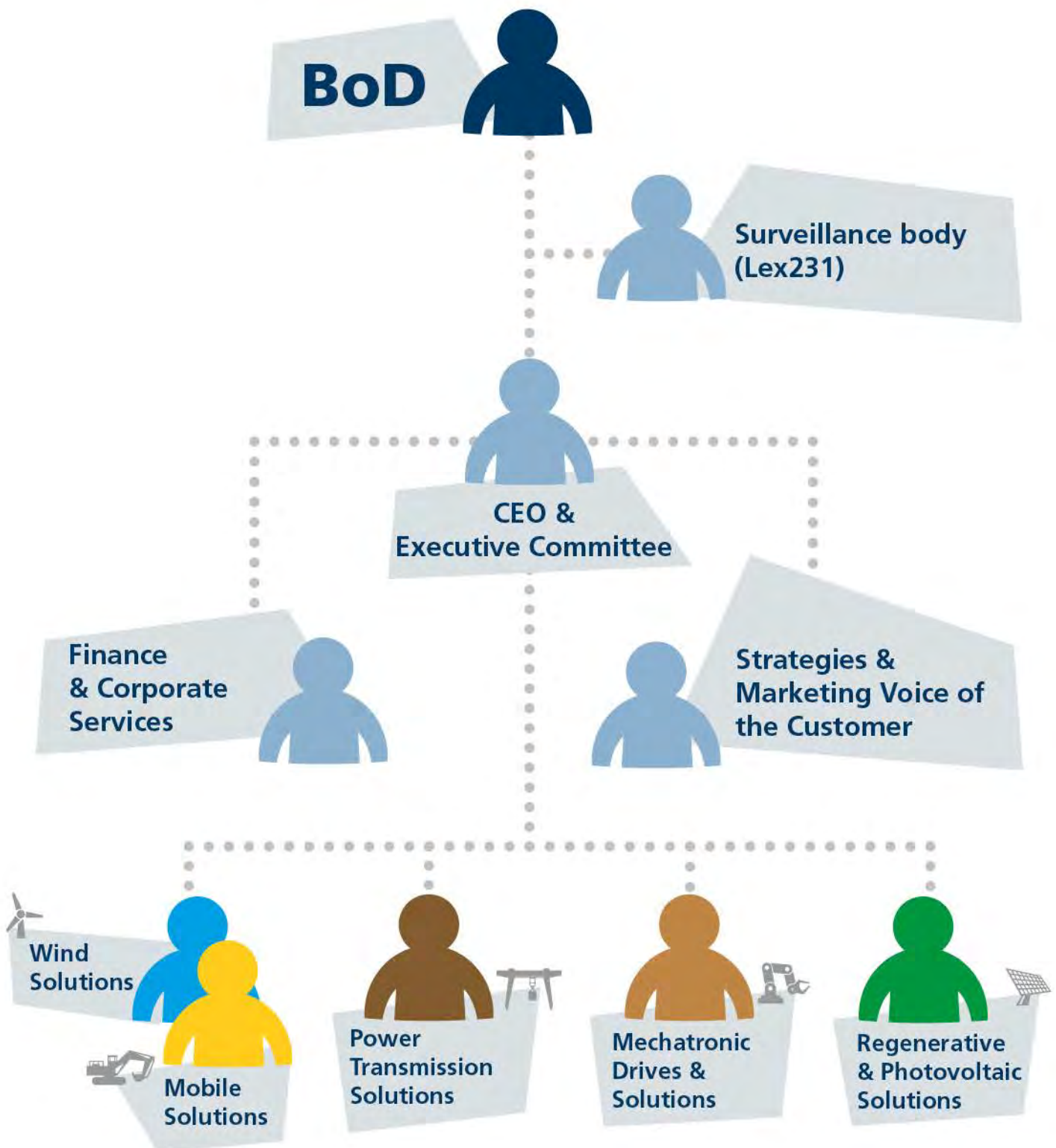


THE GROUP AS OF THE 31ST DECEMBER 2013





ORGANIZATION CHART AS OF THE 31ST DECEMBER 2013





Local Management

Bonfiglioli do Brasil Ltda (Brasile)

Manfredi Ucelli Di Nemi

Bonfiglioli Canada Inc. (Canada)

Greg Schulte

Bonfiglioli Deutschland GmbH (Germania)

Giorgio Bombarda • Jürgen Weber

Bonfiglioli Drives (Shanghai) Co. Ltd. (Cina)

Saverio Gaggero • Fabrizio Paterlini • John Liou

Bonfiglioli Italia S.p.A. (Italia)

Giovanni Scarlini • Pietro Gintoli

Bonfiglioli Mechatronic Research S.p.A. (Italia)

Gilbert Khawam

Bonfiglioli Österreich GmbH (Austria)

Giorgio Bombarda

Bonfiglioli Renewable Power Conversion India PVT Ltd (India)

KN Suresh • GA Balaji

Bonfiglioli Renewable Power Conversion Spain SL (Spagna)

Hernan Gil

Bonfiglioli Slovakia s.r.o. (Rep. Slovacca)

Marek Kolarik

Bonfiglioli South Africa Pty Ltd (Sudafrica)

Robert Rohman

Bonfiglioli South East Asia Pte Ltd. (Singapore)

Yong Peh • Richard Chew

Bonfiglioli Trading (Shanghai) Co. Ltd (Cina)

Fabrizio Paterlini • John Liou

Bonfiglioli Transmission (Aust.) Pty. Ltd (Australia/Nuova Zelanda)

Malcolm Lewis

Bonfiglioli Transmission PVT Ltd. (India)

Andrea Genuini • Kaippally Kennady • GA Balaji

Bonfiglioli Transmissions France s.a. (Francia)

Gilbert Khawam • Nicola Boni • Pascal Froment

Bonfiglioli Turkey Jsc (Turchia)

Murat Güracar

Bonfiglioli UK Ltd. (Regno Unito)

Mike McCann • John Adair

Bonfiglioli USA Inc. (Stati Uniti)

Greg Schulte

Bonfiglioli Vectron GmbH (Germania)

Olaf Donner • Frank Schramm

Bonfiglioli Vietnam Ltd. (Vietnam)

Stefano Callegati

Tecnotrans Bonfiglioli s.a. (Spagna)

David Bassas



Board of Directors

Chairman & CEO • **Sonia Bonfiglioli**

Vice Chairman • **Luisa Lusardi**

Director • **Luciano Bonfiglioli**

Director • **Roberto Megna**

Director • **Tommaso Tomba**

CFO • **Tiziano Pacetti**

BU MWS Managing Director • **Fausto Carboni**

BU InS PTS Managing Director • **Giovanni Scarlini**



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 • **Giovanni Scarlini**

BU InS MDS Managing Director • **Gilbert Khawam**

BU MWS Managing Director • **Fausto Carboni**

BU RePVS Managing Director • **Massimo Sarti**

POWER, CONTROL & GREEN SOLUTIONS



Power

Over fifty years of experience, competence and professionalism enable us to offer internationally 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 vast 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 producing 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.



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.



INNOVATION

BONFIGLIOLI WORLDWIDE



Headquarters

ITALY • Lipponi di Calderara, Bologna ★

Production facilities

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
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

Bonfiglioli Worldwide Attitude: this is the key to the success of a Group that has expanded around the world in just over 50 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 17 Subsidiaries and more than 10 production plants. This presence is expanding in all areas of industry thanks to competent, effective and sustainable solutions developed in constant 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.

In this future, the Customer will remain central and solutions will always be tailored to meet his needs.







Mobile Solutions

MOBILE SOLUTIONS



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 to leading 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.

products

Planetary gearboxes for mobile machines:

- wheel drive
- track drive
- slew drive
- winch drive
- cement mixer drum drive
- general purpose



Co-engineering

- Designers work closely with the Customer to develop advanced, added-value solutions capable of satisfying needs and guaranteeing maximum performance.
- All phases of design, development and testing are completed in operational synergy between Bonfiglioli and the Customer.

Expertise & Leadership

- 40 years of experience in the sector guarantee reliability, robustness, competitiveness and excellent performance.
- Global leadership recognised by the market.
- Ability to interpret the present and anticipate the future.



- Thanks to a worldwide R&D organisation, Bonfiglioli can develop solutions to improve customers' operations and anticipate future needs.
- Constant research into new technologies, new design solutions, and better integrated and more efficient solutions capable of anticipating future application trends.

Innovation



- Internationalisation has placed Bonfiglioli near customers all over the world.
- Extensive sales, production and technical assistance network.
- In-depth and direct knowledge of local markets.

G-Local

applications



Agriculture & Forestry



Marine Platforms



Construction



Material Handling



Drilling



Road Construction

ELECTROMOBILITY SOLUTIONS



Driving innovation



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 eager 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.

products

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



applications



Forklifts



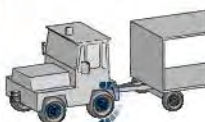
Agriculture



Concrete Mixers



Airport Ground Equipment



Lifting



Lightweight Vehicles







Wind Solutions

WIND SOLUTIONS



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.

products

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





Co-engineering

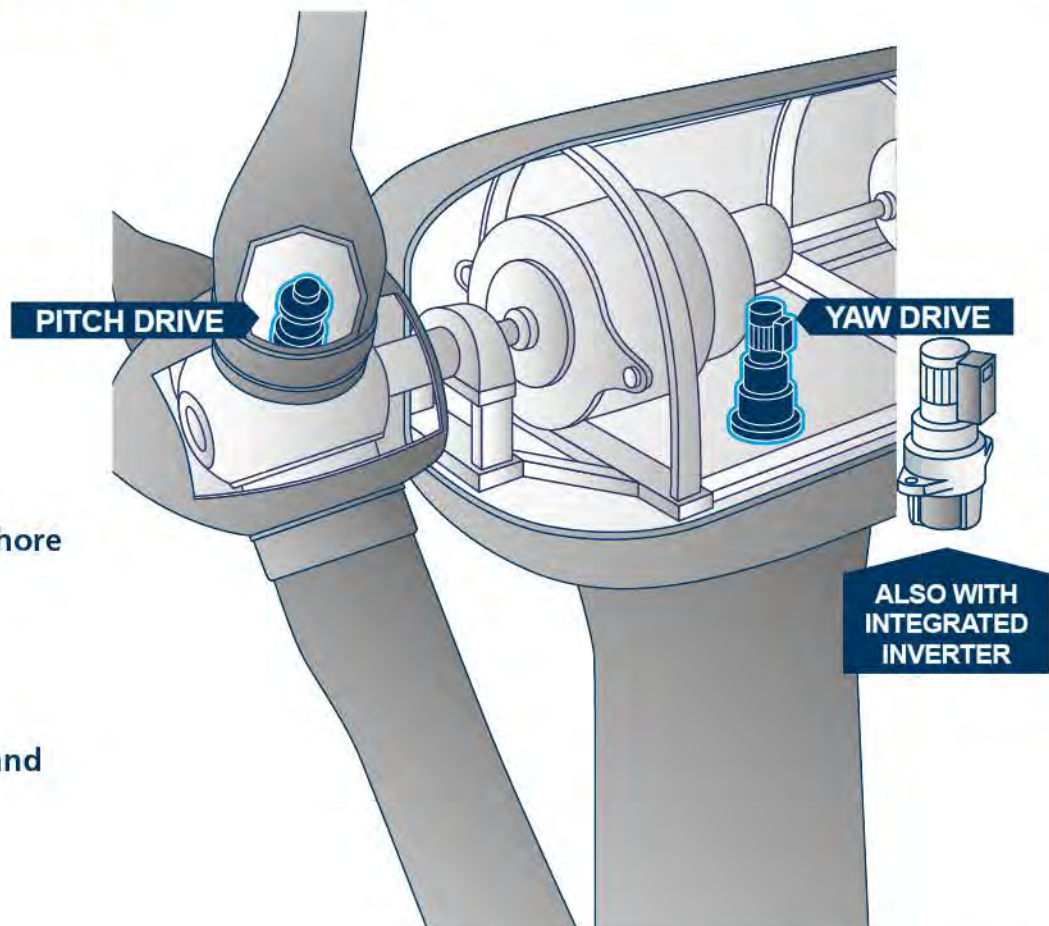
- The design of innovative new solutions in close collaboration with customers ensures that wind turbine systems are engineered to meet precise needs not only in terms of technical content but in terms of quality/price ratio too.
- Bonfiglioli has the competence needed to supply customers with innovative, effective and reliable solutions for yaw and pitch control. This know-how is the result of years of collaboration with the world's top wind turbine design and construction companies, who have always benefited from Bonfiglioli's ability to deliver complete and efficient solutions.



Leadership

- One wind turbine in 4 around the world is driven by Bonfiglioli solutions.
- Design and production of planetary gearboxes for yaw and pitch control.
- Flexible solutions and reliable products, conforming to all global standards.
- Distribution and assistance guaranteed by an extensive worldwide network.
- Advanced solutions capable of anticipating future technologies and satisfying customer needs.

applications



Offshore



In-Land





Power Transmission Solutions

PTS

Power Transmission Solutions



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.

Vast 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.

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





Product Range

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).

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Expertise & Leadership

- Co-engineering: the ability to advise and work with the Customer and to co-design the most suitable solution for his needs.
- Reliability and know-how derived from over 50 years of experience.
- Practical solutions for large plants.
- Great flexibility in finding the most appropriate and efficient solution for power transmission and conversion needs.



BEST distributors

37 BEST local distributors able to assemble Bonfiglioli products and guarantee the highest level of product quality and customer service.



Distributors Network

Over 300 qualified distributors in over 80 countries able to deliver products, pre-sales and after-sales assistance immediately.



applications



Assistance



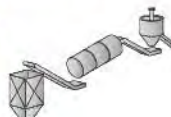
Mosaico Engineering



Mining



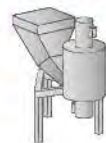
Sugar Cane



Chemical & Pharma



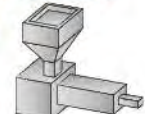
Recycling



Metal process & Machine tools



Rubber & Plastics



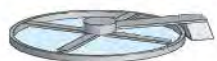
Paper



Packaging



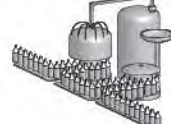
Water Treatment & Waste recycling



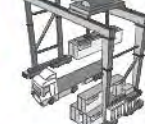
Biogas



Food, Beverage & Tobacco



Material Handling





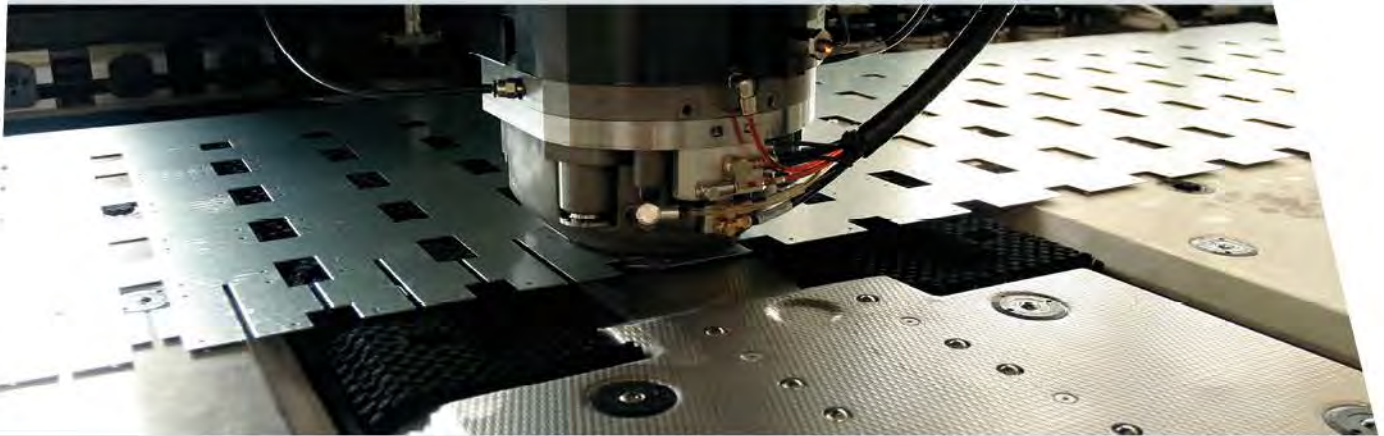


Mechatronic Drives & Solutions

MDS Mechatronic Drives & Solutions



The reliable partner



Bonfiglioli has implemented a precise and detailed development plan, leading to the formation 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 value** of Bonfiglioli solutions.

products

- Low backlash planetary gearboxes
- Servomotors
- Open loop inverters
- Closed loop inverters
- Servo inverters
- Regenerative inverters





One stop shop

- Complete solutions for mechatronic applications in the field of power transmission.
- Integrated solutions for optimising energy consumption, recovering lost energy whenever possible, and reducing TCO (Total Cost of Ownership).
- A complete range of tailored services and custom configurations.

