Bonfiglioli

We engineer dreams

ANNUAL REPORT

Bonfiglioli

We engineer dreams

20

ANNUAL REPORT

1

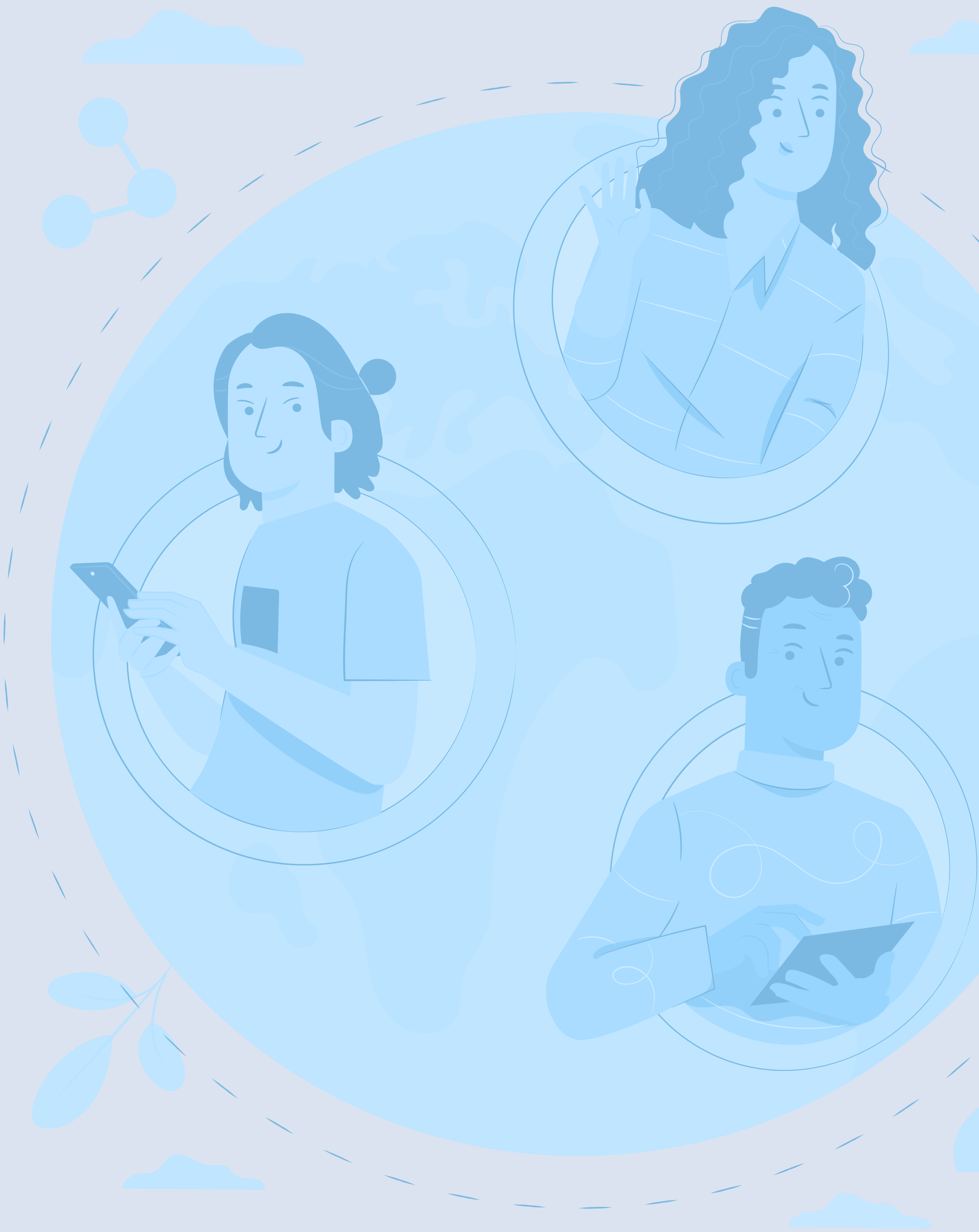
2

TABLE OF CONTENTS

1.

THE WORLD OF BONFIGLIOLI:

A BUSINESS UNIVERSE MADE OF PEOPLE, VALUES, AND HISTORY



MESSAGE FROM THE CHAIRWOMAN

For some years now there has been an awareness that stability and security are two characteristics that are difficult to contemplate, and the year that has just ended has only confirmed this perception.
We have often heard of VUCA, meaning rapidly changing and uncertain economic, political and social scenarios, which can only be approached with greater flexibility and responsiveness. Amongst all this volatility, a global pandemic was certainly not an imagined or expected scenario.
In March 2020, the year just begun presented itself as one of the greatest unknowns of recent decades: everyone was taken by surprise, for the first time in centuries facing a health emergency that awakened the horrors of the medieval plague. This situation quickly disrupted lifestyles and consolidated certainties, destroyed solid industrial sectors and produced a global crisis that continues today.
Like others, we at Bonfiglioli have dealt with new emergencies on a daily basis while trying to maintain medium-long-term objectives, continuing along our original investment roadmap.
During this period we reduced operating costs by acting on those unnecessary expenses, and likewise continued to serve our customers who, like us, were fighting an almost surreal opponent. Indeed, I would like to recall that I strongly defended the possibility of remaining active to serve industries related to basic goods such as pharmaceuticals, chemistry, food and electro-medical equipment. It was certainly a way of keeping our businesses running at minimum, but it also gave us a purpose that until then we had not considered so intensely.
Through all of this our greatest concern has always been people, and in particular our people. We have taken action in every plant and branch to ensure safety in the workplace, in social and recreational areas, providing protective and sanitizing materials and monitoring behavior on a daily basis to find a new, safe coexistence. The cooperation among the various Bonfiglioli offices was exceptional and fantastic.
However, in the meantime the pandemic has designed a very heterogeneous social and economic geography, very different from what we imagined at the end of 2019. While the western world was mostly on its knees, two main phenomena materialized: a robust recovery of the Chinese economy and an incredible growth in renewable energy, which for us meant a very strong demand for products for wind power plants. Two great opportunities that, thanks to our competitiveness and the ability to quickly redirect resources, we have successfully capitalized on. This, together with the resilience we have shown in other countries and in other sectors, has allowed us to achieve unexpected results, including the highest profitability ever.

In this year of "roller coasters," we never lost our innate will to innovate.
We launched two new products on the market, which we have been working on for a long time: a new series of coaxial gearmotors and a new series of high-performance inverters already suitable to be incorporated natively in the digital world of the factory.
2020 was also the year we launched our first e-commerce website for the US market. We wanted to create an innovative digital customer experience through an e-commerce platform that intuitively accompanies the user throughout the entire process of choice, purchase and delivery. It is a pioneering platform in a B2B market that is perhaps still not mature for these methods of interaction and purchase but that sees us, once again, looking to the future.
Our e-commerce journey starts in the USA, but will be soon implemented in other countries.
We have multiplied our efforts in training our resources, launching a new online training platform, the Bonfiglioli Academy, which any employee in the world can access to participate in various training courses and cultivate their personal and professional growth.

2020 was a turning point, marked by new experiences and change, which forced us to look beyond the present and rethink our dreams. From this need and from the spirit that underlies the birth of Bonfiglioli, we decided to coin our new tagline. When my father created Bonfiglioli in 1956, he was 23 years old and had many ideas. Above all, he dreamed of a vibrant world that he wanted to transform into reality. Today, as yesterday, our will and vision to support proactive and positive ideas must be strong. This is that concept that is contained in the words "We Engineer Dreams" that will accompany our journey this year.
This motto carries a dual meaning: on the one hand, our willingness to support our customers in carrying out their projects, and on the other hand we want to be the place where people in Bonfiglioli can make their professional dreams come true, Women and Men from all over the world, to whom, more than ever, I express my deepest gratitude.

Forever Forward!

OUR MISSION

We have a relentless commitment to excellence, innovation & sustainability. Our team creates, distributes and services world-class power transmission & drive solutions to keep the world in motion.

OUR VALUES

At Bonfiglioli, our everyday work is guided by four main values: challenge, respect, accountability and winning together.

CHALLENGE

Continuously challenging our limits in the pursuit of excellence in performance, innovation, and products.

RESPECT

Respecting diversity, local cultures, religions, and the environment with uncompromising ethics.

ACCOUNTABILITY

Individual responsibility enables collective responsibility, practicing leadership with commitment and determination.

WINNING TOGETHER

Winning by working together, ensuring knowledge creation, and sharing.

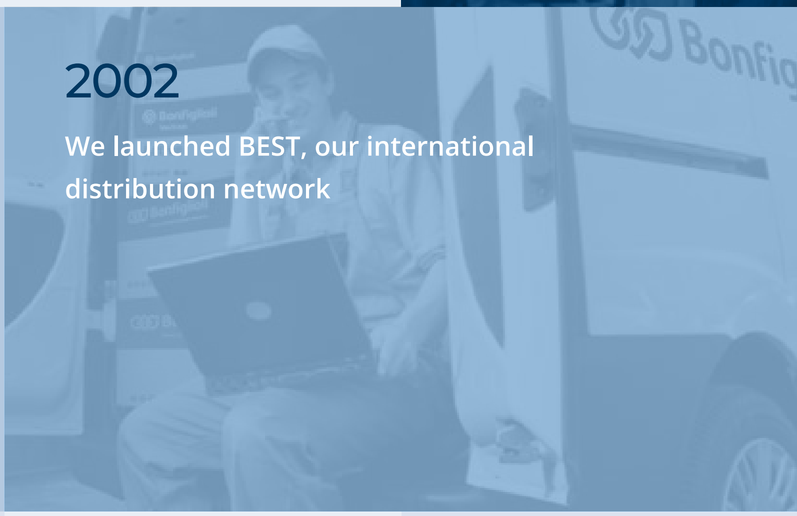
MILESTONES

1956

Clementino founded
Costruzioni Meccaniche Bonfiglioli

2003

- Acquisition of Tecnoingranaggi
- Bonfiglioli Drives is established in Shanghai, China



2002

We launched BEST, our international distribution network

2001

Acquisition of Vectron

2005

Bonfiglioli expands into Slovakia

2006

Bonfiglioli Turkey is established

2008

- Organization into business units
- Bonfiglioli Vietnam Ltd. is established in Ho Chi Minh City

2009

Bonfiglioli Brazil is established

2020

E-commerce USA launch

2019

- New and larger plant in Rovereto
- EVO, new D&P offices and largest industrial plant

1964
Work started on the factory at Lippo di Calderara, Bologna, Italy.

1968
Tecnotrans Bonfiglioli SA is established in Barcelona.
This was the start of our international expansion

1975
Acquisition of Trasmital

1993
Certifications DNV and TÜV

1995
Debut of the C, A, and F series

1999
Inauguration of the plant in Chennai, India

2000
Launch of MOSAICO, our product online configurator

2010
Sonia Bonfiglioli takes control of the Group

2011
- Inauguration of the plant in Mannur, India
- Inauguration of the plant in Rovereto, Italy

2012
Creation of the Electromobility Competence Center

2013
Bonfiglioli South East Asia opens in Singapore

2015
Acquisition of O&K Antriebstechnik GmbH

2017
- Expansion of plants in Slovakia and Pune, India
- The path toward digital transformation begins

2018
- New electromobility plant in Forlì, Italy
- New plant in Chennai, India

GLOBAL PRESENCE FOR LOCAL SUPPORT

20 branches, 13 plants, and over 550 distributors guarantee our customers the same Bonfiglioli quality standards, anyplace in the world at any time.

We have a network of closely interconnected sales branches and production and assembly plants throughout the world.

Our direct presence in every single market and our in-depth knowledge of local situations and the needs of our customers has always been one of the keys to our success and a constant element in our growth strategy.

> *We lead the world market with complete and efficient solutions, accompanying our customers with dedicated services ranging from co-engineering to after-sales service.*

13 PLANTS

20 BRANCHES

80 COUNTRIES

3.804 PEOPLE

AUSTRALIA

BRAZIL

CHINA

FRANCE

GERMANY

UNITED KINGDOM

INDIA

ITALY

NEW ZEALAND

SINGAPORE

SLOVAKIA

SPAIN

SOUTH AFRICA

TURKEY

USA

VIETNAM

OUR BUSINESS UNITS

Our three Business Units - Discrete Manufacturing & Process Industries, Mechatronic & Motion Systems, and Mobility and Wind Industries - embody all the know-how and experience needed to support the growth of our customers.

DISCRETE MANUFACTURING & PROCESS INDUSTRIES

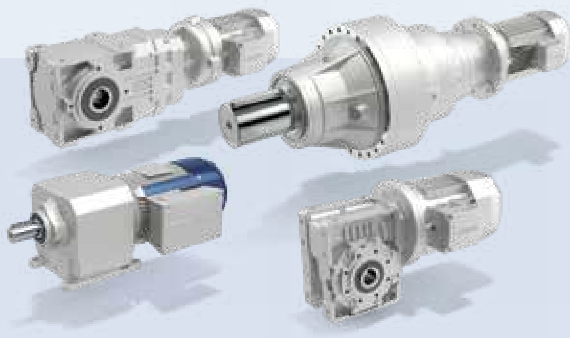
MECHATRONIC & MOTION SYSTEMS

MOBILITY & WIND INDUSTRIES

DISCRETE MANUFACTURING & PROCESS INDUSTRIES

The Discrete Manufacturing & Process Industries Business Unit offers gearboxes, geared motors, and electric motors for any type of industrial application. Regardless of power requirements, our experts are able to meet the most complex demands for applications operating in any condition.

With over 60 years' experience working alongside our customers, we are now able to anticipate their needs in over 20 different sectors, with a particular focus on industrial processes and machinery for the manufacturing industry such as packaging, food and beverage, mining, logistics, and intra-logistics.



- MATERIALS HANDLING
- BIOGAS
- PACKAGING
- RECYCLING
- MINING INDUSTRY
- LOGISTICS AND STORAGE SYSTEMS

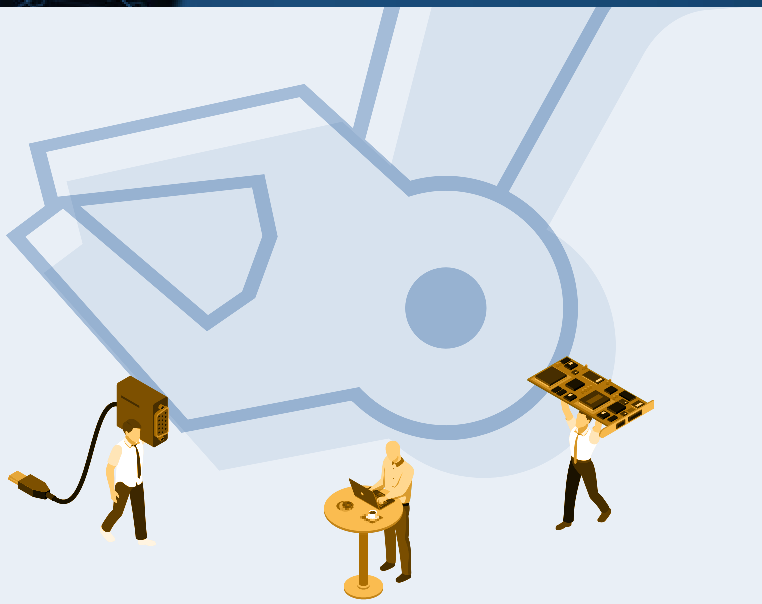
SECONDARY SECTORS:

- Wastewater treatment
- Metal machining
- Access controls
- HVAC and refrigeration plants

MECHATRONIC & MOTION SYSTEMS

With complete solutions dedicated to industrial processes and automation, the Mechatronic & Motion Systems Business Unit offers customized integrated solutions according to an Industry 4.0 approach, covering the entire transmission group: precision planetary gearboxes, servomotors, open and closed loop inverters, servo-inverters, motion controllers and regenerative inverters.

Our experts develop solutions offering the highest level of precision, efficiency, and energy optimization for more than 20 industries including materials handling, logistics, intra-logistics, robotics, packaging, and textiles.

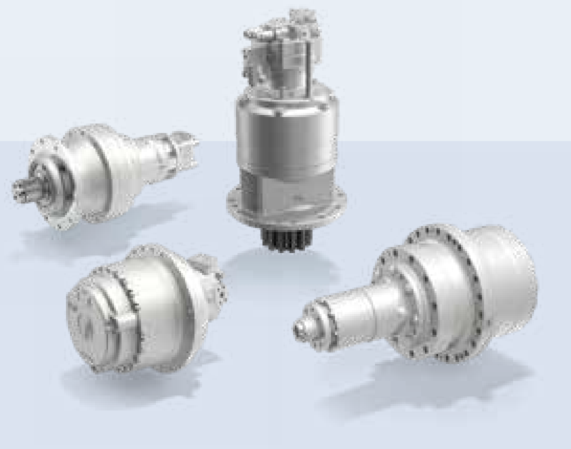


- WOOD
- PACKAGING
- STORAGE SYSTEMS
- TEXTILES
- CRANES AND BRIDGE CRANES
- MEDICAL AND PHARMACEUTICAL
- FOOD & BEVERAGE
- MATERIAL HANDLING
- GLASS PROCESSING

MOBILITY & WIND INDUSTRIES

The Mobility & Wind Industries Business Unit offers the widest range of gearboxes currently available on the market. Its portfolio includes drives for travel, slew, winch, and other possible applications. All our products are customizable to meet any need.

The Mobility & Wind Industries team is the ideal partner for the implementation of efficient, intelligent, and robust solutions dedicated to the most complex applications in construction, wind energy, logistics, agriculture, and the marine and offshore sector. For over 40 years we have been working with the world's leading OEMs.

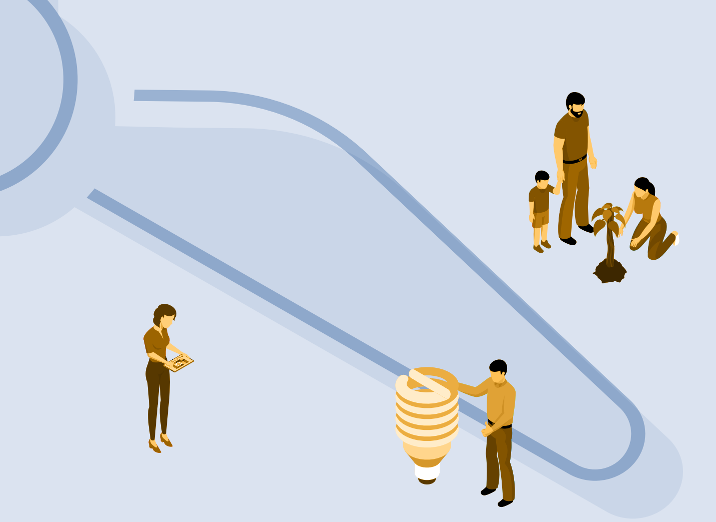


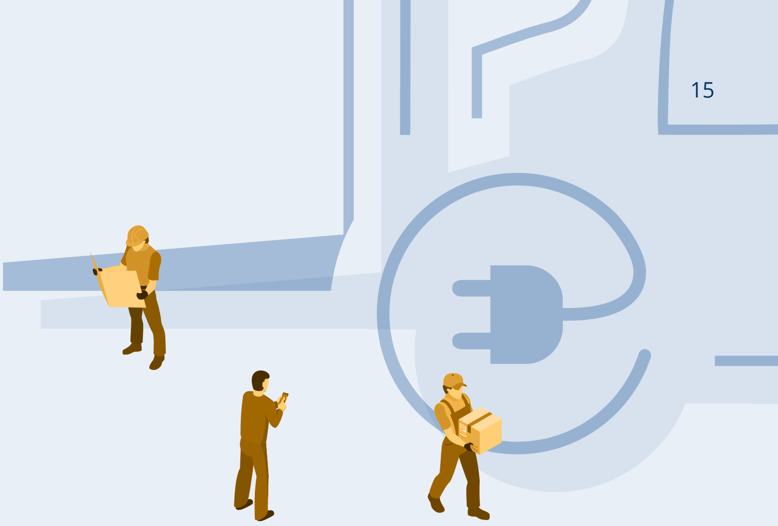
MOBILE SOLUTIONS

By co-engineering wheel, track, slew, winch, concrete mixer and other drives together with our customers, we can meet all market needs for mobile machinery applications.

Bonfiglioli supplies final drives with the widest torque range on the market, from 1,000 to over 3 million Nm.

- EARTHMOVING
- ROAD CONSTRUCTION
- MINING INDUSTRY
- AGRICULTURE
- MATERIALS HANDLING





WIND SOLUTIONS

With a 30% market share for the supply of wind turbine gearboxes to major global players, Bonfiglioli is the undisputed leader in the wind energy sector. Gearboxes for wind turbines are assembled in four of the 13 plants (in Italy, India, China and Brazil) to better serve local markets and major global players.
Our Yaw and Pitch drives are continuously optimized to improve turbine performance for traditional onshore applications, but also for the latest offshore applications, without increasing their weight and size and thus offering the market more competitive products.

SMALL WIND TURBINE
UP TO 200 KW

ON-SHORE
UP TO 6 MW

OFF-SHORE
UP TO 15 MW

ELECTROMOBILITY SOLUTIONS

Bonfiglioli leads the field in hybrid and electric technologies, providing more energy-efficient solutions while at the same time reducing noise and harmful emissions. Our pioneering developments have made us a leader in sustainable technology, driving us constantly towards new horizons. In recent years, production capacity has been increased thanks to the construction of a new eco-friendly production line for electromobility in Forlì, covering an area of about 10,000 square meters.

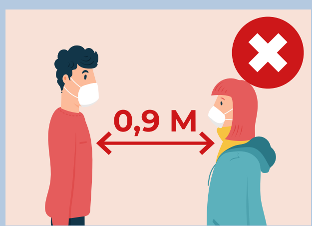
- CONCRETE MIXERS
- AGRICULTURE
- FORKLIFTS
- LIGHTWEIGHT VEHICLES
- MATERIALS HANDLING EQUIPMENT
- AIRPORT GROUND EQUIPMENT

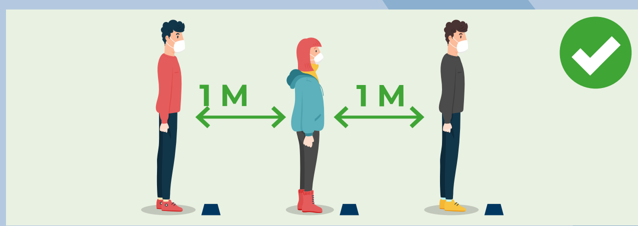
COVID19 – A WORLDWIDE EMERGENCY

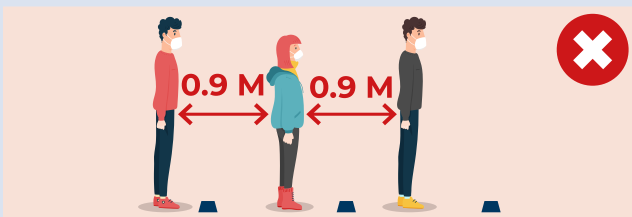
Gradually, from east to west, all our companies have faced the spread of the coronavirus pandemic and, thus, we have strengthened safety measures in our offices and production plants. Initially, we supported our Asian branches and, when the Covid-19 emergency extended globally, we developed general guidelines to share with the entire Group. Afterward, each plant has revised internal regulations to be compliant with its Country's legislation.

To safeguard workers' health and wellbeing, wherever possible, we promoted smart working and the use of digital platforms for meetings. However, for workers with operative roles for which physical presence is necessary, we increased the distance of workstations and reduced the number of employees onsite.

At work, we provide our people with all the necessary tools and precautions to safely carry out their activities. At the same time, we require our people to follow safety rules, such as the mandatory use of masks, social distancing and frequent use of alcohol gel, until the emergency is over.







2.

