



Annual  
Report

2015



**Accountability**

**Winning  
Together**

**Fore  
Forv**

**Strat**

**Visi**



regi  
on

**Challenge**

**Respect**

ever  
ward







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# Message from the Chairman

The unusually turbulent conditions we have been experiencing for a number of years now have made it difficult to predict developments and look ahead.

The time has nevertheless come for us to turn the page, to accept that the good old days we enjoyed before 2008 have gone, and to view the new economic and competitive issues facing us as ones that present not only problems but, like all new issues, new opportunities, too.

In 2015 we recorded our highest ever turnover and today, in 2016, we are celebrating our 60th anniversary.

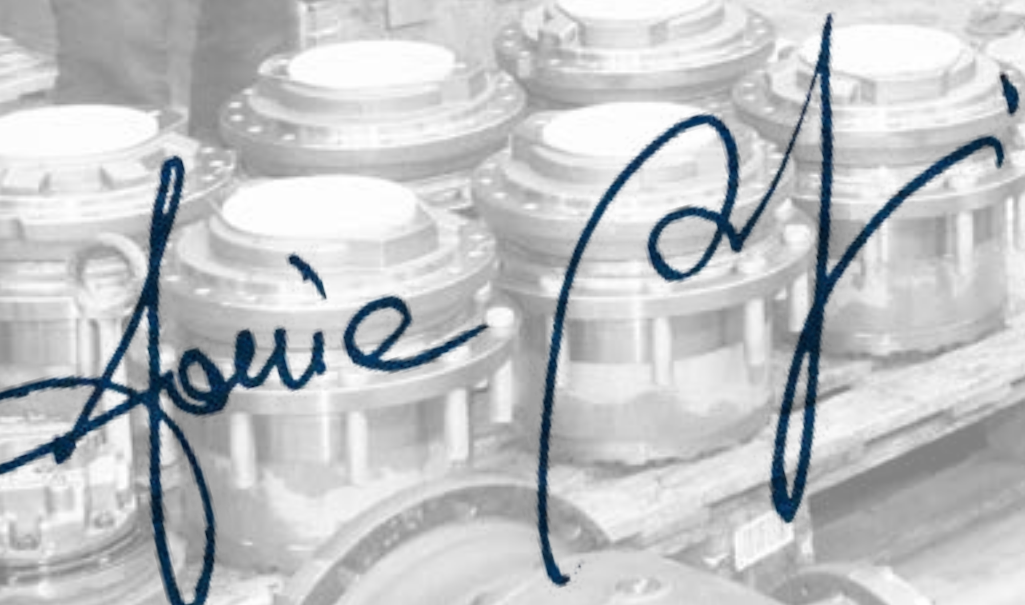
My first thoughts are for my father, whose spirit is always with us; my next are for us, because together we make a great team!

I would like to thank each and every one of you, whatever your role, for what you have done for Bonfiglioli.

What I am asking you now is to pause for a moment to look forward, without focusing only on what lies immediately in front of us. Look further ahead! That is where our objectives lie if we are to be consistent with our values, our history and our ambitions.

Let me finish by extending to you my proudest and most sincere best wishes.  
LET'S ENJOY THE NEXT 60 YEARS!

Sonia Bonfiglioli







*// We work in a sector for which the main drivers are technology and innovation. Mechatronics, the proposal of an integrated system, is one of our main strengths that allows us to offer flexible solutions for various industrial sectors in which we operate and to meet the different applications required by our customers. //*





# Our Founder

Our founder was a man of great vision. From the time he founded the company in 1956, he never stopped thinking of ways to provide products and solutions that would better serve the markets, while ensuring that *"the quality and service provided to the customer would be the polar star that guided our navigation."*

Clementino Bonfiglioli never stopped navigating the company; he continued to steer "full speed ahead" by developing

innovative products that would advance the company to the global leadership position it has today.

His spirit lives on in our day-to-day activities. In fact, his words were the inspiration for our new tagline, Forever Forward.

*"Avanti, avanti a tutta forza!"*

Clementino Bonfiglioli (1928 - 2010)





*“If you are truly aware of how much you have grown, it is much easier to think that today’s objectives are not really so difficult to reach, if there is enough goodwill, honesty and skill.”*



Highest turnover in the history of the company  
**730.1 M€**

Launch of new tagline  
**"Forever Forward"**

Acquisition of  
**O&K Antriebstechnik GmbH**

**Over 20 new products**  
and product improvements across the company

**11.3 M€** in  
**Research & Development**



# 2015 Highlights

2015 was another milestone year for Bonfiglioli in terms of activities that demonstrate our focus and commitment to long-term growth.

Nearly 1,800 hours of training  
on products, processes and personal  
development of Bonfiglioli employees

Implementation and improvement  
of company processes with focus on  
product quality, safety and internal efficiency



OUR VALUES:  
**CHALLENGE**  
**RESPECT**  
**ACCOUNTABILITY**  
**WINNING TOGETHER**





# Bonfiglioli

*Forever Forward*

We have a history of success behind us and a clear vision of the future ahead.

In 2015, Bonfiglioli launched a new tagline – ***Forever Forward***. This new tagline was chosen to replace Power, Control and Green Solutions because we wanted a tagline that could merge our Group's tradition with our desire to be ahead of the times in order to remain competitive, to never be satisfied and to always be ready for new challenges.

***Forever Forward*** is a perfect representation of the Bonfiglioli business approach of providing innovative and forward-looking solutions. It represents the spirit of our approach yesterday, today and tomorrow.

It is a new tagline, but one with strong historical roots within the Bonfiglioli Group.

# Highlights 2015



**Together,  
we offer the widest  
range of final drives  
in the world.**

From 1000 Nm  
to 3 million Nm  
of torque.





# Bonfiglioli

## O&K Antriebsstechnik

With the majority acquisition of O&K Antriebsstechnik GmbH, a premium brand that combines 130 years of history with unique technological know-how, Bonfiglioli significantly extended its range of planetary gearboxes for tracked and wheeled mobile machines, cranes, mining equipment and marine applications.

This greater availability of medium to high power products allows us to offer a complete range for heavy duty applications. Thanks to this acquisition, Bonfiglioli is now the manufacturer with the largest range of final drives in the world.

# Highlights 2015





## FOCUS

Local presence and collaboration focused on:

- The customer, to anticipate needs and exceed expectations
- Core business, through entrance into new markets and development of existing ones
- The design and development of better products and better solutions



## ADVANCED MANUFACTURING

To guarantee maximum quality and efficiency in all production processes through:

- Implementation of lean manufacturing at a global level
- Major investments in improving production processes by using advanced industrial technologies and adopting *industry 4.0* solutions



# Strategy



## INNOVATION

To satisfy future needs through:

- The development of technically advanced and innovative products and solutions
- Collaboration with leading universities and research institutes around the world



## GLOBAL

A global approach and organisation:

- With a direct presence (branches) in all key regions of the world
- With an extensive network of highly qualified BEST distributors
- Guaranteeing the highest level of service in response to the different needs of customers around the world

# NEAR TO OUR CUSTOMERS FOR FASTER SALES AND SERVICE



Canada



France



United Kingdom



Germany



Slovakia

USA



Brazil



Spain



South Africa



India





★ Headquarters

 Production facilities

 Branches

# Global Presence



## HEADQUARTERS

**ITALY** • Lippo di Calderara, Bologna

## PRODUCTION FACILITIES

**ITALY** • Calderara di Reno, Bologna

Casting and gearcutting plant

VFW series manufacturing and assembly plant

**ITALY** • Vignola, Modena

A, C, F series manufacturing and assembly plant

Precision gearbox manufacturing and assembly plant

**ITALY** • Forlì

Planetary gearboxes manufacturing and assembly plant

**ITALY** • Rovereto, Trento

Brushless motor and precision gearboxes production

**GERMANY** • Krefeld

Inverter plant

Photovoltaic Inverter assembly

**GERMANY** • Hattingen

Large planetary gearboxes manufacturing and assembly plant

**SLOVAKIA** • Považská Bystrica

Large gearboxes manufacturing plant

**INDIA** • Chennai, Tamil Nadu

Planetary gearbox manufacturing and assembly plant

**INDIA** • Mannur, Tamil Nadu

Gearmotors manufacturing and assembly plant

**INDIA** • Bangalore, Karnataka

Photovoltaic Inverter assembly

**VIETNAM** • Ho Chi Minh

Electric motor plant

**CHINA** • Shanghai

Planetary gearboxes manufacturing and assembly plant

**BRAZIL** • São Paulo

Planetary gearboxes manufacturing and assembly plant

**USA** • Hebron, Kentucky

Planetary gearboxes manufacturing and assembly plant

## SUBSIDIARIES

**AUSTRALIA** • Sydney

**BRAZIL** • São Paulo

**CANADA** • Toronto

**CHINA** • Shanghai

**FRANCE** • Paris

**GERMANY** • Neuss

**GERMANY** • Krefeld

**GERMANY** • Hattingen

**INDIA** • Chennai, Tamil Nadu

**INDIA** • Mannur, Tamil Nadu

**INDIA** • Bangalore, Karnataka

**ITALY** • Milano

**ITALY** • Rovereto

**NEW ZEALAND** • Auckland

**SOUTH AFRICA** • Johannesburg, Cape Town, Durban

**SINGAPORE** • Singapore

**SPAIN** • Barcelona

**TURKEY** • Izmir

**UNITED KINGDOM** • Redditch

**UNITED KINGDOM** • Warrington

**USA** • Hebron, Kentucky

**VIETNAM** • Ho Chi Minh

# Who we are

Bonfiglioli serves more **industries** and **applications** than any other drive **manufacturer** in the world.



## MOBILE SOLUTIONS

The preferred partner of leading OEMs

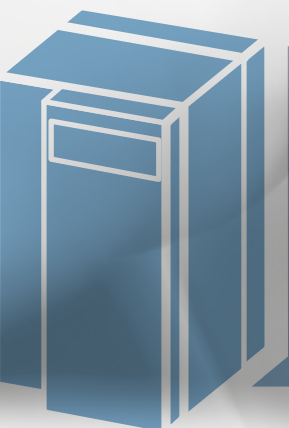
- Planetary gearboxes
- Travel drives
- Jack up drives
- Slew drives



## WIND SOLUTIONS

Around the world, one in three wind turbines has a Bonfiglioli gearbox

- Yaw drives
- Pitch drives



## MECHATRONIC DRIVES & SOLUTIONS

Advanced and innovative solutions for all levels of precision and control

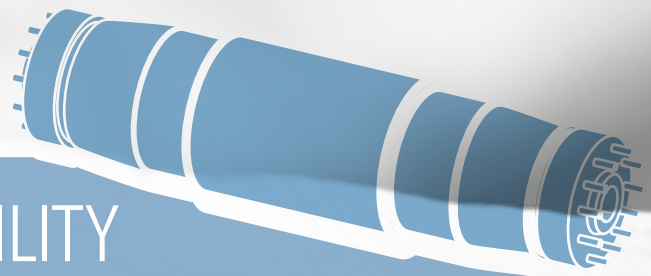
- Inverters
- Drives
- Servomotors
- Low backlash gearboxes



Solutions for  
electromobility

## ELECTROMOBILITY SOLUTIONS

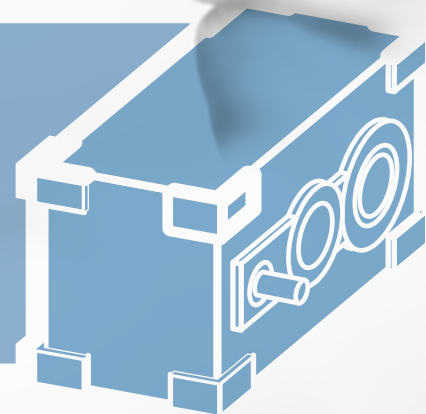
More efficient and  
environmentally-friendly products



A vast range  
of gearboxes,  
gearmotors  
and electric  
motors

## POWER TRANSMISSION SOLUTIONS

Gearboxes with unlimited configurations  
for every type of application



Photovoltaic  
energy  
conversion  
systems and  
solutions

## PHOTOVOLTAIC SOLUTIONS

Over 2.8 GW installed around  
the world



# Mobile Solutions

Working closely with customers, Bonfiglioli co-engineers and manufactures wheel, track, slew, winch and concrete mixer drives as well as drives for a wide range of other applications.

## APPLICATIONS:

- Road construction
- Mining
- Earth moving
- Drilling
- Marine and off-shore applications
- Agriculture
- Forestry

**Complete drive packages** with hydraulic and electric motors



 **Bonfiglioli**  
Trasmital

 **Bonfiglioli**  
O&K Antriebstechnik





**Wide range**  
of planetary  
gearboxes with the  
**highest level of**  
**customisation**

# Highlights 2015

- New gearbox versions for offshore machinery and for port crane winches and slewing drives
- Launch of new projects for wheel drives with internal dynamic brake

# Electromobility Solutions

Bonfiglioli is following the trend toward hybrid and electric technologies in order to provide more energy-efficient solutions that reduce noise and harmful emissions.

## APPLICATIONS:

- Agricultural equipment
- Forklifts
- Material handling equipment
- Lightweight vehicles
- Concrete mixers
- Airport ground equipment
- Forestry

More efficient  
and **environmentally-  
friendly** products



**Innovative  
solutions** for  
electromobility



# Highlights 2015

- Development of gearboxes for concrete mixers to increase efficiency and reliability, including versions for electric and hybrid vehicles
- New range of planetary axles with integrated electric motor for front-loading forklifts of 1 to 5 ton capacity

# Wind Solutions

Bonfiglioli is a market leader in yaw and pitch drive solutions for wind turbines. Bonfiglioli products meet the growing trend of larger wind turbine sizes, and are continuously being optimised in design to improve performance without increasing size and weight.

## APPLICATIONS:

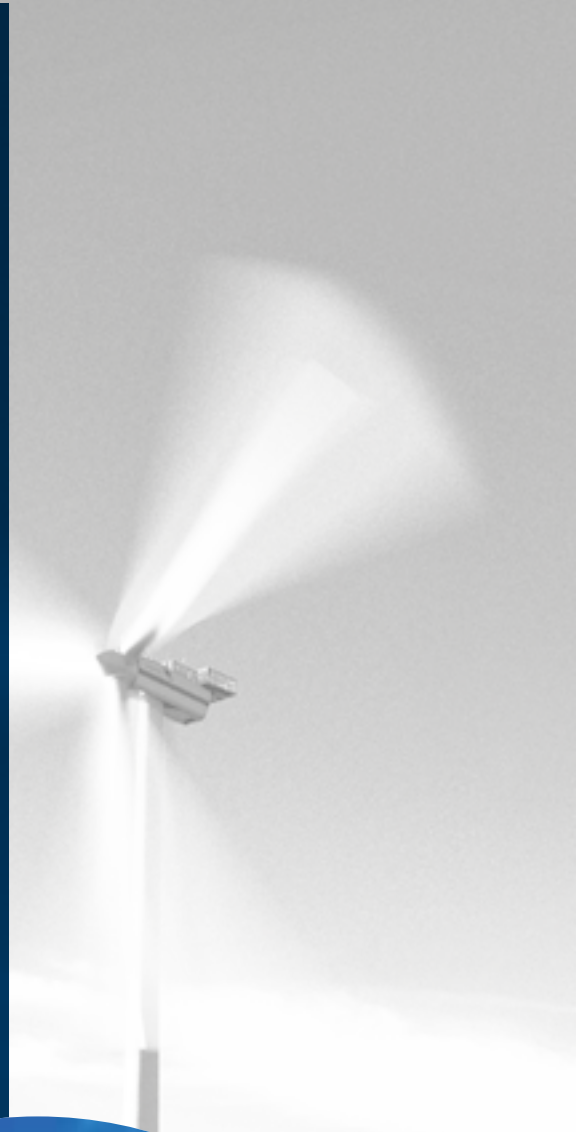
Bonfiglioli yaw drive solutions are available with an integrated inverter and brake. Bonfiglioli pitch control solutions are equipped with servomotors to maximise precision and reliability while minimising response times.

- On shore
- Off shore

 **Bonfiglioli**  
Riduttori

 **Bonfiglioli**  
Trasmital

 **Bonfiglioli**  
Vectron





**One in three**  
wind turbines  
around the  
world has a  
**Bonfiglioli**  
gearbox



# Highlights 2015

- The development of gearboxes with integrated torque limiters for yaw control
- New pitch control solutions for offshore wind turbines over 8 MW

# Power Transmission Solutions

Bonfiglioli offers an extensive range of gearboxes, gearmotors, electric motors and inverters with exceptional technical characteristics and the highest performance for all types of industrial applications. With 60 years of expertise, a worldwide distribution network and 22 subsidiaries on 5 continents, Bonfiglioli provides local customer service and sales to quickly serve the needs of any market.

## APPLICATIONS:

- Material handling
- Food, beverage and tobacco
- Packaging
- Mining
- Metal Processes and Machine Tools
- Recycling
- Biogas
- Waste water treatment
- Rubber and Plastics

 **Bonfiglioli**  
Riduttori

 **Bonfiglioli**  
Tecnoingranaggi

 **Bonfiglioli**  
Vectron

Over 1,600,000  
products  
manufactured in 2015  
with fully automated  
processes





**Unlimited  
gearbox  
configurations**  
for all types of  
application

# Highlights2015

- Development of HDP/HDO ATEX gearboxes with accurate thermal calculations to optimise performance
- Development of combined planetary and bevel helical gearboxes for applications requiring high power and low output speeds
- Development of IE3 electric motors (sizes 80, 90, 100 and 112)
- New series of industrial slewing gearboxes
- Development of a patented, integrated load cell to measure and control input power



# Mechatronic Drives and Solutions

For the industrial automation sector, Bonfiglioli provides an extensive range of mechatronic solutions that deliver the highest levels of precision, efficiency and energy optimisation. Products include precision planetary gearboxes, servomotors, open and closed loop inverters, servo inverters and regenerative inverters.

## APPLICATIONS:

- Material handling
- Food, beverage and tobacco
- Packaging
- Textile
- Mining
- Rubber and plastics
- Wood processing

 **Bonfiglioli**  
Tecnoingranaggi

 **Bonfiglioli**  
Vectron





Solutions for **high precision, energy efficiency, axis control and power transmission**

# Highlights 2015

- Supply of ACU8 inverters with complete control panels (even for outdoor installations) specially designed for mining, metal and water treatment applications. Power ratings from 200 kW to 1200 kW and supply voltages of 400, 525 and 690 V
- Development of the BMD + TQF Compact range: compact, low backlash gearmotors with high torsional rigidity and structural strength. Torque ratings up to 800 Nm and backlash below 3 arcmin
- Launch of the new ANG servo-inverters for applications requiring high dynamics and precision, with power ratings from 0.25 to 400 kW and supply voltages of 400, 525 and 690 V; multiple communication protocols and a range of feedback sensors



# Photovoltaic Solutions

For the photovoltaic sector, Bonfiglioli designs and manufactures power conversion systems and turnkey solutions, especially for large and utility scale installations. Bonfiglioli can also provide complete technical assistance and maintenance service anywhere in the world, for a warranty period of 20-25 years.

## APPLICATIONS:

- Commercial scale solar inverters
- Industrial scale solar inverters
- Battery storage systems







**Over 2.8 GW  
installed  
worldwide  
with Bonfiglioli  
inverter  
technology**

# Highlights 2015

- Release of RPS TL and RPS-ND, compliant with the latest IEC standards for photovoltaic inverters
- Release of the RPS-TL range for the American market, certified to meet the latest UL, NEC and California Rule 21 regulations
- Completion of prototypes and installation of the RPS TL-4Q battery storage system

# Social Responsibility

For Bonfiglioli, working in a country means sharing every aspect of its life - social, economic and cultural - and interacting with its people in a way that demonstrates that "giving is as good as receiving."