Co-engineering



When faced with specific or complex applications, Bonfiglioli's Technical Service works with the Customer to develop the best possible solution for his needs.

Innovation tailored to meet customer needs: new products and a new design philosophy to guarantee constantly effective solutions.



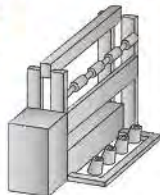
Energy saving

Bonfiglioli offers a series of advanced solutions for energy saving based on the optimisation of sizes by special tools and on the development of high efficiency drives.

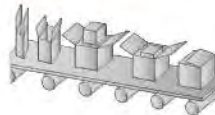
Innovation applications



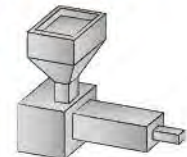
Textile & Leather



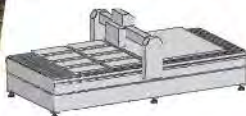
Packaging



Rubber & Plastics



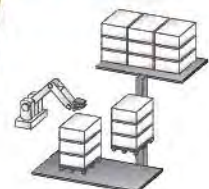
Wood working



Food, Beverage & Tobacco



Material Handling







Regenerative & Photovoltaic Solutions

REGENERATIVE & PHOTOVOLTAIC SOLUTIONS



Delivering clean solar energy to the grid



We are investing in a healthier future for coming generations.

- Thanks to 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 plants in Europe, Asia, Africa, North America and South America.

products

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





Technology

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- 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.

Internationalization



- A G-Local approach with local production and assembly plants and subsidiaries around the world, an extensive technical assistance network and an active presence on our customers' markets to ensure conformity to local needs and standards.
- Correctness, competitiveness and assistance before and after sales.



Expertise & Leadership

- Today, Bonfiglioli is a partner with vast experience in the supply of inverters for medium, large and utility-scale PV plants all over the world.
- Custom, efficient and long-lasting solutions.
- Strategic agreements with leading investors and EPCs.

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.

Assistance



Bankability



applications



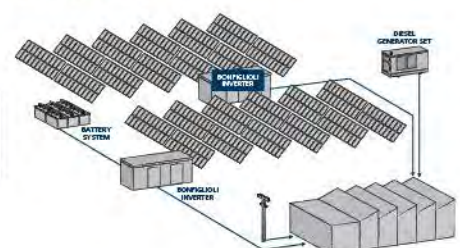
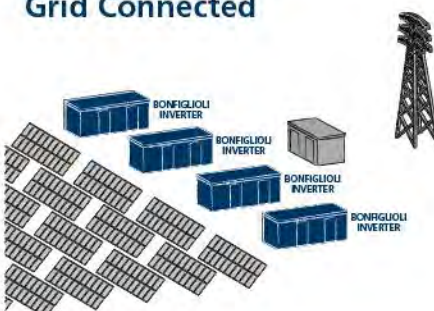
**Utility Scale
Grid Connected**



**Large Scale Commercial
Grid Connected**



**Hybrid and storage
solutions**





Social Responsibility

SOCIAL RESPONSIBILITY



We invest on a healthier future for the new generations.

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.



A global commitment

**INDIA****CheerFUTURELAND**
BONFIGLIOLI**ITALY****Supporting
excellence
in education****VIETNAM****A school for a
better future****USA,****Commitment
to social****UK,****The Warrington
Wolves Charitable
Foundation**

Bonfiglioli feels a particularly strong commitment to the local community in countries where it has subsidiaries and production plants.

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.



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 underprivileged children an opportunity to 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 adolescents 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

AR13
Annual Report

VIETNAM



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 the 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).



SUPPORTING EXCELLENCE IN EDUCATION

ITALIA

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.



TO BUILD TOMORROW

AR13
Annual Report

HOPEBOX DERBY FOR THE HOMELESS UNITED STATES

Bonfiglioli USA Places Fourth at the Sixth Annual **Hopebox Derby for the Homeless**. This was the rookie year for Bonfiglioli USA, which placed fourth overall out of 27 teams. Bonfiglioli USA was a 2013 sponsor of the race, in which all proceeds benefit HealthPoint's Pike Street Clinic for the Homeless. Driver Amy "Ace" Johnson, Accounting Clerk/ Receptionist for Bonfiglioli USA, held steady race after race to bring Bonfiglioli to a fourth place finish overall.

"We participated to have a fun company event while helping raise funds to help the homeless.

We are certainly happy with fourth place, but overall, I am most happy and overwhelmed by the enthusiasm from our employees, their families and friends who came out to cheer us on. It was a great event and we look forward to participating again next year", said Greg Schulte, President of Bonfiglioli USA.



WARRINGTON WOLVES CHARITABLE FOUNDATION UNITED KINGDOM

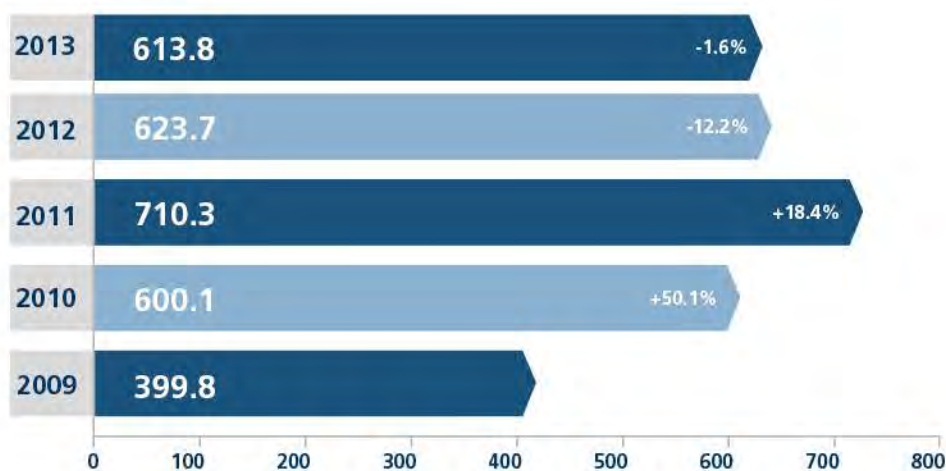
The Warrington Foundation is a charity association that focuses on supporting young people who have problems with social integration, offering activities to promote growth and development. Bonfiglioli is one of the patrons of this organisation. Working with the local community of Warrington, where Bonfiglioli's 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.



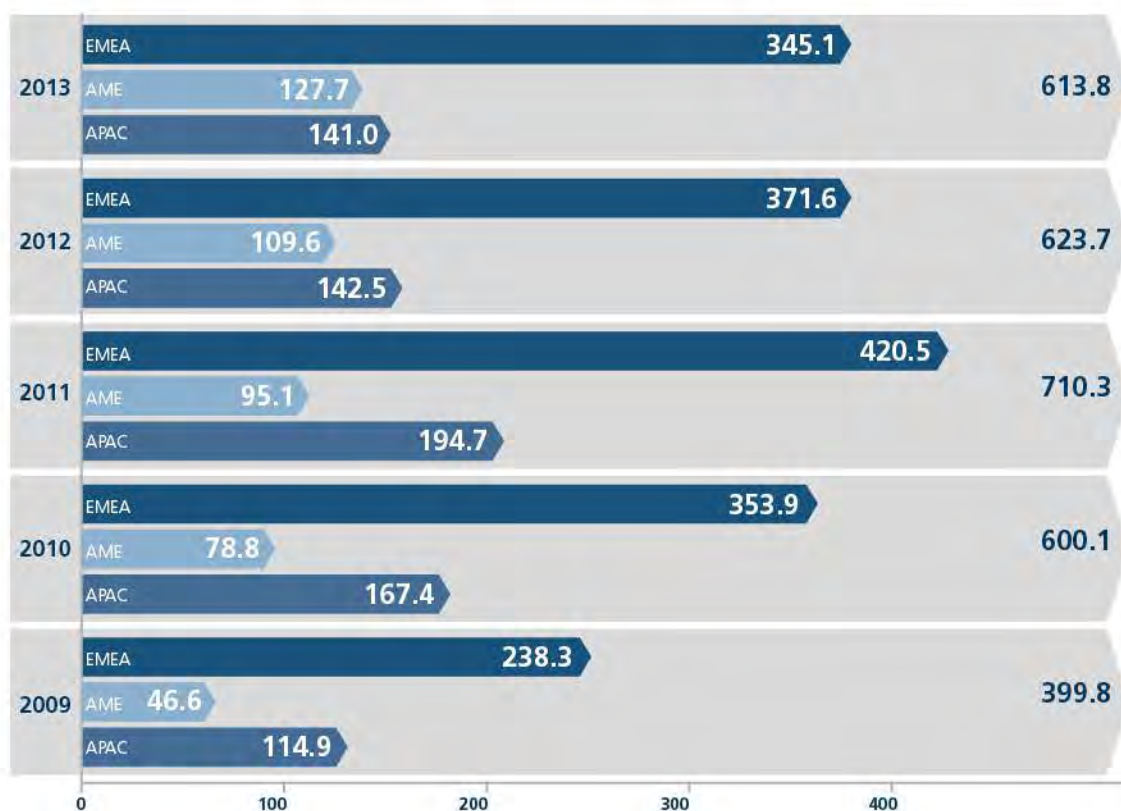


Financial Highlights

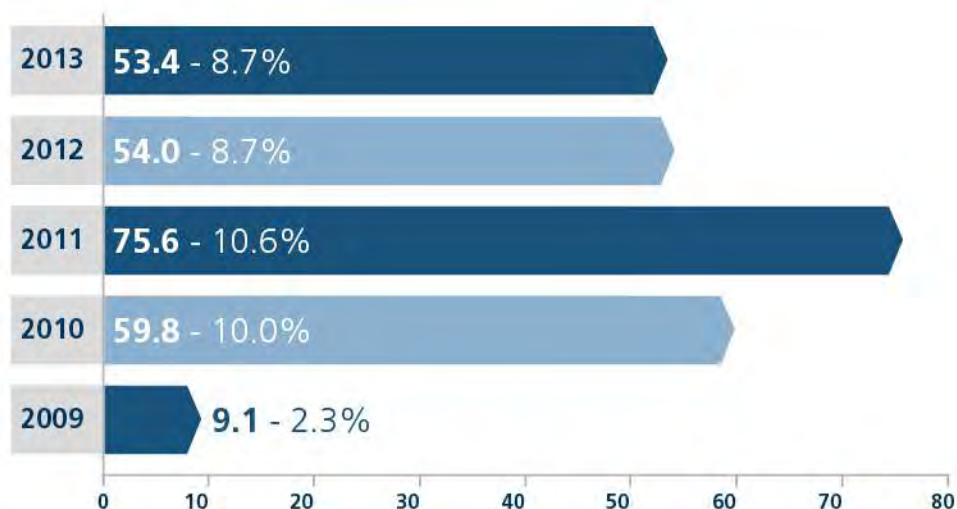
Group sales (euro / million)



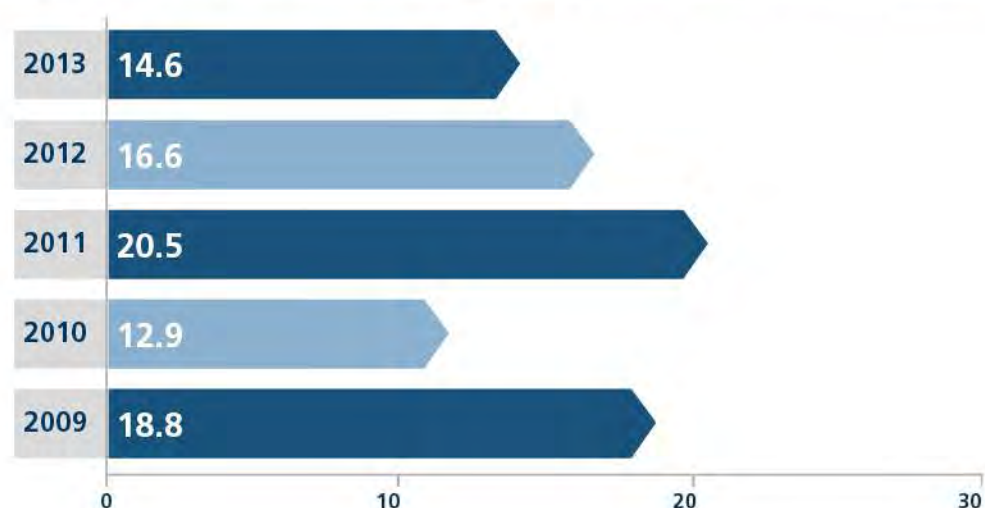
Sales by Geographical Area (euro / million)



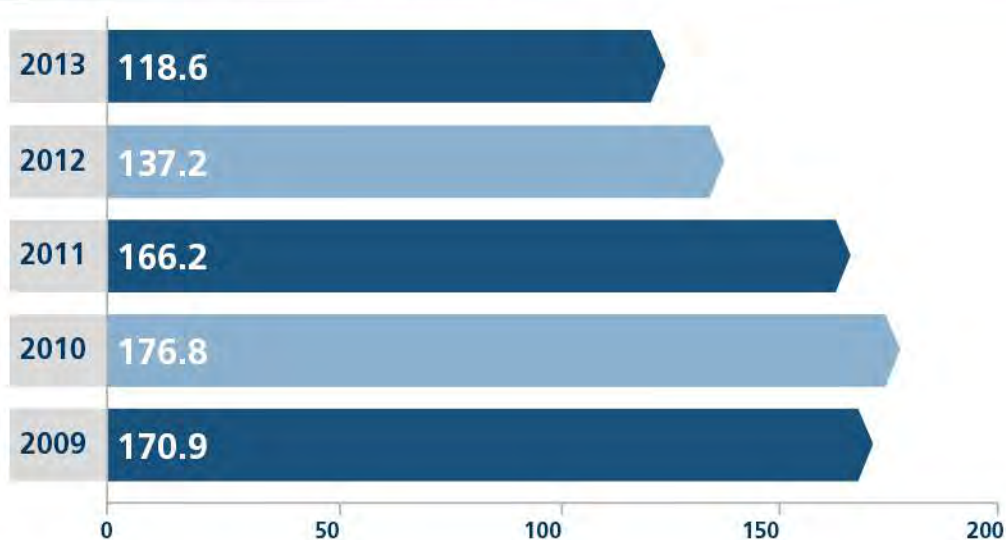
EBITDA (euro / million - % on turnover)



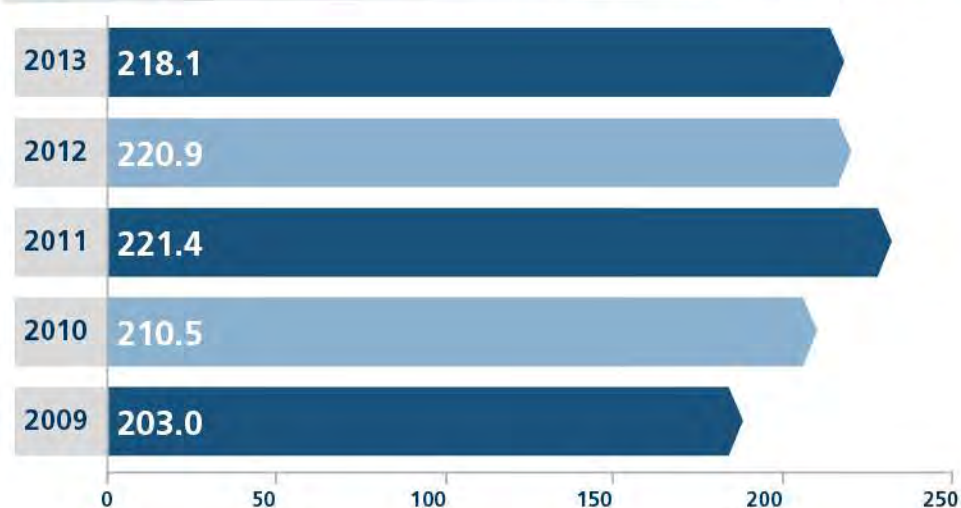
Net Capital Expenditure (euro / million)



Net Debt (NCP - euro / million)



Group shareholders' equity (euro / million)



Number of employees





Management report

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

FOREWORD

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

Unless otherwise indicated, data are shown in Euro/millions.