HIGHLIGHTS 2020

BONFIGLIOLI ACADEMY

Bonfiglioli has always believed that new skills increase the value of human capital and the competitiveness of the Company, which is why numerous initiatives have always been organized to develop the skills of its resources with pioneering approaches.

Technology has changed the paradigm of training, but the process of "learning by doing" remains the basis of lifelong learning. How can this process be preserved and incorporated into the technology that, especially in 2020, has proved to be indispensable?

Inaugurated in October 2020, the Bonfiglioli Academy is the answer to this need.

This is a new E-learning platform dedicated to all our people that offers courses and the possibility of accessing a library with external content, and which can even be used with an application available on all mobile devices.

At Bonfiglioli Academy, the concept of "learning by doing" becomes Learning by (virtual) Doing, so that people have the chance to develop the skills needed to manage and master technology according to the concept of "people at the center," a concept that animates the Group's business and strategic choices.

- **CUSTOM** BONFIGLIOLI COURSES
- A PLATFORM FOR **ALL OUR PEOPLE**
- POSSIBILITY OF ACCESSING **LIBRARIES** WITH EXTERNAL CONTENT
  in LEARNING

IoTwins - HORIZON 2020

Bonfiglioli leader of one of Horizon 2020's most important European projects

IoTwins is one of the most important European projects of Horizon 2020, the European Framework Program for Research and Innovation.
Leading a group of manufacturing partners, Bonfiglioli has experimented and will continue to experiment with new technologies for the digitization of industrial processes and products, with 12 test platforms that will create “digital twins,” i.e. virtual copies of the industrial processes used to test infrastructure management systems and tools in advance.

One of the objectives of the project, particularly dear to the European Commission, is its extensibility and replicability, so that once finished the technologies and solutions adopted can also be made available to other Europeans. For our part, moreover, the project was begun to address two business priorities. First, to make predictive maintenance solutions for the products and components supplied available to customers in the wind sector, where we are world leaders. More generally, to embark on a path of innovation of such magnitude that it must open up to international networks, because without a skills system outside the company it is very complex to innovate at the speed demanded by the market.

We are traveling this path together with the University of Bologna, the National Institute of Nuclear Physics, Cineca, the Emilia-Romagna Region, Art-ER and Marposs. With a total planned investment of 20 M€, we will continue to experiment with Big Data technologies and supercomputing for companies, creating models that are able to simulate production processes in the laboratory and detect errors and critical issues before they enter production.
The project also includes partners of international importance such as the Fraunhofer Institute in Munich, the Technische Universitaet in Berlin, the Barcelona Supercomputer Centre, Barcelona Football Club, Thales, Siemens, the École Nationale Supérieure d'Arts et Métiers, and the Centre Techniques des Industries Mécaniques in Paris.

23
PARTNERS

12
TEST-BEDS

"Being the leader of this project," underlines Sonia Bonfiglioli, "*is a source of pride for us, but it also means taking responsibility. We have the opportunity to demonstrate, on the ground, how valuable it is to work in a team of international companies where the vision of digitization is always at the service of humanity and the environment. The application improving the performance of our products for the exploitation of wind energy underlines Bonfiglioli's aspiration to operate, perform research, and more generally pursue growth not as an “end unto itself” or “at any cost.” For us, corporate responsibility has always been an indisputable value and reference for every activity. The value of this choice of field of application is therefore of digital innovation on equal footing with the contribution to a more sustainable environment.*

AGILE DEVELOPMENT

Several years ago, Bonfiglioli decided to adopt the **Agile** design methodology through the establishment of cross-functional teams that work together to develop a MVP (Minimum Viable Product) in order to respond more flexibly, quickly, and innovatively to the needs of customers and internal stakeholders.

The Agile methodology introduces a change in the approach to problems that are difficult to solve, thanks to some principles shared by all the actors involved in the project.
To date, four project Waves have been completed in Agile mode, in which the working groups have successfully completed nine initiatives in total, dedicated to issues that are particularly critical and in line with the company's strategic priorities.

In an initial phase, the project implementation was supported by external consultants, but since June 2019 the initiatives have been carried out completely independently by Bonfiglioli internal resources, encouraging a training approach that allows trained resources to convey the skills necessary for the role of Scrum Master to new people through practical learning in the field.
Thanks to these internal support paths, we plan on increasing the company's ability to introduce the Agile method to new contexts and departments.
Altogether from the first Wave to date 75 people – 42 of them in 2020 alone – participated in Agile projects in the various roles envisaged by the methodology, with a total commitment of almost 2000 man days.
The Agile method will continue to be applied in new applications in 2021.

9 PROJECTS

75 PEOPLE

2000 MAN/DAYS

PRIZES AND AWARDS

CAPO D'ORLANDO

In 2020, the Capo D'Orlando commission awarded the six women who have played a key role in the scientific, cultural, and industrial field in the world: the Group Chairwoman, Sonia Bonfiglioli, received a special recognition in the "Science and Industry" category.

BEST BRAND AWARD FROM THE ECONOMIC TIME

The Times Group has named Bonfiglioli India as **Geared Drive Manufacturing Leader**

LOCAL AUTHORITIES, TRADE ASSOCIATIONS, AND CUSTOMERS

Bonfiglioli China received numerous awards from local authorities, trade associations, and customers during 2020, including:

- "Top 100 Outstanding Enterprises" and "Outstanding Talent Team Award for Innovation and Entrepreneurship" in the Qingpu district
- "Top 20 enterprises for industrial revenue" and "Tax contribution" in the Qingpu industrial area
- "AAA Enterprise Credit Grade" by the China Construction Machinery Association
- "Excellent Supplier" from XCMG Foundation
- "Excellent Supplier" from Shanghai Zoomlion
- "Excellent Quality Star" from Beijing SANY

NEW SLOGAN

2020 was the year we made our new slogan official: **We engineer dreams**.

This motto first appeared in 2019 when, during the annual International Business Meeting, Chairwoman Sonia Bonfiglioli defined the ultimate purpose of our Group as transforming big dreams into reality.

We engineer dreams has a double meaning: on the one hand we contribute daily to fulfilling the work dreams of our people, and on the other hand thanks to the skills of our people we are committed to fulfilling the dreams of our customers.

*At Bonfiglioli **#weengineerdreams**: it is making what seems impossible, possible!*

Ed Spialek • Bonfiglioli USA

We engineer dreams

*My customers are my priority. Hearing how happy they are with our services is what **#weengineerdreams** meant to me.*

Matthew Hamlin • Bonfiglioli Australia

***#weengineerdreams** is how we can apply our creativity and logic to the real world.*

Abs Venkipally • Bonfiglioli Australia

E-COMMERCE USA

The **Bonfiglioli online shop** for the US market represents an important milestone in our innovation history.

The USA has been a focus of Bonfiglioli for some time. After years of continuous growth, the acceptance of our brand, our quality, and our services is now recognized on a large scale, and with the online shop we wanted to take a further step in the direction of a market where not only B2C but also B2B online purchasing is now an established practice.

Our approach to e-commerce has focused on the end-to-end **customer experience** through a platform that intuitively accompanies the user throughout the entire purchasing process.

The platform has several specific features: an **online configurator** allows the user to configure their product by directly downloading **3D CAD files** to simulate its installation. Once proven suitable, they can directly finalize the purchase having a clear final price and lead time from the outset. Once the transaction is concluded by electronic payment, order progress can be tracked until delivery. In addition to the support provided by the platform itself, a **live chat** is available to contact our experts in real time.

Our e-commerce journey starts in the USA, but will soon be expanded to other countries.

SELECTION

CONFIGURATION

DOWNLOAD

FINALIZE

NEW USA SITE

In March 2020 we expanded our headquarters in the United States with a new production space of 23,000 square meters. The volumes have quadrupled compared to when we opened in Hebron, Kentucky in 2007, which pushed us to invest further, to the point of doubling the size of the production plant to cope with market growth, and hiring 75 new employees.

Being close to our customers is one of our main objectives. In order to improve supply chain processes and reduce delivery times, our North American headquarters decided to produce gearmotors locally, maintaining the high quality standards of the Group.

Serving more markets and applications than any other drive manufacturer, today our US headquarters has sales that are 50 times higher than just 15 years ago.

We can certainly say that North America is one of our main world markets!

CYBERSECURITY

Aiming to protect staff, customer, and project data, our IT & Digital department works every day to defend our systems, networks, and programs against cyber attacks.

Again this year, after the cyber attack we suffered in 2019, we took further measures to strengthen the level of security. We continued to train our employees on proper behavior to prevent cyber attacks and ensure information security. Among the activities implemented, we have organized phishing campaigns, i.e. sending fraudulent communications that resemble emails from respectable sources, with the aim of monitoring people's behavior and measuring our exposure to risks. Following these campaigns, together with the Human Capital department, we then developed corrective actions and further training on cybersecurity awareness. This year the implementation of the governance model of administrative rights on endpoints was also completed, now managed on three separate layers (central servers, departmental servers, PCs).

NEW EVO OFFICES

In October, part of the Bonfiglioli team moved to EVO where our production plant was already operational. This is the beginning of a new journey and we are happy to continue investing in our people and their future.

3.

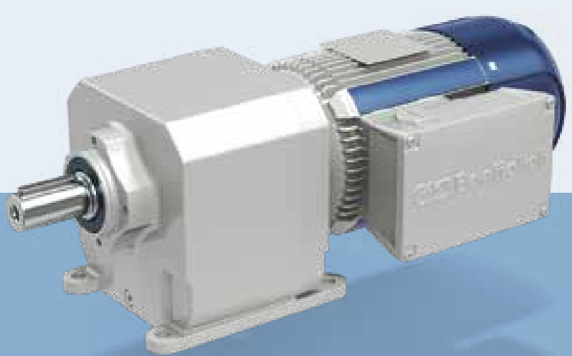
PRODUCT NEWS

EVOX

EVOX is our new gearmotor platform. Efficiency, reliability, modularity, and performance were the drivers behind the development of the platform.

Thanks to an enhanced modularity concept, EVOX represents a step forward compared to current market solutions, with a range dedicated to a broad spectrum of applications.

The quality of the components and the use of consolidated processes in the design and machining of sturdy, silent gears make EVOX a benchmark product in terms of reliability and efficiency.

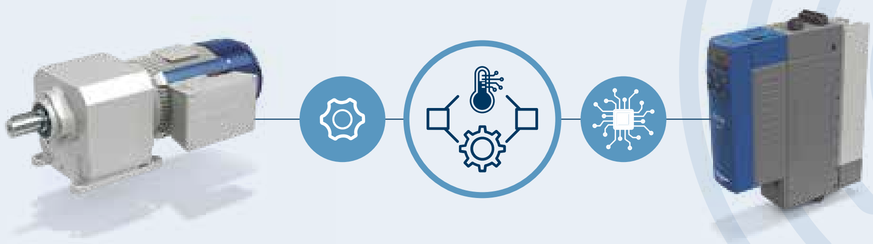


AXIAVERT

AxiaVert is our new premium frequency converter series. This innovative product provides the ultimate combination of flexibility, modularity, and connectivity, aimed at offering an optimal response to specific industrial application requirements across a wide range of sectors and with different degrees of complexity. AxiaVert is now available in four sizes, with a power range between 0.25 - 15 kW. Higher power versions will be released at a later stage.

SENSORLESS MONITORING

Our research and development team designed the entire EVOX platform to enable condition monitoring and predictive maintenance, both with and without sensors. During the development of the EVOX CP gearmotor, a complete mathematical model relating the thermal behaviors of the gearmotors to the electrical variables was developed. This enables **effective condition monitoring via sensorless technology** and **predictive maintenance** directly managed by our AxiaVert Inverters acting as an edge computer.



ECODESIGN REGULATION

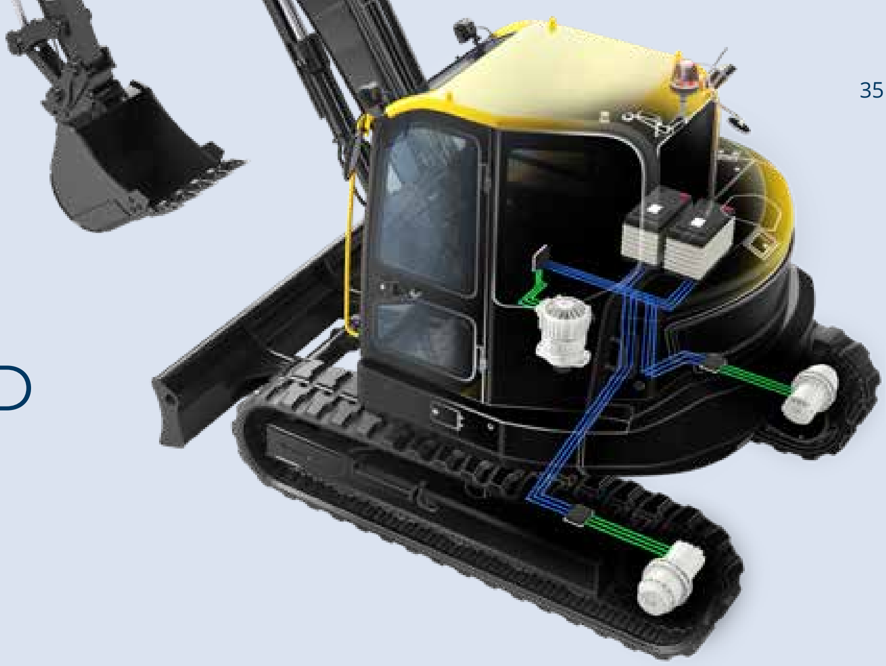
Starting July 1, 2021, the Ecodesign Directive (EU) 2019/1781 will introduce new energy efficiency requirements for induction engines. At Bonfiglioli we are ready to support our customers in this transition by making change as simple as possible. In order to ensure a consistent implementation of all energy saving factors, we offer a comprehensive approach by supporting the customer in selecting and combining all components to develop the perfect solution for each application, even going beyond the minimum legal requirements.

OFFSHORE YAW DRIVE WITH INTEGRATED INVERTER, 700 TW SERIES

With the third generation of Yaw Drives for the offshore market, we no longer offer a single product but a solution that includes the inverter on board.
Thanks to a more compact and robust design, this new solution allows considerable savings in terms of space and weight. Installation costs are also lower thanks to a smaller electrical panel.
Last but not least, in terms of relevance we have improved time to market thanks to the standardization of the supply chain.
We always design our new solutions from an IoT perspective, and here again, thanks to the presence of the integrated inverter, the solution is IoT ready. By leveraging IoT technology we help reduce O&M costs by preventing unexpected machine downtime and minimizing maintenance.

DIFFERENTIAL GEARBOXES FOR COMMERCIAL VEHICLES

Aware that electric vehicles are and will increasingly be the first choice in terms of mobility for both companies and individuals, we are investing more and more in the production and design of customized solutions for a wide range of electric mobility applications, including cargo vans. Low-noise differential transmissions driven by electric motors are available for all-electric battery powered commercial vehicles. They are the ideal means for city deliveries or short journeys as they are equipped with batteries that can exceed 100-200 km per day with overnight charges. Moreover, they are not subject to traffic restrictions. Thanks to the use of light materials and optimized helical gears, our drives guarantee energy efficiency and longer battery life. Finally, with a fixed ratio gearbox the vehicle is also easy to drive and requires less maintenance.

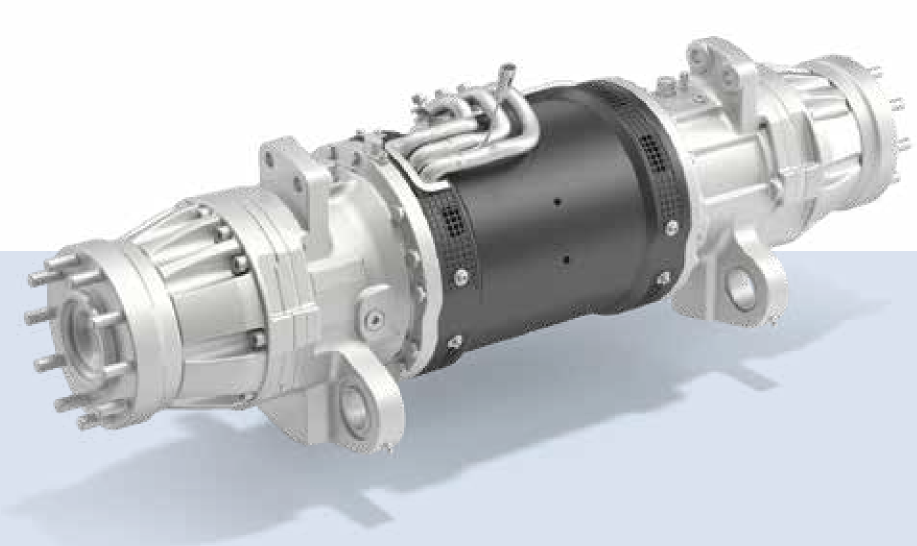


SLEWS AND TRACK DRIVES FOR 700TE AND 700CE SERIES ELECTRIC MINI EXCAVATORS

These two new products allow our customers to create a complete electrical solution for track and rotation drives dedicated to mini-excavators for the range from 2 to 4.5 tons. We are thus able to offer a completely electric alternative to the conventional axial piston engine hydraulic unit, reducing noise levels and consumption, as well as virtually zero CO_2 emissions.
The complete e-powertrain drastically improves the efficiency of the machine and allows the user to extend the maintenance intervals, providing a significant reduction of the total cost of ownership.
Each motor has been designed to perfectly fit the space available for the rotation and side-shift system, respecting the dimensional requirements of these applications and allowing modifications to the frame and the entire system to be minimized. Its robust, compact structure is assured by the special design of the stator, made with concentrated winding, and the rotor made with IPM technology.

610X FOR ELECTRIC FORKLIFTS

In 2020 we worked closely with our customers to create a solution that would help them increase the performance of their electric forklifts in terms of power and traction. The aim was to be able to offer the market an electric forklift with a performance comparable to that of a combustion-engine powered forklift. The product that best met these needs was the 610X, of the 600F series of planetary gearboxes for forklifts. With this choice, we have been able to propose a solution with a compact design, improved performance, less noise, better energy recovery during braking, and greater freedom for the machine manufacturer during the design phase. Last but not least, the two drives make it possible to reach the components more easily in the event of problems with the forklift.
Moreover, this type of solution, while on the one hand on equal footing with machines with a combustion engine in terms of performance, on the other hand offers the possibility of considerable savings in terms of total cost of ownership.



FTU900 SERIES FOR MINING SOLUTIONS

The FTU900 is only one of the sizes in the FTU series, which ranges from 260 to 3000.

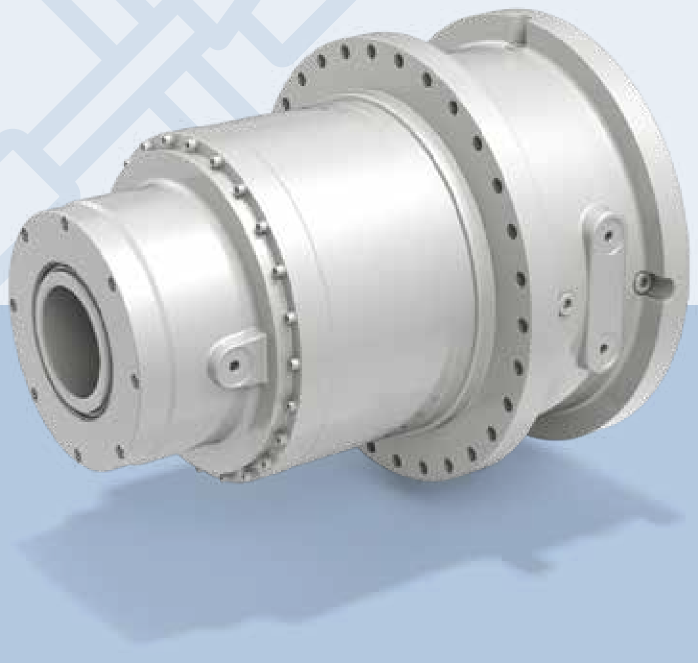
This series is used both as a travel drive in excavators dedicated to the mining sector and as a gearbox for rotating head control in tunnel drilling machines.

The already normally compact form was further optimized as it was designed solely for torque transmission, resulting in a reduced overall weight and easy installation on the machine.

On request, you can choose a classic flushing system or a circuit with water recirculation chamber for cooling the lubrication oil.

On the safety side there is a torque measurement system and an automatic disengagement of the motion by means of a clutch when the preset torque value is reached.

Suitable for connection with electric or hydraulic motor, with a wide range of reduction ratios, and maximum flexibility in the choice of output side configuration.



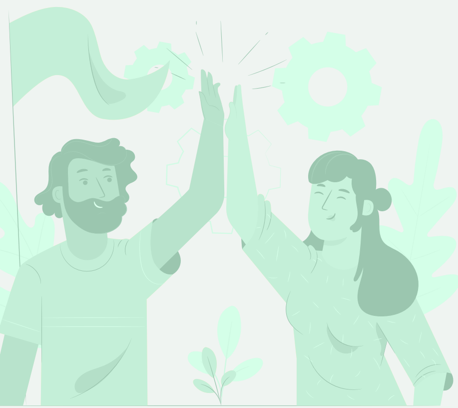
4.

RESPONSIBLE SUSTAINABILITY

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

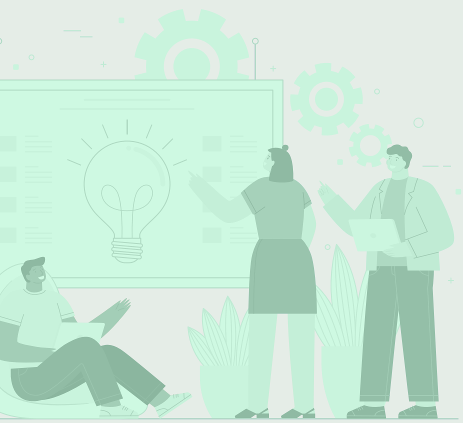
Since 2019 Bonfiglioli has taken a further step towards the future and the environment, committing to publishing an annual **Sustainability Report**, a document that brings together environmental concerns and economic and social issues related to the Group to produce a very clear snapshot of the current and future commitment made by the company to the environment and the management of an ethical business at the highest levels.

The Bonfiglioli sustainability report consists of three fundamental parts.



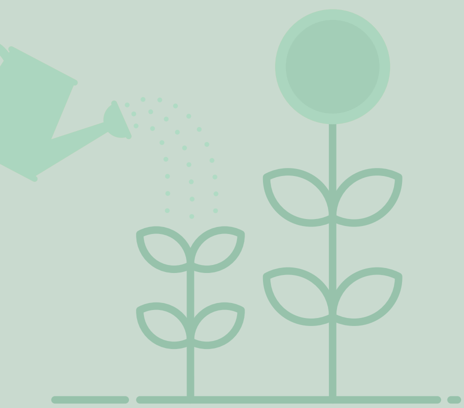
OUR WAY

A STORY OF CONTINUOUS EXCELLENCE



OUR PEOPLE

ENGINE OF SUCCESS



OUR IMPACT

WORKING TODAY FOR A SUSTAINABLE TOMORROW

The Bonfiglioli Group is committed to ***promoting actions to guarantee sustainable development and environmental protection****, undertaking to support the improvement of innovative products and services offering environmental and social benefits. The Recipients of this Code of Ethics are bound to develop an in-depth understanding of the issues of sustainable global development and biodiversity conservation, and to take initiatives to protect the environment in their everyday lives. They cooperate in the implementation of actions and projects promoting environmental protection.*

Code of Ethics,
Bonfiglioli Group

Our commitment to ethical business primarily through an internally shared code.
In addition to this, we promote value creation and distribution among our stakeholders to ensure continued commitment to local communities in the countries we operate in.