India



Italy

Vietnam

Branch activities



# *Cheer*FUTURELAND

BONFIGLIOLI





# CheerFutureLand

We cannot change their past, but we can certainly help them to have a better future.

The **CheerFutureLand** project began in 2008, with the aim of helping underprivileged children living near Chennai, India, not far from where Bonfiglioli has its production plant. Our founder, Clementino Bonfiglioli, was always interested in young people: he was convinced that helping the next generation guarantees a better future not only for them but for their communities, too. The creation of opportunities for future generations is one of the pillars of Bonfiglioli's worldwide commitment to social action.

CheerFutureLand in Chennai is an important project for helping children and young people facing extreme poverty, and clearly demonstrates Bonfiglioli's social commitment.

Thanks to the support of Prema Vasan, an Indian association that helps mentally and

physically disabled and homeless children, and thanks also to the help provided by the Italian non-profit association Namasté, Bonfiglioli has succeeded in making a significant contribution to the Chennai community by financing the construction of a residential home for boys. As of today, the home houses some 60 boys, double the number it did at the start of the project.

Considering the positive impact the home has had in the lives of these children, Bonfiglioli has begun actively collecting funds to build a similar home for girls. Both homes will provide opportunities and assistance to their young residents, offering cultural and educational support as well as a family environment to help them build a better future.

# Italy

## The Clementino Bonfiglioli Prize

Under the auspices of the graduation prizes promoted by the Leonardo Committee - Italian Quality Committee, for the 5th year running, Bonfiglioli offers a prize for the best and most deserving degree thesis on the development of innovative mechatronic solutions for power transmission in industrial applications. Bonfiglioli is therefore confirming its commitment to supporting the professional development of young people

and helping them to enter the world of work. Over its various editions, the Clementino Bonfiglioli Prize has offered either a paid work placement in one of the Group's Italian plants or a financial reward. The development of new technology for industrial automation is a fundamental area for Bonfiglioli, and our Group has long invested in professional development and applied research in collaboration with leading universities.



COMITATO LEONARDO  
ITALIAN QUALITY COMMITTEE

LEO  
NAR  
DO



# Vietnam

In 2001, three Vietnamese teachers opened a school in Ho Chi Minh City to provide free education for children from poor and socially deprived homes, and for homeless children living in the local area. They were given the use of an old abandoned house and, with the help of volunteers and students, managed to transform it into a school for children of various ages, and began to provide an adequate scholastic education. Bonfiglioli began supporting the school in 2011, first by co-financing a canteen to provide the children with a square meal and to ensure continuous supervision throughout the day. In 2012, thanks also to other private donors and Italian

organisations, Bonfiglioli helped to refurbish the building and expand it to provide primary education too. Since then, Bonfiglioli has continued to contribute by financing and supporting the various teaching activities organised by staff. Thanks to this support, Pho Cap School now provides education and security to over 90 children. The staff serves the community in various ways: taking in particularly needy children; providing families with basic necessities; and, liaising with local authorities to ensure that children leaving the school find work and do not fall into a life of crime.





# Spain

The Best Mechatronic Project award is given annually by Tecnotrans Bonfiglioli in recognition of student talent and to promote research in this field. The award is part of a partnership agreement between ETSEIB (Escola Tècnica Superior

d'Enginyeria Industrial de Barcelona) and Tecnotrans Bonfiglioli. The agreement also covers scholarships, collaboration in training and the donation of material to students and schools.



# United Kingdom

Circus Starr is a touring circus with world-class professional artists from around the globe that, with the help of companies

like Bonfiglioli UK, allows thousands of disadvantaged, disabled and vulnerable children to attend the circus for free.



# USA

Bonfiglioli supports a number of non-profit organisations in the USA each year. Activities include: participation in the annual HealthPoint Hopebox Derby, which serves the homeless in the Northern Kentucky area by providing free medical care on a walk-in basis;

employee donations to the American Cancer Society; and, the donation of food and monetary contributions to the Ethel M. Taylor Academy, a school in the most economically deprived part of Cincinnati that teaches children from preschool to the 6<sup>th</sup> grade.



# Slovakia

Bonfiglioli Slovakia provided monetary donations to a number of social projects in 2015. The donations helped the Cooltajner association put on concerts, workshops, theatre performances and other cultural, social and sport-related

activities for people and visitors in Považská Bystrica. Donations also helped to purchase teaching aids and computer equipment for primary and secondary schools.



# The Group

as of  
December 31, 2015

## BONFIGLIOLI RIDUTTORI S.p.A.

**BONFIGLIOLI  
ITALIA S.p.A.** **100%**

**1%**

ITALY

**BONFIGLIOLI MECHATRONIC  
RESEARCH S.p.A.** **99%**

ITALY

**BONFIGLIOLI  
SLOVAKIA s.r.o.** **100%**

SLOVAKIA

**BONFIGLIOLI  
TRANSMISSION S.A.** **100%**

FRANCE

**BONFIGLIOLI  
UK LTD.** **100%**

UNITED KINGDOM

**TECNOTRANS  
BONFIGLIOLI SA** **95%**

SPAIN

**BONFIGLIOLI  
DEUTSCHLAND GMBH** **100%**

GERMANY

**BONFIGLIOLI  
VECTRON MDS GMBH** **100%**

GERMANY

**BONFIGLIOLI  
VECTRON GMBH** **100%**

GERMANY

**BONFIGLIOLI POWER TRANSMISSIONS  
& AUTOMATION TECHNOLOGIES JSC** **100%**

TURKEY

**BONFIGLIOLI POWER  
TRANSMISSION PTY LTD.** **83.75%**

SOUTH AFRICA

**BONFIGLIOLI SOUTH AFRICA  
PTY LTD** **75%**

SOUTH AFRICA

**O&K  
ANTRIEBSTECHNIK GMBH** **55%**

GERMANY





**BONFIGLIOLI DRIVES  
(SHANGHAI) CO. LTD.** **66.67%**

CHINA

**BONFIGLIOLI TRADING  
(SHANGHAI) CO. LTD.** **100%**

CHINA

**BONFIGLIOLI TRANSMISSION  
(AUST.) PTY LTD.** **100%**

AUSTRALIA

**BONFIGLIOLI  
SOUTH EAST ASIA PTE LTD** **100%**

SINGAPORE

**BONFIGLIOLI  
TRANSMISSION PVT LTD.** **100%**

INDIA

**BONFIGLIOLI  
VIETNAM LTD.** **100%**

VIETNAM

**BONFIGLIOLI  
CANADA INC.** **100%**

CANADA

**BONFIGLIOLI  
USA INC** **100%**

USA

**BONFIGLIOLI REDUTORES DO BRASIL  
INDUSTRIA E COMERCIO LTDA** **100%**

BRAZIL

**B.E.S.T.  
HELLAS SA** **10%**

GREECE

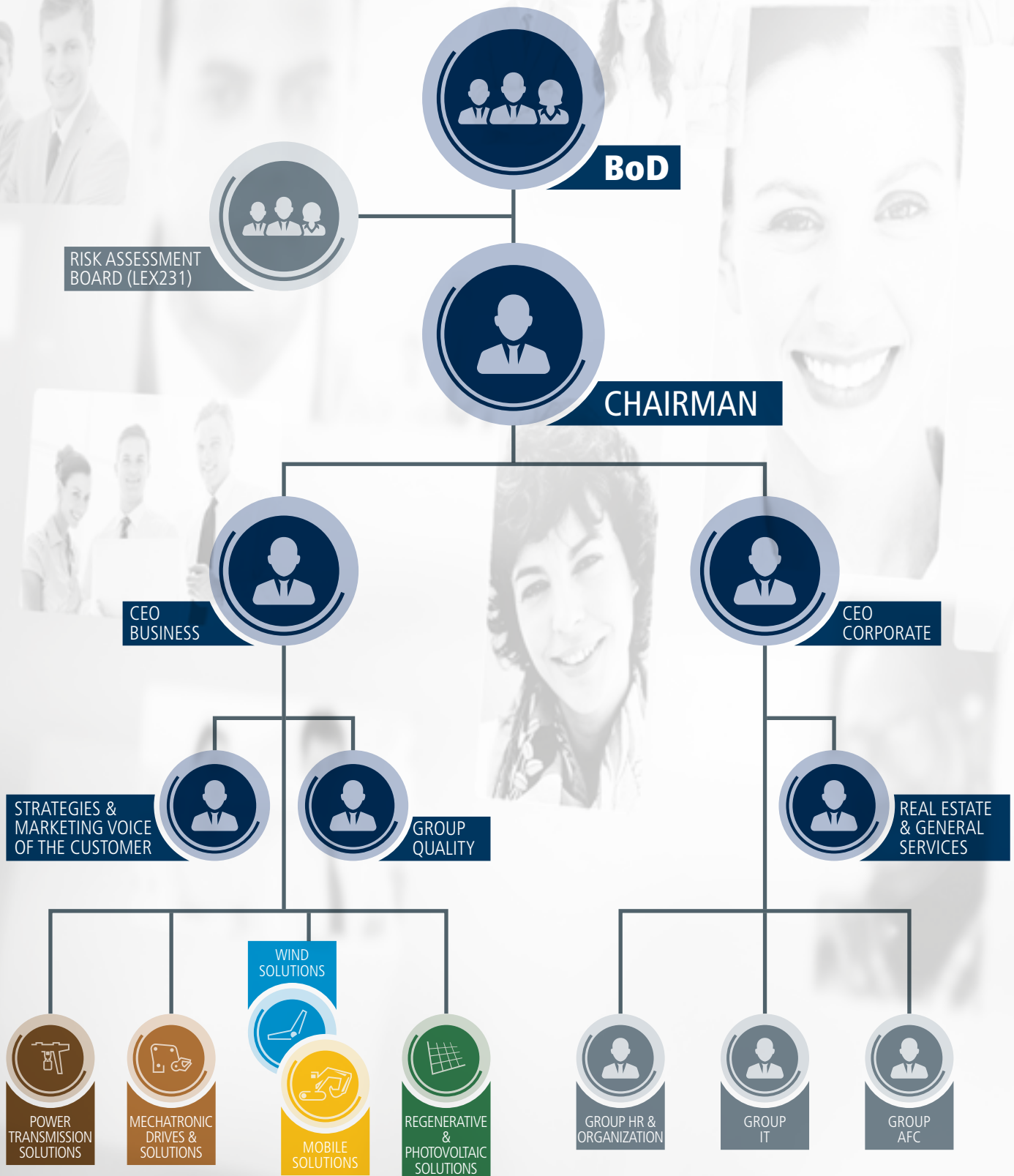
**SKS  
SWEDEN AB** **10.05%**

SWEDEN

**BONFIGLIOLI RENEWABLE POWER  
CONVERSION INDIA PVT. LTD.** **100%**

INDIA

# Organization Chart







## Board of Directors

Chairman • **Sonia Bonfiglioli**  
 Vice Chairman • **Luisa Lusardi**  
 CEO Business • **Fausto Carboni**  
 CEO Corporate • **Tiziano Pacetti**  
 Director • **Luciano Bonfiglioli**  
 Director • **Roberto Megna**  
 Director • **Tommaso Tomba**



## Statutory Auditors

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



## Independent Auditors

**PriceWaterhouseCoopers S.p.A.**



## Group Executive Team

CEO Business • **Fausto Carboni**  
 CEO Corporate • **Tiziano Pacetti**  
 BU InS PTS Managing Director • **Manfredi Ucelli di Nemi**  
 BU InS MDS Managing Director • **Gilbert Khawam**  
 BU MWS Managing Director • **Fausto Carboni**  
 BU RePvS Managing Director • **Massimo Sarti**  
 AFC Director • **Stefano Lambertini**  
 HR Director • **Santino Carlino**  
 IT Director • **Enrico Andrini**

## Local Management

### **Bonfiglioli Vectron GmbH (Germany)**

Massimo Sarti • Frank Schramm

### **Bonfiglioli Vectron MDS GmbH (Germany)**

Gilbert Khawam • Olaf Donner

### **Bonfiglioli Slovakia S.r.o. (Slovak Republic)**

Marek Kolarik

### **O&K Antriebstechnik GmbH (Germany)**

Giorgio Cucchi

### **Bonfiglioli Mechatronic Research S.p.A. (Italy)**

Gilbert Khawam

### **Bonfiglioli Italia S.p.A (Italy)**

Manfredi Ucelli Di Nemi • Pietro Gintoli

### **Bonfiglioli Transmission S.a. (France)**

Nicola Boni • Pascal Froment

### **Bonfiglioli Uk Ltd. (United Kingdom)**

Mike McCann • John Adair

### **Tecnotrans Bonfiglioli s.a. (Spain)**

David Bassas

### **Bonfiglioli Deutschland GmbH (Germany)**

Manfredi Ucelli di Nemi • Jurgén Weber

### **Bonfiglioli Turkey Jsc (Turkey)**

Maurizio Pennetti

### **Bonfiglioli South Africa Pty Ltd (South Africa)**

Robert Rohman

### **Bonfiglioli Transmission Pvt Ltd (India)**

Andrea Genuini • Kaippally Kennady • GA Balaji

### **Bonfiglioli Renewable Power Conversion India Pvt Ltd (India)**

Ga Balaji

### **Bonfiglioli Vietnam Ltd. (Vietnam)**

Stefano Callegati

### **Bonfiglioli Drives (Shanghai) Co. Ltd. (China)**

Saverio Gaggero • Alex Deng • Paolo Bazzoni

### **Bonfiglioli Trading (Shanghai) Co. Ltd. (China)**

Alex Deng • Paolo Bazzoni

### **Bonfiglioli Transmission (Aust.) Pty Ltd (Australia/New Zealand)**

Malcolm Lewis

### **Bonfiglioli South East Asia Pte Ltd (Singapore)**

Yong Peh • Richard Chew

### **Bonfiglioli Usa Inc. (United States)**

Greg Schulte

### **Bonfiglioli Redutores Do Brasil Ltda (Brazil)**

Mateus Curras Botelhos

### **Bonfiglioli Canada Inc. (Canada)**

Greg Schulte

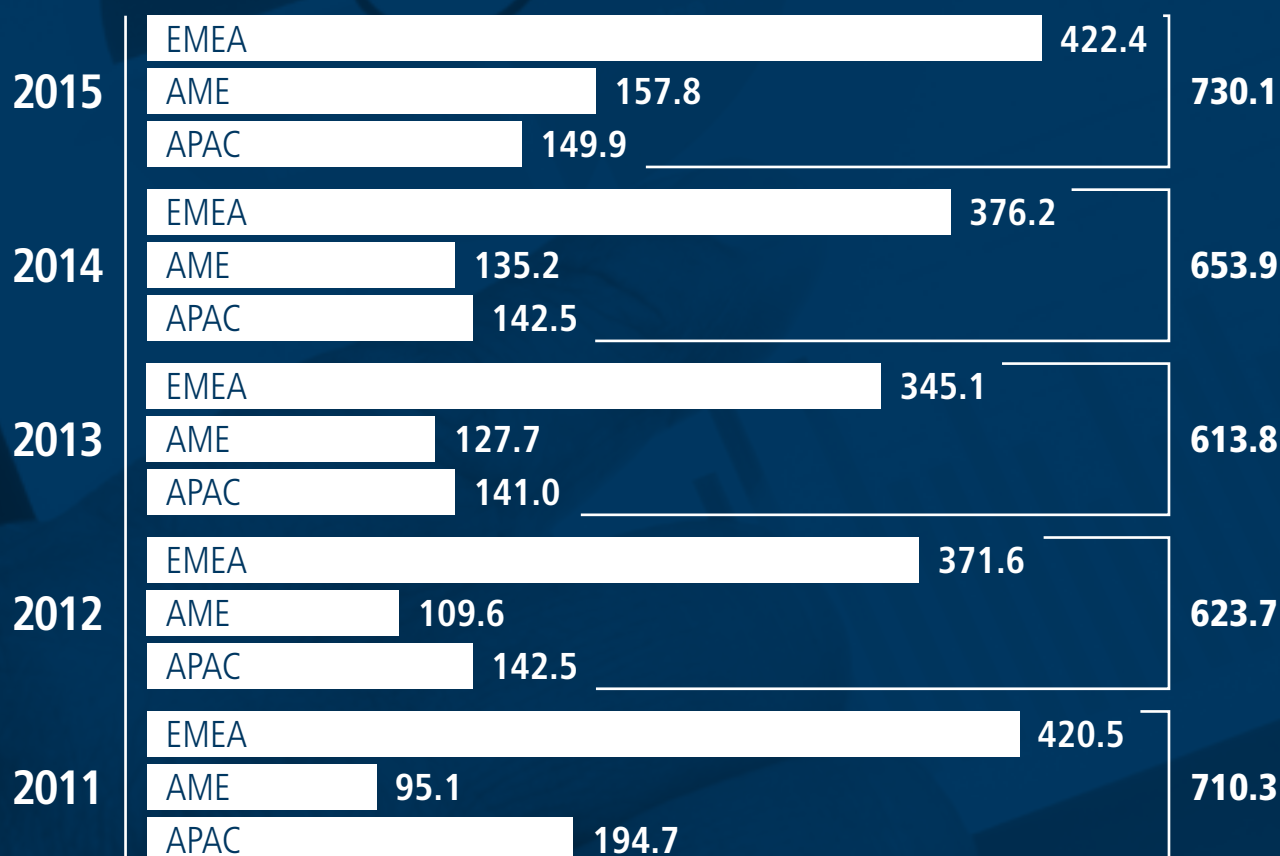
# GROUP SALES

(EURO / MILLION)



# SALES BY GEOGRAPHIC AREA

(EURO / MILLION)







# Financial Data

## EBITDA

(EURO / MILLION - % ON TURNOVER)



## NET CAPITAL EXPENDITURE

(EURO / MILLION)



## NET DEBT

(NCP - EURO / MILLION)



## GROUP SHAREHOLDERS' EQUITY

(EURO / MILLION)

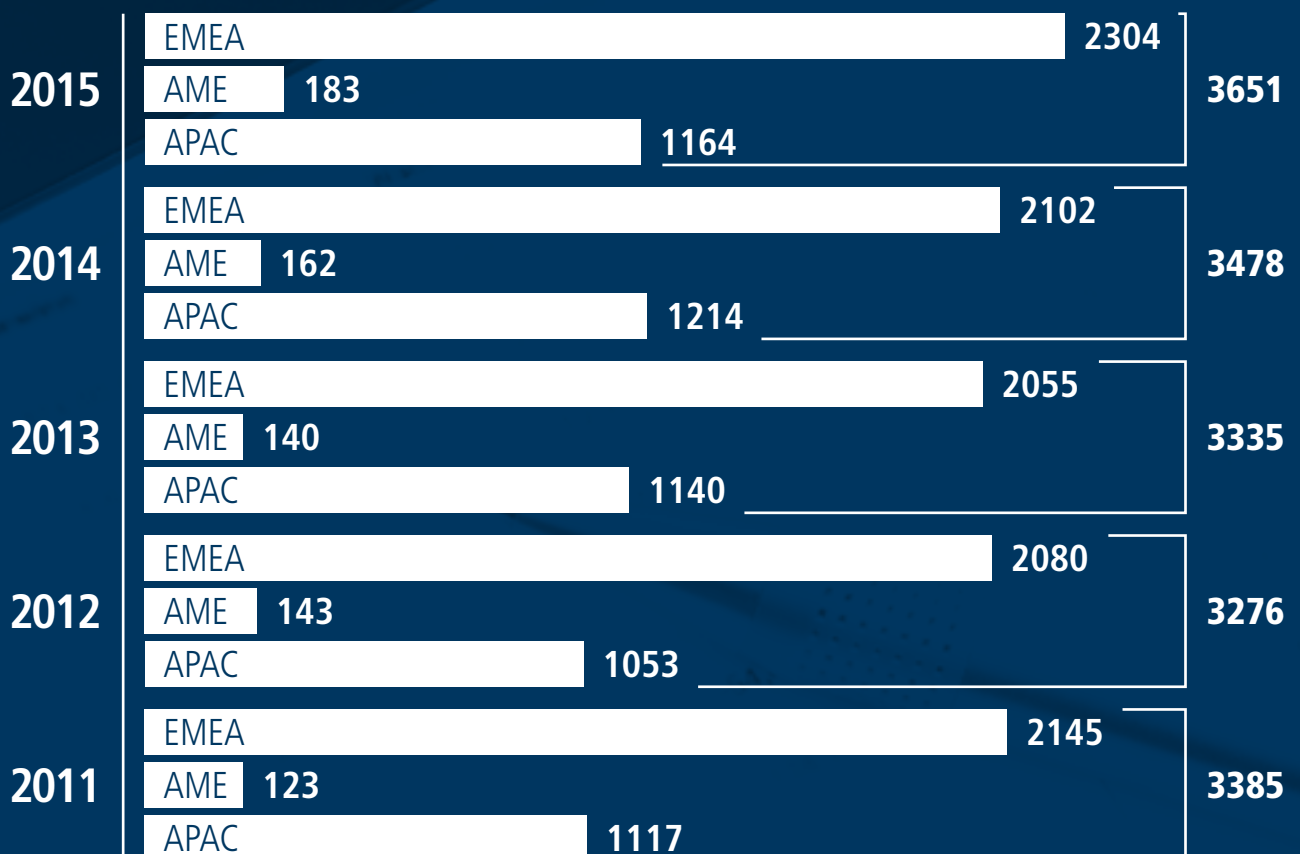






# Financial Data

## NUMBER OF EMPLOYEES BY GEOGRAPHIC AREA









# Management Report

## Foreward

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

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



## Reference economic situation

For the whole of 2015, the global economy continued to enjoy only limited growth, substantially similar to that seen in the previous year (+3.1% compared to +3.4% in 2014). Growth also continued to vary from one geographic region to another: the vigour of the American economy (+2.6% in 2015) was in clear contrast with the slow and uneven growth of the Eurozone (+1.5%), progressive slow-down in the emerging economies and prolonged stagnation in Japan (+0.6%). Some of the main factors impeding a sustained economic recovery include the continuous slowing of the Chinese economy, the strict monetary policies of the USA and the low cost of energy and raw materials. Raw material prices in particular impacted on inflation, which remained low globally throughout 2015.