REFERENCE ECONOMIC SITUATION

In 2013 the growth trend of the overall economy was basically in line with the previous year, and according to the latest forecasts, the world GDP rose by about 3.0% (versus the 3.2% of 2012).

Within this scenario, however, an outlook of extreme heterogeneity continued: first and foremost amongst the emerging economies that recorded a GDP expansion rate of 4.7%, and then amongst the advanced economies (+1.3%). As far as the emerging economies are concerned, which on the whole recorded a considerable slowdown in growth during the last quarter and which felt the impact of widespread tensions in the financial markets in 2013, the full picture proves to be extremely diversified. On the one hand, sustained growth driven by the investment and export support measures the government passed in the summer of 2013 was noted in the Chinese economy (+7.7%).

These measures should guarantee positive effects for the current year as well, and all this despite the recurring fears of a hard landing and a credit crunch that the Chinese government appears to have difficulty in handling.

On the other hand we are witnessing a widespread drop in growth rate in many of the other emerging economies. Growth in India (+4.4%) is still moderate with a certain decrease in the latter part of the year and notwithstanding the potential boost given to imports in view of the depreciation of the Rupee, which by contrast sparked off inflationary pressures within the country.

The growth rate in Brazil settled at 2.3%, and even lower growth is forecast in 2014 under the weight of weak levels of private investments and investments in infrastructures.

Russia's growth (+1.3%) is even weaker, so its growth prospects remain uncertain, above all due to the recent geopolitical developments linked to the Ukraine crisis.

As for the economy of the advanced countries, the persevering stagnation of the Eurozone (-0.5%) weighs heavy.

It is still under the influence of the continuing restrictions on accessing credit and the hardships of the Mediterranean area countries. These problems are heightened by the increased value of the Euro recorded in 2013, which heavily affected exports. Nonetheless, a lighter tax burden and a revival in private demand contributed, for the first time since 2010, to recording a resurfacing from the recession during the second half of the year. Of the major economies, Germany increased its GDP by 0.3% propelled as it was by investments in constructions. On the contrary, France posted a zero balance since it was particularly affected by the drop in foreign demand and investments.

Eurozone industrial activity and domestic demand remained weak, as demonstrated by the spiralling inflation. In fact, while the inflation rate in countries like Japan and the USA were at about 2% at year-end, in many of the Eurozone countries the value remained close to zero as they felt the effects of not only the drop in prices of intermediate and energy goods, but also of the weak trend in food prices.

In Europe the United Kingdom consolidated its recovery as it was driven by the demand of families that was in turn supported by the growth in employment and the recovery of an overall climate of confidence.

The United States are keeping up a growth rate higher than the average of the other advanced countries, although lower than the previous year (+1.9% versus +2.8% of 2012). Stagnation on the production investments level however continues. In particular, expenditure for machinery and equipment is still lower than the pre-economic crisis period.

Despite the downswing in public spending and the 16 days the federal government shut down in October, during the third quarter of the year the US economy nevertheless recorded an acceleration driven by increased inventory and accelerated domestic consumption, which were joined by strengthened employment that was already in progress in the early months of 2013. All this leads us to presume that the US economy will be even more vigorous in 2014.

A Gross Domestic Product down 1.9 percentage points was recorded in Italy in 2013. However, after eight quarters of contraction the GDP's fall stopped during the third quarter of the year. The Italian economy lost more than 8 percentage points of GDP during an unprecedented recession in its history.

The chief contribution to the recovery of the most recent period was the change in inventory provisions, while the shrinkage in investments and domestic demand continues as it is heavily affected by the fragility of the labour market and the weak trend of households' income.

The unemployment rate is especially heavy. It went up to 12.9% in December, and in the first few months of 2014 recorded the record level since the day historic quarterly measurements started to be taken (1977).

Feeble signs of recovery are on the other hand coming from trends in industrial production, which rose in the last quarter, and from the business confidence indicators, which improved at year-end. As emphasised by the recent report of the International Monetary Fund, the growth potential of the Italian economy is however still low. It is clearly lower than the European average and will remain so until structural reforms that embrace the labour market, a reduction of the tax burden and greater efficiency of public administration are completed.

As far as future forecasts are concerned, strengthened growth worldwide, with a strong boost given by the advanced economies, is expected for the next two-year period 2014-2015.

As reflected by the recent subsequent financial tensions in the beginning of 2014, the emerging economy instead are noticing moderated potential growth. In particular, it is expected that China's gradual realignment of demand generated by increased spending for families and the concurrent reduced spending for investments will lead to a smaller growth rate in the mid-term. The Eurozone should go back to a growth rate close to 1.5% once the recession has come to an end, although there will be a difference between the Central European countries - and Germany in particular - and those of the Mediterranean area. On the other hand, uncertainties tied to the more important after-effects of the crisis remain to be solved (high unemployment, public and private budgets still weak, credit crunch, low investments and risk of deflation). They represent the main obstacles to consolidating a long-term recover.

AREA OF CONSOLIDATION

In relation to the area of consolidation, at 31st December 2013 the group was formed by a total of 22 subsidiaries besides the parent company, of which:

- six manufacturing companies (located in Italy, India, Germany, Slovakia and Vietnam), which produce the various products in Bonfiglioli's extensive range.
- thirteen commercial subsidiaries, engaged in promotion, sales, pre- and after-sales service, logistics, customisation and final assembly of Group products.
- three companies engaged in the commercial development of Bonfiglioli products without carrying on specific assembly activities or playing a sub-holding role within the Group.

The only associated company of the Bonfiglioli Group is a sales office that has been operating on the Spanish market for more than 45 years, Tecnotrans Bonfiglioli S.A., in which the Group holds a 33.33% stake.

With reference to the scope of the consolidation area, the changes taking place during the year 2013 are described below:

- Establishment of the company "Bonfiglioli Renewable Power Conversion India Pvt. Ltd." with registered office in Bangalore, India with 95% of its shares held by Bonfiglioli Vectron GmbH; it produces and assembles inverters for the Renewable & Photovoltaic Solutions business unit.
- Establishment of the company "Bonfiglioli Renewable Power Conversion Spain S.L." with registered office in Madrid, Spain, fully controlled by Bonfiglioli Vectron GmbH and engaged in the commercial development of the photovoltaic market, without any assembly or logistics operations.
- Establishment of the company "Bonfiglioli Trading Shanghai Co. Ltd" with registered office in Shanghai, China, fully controlled by Bonfiglioli Drives Shanghai Co. Ltd; its operations consist of logistics and sales management in a Free Trade Zone in Shanghai.
- Increase in the share capital of the company "Bonfiglioli Redutores Do Brasil Ltda" with a resulting change in its stake, rising from 96.67% to 98.18%.

ANALYSIS OF 2013 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' operations conducted by the Group. The layouts presented hereunder show the figures in millions of Euros and in percentage, as well as the main economic-financial indicators.

Reclassified income statement	Values				
	2013	2012	2011	2010	2009
TURNOVER	613.8	623.7	710.3	600.1	399.8
Cost of sales	(474.1)	(493.0)	(556.9)	(469.3)	(335.3)
GROSS MARGIN	139.7	130.7	153.4	130.8	64.5
Structure and operating expenses	(113.7)	(107.3)	(112.2)	(103.2)	(84.5)
EBIT	26.0	23.4	41.2	27.6	(20.0)
Financial income and charges	(9.2)	(12.5)	(11.8)	(11.4)	(9.5)
Exchange rate differences	(1.9)	(3.4)	(1.8)	0.5	(1.2)
Associated companies' result	-	(0.9)	-	0.1	(0.4)
Extraordinary income and (expenses)	(1.9)	0.3	(4.2)	(5.3)	(7.3)
EBT	13.0	6.8	23.4	11.5	(38.4)
Taxes	(7.7)	(4.6)	(10.6)	(6.5)	6.6
CONSOLIDATED PROFIT/LOSS	5.3	2.2	12.8	5.0	(31.8)
Minority	(0.9)	(0.9)	(1.0)	(0.8)	(0.2)
NET GROUP PROFIT/LOSS	4.4	1.3	11.8	4.2	(32.0)
PERSONNEL COSTS	(120.1)	(114.1)	(114.6)	(108.8)	(88.0)
AMORT./DEP. and PROVISIONS	(27.4)	(30.6)	(34.4)	(32.2)	(29.1)
EBITDA	53.4	54.0	75.6	59.8	9.1



% of Turnover

Reclassified income statement	2013	2012	2011	2010	2009
TURNOVER	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(77.2%)	(79.0%)	(78.4%)	(78.2%)	(83.9%)
GROSS MARGIN	22.8%	21.0%	21.6%	21.8%	16.1%
Structure and operating expenses	(18.5%)	(17.2%)	(15.8%)	(17.2%)	(21.1%)
EBIT	4.2%	3.8%	5.8%	4.6%	(5.0%)
Financial income and charges	(1.5%)	(2.0%)	(1.7%)	(1.9%)	(2.4%)
Exchange rate differences	(0.3%)	(0.6%)	(0.3%)	0.1%	(0.3%)
Associated companies' result	0.0%	(0.2%)	0.0%	0.0%	(0.1%)
Extraordinary income and (expenses)	(0.3%)	0.0%	(0.6%)	(0.9%)	(1.8%)
EBT	2.1%	1.1%	3.3%	1.9%	(9.6%)
Taxes	(1.3%)	(0.7%)	(1.5%)	(1.1%)	1.7%
CONSOLIDATED PROFIT/LOSS	0.9%	0.4%	1.8%	0.8%	(7.9%)
Minority	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)
NET GROUP PROFIT/LOSS	0.7%	0.2%	1.7%	0.7%	(8.0%)
PERSONNEL COSTS	(19.6%)	(18.3%)	(16.1%)	(18.1%)	(22.0%)
AMORT./DEP., and PROVISIONS	(4.5%)	(4.9%)	(4.8%)	(5.4%)	(7.3%)
EBITDA	8.7%	8.7%	10.6%	10.0%	2.3%



	Values					Average rotation days (base 360)				
Reclassified balance sheet	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
Net Working Capital	189.2	191.2	224.8	197.1	167.4	111	110	114	118	151
Fixed assets	174.2	187.7	200.9	209.8	222.9	102	108	102	126	201
Other invested capital	(18.0)	(11.6)	(33.2)	(14.6)	(12.5)	(11)	(7)	(17)	(9)	(11)
Minority	(8.7)	(9.1)	(4.9)	(5.1)	(4.0)	(5)	(5)	(2)	(3)	(4)
CAPITAL EMPLOYED	336.7	358.2	387.6	387.2	373.9	197	207	196	232	337
Group shareholders' equity	218.1	220.9	221.4	210.4	203.0	128	128	112	126	183
Net Cash Position	118.6	137.2	166.2	176.8	170.9	70	79	84	106	154
FUNDS	336.7	358.2	387.6	387.2	373.9	197	207	196	232	337

	Values					% of Turnover				
Turnover by geographical area	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
EMEA	345.1	371.6	420.5	353.9	238.3	56.2%	59.6%	59.2%	59.0%	59.6%
AME	127.7	109.6	95.1	78.8	46.6	20.8%	17.6%	13.4%	13.1%	11.7%
APAC	141.0	142.5	194.7	167.4	114.9	23.0%	22.8%	27.4%	27.9%	28.7%
TOTAL TURNOVER	613.8	623.7	710.3	600.1	399.8	100.0%	100.0%	100.0%	100.0%	100.0%



Indicators	2013	2012	2011	2010	2009	Description
ECONOMIC						
Net ROE	2.0%	0.6%	5.3%	2.0%	(15.8%)	(Net profit/Shareholders' equity)
ROI	7.7%	6.5%	10.6%	7.1%	(5.4%)	(EBIT/Lending)
ROS	4.2%	3.8%	5.8%	4.6%	(5.0%)	(EBIT/Turnover)
EBITDA/Net Financial income and expenses	5.8	4.3	6.4	5.2	1.0	
EQUITY AND STRUCTURAL						
Primary structural balance ratio	1.3	1.2	1.1	1.0	0.9	(Shareholders' equity/Fixed assets)
Financial indebtedness ratio	0.5	0.6	0.8	0.8	0.8	(NCP/Shareholders' equity)
NCP/EBITDA ratio	2.2	2.5	2.2	3.0	18.8	(NCP/EBITDA)
Shareholders' equity tangibility ratio	1.0	1.0	1.0	1.0	1.0	(Equity-Intangible assets/Equity)
OTHER						
Average number of employees	3303	3339	3270	3002	2845	Annual mean
Turnover per employee	0.186	0.187	0.217	0.200	0.141	Data expressed in millions of Euro

In 2013 the Group continued to strengthen its strategic position by forming/acquiring several companies in India, Spain and China that are oriented toward developing Renewable & Power Solutions (RePvS) and Mobile & Windmill (MWS) business units and by launching several projects to improve internal efficiency in the purchasing area (global sourcing) and the logistics area, also with the development of several assembly and production activities in non-European sales development areas. Development of new products and new mechatronic solutions is also continuing with strong focalisation generated by Business Unit and product Division organization, launched and implemented over the past four years.