Every single Bonfiglioli person is the key to the success of the Group: their knowledge, skills, and expertise are the reasons for our continuous business growth. This is why our people are constantly involved in activities that aim to promote a stimulating and safe environment where everyone can contribute to innovation and excellence with personal talent, passion, and curiosity.
We win together as a team.

Our products are designed with a view to protecting the environment. This is the imprint left by the Founder of our Group, Clementino Bonfiglioli: our daily work must always aim to build a better world. The environment, as well as the well-being of local communities, is one of our key priorities, which is why we devote our efforts to reducing our environmental impact in the design, development, and implementation of our products.

AIMING FOR SUSTAINABILITY

Today, the Group's mission of social responsibility is pursued by our Chairwoman Sonia Bonfiglioli who, following her father's path and his heritage, supports initiatives and projects worldwide, guided by three main pillars:

YOUNG PEOPLE

TERRITORY DEVELOPMENT

STEM & TECHNICAL EDUCATION

We, in fact, support initiatives in several countries around the world: we have launched projects with schools in Vietnam, South Africa, Italy, while, in India, we have provided a safe environment to young boys and girls.

For further information about our projects, our Social Responsibility activities are available online:
https://www.bonfiglioli.com/uk/en/Social-Responsibility

GIVING CHILDREN A CHANCE FOR A BETTER FUTURE

ITALY

MUS-E Musique Europe is a European multicultural project for primary schools hosting many migrant children or those in severe socio-economic or cultural situations.

INDIA

The **boys' and girls' homes** welcome disadvantaged children, giving them the opportunity to live together in a protected environment, receive an education and acquire skills that prepare them for higher education, or give them the chance to enter the labor market.

SOUTH AFRICA

St. Mary's School in Johannesburg provides top level education for talented but disadvantaged girls, preparing them to become responsible citizens in a complex world.

VIETNAM

School in Ho Chi Minh City that provides free education for children from poor and socially deprived homes.

SUPPORTING CULTURE AND HEALTH

Bonfiglioli supports the **Emilia Romagna Epilepsy Association (AEER)** in a pilot project that monitors and treats cognitive and emotional functions in young patients, from 6 to 16 years, with onset of epilepsy.

CINEMA MODERNISSIMO

As a Company attentive to local art and cultural heritage, Bonfiglioli contributes to the restoration of the **Cinema Modernissimo**, at Palazzo Ronzani in Bologna.

LEONARDO MELANDRI STUDY CENTER

The "**Leonardo Melandri Study Center**" Association was established on July 17, 2013. Without neglecting the other results obtained by Senator Leonardo Melandri at local and national level, the Association intends to honor the precious and wise contribution of ideas and organization to the establishment of the University of Bologna in Romagna, promoting its transformation into the current form of "Multicampus".

AMICI DEL MUSEO

Thanks to the collaboration between small and large companies, the Association supports the museum's activities aimed at enhancing the historical-industrial culture of Bologna and consolidating the link between the production reality of our district and the world of technical training. The primary purpose of the Association is to give new life to the industrial territory by promoting development and innovation actions, and by involving the new generations in training projects aimed at relaunching technical-scientific knowledge.

A BRIDGE BETWEEN SCHOOL AND WORK LIFE

LEONARDO COMMITTEE

Clementino Bonfiglioli Prize, named after our company's founder, awards young people who demonstrate excellence in their studies and complete a degree thesis relevant to industrial automation, power transmission and control or mechatronics.

MALPIGHI LA.B

Malpighi La.B is the robotics, IT and 3D design laboratory dedicated to Clementino Bonfiglioli and open to all students in Bologna. It is a place where they can put their skills to test, experiment and cultivate their ideas, in contact with the world of business and research.

Moreover, being a key actor of the mechanical sector, empowers us to actively take part to several roundtables and sector's associations. The following table summarizes the main organizations we support.

SECTOR ASSOCIATIONS WE JOINED

Innovation remains a milestone for us and, therefore, we want to give our contribution in the mechanical sector, by participating in Associazione Clust-ER, Federmeccanica, Associazione Italiana Acquisti and Supply Chain (ADACI), Unione Costruttori Italiani Macchine Automatiche per il Confezionamento e l'Imballaggio (UCIMA). We are proud to underline our support to Federazione Nazionale Imprese Elettroniche ed Elettrotecniche (ANIE) that is the Foundation from which come the 30% of the R&D private expenditure every year in Italy. In addition, to boost the excellence of manufacturing industries of our territory, we actively take part to the Confindustria Emilia Area Centro, and we contribute to Ente nazionale italiano di unificazione (UNI). We mention also our contribution to Federazione Nazionale Cavalieri del Lavoro. To promote equal opportunity in the workplace, we contribute to "4.Managers", "Capo D" and "Il lavoro del Futuro".

5.

FINANCIAL DATA

GROUP CHART 31.12.2020

Bonfiglioli Riduttori S.p.A. (from 01.01.2021 Bonfiglioli S.p.A.)

100% **BONFIGLIOLI ITALIA S.P.A.**
(FROM 01.01.2021 BONFIGLIOLI RIDUTTORI S.P.A.)
ITALY

100% **BONFIGLIOLI MECHATRONIC RESEARCH S.P.A.**
ITALY

100% **BONFIGLIOLI SWISS S.A.**
SWITZERLAND

100% **BONFIGLIOLI TRANSMISSIONS S.A.**
FRANCE

100% **BONFIGLIOLI SLOVAKIA S.R.O.**
SLOVAKIA

100% **BONFIGLIOLI UK LTD.**
GREAT BRITAIN

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

95% **TECNOTRANS BONFIGLIOLI S.A.**
SPAIN

100% **BONFIGLIOLI POWER TRANSMISSION PTY LTD.**
SOUTH AFRICA

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

85% / 15% **O&K ANTRIEBSTECHNIK GMBH**
GERMANY

85% / 15% **BONFIGLIOLI DEUTSCHLAND GMBH**
GERMANY

100% **BONFIGLIOLI VECTRON GMBH**
GERMANY

EMEA **APAC** **AME**

100% **BONFIGLIOLI DRIVES (SHANGHAI) CO. LTD.** CHINA

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

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

73,82% **BONFIGLIOLI REDUTORES DO BRASIL INDUSTRIA E COMERCIO LTDA** BRAZIL

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

100% **BONFIGLIOLI VIETNAM LTD.** VIETNAM

100% **BONFIGLIOLI CANADA INC.** CANADA

100% **BONFIGLIOLI USA INC.** USA

97,52% 2,48% **BONFIGLIOLI TRANSMISSION PVT LTD.** INDIA

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

ORGANIZATION CHART

CHAIRWOMAN

CHIEF EXECUTIVE OFFICER

- RESEARCH & DEVELOPMENT
- REAL ESTATE & FACILITY MANAGEMENT
- INFORMATION TECHNOLOGY & DIGITAL
- HUMAN CAPITAL
- LEGAL & CORPORATE AFFAIRS
- ADMINISTRATION, FINANCE & CONTROLLING
- STRATEGIC PURCHASING
- QUALITY & HSE
- STRATEGIC PLANNING & M&A
- STRATEGIC MARKETING & COMMUNICATION

DISCRETE MANUFACTURING & PROCESS INDUSTRIES BUSINESS UNIT

MOBILITY & WIND INDUSTRIES BUSINESS UNIT

MECHATRONIC & MOTION SYSTEMS BUSINESS UNIT

- INDIA
- CHINA
- NORTH AMERICA
- GREAT BRITAIN
- FRANCE
- GERMANY
- SPAIN
- SWITZERLAND

BOARD OF DIRECTORS

Sonia Bonfiglioli > Chairwoman

Fausto Carboni > CEO

Luciano Bonfiglioli > Director

Tommaso Tomba > Director

Roberto Carlo Testore > Director

Giampiero Bergami > Director

Roberto Tunioli > Director

STATUTORY AUDITORS

Alessandro Gualtieri > Chairman

Monica Marisaldi > Member

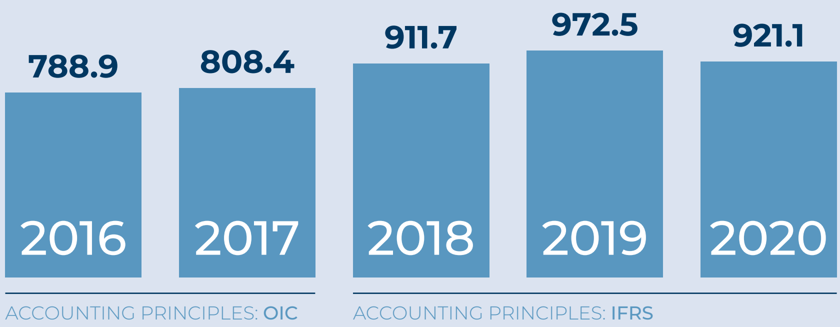
Biones Ferrari > Member

INDEPENDENT AUDITORS

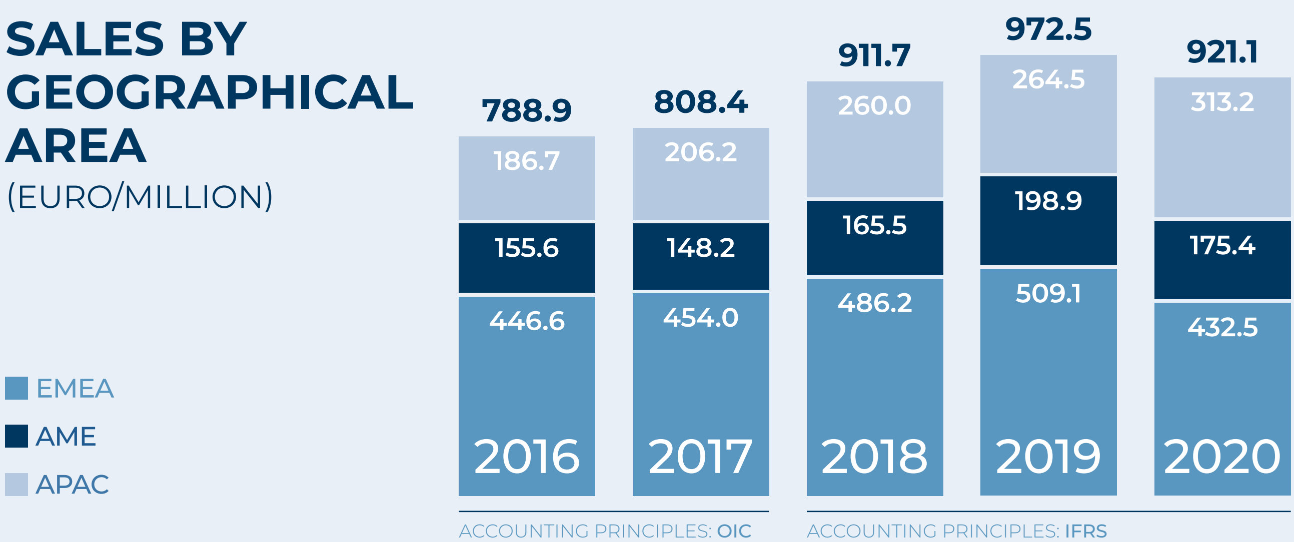
EY S.p.A.

FINANCIAL HIGHLIGHTS

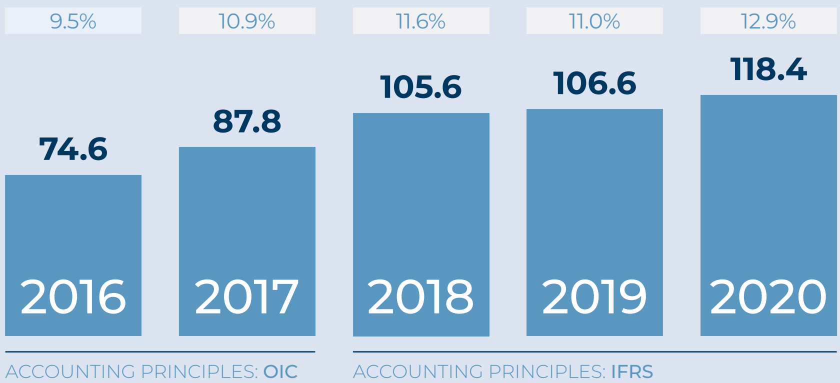
GROUP SALES
(EURO/MILLION)



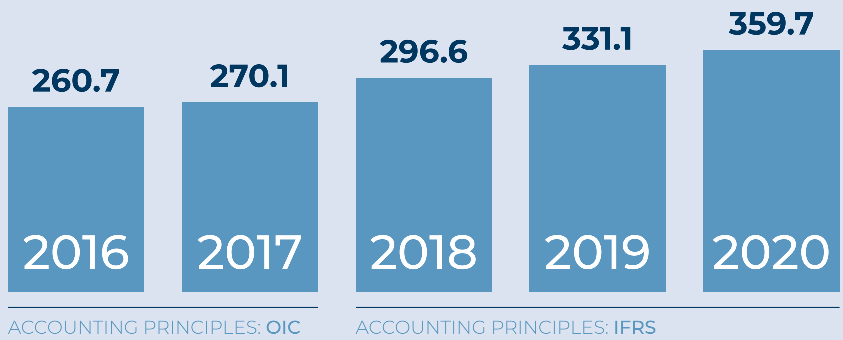
SALES BY GEOGRAPHICAL AREA
(EURO/MILLION)



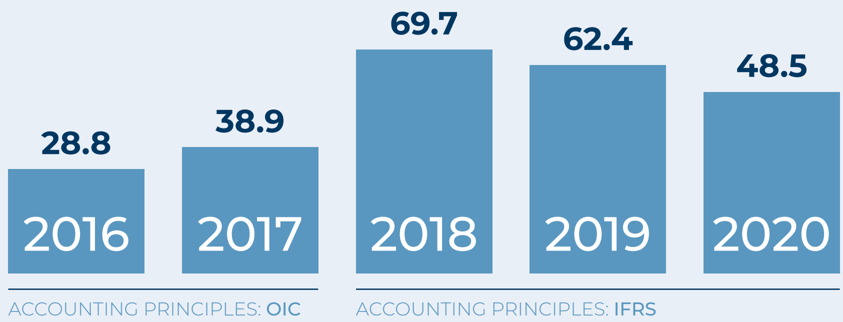
EBITDA
(EURO/MILLION % ON TURNOVER)



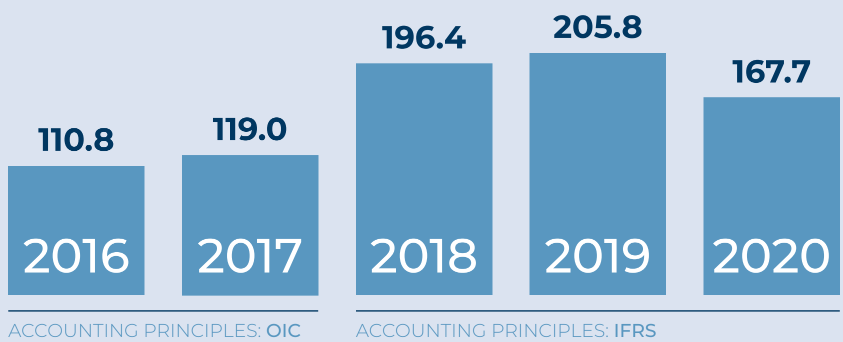
GROUP SHAREHOLDERS' EQUITY
(EURO/MILLION)



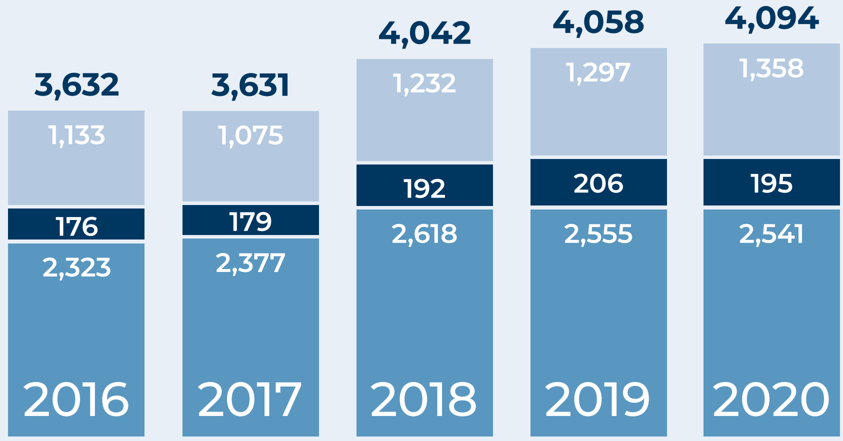
NET CAPITAL EXPENDITURE
(EURO/MILLION)



NET CASH POSITION (NCP)
(EURO/MILLION)



NUMBER OF EMPLOYEES



EMEA
AME
APAC

6.

MANAGEMENT REPORT

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

FOREWORD

This management report accompanies the Consolidated Financial Statements of the Bonfiglioli Group as of December 31, 2020 consisting of the financial statements and related illustrative notes and drafted in accordance with International Accounting Standards (IAS and IFRS) issued or revised by the International Accounting Standard Board (IASB) and approved by the European Union. IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC).
Unless otherwise indicated, data are shown in euro/millions.

ECONOMIC SITUATION

In December 2019 an outbreak of SARS-CoV-2 (acronym for Severe Acute Respiratory Syndrome CoronaVirus 2) or COVID-19 was identified in the Chinese city of Wuhan. During the first quarter of 2020 the virus rapidly spread throughout the planet, forcing the World Health Organization (WHO) to declare a pandemic on March 11, 2020. At the time of writing, the global contagion map, constantly updated by Johns Hopkins University's Center for Systems Science and Engineering (CSSE), has recorded more than 116 million SARS-CoV-2 infections, of which more than 2.6 million fatal. At the individual country level, the United States remains by far the most affected nation, and the number is higher than the total number of victims of the three largest conflicts that Americans fought in, namely the First and Second World Wars and the Vietnam War. Over 11 million cases have been recorded so far in India and Brazil, over 4 million in Russia and Great Britain, and the total number of infections continues to rise throughout the world.
The rapid spread of COVID-19 has caught much of the world by surprise and disrupted the global economy. The pandemic has made us aware that contagious diseases are still a threat to society as a whole, and that they are in fact a side effect of progress and globalization. Due to the lockdown of the world economy, 2020 will be remembered as a historic year, with truly unique economic trends. The second quarter saw the strongest fall in global GDP ever, followed by the sharpest recovery ever recorded when the lockdown restrictions eased in the third quarter and fiscal and monetary stimuli were introduced. However, when the COVID-19 pandemic risked getting out of hand, politicians around the world adopted a "shock and awe" strategy to manage the economic consequences of this health emergency. What makes this situation unique? In a "normal" recession, cyclical sectors of the economy like construction shrink while the services sector reacts better. In this case, in contrast, the impact simultaneously affected the cyclical production sectors and the services economy, resulting in extreme fluctuations in economic activity. This scenario is very rare.
According to data recently published by the International Monetary Fund (IMF), the contraction of the global economy in 2020 will stop at 3.5%, almost one percentage point less than the estimated collapse in October (-4.4%). In the update of the World Economic Outlook released on Tuesday, January 26, 2021, the IMF expects the global economy to grow again by 5.5% in 2021, 0.3% more than the October estimates, before settling at 4.2% in 2022. With the resumption of economic activity, trade is also expected to restart, estimated to grow by about 8% in 2021. According to the most recent data from the World Trade Organization (WTO), trade was down 8% in the first 9 months of 2020. Returning to pre-pandemic levels will take a long time: even with the recovery, the gaps in output may not close until after 2022. Inflation will therefore remain very low, below the targets set by central banks in advanced economies (around 1.5%) and below the historical average in emerging markets (just over 4%), although in recent weeks in several Western countries (especially the USA where the financial stimulus envisaged by the Biden government is enormous) this issue has again been discussed with greater insistence, with some concerns especially regarding the increase in commodity prices.

The United States saw limited damage in 2020, with a contraction of 3.4% (compared to the 4.3% estimated in October), bouncing back to 5.1% in 2021, 2 points more than in October thanks to the recovery in the second half of the year and the support measures launched in December. The Biden administration's economic plan will now be added to this. Preliminary estimates show that the $1.9 trillion package could boost GDP by 5% over the next three years, with an increase of 1.25% already in 2021.

Forecasts for the Eurozone are different. The Euro Area also closed 2020 with less damage than expected, with a 7.2% drop in GDP compared to the -8.3% estimated in October. However, the good news ends there. In 2021 the recovery will stop at 4.2%, less than the 5.2% expected in October. Between the return of infections and lockdowns, the IMF explains, economic activity weakened at the end of 2020, with effects that will drag on in 2021. For Germany, updated forecasts indicate a 5.4% drop in GDP in 2020, followed by 3.5% growth this year. For Italy, the contraction in 2020 will be 9.2% according to the IMF, better than estimated in October (-10.6%). However, it remains a sharp collapse followed by a relatively modest rebound, with growth limited to 3% in 2021, compared to 5.2% that the Fund had estimated in October. The vaccination plan and its implementation speed in different countries has and will have a very significant impact on whether or not growth rates improve.

Many expectations are obviously placed, including by the IMF, on the Next Generation EU program. The EU's long-term budget, combined with Next Generation EU, the temporary instrument designed to stimulate recovery, will constitute the largest stimulus package ever funded by the European Union since its establishment. Next Generation EU is the plan for a "sustainable, uniform, inclusive and equitable recovery." With the €750 billion of the Next Generation EU program and the targeted strengthening of the EU's long-term budget for the period 2021-2027, the overall firepower of the EU budget will reach €1,850 billion. The aim is a greener, more digital, and more resilient Europe.

The United Kingdom, coping with the pandemic and Brexit, will close 2020 with a 10% drop in GDP, followed by a 4.5% rebound, compared to the 5.9% estimated in October.

For Japan, the IMF estimates a 5.1% drop in GDP in 2020, followed by 3.1% growth in 2021 (+0.8%), again thanks to the push guaranteed by year-end measures.

India recorded a sharp decline in 2020 (-8%), with the prospect of accelerating to 11.5% in 2021.

China, which had already restarted at the end of 2020 (+6.5% of GDP in the fourth quarter), is a separate story. Despite the pandemic, which began in Wuhan a year ago, and the all-out tensions with Trump's America, China will be the only large economy to save itself from recession in 2020, with growth estimated at 2.3% by the IMF and an acceleration to 8.1% in 2021. Several studies predict that, precisely because of the damage caused to the United States by COVID-19, China can overcome its great rival as the world's first economy five years ahead of schedule: in 2028, according to Nomura Holdings and the Centre for Economics and Business Research (CEBR), in 2030, according to Euler Hermes. The analysis by the CEBR in its annual report published last December also predicts that Japan would remain the third largest economy in the world until the beginning of the 2030s, when it will be overtaken by India. As a result, Germany will slip from fourth to fifth place in the top ten.

The COVID-19 crisis will leave deep scars: it will push 90 million people into extreme poverty in 2020-21 and cost global GDP $22 trillion between 2020-25. The burden, the IMF recalls, falls disproportionately on less skilled workers, women, young people, employees in face-to-face sectors (such as tourism) and in the informal economy. The "exceptional uncertainty" accompanying the hopes of recovery prompted the IMF to reiterate its call to continue the support policies that have so far cushioned the impact of the crisis. Good news on the vaccine front can lead to renewed confidence and an acceleration in economic activity. On the other hand, new waves of infections, virus variants and delays in vaccination campaigns could compromise recovery. Consequently, economic interventions supporting households and businesses should be confirmed to ensure livelihoods for individuals and prevent business failures. Similarly, financial stability must be ensured through accommodating monetary policies, taking care to contain the risk inherent in very low interest rates. Joint action looking forward to a post-COVID-19 world can help minimize the likelihood of another global crisis caused by a pandemic, and could also represent an opportunity to address the problems that have affected growth and prosperity in recent decades.