In the United States, confidence in the now consolidated and continuous strengthening of the American economy forced the FED, after seven years, to abandon the minimum interest rate imposed in response to the financial crisis of recent years, and raise the rate by a quarter of one percent. Considerable improvements in the labour market and expectations for inflation contributed to the unanimous decision to tighten monetary policy.

As expected, however, the slowdown in the Chinese economy is continuing, with growth falling to lower levels than 1990 (+6.8%), especially as a result of the rebalancing of economic activity away from investment and production and towards consumption and services, and a greater fall in imports and exports than expected. Taken together with a further fall in oil prices, this has had serious repercussions on market share globally.

Manufacturing activity and investment remain weak worldwide, with the extraction industry in particular seeing a major fall in investments. In the same way, trade was hit by a major fall in imports by emerging economies, though weak signs of recovery began to appear in the second half of the year.

Geopolitical factors also had a negative impact on the global economy. The climate of fear engendered by terrorist attacks caused a further increase in uncertainty, along with military escalation of the conflict in Syria and tensions between Russia and Turkey. These factors reduced the prospects for economic recovery in the European Union and also had negative repercussions on trade relations between European countries, North Africa and the Middle East.

Economic recovery in the Eurozone is continuing at a slow pace, driven primarily by internal demand, given the fall in



exports to emerging nations. This can be seen by the fact that none of the region's three main economies (Germany, France and Italy) saw a rise in net demand for exports.

Germany recorded a larger increase in GDP than forecast (+1.5%), despite a slowdown in production in the middle of the year and the Volkswagen scandal. This was the result of a rise in consumption on the domestic market, stimulated by falling unemployment and low inflation.

Variations in the Euro/Dollar exchange rate were also significant: as a result of the different monetary policies adopted by the ECB and the FED, the rate fell to 1.11 USD for 1 Euro, some 16.5% lower than the average for 2014.

In Italy, after three consecutive years of recession, GDP returned to growth (+0.8%), though the national economy continues to be one of the poorest performers in the EU and GDP remained below the level of 2000 in terms of volume. Growth was driven mainly by domestic consumption, which led to a rise of 0.5%, thanks also to improving employment, especially in the service sector, and by an increase in investment favoured by the adoption of a series of facilitation measures. It is hoped that additional measures involving tax incentives for new investments in plant and capital goods might lead to a higher and more consolidated growth rate.

The engineering industry experienced a change in fortune during the course of the year. The growth enjoyed early in 2015 turned into contraction in the second half of the year, with a new downturn recorded in the last quarter (−0.2%). The good performance of the first quarter nevertheless led to an annual growth figure of 2.6%, almost entirely attributable to the automotive sector. The metallurgical, metal product and machinery sectors continue to stagnate.

The engineering industry is also experiencing difficulties in other EU nations, especially in Germany, where a significant contraction was seen during the last quarter.

For 2016 we can expect a growth rate similar to that of previous years: The American economy should remain healthy, driven by favourable financial policies and a strong labour market. Nevertheless a strengthening Dollar could impact manufacturing, and falling oil prices could also have repercussions for investment in the mining industry and in capital goods. We can expect a further slowdown in China as a result of the reduction in investment caused by the aforementioned rebalancing of the economy.

As for the Eurozone, further recovery in public consumption, supported by low energy costs and easier finance, should more than compensate for the expected fall in exports.

## Area of consolidation

As of 31<sup>st</sup> December 2015, the consolidation area includes, along with the parent company, twenty-three controlled companies representing the following manufacturing and industrial organisation:

- 14 production plants (4 in Italy, 3 in India, 2 in Germany and 1 each in China, the United States, Brazil, Slovakia and Vietnam) covering various areas of the extensive Bonfiglioli product range;
- directly controlled commercial companies in 16 countries, covering development, marketing and sales, logistics, customisation and final assembly of the Group's products, pre-sales and after-sales assistance and customer support.

With reference to the consolidation area, the following changes took place during the year 2015 (see the Notes for further details):

- purchase by the parent company of a 55% majority holding in the share capital of "O&K Antriebstechnik GmbH", with registered offices in Hattingen, Germany;
- purchase of all share capital in the sole shareholder company "Co.bo. Wheels Srl" by the parent company in January 2015. This company was subject to a merger by incorporation in the parent company effective on the on August 1, 2015;
- closure and liquidation of Bonfiglioli Österreich GmbH, a company previously 100% controlled by Bonfiglioli Deutschland GmbH;
- closure and liquidation of Bonfiglioli Renewable Power Conversion Spain SL, a company previously 100% controlled by Bonfiglioli Vectron GmbH;

- purchase by the parent company of the remaining 12% of share capital in the controlled company Bonfiglioli Vietnam Ltd, increasing the shareholding from 88% to 100%;
- purchase by Bonfiglioli Vectron GmbH of the remaining 0.75% of share capital in the controlled company Bonfiglioli Renewable Power Conversion India Pvt Ltd, increasing the shareholding from 99.25% to 100%.

## Analysis of 2015 results

In keeping with Art. 2428 of the Italian Civil Code, the layouts for the Balance Sheet and Income Statement are set out below, reclassified with regard to the last five years' operation conducted by the Group. The layouts presented hereunder show figures in millions of Euros and in percentage, as well as main economic-financial indicators. It must be noted that the newly acquired O&K Antriebstechnik GmbH was consolidated only in the Balance Sheet as the purchase was completed on 30<sup>th</sup> December 2015. Therefore the Income Statement will be consolidated for the first time starting from January 2016.

Reclassified income statement	Values				
	2015	2014	2013	2012	2011
<b>TURNOVER</b>	730.1	653.9	613.8	623.7	710.3
Cost of sales	(567.0)	(500.0)	(474.1)	(493.0)	(556.9)
<b>GROSS MARGIN</b>	163.1	153.9	139.7	130.7	153.4
Structural and operating expenses	(129.2)	(126.2)	(113.7)	(107.3)	(112.2)
<b>EBIT</b>	34.0	27.7	26.0	23.4	41.2
Financial income (expenses)	(9.2)	(10.4)	(9.2)	(12.5)	(11.8)
Exchange rate differences	(3.9)	2.9	(1.9)	(3.4)	(1.8)
Associated companies' result	(0.1)	-	-	(0.9)	-
Extraordinary income (expenses)	(6.3)	(4.1)	(1.9)	0.3	(4.2)
<b>PRE-TAX INCOME</b>	14.5	16.0	13.0	6.8	23.4
Taxes	(9.5)	(9.8)	(7.7)	(4.6)	(10.6)
<b>CONSOLIDATED INCOME AFTER TAX</b>	5.0	6.2	5.3	2.2	12.8
Minority	(0.6)	(0.6)	(0.9)	(0.9)	(1.0)
<b>NET GROUP PROFIT</b>	4.3	5.7	4.4	1.3	11.8
<b>PERSONNEL COSTS</b>	(140.1)	(130.8)	(120.1)	(114.1)	(114.6)
<b>AMORT./DEP., WRITE-DOWNS AND PROVISIONS</b>	(28.3)	(30.7)	(27.4)	(30.6)	(34.4)
<b>EBITDA</b>	62.3	58.4	53.4	54.0	75.6





## % of turnover

Reclassified income statement	2015	2014	2013	2012	2011
<b>TURNOVER</b>	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(77.7%)	(76.5%)	(77.2%)	(79.0%)	(78.4%)
<b>GROSS MARGIN</b>	22.3%	23.5%	22.8%	21.0%	21.6%
Structural and operating expenses	(17.7%)	(19.3%)	(18.5%)	(17.2%)	(15.8%)
<b>EBIT</b>	4.7%	4.2%	4.2%	3.8%	5.8%
Financial income (expenses)	(1.3%)	(1.6%)	(1.5%)	(2.0%)	(1.7%)
Exchange rate differences	(0.5%)	0.4%	(0.3%)	(0.6%)	(0.3%)
Associated companies' result	0.0%	0.0%	0.0%	(0.2%)	0.0%
Extraordinary income (expenses)	(0.9%)	(0.6%)	(0.3%)	0.0%	(0.6%)
<b>PRE-TAX INCOME</b>	2.0%	2.5%	2.1%	1.1%	3.3%
Taxes	(1.3%)	(1.5%)	(1.3%)	(0.7%)	(1.5%)
<b>CONSOLIDATED INCOME AFTER TAX</b>	0.7%	1.0%	0.9%	0.4%	1.8%
Minority	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)
<b>NET GROUP PROFIT</b>	0.6%	0.9%	0.7%	0.2%	1.7%
<b>PERSONNEL COSTS</b>	(19.2%)	(20.0%)	(19.6%)	(18.3%)	(16.1%)
<b>AMORT./DEP., WRITE-DOWNS AND PROVISIONS</b>	(3.9%)	(4.7%)	(4.5%)	(4.9%)	(4.8%)
<b>EBITDA</b>	8.5%	8.9%	8.7%	8.7%	10.6%

	Values					Average Rotation Days (base 360)				
Reclassified balance sheet	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
Net working capital	209.3	208.5	189.2	191.2	224.8	103	115	111	110	114
Fixed assets	214.4	173.9	174.2	187.7	200.9	106	96	102	108	102
Other invested capital	(39.3)	(21.3)	(18.0)	(11.6)	(33.2)	(19)	(12)	(11)	(7)	(17)
Minority	(11.2)	(8.4)	(8.7)	(9.1)	(4.9)	(6)	(5)	(5)	(5)	(2)
<b>CAPITAL EMPLOYED</b>	<b>373.3</b>	<b>352.6</b>	<b>336.7</b>	<b>358.2</b>	<b>387.6</b>	<b>184</b>	<b>194</b>	<b>197</b>	<b>207</b>	<b>196</b>
Group shareholders' equity	240.0	231.6	218.1	220.9	221.4	118	128	128	128	112
Net Financial Position (NFP)	133.3	121.0	118.6	137.2	166.2	66	67	70	79	84
<b>FUNDS</b>	<b>373.3</b>	<b>352.6</b>	<b>336.7</b>	<b>358.2</b>	<b>387.6</b>	<b>184</b>	<b>194</b>	<b>197</b>	<b>207</b>	<b>196</b>

	Values					% of turnover				
Turnover by geographic area	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
EMEA	422.4	376.2	345.1	371.6	420.5	57.9%	57.5%	56.2%	59.6%	59.2%
AME	157.8	135.2	127.7	109.6	95.1	21.6%	20.7%	20.8%	17.6%	13.4%
APAC	149.9	142.5	141.0	142.5	194.7	20.5%	21.8%	23.0%	22.8%	27.4%
<b>TOTAL TURNOVER</b>	<b>730.1</b>	<b>653.9</b>	<b>613.8</b>	<b>623.7</b>	<b>710.3</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Indicators	2015	2014	2013	2012	2011	Description
<b>ECONOMIC</b>						
Net ROE	1.8%	2.5%	2.0%	0.6%	5.3%	(Net profit/Shareholders' equity)
ROI	9.1%	7.9%	7.7%	6.5%	10.6%	(EBIT/Lending)
ROS	4.7%	4.2%	4.2%	3.8%	5.8%	(EBIT/Turnover)
EBITDA/Net financial income and charges	6.8	5.6	5.8	4.3	6.4	
<b>EQUITY AND STRUCTURAL</b>						
Primary structural balance ratio	1.1	1.3	1.3	1.2	1.1	(Shareholders' equity/Fixed assets)
Financial indebtedness ratio	0.6	0.5	0.5	0.6	0.8	(NFP/Shareholders' equity)
NFP/EBITDA ratio	2.1	2.1	2.2	2.5	2.2	(NFP/EBITDA)
Shareholders' equity tangibility ratio	0.8	1.0	1.0	1.0	1.0	(Equity-Intangible assets/Equity)
<b>OTHER</b>						
Average number of employees	3655	3597	3303	3339	3270	Annual mean
Turnover per employee	200	182	186	187	217	Data expressed in thousands of Euro





The parent company, Bonfiglioli Riduttori SpA, purchased the company CO. BO WHEELS Srl in 2015 in order to expand the offer of electromobility solutions for the material handling sector and extend the range of track drive gearboxes for crawler mini-excavators. This company was later merged with the parent company by incorporation.

During the first quarter of 2015, corporate values appropriate to the new organisational and socio-economic context in which the Group operates were formalised and diffused. These values (Bonfiglioli Values), officially presented to Bonfiglioli stakeholders around the world in March 2015, are Challenge, Respect, Accountability and Winning Together. Core Behaviours were then also identified, as a set of organisational behaviours coherent with the corporate values. The main objectives of the Core Behaviours model are:

- to ensure transparency in the company's expectations of personal behaviour;
- to ensure the implementation of Bonfiglioli Values, and to maintain and consolidate the critical factors that contributed to the success of the Group;
- to steer personal behaviour towards supporting our group's Strategy and Mission;
- to drive the improvement of results by promoting the behaviours needed to do so;
- to ensure consistency in personnel management across all areas/functions/BUs and in all countries, while still supporting business-specific management needs.

During the second quarter, the new Governance model was also adopted, with the nomination of two CEOs (Fausto Carboni - Business CEO - and Tiziano Pacetti - Corporate CEO) to achieve strategic direction and fulfill the mission as defined by Group Chairman Sonia Bonfiglioli. This model is inspired by the "One Company Approach" concept, understood as the convergence of all Business Units and Divisions of the Group on a single cultural matrix in line with the Bonfiglioli Mission and the Group's business objectives. The long term aim of this approach is to grow and consolidate the "Bonfiglioli" brand around the world, in all business areas, and to expand the market and the customer portfolio by offering a vast range of application solutions. The actions undertaken to define corporate values and their associated Core Behaviours and to communicate them to all companies in the Group must also be viewed in this context. These values and behaviours apply to the whole Group and apply to all the business areas in which it operates. The new plant of Bonfiglioli Drives Shanghai Co. Ltd. was inaugurated on 6 May 2015, in Shanghai's Qingpu Industrial Park. Ltd. The new plant occupies 30,000 square metres of land, with 21,000 square metres of factory and offices, and will complete the company's localisation strategy aimed at fully satisfying all local demand.

Confirming the national and international importance of the entrepreneurial work done, Sonia Bonfiglioli was nominated "Cavaliere del Lavoro" by the President of Italy, Sergio Mattarella, on 22 October 2015. The title, an Order of Merit for Labour, is awarded to businessmen and women for special achievements in the field of work. The title of "Cavaliere del Lavoro" is an important recognition of the results achieved by Ms. Bonfiglioli in creating employment

and developing skills, and especially her commitment to ethical and social responsibility as a way of improving the nation's living and working conditions.

Bonfiglioli's new tagline, "Forever Forward" was launched on 23 November 2015. This new tagline was chosen to reflect the Group's traditions as well as its ability to keep pace with change and to remain competitive, never complacent and always ready to face new challenges. The new Bonfiglioli tagline has deep historical roots too, as it is inspired by a phrase used by the company's founder, Clementino Bonfiglioli: "Full speed ahead!"

As part of the Bonfiglioli Group's strategy for growth and expansion, 55% of the share capital of O&K Antriebstechnik GmbH was purchased from the Carraro Group at the end of the year. O&K Antriebstechnik is a prestigious name, known throughout the sector. The company is a global player with over 130 years of expertise in large gearboxes. The arrival of this German company allows the Bonfiglioli Group to complete its high power product offering for applications in the mining, marine, port and airport sectors. It enables Bonfiglioli to act as a full line supplier in these markets while also consolidating the Group's position of global leadership in the power transmission and control sector. The highly acclaimed technology of O&K Antriebstechnik's large size gearboxes will allow Bonfiglioli to push on towards completing its range of industrial gearboxes for Heavy Duty applications in keeping with the strategy of offering premium solutions, adopted in recent years.

The Group's 2015 turnover is up 11.7% over that of the previous year (730.1 M€ compared to 653.9 M€ in 2014). This increase was achieved despite a further fall in the turnover of the RePvS Business Unit (photovoltaic sector). Growth in core businesses (MWS and INS) reached almost 13.0%: this is a significant achievement and confirms the validity of the business decisions taken in recent years. Growth was also reinforced by the positive effect of increases in the value of the US Dollar, the Indian Rupee and the Chinese Renminbi with respect to the Euro. Among the various business lines, the MWS Business Unit recorded significant growth (+59 M€) and the INS Business Unit also performed extremely well (+23 M€).

In terms of the Consolidated Income Statement, the Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) stand at 62.3 M€, equivalent to 8.5% of sales, an improvement over the previous year of +3.8 M€ in absolute value but slightly down in percentage terms (-0.4%), partly due to the reduced profit recorded in the photovoltaic sector.