Group turnover in 2013 was 1.6% lower than that of the previous year in terms of percentage (M€ 613.8 compared to M€ 623.7 in 2012), even though production volumes rose. The phenomenon is to be attributed to the heavy devaluation of several foreign currencies in countries where the Group operates (firstly India, Brazil, Turkey and South Africa) and that led to a reduction in nominal turnover of almost M€ 25. Average exchange rates being equal in the previous year, the turnover would have been about 2.4% higher.

The effect of the devaluation of the above-mentioned foreign currencies on the other hand allowed the Group to benefit from reductions also on the cost of production side since for some time it had built assets and production plants in those countries as well. On the consolidated Income Statement level, please in fact note the Group EBITDA of M€ 53.4, 8.7% of sales, which is in line with the 2012 percentage.

Please also note that:

- the cost of sales at year-end 2013 had a 77.2% incidence on turnover, an improvement over the percentages of last year (79.0%). The increased margins are mainly due to the purchasing and production saving and efficiency policies, in addition to a mix of turnover that recorded an increase in the incidence of Photovoltaic Business sales, higher margins and reduced incidence of Mobile & Wind sales that show higher cost of goods sold percentages;
- structural costs increased M€ 6.5 in absolute value, with the percentage of turnover rising from 17.2% to 18.5%;
- total cost of labour increased from M€ 114.1 in 2012 to M€ 120.1, and its percentage of turnover rose from 18.3% to 19.6%. This was due to the parent company's reduced use of state unemployment benefits and the strengthening of the workforce in several developing countries (USA, China, South East Asia and others);
- depreciation, amortisation, write-downs and other allocations decreased in absolute value by approximately M€ 3.1 and their incidence on turnover fell from 4.9% in 2012 to 4.5% at year-end 2013;
- net financial expenses and income decreased in terms of incidence on turnover, dropping from 2.0% in 2012 to 1.5% in 2013. In terms of absolute value, net financial expenses decreased by M€ 2.6, mainly due to the Group's reduced financial exposure and greater efficiency in cash management and managing short-term credit facilities, with increased use of cash pooling amongst Group companies.
- the downward trend in exchange rates on currencies of some countries (for the most part India, Brazil, South Africa and Turkey) involved M€ 1.9 in losses on exchange rates with a percentage incidence of -0.3% on consolidated turnover (-0.6% in 2012).
- extraordinary income and charges record a negative balance of M€ 1.9, with a -0.3% impact on turnover, due to several devaluations of fixed assets (land and buildings) and extraordinary provisions the parent company made to restructure its production and organisation structure in the face of a change in market scenarios triggered after the economic-financial crisis of recent years.

With regard to the Group's asset and liability structure, Net Working Capital decreased in absolute value compared to 2012, dropping from M€ 191.2 to M€ 189.2, remaining all but unchanged compared to the previous year in terms of rotation on sales.

Net Financial Position recorded a significant M€ 18.6 increase, which allowed overall indebtedness to be reduced from M€ 137.2 of year-end 2012 to M€ 118.6 as at December 2013, a positive sign of a good generation of cash by effective management of net capital employed and by current economic performance.



Net investments amount to M€ 14.6 with details given below:

Values in Euro/millions	2013	2012	2011	2010	2009
Land and buildings	1.5	1.1	0.5	0.1	2.5
Plant and machinery	5.2	4.5	9.8	8.5	12.4
Equipment	4.7	4.8	6.7	4.7	4.9
Other assets	1.6	1.3	1.9	1.5	0.8
Assets in progress	0.1	0.9	(0.1)	(3.2)	(3.1)
Tangible fixed assets	13.1	12.6	18.8	11.6	17.5
Software, trademarks, patents	0.6	1.1	1.5	0.4	0.8
Goodwill	-	0.2	-	0.1	-
Other	0.9	2.7	0.2	0.7	0.5
Intangible fixed assets	1.5	4.0	1.7	1.3	1.3
Total Investments	14.6	16.6	20.5	12.9	18.8

The principle investments made by the Group are listed below:

- investments in land and buildings regarded the Parent Company, which carried out several expansions and improvements to some plants it owns;
- investments in plants and machinery related to the Parent Company, which strengthened its production with new investments totalling M€ 3.7, and the Indian (M€ 0.9), Slovak (M€ 0.5) and BMR (M€ 0.1) companies;
- investments in intangible assets refer mostly to the acquisition of licences and improvements of assets leased by the parent company, in addition to Research and Development projects of "Bonfiglioli Mechatronic Research SpA" in progress to build high performance mechatronic systems totalling M€ 0.5.

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 and the unemployment rate.

Risks connected with the market sectors served

The Group operates in many markets divided up into 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 the investments scheduled through the cash flows coming from operations, available liquidity, the renewal or refinancing of bank loans and the possibly 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. Whereas 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 various 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

The priority of the Bonfiglioli Group has always been total customer satisfaction, the safety of its employees and respect for the environment.

The Group conducts its activities in accordance with the most highly developed environment protection regulations, and however in full compliance with the rules currently in force, in the various countries in which the Group operates. In any event we can confirm that no damage has been caused to the environment for which companies in the Group have been declared responsible, nor have any definitive sanctions or penalties been imposed on companies in the Group for environmental offences or damage.

Several important activities were concluded in 2013, like the "Customer Survey", performed to get an in-depth view of the quality expectations of our customers according to the different types of market. The methods and indicators for measuring the level of quality our customers receive were reviewed in this perspective by introducing the new "Customer View" metrics. This new approach allowed us to raise awareness to the different problems the customers have and to reinforce the ongoing quality improvement process on the production processes.

As for Safety and Environment, 2013 was important for consolidating the OHSAS 18001 and ISO 14001 certifications at the Italian BUINS and BUMWS production sites. Levels of excellence and ongoing improvement processes within the company are guaranteed with these certifications. Then the indicators for monitoring the safety performance of the entire group were reviewed to guarantee that the standards of excellence are maintained and to prevent any possible deviation from the set guaranteed targets, also with the help of auditing that was carried out and that provided excellent results at foreign plants and subsidiaries during 2013.

Well aware that the challenge on the markets is won through the level of service offered, a new way of measuring delivery reliability that is stricter than in the past was introduced. This new methodology made it possible to introduce several specific technical analysis in order to eliminate the causes of poor punctuality and to be able to improve the level of service offered to our customers as a consequence.

The ISO9000, ISO1400 and OHSAS18000 certifications of the Quality, Safety and Environment systems are still today an essential element for continuing to improve the operational standards of the entire Bonfiglioli Group through modern processes directed at excellence and continuous improvement.



HUMAN RESOURCES

Total Group resources rose from 3,276 units at year-end 2012 to 3,335 at year-end 2013. Of these, 1,290 regard the parent company Bonfiglioli Riduttori S.p.A., while another 1,274 regard the other production companies in Italy and abroad, 325 the European sales subsidiaries and 446 the overseas branches.

The market in which Bonfiglioli operates is marked by needs for enormous flexibility and short delivery time frames, characteristics that are further highlighted by the general crisis under way. In this context the Group has adopted organisation solutions aimed at meeting the requirements of an ever more demanding market in terms of product quality, pricing and delivery time. More specifically with reference to the Italian companies, constant dialogue with the trade union has allowed us to implement a work calendar that takes into account the production needs of the company and the legitimate expectations of the workers to benefit from breaks to restore their psychic/physical recovery thresholds. Thanks to these agreements, the company was able to have at its disposal the number of production days necessary to meet the market's demands. Further trade union verifications allowed the company to make use of the flexibility in shifts by adopting a system that uses personnel 24 hours a day, depending on production requirements.

With a view to rationalise the Industrial Business Unit (BUINS) PTS Division activities, the production activities concerning VF and W gearbox assembly was transferred from the Lippo plant to the Calderara di Reno plant and electric motor assembly was transferred to the plant located in Vignola.

The Calderara di Reno plant underwent an in-depth layout rearrangement and its production plants were upgraded, also with the introduction of innovative logistics systems.

The Sala Bolognese plant underwent heavy internal rationalisation, and during the process seized the opportunity to create a logistics HUB.

In 2013 changes were introduced in the HR Department following reorganisation and strengthening of the structure and processes based on a three-year development plan. The new HR structure is set up on the central level to provide a management and operations service directly supporting the business through the HRBPs (HR Business Partners) dedicated to specific BUs, and a specialised service through the HR Process Leaders (Organization & Reporting, Development & Leadership, Payroll and Industrial Relations) that make up the reference for vertical knowledge on specific themes and that support the "line" and the HRBPs.

On the peripheral level, the structure provides guidance and support to the local HR Managers that attend to the management and administration of resources working in large companies (BSK, BTPL, BVN). The strategic goal is to guarantee that Governance is as homogeneous as possible and also to provide top management with an accurate and real picture of the number of resources, their distinguishing traits and their use so it can effectively plan the Group's strategic choices.

Collaboration with the universities of Bologna, Modena, Reggio, Ferrara and Padua continued throughout 2013 with internships both for dissertation preparation and post-graduate work in sectors such as mechanical and electronic Design, the Supply Chain, Quality and Human Resources.

With regard to the university-company relationship, the "Leonardo Committee" plays a key role with the company participating by offering the winner the chance to receive a paid internship at Bonfiglioli Mechatronic Research (BMR SpA) in Rovereto in memory of the founder Cavaliere del Lavoro Clementino Bonfiglioli. To take part in the contest, students have to prepare particularly significant dissertations on mechatronic topics. A young electrical engineer from the Trento area who graduated from the University of Padua area won the 2013 prize and started his internship at the beginning of 2014.

In the wake of special boosts given by the Mobile and Wind (MWS) BU and with the close collaboration of the Municipality of Forlì, Confindustria (the Italian employers' federation), Fondazione Cassa di Risparmio, universities and

the company, in academic year 2013/2014 a special mechanical engineering course on automation was set up at the local school of Engineering campus. Its goal is to create expertise that will be helpful in future developments that the BU is looking at (electromobility, hybrid farm machinery for organic crops, etc.).

With regard to training, 2013 was thick with initiatives. In fact, although the many regular technical and safety training activities continued, the so-called cross-disciplinary skills sector also received a big boost with Project and People management training courses. Alignment and comparison activities were also offered during the Financial & Corporate Services (Fi.Co.S) meeting held in September. The corporate employee training plan for 2013/2014 has also been prepared and where possible, attempts are being made to fund the scheduled activities by drawing from the interprofessional funds to which the company subscribes.

The year 2013 was also a year that made room for recreational and cultural activities. An Open Day for all employees and their families was held on 8 June at the Forlì plant, and the turnout was exceptionally high with over 1800 people. This initiative was organised and supported by the MWS BU staff, with considerable support given by the Marketing and HR corporate departments. On this occasion visiting staff members and their families were able to benefit from recreational games and the chance to visit the Forlì plant on a guided tour, where they could admire the plants, products and advanced technologies housed there.

Bonfiglioli also lent a hand by sponsoring the installation of the permanent "Verzocchi Collection on Work" exhibit organised by the Municipality of Forlì at Palazzo Romagnoli. It is an important art collection on the topic of work, with 72 masterpieces created by major 20th century Italian painters, which aroused a great deal of interest in the press and on regional TV.



RESEARCH AND DEVELOPMENT

Expenditure pertaining to the Research and Development area incurred during 2013 amount to about M€ 10.6 on the Group level.

A summary of the major product development projects of the various Business Units is provided below.



BUINS - Power Transmission Solutions (PTS) Division

The following main activities were developed during 2013. They are broken down into the project types "New Products", "Research with University Support" and "Organisation/Management".

New Product Projects

Following application of the new product development procedure, the R&D activities were focussed on special projects (PULL) of medium and high complexity: 70% of medium complexity (by-products of standard products of the range) and 30% high. The requests of slight complexity are developed directly by the DSC department, which has executed over 190 product projects for special customer applications for gearboxes, electric motors and gearmotors.

Two pilot projects of the standard range developments were completed for the 300 and HDP/O series, aimed at improving the product and performance and at extending the range. More specifically, the new HD 125 size and an initial special application for extruders (HDPE125) were developed; the weight of the casings has been reduced 5 to 20%, depending on the various sizes involved, on the other standard sizes. Changes were made for the 300 series to significantly improve performance, with maximum delivery of torque increased up to +47%. Development of the second phase for the 300 series was then initiated, with new product content: expansion of the 3HD combination range, Slew drive versions taken from the 7T, solutions for improving installation and maintenance, extension of the Taconite protection to other types of output shafts, etc.

Also the project for extending mostly recurring options on the special products of the various families reached its final stage. Those activities regarding the following products were completed: ACF series (Taconite protection; reduced backlash for the A series; slow ratio reduction and servomotor input for the C series), Motors series and preliminary studies on the W and VF series.

Research projects with University support

The first phase of collaboration on a vibration testing project for the preventive detection and diagnosis of possible faults or damage to gearbox components was completed, and interesting results on the planetary gearboxes were achieved. The job of reviewing gearbox design parameters, aimed at optimising and standardising all product families, was also completed.

Other projects developed with universities and research laboratories on innovative subjects (some of which will also continue in 2014) are:

- Design and simulation activities for IE3 motors.
- Thermo-fluid dynamics analyses of gearboxes.
- Tribological analyses of the various types of lubricants and definition of internal standards of reference.
- Analysis and testing of new latest-generation dynamic seals.

Organisation/Management projects

The new Product Development Process (PdP) was launched, and a work-flow for managing the development process in the corporate PLM environment has also been defined and implemented. The same procedure, properly optimised, was extended to development of the (light) PULL projects in DSC environment and a pilot project with several group branches is currently under way for the extension to all technical references of the products.

Consolidation of the calculation and sizing instruments dedicated to Bonfiglioli products (in particular for the planetary gearbox families) has allowed a powerful calculation tool to be built and completed, and it has been put into operation with a Web interface for both internal use and use by the local peripheral Drive Service Centers (DSC). More than 10,000 calculations and sizings have been made with this tool in the first six months of use.



BUINS - Mechatronic Drives & Solutions (MDS) Division

Research projects

Research as part of the "High Efficient Mechatronic Systems for Industrial Applications" project continued in 2013. The activities of analysing and collecting data on the state of the art of the power transmission and electronic control device line technologies were expanded. Various rotor structures, control algorithms for developing a sensorless full-range control and new materials for the gearbox casings were also assessed.

Collaboration agreements with universities and research centres were defined with the aim of singling out the best solutions for the new gearmotor/actuator systems in terms of technologies, processes and electromechanical design systems.

The major fields of research are:

- High performance and low inertia servomotors, compact in size with square and smooth casing.
 - Medium performance and low inertia motors with natural ventilation and components in common with the BN series.
- Other research topics concern nano coatings and surface treatments for the mechanical components in order to identify the best synthesis processes and materials for applications on shafts and rollers, with the aim of afterwards extending the application to the external gears.

Software applications for simulating and defining system mathematical and thermal models were tested during the year. For this purpose a series of tests was performed on prototypes to validate design tools.

Servomotors

New sizes were added to the existing basic series in order to complete the BMD servomotor offer. A new torque value was introduced for each of the BMD 65-82-118-102-145 motor sizes, completing the series with 11 torque values available. For the new series with intermediate sizes, the technical documentation was completed, the standard options in the catalogue were defined and the rules of the product configurator for implementation on SAP were issued.

A new motor size was also designed, built and validated in order to assess the possible extension of the torque range. This allowed the design tools (calculations and models) to be clearly defined for future developments.

Various prototypes with built-in inverter were built in order to put the servodrive on board the motor. Motor performance and thermal limitations were investigated with a number of mechanical assembly and inverter housing solutions, while evaluation of the electronics and control was developed with the support of Vectron.