CONSOLIDATION AREA

As of December 31, 2020, the consolidation area includes, along with the parent company, 23 controlled companies representing the following manufacturing and industrial organization:

- 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 15 countries, covering development, marketing and sales, logistics, customization and final assembly of the Group's products, pre-sales and after-sales assistance and customer support.

With reference to the consolidation area, please note, as better detailed in the Illustrative Notes:

- capital increase transactions in Bonfiglioli Australia Pty Ltd, Bonfiglioli Turkey JSC and Bonfiglioli Power Conversion India Pvt Ltd, completed by their respective parent companies;
- repurchase by the Parent Company under the contractual conditions of the share package held by SIMEST SpA in Bonfiglioli Drives Shanghai Co. Ltd.;
- exposure of the BEE (Broad-Based Black Economic Empowerment Act) agreement relating to the minority shareholdings in the company Bonfiglioli South Africa Pty Ltd as a financial debt rather than as a Minority, which required a restatement of the related items of the Financial Statements.

ANALYSIS OF 2020 RESULTS

The Consolidated Income Statement reclassified by destination and the Consolidated Statement of Financial Position reclassified according to Capital employed and Funds with respect to the Group's last three years of operations are shown below.

The layouts presented hereunder show figures in millions of euros and in percentage, as well as the main economic-financial indicators.

	VALUES			% OF TURNOVER		
RECLASSIFIED INCOME STATEMENT	2020	2019	2018	2020	2019	2018
TURNOVER	**921.1**	**972.5**	**911.7**	**100.0%**	**100.0%**	**100.0%**
COST OF SALES	(706.1)	(758.0)	(694.5)	(76.7)%	(77.9)%	(76.2)%
GROSS MARGIN	**215.0**	**214.5**	**217.2**	**23.3%**	**22.1%**	**23.8%**
STRUCTURE & OPERATING EXPENSES	(142.7)	(152.7)	(152.1)	(15.5)%	(15.7)%	(16.7)%
EBIT	**72.3**	**61.7**	**65.1**	**7.9%**	**6.3%**	**7.1%**
Financial income and expenses	(6.2)	(6.3)	(6.0)	(0.7)%	(0.6)%	(0.7)%
Exchange rate differences	(2.1)	(1.0)	(1.0)	(0.2)%	(0.1)%	(0.1)%
Dividends, income and charges from securities valuation	0.3	(0.1)	0.1	0.0%	(0.0)%	0.0%
EBT	**64.3**	**54.4**	**58.2**	**7.0%**	**5.6%**	**6.4%**
Current taxes	(14.8)	(14.0)	(17.7)	(1.6)%	(1.4)%	(1.9)%
Deferred taxes	4.3	(3.5)	0.9	0.5%	(0.4)%	0.1%
CONSOLIDATED NET INCOME	**53.9**	**36.8**	**41.3**	**5.8%**	**3.8%**	**4.5%**
Minority	(0.0)	(0.1)	(0.0)	(0.0)%	(0.0)%	(0.0)%
NET GROUP INCOME	**53.8**	**36.7**	**41.3**	**5.8%**	**3.8%**	**4.5%**

	VALUES			% OF TURNOVER		
	2020	2019	2018	2020	2019	2018
PERSONNEL COSTS	**(173.8)**	**(181.3)**	**(171.1)**	**(18.9)%**	**(18.6)%**	**(18.8)%**
DEPRECIATION/AMORTIZATION	**(42.5)**	**(37.6)**	**(35.3)**	**(4.6)%**	**(3.9)%**	**(3.9)%**
PROVISIONS FOR DOUBTFUL RECEIVABLES AND RESERVES	**(3.6)**	**(7.3)**	**(5.2)**	**(0.4)%**	**(0.8)%**	**(0.6)%**
EBITDA	**118.4**	**106.6**	**105.6**	**12.9%**	**11.0%**	**11.6%**

	VALUES			ROTATION (*)		
STATEMENT OF FINANCIAL POSITION	2020	2019	2018	2020	2019	2018
Net working capital	257.3	263.9	247.0	101	98	98
Fixed assets	332.4	331.9	306.6	130	123	121
Other invested capital	(61.8)	(58.4)	(60.2)	(24)	(22)	(24)
Minority	(0.5)	(0.4)	(0.4)	(0)	(0)	(0)
CAPITAL EMPLOYED	**527.4**	**536.9**	**493.1**	**206**	**199**	**195**
Group Shareholders' Equity	359.7	331.1	296.6	141	123	117
Net Cash Position (NCP)	167.7	205.8	196.4	66	76	78
FUNDS	**527.4**	**536.9**	**493.1**	**206**	**199**	**195**

(*) average days of rotation on turnover (base 360)

	VALUES			% OF TURNOVER		
TURNOVER BY GEOGRAPHICAL AREA	2020	2019	2018	2020	2019	2018
EMEA	432.5	509.1	486.2	47.0%	52.3%	53.3%
AME	175.4	198.9	165.5	19.0%	20.5%	18.2%
APAC	313.2	264.5	260.0	34.0%	27.2%	28.5%
TOTAL TURNOVER	**921.1**	**972.5**	**911.7**	**100.0%**	**100.0%**	**100.0%**

INDICATORS	2020	2019	2018	DESCRIPTION
ECONOMIC				
Net ROE	15.0%	11.1%	13.9%	(Net profit/Shareholders' equity)
ROI	13.7%	11.5%	13.2%	(EBIT/Capital employed)
ROS	7.9%	6.3%	7.1%	(EBIT/Turnover)
EBITDA/ Net financial charges	19.1	17.0	17.6	
EQUITY AND STRUCTURE				
Primary structural balance ratio	1.1	1.0	1.0	(Shareholders' equity/Fixed assets)
Financial indebtedness ratio	0.5	0.6	0.7	(NCP/Shareholders’ equity)
NCP/EBITDA ratio	1.4	1.9	1.9	(NCP/EBITDA)
Shareholders' equity tangibility ratio	0.9	0.9	0.8	(Equity-Intangible assets/Equity)
OTHER				
Average number of employees	4,051	4,091	3,899	Annual average
Turnover per employee	227	238	234	Data in thousands of Euro

In 2020 the Group was engaged in a worldwide effort to manage and contain the effects of the COVID-19 pandemic. As better explained in the section on Human Capital, the actions taken were primarily aimed at ensuring the safety of the workplace without penalizing production continuity. For Bonfiglioli, people are the priority, and therefore any regulations and recommendations by recognized national and international institutions were strictly applied for the health and safety of our employees.
Some areas were involved in even more restrictive provisions of national governments that limited production and marketing to essential activities during the first intensive Italian lockdown of March 2020. Bonfiglioli continued to do its best – while ensuring the highest safety standards for its employees, and in compliance with national orders and regulations – to meet the needs of all its customers and more generally of its stakeholders by making use of remote working and calling upon a distinctive international network that helped to overcome some country-specific difficulties.
A COVID-19 task force was established within the Parent Company, committed to regularly monitoring the evolution of the global pandemic and the adoption of more or less restrictive legislative measures in each country the Group operates in. At each Bonfiglioli site, COVID-19 counters have been established to support the management of the pandemic, and in compliance with the regulations in force at the time employee screening protocols were adopted in order to identify and isolate any outbreaks of the infection as soon as possible. All the measures related to temperature measurement, social distancing, the use of masks and the appropriate sanitization of the workplace have been adopted. Access to Bonfiglioli sites by third parties has been reduced to essential activities only, and, thanks to the effort of the Digital & IT function as detailed below in this report, the use of Virtual Desktop Infrastructure (VDI) solutions was bolstered by exploiting the Cloud platforms already in use.
Interventions supporting the economy in the various countries where the virus has rapidly spread have been constantly monitored thanks to the use of a COVID-19 Response Tracker, with a coverage of 138 jurisdictions. This has allowed the Group to learn about COVID-19 incentives as the different countries proceeded with the approval of the related measures, guaranteeing the various Group companies the opportunity to promptly request support from governments in order to contain the increase in costs emerging from the need to manage the pandemic.

Among the actions taken, the highest priority was given to cash monitoring by performing weekly forecasts and simulations with different medium-long term "best-worst" scenarios. Furthermore, all the actions necessary to reduce expenses and non-strategic investments and to correctly manage working capital were taken, ensuring the maintenance of financial commitments with suppliers as "we are all gears of same system."
In particular, important actions were taken to guarantee the Group's Net Cash Position, on the one hand through massive interventions to control credit and customer receipts, and on the other through new medium and long-term loans (EIB and CDP) in addition to refinancing for a longer period than the existing pooled loan.

The pandemic did not stop the Group's investments in production and Research & Development, as detailed in the following sections.

2020 also saw the publication of the first Sustainability Report of the Bonfiglioli Group for 2019! Our responsibility to society and the environment is not recent, but we believe it is time to officially describe and celebrate what it means for us to be a responsible, sustainable Group.

To celebrate the Group's founder, in October in Calderara in the Bazzane industrial area, a street was named after Clementino Bonfiglioli, who in 1956 set up the company that still bears his name. The road is near the new EVO plant, and soon it will become the address of the Parent Company's headquarters. But before the naming, the Bonfiglioli Academy was presented at the EVO plant: this is a new digital e-learning platform, the result of a partnership with the local Region together with FAV (Fondazione Aldini Valeriani) for training support and with FIOM - CGIL Emilia-Romagna. Bonfiglioli Academy is basically a platform dedicated to the employees of the group that offers personalized courses and other services. Users can access a library with external contents, which can also be used with an application available on PCs and smartphones. Bonfiglioli Academy is available online and has been designed not only to meet the needs dictated by COVID-19 restrictions that make it difficult, if not impossible, for many people to meet together in a single space, but also to ensure maximum availability of the training at all times. A significant aspect of this initiative are users: the platform will involve more than 1,000 workers from Italian factories, and once the content has been translated into other languages it will also involve their co-workers around the world. The aim is to put people in a position to develop the skills needed to manage and master technology, keeping "people at the center."

As confirmation of the efforts undertaken by the Group in this difficult year we are proud to report an important award. Last October, Sonia Bonfiglioli was awarded the "Capo d 'Orlando" International Scientific Award for the "Science and Industry" section. This award, which joins those already received by the Group in October 2019 with the Business Excellence award and in 2018 to Sonia Bonfiglioli as Entrepreneur of the Year, bear witness to a path of constant attention to growth consistent with the evolution of the macroeconomic and technological context that the Group operates in.

A further step towards the future was taken in early 2021 with the launch of the new Group tagline. When Clementino Bonfiglioli founded Bonfiglioli in 1956, he was 23 years old and had lots of ideas. Above all, he dreamed of a vibrant world that he wanted to transform into reality. Our first products were not gearboxes but gears, because toothed wheels have moved the world since antiquity. Over the years our range of products and services became richer and more complete and sophisticated, but he never stopped. He continued to work to make it possible for his many ideas, even those that seemed risky, to become reality. This must have been what it seemed like to supply the gearboxes for the first wind turbines in 1975 or set up a factory in India in 1999, and yet they still exist today and are extremely successful.
This is the reason why Yesterday, Today and Tomorrow our aim is to continue to be "Engineers of Dreams", supporting the inexorable evolution of humanity. And that's also why we decided to change our company's payoff to "We Engineer Dreams."

With a view to digitization and new technologies aimed at the market, the Group defined and implemented its e-commerce strategy during the year. Bonfiglioli believes that even within the business-to-business market there is a strong competitive advantage in being among the first in the power transmission sector with a self-service e-commerce platform ready to capitalize on the trend of customer purchasing methods that are shifting online from offline with zero access barriers. This Platform is for all buyers who use the products offered without reselling them (OE, EU, System Integrator) with total purchasing autonomy, without human interaction and supported through a live chat function. The first market to see this very important project go live is North America, but the Group intends to export the same model to Italy, Europe and the rest of the world, also involving the distribution network.

The Group turnover (i.e. revenues from sales and services) in 2020 saw a 5.3% decrease compared to the previous financial year (921.1 M€ compared to 972.57 M€ in 2019). If we consider the worsening exchange rate effect, given the devaluation of all currencies against the euro, the percentage decrease would instead be 3.9%. The reduction in revenues was more consistent in Europe (excluding Germany) and the USA, while China saw a particularly positive performance and became the Group's first world market.
The Consolidated Income Statement shows Group EBITDA at 118.4 M€, equivalent to 12.9% of turnover, an improvement on the previous year (+11.8 M€) in absolute value and in percentage terms (+1.9%).
The analysis of the various components shows that:

- Cost of sales for 2020 came to 76.7% of turnover. The increase in marginality compared to 2019 (+1.2%) was mainly due to the significant reduction in raw material costs and the dynamics of the product mix, which saw an increase in turnover of products with greater marginality (especially in O&K Brand products).
- Structural costs showed a decrease of 10 M€ in absolute value, recording a slight decrease also in percentage terms of turnover (15.5% compared to 15.7% last year).
- The total labor cost fell from 181.3 M€ to 173.8 M€, with a slight worsening in terms of percentage of turnover (18.9% compared to 18.6% last year).
- Amortization, depreciation and other provisions increased in absolute value compared to the previous year (46.1 M€ compared to 44.9 M€ in 2019) despite a slight increase in percentage of turnover (5.0% compared to 4.6% last year).
- Net financial charges in absolute value remained substantially unchanged (6.2 M€ compared to 6.3 M€ last year), with the percentage of turnover also remaining substantially unchanged (0.7% in 2020 compared to 0.6% in 2019).

- Exchange rate dynamics led to losses of 2.1 M€, a value in line with the exchange rate dynamics observed during the year (0.2% impact on turnover compared to 0.1% in 2019) and mainly due to the revaluation of the euro against all the currencies used within the Group.

The Group’s Net Working Capital fell in absolute value from 263.9 M€ to 257.3 M€ with a slight increase in rotation on turnover (101 average days of rotation compared to 98 in 2019).
The Net Cash Position (NCP) recorded a reduction in borrowing in absolute value (from 205.8 M€ in December 2019 to 167.7 M€ in December 2020), while the leverage, i.e. the ratio between NCP and EBITDA, passed from 1.9 in 2019 to 1.4 in 2020.

Net investments amounted to 48.5 M€ (of which 5.3 M€ related to rights of use), as follows:

VALUES IN M€	2020	2019	2018
Land and buildings	20.2	22.6	17.2
Plant and machinery	17.6	20.3	24.5
Equipment	12.7	11.2	12.1
Other assets	4.5	5.9	5.1
Assets under construction	(9.2)	(1.5)	3.8
Tangible assets	**45.8**	**58.5**	**62.7**
Licenses, trademarks, patents	1.7	3.3	2.4
Others (including assets under construction)	1.0	0.6	4.4
Intangible assets	**2.7**	**3.9**	**6.8**
Total Investments	**48.5**	**62.4**	**69.5**

Group's main investments for 2020 are described below:

- Investments in land and buildings mainly concerned the Parent Company (12.6 M€), net of an additional 4.9 M€ under construction at the end of 2019) mostly related to the completion of the EVO plant. Further investments were made for the expansion of the plant of the American subsidiary (4.1 M€) and for the new leased plant of Bonfiglioli Mechatronic in Rovereto (2.1 M€).
- Investments in plant, machinery and equipment also primarily concerned the Parent Company (16.9 M€) for the purchase of machinery and equipment related to the upgrading of the EVO plant in Calderara di Reno and the Forlì plant. Further investments were made in the plants in Vietnam (1.3 M€), USA (1.7 M€), Rovereto (1.2 M€), Slovakia (1.3 M€), O&K (1.0 M€) and above all India (5.1 M€).
- Investments in other assets, including 1.7 M€ for right to use of other tangible assets (IFRS 16) mainly concerning the Parent Company (2.1 M€).
- Investments in licenses, trademarks and patents mainly cover the purchase of software licenses by the parent company (1.4 M€).
- Investments in other assets under construction, gross of the completion of those in development at the end of 2019, mainly related to development expenses of Bonfiglioli Vectron GmbH.

ALTERNATIVE PERFORMANCE MEASURES

In order to ensure a better understanding and assessment of the Group's performance, some alternative performance measures (APMs) have been used in the preceding paragraphs that are not defined as accounting measures under IFRS (non-GAAP measures). These indicators also represent the tools that help the directors to identify operational performance and make decisions about investments, resource allocation, and other operational decisions.
For a correct interpretation of these APMs, the following is noted:

(i) These indicators are calculated exclusively using the historical data of the Group and are not indicative of the future performance of the Group itself.
(ii) The APMs are not required by IFRS and, while they are derived from consolidated financial statements, they are not audited.
(iii) The APMs should not be considered as a substitute for IFRS indicators.
(iv) These APMs must be read together with the Group's financial information taken from these consolidated financial statements.
(v) The definitions of the indicators used by the Group and not deriving from the accounting standards of reference may not be the same as those adopted by other Groups and therefore comparable with them.
(vi) The APMs used by the Group are drawn up with continuity and uniformity of definition and representation for all the periods for which financial information is included in these financial statements.

The following is the description of the main indicators employed, where not already illustrated in the Consolidated Financial Statements:

- Net cash position (net financial debt): offers a better assessment of the Group's overall level of indebtedness.
- Net working capital, fixed assets and other capital employed: offer a better assessment of the ability to meet short-term trade commitments and the consistency between the commitment structure and that of the sources of financing.

RISK MANAGEMENT

Following is an analysis of the main risks the Group is exposed to, these risks related to events capable of producing negative effects on the pursuit of the company's objectives and that 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 the Group operates in: increase or decrease in GDP, consumer and business confidence, currency and interest rate fluctuations, cost of raw materials, etc. In 2020 Bonfiglioli faced an unparalleled pandemic and consequently an economic crisis with effects in all the countries where the Group operates.

RISKS CONNECTED WITH THE MARKET SECTORS SERVED

The Group works in many markets, divided into three Business Units: Industrial (D&P), Automation (M&M) and Mobile & Wind (M&W). Each business is followed by dedicated organizations, i.e. Business Units, which are responsible for developing products and customer bases for the sectors concerned.

The wide range of markets served and applications supplied has always provided refuge from economic slumps by allowing the Group to balance the product offering of sectors in decline with those in growth and vice versa. The Group is still exposed to financial and systemic crises, such as the world economic crisis of 2008/2009 or the current global health crisis related to the COVID-19 pandemic.

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 Cash Position under constant check and to monitor the business's 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 customers' failure 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 been very low. Also following the Pandemic, the Group multiplied the efforts of both commercial and administrative staff, continuing to collect in the required times and manners, achieving very positive results.

RISKS CONNECTED WITH EXCHANGE AND INTEREST RATE FLUCTUATIONS

As it operates in many markets around the world, the Group is naturally exposed to exchange rate fluctuations, linked mainly to the geographical distribution of production and sales that generate import/export flows in currencies different from those 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, Chinese Yuan and other minor currencies. With regard to incoming flows, risks concern imports from Japan in Yen and, for those companies based in India, Vietnam, Singapore, Turkey, Brazil and South Africa, by imports of goods from countries having strong currencies (euros and USD).
The risk of interest rate fluctuations derives from medium/long term debts at variable interest rates.
In keeping with its risk management policies, the Group tries to hedge risks deriving from exchange and interest rate fluctuations through the purchase of derivative financial instruments similar in duration to the risk to be covered. The Group works via a management procedure for hedging foreign exchange and interest rates in line with the evolution of these risks.

RISKS CONNECTED WITH THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses financial instruments hedging the interest rate and exchange rate risks stated above to minimize operational import-export risks and to stabilize expected financial flows for interest on medium/long terms debt. The companies in the Group do not use speculative derivative financial instruments.

RISKS CONNECTED WITH EMPLOYMENT RELATIONS

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

RISKS CONNECTED WITH COMPETITION

The macroeconomic recession of recent years has had the effect of making consumption less predictable in almost all sectors that the Group's products are used in (manufacturing and construction 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.

HUMAN CAPITAL

The COVID-19 pandemic substantially influenced the normal performance of work activities.
In this regard, the Human Capital department promoted the timely implementation of all the actions necessary to ensure the safety of the workplace and production continuity.
In Italy, the first agreements with the relevant trade unions signed in this regard follow the nationwide agreement on the Protocol for the prevention of contagion in the workplace. After discussions with the trade union, an understanding was reached that regulates access to and conduct in the workplace and the management of any suspicious cases.
The Bonfiglioli Group is present in 17 countries around the world where it has operated according to the local directives of each country with the sole aim of constantly preserving the safety of all workers in every part of the world.
The labor market also suffered serious repercussions due to the pandemic, but despite this the Bonfiglioli group continued its investment in people with 394 new hires, of which 15% in Italy. 58% of these have professional skills linked to production, while 12% relate to sales and 8% to product development.
As of December 31, 2020, the Group has 4,094 employees (including 289 temporary workers). Geographical presence is most marked in the EMEA area with 65% of employees. The remaining part is divided between the geographical areas of APAC 30% and AME 5%.
The Bonfiglioli Group believes very much in people as a distinctive element for the business, and for this reason the past year saw a series of initiatives oriented towards the development of Bonfiglioli's human capital.
It was a year of intense organizational work and alignment with the renewed business strategy. The fundamental element was the reduction of the complexity of the Group by simplifying and speeding up decision-making processes while maintaining the current organizational model based on the Central Functions / Business Units / Countries matrix. The main areas involved were the production and sales departments of the group with the aim of developing specialized technical skills and improving processes aimed at creating value.
2020 was also characterized by important initiatives dedicated to a "global employee experience." Global Human Capital models were introduced using digital tools and instruments to increase a sense of belonging, develop a common group culture, and facilitate cooperation through a shared digital space.
The new E-ngenious digital platform is an essential element of this effort. Through E-ngenious we have created a common space where all employees are informed and involved in the organizational evolution of our group and in the new initiatives carried out by the Human Capital department. We want to facilitate "bottom-up thinking" and "Business Value Creation" and enable managers to make decisions through quick, on-demand access to essential information about their teams and the Bonfiglioli business.
The Bonfiglioli Academy Digital Platform introduced in 2020 also strengthens this vision by facilitating continuous learning and knowledge sharing.
For the Group, the training of both operational and non-operational staff has always been a fundamental asset. In 2020 we continued this initiative that began in 2018 with Bonfiglioli Digital Re-Training, transforming the path into digital spots accessible to all employees and extending training to our plant in Rovereto, where all workers will be involved in a training program of 120 hours each. Furthermore, we have extended the Academy to all Italian workers in order to increasingly extend the technical know-how of our employees.
Also, as part of the "Bonfiglioli global employee experience" we introduced "International Job Postings." This process of developing internal skills through targeted mobility was launched in 2020 with the aim of promoting the professional and personal development of our employees. We will continue to encourage this initiative during 2021.
The successful "B-Welfare" program, which continues to expand with new services, was joined by the "My Special Offers" initiative that, through a dedicated portal, provides employees with unique discounts and offers on a wide range of products and services of the most prestigious brands.
In addition to numerous projects aimed at creating a positive experience that meets employee expectations throughout the career path, we have improved the "Bonfiglioli candidate experience."
Through the implementation of an Agile project that involves key people within our organization in both the Human Capital and business spheres, the analysis and redefinition of our "candidate experience" was initiated with the aim of

making it more attractive and competitive. An analysis of the requirements necessary for the implementation of new tools to support recruitment was also launched.
This year we will continue our participation in some events with strategic higher institutions and universities, with the aim of confirming Bonfiglioli's interest in young people also with a view to career guidance. In this regard, there was significant participation in the CapoD project, which sought to inform young people in middle schools about the company in order to bring them closer to careers in the technical-scientific field.

RESEARCH AND DEVELOPMENT

Expenditures in 2020 in the area of Research and Development totaled around 12.7 M€ at a Group level. To this must be added the costs capitalized by Bonfiglioli Vectron for a total of 1.2 M€.
A breakdown of the main development projects is given below.