It should also be noted that:

- Cost of sales for 2015 came to 77.7% of turnover. The reduction in profit margin with respect to 2014 (-1.2%) is due to changes in the turnover mix, which was impacted by less profitable business lines and a product recall in the photovoltaic business.
- Structural and operating expenses rose by an absolute value of 3.0 M€, mainly as the result of exchange rate fluctuations, while percentage incidence on turnover fell from 19.3% to 17.7%: this fall in percentage can be ascribed to savings in overheads, and to the one-time incidence, in 2014, of product warranty provisions (PV).
- Total cost of labour rose from 130.8 to 140.1 M€, giving a fall in incidence on turnover from 20.0%, to 19.2%. The rise in absolute value is largely due to the already mentioned exchange rate effects, but also partly due to growth in the workforce to cater to larger volumes of business and to the continuing development of localisation processes in China and the USA.
- Amortization, depreciation and other allocations fell by an absolute value of around 2.3 M€, with a consequent reduction in impact on turnover (from 4.7% in 2014 to 3.9% by the end of 2015) due to the already mentioned provisions made in 2014; amortisation rose by 1.1 M€.
- Net financial income and expenses fell slightly, from 1.6% to 1.3% of turnover in 2015. In absolute value, net financial expenses fell by 1.2 M€ partly thanks to the performance of the Indian controlled company, which succeeded in significantly reducing its financial exposure over the last year, and thanks to the careful management of medium-long term credit and finance lines.
- Fluctuations in exchange rates, especially that of the Brazilian Real, generated exchange rate losses of 3.9 M€, with an impact of -0.5% on consolidated turnover (+0.4% in 2014), in contrast with exchange rate earnings of +2.9 M€ in 2014; this led to a significant reduction in Pre-Tax Profit.



- Extraordinary income and expenses fell by 6.3 M€, with an impact of –0.9% on turnover, mainly as the result of depreciation recorded by the parent company for land and buildings and extraordinary allocations for ongoing business restructuring activities.

With regard to the Group's Assets and liabilities structure, Net Working Capital remained largely unchanged in absolute value, rising from 208.5 M€ to 209.3 M€ and resulting in an improvement in rotation on sales (from 115 to 103 average rotation days), as a result of stock rationalisation in the face of increased sales and despite the changes in the consolidation area connected with the purchase of the company "O&K Antriebstechnik GmbH".

Net Financial Position (NFP) rose from 121.0 M€ at the close of 2014 to 133.3 M€ by December 2015, leaving inventory turnover relatively stable compared to 2014 (67 to 66 days). Net Financial Position was significantly affected by the purchase of O&K Antriebstechnik (to the value of 32.3 M€) and by exchange rates.

Net investments amount to 20.6 M€. Details are given below:

Values in millions of Euro	2015	2014	2013	2012	2011
Land and buildings	9.8	(0.5)	1.5	1.1	0.5
Plant and machinery	8.4	4.1	5.2	4.5	9.8
Equipment	3.8	8.7	4.7	4.8	6.7
Other assets	1.6	1.3	1.6	1.3	1.9
Assets in progress	(5.3)	6.0	0.1	0.9	(0.1)
<b>Tangible fixed assets</b>	<b>18.3</b>	<b>19.6</b>	<b>13.1</b>	<b>12.6</b>	<b>18.8</b>
Software, trademarks, patents	0.8	0.7	0.6	1.1	1.5
Goodwill	-	-	-	0.2	-
Other	1.5	1.1	0.9	2.7	0.2
<b>Intangible fixed assets</b>	<b>2.3</b>	<b>1.8</b>	<b>1.5</b>	<b>4.0</b>	<b>1.7</b>
<b>Total Investments</b>	<b>20.6</b>	<b>21.4</b>	<b>14.6</b>	<b>16.6</b>	<b>20.5</b>

The Group's main investments in 2015 are described below.

- Investments in land and buildings were made mainly by Bonfiglioli Drives Shanghai, for the construction of the new Qingpu plant (3.0 M€, net of an additional 5.6 M€ made in late 2014) and by the parent company for advances for the purchase of land near the Calderara di Reno plant (0.8 M€).
- Investments in plants, machinery and equipment were made primarily by the parent company, which spent 3.5 M€ on machinery purchases and extraordinary maintenance for the Calderara di Reno and Forlì plants. The parent company also invested in industrial equipment (4.0 M€), mainly for the Calderara di Reno and Forlì sites.  
Additional investments were made by Bonfiglioli USA (1.2 M€ for the completion of a new production line), by the Indian company Bonfiglioli Transmission Pvt Ltd (1.6 M€) and by Bonfiglioli Slovakia Sro (1.5 M€).
- Investments in intangible fixed assets refer mainly to research and development costs of 1.0 M€ incurred by "Bonfiglioli Mechatronic Research SpA" for new, high efficiency mechatronic systems in the context of a project financed by the Autonomous Province of Trento.

The variation in consolidated fixed assets was caused by changes in the consolidation area and by the inclusion in that area of the companies:

- “CoBoWheels Srl” which, through merger, added new production lines and equipment worth a total of 0.8 M€ as well as intangible fixed assets for a total of 8.2 M€, including 2.6 M€ for Design and Know-how and 5.6 M€ for goodwill;
- “O&K Antriebstechnik GmbH”, which contributed 13.5 M€ in tangible fixed assets (mainly plant and machinery) and 22.4 M€ in intangible fixed assets related to allocation of consolidation differences to trademarks for 7.5 M€ and goodwill for 14.4 M€.

## 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, cost of raw materials, etc.

### RISKS CONNECTED WITH THE MARKET SECTORS SERVED

The Group operates in many markets divided among three main Businesses: Industrial (which in turn has two product divisions, PTS and MDS), Mobile & Wind and Photovoltaic and Renewable Energies. Each business is followed by dedicated organisations, i.e. Business Units, which are responsible for the specific sectors.

The wide range of outlet markets and applications supplied has always provided refuge from economic slumps, by allowing the Group to balance the product offering of sectors in decline with respect to those in growth and the other way round. The Group is still exposed to financial and systemic crises, such as the world economic crisis of 2008-2009.

### RISKS CONNECTED WITH FINANCIAL RESOURCE REQUIREMENTS

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

### CREDIT RISK

Credit risk is represented by the Group's exposure to potential losses that may stem from the failure by customers to meet their obligations.

Customer credit risk is constantly monitored with the use of information and customer assessment procedures and this type of risk has historically had very little physiological scope.

### RISKS CONNECTED WITH EXCHANGE AND INTEREST RATE FLUCTUATIONS

Operating in more than one market at a worldwide level, the Group is naturally exposed to exchange rate and interest rate fluctuations. Exposure to exchange rate fluctuations is linked mainly to the geographical distribution of production and sales activities which generate import/export flows in foreign currency different from that of the production countries. In particular, the Group is exposed through its exports from the Eurozone to the areas of the US Dollar, GB Pound, Australian Dollar and other minor currencies. On the level of incoming flows, risks concern imports from Japan



in Yen and, for those companies based in India, Vietnam, China, Singapore, Turkey, Brazil and South Africa, by imports of goods from countries having strong currencies (Euro and USD).

In keeping with its risk management policies, the Group tries to tackle risks relating to exchange and interest rate fluctuations with the use of short-term hedging financial instruments.

## RISKS CONNECTED WITH THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

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

## RISKS CONNECTED WITH EMPLOYMENT RELATIONS

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

## RISKS CONNECTED WITH COMPETITION

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



## Quality, safety, health and environment

Various initiatives were put in place in 2015 to further improve the Quality System, including the completion of the process of implementing customer claims management in SAP. This initiative enables the Group to maintain a single database that can be referred to in order to analyse the underlying causes of customer claims and to have an up-to-date view of customer opinions.

A large number of system audits at the Corporate level enabled the Group to continue improving its compliance with operating standards and to detect opportunities for improvement in company processes more effectively.

2015 also saw Corporate Quality engaged in satisfying the new requirements imposed by UNI EN ISO 9001:2015 and in the formulation of proposals for the design of a new Quality System that conforms to these requirements. Training days on the new standard and on Risk Management were held, involving all Corporate functions in workshops specially designed to understand the dynamics of risk management in the various competence areas.

In November 2015 a project was launched to completely re-organise the Quality function, changing from a three-level

organisation (Corporate, Business Unit, Plant), to a more streamlined organisation made up of only two levels: "Group Quality" and "Plant/Branch Quality". The first is hierarchically dependent on the Business CEO and is the result of the merger of Corporate Quality with Business Unit Quality, while the second is hierarchically dependent on the Plant/Country manager and functionally dependent on Group Quality Management.

The new organisation, established under the "One Company Approach" slogan, is based on 4 pillars:

- Product & customer key account quality management: responsible for the quality performance of the various product families and for quality aspects of customer relations;
- Supplier quality assurance: responsible for promoting the creation of a common supplier management across the entire Group and for supporting Plants/Branches in supplier management;
- Quality System: responsible for implementing a common Quality System for the entire Group, including standard "KPIs & Reports", and for managing the regular audits performed by the external certification body;
- Manufacturing Quality: responsible for supporting the implementation of common production standards and for process auditing activities.



## Human resources

Total Group workforce fell from 3,383 at the end of 2014 to 3,372 by the end of 2015. Counting the 124 persons engaged under other forms of contract, such as temporary, agency and other such workers, and the 155 persons added to the headcount by the purchase of O&K Antriebstechnik GmbH, the Group's human resources totalled 3,651 on 31/12/2015.

The parent company Bonfiglioli Riduttori SpA employs 1,267 persons, while 1,251 are employed by other production companies, 376 by commercial branches in Europe and 478 by commercial branches overseas.

These figures show that, globally, employment levels have remained substantially unchanged compared to the previous year, with the parent company taking on another 27 persons.

2015 also saw the introduction for the first time at Group level of the Bonfiglioli Overall Performance assessment system, initially targeting a perimeter of about a hundred persons between Headquarters and foreign branches. This system combines the evaluation of measurable individual performance with the evaluation of behaviour based on the corporate Core Behaviours model. The perimeter is due to be extended to a global level over the next few years.

Training is confirmed as an essential tool for the growth and development of the Group's human resources, and HR Management has therefore expanded the offering of the Training Center, based on requests received in the previous year. New courses have been introduced to support the management of business-linked activities such as a Cross Culture Lab, an Advanced Economics Course and the Leading Change Course. In 2015, in the context of Bonfiglioli Riduttori and Bonfiglioli Mechatronic Research alone, some 484 hours of training were delivered, for a total of 349 individual course attendances and 229 persons trained; course participants expressed a high level of appreciation, with 95% of positive evaluations. There was also a significant increase in language training, with 1,300 hours of lessons delivered (+43% compared to the previous year). Over 80% of training costs were covered by inter-professional funds. The Company also fulfilled its obligations in terms of mandatory training in occupational health and safety and the environment,



in compliance with applicable legislation, in addition to technical training courses managed directly by the various functions.

Given the success of the previous year's event, the Group organised another WOB (Welcome on Board). This was held on 10 December 2015 and brought together personnel employed by Bonfiglioli Riduttori S.p.A. over the last 12 months with a view of getting to know each other and the Company, its culture and the most important milestones in its history. The event was held at the Lippo plant and saw the participation of top management.

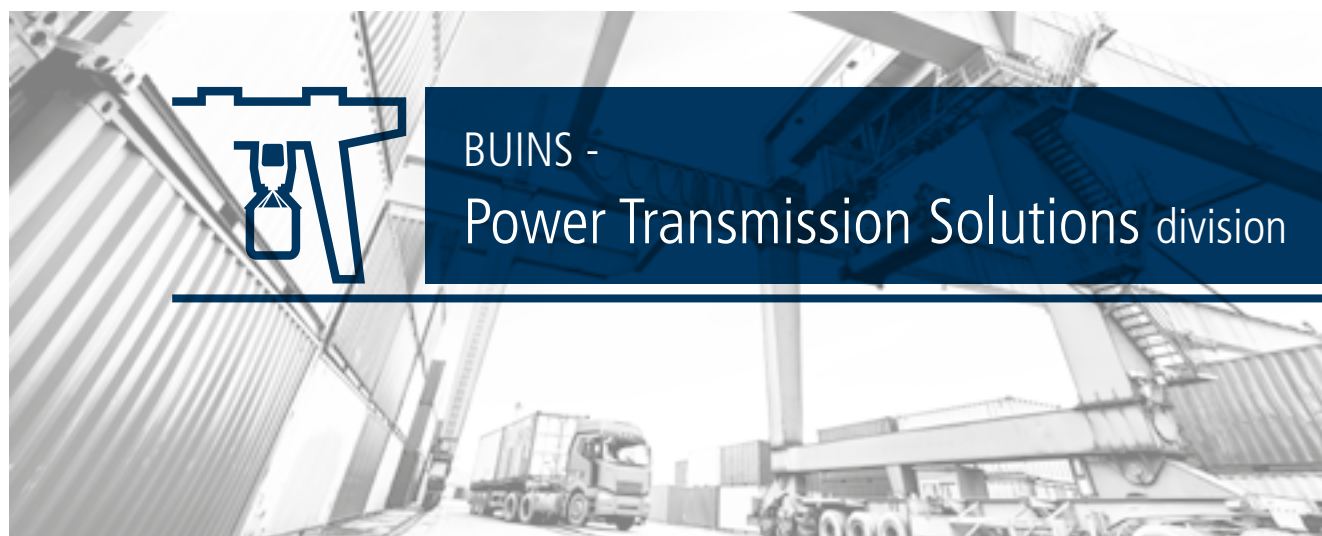
In the field of ties between the Company and institutes of higher education, cooperation with the universities of Bologna, Modena, Reggio Emilia, Ferrara and Padua continues, with curriculum-linked placements being offered and theses and post-graduate activities promoted in areas associated with core business.

In memory of the founder Clementino Bonfiglioli, Cavaliere del Lavoro, the company participated in the "Leonardo Committee" again in 2015, by offering a paid work placement for a student presenting a particularly interesting thesis on a theme relevant to mechanical competence. The 2015 winner is yet to be announced, but to demonstrate commitment to long term investment in young people of talent and potential, the winners of the two previous editions have been employed by the Company.

## Research and development

Expenditure in 2015 in the field of Research and Development totalled around 11.3 M€ at Group level.

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



The PTS division carried out major activities in the following areas in 2015:

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

### PRODUCT PROJECTS

A total of 1714 PULL projects were run in 2015. Of these, 346 medium to complex gearbox, motor and special gearmotor projects (20%) were handled by the parent company. The remaining PULL projects were managed by the DSC department (304 projects – 18%) and by the other companies (1064 projects – 62%), with support provided whenever requested.

The period from 2014 to 2015 also saw a significant increase in push/pull development activities (40% to 46%) against a reduction in generic plant, branch and division support activities.

In terms of changes to the standard product range, development of the HDP/O ATEX Series was completed and production begun. This activity was particularly challenging because, in parallel with product development, a web application was created for thermal calculations in order to optimise performance. This tool is now also available for calculating the thermal performance of standard versions, too.

The 300 Series was put into production in standard solutions for 3HD combinations, with the introduction of standard slew drive versions for the most common applications and the development of new standard options for improved installation and maintenance.

Component classification activities for the main product types are at an advanced stage, and the first phase in the migration of the current product configuration system to the SAP configuration standard has been completed. This project will continue into the 2016-2017 two-year period.

The development of phase 2 IE3 motors (sizes 80, 90, 100 and 112) for nominal power ratings below 7.5 kW was also completed, with performance and cost targets met. The next stages in this project are the start of production and UL validation, scheduled for 2016.

## RESEARCH PROJECTS WITH THE SUPPORT OF UNIVERSITIES AND RESEARCH LABORATORIES

In 2015 we continued to work with local universities on vibration analysis projects designed to detect, diagnose and prevent failures and damage to gearbox components, and succeeded in optimising a number of algorithms for preventive fault analysis.

We also collaborated with a number of students on theses applied to themes of common interest (a bearing test bench, a test bench for threaded connections).

Other projects on innovative themes were run with local universities and research laboratories in the context of collaborations on regional and European projects (H2020).

## ORGANISATIONAL/MANAGEMENT PROJECTS

The new "PdP" (Product Development Process) was consolidated at central level and is gradually being implemented by the Group companies.

The use of web calculation tools for branch DSC departments was improved and extended, and the tools also made more flexible to offer different access levels. The selection and calculation procedure for Atex products (A and HD) was also completed.

The operating work flow for the new change procedure was completed on the basis of PLM, and will be extended to all foreign plants and companies in 2016.

Internal technical training activities continued during the year, dealing with specific themes like calculation, lubricants, condition monitoring systems and applications involving inverters.







## BUINS - Mechatronic Drives & Solutions division

### RESEARCH PROJECTS

In 2015, R&D activities focused on the completion of the studies and research projects run with universities and research centres in the field of new technologies for electric motors, new materials and coatings, and the development of calculation codes and their experimental validation.

Prototypes of new design solutions were made, and bench tests followed to assess functioning and to validate simulation codes.

Work was also done on new electromagnetic designs, and the impact of stator and rotor shape on motor performance was evaluated. The influence of the structure was also analysed along with the effects of magnetic saturation on the system's response to different control strategies.

As for mechanical aspects, a calculation method was developed and experimentally verified, based on CFD numeric simulation, for quantifying losses. This will allow the energy optimisation of gearboxes and the precise determination of temperatures under operating conditions.

### SERVOMOTORS

The year saw the development of a new range of servomotors with on-board inverter, to satisfy specific needs in the automation sector. This new version foresees the integration of servo-drives in a single package made up of motor, electronic control system and local I/O interface. The power connection is direct to the DC bus to optimise the dimensions of the inverter.

Simplified, reduced cabling will encourage use of the new series in decentralised multi-axis applications with servo-drives installed directly on the driven machine.

Custom solutions for specific applications were developed over the year and support was offered for product customisation.

### HIGH PRECISION PLANETARY GEARBOXES

The year saw the completion of design activities and the putting into production of the gearbox series with output flanges. This version, positioned in the high performance segment, is intended to complete the existing offer for precision gearboxes and to satisfy the most challenging needs of axis control applications and automation systems.

This configuration is particularly suitable for integration with servomotors in compact gearmotors. The R&D department continued with the development of solutions for improving product performance and reliability, and also completed various studies into customised products and special versions for the market.



## Business Unit Mobile Solutions



## Business Unit Wind Solutions



### PRODUCTS FOR MOBILE MACHINES

For the agricultural machinery sector, we completed projects to review the existing range of travel drive gearboxes with a view to optimising the product and satisfying specific market needs, especially in terms of increase of load capacity and improved thermal performance for the specific usage profile.

For the construction sector, a project was launched to review the range of gearboxes for cement mixer drum drives in order to increase efficiency and reliability, with the inclusion of versions developed for hybrid/electric solutions.

### GEARBOXES FOR CONTROL OF TRACKED VEHICLES

In the context of projects to extend the range of track drive gearboxes, bench validation activities have been completed for two new sizes (destined for hydraulic mining excavators of up to 350 tons and drilling rigs and tracked cranes of up to 400 tons), and units are currently undergoing tests on customers' machines.

### GEARBOXES FOR MOVEMENT OF TRACKED VEHICLES

After the completion of projects to extend the range of track drive gearboxes to serve hydraulic mining excavators of up to 350 tons and drilling rigs and tracked cranes of up to 400 tons, development activities in this sector focused on the optimisation of existing gearbox sizes with a view to improving competitiveness and seizing new opportunities for applications in emerging markets.

### WIND TURBINE PRODUCTS

Development projects were launched for yaw and pitch control gearboxes for offshore turbines of up to 8 MW. Activities aimed at optimising and rationalising this range of products are continuing, in order to maintain market leadership. We completed research into new ways of improving reliability and performance and carried out studies aimed at reducing size and weight without degrading performance, and improving maintenance and handling.