High precision planetary gearboxes

Based on tests and testing carried out on prototypes, the TQ series was validated and put into production during the year. At the same time the new catalogue and its technical documentation, including the options to the basic version, were issued. Work commenced on developing customisations of the product and the special versions of all the reduced backlash gearbox (LC, MP, TR) series, including taking charge of the technical support activities, started in September 2013.

Sizing tool

The database of the motors and gearboxes was also completed and uploaded so the sizing software can be used and definition of the calculation method is supported.



Business Unit Mobile & Wind Solutions (BUMWS)

Products for mobile machines

With regard to the road maintenance machinery, another version for larger road graders is being developed. These products feature innovative solutions specially studied to meet the requirements of these applications. Development of a new dual-speed gearbox for wheeled road surface laying machines was also completed. Several projects in the agricultural sector have been started with the goal of optimising the 600 series product range to the specific requirements of this market, particularly in terms of overhung load capacity and specific use profiles. Furthermore, development of a new size studied for large farm machinery was presented at the most important exhibition of the sector, Agritechnica in Hannover. It is able to sustain the highest loads linked to the application of twin wheels and to integrate a tyre inflation control device.

Gearboxes for tracked crawlers

The activities tied to extending the range of gearboxes for tracked crawlers are continuing. More specifically, the prototypes relating to two new sizes designed for hydraulic mine excavators up to 350 tons, and drilling equipment and crawler cranes up to 400 tons are now in the bench validation phase.

Wind turbine products

Development activities in this sector are basically concentrated on searching for solutions to increase reliability and performance following the continuous updating of the certification legislation and specifications and, at the same time, studies focussed on reducing dimensions and weight performance being equal, making maintenance easier and improving movement and, lastly, integrating additional functions such as the electromagnetic brake in the gearbox, or the inverter in the electric motor. This makes it possible to differentiate the product and retain the leadership position in the market.

Electromobility products

The study of solutions for electric drive sees applications crossing several market sectors. Following development of the first model of an integrated electric motor drive unit for front fork lifts in the Material Handling sector, the version for a higher



Wind Solutions

capacity and other special versions with narrow track for articulated forklifts and lastly, a special version for airport trolleys, are under development.

Redesign of the small sizes of the 600 series is continuing. It is focussed on the speed and noise specifications of the electric drive systems for scissor, articulated or telescopic skylift platforms. These products are particularly distinguished by the possibility to integrate the new range of low voltage electric motors of the BT series, specifically studied for battery-powered vehicles, in order to ensure high performance and a compact size.

A gearbox solution for hybrid concrete mixers has also been developed in collaboration with a large Italian manufacturer that presented this innovative solution at the Bauma exhibition in Munich.

Lastly, development of a new technology of very high power density electric motors designed for the agricultural market is continuing. Also under development are several niche automotive applications, such as electric mini cars and commercial hybrid vehicles. Integrated transmission systems complete with differential are also being studied for them.

Marine & Offshore

Several activities were carried out with the aim to acquire greater competitiveness and effectiveness in this sector.

Specific options were developed for these applications, and the development of two new sizes was started to extend the range of gearboxes for ship lifting and offshore platform systems.

Activities indirectly affecting the Testing and Experiments production and activities

Besides bench testing connected with development of new products and new sizes, other activities focussed on testing materials, treatments and alternative suppliers, also in the integration of hydraulic motors with axial and orbital pistons, continue. The aim is to acquire greater flexibility and to optimise production cost and processes.

More specifically with regard to the development of alternative materials, a project funded by the Seventh Framework Programme was started. Its aim is to develop new technologies based on the die-casting of nanoparticle-reinforced aluminium alloys to be used for applications in the construction, wind and automotive sectors.

The development of solutions - and in particular for the electromobility sector - has made the design of special test benches for the operation and control of low voltage electric motors and the implementation of measurement and vibration analysis instruments necessary.

Lastly, research and development activities were carried out on planetary gearbox calculation and efficiency verification models, particularly for very high speeds.

Product and process development

Following the in-depth review of the internal processes that was set in motion in 2011 with the objective of simplifying and rationalising management of the design and development activities, work particularly aimed at implementing and extending Product Lifecycle Management (PLM) is continuing. This provides automation, monitoring and measurement of many design stages so that the structure can work more quickly and effectively while following not only the required time to market logics, but also those of standardisation and modularity of product architecture.



Business Unit Regenerative & Photovoltaic Solutions (BUREpVS)

The BU focussed its Inverter portfolio development activities for the photovoltaic market on the following leading actions:

- Bonfiglioli became member of the executive committee of the HDPV® international industrial alliance, a sector initiative intended to cut overall costs of photovoltaic systems while at the same time increasing energy production, with the aim of developing smart PV modules and power optimizer technology.
- The new "SyCo" control platform was built to better manage Bonfiglioli PV inverter systems and integration.
- Development of the global platform for "turnkey" PV solutions based on 20 and 40-foot ISO containers continued.
- New inverter versions were designed and certifications for the Chinese market were obtained.
- The product range was upgraded in order to ensure full compliance with the most recent international product safety standards (IEC 62109) and network integration.
- Lastly, activities aimed at continuous improvement of product cost and performance continued.

SIGNIFICANT EVENTS AFTER YEAR END

No significant events arose after the close of the financial year.

However, agreements with the shareholders of Tecnotrans Bonfiglioli S.A., with call-put options on up to 95% of the shares to acquire control of the company, were established in recent months.

The deadline for these options is end of March 2014, and the methods for defining them are under study at this time.



BUSINESS OUTLOOK

The collection of orders in these early months of the new year shows a trend that has considerably improved over that of the same period of last year (+23.5%), which is driven by the significant recovery recorded in the MWS BU.

The PTS and MDS Divisions also recorded an improvement in orders received, although at a slower pace than that of MWS. All Business Units report improved performance in order collection in these early months of the new year compared to the latter months of 2013.

The positive trend in the collection of orders generally regards all the major geographic areas worldwide where the Bonfiglioli Group operates, with steadier trends in North and South America and in Asia Pacific (APAC) than in the EMEA region, which on the whole is nevertheless showing signs of recovery in almost all its countries.

Consolidated turnover made in the early months of 2014 is, as of today, roughly M€ 150, 19% higher than the M€ 125 of the same previous period. All BUs are presenting improved performance, with percentages varying from +65% of RePvS to +1.0% of PTS. The Business Units are also achieving positive performance with respect to the budget figures.

The Parent Company stopped using the Italian state's extraordinary unemployment benefits in recent weeks, and also the terms of Mobility came to an end on 9 March. Now only a couple of Italian plants are making use of the ordinary unemployment benefits fund at levels that, on the whole, are much lower than those used in 2013.

The reorganisation and production process improvement activities cannot yet be considered completed, and company managements are therefore still heavily concentrated and focussed on seeking out that necessary ongoing improvement that has to be spread out to all the major company processes. The purpose of this is to improve customer service, increase the level of penetration of the worldwide markets, complete the path of improving use of the capital employed and the overall financial indebtedness, extending the principles of lean organisation and continuing improvement already well ingrained in several Italian plants to the entire organisation around the world.

We therefore believe that the year 2014 may prove to be another important year of consolidation and strengthening of the results the group has attained over these past post-crisis years. Overall performance and likely future developments appear to be improving in terms of volumes of order collection and turnover, with a to be hoped for improvement in the Group's economic and financial performance ratings as well.

FURTHER INFORMATION

Equity shares

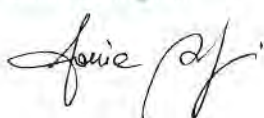
The parent company does not hold and has never held treasury shares, nor does it hold stakes or shares in controlling companies inasmuch as there is no legal entity that holds a controlling stake in Bonfiglioli Riduttori S.p.A. stock.

Calderara di Reno (Bo), 28 March 2014

for The Board of Directors

The Chairman

Sonia Bonfiglioli





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wer, control and green solution

Consolidated Financial Statements as of December 31, 2013

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

CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2013

Consolidated balance sheet

(Euro Thousand)

ASSETS	2013	2012
B) Fixed assets (net of cumulated depreciation)		
I. Intangible fixed assets		
1) Start up costs	17	14
3) Patents and rights to use intellectual properties	279	489
4) Concession, licenses, trademarks and similar rights	249	337
5) Goodwill		
5b) Consolidation differences	154	188
6) Assets in progress and advances	662	246
7) Other intangible fixed assets	5,294	5,512
Total Intangible fixed assets	6,655	6,786
II. Tangible fixed assets		
1) Land and buildings	111,289	114,831
2) Plant and machinery	34,730	42,943
3) Industrial and commercial equipments	11,526	12,500
4) Other tangible fixed assets	4,237	4,448
5) Assets in progress and advances	3,009	3,419
Total Tangible fixed assets	164,791	178,141
III. Financial fixed assets		
1) Investments:		
b) associated companies	2,706	2,690
d) other companies	56	56
sub total	2,762	2,746
Total Financial fixed assets	2,762	2,746
B) TOTAL FIXED ASSETS (NET OF CUMULATED DEPRECIATION)	174,208	187,673
C) Current assets		
I. Inventory		
1) Raw materials, supplies and consumables	27,064	26,107
2) Work in progress and semifinished goods	54,669	59,076
4) Finished goods and goods for resale	79,459	83,821
5) Advances	120	279
Total Inventory	161,312	169,283

(Euro Thousand)

	2013	2012
II. Receivables		
1) Trade receivables		
- due within 12 months	157,420	134,704
3) Receivables from associated companies		
- due within 12 months	6,809	7,788
4bis) Tax receivables		
- due within 12 months	7,596	8,149
- due after 12 months	6,053	7,811
sub total	13,649	15,960
4ter) Deferred tax assets		
- due within 12 months	10,630	10,698
- due after 12 months	21,074	21,788
sub total	31,704	32,486
5) Other receivables		
- due within 12 months	2,911	4,283
- due after 12 months	3,250	3,003
sub total	6,161	7,286
Total Receivables	215,743	198,224
IV. Cash at bank and on hand		
1) Banks	62,864	35,572
3) Cash on hand	55	41
Total Cash at bank and on hand	62,919	35,613
C) TOTAL CURRENT ASSETS	439,974	403,120
D) Prepaid expenses and accrued income		
- Other prepaid expenses and accrued income	1,723	1,492
D) TOTAL PREPAID EXPENSES AND ACCRUED INCOME	1,723	1,492
TOTALE ASSETS	615,905	592,285

Consolidated balance sheet

(Euro Thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	2013	2012
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	51,584	53,551
-) Consolidation reserve	16,965	16,965
-) Foreign exchange currency conversion reserve	(9,268)	(2,065)
-) Other reserves	5,451	5,451
sub total	64,732	73,902
VIII. Retained earnings (losses) carried forward	54,534	51,251
IX. Net income (loss) of the Group	4,371	1,332
Group shareholders' equity	218,072	220,920
Minority interests share capital and reserves	7,867	8,255
Minority interests net income (loss)	871	864
Minority Interests	8,738	9,119
A) CONSOLIDATED SHAREHOLDERS' EQUITY	226,810	230,039
B) Reserves for risks and charges		
1) Termination indemnity and similar liabilities	1,319	1,485
2) Taxes and deferred taxes liabilities	9,305	10,381
3) Other reserves	17,928	17,687
B) TOTAL RESERVES FOR RISKS AND CHARGES	28,552	29,553
C) Employee severance indemnity reserve	15,429	15,745
D) Payables		
1) Bonds		
- due after 12 months	2,750	2,750
sub total	2,750	2,750

(Euro Thousand)

	2013	2012
4) Banks		
- due within 12 months	91,213	67,944
- due after 12 months	77,413	92,049
sub total	168,626	159,993
5) Other financial institutions		
- due within 12 months	2,458	3,215
- due after 12 months	7,684	6,891
sub total	10,142	10,106
6) Advances		
- due within 12 months	3,440	6,155
7) Trade payables		
- due within 12 months	131,149	113,996
10) Payables to associated companies		
- due within 12 months	1,786	396
12) Tax payables		
- due within 12 months	3,435	2,818
13) Social security		
- due within 12 months	6,670	6,146
14) Other payables		
- due within 12 months	15,207	12,685
- due after 12 months	1,157	1,174
sub total	16,364	13,859
D) TOTAL PAYABLES	344,362	316,219

E) Accrued expenses and deferred income

- Other accrued expenses and deferred income	752	729
E) TOTAL ACCRUED EXPENSES AND DEFERRED INCOME	752	729
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	615,905	592,285

MEMORANDUM ACCOUNTS	2013	2012
Guarantees given from third parties in own favour	7,681	24,313
Commitments on investments' purchase	5,096	5,096
TOTAL MEMORANDUM ACCOUNTS	12,777	29,409

Consolidated income statement

(Euro Thousand)

	2013	2012
A) Production value		
1) Net revenue from sales and services	613,842	623,716
2) Change in work in progress, semi-finished and finished goods	(5,184)	(31,683)
4) Assets increase for internal works	437	205
5) Other revenues and incomes:		
- others	9,446	10,438
A) TOTAL PRODUCTION VALUE	618,541	602,676
B) Production costs		
6) Raw materials, supplies, consumables & goods for resale	348,800	319,623
7) Services	90,298	95,201
8) Use of third party assets	6,726	6,843
9) Personnel		
a) Wages and salaries	91,083	87,025
b) Social contributions	24,903	22,726
c) Severance indemnity	4,104	4,314
sub total	120,090	114,065
10) Depreciation, amortization and write-downs		
a) Amortization of intangible fixed assets	1,531	2,894
b) Depreciation of tangible fixed assets	21,409	23,370
d) Bad debts provision	3,290	3,348
sub total	26,230	29,612
11) Change in raw materials, supplies, consumables & goods for resale	(5,244)	8,564
13) Other provisions	1,173	931
14) Other operating expenses	4,462	4,402
B) TOTAL PRODUCTION COSTS	592,535	579,241
DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)	26,006	23,435
C) Financial income and expenses		
16) Other financial income:		
- from associated companies	98	131
- other	1,479	711

(Euro Thousand)

	2013	2012
17) Interest expenses and other financial charges:		
- other	(10,781)	(13,364)
17bis) Exchange rate gains and losses, net	(1,910)	(3,441)
C) TOTAL FINANCIAL INCOME AND EXPENSES	(11,114)	(15,963)

D) Adjustments to financial assets

18) Revaluations		
a) investments	16	-
19) Write off		
a) investments	-	(937)
D) TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	16	(937)

E) Extraordinary income and expenses

20) Income:		
- other	210	2,138
21) Expenses:		
- other	(2,092)	(1,881)
E) TOTAL EXTRAORDINARY ITEMS	(1,882)	257
INCOME BEFORE TAXES (A-B±C±D±E)	13,026	6,792

22) Income taxes

- current	(8,263)	(4,844)
- deferred	479	248
TOTAL INCOME TAXES	(7,784)	(4,596)

23) NET INCOME (LOSS) INCLUDING MINORITY INTEREST	5,242	2,196
Minority interest income	(871)	(864)
NET INCOME (LOSS) OF THE GROUP	4,371	1,332



Notes to the consolidated financial statements

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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 2013 are as follows:

Denomination	Country	Currency	Share Capital	Shareholding	
				31/12/13	31/12/12
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	11,000,004	100%	100%
Bonfiglioli U.K. Ltd	Great Britain	GBP	200,000	100%	100%
Bonfiglioli Power Transmission Pty Ltd	South Africa	ZAR	64,000	75%	75%
Bonfiglioli South Africa Pty Ltd (*)	South Africa	ZAR	8,000,000	56.25%	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	13,000,000	100%	100%
Bonfiglioli Vietnam Ltd	Vietnam	USD	10,000,000	80%	80%
Bonfiglioli Redutores do Brasil	Brazil	BRL	8,500,000	98.18%	96.67%
Bonfiglioli Osterreich 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%	-
Bonfiglioli Renewable Power Conversion India Pvt Ltd. (***)	India	INR	30,000,000	95%	-
Bonfiglioli Trading (Shanghai) Co. Ltd (****)	China	CNY	1,500,000	66.67%	-

(*) 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 of the Brazilian subsidiary the company "Bonfiglioli Redutores do Brasil Ltda", was increased in March of 5MBRL (roughly 1.9 MEUR). Simultaneously the share capital has been reduced for total 2.5MBRL (approx 1.0 MEUR) to cover previous years' losses. The said transaction increased the Group's stake from 96.67% to 98.18% due to the dilution of the minority stakeholder that did not participate to the share capital increase;
- share capital of the Italian subsidiary "Bonfiglioli Mechatronic Research S.p.A" was increased in April from 750K€ to 1.5 M€, the foregoing increase did not entail changes in the company structure as the company is already wholly owned;
- the company "Bonfiglioli Renewable Power Conversion Spain S.L.", with registered office in Madrid and Share capital of 5K€ was incorporated in July. The company is wholly owned by the Group through the subsidiary "Bonfiglioli Vectron GmbH";
- the company "Bonfiglioli Trading (Shanghai) Co. Ltd.", with registered office in Shanghai and Share capital of 1.5 MCNY (approx 180K€) was incorporated in August. The company is controlled by the Group through the Chinese subsidiary "Bonfiglioli Drives (Shanghai) who own the 100% of stakes;
- the company "Bonfiglioli Renewable Power Conversion India Pvt.Ltd", with registered office in Bangalore and share capital of 30 MINR (approx 350K€) was incorporated in August. The company is controlled by the group at 95% through the subsidiary "Bonfiglioli Vectron GmbH";
- share capital of the Australian subsidiary "Bonfiglioli Transmission (AUST) Pty Ltd" was increased in August for 3.5 MAUD. The foregoing increase, equal to roughly 2.3 M€, did not entail changes in the company structure as the company is already wholly owned;
- share capital increase of the Turkey "Bonfiglioli Power Transmission & Automation Technologies JSC", from 6MTRY to 13MTRY, was completed in December. The foregoing increase, equal to approximately 2.1 M€ did not entail changes in the company structure as the company is already wholly owned.



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 was 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". 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 were 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 2013	P.L. exchange rate 2013	B.S. exchange rate 2012	P.L. exchange rate 2012
Bonfiglioli U.K. Ltd	GBP	0.834	0.849	0.816	0.811
Bonfiglioli Canada Inc.	CAD	1.467	1.368	1.314	1.284
Bonfiglioli USA Inc.	USD	1.379	1.328	1.319	1.285
Bonfiglioli Transmission (Aust) Pty Ltd.	AUD	1.542	1.378	1.271	1.241
Bonfiglioli Power Transmissions Pty Ltd.	ZAR	14.566	12.833	11.173	10.551
Bonfiglioli Transmission Pvt Ltd.	INR	85.366	77.930	72.560	68.597
Bonfiglioli Renewable Power Conversion India Pvt Ltd.	INR	85.366	77.930	-	-
Bonfiglioli Drives (Shanghai) Co. Ltd.	CNY	8.349	8.165	8.221	8.105
Bonfiglioli Trading (Shanghai) Co. Ltd.	CNY	8.349	8.165	-	-
Bonfiglioli Power Trasmission JSC	TRY	2.961	2.534	2.355	2.314
Bonfiglioli Redutores Do Brasil Ltda	BRL	3.258	2.869	2.704	2.508
Bonfiglioli South East Asia Pte Ltd	SGD	1.741	1.662	1.611	1.605
Bonfiglioli Vietnam Ltd	VND	29,096.70	27,925.04	27,488.60	26,817.26

I. The following company is consolidated using the net equity method:

Denomination	Headquarters	Share capital	% stake
Tecnotrans Bonfiglioli Sa	Barcelona (Spain)	€ 2,175,000	33.33%



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 National Council of Chartered Accountants as updated 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 consolidated financial statements were prepared in accordance with the general principles of clarity, truthfulness and fairness; specifically:

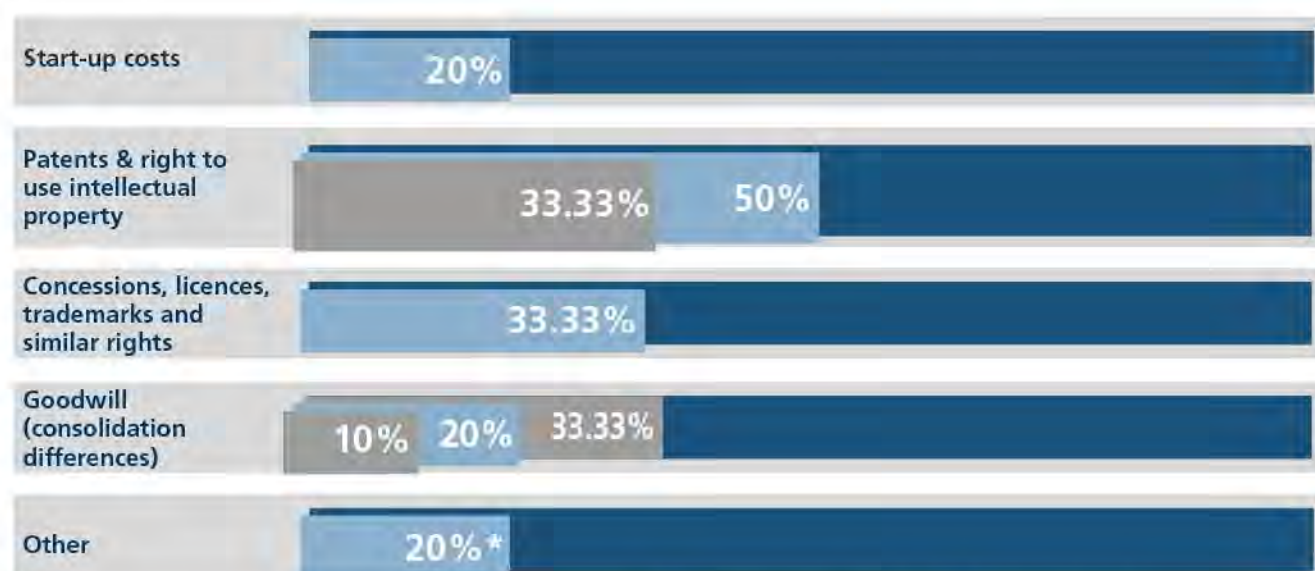
- valuation of the items of the financial statements was carried out in accordance with the general principles of prudence and economic competence in a prospective of on-going business;

- 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.

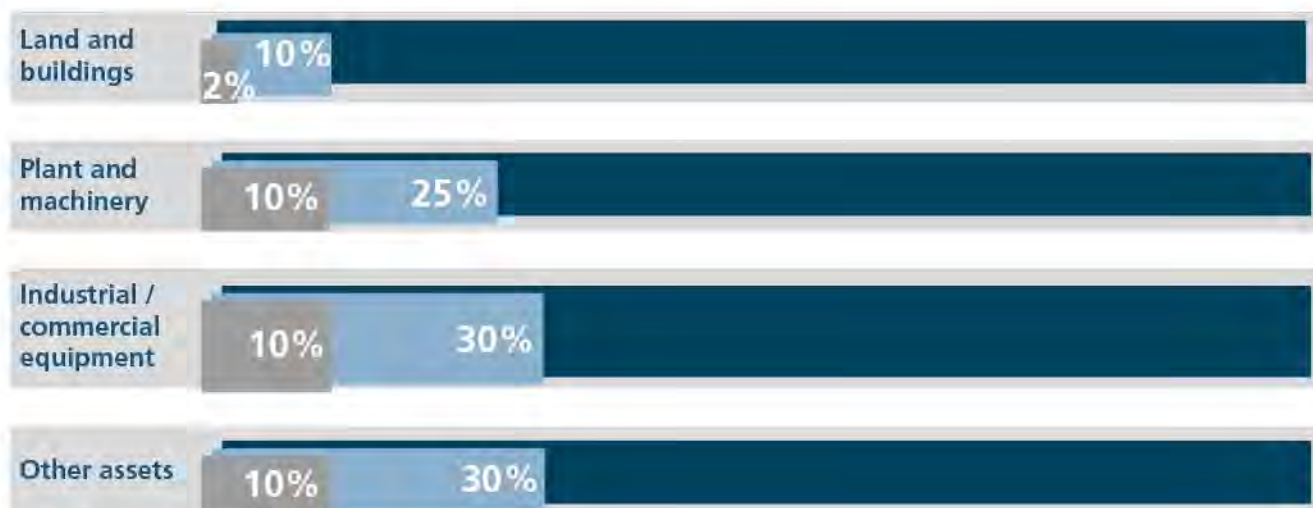
The revaluation figure for an asset does not exceed the value actually attributable to it with reference to its likely economic use by the company or, if it does exceed this level, with reference to its sale value.

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 equity investment in the associated company Tecnotrans Bonfiglioli SA is entered on the basis of the net equity criterion, i.e. for an amount equivalent to the corresponding portion of shareholders' equity resulting from the latest financial statement of the company after deducting dividends and after recording any further consolidation adjustments having a significant impact.

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 forming 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

Balance sheet					
Fixed assets					
Intangible fixed assets					
Description	Opening balance	Increases	Decreases	Other changes	Closing balance
Historic cost					
Start-up costs	84	16	(8)	-	92
Patents & right to use intellectual property	18,209	503	-	(79)	18,633
Concessions, licences&trademarks	2,084	100	(14)	40	2,210
Consolidation difference	484	29	-	(174)	339
Assets in progress and advances	246	511	-	(95)	662
Other	7,760	379	(71)	(93)	7,975
TOTAL (A)	28,867	1,538	(93)	(401)	29,911
Accumulated amortisation					
Start-up costs	70	13	(8)	-	75
Patent & rights to use intellectual property	17,720	701	-	(67)	18,354
Concessions, licences & trademarks	1,747	201	(14)	27	1,961
Consolidation differences	296	63	-	(174)	185
Other	2,248	553	(10)	(110)	2,681
TOTAL (B)	22,081	1,531	(32)	(324)	23,256
Net values					
Start-up costs	14	3	-	-	17
Patents & right to use intellectual property	489	(198)	-	(12)	279
Concessions, licences & trademarks	337	(101)	-	13	249
Consolidation differences	188	(34)	-	-	154
Assets in progress and advances	246	511	-	(95)	662
Other	5,512	(174)	(61)	17	5,294
TOTAL (A-B)	6,786	7	(61)	(77)	6,655

The "other changes" column includes cancellations of the fully amortised items and the effect of the exchange rate fluctuation, the write off of the goodwill of the Brazilian company, equal to K€ 174, as completely amortised, 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 Panel of 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 (consolidation differences)

The value recorded stems from differences upon consolidation, amounting to goodwill, recorded in the financial statement with the consent of the Panel of Auditors, namely:

Company	Goodwill	Amortisation
Bonfiglioli Redutores Do Brasil Ltda	28	20%
Bonfiglioli Vectron GmbH	98	20%
Bonfiglioli Renewable Power Conversion India Pvt Ltd	28	33.33%
TOTAL	154	

The variation of the year, further the write off of the goodwill of Bonfiglioli Redutores do Brasil above mentioned, is given by 28K€ of goodwill due to the acquisition of the line of business by the company "Bonfiglioli Renewable Power Conversion India Pvt Ltd.", that will be amortised in 3 years.

Assets in progress and advances

The increase in the year is tied, for 437K€ 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	Increases	Decreases	Other changes	Closing balance
Historic cost					
Land and buildings	136,054	1,452	(63)	(2,229)	135,214
Plant and machinery	191,163	4,980	(1,573)	(4,337)	190,233
Industrial and commercial equipment	73,969	5,168	(2,736)	(518)	75,883
Other assets	20,219	1,193	(467)	(190)	20,755
Assets in progress and advances	3,419	2,457	(1,391)	(1,476)	3,009
TOTAL (A)	424,824	15,250	(6,230)	(8,750)	425,094

Accumulated depreciation

Land and buildings	21,223	3,077	(7)	(368)	23,925
Plant and machinery	148,220	11,419	(1,462)	(2,674)	155,503
Industrial and commercial equipment	61,469	5,233	(2,087)	(258)	64,357
Other assets	15,771	1,680	(505)	(428)	16,518
TOTAL (B)	246,683	21,409	(4,061)	(3,728)	260,303

Net values

Land and buildings	114,831	(1,625)	(56)	(1,861)	111,289
Plant and machinery	42,943	(6,439)	(111)	(1,663)	34,730
Industrial and commercial equipment	12,500	(65)	(649)	(260)	11,526
Other assets	4,448	(487)	38	238	4,237
Assets in progress and advances	3,419	2,457	(1,391)	(1,476)	3,009
TOTAL (A-B)	178,141	(6,159)	(2,169)	(5,022)	164,791

The column "other changes" includes exchange rate differences and reclassification of individual captions as well as the devaluation of the building included in "asset in progress" owned by the subsidiary "Bonfiglioli Power Transmission JSC" for 186 K€, that has been necessary to align the net book value with market value, as it is not completed and it will not be used for production. 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	-	44,272	686	47,628
Plant and machinery	240	-	15,177	-	155	15,572
Industrial / commercial equipment	153	-	-	-	-	153
Other assets	19	-	-	-	-	19
TOTAL	818	2,264	15,177	44,272	841	63,372

It is clarified that the revaluation pursuant to Italian Law 2/2009 has led to a K€300 increase in depreciation on the 2013 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	2,690	-	-	16	2,706
in other companies	56	-	-	-	56
TOTAL	2,746	-	-	16	2,762

The "other changes" entry refers to the portion of result for the year attributable to the associated company Tecnotrans Bonfiglioli SA, an investment valued using the net equity method.

The following table gives details of the associated shareholding:

Company	Tecnotrans Bonfiglioli SA
Headquarters	Barcelona (Spain)
Share capital	K€ 2,175
Share held	33,33%
Shareholders' equity at 31/12/2013	K€ 8,119
Profit at 31/12/2013	K€ 30
Book value	K€ 2,706

WORKING CAPITAL

Inventory

A breakdown is given below:

	31/12/2013	31/12/2012	Changes
Raw materials, supplies and consumables	27,064	26,107	957
Work in progress and semi-finished goods	54,669	59,076	(4,407)
Finished goods and goods for resale	79,459	83,821	(4,362)
Advances	120	279	(159)
TOTAL	161,312	169,283	(7,971)

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

	31/12/2013	31/12/2012	Changes
Raw and consumable materials	7,365	6,993	372
Semi-finished products	10,602	12,216	(1,614)
Finished goods	9,748	9,541	207
TOTAL	27,715	28,750	(1,035)

Changes in the provision are shown below:

	2013	2012
Opening value	28,750	28,120
Increases	3,550	2,398
Decreases	(3,522)	(1,494)
Other changes	(1,063)	(274)
CLOSING VALUE	27,715	28,750

The decrease in inventories generated in 2013 is due to continuing effort to rationalize inventory all over the Group. Considering rotation index, it improved during the year, dropping from 98 to 95 average days.