APPLICATIONS IN THE EARTH MOVING, CONSTRUCTION AND MINING SECTOR

In the construction machinery sector, the validation of continuous mechanical transmission for telescopic trolleys has been completed and standard production has begun for a leading manufacturer in the American market.
In the earthmoving and mining machinery sector, the expansion and renewal of the O&K Antriebstechnik range of slew drives continue with good results, now in the experimental validation phase, with the aim of exploiting the reliability and many years of experience of the German company in synergy with the technology and competitiveness of the Bonfiglioli Trasmital product.
On the development of hydraulic motors, following the completion of experimental validation activities in the lab, some particularly innovative solutions entered the final phase of field validation.
Finally, to maintain competitiveness in the earth moving market and increase the market share, some projects were launched to rationalize and optimize the product range, focused in particular on rotation systems for tracked and rubberized excavators.

APPLICATIONS IN THE AGRICULTURE SECTOR

In the field of transmission systems for agricultural applications, some projects were launched to rationalize and optimize the product range, in particular with regard to wheel reducers, in order to guarantee better compactness and reduced axle space and implement new solutions that allow further improving the performance of the vehicle in terms of braking capacity and efficiency, thus meeting increasingly stringent requirements in terms of emissions and fuel consumption, as well as increasing hourly productivity.

APPLICATIONS IN THE ELECTROMOBILITY SECTOR

In the construction machinery sector, following the completion of some traction solutions for large self-propelled, electric or hybrid crushers, a project was developed relating to a whole range of electric motors compatible with the requirements of off-highway vehicles. The technology used is that of permanent magnet systems with liquid-cooled stators, and maintains the same robust characteristics and high degree of integration with mechanical production current reducers, ensuring reliable use even in environments that are very difficult due to mechanical stresses and external agents.
With regard to the activities for the development of electrical solutions for small and medium range excavators, vehicle validation activities for cab rotation and travel drives for applications up to 4 tons were completed.
Again, the technical solutions adopted made it possible to overcome the great challenges in terms of performance and compactness.
The trend of electrifying earthmoving machines has also been confirmed on heavier applications, for which prototypes of excavator rotation systems have been developed.

APPLICATIONS IN THE MARINE AND WIND GENERATOR SECTOR

In the Marine and Offshore market, after obtaining type approval certification with the certification body ABS for planetary products in the 300 series, the approval processes for products in the 700 series are being completed with both certification bodies ABS and DNV-GL and for the 300 series with DNV-GL. This is a very important milestone that required major standardization and revision of calculation methodologies and product documentation.
The design of a new range of planetary drives dedicated specifically to winch applications continues, and prototyping activities have begun to complete product validation. In particular, offshore projects were launched to develop gearboxes for platform lifting systems for offshore wind turbine installations and other oil and gas operations.
In the wind turbine sector, the project to renew the entire range of planetary drives for blade rotation and turret rotation is nearing completion. This includes both the development of new sizes needed to supply compact and optimized solutions for specific applications and the exploitation of synergies with components and sub-assemblies used in other product ranges in order to guarantee reliability and service levels in an increasingly global and competitive market.

INDUSTRIAL APPLICATIONS

The development of gearboxes for use in the industrial sector continued with the expansion of the Light Duty product ranges and the creation of new versions for the Heavy Duty ranges, designed to meet the needs of the main markets.
In the Light Duty sector, industrialization in preparation for the launch of production of the new line of coaxial gearboxes has been completed.
At the same time, the definition of a new range of orthogonal gearboxes has begun for those sectors of the market where the worm-end technology fails to meet the ever-increasing demands in terms of efficiency and energy containment.
Particular attention was then paid to the pharmaceutical and chemical sector, for which specific versions were developed and manufactured using parallel axis transmission as a drive in liquid dryer filters.
Specific solutions were also introduced with a customer interface capable of withstanding high loads that are effectively used in bridge crane handling, with the aim of increasing current market shares in the lifting sector.
In the Heavy Duty sector, the completion of the HDO and HDP product range was completed with the introduction of new engine configurations and versions to improve thermal performance, including the possible implementation of forced cooling accessories. The development drivers for these product families arise from the need to improve competitiveness and increase performance both in terms of torque and specific power. With these assumptions, the rationalization of production processes on components with high added value was completed through the in-sourcing of mechanical machining and the optimization of the parts involved in load transmission.
With regard to the development of electric motors for industrial operating machinery, an important project for the renewal of the current range of electric motors compliant with the IE3 efficiency class is nearing completion, aiming to improve energy performance, integrate the electric motors to all their referred gear motors in terms of design and mechanics, making the various options available modular and at the same time reducing costs through the optimization of magnetic material use.
The new series of IE3 motors was also extended in terms of power and will expand Bonfiglioli's range on the market with high-efficiency solutions for power ratings from 0.12 to 30 kW.

CROSS-CUTTING RESEARCH INTO PRODUCTS, DIGITIZATION AND IOT SYSTEMS

In 2020, product digitization focused on the design and development of the first prototypes of smart multi-sensor dedicated to predictive diagnostics, prognostics, and the implementation of related algorithms through the preparation of sensorized pilots that have been verified in some specific pilot applications.
The IoTwins project is part of the Wind sector, funded by the European Community as part of the Horizon 2020 program for which Bonfiglioli acts both as coordinator of a consortium of 25 companies, universities, and international research centers, and leader of an experimental project that aims to develop a scalable modular platform for predictive maintenance of wind turbines based on artificial intelligence models. For this project, the development and prototyping of additional dedicated and sensorized Yaw Drive sets (using a new torque sensor and smart multi-sensors) for a wind farm in Ireland were completed.
Finally, the integrated modular predictive and prognostic analytical system, based on Bonfiglioli specifications that includes the integration of sensors and wireless communication systems (multi-smart sensors) and allows direct interfacing

with the control electronics, saw the first prototype sampling. An initial evolution is underway to take into account the improvements achieved in the first validation loop.
In the specific field of artificial intelligence aimed at developing predictive maintenance algorithms for industrial drives and electric motors, in addition to the Mechatronic project in Rovereto, other partnerships have been launched with labs and universities in the region.

DEVELOPMENT AND OPTIMIZATION OF PRODUCT DEVELOPMENT SUPPORT PROCESSES

Following the completion of the unification process of the product development procedure, which has been made compliant with the stringent APQP requirements, the tools to support design and industrialization were enriched with the introduction of a sub-process related to the execution of tests in the test room, available in the PLM (Product Lifecycle Management) environment and integrated with the main PDP (Product Development Process) product development and ECR (Engineering change request) change management processes. This process can also be used synergistically between the different R&D platforms, in particular with the aim of making the best use of the experimental resources available in the Group's five Research Centers.
On the product configurator front, the migration to the new Mosaic 3.0 interface was completed, enriching the technical documentation with 2D product drawings that can be downloaded by customers during the offer phase, together with the datasheet with the technical data. Furthermore, some parts of the platform were revised and enhanced to be used within the already active e-commerce portal.

AUTOMATION

In 2020 we continued to study new strategies and mathematical models for monitoring the working conditions of drives and for motion control. An important objective is the prediction of the useful life of the product and the prevention of faults and malfunctions starting from the internal components of the inverters to extend the evaluation to the entire chain of motion control, including motors and drives. As regards the modeling and control of electric motors, the main objective was to improve the control strategies of synchronous and asynchronous motors thanks to the greater efficiency of more recent simulation instruments and new integrated circuit technologies adopted in new generations of products under development. In particular, digital twins of the processes to be controlled are being used in order to stimulate control and regulation under very different operating conditions, which are not always feasible with physical systems. The resulting algorithms are being integrated into the firmware of the next series of inverters and servo drives.
To improve the software validation process in terms of quality, time-to-market, and efficiency, the development of new automated systems for software testing (unit testing and integration testing) has begun.
With specific regard to products, in 2020 work continued on the development of a new technological platform from which different lines of inverters and servo drives have derived, presenting the first series to the market during the year: AxiaVert. The presentation took place at an international press conference and via SPS Connect, a digital version of the SPS fair in Nuremberg. The most important objective of this project is the consolidation of the existing business and access to new applications through the improvement and renewal of technologies, the optimization and simplification of customized solutions, and the introduction of advanced safety functions in accordance with the latest safety requirements for industrial machines. The product functions also respond to new market needs such as energy efficiency, energy recovery with re-injection into the power grid, and the Industrial Internet of Things (IIoT). With the development of innovative human-machine interfaces based on mobile and in-situ devices for local and remote control, particular attention is paid to the suitability of the product for use and the simplicity of user interaction.

DIGITAL&IT (INFORMATION TECHNOLOGY)

The actions taken in 2020 to respond to the COVID-19 pandemic also had repercussions on the Bonfiglioli Digital & IT organization.
With regard to infrastructure in particular, Virtual Desktop Infrastructure (VDI) solutions were implemented and distributed leveraging the Cloud platforms already in use. This made it possible to allow a large number of users to work remotely in a very short amount of time, especially in the early stages of the lockdown period, both in Italy and in all the countries where Bonfiglioli sites are located.
At the same time, the flexibility of the existing infrastructure made it possible to support the sudden reorganization of data traffic resulting from the massive use of remote operations. The reconfiguration of the existing VPN infrastructure made it possible to react effectively to the sudden increase in connections from outside the company network.
However, the COVID-19 emergency did not slow the main initiatives in the Digital & IT area.
As part of the Cloud Shift roadmap, the project to move the Group ERP application stack to the Cloud environment was successfully completed in the first months of the year. The delicate transition was carried out on schedule without any disruption for the users.
Another important project, completed in the middle of the year, was the relocation of the primary Data Center, made necessary by the decommissioning of the previous Bonfiglioli headquarters.
Again, despite the additional complexities deriving from the health emergency, the transfer took place without any impact on the users.
In the area of Cybersecurity, activities to increase the effectiveness of cyber attack protection tools continued this year.
The implementation of the governance model of administrative rights on endpoints was completed, now managed on three separate layers (central servers, departmental servers, PCs).
On the collaboration front, migration from Skype to Microsoft Teams was completed, a process that was facilitated by a significant increase in the use of the collaboration platform throughout the pandemic in all the geographical areas covered.
In the application field, in 2020 an important technological update of the MOSAIC online product selector and configurator was released for SAP Hybris, available in a renewed graphical interface and enriched with new features.
With the same technology, the e-commerce platform in the USA was launched in December 2020 to allow US and Canadian customers to purchase Bonfiglioli products, handling everything from registration to payment by credit card in a single transaction.
Some important modifications were made to the BOARD tool to support the implementation of a pilot scenario of the Budget definition and consolidation process.
The process, which was concluded successfully, will be further developed and extended to the entire Bonfiglioli Group in the coming year.
In the Supply Chain field, an ambitious project was initiated to standardize the process of generating and managing product identifiers (serial numbers), a prerequisite for the activation of advanced functions on Bonfiglioli products based on IoT technologies.
Finally, during the year an important project was launched in partnership with the Human Capital area aimed at improving Recruiting and Onboarding processes, with the goal of activating the processes defined during the course of 2021 with the support of the Successfactors solution.
On the strictly Digital front, 2020 saw the start of activities related to the project financed by the Ministry of Economic Development in cooperation with the Emilia-Romagna region through so-called innovation agreements. The loan covers 26% of the activities (with a total value of roughly 10 M€ over the 42 months of the project) that fall under the overall name of Digital@Bonfiglioli and are divided into the following four macro-areas:

- Predictive Maintenance
- Electronic Work Instructions
- Advanced product selector and 3D Configuration
- Advanced Warehouse Management

The fruitful application of the agile methodology continued, extending it from specific innovative business unit projects to corporate processes, specifically:

- Agile Budget
- Agile Recruiting

which made it possible to define so-called Minimum Viable Processes/Products for immediate application to the Bonfiglioli business context.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

In 2020 the Quality Management System certification according to standard ISO 9001:2015 was assessed and the certification of the integrated "safety and environment" management system was renewed with the transition to ISO 45001. Several projects were carried out with the aim of increasingly integrating management systems with the processes of defining the company's strategies and objectives.

Again in 2020, the Vietnamese plant earned certification of its environmental management systems according to the ISO 14001:2015 standard.

Internal and third-party auditing also continued thanks to the development of auditing and monitoring systems with virtual auditing techniques.

In terms of company KPIs, the use of a Group Scorecard is now consolidated in such a way as to make the data easily available and monitorable. Further indicators related to after-sales service performance and specific environmental KPIs at a Group level are also being defined.

A major boost was given to the creation of a system to propose, evaluate, and extend some best practices developed within the group.

Works was also done to identify and monitor the costs associated with non-quality, and the product development methodology (APQP) applied to integrate and optimize the different development phases was also consolidated and monitored.

In terms of supplier quality, cooperation continued with the Strategic Purchasing Department to optimize a Group Vendor List and consolidate a stronger supplier base. Specifically, work was carried out to optimize the supplier base in China and India, where selections of local suppliers that can be used at a Group level started following the logic of the global strategy for Gears and Iron Castings. 2020 also saw the launch of the new "vendor rating" indicator that allowed a more effective evaluation of supplier performance even during the process development phase.

Following the creation of the "BEST" technical specification which identifies Bonfiglioli's requirements for the qualification and subsequent certification of the distribution chain, several distributors were certified, with the involvement of an accredited third party.

Efforts continued to audit production processes and define standards valid at a Group level, as well as support to plants in the installation of new production platforms/production lines using methods such as Internal PPAP.

On the product side, support continued to the local Quality departments for Claims management, root cause analysis, and consequent corrective actions management. The Group plants were also supported in the release of new products and during type-approval/surveillance audits by customers.

Also worthy of note is the performance of customer ppm (Parts Per Million), which continued the downward trend, settling at -8%, compared with the previous year.

BUSINESS OUTLOOK

Orders in the first two months of the new year have grown by 32.7% compared to the same period of the previous year. In terms of consolidated sales for the first two months of 2021, an increase of 21.7% was recorded compared to the same period of the previous year, while in 2020 these two months had already begun to feel the effects of COVID-19 on the Chinese market.

On March 12, with an investment of 7.2 M€, Bonfiglioli group won at auction the assets relating to the company Sampingranaggi S.r.l. and Samp Machinery Shanghai Co. Ltd., the division of Samp S.p.A. specialized in gears. The acquisition provides the possibility to integrate some strategic component productions, including bevel gears, while in terms of business development it offers entry into the robotic gearbox market, where there is ample room for growth in future both in Italy and in China. The transaction includes the assets of the Italian and Chinese companies, the inventories, the brand, patents, designs and products for robotics and the total absorption of staff. Behind the acquisition there is not only an industrial project, but also a family history. "If in the post-war period Sampingranaggi had not been there," recalls Chairwoman Sonia Bonfiglioli, "today Bonfiglioli would not exist. It all began in 1948 when a young engineer started out on a precious journey of work and experience that, three years later, led him to start his first business." That young man was Clementino Bonfiglioli.

Significant challenges await the Group in 2021, a year that will continue to be shaped by the prevailing uncertainty dictated by the pandemic still underway. Bonfiglioli will face the challenges that await the world also thanks to the awareness that this experience has left us on solid footing and unified the teams that make up the Group in the world, whom we thank for the effort and passion shown in this difficult year.

FURTHER INFORMATION

OWN SHARES

The parent company does not hold and has never held own shares, nor does it hold stakes or shares in controlling companies.

Calderara di Reno (Bologna), March 29, 2021
for The Board of Directors

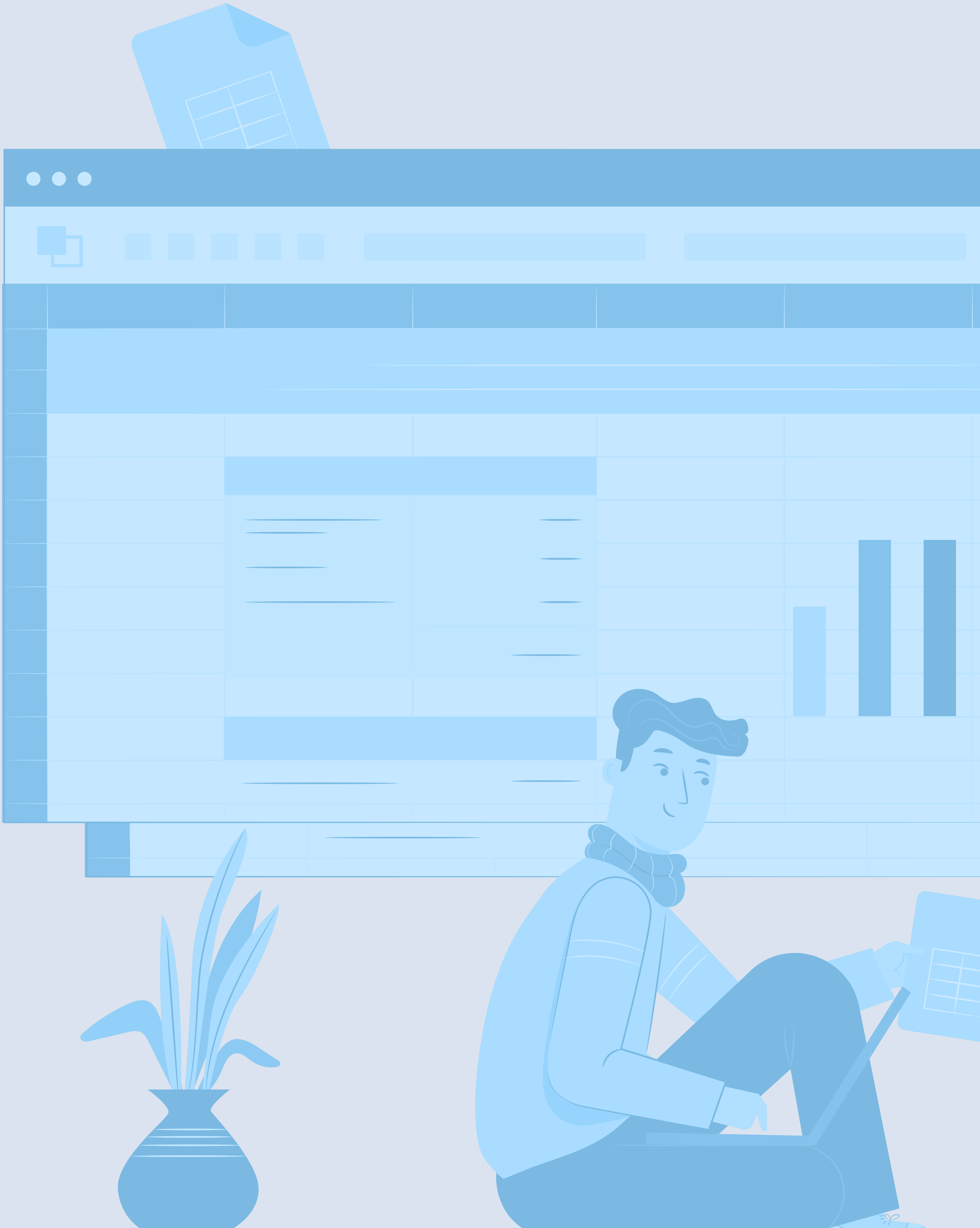
The Chairwoman
Sonia Bonfiglioli

7.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF 31.12.2020

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



CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2020

(EURO THOUSAND)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.2020	31.12.2019	Changes
NON CURRENT ASSETS				
Tangible assets	1	286,798	282,319	4,479
Development costs	2	544	1,088	(544)
Other intangible assets	2	44,948	48,411	(3,463)
Share investments	3	63	64	(1)
Other non current financial assets	5	810	545	265
Deferred tax assets	6	36,310	32,423	3,887
Other non current receivables and assets	10	7,794	6,167	1,627
TOTAL NON CURRENT ASSETS		**377,267**	**371,017**	**6,250**
CURRENT ASSETS				
Inventory	7	252,399	256,350	(3,951)
Trade receivables	8	214,863	210,140	4,723
Current derivatives	4	267	88	179
Corporate tax receivables	9	3,198	4,111	(913)
Other current receivables and assets	10	18,368	20,365	(1,997)
Cash and cash equivalents	11	75,342	52,617	22,725
TOTAL CURRENT ASSETS		**564,437**	**543,671**	**20,766**
TOTAL ASSETS		**941,704**	**914,688**	**27,016**

EQUITY AND LIABILITIES	Notes	31.12.2020	31.12.2019	Changes
GROUP EQUITY				
Share Capital	12	50,000	50,000	-
Reserves	12	110,887	128,658	(17,771)
Retained earnings (losses) carried forward	12	144,986	115,741	29,245
Group' income (loss)	12	53,836	36,742	17,094
TOTAL GROUP EQUITY		**359,709**	**331,141**	**28,568**
TOTAL MINORITY INTERESTS		452	436	16
TOTAL EQUITY		**360,161**	**331,577**	**28,584**
NON CURRENT LIABILITIES				
Non current borrowings	13	201,184	155,493	45,691
Non current derivatives	4	1,232	-	1,232
Non current provisions	14	18,096	22,203	(4,107)
Non current employee benefit obligation	15	18,816	18,716	100
Deferred tax liabilities	6	12,667	12,955	(288)
Other non current payables and liabilities	17	7,073	4,159	2,914
TOTAL NON CURRENT LIABILITIES		**259,068**	**213,526**	**45,542**
CURRENT LIABILITIES				
Current borrowings	13	42,650	103,471	(60,821)
Current derivatives	4	923	1,729	(806)
Current provisions	14	15,650	14,241	1,409
Current employee benefit obligation	15	1,031	1,109	(78)
Trade payables	16	210,011	202,574	7,437
Corporate tax payables	9	4,172	1,213	2,959
Other current payables and liabilities	17	48,038	45,248	2,790
TOTAL CURRENT LIABILITIES		**322,475**	**369,585**	**(47,110)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**941,704**	**914,688**	**27,016**

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2020

(EURO THOUSAND)

CONSOLIDATED INCOME STATEMENT

	Notes	31.12.2020	31.12.2019	Changes
Revenues from sales and services	18	921,092	972,498	(51,406)
Material costs	19	(526,781)	(569,754)	42,973
Payroll costs	20	(173,756)	(181,349)	7,593
Services, leases and rentals	21	(122,293)	(135,942)	13,649
Other operating income	22	26,150	26,749	(599)
Other operating costs	23	(5,987)	(5,610)	(377)
GROSS OPERATING PROFIT (EBITDA)		**118,425**	**106,592**	**11,833**
Depreciation and impairment	24	(42,467)	(37,554)	(4,913)
Bad debt provision		(329)	(469)	140
Other risks provisions		(3,288)	(6,838)	3,550
OPERATING PROFIT (EBIT)		**72,341**	**61,731**	**10,610**
Financial income and (costs)	25	(6,213)	(6,266)	53
Foreign exchange gains and (losses)	26	(2,127)	(1,036)	(1,091)
Investments' income and (costs)	27	301	(77)	378
PROFIT BEFORE TAX		**64,302**	**54,352**	**9,950**
Taxes	28	(10,450)	(17,538)	7,088
CONSOLIDATED INCOME (LOSS)		**53,852**	**36,814**	**17,038**
Minority		(16)	(72)	56
GROUP' INCOME (LOSS)		**53,836**	**36,742**	**17,094**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31.12.2020	31.12.2019	Changes
CONSOLIDATED INCOME (LOSS)	53,852	36,814	17,038
Actuarial gains (losses) on employee benefit obligations	(585)	(1,269)	684
Tax effect	174	346	(172)
Items that will not be reclassified to income statement	**(411)**	**(923)**	**512**
Foreign exchange currency conversion reserve variation	(19,589)	1,101	(20,690)
Reserve for hedging derivatives variation	(361)	(524)	163
Tax effect	86	126	(40)
Items that may be reclassified to income statement	**(19,864)**	**703**	**(20,567)**
CONSOLIDATED COMPREHENSIVE INCOME	33,577	36,594	(3,017)
Minority	(16)	(72)	56
GROUP' INCOME (LOSS)	33,561	36,522	(2,961)