### ELECTROMOBILITY PRODUCTS

Development is continuing in the field of electric traction solutions for various market segments. In the material handling sector, in particular, a complete range of planetary axles with integrated electric motors is now available for front-loading forklifts between 1 and 5 tons lifting capacity.

Following the acquisition of a line of wheel drives with vertical electric motors, development began of new versions destined for major customers in the warehousing market.



## MARINE & OFFSHORE

Development of special product versions for marine and offshore applications is still ongoing, along with the activities involved in obtaining the certification necessary to compete effectively in this area.

New gearbox versions were developed for offshore winch drives and for port crane slewing drives.

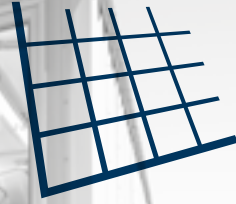
## OTHER TRANSVERSAL TEST ACTIVITIES

Two projects financed by the European Union under the “Seventh Framework Programme” and “Horizon 2020” are currently running. In these, Bonfiglioli is participating in prestigious consortia created to develop innovative materials and processes such as non-reinforced aluminium alloys for the construction, automotive and wind turbine sectors and metal coatings capable of reducing friction and improving performance and wear resistance.

Specific requirements in various sectors, including electromobility and agriculture, have demanded the development of special test benches and equipment to analyse and validate solutions for reducing power losses and improving thermal performance, as well as the study of vibrational behaviour with a view to reducing noise, especially at high speeds.



## Business Unit Regenerative & Photovoltaic Solutions



BURePVs focused on developing its range of inverters for the photovoltaic market, through the following main activities:

- the development of RPS-TL and RPS-ND inverters to comply with the most recent IEC standards governing photovoltaic inverters, and the completion of tests at independent accredited laboratories;
- the development, certification and release of the RPS-TL Series conforming to the standards of the American market. Specific targets were also reached in terms of conformity to the latest NEC (National Electric Code) and California Rule 21 standards;
- the prototyping and installation of the new RPS TL-4Q Series of inverters with energy accumulators, along with one of the main European players;
- the continued development of the RPS ND platform of variable megawatt scale inverters;
- the development of localisation options and technical adaptation options for the RPS-ND inverters produced at the new plant in Bangalore, India;
- the continuation of R&D activities aimed at continuously improving the range in terms of production costs, quality and performance.



## Significant events after year end

There are no particular events after year end to be pointed out in addition to what has already been presented in the foregoing paragraphs.

## Business outlook

Incoming orders for the first few months of the new business year have been substantially in line with the same period of last year (+0.6%). BU INS has returned good results (+5%), the performance of BU MWS has remained substantially unchanged and BU RePvS has seen a fall in orders. These results do not take into consideration the improvement at Group level caused by the purchase of O&K, which added 5.8% of orders compared to the previous perimeter. The order bookings for India and China are particularly encouraging, while the situation in Brazil and South East Asia is more uncertain.

In terms of consolidated turnover for the first months of 2016, we have seen further growth of over 6.4% compared to the same periods and previous perimeters (+10.6% with the contribution the newly acquired O&K). All BUs are performing well, with BU MWS recording +9.9% , BU INS +1.8% and BU RePvS remaining stable.

Though it is difficult and premature to draw conclusions regarding turnover in 2016, especially in the light of persistent uncertainty concerning the macro-economic and global geopolitical situation, we believe that, thanks in part to the purchase of O&K, final turnover will be higher than that for 2015, with increased sales in all core businesses (BU MWS and INS) and a probable further contraction in BU RePvS (the non-core photovoltaic sector).

## Further information

### EQUITY SHARES

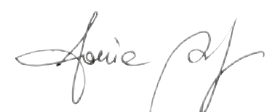
The parent company does not hold and has never held treasury shares, nor does it hold stakes or shares in controlling companies inasmuch as no legal entity holds a controlling stake in Bonfiglioli Riduttori S.p.A. stock.

*Calderara di Reno (Bo), 31 March 2016*

for The Board of Directors

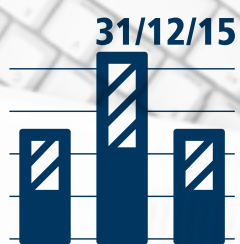
The Chairman

Sonia Bonfiglioli









# Consolidated Financial Statements

as of December 31, 2015

# Consolidated Financial Statements as of December 31, 2015

## CONSOLIDATED BALANCE SHEET

(Euro Thousand)

ASSETS	2015	2014
<b>B) Fixed assets (net of cumulated depreciation)</b>		
I. Intangible fixed assets		
1) Start up costs	44	15
3) Patents and rights to use intellectual properties	2,635	226
4) Concessions, licenses, trademarks and similar rights	7,951	576
5) Goodwill and consolidation differences	18,831	21
6) Assets in progress and advances	2,854	1,568
7) Other intangible fixed assets	5,657	5,372
<b>Total Intangible fixed assets</b>	<b>37,972</b>	<b>7,778</b>
II. Tangible fixed assets		
1) Land and buildings	109,602	105,893
2) Plant and machinery	40,153	30,222
3) Industrial and commercial equipment	15,498	15,396
4) Other tangible fixed assets	4,438	4,106
5) Assets in progress and advances	6,717	9,188
<b>Total Tangible fixed assets</b>	<b>176,408</b>	<b>164,805</b>
III. Financial fixed assets		
1) Investments		
d) Other companies	67	57
sub total	67	57
2d) Receivables from others		
due within 12 months	-	1,248
<b>Total Financial fixed assets</b>	<b>67</b>	<b>1,305</b>
<b>B) TOTAL FIXED ASSETS (NET OF CUMULATED DEPRECIATION)</b>	<b>214,447</b>	<b>173,888</b>
<b>C) Current assets</b>		
I. Inventory		
1) Raw materials, supplies and consumables	22,329	24,772
2) Work in progress and semifinished goods	72,390	60,794
4) Finished goods and goods for resale	99,849	102,494
5) Advances	369	269
<b>Total Inventory</b>	<b>194,937</b>	<b>188,329</b>

(Euro Thousand)

	2015	2014
II. Receivables		
1) Trade receivables		
due within 12 months	191,583	170,559
4bis) Tax receivables		
due within 12 months	12,905	8,195
due after 12 months	1,330	6,138
sub total	14,235	14,333
4ter) Deferred tax assets		
due within 12 months	10,963	10,559
due after 12 months	27,295	21,207
sub total	38,258	31,766
5) Other receivables		
due within 12 months	2,457	3,367
due after 12 months	3,835	3,364
sub total	6,292	6,731
<b>Total Receivables</b>	<b>250,368</b>	<b>223,389</b>
IV. Cash at banks and on hand		
1) Banks	21,792	26,417
3) Cash on hand	48	52
<b>Total Cash at banks and on hand</b>	<b>21,840</b>	<b>26,469</b>
<b>C) TOTAL CURRENT ASSETS</b>	<b>467,145</b>	<b>438,187</b>
<b>D) Prepaid expenses and accrued income</b>		
Other prepaid expenses and accrued income	2,194	2,913
<b>D) TOTAL PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>2,194</b>	<b>2,913</b>
<b>TOTAL ASSETS</b>	<b>683,786</b>	<b>614,988</b>



**CONSOLIDATED BALANCE SHEET**

(Euro Thousand)

LIABILITIES AND SHAREHOLDERS' EQUITY	2015	2014
<b>A) Shareholders' equity</b>		
I. Share capital	30,000	30,000
III. Revaluation reserves	60,550	60,195
IV. Legal reserve	4,240	4,240
VII. Other reserves		
-) Extraordinary reserve	40,713	44,961
-) Consolidation reserve	16,965	16,965
-) Foreign exchange currency conversion reserve	3,613	(82)
-) Other reserves	5,451	5,451
sub total	66,742	67,295
VIII. Retained earnings (losses) carried forward	74,131	64,208
IX. Net income (loss) of the Group	4,325	5,675
<b>Group Shareholders' Equity</b>	<b>239,988</b>	<b>231,613</b>
Minority interests share capital and reserves	10,552	7,849
Minority interests net income (loss)	644	573
<b>Minority Interests</b>	<b>11,196</b>	<b>8,422</b>
<b>A) CONSOLIDATED SHAREHOLDERS' EQUITY</b>	<b>251,184</b>	<b>240,035</b>

**B) Reserves for risks and charges**

1) Termination indemnity and similar liabilities	1,303	1,353
2) Taxes and deferred taxes liabilities	8,478	7,506
3) Other reserves	26,495	21,668
<b>B) TOTAL RESERVES FOR RISKS AND CHARGES</b>	<b>36,276</b>	<b>30,527</b>

**C) Employee Severance Indemnity Reserve**

	20,557	15,248
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**D) Payables**

1) Bonds		
due within 12 months	125	-
due after 12 months	2,625	2,750
sub total	2,750	2,750

(Euro Thousand)

	2015	2014
4) Banks		
due within 12 months	74,607	73,091
due after 12 months	68,859	61,689
sub total	143,466	134,780
5) Other financial institutions		
due within 12 months	2,391	2,832
due after 12 months	6,510	7,138
sub total	8,901	9,970
6) Advances		
due within 12 months	3,865	2,994
7) Trade payables		
due within 12 months	173,312	147,417
12) Tax payables		
due within 12 months	4,891	3,527
due after 12 months	343	-
sub total	5,234	3,527
13) Social security		
due within 12 months	7,701	7,299
14) Other payables		
due within 12 months	25,181	18,016
due after 12 months	4,917	1,929
sub total	30,098	19,945
<b>D) TOTAL PAYABLES</b>	<b>375,327</b>	<b>328,682</b>

**E) Accrued expenses and deferred income**

Other accrued expenses and deferred income	442	496
<b>E) TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</b>	<b>442</b>	<b>496</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>683,786</b>	<b>614,988</b>

<b>MEMORANDUM ACCOUNTS</b>	<b>2015</b>	<b>2014</b>
Guarantees given from third parties in own favor	7,583	7,900
Commitments on investments' purchase	3,759	5,096
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>11,342</b>	<b>12,996</b>

**CONSOLIDATED INCOME STATEMENT**

(Euro Thousand)

	2015	2014
<b>A) Production value</b>		
1) Net revenue from sales and services	730,121	653,936
2) Change in work in progress, semi-finished and finished goods	(3,878)	14,855
4) Assets increase for internal works	1,004	716
5) Other revenues and incomes		
- others	13,689	10,406
<b>A) TOTAL PRODUCTION VALUE</b>	<b>740,936</b>	<b>679,913</b>
<b>B) Production costs</b>		
6) Raw materials, supplies, consumables & goods for resale	410,394	373,872
7) Services	112,642	103,251
8) Use of third party assets	6,711	6,918
9) Personnel		
a) Wages and salaries	107,036	99,635
b) Social contributions	28,683	26,835
c) Severance indemnity	4,297	4,318
e) Other costs	65	25
sub total	140,081	130,813
10) Depreciation, amortization and write-downs		
a) Amortization of intangible fixed assets	2,975	1,347
b) Depreciation of tangible fixed assets	19,644	20,135
c) Fixed assets write off	-	66
d) Bad debts provision	1,619	3,014
sub total	24,238	24,562
11) Change in raw materials, supplies, consumables & goods for resale	4,299	2,663
13) Other provisions	4,053	6,143
14) Other operating expenses	4,546	3,973
<b>B) TOTAL PRODUCTION COSTS</b>	<b>706,964</b>	<b>652,195</b>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)</b>	<b>33,972</b>	<b>27,718</b>
<b>C) Financial income and expenses</b>		
15) Income from investments		
other investments	-	3



(Euro Thousand)

	2015	2014
16) Other financial income		
other	874	1,366
17) Interest expenses and other financial charges		
other	(10,050)	(11,773)
17bis) Exchange rate gains and losses, net	(3,918)	2,856
<b>C) TOTAL FINANCIAL INCOME AND EXPENSES</b>	<b>(13,094)</b>	<b>(7,548)</b>

**E) Extraordinary income and expenses**

20) Income		
- other	95	3,104
21) Expenses		
- other	(6,496)	(7,225)
<b>E) TOTAL EXTRAORDINARY ITEMS</b>	<b>(6,401)</b>	<b>(4,121)</b>
<b>INCOME BEFORE TAXES (A-B±C±D±E)</b>	<b>14,477</b>	<b>16,049</b>

## 22) Income taxes

- current	(11,370)	(8,534)
- deferred	1,862	(1,267)
<b>TOTAL INCOME TAXES</b>	<b>(9,508)</b>	<b>(9,801)</b>

<b>23) NET INCOME (LOSS) INCLUDING MINORITY INTEREST</b>	<b>4,969</b>	<b>6,248</b>
Minority interest income	(644)	(573)
<b>NET INCOME (LOSS) OF THE GROUP</b>	<b>4,325</b>	<b>5,675</b>



Notes to the



# Consolidated Financial Statements



## Foreword

The consolidated financial statements have been prepared in compliance with Italian Legislative Decree no. 127 dated 9<sup>th</sup> 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.

With regard to 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 were drawn up, the draft financial statements prepared for approval by the respective Boards of Directors were utilised.

If the financial year of the Companies closes on a date other than 31<sup>st</sup> December, interim financial statements were drawn up on 31<sup>st</sup> December utilising the Group accounting principles.

The subsidiary companies included in the consolidation area on 31<sup>st</sup> December 2015 are as follows:

Denomination	Country	Currency	Share Capital	Shareholding	
				31/12/15	31/12/14
Bonfiglioli Riduttori S.p.A.	Italy	€	30,000,000	Parent Company	
Bonfiglioli Italia S.p.A. 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	11,000,000	100%	100%
Bonfiglioli U.K. Ltd	UK	GBP	200,000	100%	100%
Bonfiglioli Power Transmission Pty Ltd	South Africa	ZAR	64,001	83.75%	83.75%
Bonfiglioli South Africa Pty Ltd (*)	South Africa	ZAR	8,000,000	62.81%	62.81%
Bonfiglioli Transmission Pvt Ltd	India	INR	1,250,000,000	100%	100%
Bonfiglioli Drives (Shanghai) Co. Ltd	China	USD	15,000,000	66.67%	66.67%
Bonfiglioli Vectron GmbH (**)	Germany	€	500,000	100%	100%
Bonfiglioli Slovakia Sro	Slovakia	€	14,937,263	100%	100%
Bonfiglioli Power Transmission Jsc	Turkey	TRY	10,000,000	100%	100%
Bonfiglioli Vietnam Ltd	Vietnam	USD	17,000,000	100%	88%
Bonfiglioli Redutores do Brasil Ltda	Brazil	BRL	38,500,000	100%	100%
Bonfiglioli Osterreich GmbH (**)	Austria	€	-	Dissoluted	100%
Bonfiglioli South East Asia Pte Ltd	Singapore	SGD	4,150,000	100%	100%
Bonfiglioli Mechatronic Research SpA	Italy	€	1,500,000	100%	100%
Bonfiglioli Renewable Power Conversion Spain S.L. (***)	Spain	€	-	Dissoluted	100%
Bonfiglioli Renewable Power Conversion India Pvt Ltd. (***)	India	INR	350,000,000	100%	99.25%
Bonfiglioli Trading (Shanghai) Co. Ltd (****)	China	CNY	1,500,000	66.67%	66.67%
Bonfiglioli Vectron MDS GmbH (**)	Germany	€	25,000	100%	100%
Tecnotrans Bonfiglioli Sa	Spain	€	2,175,000	95%	95%
O&K Antriebstechnik GmbH	Germany	€	4,000,000	55%	-

(\*) 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:

- purchase of majority shareholders of the company "Co.bo. Wheels Srl sole shareholder" by Parent Company occurred in January 2015. The company has been involved in a deed of merger by incorporation into the Parent Company with Notary deed of July 8th, 2015 with effects on August 1st 2015;
- purchase from minority shareholders of the remaining stake of 12% of the share capital of the subsidiary "Bonfiglioli Vietnam Ltd" for 2MUSD (roughly 1.3M€). The purchase increased the Group's stake from 88% to 100%;
- reduction of the share capital of the Australian subsidiary "Bonfiglioli Transmission (AUST) Pty Ltd:" the share capital has been decreased for 4MAUD (2.7 M€) to cover previous year losses. Said transaction did not entail changes in the company structure as the company is already wholly owned by the Group;
- transfer through "spin-off" transaction of the liability for pension fund and related cover insurance from the subsidiary "Bonfiglioli Vectron GmbH" to the subsidiary "Bonfiglioli Vectron MDS GmbH." The transfer has not been regulated by cash but foreseen by German legislation through variation of available Equity reserves. The effect on Net Equity of the companies (0.5 M€) has been reflected in the investments both fully owned by the subsidiary "Bonfiglioli Deutschland GmbH;"
- purchase by the subsidiary "Bonfiglioli Vectron GmbH" from the minority shareholder of the residual 0.75% of the share capital of the subsidiary "Bonfiglioli Renewable Power Conversion India Pvt. Ltd" of 0.15 MINR (roughly 18K€). Said transaction increased the Group's stake from 99.25% to 100%;
- capital reserve contribution paid by "Bonfiglioli Deutschland GmbH" on the subsidiary "Bonfiglioli Vectron GmbH" for 2.5 M€ in total;
- share capital increase in subsidiary company "Bonfiglioli Renewable Power Conversion India Pvt. Ltd" by the subsidiary "Bonfiglioli Vectron GmbH" of 150MINR (roughly 2.1 M€). Said transaction did not entail changes in the company structure as the company is already wholly owned by the Group;
- share capital increase in subsidiary company "Bonfiglioli South East Asia Pte Ltd" for 2.4MSGD (roughly 1.5 M€). Said transaction did not entail changes in the company structure as the company is already wholly owned by the Group;
- dissolution and liquidation of the subsidiary "Bonfiglioli Osterreich GmbH" controlled by the subsidiary "Bonfiglioli Deutschland GmbH." Said transaction, completed in Sept. 30th 2015, did not entail effects on consolidated income statement;
- dissolution and liquidation of the subsidiary "Bonfiglioli Renewable Power Conversion Spain S.L." controlled by the subsidiary "Bonfiglioli Vectron GmbH." Said transaction, completed in October 6th, 2015, entailed a loss posted in consolidated profit & loss level on extraordinary losses of 70K€;
- purchase from Carraro Group of 55% of the subsidiary "O&K Antriebstechnik GmbH" for 25.6 M€ in total (ancillary expenses included). The company, with registered office in Hattingen (Germany) represents an historical and well-known player of planetary drives, with high power products (up to 3,000,000 Nm) and for applications where Bonfiglioli products' utilization is very marginal. The acquisition permits Bonfiglioli to complete its product range and to benefit from the "O&K Antriebstechnik" trade mark, heavily known in the planetary drives market. The acquisition of the majority of the share capital occurred with Notary deed on 30.12.2015. Current consolidated Financial Statement does not include the income statement of the subsidiary "O&K Antriebstechnik GmbH" as the acquisition occurred and the Group had the management of the subsidiary on 30.12.2015. The purchase value elimination has been done, consequently, comparing the purchasing price with the net equity of the company, inclusive of 2015 year end result. Said transaction results in a consolidation difference of 19.4 M€ total allocated as follows:

"O&K Antriebstechnik" trademark	7.5 M€
Deferred tax liabilities on trademark (33.675%)	(2.5) M€
Goodwill	14.4 M€

as well as third party minority interests of 5.1 M€ in total.