RECEIVABLES

Trade receivables

A breakdown is given below:

	31/12/2013	31/12/2012	Changes
Trade receivables from customers	174,565	150,197	24,368
Receivables from associated companies	6,809	7,788	(979)
(minus) Bad debt reserve	(17,145)	(15,493)	(1,652)
Total	164,229	142,492	21,737

Receivables from the associated company Tecnotrans Bonfiglioli SA relate to amounts due from the sale of goods and services, which was conducted at arm's length conditions.

The trend of trade receivables worsens the average rotation on sales from 82 to 96 days, due to increase in turnover in 4th Quarter, mainly in photovoltaic business, that increased trade receivables at yearend.

Receivables from customers are recorded net of provision for bad debts, a breakdown of which is given below:

Provision for bad debts	2013	2012
Opening value	15,493	13,176
Provisions	3,290	3,348
Applications	(940)	(624)
Other changes	(698)	(407)
CLOSING VALUE	17,145	15,493

Breakdown of trade receivables by geographical area:

Trade receivables	2013	2012
Italy	44,959	39,508
Europe	44,117	48,565
Overseas	75,153	54,419
TOTAL	164,229	142,492

Other receivables

A breakdown is given below:

	31/12/2013	31/12/2012	Changes
Tax receivables	13,649	15,960	(2,311)
Deferred Tax assets	31,704	32,486	(782)
Receivables from others	6,161	7,286	(1,125)
TOTAL	51,514	55,732	(4,218)

Tax receivables can be broken down as follows:

Tax Receivables	2013	2012
Short-term receivables		
VAT credits	5,850	3,674
Direct Tax Receivables	817	3,448
Other	929	1,027
Total short-term tax credits	7,596	8,149
Mid-long-term receivables		
VAT refunds	4,660	6,405
Direct tax refunds	1,393	1,406
TOTAL MID-LONG-TERM TAX CREDITS	6,053	7,811
TOTAL	13,649	15,960

The increase in short-term VAT receivables is given by VAT receivables of Parent Company included within short-term receivables as paid back in February 2014 for 1.8M€ and will be completed within the year.

Direct Tax receivable shows exceeding advance settlements in respect with the due taxes calculated at the end of the 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:

	2013	2012
Opening balance	32,486	32,518
Provisions	5,243	7,326
Applications	(5,668)	(7,240)
Other changes	(357)	(118)
CLOSING BALANCE	31,704	32,486

Other receivables can be broken down as follows:

Other receivables	2013	2012
Short-term receivables		
Receivables from employees	41	42
Advances to suppliers for services	1,088	1,915
Receivables from social security institutions	847	1,141
Currency exchange gains	701	877
Other	234	308
TOTAL OTHER SHORT-TERM RECEIVABLES	2,911	4,283
Mid-long-term receivables		
Receivables for pensions fund insurance	2,760	2,612
Guarantee deposits	490	391
TOTAL OTHER MID-LONG-TERM RECEIVABLES	3,250	3,003
TOTAL	6,161	7,286

The decrease in receivables for advance to suppliers is mainly generated by the dynamics of payment of the Parent Company.

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.

The increase in deposits is mainly attributable to the payment of deposit for rent of the new incorporated company "Bonfiglioli Renewable Power Conversion India Pvt Ltd"

There are no receivables due in a period beyond five years.

Cash at banks and on hand

	31/12/2013	31/12/2012	Changes
Bank and post office deposits	62,864	35,572	27,292
Cash and cash equivalents	55	41	14
TOTAL	62,919	35,613	27,306

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 EXPENSES AND ACCRUED INCOME I

	31/12/2013	31/12/2012	Changes
TOTALE	1,723	1,492	231

A breakdown is given below:

	2013	2012
Advertising	178	128
Insurance policies	242	191
Bank commissions re-scheduling	723	805
Hire charges and rentals	184	91
Other	396	277
TOTAL	1,723	1,492

SHAREHOLDERS' EQUITY

At 31/12/2013 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 2013 of parent company Bonfiglioli Riduttori S.p.A.

	Result for the year	Shareholders' equity
BONFIGLIOLI RIDUTTORI S.P.A., STATUTORY FINANCIAL STATEMENT	(6,623)	162,666
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	11,198	81,645
Shareholders' equity and profit attributable to minority interests	(871)	(8,738)
Elimination of infragroup profits on stock	36	(23,373)
Reversal of infragroup contribution	376	(1,181)
Leasing agreements recorded using financial method	376	7,086
Other	(121)	(33)
CONSOLIDATED GROUP FINANCIAL STATEMENT	4,371	218,072

Statement of changes in consolidated shareholders' equity as at **31st december 2013**

	Share capital	Legal reserve	Revaluation reserve	
BALANCE AS AT 31/12/2010	30,000	4,240	60,195	
Allocation of 2010 profit	-	-	-	
Currency conversion differences	-	-	-	
Other changes	-	-	-	
Net income (Loss) of the Group for 2011	-	-	-	
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	



	Other reserves			Retained earnings carried forward	Net income (Net loss)	Total
	Consolidation reserve	Currency conversion reserve	Other			
	16,965	480	65,597	28,768	4,247	210,492
	-	-	(5,477)	9,724	(4,247)	-
	-	(769)	-	-	-	(769)
	-	-	-	(120)	-	(120)
	-	-	-	-	11,796	11,796
	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

MINORITY INTERESTS

	Minority profit/loss	Minority capital and reserves	Minority Interests
BALANCE AS AT 31/12/2012	864	8,255	9,119
Allocation of net income for 2012	(864)	864	-
Distribution of dividends	-	(263)	(263)
Currency conversion differences	-	(1,020)	(1,020)
Other changes	-	31	31
Net income for 2013 attributable to minority interests	871	-	871
BALANCE AS AT 31/12/2013	871	7,867	8,738

Amongst the other changes, the effects of the share capital increase and subsequent decrease to cover previous years losses on the Brazilian subsidiary (13 K€) together with the minority result of third shares on the new incorporated Indian subsidiary (18K€) were allocated.

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	2013			2012		
	Profit	Capital and reserves	Total	Profit	Capital and reserves	Total
Bonfiglioli Power Transmission Pty Ltd (*)	885	2,697	3,582	900	3,018	3,918
Bonfiglioli Do Brasil Ltda	(46)	50	4	(36)	75	39
Bonfiglioli Vietnam Ltd	-	1,337	1,337	-	1,337	1,337
Bonfiglioli Drives Shanghai Co. Ltd.(**)	38	3,765	3,803	-	3,825	3,825
Bonfiglioli Renewable Power Conversion India	(6)	18	12	-	-	-
TOTAL	871	7,867	8,738	864	8,255	9,119

(*) 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

	31/12/2013	31/12/2012	Changes
Termination indemnity and similar liabilities	1,319	1,485	(166)
Taxes and Deferred Tax Liabilities	9,305	10,381	(1,076)
Other Reserves	17,928	17,687	241
TOTAL	28,552	29,553	(1,001)

Termination indemnity and similar liabilities

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

	2013	2012
Opening value	1,485	1,733
Provisions	46	57
Applications	(212)	(305)
CLOSING VALUE	1,319	1,485

Taxes and deferred tax liabilities

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

	2013	2012
Opening value	10,381	10,613
Provision for deferred taxation	1,032	1,502
Applications/releases	(1,936)	(1,664)
Other changes	(172)	(70)
CLOSING VALUE	9,305	10,381



Other reserves for risks and charges

This caption can be broken down as follows:

Description	Opening balance	Provisions	Applications	Other changes	Balance closing
Product warranties	10,432	1,173	(348)	(346)	10,911
Legal risks	500	55	-	244	799
Other	6,755	1,619	(1,991)	(165)	6,218
TOTAL	17,687	2,847	(2,339)	(267)	17,928

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 reclassification of same fund in the French subsidiary previously classified in product warranty fund.

The item "Other" mainly includes the business reorganisation fund set up by the Parent Company totalling M€ 5.0, the losses on returned goods fund of the Parent Company of M€ 0.5 and other provisions allocated by the South African and German branches.

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 2013 were as follows:

	2013	2012
Opening balance	15,745	16,076
Provisions	4,104	4,314
Applications	(4,529)	(4,702)
Other changes	109	57
CLOSING BALANCE	15,429	15,745

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

	31/12/2013	31/12/2012	2013 average	2012 average
Executives and managers	180	165	173	161
White collar and middle management	1,363	1,334	1,363	1,306
Direct and indirect blue collar	1,647	1,661	1,645	1,705
Temporary staff	145	116	122	167
TOTAL	3,335	3,276	3,303	3,339

PAYABLES

Bonds

	31/12/2013	31/12/2012	Changes
Bonds	2,750	2,750	-

This item shows the debenture loan issued by the Parent Company on 8th September 2005 maturing on 31st December 2020, 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 2013 for K€ 2,750. The entire amount of the remaining debt recorded is collectable in full after five years.

During 2013 no variations has occurred.

Financial borrowings

	31/12/2013	31/12/2012	Changes
Overdraft, financing < 12 months	59,709	41,608	18,101
Financing > 12 months	108,917	118,385	(9,468)
TOTAL DUE TO BANKS	168,626	159,993	8,633
Amounts due to other financial institutions	10,142	10,106	36
Bonds	2,750	2,750	-
(minus) Cash at banks and on hand	(62,919)	(35,613)	(27,306)
NET CASH POSITION	118,599	137,236	(18,637)

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 interest due at the end of the year is 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 31/12/2012	Amounts loaned	Amounts repaid
Financing with term > 12 months			
Bonfiglioli Riduttori SpA	97,062	20,000	(23,085)
Bonfiglioli Trans, (Aust,) Pty Ltd	2,199		(498)
Bonfiglioli Deutschland GmbH	4,307		(340)
Bonfiglioli Transmission France Sa	606		(130)
Bonfiglioli Transmission PVT LTD	4,156		(1,604)
Bonfiglioli Slovakia Sro	4,352		(1,052)
Bonfiglioli Power Transmission JSC	2,666	185	(311)
Bonfiglioli Vietnam Ltd	564	87	(570)
Bonfiglioli USA Inc.	2,472		(926)
Bonfiglioli Power Transmissions Pty Ltd,	1		(1)
Bonfiglioli Redutores do Brasil Ltda	-	41	(11)
TOTAL FINANCING WITH TERM > 12 MONTHS	118,385	20,313	(28,528)

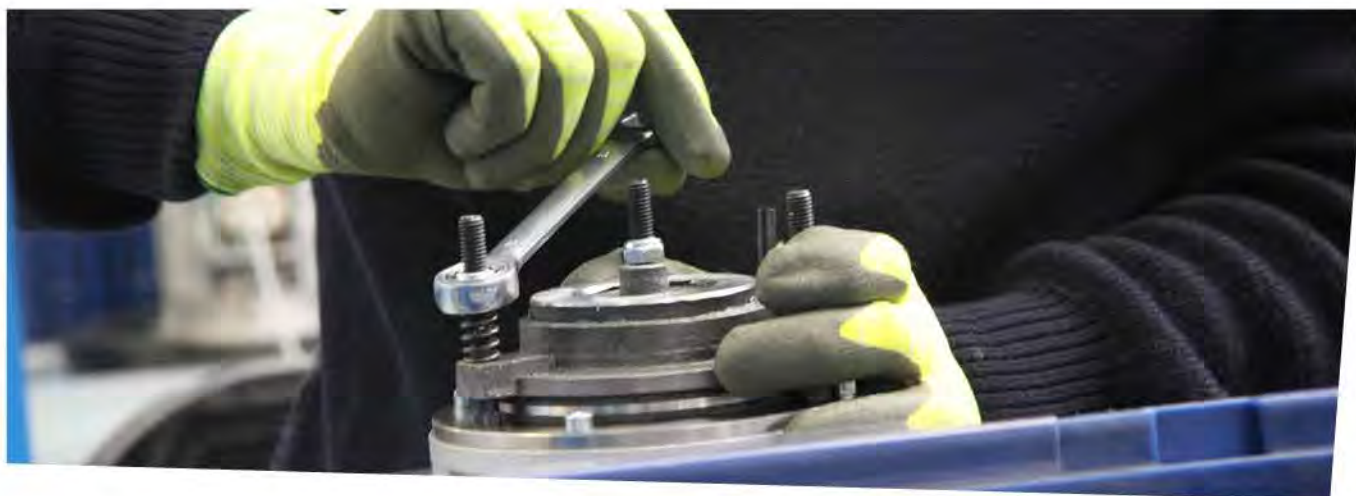
Amounts due to other financial institutions

Bonfiglioli Riduttori Spa	7,992	1,618	(1,016)
Bonfiglioli Transmission PVT Ltd	1,694		(261)
Bonfiglioli USA Inc,	178	134	(113)
Bonfiglioli Slovakia sro	-		-
Bonfiglioli Deutschland GmbH	242		(108)
TOTAL DUE TO OTHER FINANCIAL INSTITUTIONS	10,106	1,752	(1,498)

(*) 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



	Exchange rate delta	Balance as at 31/12/2013	Within 12 months	Beyond 12 months	Beyond 5 years	Guarantees
		93,977	27,814	66,163	-	
(300)		1,401	431	970	-	(*)
		3,967	360	1,651	1,956	(*)(**)
		476	144	332	-	(*)
(383)		2,169	1,117	1,052	-	(***)
		3,300	1,072	2,228	-	(*)
(504)		2,036	309	1,727	-	(*)
		81	81	-	-	(*)
(66)		1,480	160	1,320	-	(***)
		-	-	-	-	
		30	16	14	-	
(1,253)		108,917	31,504	75,457	1,956	

		8,594	1,984	4,694	1,916	
(215)		1,218	308	910	-	
(3)		196	60	136	-	
-		-	-	-	-	
		134	106	28	-	
(218)		10,142	2,458	5,768	1,916	

Trade payables

	31/12/2013	31/12/2012	Changes
Advances	3,440	6,155	(2,715)
Trade payables due to suppliers	131,149	113,996	17,153
Amounts due to associated companies	1,786	396	1,390
TOTAL	136,375	120,547	15,828

Breakdown of trade payables by geographical area:

	2013	2012
Italy	102,080	86,127
Europe	11,742	10,028
Overseas	22,553	24,392
TOTAL	136,375	120,547

Other payables

	31/12/2013	31/12/2012	Changes
Tax payables	3,435	2,818	617
Amounts due to social security	6,670	6,146	524
Other payables	16,364	13,859	2,505
TOTAL	26,469	22,823	3,646

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

	2013	2012
Short-term tax payables		
Employees' taxes	2,869	2,090
Withholding tax	248	340
Other	318	388
TOTAL	3,435	2,818

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

	2013	2012
Other short-term payables		
Amounts due to employees	13,987	11,735
Right to use land - Vietnam	250	348
Other	970	602
Total other short-term payables	15,207	12,685
Other mid/long-term payables		
Right to use land - Vietnam	249	349
Amounts due to employees	83	-
Other	825	825
Total other mid-long-term payables	1,157	1,174
TOTAL	16,364	13,859

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

	31/12/2013	31/12/2012	Changes
TOTAL	752	729	23

Breakdown:

	2013	2012
Interest payable on loans	348	179
Insurance policies	2	4
Exchange rate fluctuations	57	117
Contribution of capital	225	348
Other	120	81
TOTAL	752	729

The increases 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:

	31/12/2013	31/12/2012	Changes
TOTAL	12,777	29,409	(16,632)

Guarantees granted by third parties refer to sureties issued on behalf of the Group by banks for tax refunds, medium-/ long-term guarantees in favour of banks for granting of loans, and in favour of third parties in relation to contractual undertakings or debts. To this M€ 5.1 is added, representing commitments for the acquisition of shares (respectively Vietnam for 1.3M€ and China for 3.8 M€) taken up by the Parent company.