CONSOLIDATED CASH FLOW AS OF 31.12.2020

(EURO THOUSAND)

		31.12.2020	31.12.2019
A.	**Opening Cash and Cash Equivalents**	**52,617**	**38,534**
B.	**OPERATING ACTIVITIES**		
	Group' Income (Loss)	53,836	36,742
	Minority	16	72
	Depreciation and impairment	42,467	37,554
	Bad debt provision	329	469
	Other risks provisions	3,288	6,838
	Interests	6,213	6,266
	Current and deferred taxes	10,450	17,538
	Cash flow before operative capital employed variation	**116,599**	**105,479**
	Trade receivables variation	(12,415)	(10,251)
	Inventory variation	(7,075)	8,659
	Trade payables variation	10,519	(13,675)
	Derivatives FMV variation	(27)	445
	Risks provision variation	(5,986)	(4,696)
	Employee benefit obligations variation	(379)	(697)
	Current and deferred taxes variation	(355)	(1,001)
	Current taxes paid	(10,398)	(15,882)
	Other assets and liabilities variation	9,888	(7,600)
	Interests paid	(6,554)	(6,436)
B.	**Cash flow originating from (used for) operating activities**	**93,817**	**54,345**

		31.12.2020	31.12.2019
C.	**INVESTING ACTIVITIES**		
	CAPEX tangible	(45,757)	(58,518)
	CAPEX intangible	(2,777)	(3,900)
	Share' investments		(9)
C.	**Cash flow originating from (used for) investing activities**	**(48,534)**	**(62,427)**
D.	**FINANCING ACTIVITIES**		
	Third-party funding		
	Borrowings Variation	(60,782)	(23,077)
	New Loans	145,867	42,867
	Loans Extinction	(97,424)	(20,441)
	New bonds	-	24,343
	Own funds		
	Dividends paid	(5,003)	(2,012)
	Dividends paid to minority	-	-
	Minority interests variation	-	-
	Other variations	(1)	(19)
D.	**Cash flow originating from (used for) financing activities**	**(17,343)**	**21,661**
E.	**CASH FLOW FOR THE YEAR (B+C+D)**	**27,940**	**13,579**
F.	**Exchange rate variation on Opening Cash and Cash equivalents**	**(5,215)**	**504**
G.	**Closing Cash and Cash equivalents (A+E+F)**	**75,342**	**52,617**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EURO THOUSAND)

	SHARE CAPITAL	REVALUATION RESERVE	LEGAL RESERVE	HEDGING RESERVE	IAS19 RESERVE	FTA RESERVE	CURRENCY CONVERSION RESERVE
Closing at 31.12.2018	**50,000**	**40,096**	**6,629**	**(745)**	**180**	**(8,818)**	**(11,118)**
Previous year result allocation			426				
Dividends' distribution							
IFRS9 Derivatives Reserve variation				(398)			
IAS19 Reserve variation					(923)		
Currency conversion reserve variation							1,101
Others					1	(1)	
Income (loss) for the year							
Closing at 31.12.2019	**50,000**	**40,096**	**7,055**	**(1,143)**	**(742)**	**(8,819)**	**(10,017)**
Previous year result allocation			2,945				
Dividends' distribution							
IFRS9 Derivatives Reserve variation				(275)			
IAS19 Reserve variation					(411)		
Currency conversion reserve variation							(19,589)
Others				1	10		
Income (loss) for the year							
Closing at 31.12.2020	**50,000**	**40,096**	**10,000**	**(1,417)**	**(1,143)**	**(8,819)**	**(29,606)**

OTHER RESERVES	RETAINED EARNINGS (LOSSES)	NET INCOME (LOSS)	GROUP EQUITY	MINORITY NET INCOME (LOSS)	MINORITY RESERVES	MINORITY INTERESTS	CONSOLIDATED EQUITY
96,131	**82,984**	**41,310**	**296,649**	**35**	**329**	**364**	**297,013**
8,097	32,787	(41,310)	-	(35)	35	-	-
(2,000)	(12)		(2,012)			-	(2,012)
			(398)			-	(398)
			(923)			-	(923)
			1,101		-	-	1,101
	(18)		(18)			-	(18)
		36,742	36,742	72		72	36,814
102,228	**115,741**	**36,742**	**331,141**	**72**	**364**	**436**	**331,577**
4,548	29,249	(36,742)	-	(72)	72	-	-
(5,000)	(3)		(5,003)			-	(5,003)
			(275)			-	(275)
			(411)			-	(411)
			(19,589)			-	(19,589)
	(1)		10			-	10
		53,836	53,836	16		16	53,852
101,776	**144,986**	**53,836**	**359,709**	**16**	**436**	**452**	**360,161**

8.

ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2020

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

FOREWORD

Bonfiglioli is an Italian family-run business with a global presence. The three business units of Discrete Manufacturing & Process Industries, Mechatronic & Motion Systems and Mobility & Wind Industries embody all the skills and experience needed to support customer growth. With its worldwide network, the Group can support customers anywhere, anytime. We design, manufacture, and distribute effective and tailor-made solutions for all types of industrial automation, mobile machinery, and wind energy applications. Our ranges are based on a wide variety of products, including gearmotors, drive systems, planetary drives and inverters. Bonfiglioli's solutions affect all aspects of everyday life, from the food we eat to the roads we drive on, the clothes we wear and the lights in our homes. Our solutions keep the world in motion."

The consolidated financial statements of the Bonfiglioli Group as of December 31, 2020 were prepared in accordance with European Regulation 1606/2002, in conformity with the International Financial Reporting Standards (IFRS) in force on December 31, 2020, issued by the International Accounting Standard Board (IASB) and adopted by European Community Regulations. IFRS also includes all revised International Accounting Standards ("IAS") and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

In addition to these Illustrative Notes, the consolidated financial statements include the following documents:

- Statement of Financial Position
- Income Statement
- Statement of Comprehensive income
- Cash Flow Statement
- Statement of changes in Equity

Illustrative Notes include the reconciliation statement between the Parent Company's equity and net result of the financial year and the same items of the consolidated financial statements. In order to disclose further information regarding the change of the Group's Net Cash Position, the consolidated cash flow statement has also been additionally annexed to these Illustrative Notes (Annex A) on a voluntary basis.

As regards the nature of the activities conducted by the Group and related performance, please refer to the Management Report.

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

Note that as part of a transfer transaction referred to in the events following the closure of the financial year, with effect from 1 January 2021 the company Bonfiglioli Riduttori S.p.A. changed its corporate name to Bonfiglioli S.p.A. and the company Bonfiglioli Italia S.p.A. sole shareholder changed its corporate name to Bonfiglioli Riduttori S.p.A. sole shareholder.

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of the companies of the Bonfiglioli Group, namely Bonfiglioli Riduttori S.p.A. (now Bonfiglioli S.p.A.), Parent Company, and the Italian and foreign subsidiaries over which the company either directly or indirectly exercises management and control pursuant to IFRS 10.

The financial statements of the Group Companies utilized for the line-by-line 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 shareholders' meetings when the consolidated financial statements were drawn up, the draft financial statements prepared for approval by the respective Boards of Directors were utilized.
If the financial year of companies closes on a date other than December 31, interim financial statements were drawn up as of December 31 utilizing the Group accounting principles.
The subsidiaries included in the consolidation area on December 31, 2020 are as follows:

NAME	Country	Currency	Share Capital	Shareholding 31.12.2020	Shareholding 31.12.2019
Bonfiglioli Riduttori S.p.A. (now Bonfiglioli S.p.A.)	Italy	€	50,000,000	Parent Company	
Bonfiglioli Swiss S.A.	Switzerland	CHF	25,100,000	100%	100%
Bonfiglioli Italia S.p.A. (now Bonfiglioli Riduttori S.p.A.) sole shareholder	Italy	€	16,000,000	100%	100%
Bonfiglioli Mechatronic Research S.p.A sole shareholder	Italy	€	3,500,000	100%	100%
Bonfiglioli U.K. Ltd (*)	Great Britain	GBP	200,000	100%	100%
Bonfiglioli Deutschland GmbH (*)	Germany	€	3,000,000	100%	100%
Bonfiglioli Vectron GmbH (**)	Germany	€	500,000	100%	100%
O&K Antriebstechnik GmbH (*)	Germany	€	1,000,000	100%	100%
Bonfiglioli Transmissions Sa (*)	France	€	1,900,000	100%	100%
Bonfiglioli Slovakia Sro (*)	Slovakia	€	14,937,264	100%	100%
Tecnotrans Bonfiglioli Sa (*)	Spain	€	2,175,000	95%	95%
Bonfiglioli Power Transmission Jsc (*)	Turkey	TRY	20,000,000	100%	100%
Bonfiglioli U.S.A. Inc. (*)	U.S.A.	USD	4,000,000	100%	100%
Bonfiglioli Canada Inc. (*)	Canada	CAD	2,000,000	100%	100%
Bonfiglioli Redutores do Brasil Ltda	Brazil	BRL	55,000,000	73.82%	73.82%
Bonfiglioli Power Transmission Pty Ltd (*)	South Africa	ZAR	64,001	100%	100%
Bonfiglioli South Africa Pty Ltd (***)	South Africa	ZAR	8,000,000	75%	75%
Bonfiglioli Transmission Pvt Ltd (****)	India	INR	1,281,818,180	100%	100%
Bonfiglioli Renewable Power Conversion India Pvt Ltd. (*****)	India	INR	372,500,000	100%	100%
Bonfiglioli Drives (Shanghai) Co. Ltd	China	USD	30,000,000	100%	83.33%
Bonfiglioli Trading (Shanghai) Co. Ltd (******)	China	CNY	1,500,000	100%	83.33%
Bonfiglioli Vietnam Ltd (*)	Vietnam	USD	17,000,000	100%	100%
Bonfiglioli South East Asia Pte Ltd (*)	Singapore	SGD	4,150,000	100%	100%
Bonfiglioli Transmission (Aust) Pty Ltd	Australia	AUD	13,500,000	100%	100%

(*) Subsidiary indirectly controlled through Bonfiglioli Swiss SA
(**) Subsidiary indirectly controlled through Bonfiglioli Deutschland GmbH
(***) Subsidiary indirectly controlled through Bonfiglioli Power Transmission Pty Ltd
(****) Owned 2.48% by Bonfiglioli Vectron 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:

- During the second quarter, Bonfiglioli Vectron GmbH completed the paid share capital increase into the Indian subsidiary Bonfiglioli Renewable Power Conversion India Pvt Ltd. The operation increased the share capital of the subsidiary from 350 MINR to 372.5 MINR;
- During the second half of the year, the Parent Company completed the repurchase from SIMEST SpA of 16.67% of the share capital of the Chinese subsidiary Bonfiglioli Drives (Shanghai) Co. Ltd at the contractually agreed price of 3.9 M€, recorded among financial payables as of 31.12.2019.
- During the third quarter, the Parent Company completed a share capital increase for the Australian subsidiary Bonfiglioli Transmission (Aust) Pty Ltd by converting the 2.5 MAUD intercompany loan to capital.
- During the third quarter, Bonfiglioli Swiss SA completed the paid share capital increase into the Turkish subsidiary Bonfiglioli Power Transmission Jsc. The operation increased the share capital of the subsidiary from 8 MTRY to 20 MTRY.

CONSOLIDATION AREA CHANGES

With respect to the Consolidated Financial Statements of 31.12.2019, no consolidation area changes occurred.

SIGNIFICANT EVENTS DURING THE YEAR AND COVID-19 UPDATE

In January 2020, following the spread of the SARS-CoV-2 virus and the related respiratory disease COVID-19 (commonly known as "Coronavirus"), the Chinese government and other foreign government authorities adopted some restrictive measures aimed at containing the potential spread of the epidemic. Among these, the most important resulted in the isolation of the region where the epidemic originated, restrictions and controls on travel to, from, and within China, restrictions on the movement of the local population, and the closure of offices and production facilities throughout the country.

Since it arrived in the first months of year 2020, the virus rapidly spread in Italy and in various other nations, in alternate phases and in different geographical areas throughout the year with significant negative effects on the health of many people, on commercial activities, and on the economies of the countries involved.

Despite the complex global situation, the production stoppage in Italian plants and the reduction in the Group's production in various countries to ensure maximum compliance with safety regulations and due to the closure of the main customers and suppliers, the Group managed the challenges of the pandemic in order to limit its effects by continuing to invest and improving its net cash position by closing 2020 with significantly better results than the initial forecasts of April 2020 and a Shareholders' Equity that reflects the Group's consolidated equity solidity over the years. Therefore no uncertainties were recorded relating to business continuity or the Group's ability to operate in the market. As a result of the uncertainties associated with the unprecedented nature of the pandemic, in preparing the consolidated financial statements for the year ended December 31, 2020, the Group meticulously assessed and analyzed the impacts on the financial statement items in order to identify and consequently manage the main risks and uncertainties the Group is exposed to, including those related to: impairment of assets and fixed assets recorded in the financial statements, determination of the fair

value of financial instruments, assessment of expected credit losses, recoverability of DTA recorded in the financial statements and provisions for risks and charges. The analysis carried out have not currently detected critical situations. That said, at the date of preparation of these financial statements it is not possible to predict when the spread of the epidemic will be halted and whether the national governments in Italy and in the other countries where the Bonfiglioli Group operates will adopt any further restrictive measures in 2021 relating to production and commercial activities and population movements.
Given the above, at the date of preparation of these financial statements the Company has no possibility of predicting to what extent the aforementioned events may have significant repercussions on the Group's prospects for the year 2021, although it is reasonable to expect that these will not represent an issue for business continuity given the financial and equity solidity that the Group has managed to consolidate over the years.

DRAFTING PRINCIPLES

The consolidated financial statements provide comparative information with respect to the previous year.
With reference to the financial statements, the following choices have been made:

- The Statement of financial position separately outlines assets and liabilities according to the liquidity criterion (current and non current). Current assets and liabilities are those intended to be realized or extinguished during the 12 months following the end of the financial year.
- The Income Statement shows costs and revenues based on their nature.
- The Statement of Comprehensive Income (OCI) is presented in a separate statement.
- The Cash Flow Statement is presented using the "indirect method."

Where allowed, it was considered appropriate to omit items with zero balance for the periods presented.
The Statement of financial position provides a separate indication of equity and minority interests.
With regard to the consolidated financial statements as of 31.12.2019, the following reclassifications have been made to better guarantee the comparability of the data:
1) The payable to minority shareholders of the South African company Bonfiglioli South Africa Pty Ltd belonging to the BEE program (Broad-Based Black Economic Empowerment Act) was reclassified from Minority to financial payables for a total of 1.3 M€. The related impact on the Income Statement was reclassified to investments' income and (costs) caption.
2) The current portion of the Warranty Reserve has been set at 14.1 M€.
3) Revenues from internal projects costs capitalized has been classified under Other operating income.

CHANGE IN ACCOUNTING PRINCIPLES AND NOTES

The evaluation and measurement criteria are based on the IFRS standards in force on December 31, 2020 and approved by the European Union. The following main changes in accounting policies occurred with reference to the 2020 financial year. Several other amendments and interpretations apply for the first time in 2020, but have no impact on the Group's consolidated financial statements. The Group has not adopted any other principles, interpretations or modifications published but not yet in force.

AMENDMENTS TO IFRS 3: DEFINITION OF A BUSINESS

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of assets and goods must include at least one underlying input and one process that together contribute significantly to the ability to create an output. Furthermore, it was clarified that a business can exist without including all the inputs and processes necessary to create an output. These changes had no impact on the consolidated financial statements of the Group but could have an impact on future years if the Group were to establish business combinations.

AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39: INTEREST RATE BENCHMARK REFORM

Amendments to IFRS9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly impacted by the interest rate reform in question. A hedging relationship impacted by the reform is subject to uncertainties about the timing and amount of the cash flows based on the reference rate with respect to the hedged instrument. These amendments had no impact on the Group's consolidated financial statements.

AMENDMENTS TO IAS 1 AND IAS 8: DEFINITION OF MATERIALITY

The amendments provide a new definition of materiality in which it is stated that information is material if it is reasonable to assume that its omission, incorrect indication, or concealment could influence the decisions that the main users of financial statements prepared for general purposes make on the basis of these financial statements, which provide financial information about the specific reporting entity. Materiality depends on the nature or extent of the information, or both. An entity shall assess whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole. The information is concealed if it is communicated in such a way to have an effect similar to that of an omission or incorrect indication of that said information for the main users of the financial statements. These amendments had no impact on the Group's consolidated financial statements.

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING ISSUED ON MARCH 29, 2018

The Conceptual Framework does not represent a standard and none of the concepts contained override the concepts or requirements of a standard. The purpose of the Conceptual Framework is to support the IASB in developing standards, help drafters in developing consistent accounting policies where there are no standards applicable in the specific circumstances, and help all parties involved in understanding and interpreting standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and reporting criteria for assets and liabilities, and clarifies some important concepts. These amendments had no impact on the Group's consolidated financial statements.

AMENDMENT TO IFRS 16: COVID-19 RELATED RENT CONCESSIONS

On May 28, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee to not apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors that are a direct consequence of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a lessee may choose not to assess whether lease reductions represent contractual changes. A lessee who chooses to use this expedient accounts for these reductions as if they were not contractual changes for the purpose of IFRS 16.

The amendments are applicable to financial statements whose accounting period begins on June 1, 2020 or thereafter. Early adoption is permitted. These amendments had no impact on the Group's consolidated financial statements.

CONSOLIDATION PROCEDURE

In preparing the financial statements for the consolidated companies the line-by-line consolidation method was used, consisting in recording all the items under assets and liabilities and in the Income Statement in their entirety.
Consolidated companies are those over which the Group has control, which is obtained when the Group is exposed or entitled to variable returns deriving from its relationship with the investee entity, and at the same time has the ability to affect such returns by exercising its power over that entity.
The results achieved by the consolidated company following initial consolidation were entered in a specific item of consolidated equity denominated "Profits and losses carried forward."
Any profits and losses that have yet to be realized 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 canceled.
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 items of consolidated equity and in the income statement.
The financial statements of foreign companies were converted to euros, applying the year-end exchange rate for all assets and liabilities and the average exchange rate calculated over the full 12 months for items 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 items 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 in a specific item of consolidated equity denominated "Currency conversion reserve."
The exchange rates utilized for companies operating outside the euro area are as follows:

COMPANY	Currency	ER 31.12.2020	2020 ER average	ER 31.12.2019	2019 ER average
Bonfiglioli U.K. Ltd	GBP	0.89903	0.8897	0.8508	0.87777
Bonfiglioli Canada Inc.	CAD	1.5633	1.53	1.4598	1.4855
Bonfiglioli USA Inc.	USD	1.2271	1.1422	1.1234	1.1195
Bonfiglioli Transmission (Aust) Pty Ltd	AUD	1.5896	1.6549	1.5995	1.6109
Bonfiglioli Power Transmission Pty Ltd	ZAR	18.0219	18.7655	15.7773	16.1757
Bonfiglioli Transmission Pvt Ltd	INR	89.6605	84.6392	80.187	78.8361
Bonfiglioli Renewable Power Conversion India Pvt Ltd	INR	89.6605	84.6392	80.187	78.8361
Bonfiglioli Drives Shanghai Co. Ltd.	CNY	8.0225	7.8747	7.8205	7.73550
Bonfiglioli Trading Shanghai Co. Ltd	CNY	8.0225	7.8747	7.8205	7.73550
Bonfiglioli Power Trasmission JSC	TRY	9.1131	8.0547	6.6843	6.35780
Bonfiglioli Redutores Do Brasil Ltda	BRL	6.3735	5.8943	4.5157	4.41340
Bonfiglioli South East Asia Pte Ltd	SGD	1.6218	1.5742	1.5111	1.52730
Bonfiglioli Vietnam Ltd	VND	28,331.0	26,533.80545	26,033.0	26,003.00784

There are no companies consolidated using the Net Equity Method.

VALUATION CRITERIA

In drafting the consolidated financial statements and applying the IFRS, the directors have acted in order to represent the Group's situation clearly, truthfully and fairly. In particular:

- Valuation of the items of the financial statements was carried out in accordance with the general principles of prudence and on an accrual basis considering an ongoing concern, as well as taking into account the substance of the transaction or contract;
- 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 realized 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 items have been valued separately;
- No exceptional cases occurred that justified a deviation from legislative provisions.

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

PROPERTY, PLANT, MACHINERY AND OTHER TANGIBLE ASSETS

Property, plant, equipment and other tangible assets are recognized at cost, net of the related depreciation and any impairment losses, in accordance with IAS 16 and IAS 36. Land and buildings are assets that can be separated and treated separately for accounting purposes, even when acquired together.

Acquisition costs mainly include the purchase price (including import duties and non-recoverable taxes, after deduction of trade discounts and discounts) or production costs and all costs directly attributable to bringing the good to the place and in the conditions necessary for its operation.

Where the conditions are met and it is possible to make a reliable estimate, the costs of dismantling and removing an asset and restoring the site where it is located must be capitalized together with the related asset and depreciated over the residual life of the asset. The related obligation to dismantle, remove and restore items of property, plant and equipment shall be recognized as a provision in accordance with IAS 37.

Subsequent costs for improvements and repairs are included in the book value of the asset or recognized as separate assets only when they meet its definition and it is probable that the future economic benefits associated with the item will flow into the company and when the cost can be measured reliably, with appropriate review and adjustment to the useful life of the asset. Otherwise, these costs must be recognized in the income statement in the period in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated residual useful life of the asset, on a daily basis (pro rata temporis).

The technical useful life of tangible assets on the basis of which the depreciation process is determined are included in the following ranges:

CATEGORIES	USEFUL LIFE
Land	Indefinite
Buildings	10-50 years
Plant and Machinery	4-10 years
Industrial and commercial equipment	3-10 years
Other assets	3-10 years
Assets in progress and advances	No depreciation
Rights to use on tangible assets	Based on the duration of the contract
Leasehold improvements	Useful life of the asset and the duration of the contract, whichever is shorter

The depreciation of an asset starts when it is available for use, i.e. when it is in the place and in the conditions necessary for its operation. Depreciation of an asset ceases on the date the asset is eliminated or on the date the asset is classified as held for sale, whichever is earlier. Therefore depreciation does not cease when the asset becomes inactive or is retired from active use unless the asset is fully depreciated.

RIGHT TO USE (LEASED ASSETS)

IFRS 16 makes no distinction for the lessee between operating and financial leases and therefore applies to all leases except for contracts that, on the date of effect, have a duration of 12 months or less and do not contain purchase options (short-term leases) and whose underlying asset is of low value (low-value lease).
The following are excluded from the scope of IFRS 16:

- Lease agreements to explore for or use minerals, oil, natural gas and similar non-regenerative resources.
- Lease of biological assets within the scope of IAS 41.
- Service concession agreements under IFRIC 12.
- Intellectual property licenses granted by a lessor under IFRS 15.
- Rights held by lessees under licensing agreements under IAS 38 for items such as films, video recordings, plays, manuscripts, patents and copyrights.