## Consolidation area changes

As already noted, with respect to the Consolidated Financial Statement of 31.12.2014, the following consolidation area changes occurred:

- purchase and subsequent merger of the company "Co.bo. Wheels Srl sole shareholder;"
- dissolution and liquidation of the subsidiary "Bonfiglioli Österreich GmbH;"
- dissolution and liquidation of the subsidiary "Bonfiglioli Renewable Power Conversion Spain S.L.;"
- purchase of the 55% of the German company "O&K Antriebstechnik GmbH."

## 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

- In preparing the financial statements for the consolidated companies, the net assets method is used (line-by-line), consisting of recording all the captions under assets and liabilities and in the income statement in their entirety, with the exception of the company "O&K Antriebstechnik GmbH" for which, being the acquisition occurred at year-end, only the balance sheet entered into the consolidation process.
- The book value of consolidated equity investments is written off against the related equity at the time of first consolidation and the resulting differences, if negative, were recognised under a specific item of consolidated equity denominated "Consolidation Reserve" or "Future Losses Fund" which represents estimated losses for future years. Any positive differences existing at the time of first consolidation were recorded in the consolidated financial statements, where possible, under the items of assets of the companies included in the consolidation area, or under the assets caption "Consolidation differences" for differences that, despite their characteristics of deferment affecting more than one year, could not be allocated to specific items under assets. In contrast, if these items were not considered to be deferred by more than one year, they were deducted from the consolidation reserve.
- 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.
- The results achieved, following initial consolidation, were entered under a specific caption of consolidated equity denominated "Retained earnings and losses carried forward."
- Any profits and losses that have yet to be realised in relation to third parties deriving from transactions between Group companies were eliminated, as well as the items that give rise to payables, receivables, costs and revenues.
- The dividends distributed by the Companies within the Group were cancelled.
- 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.
- 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 2015	P.L. exchange rate 2015	B.S. exchange rate 2014	P.L. exchange rate 2014
Bonfiglioli U.K. Ltd	GBP	0.734	0.726	0.779	0.806
Bonfiglioli Canada Inc.	CAD	1.512	1.419	1.406	1.466
Bonfiglioli USA Inc.	USD	1.089	1.110	1.214	1.329
Bonfiglioli Transmission (Aust) Pty Ltd	AUD	1.490	1.478	1.483	1.472
Bonfiglioli Power Transmission Pty Ltd	ZAR	16.953	14.172	14.035	14.404
Bonfiglioli Transmission Pvt Ltd	INR	72.022	71.196	76.719	81.041
Bonfiglioli Renewable Power Conversion India Pvt Ltd	INR	72.022	71.196	76.719	81.041
Bonfiglioli Drives Shanghai Co. Ltd.	CNY	7.061	6.973	7.536	8.186
Bonfiglioli Trading Shanghai Co. Ltd	CNY	7.061	6.973	7.536	8.186
Bonfiglioli Power Trasmission JSC	TRY	3.177	3.025	2.832	2.907
Bonfiglioli Redutores Do Brasil Ltda	BRL	4.312	3.700	3.221	3.121
Bonfiglioli South East Asia Pte Ltd	SGD	1.542	1.525	1.606	1.682
Bonfiglioli Vietnam Ltd	VND	24,475.10	24,320.31	25,972.10	28,153.96

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



## Valuation criteria

The accounting principles and valuation criteria adopted in drafting the financial statements are in compliance with the principles of the Italian Civil Code and the accounting standards prescribed by the Italian Accounting Authority (O.I.C.). Where such principles are lacking or insufficient, the point of reference is provided by international accounting standards (IAS/IFRS) where the latter are in compliance with Italian legal requirements. The consolidated cash-flow statement has been restated considering the required information provided by the “OIC 10 - Cash flow statement” principle.

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

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

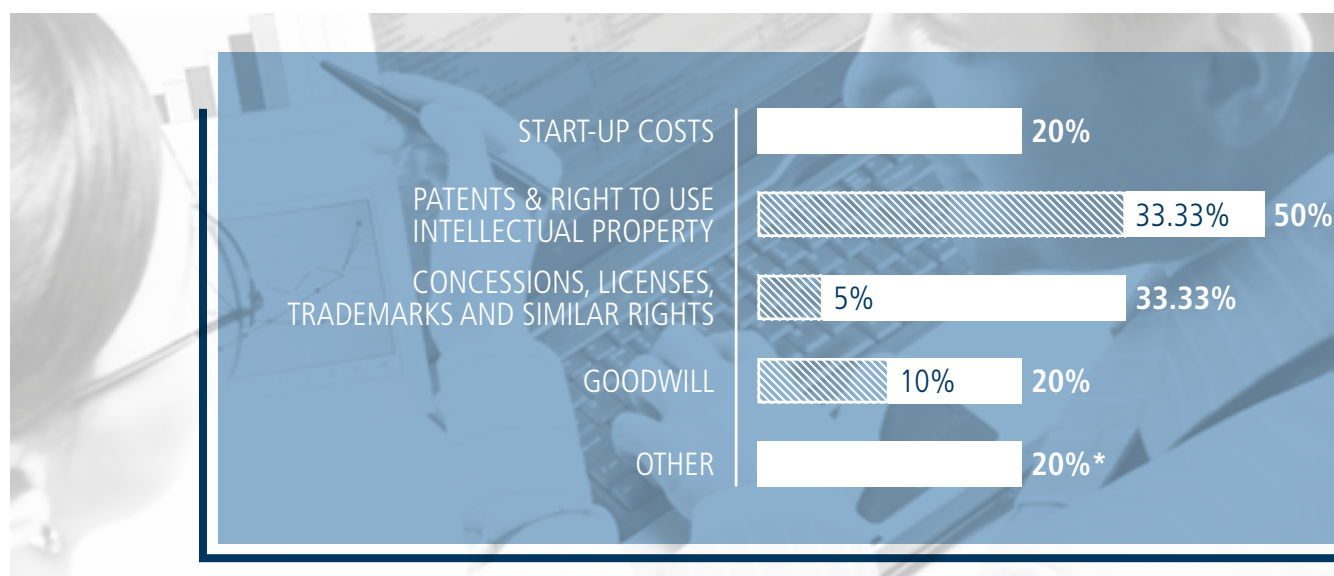
Specifically, the valuation criteria adopted in the preparation of the financial statements are as specified below.

## INTANGIBLE FIXED ASSETS

Intangible fixed assets are recorded at purchasing cost increased by ancillary expenses or, if the assets were internally constructed, on the basis of the costs sustained directly or indirectly, entered in respect of the attributable portion.

The cost, calculated as illustrated above, may be revaluated in certain cases if this action is permitted by the relative laws.

Intangible fixed assets were systematically amortised on the basis of the following rates:



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

## TANGIBLE FIXED ASSETS

Plant and equipment are recorded in the financial statement at purchasing cost or construction cost, inclusive of all directly connected ancillary expenses and adjusted in the event that specific laws allow assets value to be adapted to the changes occurred in the buying power of the currency.

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

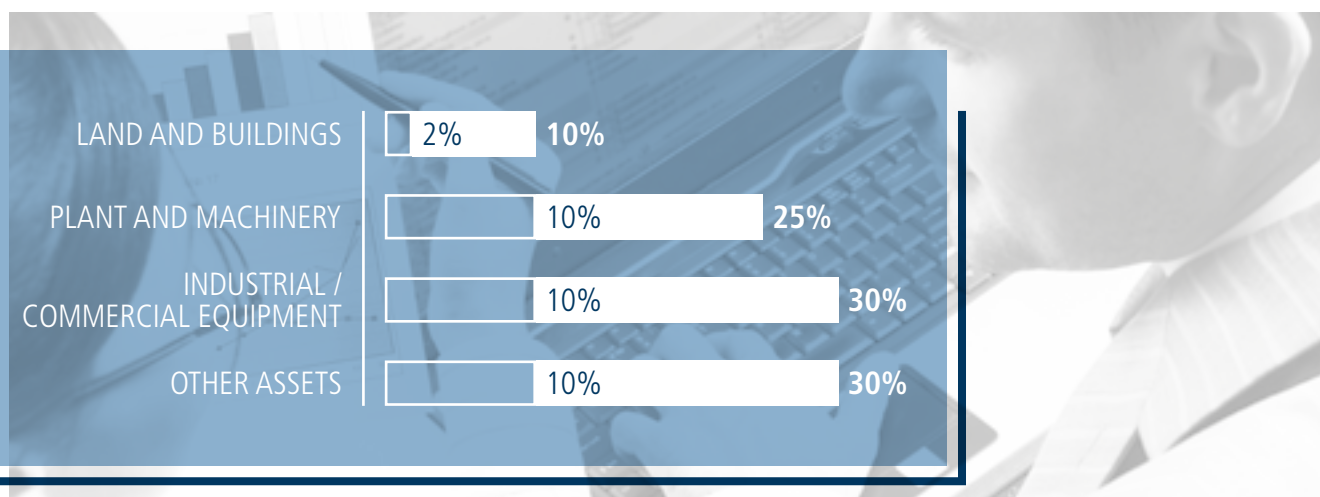
Assets acquired by means of leasing contracts are recorded in accordance with the requirements of international accounting standard IAS no. 17 which is, in turn, implemented by the accounting principle set down by the National Council of Chartered Accountants with reference to the consolidated financial statements. The financial method is therefore applied, involving the attribution of the historic cost of the relative goods under assets, recording of the debt under liabilities, and entry of the relative financial expenses and depreciation amounts in the income statement.



Provisions made in lieu of depreciation are systematically allocated by the application of rates that are considered to accurately reflect the residual useful working life of the assets to which they refer.

Ordinary costs for maintenance and repair are treated as operating costs; while extraordinary costs that extend the useful life are added to the value of the asset.

The ordinary annual rates utilised for the depreciation of tangible assets are as follows:



## EQUITY INVESTMENTS HELD AS FIXED ASSETS

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

## INVENTORIES

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

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

Intra-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 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 of 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 intra-group dividends are eliminated.

## TAXES

Income taxes are recorded based on the estimated tax burden for the year with reference to statutory tax regulations and taking account of exemptions and concessions applicable.

Deferred and pre-paid taxes are recorded to take account of the fiscal effects both in relation to items of income or costs that concur in forming the profit for the year other than the year in which they contribute to form the taxable income and in order to reflect the deferred fiscal effects relative to the consolidation adjustments.

Where necessary, deferred and pre-paid taxes have been updated to reflect the IRES rate change (from 27.5% to 24%) that will come into force in Italy with effect from 1<sup>st</sup> January 2017.

## CAPTIONS STATED IN FOREIGN CURRENCY

Transactions in foreign currency are converted into Euro at the historic exchange rates on the transaction dates. Exchange rate gains and losses incurred at the time of collection of receivables and settlement of payables in foreign currency are recorded in the income statement under financial income and expenses.

Receivables and payables existing at year-end expressed in currencies other than Euro were converted at the exchange rates effective at year-end, also considering existing hedging contracts.

The difference arising from these transactions (gain or loss) was verified and reflected in the income statement for the year, with the matching receivable or payable entry.

Specifically, with regard to captions in foreign currency for which forward contracts were taken out to hedge against the relative exchange risk, the following valuation principle was adopted:

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

## DERIVATIVES

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

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

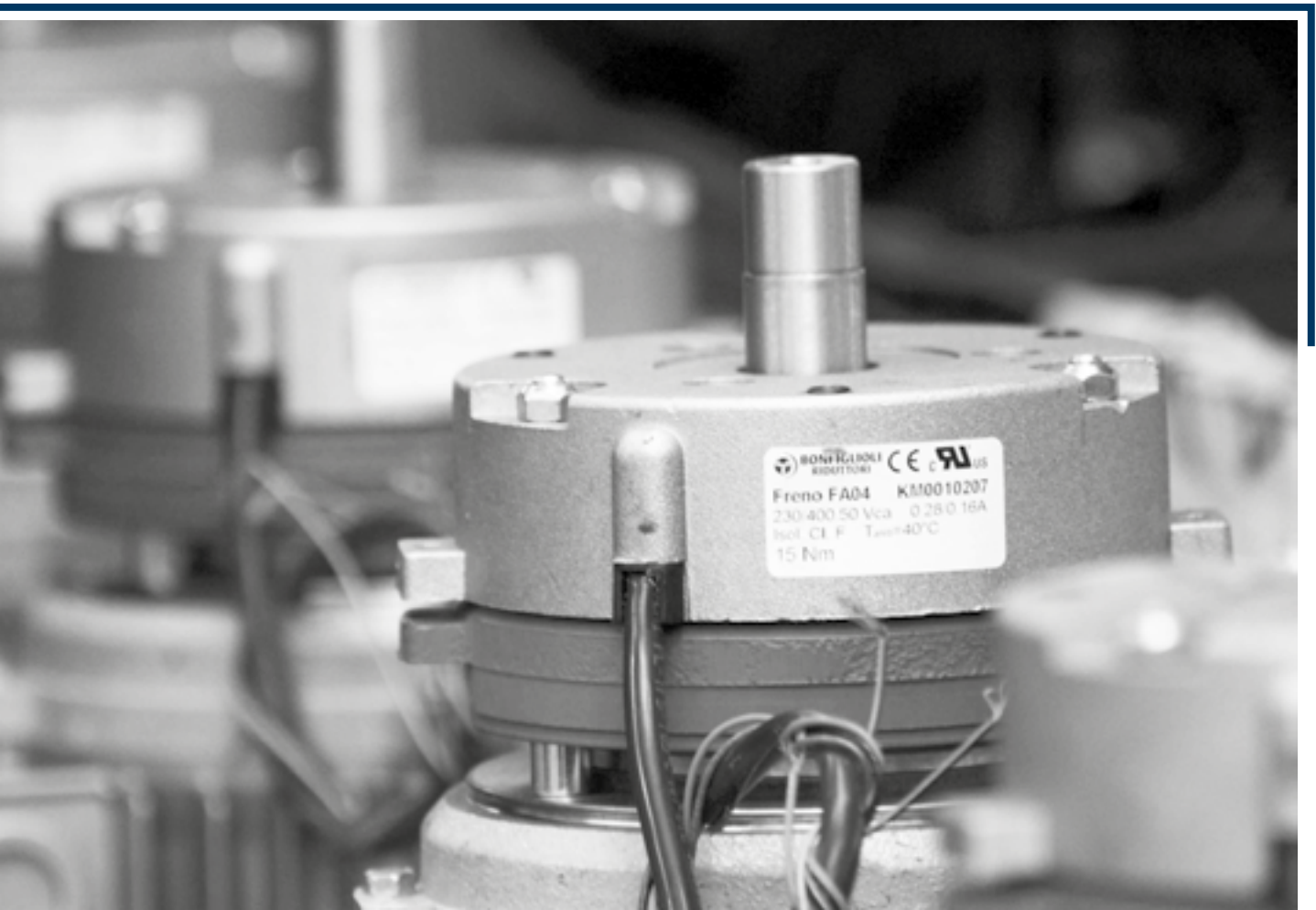
Derivative contracts are valued in the same manner as the hedged asset or liability or as the contractual undertaking assumed at the date of the financial statements. If the existence of a hedging relationship with the underlying financial transactions is not proven or insufficiently documented, a fair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

## COMMITMENTS AND GUARANTEES

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

## Significant events occurring after the closing of the year

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





## Comments on the single captions of the financial statements

In the tables that follows, the column "consolidation area changes" reflects the balances at December 31st 2015 of the company "O&K Antriebstechnik GmbH" that entered in the consolidation area due to the acquisition of the majority of the company on 30.12.2015, the balances at January 1st 2015 of the merged company "Co.Bo. Wheels Srl sole shareholder," as well as the decreases occurred further by the dissolution of the companies "Bonfiglioli Österreich GmbH" and "Bonfiglioli Renewable Power Conversion Spain S.L."

### Balance sheet

#### FIXED ASSETS

#### Intangible fixed assets

Description	Opening balance	Consolidation area changes	Increases	Decreases	Other changes	Closing balance
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##### Historic cost

Start-up costs	96	-	44	(62)	-	78
Patents & rights to use intellectual property	19,035	2,629	511	(8)	469	22,636
Concessions, licenses & trademarks	3,401	7,684	109	(848)	(305)	10,041
Consolidation differences/Goodwill	343	21,154	-	-	(308)	21,189
Assets in progress and advances	1,568	-	1,513	(43)	(184)	2,854
Other	7,772	462	269	(170)	252	8,585
<b>TOTAL (A)</b>	<b>32,215</b>	<b>31,929</b>	<b>2,446</b>	<b>(1,131)</b>	<b>(76)</b>	<b>65,383</b>

##### Accumulated amortisation

Start-up costs	81	-	15	(62)	-	34
Patents & rights to use intellectual property	18,809	-	1,054	(8)	146	20,001
Concessions, licenses & trademarks	2,825	69	211	(848)	(167)	2,090
Consolidation differences/Goodwill	322	1,210	1,135	-	(309)	2,358
Other	2,400	85	560	(156)	39	2,928
<b>TOTAL (B)</b>	<b>24,437</b>	<b>1,364</b>	<b>2,975</b>	<b>(1,074)</b>	<b>(291)</b>	<b>27,411</b>

##### Net values

Start-up costs	15	-	29	-	-	44
Patents & rights to use intellectual property	226	2,629	(543)	-	323	2,635
Concessions, licenses & trademarks	576	7,615	(102)	-	(138)	7,951
Consolidation differences/Goodwill	21	19,944	(1,135)	-	1	18,831
Assets in progress and advances	1,568	-	1,513	(43)	(184)	2,854
Other	5,372	377	(291)	(14)	213	5,657
<b>TOTAL (A-B)</b>	<b>7,778</b>	<b>30,565</b>	<b>(529)</b>	<b>(57)</b>	<b>215</b>	<b>37,972</b>

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

## START-UP COSTS

The start-up costs and expenses incurred when amending the articles of association were recorded in the financial statements with the consent of the Statutory Auditors. The increase in the year is entirely due to Notary expenses sustained by the Parent Company for the transaction of the merger of the company "Co.Bo. Wheels Srl."

## 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 posting of the drawings purchased at the merger of the company Co.Bo. Wheels Srl sole shareholder" for 2.6 M€ and 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 rights to use intellectual property	5,547
<b>TOTAL (A)</b>	<b>5,547</b>

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

## CONCESSIONS, LICENSES AND TRADEMARKS

These costs are constituted mainly by trademark registration charges. The main relevant variation of the year regards the allocation of "O&K Antriebstechnik GmbH" consolidation difference to trademark "O&K Antriebstechnik GmbH" for about 7.5 M€. To evaluate allocable values, the so called "Relief from royalty" model based on estimation of discounted cash flow of a royalty from which payment "O&K Antriebstechnik GmbH" is exempted due to the ownership of trademark: more precisely, in case the company had not the ownership of the trademark, "O&K Antriebstechnik" should have paid a royalty to the owner. The trademark value of "O&K Antriebstechnik" has been determined at about 13,6M€ on 31.12.2015.

Considering the shares owned by the Parent Company, the value of the trademark to be expressed in the consolidated financial statements has been estimated at about 7.5 M€. Being the date of the acquisition of the control of the company was at yearend, the "twenty years" amortization will start in 2016.

## GOODWILL AND CONSOLIDATION DIFFERENCES

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

Company	Goodwill	Amortisation
Bonfiglioli Riduttori SpA	4,452	20%
O&K Antriebstechnik GmbH	14,379	10%
<b>TOTAL</b>	<b>18,831</b>	

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

- allocation to goodwill of part of the consolidation difference emerging from the investment elimination of 55% of the company "O&K Antriebstechnik GmbH" for 14.4 M€ in total.