INCOME STATEMENT

Net revenues from sales and services

	31/12/2013	31/12/2012	Changes
TOTAL	613,842	623,716	(9,874)

Sales were made in the following geographic areas:

Values in M€	2013	%	2012	%
Italy	105.5	17.2	146.3	23.4
Europe	224.7	36.6	209.9	33.7
Overseas	283.6	46.2	267.5	42.9
TOTAL	613.8	100.0	623.7	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

	31/12/2013	31/12/2012	Changes
TOTAL	9,446	10,438	(992)

This item can be broken down as follows:

	2013	2012
Refund for packaging and transport costs	2,221	2,274
Refunds for defective processing/material	535	346
Sales and minor services	4,010	4,376
Capital gains and contingent assets	846	2,500
Capital contribution	1,063	208
Other	771	734
TOTAL	9,446	10,438

Costs for raw materials, supplies, consumables and goods for resale

	31/12/2013	31/12/2012	Changes
TOTAL	348,800	319,623	29,177

Costs for services

	31/12/2013	31/12/2012	Changes
TOTAL	90,298	95,201	(4,903)

This caption includes outsourced processes in the amount of K€ 21,953 (K€ 23,431 in 2012), 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

	31/12/2013	31/12/2012	Changes
TOTAL	6,726	6,843	(117)

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

	31/12/2013	31/12/2012	Changes
Salaries and wages	91,083	87,025	4,058
Social security contributions	24,903	22,726	2,177
Employees severance indemnity	4,104	4,314	(210)
TOTAL	120,090	114,065	6,025

Depreciation, amortisation and write-downs

	31/12/2013	31/12/2012	Changes
Amortisation of intangible fixed assets	1,531	2,894	(1,363)
Depreciation of tangible fixed assets	21,409	23,370	(1,961)
Bad debts provision	3,290	3,348	(58)
TOTAL	26,230	29,612	(3,382)

Other provisions

	31/12/2013	31/12/2012	Changes
TOTAL	1,173	931	242

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

Other operating expenses

	31/12/2013	31/12/2012	Changes
TOTAL	4,462	4,402	60

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.

Interest receivable and financial income

	31/12/2013	31/12/2012	Changes
TOTAL	1,577	842	735

This caption can be broken down as follows:

	2013	2012
Interest receivable from associated companies	98	131
Bank interest receivable	801	301
Leasing rentals indexation	142	164
Cash discounts received	279	178
Commercial and other interest receivable	257	68
TOTAL	1,577	842

Interest payable and financial expenses

	31/12/2013	31/12/2012	Changes
TOTAL	10,781	13,364	(2,583)

This caption can be broken down as follows:

	2013	2012
Interest on amounts due to banks	2,317	3,768
Interest payable on loans	5,603	6,948
Interest payable on leasing/business contracts	411	566
Interest payable on bonds	45	100
Premiums and expenses on derivatives (IRS and forward contracts)	1,589	1,322
Cash discounts distributed	600	647
Other	216	13
TOTAL	10,781	13,364

Exchange rate gains (losses)

	31/12/2013	31/12/2012	Changes
TOTAL	(1,910)	(3,441)	1,531

This amount can be broken down as follows:

	2013	2012
Currency exchange gains	15,042	8,675
Currency exchange losses	(16,952)	(12,116)
TOTAL	(1,910)	(3,441)

Adjustments of financial assets

	31/12/2013	31/12/2012	Changes
TOTAL	16	(937)	953

The item entirely refers to the share of result of the associated company "Tecnotrans Bonfiglioli SA".

Extraordinary income and expenses

	31/12/2013	31/12/2012	Changes
NET TOTAL	(1,882)	257	(2,139)

This caption includes, in particular, the following items:

	2013	2012
Insurance refunds	-	8
Tax refunds from past years	45	1,855
Contingent assets	165	275
Contingent liabilities	(155)	(111)
Taxes from past years	(46)	(57)
Extraordinary restructuring expenses	(217)	(1,440)
Provision to funds	(1,674)	(273)
TOTAL	(1,882)	257

Income taxes

	31/12/2013	31/12/2012	Changes
Current taxes	(8,263)	(4,844)	(3,419)
Deferred taxes	904	162	742
Prepaid taxes	(425)	86	(511)
TOTAL	(7,784)	(4,596)	(3,188)

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:

	2013	2012
Directors	921	657
Auditors	627	595
TOTAL	1,548	1,252

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		
Tipologia operazioni						
	NOTIONAL VALUE	FAIR VALUE		NOTIONAL VALUE	FAIR VALUE	
		Pos.	Neg.		Pos.	Neg.
Unlisted financial derivatives						
- Forward contracts						
Sale of USD				19.8 MUSD	92 K€	
Sale of GBP				4.0 MGBP	24 K€	
Sale of AUD				6.8 MAUD	261 K€	
Sale of EUR				1.2 MEUR		5 K€
Purchase of JPY				968 MJPY		474 K€
Purchase of USD				3.3 MUSD		14 K€
IRS	39.3 MEUR		419 K€			
COLLAR	23.1 MEUR		155 K€			

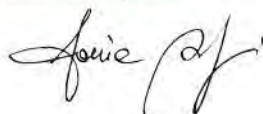
The above mentioned hedging transactions relate exclusively to ordinary non-speculative hedging management operations carried out by the Parent Company and the Chinese branch.

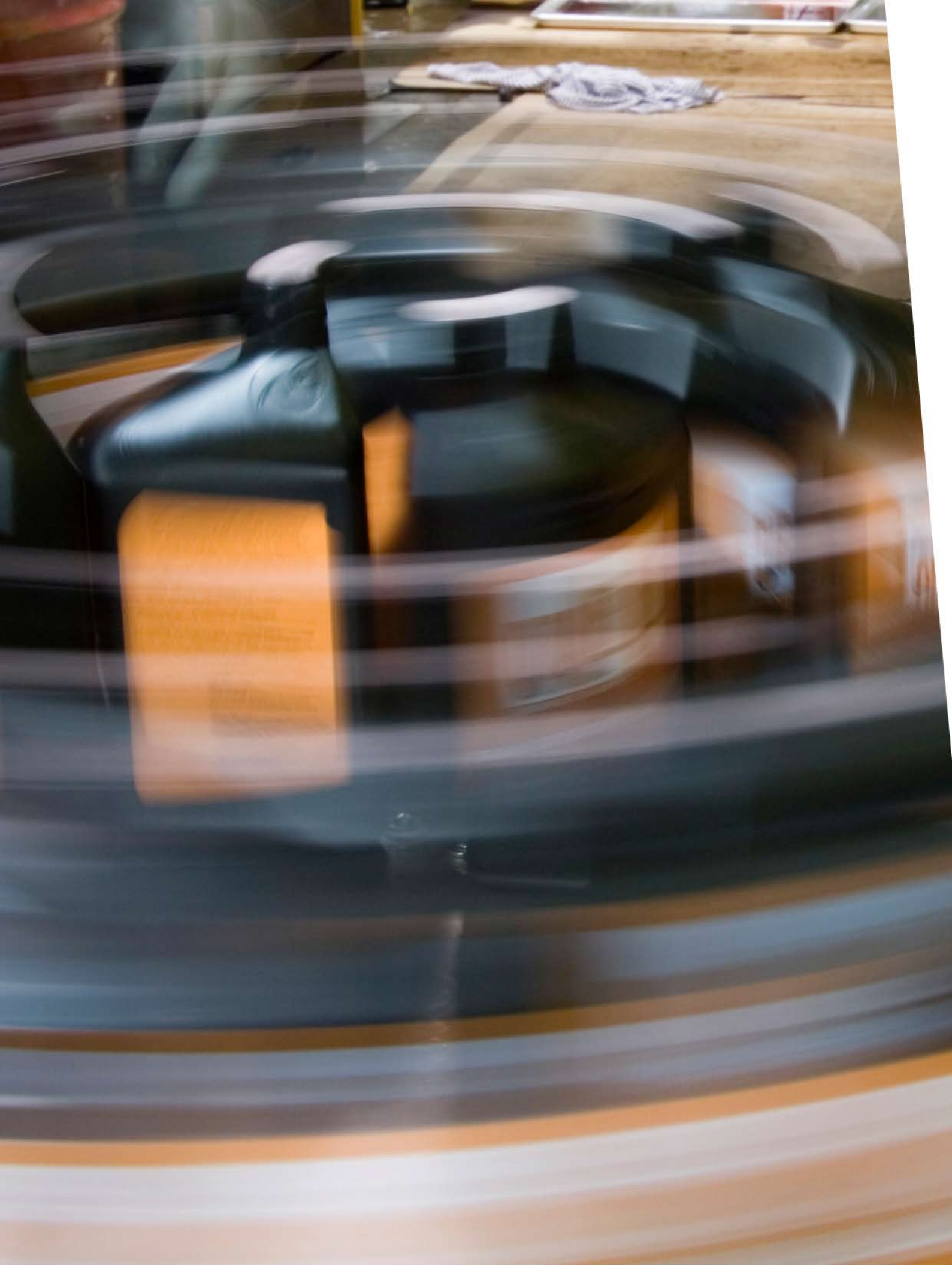
Calderara di Reno (Bo), March 28th, 2014

For The Board of Directors

The Chairman

Sonia Bonfiglioli





CONSOLIDATED CASH-FLOW STATEMENT

(in K€)

	2013	2012
A. OPENING NET CASH POSITION	(137,236)	(166,227)
B. OPERATING ACTIVITIES		
Net income of the group	4,371	1,332
Minority interest income	871	864
Depreciation, amortisation and write-downs	26,416	31,012
Provision for employee severance indemnity and other funds	5,277	5,245
Associated companies' result	(16)	937
FIRST LEVEL CASH FLOW	36,919	39,390
Decrease (Increase) in Trade Receivables	(25,027)	29,178
Decrease (Increase) in INVENTORY	7,971	44,030
Decrease (Increase) in other ASSETS	3,987	(6,034)
Decrease (Increase) in TRADE PAYABLES	18,543	(45,190)
Decrease (Increase) in other LIABILITIES	954	(11,045)
(Utilization) of employee severance indemnity and other funds	(6,594)	(7,525)
B. CASH FLOW ORIGINATING FROM (USED FOR) OPERATING ACTIVITIES	36,753	42,804
C. INVESTING ACTIVITIES		
Net investments in tangible and intangible fixed assets	(14,574)	(16,583)
Decrease (Increase) in share investments	-	(2)
C. CASH FLOW ORIGINATING FROM (USED FOR) INVESTING ACTIVITIES	(14,574)	(16,585)
D. FINANCING ACTIVITIES		
Change in minority interests	(1,252)	3,398
Net effect of exchange rate change	(7,203)	(1,776)
Exchange rate (gains) losses fixed assets	4,929	1,185
Other minor changes	(16)	(35)
D. CASH FLOW ORIGINATING FROM (USED FOR) FINANCING ACTIVITIES	(3,542)	2,772
E. CASH FLOW FOR THE YEAR (B+C+D)	18,637	28,991
F. CLOSING NET CASH POSITION (A+E)	(118,599)	(137,236)



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 2013 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 29 April 2013.

- 3 In our opinion, the consolidated financial statements of Bonfiglioli Group as of 31 December 2013 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 2013.

Bologna, 28 April 2014

PricewaterhouseCoopers SpA

Signed by
Roberto Sollevanti
(Partner)

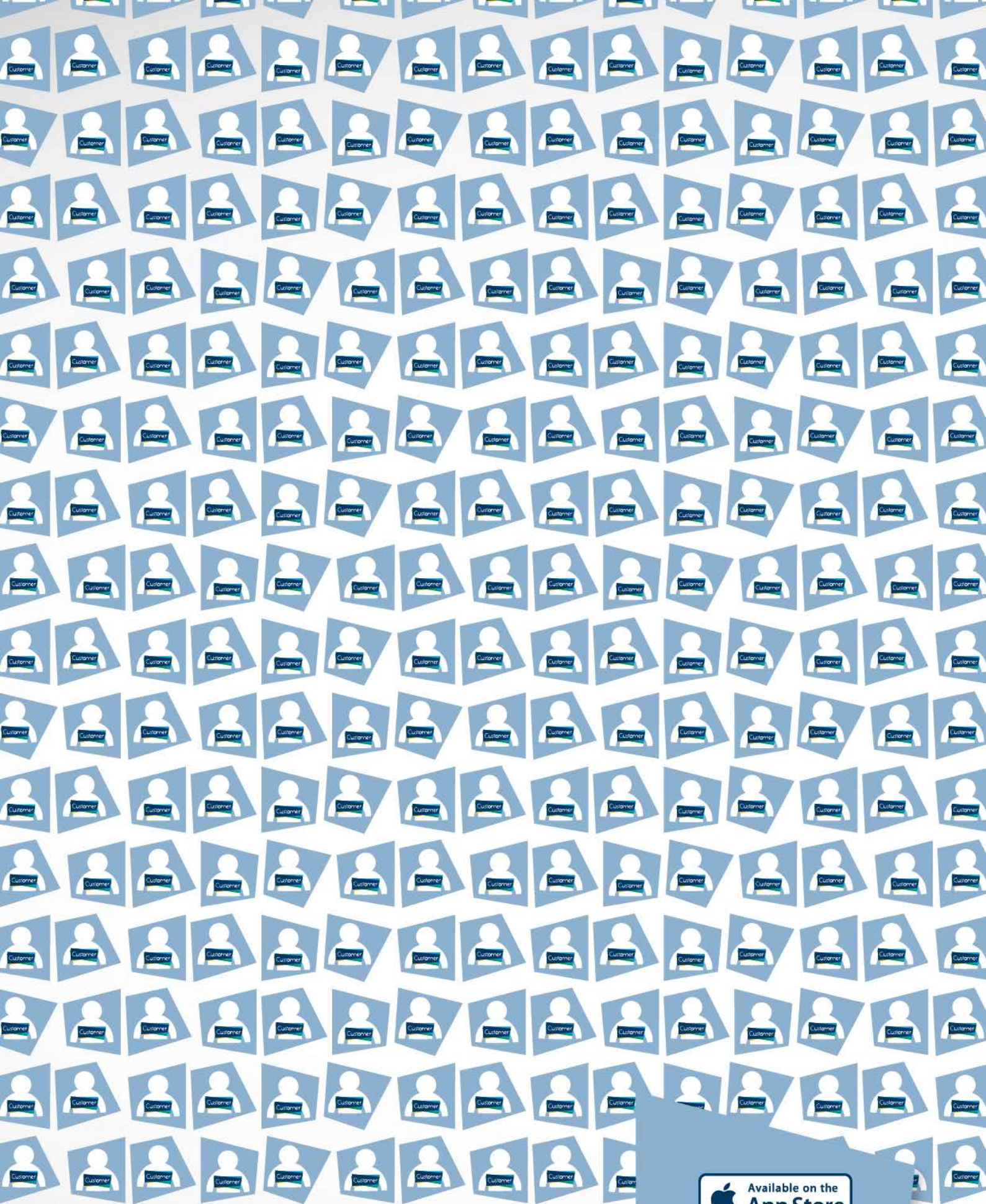
This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.

Note

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Note

Note



HEADQUARTERS

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