A lease is defined as a contract, or part of a contract, which gives the lessee control and the right to use an asset for a period in exchange for remuneration. Control is transmitted where the customer has both the right to direct the use of the identified good and to obtain substantially all the financial benefits from such use.
However, if a supplier has a substantial right of substitution during the period of use a customer does not have control over the identified asset. A supplier's right of substitution is considered substantial only if the supplier has the practical ability to replace the asset during the period of use and is the party that will benefit financially from the substitution.
IFRS 16 requires lessees to account separately for the various elements of the contract: a lease contract and a service contract. Lessors must allocate the consideration in accordance with IFRS 15.
At the beginning of the lease, the lessee must account for the right to use the asset against the related financial liability as an asset. The right to use is measured at cost and consists of the initial lease liability plus any payment made to the lessor in advance or at the date of signature (net of any lease incentives received), in addition to the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The lessee recognizes the restoration costs as a provision in accordance with IAS 37. Initial direct costs are defined as incremental costs of obtaining a lease that would not have been incurred if the lease had not been obtained.
The lease liability is initially measured at the current value of the lease payments during the term of the contract that are not paid at the date of signature. The discounted rate used by the lessee is the interest rate implicit in the lease if this can be easily determined. If this rate cannot be easily determined, the lessee must use its own incremental borrowing rate. The incremental borrowing rate is the interest rate that a lessee would have to pay to borrow – on a similar term and with a similar security – the funds necessary to obtain an asset of similar value to the right to use in a similar economic environment.
After the commencement of the lease, the lessee measures the asset at cost, net of accumulated depreciation and any impairment losses, in accordance with IAS 16 and IAS 36.
The right to use the asset is amortized for the shortest period between the duration of the lease and the useful life of the right to use the asset, unless there is a transfer of ownership or an option to purchase that the lessee is reasonably certain to exercise at the end of the lease period. In this case the lessee amortizes the right to use the asset for the estimated residual useful life of the underlying asset.
The lessee must remeasure the book amount of the lease liability to reflect any changes in the lease or fixed lease payments that are substantially revised. Redetermination of the lease liability takes place if the cash flow changes with respect to the original terms and conditions of the lease. Amendments that were not part of the original terms and conditions of the lease are amendments to the lease.
Any remeasurement of the lease liability shall entail a corresponding adjustment of the right to use the asset. If the book value is already reduced to zero, the residual adjustment is recognized in the income statement.
If the lease change increases the scope of the lease by adding the right to use multiple underlying assets and the increase in the lease fee is commensurate, the change is accounted for as a separate lease.

DEVELOPMENT COSTS

An intangible asset arising from the development (or the development phase of an internal project) shall be recognized as an intangible asset if, in addition to meeting the general requirements for recognition and initial measurement of an intangible asset, the entity can demonstrate the following:

- The intention to complete the intangible asset and to use or sell it.
- The technical feasibility of completing the intangible asset so that it is available for use or sale.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the production of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.
- Its ability to reliably measure the expenses attributable to the intangible asset during its development.

Research expenses (or expenses for the research phases of an internal project) cannot be capitalized as Intangible Assets and must be entered in the Income Statement when they are incurred.

In accordance with IAS 38, development costs are capitalized in the relevant item and subject to amortization only when the development phase is completed and the developed project begins to generate economic benefits. Until that date, they are classified as assets under construction even if generated internally, in which case they are also suspended and entered in the income statement as increases in assets for internal works, or through the expenditure of external costs.

BUSINESS COMBINATIONS AND GOODWILL

Pursuant to IFRS 3, business combinations are accounted for using the purchase accounting method. The acquirer must identify the date of acquisition, i.e. the date on which it actually gains control of the acquiree. The value of the company being aggregated is the sum of the fair value of assets and liabilities acquired, including contingent liabilities. This value is compared with the book value of the consolidated investments. Any positive difference between the purchase cost of the investment and the fair value of the acquired company is recognized as goodwill. If the difference is negative, it is recorded in the income statement. Changes in the interests held in a subsidiary that do not result in the loss of control are accounted for in equity.

In accordance with IFRS 3, the allocation of any goodwill arising from acquisitions of cash generating units (CGUs) should be determined on the basis of an assessment of the individual CGUs or groups of CGUs that should benefit from business combination synergies. These CGUs should represent the lowest level at which goodwill is monitored for internal management purposes and should not be greater than an operating segment as defined in IFRS 8.

INTANGIBLE ASSETS

Intangible assets are recognized at cost.

An intangible asset shall be considered to have an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period during which the asset is expected to generate net financial flows for the entity.

In accordance with IAS 38 and IAS 36, an intangible asset with a defined useful life is measured at cost net of the related amortization provision and any impairment losses, and amortized on a straight-line basis over its useful life on a daily basis (pro rata temporis). Amortization starts when the asset is in the place and in the necessary conditions for its operation and ceases on the date the asset is eliminated or on the date the asset is classified as held for sale, whichever is earlier.

The amortization of an intangible asset with a defined useful life does not cease when the intangible asset is no longer used, unless that asset has been fully amortized or classified as held for sale.

An intangible asset with an indefinite useful life is measured at cost net of any accumulated impairment losses and is not amortized.

The useful lives of intangible assets, on the basis of which the amortization process is determined, are included in the following ranges:

CATEGORIES	USEFUL LIFE
Development costs	5 years or life cycle of the developed products
Goodwill and other indefinite useful life intangible assets	Indefinite
Patents and rights to use intellectual property	3-20 years
Concessions, licenses, trademarks and similar rights	3-20 years
Customer List	15-20 years
Assets in progress and advances	No depreciation
Other intangible assets	Specific by case

IMPAIRMENT

In accordance with IAS 36, goodwill, intangible assets with an indefinite useful life and ongoing development costs are subject to systematic impairment testing at least annually. Tangible assets and other intangible assets with a defined useful life are subject to impairment tests if indicators of impairment emerge.

Impairments are the difference between the book value and the recoverable amount of an asset. The recoverable amount is the greater of the fair value of an asset or CGU, less costs of sale, and its value in use. The value in use is the sum of the cash flows expected from the use of an asset or their sum in the case of multiple CGUs. For the cash flow approach, the unlevered discounted cash flows method is used and the discount rate is determined for each group of assets according to the WACC (weighted average cost of capital) method. If the recoverable value is lower than the book value, the loss in value is recorded in the income statement, unless it is restored in the event of subsequent revaluation, within the limits of the initially recorded value. Restoration is not allowed for impairment losses accounted for with regard to Goodwill.

EQUITY INVESTMENTS

In accordance with IFRS 9, equity investments are measured at fair value. When fair value cannot be reliably determined, investments are measured at cost adjusted for impairment and are subject to impairment testing, where impairment indicators have been identified. If the aforementioned loss in value is no longer considered lasting following positive performance of the company, the investment is revalued up to the purchase or subscription cost.

FINANCIAL DERIVATIVES

Derivatives are financial instruments and are classified under current and non-current assets (positive fair value) or liabilities (negative fair value) depending on their contractual maturity. Non-current amounts with a maturity of more than five years must be entered separately.

In accordance with IFRS 9, derivatives, including embedded derivatives that are separated from the main contract, are initially accounted for at fair value.

Derivatives are classified as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge – verified periodically – is high.

When hedging derivatives hedge the risk of changes in the fair value of the hedged instruments (fair value hedge), they are entered at fair value through profit or loss. For consistency, the hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk.

When derivatives hedge the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the hedged risk is the volatility in future cash flows that will affect the income statement. To the extent that the hedge is effective, changes in the fair value of the derivative are in this case deferred to a "Hedging Reserve (OCI)" in equity and reverted to the income statement in the period in which the hedged transaction affects the income statement.

The ineffective part of the change in fair value, as well as the entire change in fair value of derivatives that are not designated as hedging derivatives or that do not meet the requirements of IFRS 9, is accounted for directly in the income statement.

FINANCIAL ASSETS

In accordance with IFRS 9, financial assets are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets and are initially recognized at fair value plus ancillary charges. Non-current financial assets include long-term financial receivables and other long-term securities, other long-term investments, callback capital and non-callback capital.

At the time of first recognition, according to the cases and characteristics of the contractual cash flows of financial assets, financial assets are classified based on subsequent measurement methods, i.e. amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

For the purposes of subsequent measurement, financial assets are classified into four categories: (i) Financial assets at amortized cost (debt instruments), (ii) Financial assets at fair value through profit or loss with reclassification of cumulative gains and losses (debt instruments), (iii) Financial assets at fair value through profit or loss without reclassification of cumulative profits and losses at disposal (equity instruments) and (iv) Financial assets at fair value through profit or loss.

Financial assets measured at amortized cost, which represent the main category for the Group, are subsequently measured at amortized cost using the effective interest method, net of any value adjustments. They are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets.

If in subsequent periods the conditions that led to a impairment loss cease to exist, the book value of the asset in question shall be restored to the net book value that the asset would have had in the absence of a impairment loss, using the amortized cost method.

Financial assets are removed from the financial statements when the right to receive liquidity has ceased, the Group has transferred to a third party the right to receive cash flows from the asset or has assumed the contractual obligation to pay them in full and without delay and (1) has substantially transferred all the risks and rewards of ownership of the financial asset, or (2) has not transferred or substantially retained all the risks and benefits of the asset, but has transferred control of it. In cases where the Group has transferred the rights to receive cash flows from an asset or has entered into an agreement under which it retains the contractual rights to receive cash flows from the financial asset but assumes a contractual obligation to pay cash flows to one or more beneficiaries (pass-through), it shall assess whether and to what extent it has retained the risks and benefits inherent in their possession.

For financial assets at amortized cost, gains and losses are recognized in the income statement when the asset is de-recognized, modified or revalued. In the case of assets recognized as FVOCI at the time of de-recognition, the cumulative change in fair value recognized in the OCI is reclassified to the Income Statement, while for investments in equity securities the profits and losses obtained on these financial assets are never reverted to the income statement. Dividends are recognized as financial income in the income statement when the right to payment has been resolved, except when the Group benefits from such income as recovery of part of the cost of the financial asset, in which case such profits are recognized in the OCI.

DEFERRED TAXES

In accordance with IAS 12, deferred tax assets and liabilities are calculated on all temporary differences that arise between the taxable amount of an asset or liability and its relative book value.

Deferred taxes are recognized only if it is probable that in subsequent financial years sufficient taxable profit will be generated for the realization of these deferred taxes. The book value of deferred tax assets is reviewed at each financial statement date and reduced to the extent that it is no longer probable that sufficient taxable amounts will be available in the future to allow all or part of this receivable to be used. Unrecognized deferred tax assets are reviewed at each financial statement date and are recognized to the extent that it becomes probable that taxable income will be sufficient to allow the recovery of such deferred tax assets.

Deferred tax assets and liabilities are calculated using the tax rates that, on the date of closure of the financial statements, are expected to be applied in the years in which the related temporary differences will be reversed.

INVENTORIES

In accordance with IAS 2, inventories are valued in accordance with the general principle of the lower between purchasing cost and market value:

- Raw materials are valued using the FIFO method.

- Work in progress is valued according to the stage of completion reached on the basis of the cost of materials, labor, industrial depreciation and indirect production costs.
- Semi-finished and finished products are valued using the FIFO method on the basis of the cost of materials, labor, 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 impairment provisions.

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

TRADE RECEIVABLES

Trade receivables arise when an entity supplies goods or services to its customers. Trade receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Receivables arising from transactions with parties other than customers or not arising from the supply of goods or services fall within the definition of Other receivables and assets.

Trade receivables are recognized when all revenue recognition requirements are met in accordance with IFRS 15 and included below in the Revenue Recognition section.

In accordance with IFRS 9, trade receivables are initially recognized at fair value, which is the value of the receivable arising from the agreement between the seller and the buyer net of any trade discounts and volume reductions allowed. They are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets with a separate entry for receivables due after five years.

Trade receivables are subsequently measured at amortized cost using the effective interest method, net of any provisions for impairment losses. Short-term trade receivables are not discounted if the effect of discounting is negligible.

A specific provision for bad debts has been established to cover possible insolvency risks. The amount of the doubtful items is verified periodically and – in any case – at the end of each year, taking into account both the insolvencies that have already occurred or are considered probable and general economic, industry and country risk conditions.

CURRENT TAXES (RECEIVABLES OR PAYABLES)

These represent the amounts of income tax receivable from, or payable to, the tax authorities in accordance with the annual tax return filed or to be filed at the end of the reporting period, recognized in accordance with IAS 12.

CASH AND CASH EQUIVALENTS

In accordance with IAS 7, cash and cash equivalents are cash balances and short-term cash investments (maturity not exceeding three months) that are highly liquid, readily convertible into cash and subject to negligible risk of changes in value.

OTHER RECEIVABLES AND ASSETS

Other receivables and assets mainly include tax receivables other than those relating to income tax, security or guarantee deposits, receivables from employees and social security institutions, refunds to be received and accruals and deferrals. They are classified as current assets, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non-current assets. Receivables must be shown net of any provisions for bad debts, and non-current amounts due beyond five years must be indicated separately.

Other receivables and assets are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest method net of any value adjustments.

If in subsequent periods the conditions that led to a impairment loss cease to exist, the book value of the asset in question shall be restored to the net book value that the asset would have had in the absence of a impairment loss, using the amortized cost method. Other receivables and assets are not discounted if the effect of the discount is insignificant or if they are expected to be realized within 12 months.

BORROWINGS

Loans consist of contractual obligations to deliver cash or other financial assets to another entity. Loans are classified as current unless the company has an unconditional right to defer settlement of the obligation for at least 12 months after the financial statement date. The portion of long-term loans due within 12 months is considered current. Non-current amounts due beyond five years must be entered separately.

In accordance with IFRS 9, loans are initially recognized at fair value, net of transaction costs directly attributable to the

issuance of the financial liability. After the initial valuation, financial payables must be valued at amortized cost using the effective interest method. The amortized cost is calculated net of adjusted transaction costs over the life of the liability so that the book value at maturity is the amount repayable at maturity.
The financial liability is settled when the underlying obligation is discharged or canceled by the counterparty. If a financial liability is settled, it must be recognized and the entity must enter in the Income Statement any difference arising between the book value of the settled financial liability and the consideration paid.
An exchange between an existing borrower and a debt instrument lender with substantially different terms should be accounted for as the repayment of the original financial liabilities and recognition of new liabilities. Similarly, a material change in the term of an existing financial liability or part of it should be accounted for as repayment of the original financial liability and recognition of the new financial liability.
The terms are substantially different if the discounted current value of the cash flow under the new terms, including any commissions paid, is at least 10% different from the discounted current value of the remaining cash flow of the original financial liability.
If it is a repayment, any costs or commissions incurred are recognized as part of the profit or loss on repayment. Otherwise, they adjust the book value of the liability and are amortized based on the residual maturity of the modified liability.

RESERVES FOR RISKS AND CHARGES

Reserves for risks and charges consider the provisions allocated to cover losses, or payables of a given nature and certain or probable existence, for which however the exact amount or contingency date was not known at year-end. In accordance with IAS 37, the allocations reflect the best possible estimation of the relative amounts based on available information. Provisions must be classified according to their maturity as current or non-current liabilities.

PROVISIONS FOR EMPLOYEE BENEFITS

In accordance with IAS 19R, the accounting treatment of employee benefits varies depending on whether they relate to defined contribution plans or defined benefit plans.

› DEFINED CONTRIBUTION PLANS

Defined contribution plans are post-employment benefit plans under which the company makes payments to an insurance company or pension fund and will have no legal or implied obligation to make further contributions if, at vesting, the fund does not hold sufficient assets to pay all employee benefits relating to service in the current or prior financial years. In other words, the company does not maintain actuarial risk (that the benefits will be lower than expected) or investment risk (that the assets invested will be insufficient to meet the expected benefits) with respect to the plan. These contributions are accounted for as a cost in the relevant period and the related liability must be classified under Other payables and liabilities.

› DEFINED BENEFIT PLAN

Defined benefit plans are formalized post-employment benefit programs that constitute a future obligation for the company, which bears the actuarial and investment risks related to the plan. Such plans must be recorded in this section, net of any plan assets, and classified at maturity as current or non-current liabilities. Non-current amounts due beyond five years must be entered separately.
Accounting for defined benefit plans requires that the following steps be undertaken separately for each plan:

- determine the current value of the defined benefit obligation (DBO) and the current cost of the service using the projected unit credit method;
- use actuarial techniques (using mutually compatible demographic and financial assumptions) to make a reliable estimate of the amount of benefits obtained in exchange for services in current and previous financial years;
- measure the fair value of any plan assets;
- determine the total amount of actuarial profits and losses and recognize them in equity in a specific reserve;
- determine the effect of any changes to the plan when they occur.

TRADE PAYABLES

Trade payables are those arising from the normal business of the company and refer to invoices already received, as well as those to be received, net of any credit notes received or to be received (for returns and billing adjustments). Trade payables are generally classified as current liabilities because they are assumed to be extinguished in the normal course of operations within 12 months of the financial statement date. Trade payables due beyond 12 months are recognized as non-current liabilities.

In accordance with IFRS 9, trade payables are initially recognized at fair value, which is the value of the consideration payable as determined by the agreement between the company and the supplier. In determining fair value on initial recognition, the amount of any trade discounts and volume reductions must be taken into account.
Trade payables are subsequently measured at amortized cost using the effective interest method. Short-term trade payables are not discounted if the effect of discounting is negligible. The same cancellation rules described for the Loans item are adopted.

OTHER PAYABLES AND LIABILITIES

Other payables and liabilities mainly include tax receivables other than those relating to income tax, security or guarantee deposits, payables from employees and social security institutions, refunds to be received and accruals and deferrals. They are classified as current liabilities, except where the contractual maturity at the reporting date exceeds 12 months, in which case they are classified as non current liabilities. Non current amounts due beyond five years must be detailed separately.
Other payables and liabilities are initially recorded at fair value and subsequently recorded at amortized cost using the effective interest method. Other payables and liabilities are not discounted if the effect of discounting is negligible.
Other long-term employee benefits, other than post-employment benefits, are accounted for under this item and recognized in accordance with IAS 19R.

REVENUE RECOGNITION

In accordance with IFRS 15, revenues from contracts with customers are recognized on the basis of the following 5 steps: (i) identification of the contract with the customer; (ii) identification of the contractual commitments (performance obligations) to be transferred to the customer in exchange for the consideration; (iii) identification of the consideration of the contract; (iv) allocation of the consideration to the individual performance obligations; (v) recognition of the revenue when the related performance is satisfied. Revenues from the sale of goods and services are recognized in the income statement "at a point in time," when the Group has fulfilled its obligations under the contract with customers and has transferred the risks and benefits of ownership of the goods to the buyer, for an amount that reflects the consideration to which the company expects to be entitled in exchange for the transfer of control of goods or services to the customer net of directly related returns, discounts, premiums, rebates and taxes.
Sales are recorded at the fair value of the consideration agreed to for the sale of goods or services when the following conditions are met:

- the substantial transfer of the risks and benefits associated with ownership of the goods has taken place, which generally occurs at the time of shipment or at the time of receipt;
- the value of revenues is reliably determined;
- it is likely that the economic benefits from the sale will be enjoyed by the company;
- the costs incurred or to be incurred are reliably determined.

Other revenues and income are recognized on an accruals basis.

COST RECOGNITION

Costs are recorded when they relate to goods and services sold or consumed during the financial year or by systematic allocation or when their future usefulness cannot be identified.

ENTRIES POSTED IN FOREIGN CURRENCY

Transactions in foreign currency are converted into euro at the 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 costs.
Receivables and payables existing at year-end expressed in currencies other than euro were converted at the exchange rates effective at year-end.

FAIR VALUE

IFRS 13 defines the following three levels of fair value that the measurement of financial instruments recognized in the balance sheet relate to:

- Level 1: quotations recorded on an active market.
- Level 2: inputs other than quoted prices referred to in the previous point that can be observed directly (prices) or indirectly (derived from prices) on the market.
- Level 3: inputs that are not based on observable market data.

The following are the assets and liabilities that are measured at fair value by hierarchical level of fair value measurement:

DESCRIPTION	31.12.2020			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Share investments	-	-	63	-	-	64
Current financial derivatives	-	267	-	-	88	-
Non current financial derivatives	-	(1,232)	-	-	-	-
Current financial derivatives	-	(923)	-	-	(1,729)	-
Non current borrowings	-	-	(3,600)	-	-	(4,901)
Current borrowings	-	-	(1,007)	-	-	(3,947)
Other current liabilities (Purchase of share investments)	-	-	-	-	-	-
Total	**-**	**(1,888)**	**(4,544)**	**-**	**(1,641)**	**(8,784)**

USE OF SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements and related notes in application of IFRS requires Management to make estimates and assumptions that have an effect on the values of revenues, costs, assets and liabilities in the financial statements and on the disclosure of potential assets and liabilities at the date of the financial statements. Estimates are based on valuations and past experience as well as on assumptions that are valued on a case-by-case basis according to the specific circumstances. The final results may therefore differ from these estimates. Estimates and assumptions are reviewed periodically and the effects of each change are immediately reflected in the income statement. Below are the main items of the financial statements affected by the use of accounting estimates and the cases that involve a component of judgment by the management.

IMPAIRMENT OF NON-FINANCIAL ASSETS

An impairment occurs when the book value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value minus sales costs and its value in use. The book value of non-current assets is subject to periodic review whenever circumstances or events require more frequent verification. The recoverable amount of a non-current asset is based on estimates and assumptions used to determine cash flows and the discount rate applied.

TAXES

Deferred tax assets are recognized to the extent that it is probable that in the future there will be a taxed profit that will allow them to be used. Relevant estimation by the management is required to determine the amount of tax assets that can be recognized on the basis of future taxable profits, the timing of their occurrence and the tax planning strategy.

The consolidated financial statements include deferred tax assets related to the recognition of previous tax losses and deferred tax deductible income components, for an amount whose recovery in future years is considered highly probable by the management.

RESERVES FOR RISKS AND CHARGES

Provisions for risks and charges are calculated using valuations and estimates based on historical experience and assumptions that are deemed to be reasonable and realistic in light of the relevant circumstances.

ACTUARIAL ASSUMPTIONS USED IN THE VALUATION OF DEFINED BENEFIT PLANS

The cost of defined benefit pension plans and other post-employment benefits and the current value of the defined benefit obligation are determined using actuarial valuations. Actuarial valuation requires the elaboration of various assumptions that may differ from the effective future developments including: the determination of the discount rate, future wage increases, mortality rates and future pension increases. Due to the complexity of the assessment and its long-term nature, these estimates are extremely sensitive to changes in assumptions. All assumptions are reviewed annually.

CAPITAL MANAGEMENT

For the purposes of managing the Group's capital, it has been defined that this includes the issued share capital, the share premium reserve, and all other capital reserves attributable to the shareholders of the parent company. The main objective of capital management is to maximize the value for shareholders. The Group manages the capital structure and makes adjustments according to the economic conditions and the requirements of the financial covenants. The Group controls equity using some equity and structural indicators, for an analysis of which we refer you to the Management Report.

COMMENTS ON THE SINGLE ITEMS OF THE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

1. PROPERTY, PLANT, MACHINERY AND OTHER TANGIBLE ASSETS

DESCRIPTION	31.12.2018	INCREASES	DECREASES
HISTORIC COST			
- Land and buildings	159,825	15,374	(8,576)
- Right to use land and buildings	42,215	2,947	(4,254)
- Plant and machinery	237,372	19,421	(2,569)
- Right to use plant and machinery	4,274	51	(114)
- Industrial and commercial equipment	114,305	11,038	(1,781)
- Other tangible assets	29,012	4,376	(1,345)
- Right to use other tangible assets	4,821	2,030	(453)
- Tangible assets in progress and advances	19,955	10,842	-
Total (A)	**611,779**	**66,079**	**(19,092)**
ACCUMULATED DEPRECIATION			
- Land and buildings	45,157	4,143	(3,490)
- Right to use land and buildings	8,362	3,937	(2,731)
- Plant and machinery	185,707	10,523	(2,362)
- Right to use plant and machinery	1,570	644	(73)
- Industrial and commercial equipment	92,526	8,520	(1,644)
- Other tangible assets	21,901	2,412	(1,050)
- Right to use other tangible assets	1,396	1,552	(175)
Total (B)	**356,619**	**31,731**	**(11,525)**
NET VALUES			
- Land and buildings	114,668	11,231	(5,086)
- Right to use land and buildings	33,853	(990)	(1,523)
- Plant and machinery	51,665	8,898	(207)
- Right to use plant and machinery	2,704	(593)	(41)
- Industrial and commercial equipment	21,779	2,518	(137)
- Other tangible assets	7,111	1,964	(295)
- Right to use other tangible assets	3,425	478	(278)
- Tangible assets in progress and advances	19,955	10,842	-
Total (A-B)	**255,160**	**34,348**	**(7,567)**

The column "other changes" mainly includes reclassifications connected with the completion of assets under construction at year-end or the transfer of ownership of assets that were in right of use at the end of the previous year, as well as exchange differences.
During the year, the Group made investments mainly related to the purchase of land and buildings (13.1 M€), plant, machinery and equipment (28.8 M€) mainly related to the Group's production plants.
Note also that during the year the Parent Company wrote down the value of the property of Via Armaroli in Calderara di Reno for adjustment to the current market value. The write-down was made for an amount of 953 K€.
For a detailed analysis of the investments made during the year we refer you to the Management Report.