Being the date of acquisition of the control of the company was at yearend, the amortization of ten years duration will start in 2016;

- posting of the 5.6 M€ goodwill of the company "Co.bo. Wheels Srl" emerging from the merger with the Parent company, that will be amortised in five years;
- complete amortisation (21K€) of consolidation differences pertaining to the subsidiary "Bonfiglioli Renewable Power Conversion India Pvt Ltd" for impairment.

## ASSETS IN PROGRESS AND ADVANCES

The increase in the year is tied, for 1 M€, 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 and for 0.5M€ to not completed assets acquisition by the Parent company.

## OTHER

For the most part, these costs are composed of maintenance increases in the value of third party assets.

## Tangible fixed assets

Description	Opening balance	Consolidation area changes	Increases	Decreases	Other changes	Closing balance
<b>Historic cost</b>						
Land and buildings	130,828	515	3,288	(20)	8,728	143,339
Plant and machinery	195,169	17,682	5,554	(3,244)	3,066	218,227
Industrial and commercial equipment	83,861	7,400	6,327	(2,572)	(174)	94,842
Other assets	22,415	938	1,548	(1,505)	542	23,938
Assets in progress and advances	9,188	2,479	3,770	(603)	(8,117)	6,717
<b>TOTAL (A)</b>	<b>441,461</b>	<b>29,014</b>	<b>20,487</b>	<b>(7,944)</b>	<b>4,045</b>	<b>487,063</b>
<b>Accumulated depreciation</b>						
Land and buildings	24,935	288	3,306	(4)	5,212	33,737
Plant and machinery	164,947	7,992	8,742	(3,202)	(405)	178,074
Industrial and commercial equipment	68,465	5,720	6,019	(1,941)	1,081	79,344
Other assets	18,309	735	1,577	(1,415)	294	19,500
<b>TOTAL (B)</b>	<b>276,656</b>	<b>14,735</b>	<b>19,644</b>	<b>(6,562)</b>	<b>6,182</b>	<b>310,655</b>
<b>Net value</b>						
Land and buildings	105,893	227	(18)	(16)	3,516	109,602
Plant and machinery	30,222	9,690	(3,188)	(42)	3,471	40,153
Industrial and commercial equipment	15,396	1,680	308	(631)	(1,255)	15,498
Other assets	4,106	203	(29)	(90)	248	4,438
Assets in progress and advances	9,188	2,479	3,770	(603)	(8,117)	6,717
<b>TOTAL (A-B)</b>	<b>164,805</b>	<b>14,279</b>	<b>843</b>	<b>(1,382)</b>	<b>(2,137)</b>	<b>176,408</b>

The column "other changes" includes exchange rate differences and reclassification of individual captions made for a more homogeneous presentation of various items. In particular, with reference to the item "Land and Buildings" the column "other changes" includes:

- the value adjustments of buildings pertaining to the Parent Company (3.6M€) which has been necessary to align the net book value with market value;
- the reclassification from tangible assets in progress for the completion of the building of the Chinese subsidiary (7M€).



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	-	35,319	225	38,214
Plant and machinery	224	-	14,360	-	155	14,739
Industrial / commercial equipment	153	-	-	-	-	153
Other assets	19	-	-	-	-	19
<b>TOTAL</b>	<b>802</b>	<b>2,264</b>	<b>14,360</b>	<b>35,319</b>	<b>380</b>	<b>53,125</b>

It is clarified that the revaluation pursuant to Italian Law 2/2009 has led to a 314.5 K€ increase in depreciation on the 2015 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	Consolidation area changes	Increases	Decreases	Other changes	Closing balance
<b>Investments</b>						
in other companies	57	10	-	-	-	67
<b>TOTAL</b>	<b>57</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67</b>

The variation of the year refers to the consolidation area changes, and refer to the investment of the subsidiary "O&K Antriebstechnik GmbH" in the company "Grumento KG."

## RECEIVABLES FROM OTHERS

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

	31/12/2015	31/12/2014	Changes
<b>Receivables from others</b>			
Due within 12 months	-	1,248	(1,248)
<b>TOTAL</b>	<b>-</b>	<b>1,248</b>	<b>(1,248)</b>

The item "Receivables from others" at 31.12.2014 referred to advances paid by the Parent Company for Share Investments acquisition of 100% of share capital of the company "Co.Bo. Wheels Srl sole shareholder." The purchase of 100% of the share capital has been performed on January 7th 2015 and involved a total payment of 7.8M€, including ancillary expenses. On July 8th 2015, it was decided by AGM resolution to merge the company into Parent Company, a merger that become effective on August 1st and entailed a merger surplus of 25K€ that has been moved to profit & loss within extraordinary income, considering it is not a material amount. The variation of the year pertaining to the financial receivables then refers to the closure of the advance with counter part of the net payment performed for the purchase of the investment.

## Working capital

### INVENTORY

A breakdown is given below:

	31/12/2015	31/12/2014	Changes
Raw materials, supplies and consumables	22,329	24,772	(2,443)
Work in progress and semi-finished goods	72,390	60,794	11,596
Finished goods and goods for resale	99,849	102,494	(2,645)
Advances	369	269	100
<b>TOTAL</b>	<b>194,937</b>	<b>188,329</b>	<b>6,608</b>

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

	31/12/2015	31/12/2014	Changes
Raw and consumable materials	7,630	7,527	103
Semi-finished products	14,523	12,610	1,913
Finished goods and goods for resale	13,307	12,296	1,011
<b>TOTAL</b>	<b>35,460</b>	<b>32,433</b>	<b>3,027</b>

Changes in the obsolescence provision are shown below:

	2015	2014
Opening value	32,433	27,715
Increases	7,116	4,307
Decreases	(4,222)	(2,633)
Consolidation area changes	1,478	535
Other changes	(1,345)	2,509
<b>CLOSING VALUE</b>	<b>35,460</b>	<b>32,433</b>

The variation in inventories has to be cleaned of the effect of the entrance of the inventory of the company "O&K Antriebstechnik GmbH" which entailed an increase of 13.6 M€ on total value. At the same perimeter as 2014, the Group decreased the inventories of 7M€, continuing the rationalisation of the inventories in all the companies. Considering rotation index, at same perimeter as 2014, it shows an improvement from 105 at 2014 yearend to 91 average days at the end of 2015.

## Receivables

### TRADE RECEIVABLES

A breakdown is given below:

	31/12/2015	31/12/2014	Changes
Trade receivables from customers	212,650	190,511	22,139
(minus) Bad debt reserve	(21,067)	(19,952)	(1,115)
<b>TOTAL</b>	<b>191,583</b>	<b>170,559</b>	<b>21,024</b>

Also, the trend of trade receivables has been cleaned of the effect of the entrance at yearend of the items of the Balance Sheet statement of the company "O&K Antriebstechnik GmbH," whose trade receivables on 31.12.2015 were 5M€. The average rotation on sales, calculated at same perimeter as 2014, improved from 94 to 92 days at 2015 yearend.

Receivables from customers are recorded net of provision for bad debts, a breakdown of movements occurred during the year is given below:

	2015	2014
Opening value	19,952	17,145
Provisions	1,619	3,014
Applications	(701)	(2,011)
Consolidation area changes	67	1,992
Other changes	130	(188)
<b>Closing value</b>	<b>21,067</b>	<b>19,952</b>



Breakdown of trade receivables by geographical area:

	2015	2014
Italy	40,688	41,086
Europe	65,902	51,526
Overseas	84,993	77,947
<b>TOTAL</b>	<b>191,583</b>	<b>170,559</b>

## OTHER RECEIVABLES

A breakdown is given below:

	31/12/2015	31/12/2014	Changes
Tax receivables	14,235	14,333	(98)
Deferred Tax assets	38,258	31,766	6,492
Receivables from others	6,292	6,731	(439)
<b>TOTAL</b>	<b>58,785</b>	<b>52,830</b>	<b>5,955</b>

Tax receivables can be broken down as follows:

	2015	2014
<b>Short-term receivables</b>		
VAT credits	10,782	6,505
Direct Tax Receivables	1,511	1,223
Other	612	467
<b>Total short-term tax credits</b>	<b>12,905</b>	<b>8,195</b>
<b>Mid-long-term receivables</b>		
VAT refunds	-	4,749
Direct tax refunds	1,330	1,343
Other	-	46
<b>Total mid-long-term tax credits</b>	<b>1,330</b>	<b>6,138</b>
<b>Total</b>	<b>14,235</b>	<b>14,333</b>

The increase in short-term VAT receivables is given by VAT receivables cumulated by the Indian companies (CENVAT) partially offset by receivables that have been reimbursed during the year to the same companies.

Direct Tax receivable shows exceeding advance settlements with respect to the due taxes calculated at the end of the year. Other tax receivables mainly refers to receivables booked by the Vietnamese subsidiary for customs that will be set off during the following year.

Direct Tax refunds shows the receivables 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.

Changes in Deferred tax assets are as follows:

	2015	2014
Opening balance	31,766	31,704
Consolidation area changes	5,719	2,366
Provisions	7,813	7,546
Applications	(7,214)	(10,412)
Changes in rate	(192)	-
Other changes	366	562
<b>Closing Balance</b>	<b>38,258</b>	<b>31,766</b>

Other receivables can be broken down as follows:

	2015	2014
<b>Short-term receivables</b>		
Receivables from employees	983	577
Advances to suppliers for services	816	1,671
Receivables from social security institutions	431	607
Insurance refunds	6	183
Currency exchange gains	37	-
Other	184	329
<b>TOTAL OTHER SHORT-TERM RECEIVABLES</b>	<b>2,457</b>	<b>3,367</b>
<b>Mid-long-term receivables</b>		
Receivables for pensions fund insurance	3,051	2,913
Guarantee deposits	486	451
Other	298	-
<b>TOTAL OTHER MID-LONG-TERM RECEIVABLES</b>	<b>3,835</b>	<b>3,364</b>
<b>TOTAL</b>	<b>6,292</b>	<b>6,731</b>

The increase in receivables from employees is mainly connected with the change of the management of the Credit Cards given to employees by the Parent Company and by the two Italian subsidiaries that led to a substantial settlement at year end to cover the new nominative "prepaid" cards not yet used.

The decrease in receivables for advance to suppliers is mainly connected to the dynamics of payment of the Parent Company and minor advance for customs.

The decrease in receivables from social security institutions is due to lower advances connected with utilisation of Government support for occupation (CIGS) in Parent Company.

The increase of receivables for insurance of the pension fund is to be reconnected to the trend of the pension funds to which they pertain.

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

## CASH AT BANKS AND ON HAND

	31/12/2015	31/12/2014	Changes
Bank and post office deposits	21,792	26,417	(4,625)
Cash and cash equivalents	48	52	(4)
<b>TOTAL</b>	<b>21,840</b>	<b>26,469</b>	<b>(4,629)</b>

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

Breakdown:

	2015	2014
Advertising	147	285
Insurance policies	189	144
Bank commissions re-scheduling	1,032	1,551
Hire charges and rentals	66	97
Other	760	836
<b>TOTAL</b>	<b>2,194</b>	<b>2,913</b>

## Shareholders' equity

On 31/12/2015 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 ON 31 DECEMBER 2015 OF PARENT COMPANY BONFIGLIOLI RIDUTTORI S.P.A.

	Result for the year	Shareholders' equity
<b>BONFIGLIOLI RIDUTTORI S.P.A. STATUTORY FINANCIAL STATEMENT</b>	<b>4,901</b>	<b>163,672</b>
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 intra-group dividends	1,067	106,932
Shareholders' equity and profit attributable to minority interests	(644)	(11,196)
Elimination of intra-group profits on stock	(828)	(24,021)
Reversal of extraordinary intra-group transactions (injections/sales of branches)	90	(829)
Leasing agreements recorded using financial method	(67)	5,569
Other	(194)	(139)
<b>CONSOLIDATED GROUP FINANCIAL STATEMENT</b>	<b>4,325</b>	<b>239,988</b>




# Statement of changes in consolidated shareholders equity as of December 31, 2015

	Share capital	Legal reserve	Revaluation reserve	
<b>BALANCE AS AT 31/12/2012</b>	<b>30,000</b>	<b>4,240</b>	<b>60,195</b>	
Allocation of 2012 profit	-	-	-	
Currency conversion differences	-	-	-	
Other changes	-	-	-	
Net income (Loss) of the Group for 2013	-	-	-	
<b>BALANCE AS AT 31/12/2013</b>	<b>30,000</b>	<b>4,240</b>	<b>60,195</b>	
Allocation of 2013 profit	-	-	-	
Currency conversion differences	-	-	-	
Other changes	-	-	-	
Net income (Loss) of the Group for 2014	-	-	-	
<b>BALANCE AS AT 31/12/2014</b>	<b>30,000</b>	<b>4,240</b>	<b>60,195</b>	
Allocation of 2014 profit	-	-	-	
Currency conversion differences	-	-	-	
Other changes	-	-	355	
Net income (Loss) of the Group for 2015	-	-	-	
<b>BALANCE AS AT 31/12/2015</b>	<b>30,000</b>	<b>4,240</b>	<b>60,550</b>	

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

The change in the revaluation reserves arises from the adjustment on the Parent Company of the deferred taxes liabilities, related to the revaluation of buildings pursuant Law 2/2009, due to the update to the corporate income tax rate change that will come into force on 1<sup>st</sup> January 2017.



	Other reserves			Retained earnings carried forward	Net income (Net loss)	Total
	Consolidation reserve	Currency conversion reserve	Other			
	16,965	(2,065)	59,002	51,251	1,332	220,920
	-	-	(1,967)	3,299	(1,332)	-
	-	(7,203)	-	-	-	(7,203)
	-	-	-	(16)	-	(16)
	-	-	-	-	4,371	4,371
	16,965	(9,268)	57,035	54,534	4,371	218,072
	-	-	(6,623)	10,994	(4,371)	-
	-	9,186	-	-	-	9,186
	-	-	-	(1,320)	-	(1,320)
	-	-	-	-	5,675	5,675
	16,965	(82)	50,412	64,208	5,675	231,613
	-	-	(4,248)	9,923	(5,675)	-
	-	3,695	-	-	-	3,695
	-	-	-	-	-	355
	-	-	-	-	4,325	4,325
	16,965	3,613	46,164	74,131	4,325	239,988



## Minority interests

	Minority profit/loss	Minority capital and reserves	Minority Interests
BALANCE AS AT 31/12/2014	573	7,849	8,422
Allocation of net income for 2014	(573)	573	-
Distribution of dividends	-	(673)	(673)
Currency conversion differences	-	(351)	(351)
Consolidation area changes (O&K)	-	5,148	5,148
Acquisitions by the Group	-	(1,994)	(1,994)
Net income for 2015 attributable to minority interests	644	-	644
BALANCE AS AT 31/12/2015	644	10,552	11,196

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	2015			2014		
	Profit	Capital and reserves	Total	Profit	Capital and reserves	Total
Bonfiglioli Power Transmission Pty Ltd (*)	636	1,337	1,973	639	2,364	3,003
Bonfiglioli Redutores Do Brasil Ltda	-	-	-	-	-	-
Bonfiglioli Vietnam Ltd	-	-	-	-	1,337	1,337
Bonfiglioli Drives Shanghai Co. Ltd. (**)		3,759	3,759	-	3,759	3,759
Bonfiglioli Renewable Power Conversion India Pvt Ltd	-	-	-	(4)	19	15
Tecnotrans Bonfiglioli S.a.	8	308	316	(62)	370	308
O&K Antriebstechnik GmbH	-	5,148	5,148	-	-	-
Total	644	10,552	11,196	573	7,849	8,422

(\*) 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

	31/12/2015	31/12/2014	Changes
Termination indemnity and similar liabilities	1,303	1,353	(50)
Tax and deferred Tax Liabilities	8,478	7,506	972
Other Reserves	26,495	21,668	4,827
<b>TOTAL</b>	<b>36,276</b>	<b>30,527</b>	<b>5,749</b>

### TERMINATION INDEMNITY AND SIMILAR LIABILITIES

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

	2015	2014
Opening value	1,353	1,319
Provisions	40	78
Applications	(90)	(44)
<b>Closing value</b>	<b>1,303</b>	<b>1,353</b>

### TAX AND DEFERRED TAX LIABILITIES

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

	2015	2014
Opening value	7,506	9,305
Consolidation area changes	2,676	
Provision for deferred taxation	386	1,022
Applications/releases	(1,835)	(2,621)
Change in rates	(6)	-
Other changes	(249)	(200)
<b>Closing value</b>	<b>8,478</b>	<b>7,506</b>

The item "Consolidation area changes" includes deferred tax liabilities (2,526K€) and taxes assessed fund (150K€) related to the subsidiary "O&K Antriebstechnik GmbH."

## OTHER RESERVES FOR RISKS AND CHARGES

This caption can be broken down as follows:

Description:	Opening balance	Consolidation area changes	Provisions	Applications	Other changes	Balance Closing
Product Warranties	14,852	255	3,686	(2,089)	129	16,833
Legal risks	666	-	367	(15)	3	1,021
Other	6,150	597	2,500	(590)	(16)	8,641
<b>TOTAL</b>	<b>21,668</b>	<b>852</b>	<b>6,553</b>	<b>(2,694)</b>	<b>116</b>	<b>26,495</b>

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 set up of legal risk in United States and Chinese subsidiary, and to the regularization of the matters for which the funds were set up in the French subsidiary.

The item "Other" mainly includes:

- "restructuring fund" set up to cover restructuring expenses in some subsidiaries for approx 7.2M€ total;
- "losses on returned goods fund" of the Parent Company of 0.5 M€;
- "future losses fund" arisen at the time of first full consolidation of the subsidiary "Tecnotrans Bonfiglioli Sa" for 0.3 M€;
- "ATZ Fund" (prepension) pertaining to subsidiary "O&K Antriebstechnik GmbH" for a total of 0.6 M€.

## EMPLOYEES' SEVERANCE INDEMNITY RESERVE

Changes in the severance indemnity fund in 2015 were as follows:

	2015	2014
Opening balance	15,248	15,429
Consolidation area changes	5,115	-
Provisions	4,297	4,318
Applications	(4,259)	(4,666)
Other changes	156	167
<b>CLOSING BALANCE</b>	<b>20,557</b>	<b>15,248</b>

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

	31/12/2015	31/12/2014	2015 average	2014 average
Executives and managers	188	195	190	192
White collar and middle management	1,642	1,552	1,636	1,469
Direct and indirect blue collar	1,685	1,547	1,673	1,626
Temporary staff	136	184	156	310
<b>TOTAL</b>	<b>3,651</b>	<b>3,478</b>	<b>3,655</b>	<b>3,597</b>

## Payables

### BONDS

	31/12/2015	31/12/2014	Changes
Bonds	2,750	2,750	-

This item shows the debenture loan issued by the Parent Company on 8 September 2005 renewed at maturing date on 30 June 2027, which is liable to interest at an annual rate of 1.63%. The foregoing loan, issued for a total of 3,750 K€, is recorded in the financial statements as 2,750 K€ at the end of 2015. The remaining debt recorded is due for 1,000 K€ over the following year and for 1,625 K€ after five years.

During 2015 no changes occurred.

### FINANCIAL BORROWINGS

	31/12/2015	31/12/2014	Changes
Overdraft and self-liquidating advances	58,336	51,655	6,681
Financing m/l term (within and over 12 months)	85,130	83,125	2,005
<b>Total due to banks</b>	<b>143,466</b>	<b>134,780</b>	<b>8,686</b>
Amounts due to other financial institutions	8,901	9,970	(1,069)
Bonds	2,750	2,750	-
(minus) Cash at banks and on hand	(21,840)	(26,469)	4,629
<b>Net Cash Position</b>	<b>133,277</b>	<b>121,031</b>	<b>12,246</b>

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, while the interests due at the end of the year are recorded on an accrual basis.

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





Company	Balance as at 31/12/2014	Amounts loaned	Amounts repaid	Exchange rate delta	
<b>Financing with term &gt; 12 months</b>					
Bonfiglioli Riduttori SpA	67,352	20,000	(14,352)	-	
Bonfiglioli Deutschland GmbH	3,607	-	(380)	-	
Bonfiglioli Transmission PVT LTD	5,682	-	(3,850)	117	
Bonfiglioli Drives (Shanghai) Co. Ltd	3,572	1,842	(528)	205	
Bonfiglioli Slovakia Sro	1,768	-	(872)	-	
Bonfiglioli Vietnam Ltd	468	263	(286)	11	
Bonfiglioli Redutores do Brasil Ltda	15	-	(11)	(4)	
Tecnotrans Bonfiglioli SA	661	-	(150)	-	
<b>TOTAL FINANCING WITH TERM &gt; 12 MONTHS</b>	<b>83,125</b>	<b>22,105</b>	<b>(20,429)</b>	<b>329</b>	

#### Amounts due to other financial institutions

Bonfiglioli Riduttori Spa	7,412	625	(2,010)	-	
Bonfiglioli Transmission PVT Ltd	1,012	-	(496)	34	
Bonfiglioli USA Inc.	1,464	692	-	168	
Bonfiglioli Deutschland GmbH	28	-	(28)	-	
Bonfiglioli Renewable Power Conversion India Pvt	54	-	(54)	-	
<b>TOTAL DUE TO OTHER FINANCIAL INSTITUTIONS</b>	<b>9,970</b>	<b>1,317</b>	<b>(2,588)</b>	<b>202</b>	

(\*) 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



	Balance as at 31/12/2015	Within 12 months	Beyond 12 months	Beyond 5 years	Guarantees
	73,000	12,000	61,000	-	
	3,227	401	1,840	986	(*)(**)
	1,949	1,949	-	-	(***)
	5,091	584	4,507	-	(*)(**)
	896	896	-	-	(*)
	456	304	152	-	(*)
	-	-	-	-	
	511	137	374	-	
	<b>85,130</b>	<b>16,271</b>	<b>67,873</b>	<b>986</b>	
	6,027	1,295	3,130	1,602	
	550	526	24	-	
	2,324	570	1,754	-	
	-	-	-	-	
	-	-	-	-	
	<b>8,901</b>	<b>2,391</b>	<b>4,908</b>	<b>1,602</b>	

## TRADE PAYABLES

	31/12/2015	31/12/2014	Changes
Advances	3,865	2,994	871
Trade payables due to suppliers	173,312	147,417	25,895
<b>TOTAL</b>	<b>177,177</b>	<b>150,411</b>	<b>26,766</b>

Breakdown of trade payables by geographical area:

	2015	2014
Italy	123,442	105,669
Europe	16,252	11,896
Overseas	37,483	32,846
<b>TOTAL</b>	<b>177,177</b>	<b>150,411</b>

## OTHER PAYABLES

	31/12/2015	31/12/2014	Changes
Tax payables	5,234	3,527	1,707
Amounts due to social security	7,701	7,299	402
Other payables	30,098	19,945	10,153
<b>TOTAL</b>	<b>43,033</b>	<b>30,771</b>	<b>12,262</b>

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

	2015	2014
<b>Short-term tax payables</b>		
Employees' taxes	3,128	2,733
Withholding tax	588	522
Substitute tax	457	-
Other	718	272
<b>Total short-term tax payables</b>	<b>4,891</b>	<b>3,527</b>
<b>Mid-long-term tax payables</b>		
Substitute tax	343	-
<b>Total mid-long-term tax payables</b>	<b>343</b>	<b>-</b>
<b>TOTAL</b>	<b>5,234</b>	<b>3,527</b>



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

	2015	2014
<b>Other short-term payables</b>		
Amounts due to employees	17,228	15,906
Right to use land - Vietnam	49	149
Payables for purchasing investments	5,916	1,135
Currency exchange losses	221	153
Other	1,767	673
<b>Total other short-term payables</b>	<b>25,181</b>	<b>18,016</b>
<b>Other mid/long-term payables</b>		
Right to use land - Vietnam	157	227
Amounts due to employees	358	96
Payables for purchasing investments	4,400	740
Other	2	866
<b>Total other mid-long-term payables</b>	<b>4,917</b>	<b>1,929</b>
<b>TOTAL</b>	<b>30,098</b>	<b>19,945</b>

"Payables for investments purchase" caption is the balance figure recorded in Parent Company, as per below detail:

Purchasing of Tecnotrans Bonfiglioli S.A.	740
Purchasing of Co.Bo.Wheels Srl	2,200
Purchasing of O&K Antriebstechnik GmbH	2,976
<b>Total short-term</b>	<b>5,916</b>
Purchasing of Co.Bo.Wheels Srl	4,400
<b>Total mid-long-term</b>	<b>4,400</b>
<b>TOTAL</b>	<b>10,316</b>

It is noted that amongst the short term caption "Other" it is booked an advance disbursed by APIAE (a Trentino Regional authority) in 2012, following the approval of the R&D Project of the subsidiary "Bonfiglioli Mechatronic Research SpA" and related with the achieved pre-requirements, whose destination will be defined within next year.

## Accrued expenses and deferred income

Breakdown:

	2015	2014
Interest payable on loans	321	168
Insurance policies	25	-
Exchange rate fluctuations	40	-
Contribution of capital	23	119
Other	33	209
<b>TOTAL</b>	<b>442</b>	<b>496</b>

The increase in the year is 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:

	31/12/2015	31/12/2014	Changes
<b>TOTAL</b>	<b>11,342</b>	<b>12,996</b>	<b>(1,654)</b>

Guarantees granted by third parties refers to sureties or primary request guarantees issued from Credit institution on contractual undertakings or debts borne by Bonfiglioli of 7.5 M€. To this M€ 3.8 is added, representing commitments for the acquisition of shares (Bonfiglioli Drives (Shanghai) China) taken up by the Parent Company.

The variation of the year is due mainly to the purchase from third of the residual share capital in the subsidiary "Bonfiglioli Vietnam LLC" for which the engagement was posted within the memorandum accounts on 31.12.2014.

## Income statement

### NET REVENUES FROM SALES AND SERVICES

	31/12/2015	31/12/2014	Changes
<b>TOTAL</b>	<b>730,121</b>	<b>653,936</b>	<b>76,185</b>

Sales were made in the following geographic areas:

Values in M€	2015	%	2014	%
Italy	126.4	17.3	115.0	17.6
Europe	276.6	37.9	246.3	37.7
Overseas	327.1	44.8	292.6	44.7
<b>TOTAL</b>	<b>730.1</b>	<b>100.0</b>	<b>653.9</b>	<b>100.0</b>

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

### ASSETS INCREASE FOR INTERNAL WORKS

	31/12/2015	31/12/2014	Changes
TOTAL	1,004	716	288

This caption reflects the increase in 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

	31/12/2015	31/12/2014	Changes
TOTAL	13,689	10,406	3,283

This item can be broken down as follows:

	2015	2014
Refund for packaging and transport costs	2,759	2,251
Refunds for defective processing/material	750	700
Sales and minor services	5,608	4,677
Capital gains and contingent assets	2,800	1,394
Capital contribution	1,146	359
Other	626	1,025
TOTAL	13,689	10,406

The variation occurred in capital contribution is wholly connected to higher R&S contribution received by the Parent Company and the German subsidiaries.

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

	31/12/2015	31/12/2014	Changes
TOTAL	410,394	373,872	36,522

### COSTS FOR SERVICES

	31/12/2015	31/12/2014	Changes
TOTAL	112,642	103,251	9,391

This caption includes outsourced processes in the amount of 29,784 K€ (26,162 K€ in 2014), 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**

	31/12/2015	31/12/2014	Changes
<b>TOTAL</b>	6,711	6,918	(207)

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**

	31/12/2015	31/12/2014	Changes
Salaries and wages	107,036	99,635	7,401
Social security contributions	28,683	26,835	1,848
Employees severance indemnity	4,297	4,318	(21)
Other costs	65	25	40
<b>TOTAL</b>	140,081	130,813	9,268

**DEPRECIATION, AMORTISATION AND WRITE-DOWNS**

	31/12/2015	31/12/2014	Changes
Amortisation of intangible fixed assets	2,975	1,347	1,628
Depreciation of tangible fixed assets	19,644	20,135	(491)
Fixed Assets write-downs	-	66	(66)
Bad debts provision	1,619	3,014	(1,395)
<b>TOTAL</b>	24,238	24,562	(324)

**OTHER PROVISIONS**

	31/12/2015	31/12/2014	Changes
<b>TOTAL</b>	4,053	6,143	(2,090)

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

**OTHER OPERATING EXPENSES**

	31/12/2015	31/12/2014	Changes
<b>TOTAL</b>	4,546	3,973	573

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

## INCOME FROM INVESTMENTS

	31/12/2015	31/12/2014	Changes
TOTAL	-	3	(3)

During the year no movement entailed this caption.

## INTEREST RECEIVABLE AND FINANCIAL INCOME

	31/12/2015	31/12/2014	Changes
TOTAL	874	1,366	(492)

This caption can be broken down as follows:

	2015	2014
Bank interest receivable	344	562
Leasing rentals indexation	91	106
Cash discounts received	157	188
Commercial and other interest receivable	282	510
TOTAL	874	1,366

## INTEREST PAYABLE AND FINANCIAL EXPENSES

	31/12/2015	31/12/2014	Changes
TOTAL	10,050	11,773	(1,723)

This caption can be broken down as follows:

	2015	2014
Interest on amounts due to banks	2,519	2,724
Interest payable on loans	4,354	6,923
Interest payable on leasing/business contracts	754	411
Interest payable on bonds	45	45
Premiums and expenses on derivatives (IRS and forward contracts)	1,256	966
Cash discounts distributed	707	589
Other	415	115
TOTAL	10,050	11,773

## EXCHANGE RATE GAINS (LOSSES)

	31/12/2015	31/12/2014	Changes
<b>TOTAL</b>	(3,918)	2,856	(6,774)

This amount can be broken down as follows:

	2015	2014
Currency exchange gains	18,295	10,984
Currency exchange losses	(22,213)	(8,128)
<b>TOTAL</b>	(3,918)	2,856

## EXTRAORDINARY INCOME AND EXPENSES

	31/12/2015	31/12/2014	Changes
<b>NET TOTAL</b>	(6,401)	(4,121)	(2,280)

This caption includes, in particular, the following items:

	2015	2014
Insurance refunds	-	9
Tax refunds from past years	-	629
Funds reversal	61	1,808
Contingent assets	34	658
Contingent liabilities	(370)	(1,976)
Taxes from past years	(11)	(138)
Capital losses on assets	-	(424)
Buildings write-down	(3,615)	(3,000)
Provision to funds	(2,500)	(1,687)
<b>TOTAL</b>	(6,401)	(4,121)





## INCOME TAXES

	31/12/2015	31/12/2014	Changes
Current taxes	(11,370)	(8,534)	(2,836)
Deferred taxes	1,455	1,599	(144)
Prepaid taxes	407	(2,866)	3,273
<b>TOTAL</b>	<b>(9,508)</b>	<b>(9,801)</b>	<b>293</b>

## 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:

	2015	2014
Directors	1,009	976
Auditors	813	760
<b>TOTAL</b>	<b>1,822</b>	<b>1,736</b>

## 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	Exchange rates		
Type of transaction			
	NOTIONAL VALUE	FAIR VALUE	
		Pos.	Neg
<b>Unlisted financial derivatives</b>			
<b>- Forward contracts</b>			
Sale of USD	7.8 MUSD		117 K€
Sale of GBP	1.6 MGBP	31 K€	
Sale of AUD	5.1 MAUD		110 K€
Purchase of JPY	793 MJPY		72 K€
Purchase of USD	3.3 MUSD	7 K€	

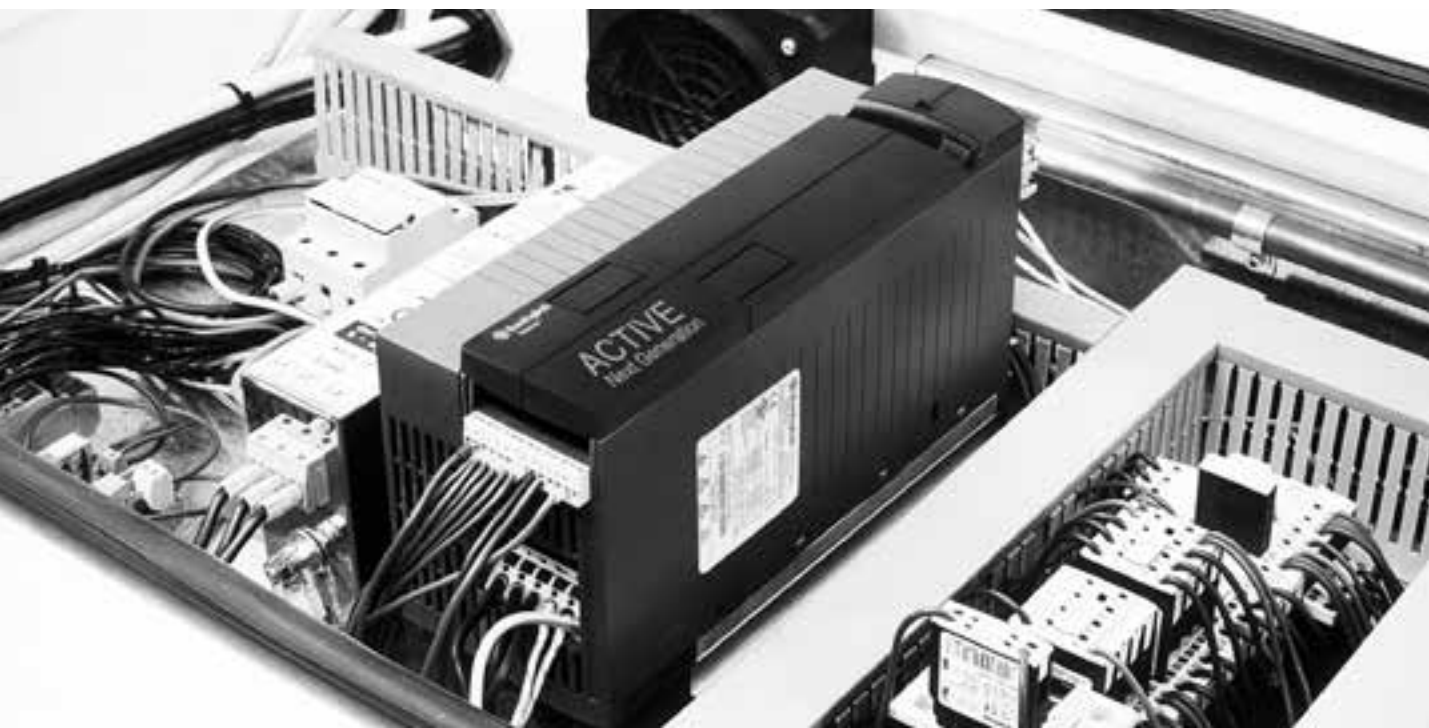
The above mentioned hedging transactions relate exclusively to ordinary non-speculative hedging management operations carried out by the Parent Company and by the subsidiary "Bonfiglioli Transmission Pvt Ltd".

Calderara di Reno (Bo), 31 March 2016

by The Board Of Directors

The Chairman

Sonia Bonfiglioli

## Consolidated cash-flow statement

(in K€)	2015 (**)	2014 (*)
<b>A. OPENING NET CASH POSITION</b>	<b>(121,031)</b>	<b>(118,599)</b>
<b>B. OPERATING ACTIVITIES</b>		
Net income of the group	4,325	5,675
Minority interest income	644	573
Depreciation, amortisation and write-downs	27,853	27,562
Provision for funds	4,053	6,143
Tax provision	9,508	9,801
<b>First level Cash Flow</b>	<b>46,383</b>	<b>49,754</b>
Decrease (Increase) in Trade Receivables	(17,641)	(25)
Decrease (Increase) in INVENTORY	6,981	(22,492)
Decrease (Increase) in other ASSETS	1,291	(2,973)
Decrease (Increase) in TRADE PAYABLES	12,093	7,092
Decrease (Increase) in other LIABILITIES	11,778	2,652
(Utilization) of funds	66	(2,247)
Tax payments	(10,992)	(8,619)
<b>B. Cash flow originating from (used for) operating activities</b>	<b>49,959</b>	<b>23,142</b>
<b>C. INVESTING ACTIVITIES</b>		
Net investments in tangible and intangible fixed assets	(20,648)	(21,414)
(Increase) in share investments and other financial fixed assets	-	(1)
Tecnotrans Bonfiglioli Sa aggregation	-	(7,200)
Co.Bo.Wheels Srl aggregation	(7,767)	(1,248)
O&K Antriebstechnik GmbH aggregation	(32,283)	-
<b>C. Cash flow originating from (used for) investing activities</b>	<b>(60,698)</b>	<b>(29,863)</b>
<b>D. FINANCING ACTIVITIES</b>		
Change in minority interests	(3,018)	(1,259)
Net effect of exchange rate change	3,695	9,186
Exchange rate (gains) losses fixed assets	(2,539)	(3,672)
Other minor changes	355	34
<b>D. Cash flow originating from (used for) financing activities</b>	<b>(1,507)</b>	<b>4,289</b>
<b>E. CASH FLOW FOR THE YEAR (B+C+D)</b>	<b>(12,246)</b>	<b>(2,432)</b>
<b>F. CLOSING NET CASH POSITION (A+E)</b>	<b>(133,277)</b>	<b>(121,031)</b>

(\*) Cash flow of the year 2014 considers the balances on 01.01.2014 of the company Tecnotrans Bonfiglioli Sa.

(\*\*) Cash flow of the year 2015 considers the balances of the company O&K Antriebstechnik GmbH/Co.Bo.Wheels.







# Independent Auditor's Report



## **INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010**

To the Shareholders of  
Bonfiglioli Riduttori SpA

### ***Report on the consolidated financial statements***

We have audited the accompanying consolidated financial statements of Bonfiglioli Riduttori SpA (hereinafter also the "Company") and its subsidiaries (hereinafter also the "Bonfiglioli Riduttori Group"), which comprise the balance sheet as of 31 December 2015, the income statement for the year then ended and related notes.

### ***Directors' responsibility for the consolidated financial statements***

The Directors of Bonfiglioli Riduttori SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with the Italian laws governing the criteria for their preparation.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In assessing those risks, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***PricewaterhouseCoopers SpA***

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### *Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Bonfiglioli Riduttori Group as of 31 December 2015 and of the result of its operations for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

### ***Report on compliance with other laws and regulations***

#### *Opinion on the consistency of the Management report with the consolidated financial statements*

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the Management report, which is the responsibility of the Directors of the Company, with the consolidated financial statements of Bonfiglioli Riduttori Group as of 31 December 2015. In our opinion, the Management report is consistent with the consolidated financial statements of Bonfiglioli Riduttori Group as of 31 December 2015.

Bologna, 14 April 2016

PricewaterhouseCoopers SpA

*Signed by*  
Roberto Sollevanti  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers*

## Note

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## Note

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**Accountability**

**Strategic**

**Vision**

**Winning  
Together**

**Forever  
Forward**

regi  
on

**Challenge**

**Respect**

ever  
ward



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

#### HEADQUARTERS

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