OTHER CHANGES	31.12.2019	INCREASES	DECREASES	OTHER CHANGES	31.12.2020
13,413	180,036	10,256	(10)	2,743	193,025
(2,141)	38,767	3,989	(2,539)	(941)	39,276
1,074	255,298	12,818	(3,223)	1,217	266,110
36	4,247	59	(205)	(698)	3,403
345	123,907	11,701	(2,150)	(1,175)	132,283
244	32,287	2,984	(745)	(949)	33,577
(164)	6,234	1,714	(1,016)	(132)	6,800
(12,396)	18,401	2,680	(108)	(12,475)	8,498
411	**659,177**	**46,201**	**(9,996)**	**(12,410)**	**682,972**
936	46,746	5,590	(10)	(1,489)	50,837
(891)	8,677	3,653	(2,480)	(367)	9,483
(85)	193,783	12,269	(3,196)	(2,656)	200,200
36	2,177	507	(123)	(372)	2,189
13	99,415	9,476	(2,004)	(1,426)	105,461
59	23,322	2,529	(726)	(562)	24,563
(35)	2,738	1,733	(976)	(54)	3,441
33	**376,858**	**35,757**	**(9,515)**	**(6,926)**	**396,174**
12,477	133,290	4,666	-	4,232	142,188
(1,250)	30,090	336	(59)	(574)	29,793
1,159	61,515	549	(27)	3,873	65,910
-	2,070	(448)	(82)	(326)	1,214
332	24,492	2,225	(146)	251	26,822
185	8,965	455	(19)	(387)	9,014
(129)	3,496	(19)	(40)	(78)	3,359
(12,396)	18,401	2,680	(108)	(12,475)	8,498
378	**282,319**	**10,444**	**(481)**	**(5,484)**	**286,798**

2. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS

DEVELOPMENT COSTS	31.12.2018	INCREASES	DECREASES
HISTORIC COST (A)	**2,719**	**-**	**-**
ACCUMULATED AMORTIZATION (B)	**1,087**	**544**	**-**
NET VALUES (A-B)	**1,632**	**(544)**	**-**

OTHER INTANGIBLE ASSETS	31.12.2018	INCREASES	DECREASES
HISTORIC COST			
- Patents and right to use intellectual properties	41,957	1,882	(50)
- Concession, licenses, trademarks and similar rights	16,754	74	-
- Customer List	17,657	-	-
- Other intangible assets	436	-	(5)
- Assets in progress and advances	6,826	1,956	(499)
Total (A)	**83,630**	**3,912**	**(554)**
ACCUMULATED AMORTIZATION			
- Patents and right to use intellectual property	27,840	3,050	(50)
- Concession, licenses, trademarks and similar rights	3,092	821	-
- Customer List	2,649	883	-
- Other intangible assets	293	36	(4)
- Assets in progress and advances	-	489	(489)
Total (B)	**33,874**	**5,279**	**(543)**
NET VALUES			
- Patents and right to use intellectual property	14,117	(1,168)	-
- Concession, licenses, trademarks and similar rights	13,662	(747)	-
- Customer List	15,008	(883)	-
- Other intangible assets	143	(36)	(1)
- Assets in progress and advances	6,826	1,467	(10)
Total (A-B)	**49,756**	**(1,367)**	**(11)**

Intangible assets do not include assets with an indefinite useful life.
The column "other changes" mainly includes reclassifications related to the completion of assets in development at year-end and exchange differences.
For an analysis of the investments made during the year we refer you to the Management Report.

DEVELOPMENT COSTS

This item includes costs for the "SMART GEARBOX" product development project co-financed by the Province of Trento, incurred by the subsidiary "Bonfiglioli Mechatronic Research SpA" to realize high efficiency mechatronic systems, amortized over 5 years.

IFRS 3 BUSINESS COMBINATION

In December 2015, the Group completed the acquisition of 55% of the German company O&K Antriebstechnik Gmbh. As required by IFRS 3, based on the total purchase cost and in relation to the fair value of the assets acquired, a total net gain of 30.4 M€ was determined, given by the difference between the acquisition price, already inclusive of the price relating to the exercise of the option on the remaining 45% acquired during 2018 at 17 M€, and the equity of the acquired Company. This capital gain, for a total of 45.8 M€ including deferred taxes of 15.4 M€, was entirely allocated to

OTHER CHANGES	31.12.2019	INCREASES	DECREASES	OTHER CHANGES	31.12.2020
-	**2,719**	**-**	**-**	**-**	**2,719**
-	**1,631**	**544**	**-**	**-**	**2,175**
-	**1,088**	**(544)**	**-**	**-**	**544**

OTHER CHANGES	31.12.2019	INCREASES	DECREASES	OTHER CHANGES	31.12.2020
1,436	45,225	1,433	(16)	69	46,711
-	16,828	26	-	-	16,854
-	17,657	-	-	-	17,657
(155)	276	-	(68)	(10)	198
(1,270)	7,013	1,361	(1,781)	(288)	6,305
11	**86,999**	**2,820**	**(1,865)**	**(229)**	**87,725**
69	30,909	2,677	(16)	(131)	33,439
-	3,913	837	-	-	4,750
-	3,532	883	-	-	4,415
(91)	234	18	(68)	(11)	173
-	-	1,751	(1,780)	29	-
(22)	**38,588**	**6,166**	**(1,864)**	**(113)**	**42,777**
1,367	14,316	(1,244)	-	200	13,272
-	12,915	(811)	-	-	12,104
-	14,125	(883)	-	-	13,242
(64)	42	(18)	-	1	25
(1,270)	7,013	(390)	(1)	(317)	6,305
33	**48,411**	**(3,346)**	**(1)**	**(116)**	**44,948**

the following intangible assets with a finite useful life (20 years):

- Technology recorded under intellectual property rights for 12.1 M€ (the net book value as of 31.12.2020 amounts to 9.1 M€)
- Trademark for 16 M€ (net book value as of 31.12.2020 amounts to 12.0 M€)
- Customer list for 17.7 M€ (the net book value as of 31.12.2020 amounts to 13.2 M€).

The useful life was reviewed during IFRS Adoption and on an annual basis without highlighting the need to make changes to the rates that, where necessary, must be made with prospective application, nor were any impairment indicators identified.

ASSETS IN PROGRESS AND ADVANCES

The following are the assets in progress related to development projects that have been subject to impairment testing, as required by IAS 36:

- "BPD" project for the construction of a new generation inverter by the company "Bonfiglioli Vectron GmbH": capitalized costs as of 31.12.2020 amounting to 6.2 M€. The project in question, for which a cost ceiling of 6.5 M€ is envisaged, will be completed in 2021 and the subsidiary plans to start amortization in 2021 in connection with the start of sales of the new product. The company identified the cash-generating unit (CGU) in the business under development and used the related business plan prepared according to the product maturity cycle (10 years) to define the expected cash flows. The WACC discount rate used of 6.22% was specially calculated for the company by a certified external professional and reflects the current market valuation of the money and risks specific to the asset in question. The impairment test carried out during the year did not reveal the need to make any write-downs.

- "CVT" project connected to the exclusive license agreement that will involve Bonfiglioli USA Inc. and CVT Corp. in the development of new solutions that will use the technology patented by the partner. Development costs were capitalized in 2018 for 1.8 M€ (2.0 MUSD). In 2020, the Company decided to book the whole amount of 1.8 M€, previously capitalized, in the income statement, deeming that, also following project rescheduling, no elements allow to ensure with reasonable certainty that the investments incurred can be recovered.

3. SHARE INVESTMENTS

DESCRIPTION	31.12.2018	INCREASES	DECREASES	31.12.2019	INCREASES	DECREASES	31.12.2020
Share investments in other companies	55	9	-	64	-	(1)	63
Total	**55**	**9**	**-**	**64**	**-**	**(1)**	**63**

For 10 K€, this is a 50% stake held by the subsidiary O&K in Grumento, owner of the leased building and listed among the rights to use in accordance with IFRS 16, and the remaining are consortium quotas held by the Parent Company and the Indian subsidiary. Decreases for the year are related to the exchange rate variations.

4. FINANCIAL DERIVATIVES

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Non current positive derivatives	-	-	-
Current positive derivatives	267	88	179
Total (A)	**267**	**88**	**179**
Non current negative derivatives	1,232	-	1,231
Current negative derivatives	923	1,729	(806)
Total (B)	**2,155**	**1,729**	**426**
Total (A-B)	**(1,888)**	**(1,641)**	**(247)**

Positive financial derivatives refer to the total balance of positive fair value of derivatives connected with the purchase/sale of forward currency in place at the end of the financial year. The item can be broken down as follows:

	NOTIONAL	31.12.2020	NOTIONAL	31.12.2019
USD sales	USD 8,482,893	96	USD 6,705,000	42
GBP sales	GBP 160,000	1	GBP 246,000	6
AUD sales	-	-	AUD 677,000	-
CNY sales	CNY 59,800,000	144	CNY 50,740,000	28
EUR purchase	EUR 400,000	8	EUR 1,000,000	11
JPY purchase	JPY 17,548,398	-	JPY 75,918,000	1
AUD purchase	836,000	18	-	-
Total		**267**		**88**

Negative financial derivatives refer to the total balance of negative fair value of derivatives connected with purchase/sale of forward currency and Interest Rate Swaps in place at the end of the financial year. The item can be broken down as follows:

	NOTIONAL	31.12.2020	NOTIONAL	31.12.2019
GBP sales	GBP 589,000	4	GBP 1,160,000	14
AUD sales	AUD 7,380,518	82	AUD 5,724,000	42
CNY sales	CNY 6,200,000	4	-	-
EUR sales	EUR 4,926,687	57		
EUR purchase	EUR 8,590,000	230	EUR 1,698,000	9
JPY purchase	JPY 95,511,377	10	JPY 854,467,720	139
CNY purchase	CNY 66,000,000	49	CNY 19,640,000	21
IRS Bonfiglioli Riduttori	EUR 71,750,000	1,719	EUR 82,000,000	1,504
Total		**2,155**		**1,729**

5. OTHER FINANCIAL ASSETS

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Other non current financial assets	810	545	265
Other current financial assets	-	-	-
Total	**810**	**545**	**265**

These are dividends accrued by the subsidiary O&K Antriebstechnik GmbH from the investee company Grumento which, in accordance with the contract governing the transaction, will be paid at the end of the lease of the building and the related transfer of ownership.

6. DEFERRED TAXES

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Deferred tax assets (A)	36,310	32,423	3,887
Deferred tax liabilities (B)	12,667	12,955	(288)
Total (A-B)	**23,643**	**19,468**	**4,175**

Details of the changes are outlined below:

	Deferred tax assets		Deferred tax liabilities	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Opening balance	32,423	35,799	(12,955)	(13,323)
Variation of the year	3,627	(3,848)	288	368
OCI taxes	260	472	-	-
Closing balance	**36,310**	**32,423**	**(12,667)**	**(12,955)**

The items relating to deferred taxes reflect the taxes on temporary differences between the book values of consolidated assets and liabilities and their values recognized for tax purposes. Deferred tax assets mainly relate to taxed funds and unrealized intra-group profits, while deferred tax liabilities mainly relate to the capitalization of development costs and the accounting for amortization and depreciation at a higher rate than what is allowed in the financial statements. Deferred tax assets on carried forward losses have been recorded only when it can be demonstrated that they are

recoverable in the future. Deferred taxes have been recorded using the tax rates that are expected to be applied in the years in which the related temporary differences will be reversed.
Details are given below of the assets and liabilities to which the main temporary differences relate to:

	31.12.2020			31.12.2019		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and machinery	2,307	(3,967)	(1,660)	2,098	(3,596)	(1,498)
Intangible assets	2,737	(11,747)	(9,010)	2,792	(13,981)	(11,189)
Inventory	13,389	(1)	13,388	13,787	-	13,787
Trade receivables	1,951	-	1,951	2,459	-	2,459
Provisions for risks	6,671	-	6,671	6,897	-	6,897
Provisions for employee benefits	2,727	(25)	2,702	2,613	-	2,613
Payables to employees	3,140	-	3,140	2,188	-	2,188
Carried forward losses	5,273	-	5,273	2,068	-	2,068
Other	1,485	(297)	1,188	2,229	(87)	2,142
Reclassification for reporting	(3,370)	3,370	-	(4,706)	4,706	-
Total	**36,310**	**(12,667)**	**23,643**	**32,425**	**(12,958)**	**19,467**

7. INVENTORY

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Raw materials, supplies and consumables	36,406	35,882	524
Work in progress and semifinished goods	102,075	100,122	1,953
Finished goods and goods for resale	113,855	120,119	(6,264)
Advances	63	227	(164)
Total	**252,399**	**256,350**	**(3,951)**

The net realizable value is estimated taking into account the market price in the ordinary course of business, from which completion costs and sales costs are deducted.
The foregoing amounts are net of the obsolete stocks provision, made up as follows:

OBSOLESCENCE RESERVE	31.12.2020	31.12.2019	CHANGE 2020
Raw materials, supplies and consumables	5,654	5,247	407
Work in progress and semifinished goods	14,604	14,784	(180)
Finished goods and goods for resale	8,646	8,899	(253)
Total	**28,904**	**28,930**	**(26)**

Changes in the obsolescence reserve are shown below:

	31.12.2020	31.12.2019
Opening balance	28,930	33,282
Increases	3,106	2,360
Decreases	(2,102)	(6,617)
Other changes	(1,030)	(95)
Closing balance	**28,904**	**28,930**

8. TRADE RECEIVABLES

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Trade receivables	235,449	234,628	821
Bad debt reserve	(16,016)	(20,650)	4,634
Advances from customers	(4,570)	(3,838)	(732)
Total	**214,863**	**210,140**	**4,723**

Changes in bad debt reserve are shown below:

	31.12.2020	31.12.2019
Opening balance	20,650	24,783
Increases	329	469
Decreases	(4,237)	(4,590)
Other changes	(726)	(12)
Closing balance	**16,016**	**20,650**

Decreases for the year for 2.1 M€ refer to the use of the reserve to close old unrecoverable receivables mainly from the Brazilian and Italian branches and for 2.1 M€ to the release of the reserve in line with collections related to specific positions.
With regard to the assumptions used to determine the reserves, please refer to the section on valuation criteria.

Breakdown of trade receivables by geographical area:

	31.12.2020	31.12.2019	2020%	2019%
EMEA (Europe - Middle East - Africa)	102,843	122,721	47.9%	58.4%
AME (America)	29,570	36,950	13.7%	17.6%
APAC (Asia - Pacific)	82,450	50,469	38.4%	24.0%
Total	**214,863**	**210,140**	**100.0%**	**100.0%**

The increase in trade receivables in the APAC area is consistent with the sales trends and positive dynamics seen above all in China.

9. CURRENT TAXES

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Corporate tax receivables (A)	3,198	4,111	(913)
Corporate tax payables (B)	4,172	1,213	2,959
Total (A-B)	**(974)**	**2,898**	**(3,872)**

These represent the amounts of income tax receivable from or payable to the tax authorities in accordance with the annual tax return filed or to be filed at the end of the reporting period.

10. OTHER RECEIVABLES AND ASSETS

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Tax receivables	4,751	5,306	(555)
Other receivables	3,043	861	2,182
Other non current receivables and assets (A)	**7,794**	**6,167**	**1,627**
Tax receivables	13,519	16,592	(3,073)
Other receivables	2,812	1,381	1,431
Prepaid expenses and accrued income	2,037	2,392	(355)
Other current receivables and assets (B)	**18,368**	**20,365**	**(1,997)**
Total (A+B)	**26,162**	**26,532**	**(370)**

A breakdown is given below:

TAX RECEIVABLES	31.12.2020	31.12.2019
Direct taxes	444	-
Direct taxes to be refunded	55	78
Indirect taxes	4,238	5,165
Indirect taxes to be refunded	14	25
Other taxes to be refunded	-	38
Total non current tax receivables (A)	**4,751**	**5,306**
Direct taxes	4,133	2,654
Direct taxes to be refunded	227	90
Indirect taxes	4,368	11,883
Indirect taxes to be refunded	3,592	1,147
Other taxes	94	115
Other taxes to be refunded	1,105	703
Total current tax receivables (B)	**13,519**	**16,592**
Total tax receivables (A+B)	**18,270**	**21,898**

Medium-long term direct tax receivables relate to the tax receivable claimed by Italian companies for investments in capital goods whose use is expected in three or five years.
Medium-long term indirect tax receivables whose use has been estimated beyond the financial year but within five years relate mainly to the Brazilian subsidiary, for which the group has already completed the procedures for using the receivable due from the local authorities.
The increase in current indirect taxes to be refunded mainly refers to the VAT receivable asked for refund by the Parent Company for the part not collected at the end of the year worth 1.2 M€. The remaining part of the receivable requested for reimbursement (3.2 M€) was regularly collected during 2020.

OTHER RECEIVABLES	31.12.2020	31.12.2019
Guarantee deposits	772	861
Public grants to be received	2,271	-
Total other non current receivables (A)	**3,043**	**861**
Guarantee deposits	66	61
Receivables from employees	425	835
Receivables from social security institutions	149	426
Refunds to be received	2,089	11
Other receivables	83	48
Total other current receivables (B)	**2,812**	**1,381**
Total other receivables (A+B)	**5,855**	**2,242**

Public grants to be received refers to the subsidiary Bonfiglioli Mechatronic Research S.p.A., which in compliance with IAS20 recorded the receivable for grants from APIAE (a Trentino regional authority) supporting the project for the "Creation of an IoT (Internet of Things) industrial platform" in compliance with the official grant notification received in 2020. The grant will be received within five years.
The refunds to be received include the credit claimed by the Parent Company with regard to the insurance coverage relating to a settlement agreement concluded during the year.
There are no receivables due beyond five years.

PREPAID EXPENSENS AND ACCRUED INCOME	31.12.2020	31.12.2019
Interest	1,034	777
Insurance	284	315
Rentals and maintenance	396	419
Other	323	881
Total prepaid expenses and accrued income	**2,037**	**2,392**

11. CASH AND CASH EQUIVALENTS

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Banks and postal accounts	75,293	52,577	22,716
Cash on hand	49	40	9
Total	**75,342**	**52,617**	**22,725**

For a complete assessment of the Group's Net Cash Position, calculated as the sum of Financial Payables and Bank Payables net of non current financial assets and Cash and Cash equivalents, please refer to the detailed section on financial payables and to the cash flow statement.

12. SHAREHOLDERS' EQUITY

At 31.12.2020 the overall share capital of € 50,000,000 was represented by 50,000,000 ordinary shares with nominal value of €1 each.
It is to be noted that the top shareholder of Bonfiglioli Riduttori S.p.A. (now Bonfiglioli S.p.A.) is the company BON-FI S.r.l.

RECONCILIATION STATEMENT BETWEEN SHAREHOLDERS' EQUITY AND THE RESULT FOR THE YEAR ENDED DECEMBER 31, 2020 OF THE PARENT COMPANY BONFIGLIOLI RIDUTTORI S.P.A. (NOW BONFIGLIOLI S.P.A.)

	Result for the year	Shareholders' equity
Bonfiglioli Riduttori S.p.A. statutory financial statement (now Bonfiglioli S.p.A.)	**(945)**	**374,261**
Accounting of the shareholders' equity and the results of consolidated and associated equity investments to replace book value in the financial statement of the Parent Company, net of infra-group dividends	53,070	7,970
Shareholders' equity and profit attributable to minority interests	16	452
Elimination of infragroup profits on stock	1,623	(19,592)
Reversal of extraordinary infragroup transactions (contributions/disposals)	148	(454)
Other	(44)	(2,024)
Consolidated financial statements	**53,836**	**359,709**

13. NET CASH POSITION AND BORROWINGS

Details of the composition and changes in the Net Cash Position are provided.

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Banks and postal accounts	75,293	52,577	22,716
Cash on hand	49	40	9
Cash and cash equivalents	**75,342**	**52,617**	**22,725**
Financial receivables from other companies	810	545	265
Other non current financial assets	**810**	**545**	**265**
Payables to banks - Overdraft	(15,724)	(73,496)	57,772
Payables to banks	(20,469)	(20,596)	127
IFRS 16 Payables	(5,253)	(5,216)	(37)
Payables to other financial institutions	(1,204)	(4,163)	2,959
Current borrowings	**(42,650)**	**(103,471)**	**60,821**
Bonds	(27,082)	(27,022)	(60)
Payables to banks	(145,743)	(97,654)	(48,089)
IFRS 16 Payables	(24,029)	(24,965)	936
Payables to other financial institutions	(4,330)	(5,852)	1,522
Non current borrowings	**(201,184)**	**(155,493)**	**(45,691)**
Net Cash Position	**(167,682)**	**(205,802)**	**38,120**

Details of the contents and changes in borrowings are provided.

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Current bonds	-	-	-
Non current bonds	27,082	27,022	60
Bonds	**27,082**	**27,022**	**60**
Current payables to banks	36,193	94,092	(57,899)
Non current payables to banks	145,743	97,654	48,089
Payables to banks	**181,936**	**191,746**	**(9,810)**
Current IFRS 16 payables	5,253	5,216	37
Non current IFRS 16 payables	24,029	24,965	(936)
IFRS 16 payables	**29,282**	**30,181**	**(899)**
Current payables to other financial institutions	1,204	4,163	(2,959)
Non current payables to other financial institutions	4,330	5,852	(1,522)
Payables to other financial institutions	**5,534**	**10,015**	**(4,481)**
Total borrowings	**243,834**	**258,964**	**(15,130)**

Details of the contents and main changes in borrowings are provided.

	31.12.2019	Increases	Decreases
Parent Company	27,022	-	-
Bonds	**27,022**	**-**	**-**
Parent Company	106,735	140,000	(92,354)
Bonfiglioli Deutschland GmbH	1,484	-	(498)
Bonfiglioli Drives Shanghai Co. Ltd.	754	-	(754)
Bonfiglioli Slovakia Sro	5,500	-	(2,231)
Bonfiglioli Vietnam Ltd.	2,350	1,450	(1,146)
Tecnotrans Bonfiglioli SA	1,427	-	(293)
Bonfiglioli Canada Inc.	-	39	-
Bonfiglioli USA Inc.	-	4,378	(148)
Medium/long-term borrowings	**118,250**	**145,867**	**(97,424)**
Overdrafts	**73,496**	**2,399**	**(58,480)**
Parent Company	2,680	1,058	(1,611)
O&K Antriebstechnik GmbH	14,927	175	(998)
Bonfiglioli Transmission Pvt Ltd	1,643	-	(502)
Bonfiglioli Vectron GmbH	5,384	75	(608)
Bonfiglioli UK ltd	2,256	21	(171)
Other subsidiaries	3,291	4,227	(2,170)
IFRS 16 payables	**30,181**	**5,556**	**(6,060)**
Parent Company	8,636	-	(4,126)
Bonfiglioli USA Inc.	58	-	(38)
Bonfiglioli Power Transmission South Africa	1,321	-	(127)
Payables to other financial institutions	**10,015**	**-**	**(4,291)**
Total	**258,964**	**153,822**	**(166,255)**

"Bonds" includes the following items of the Parent Company:

- The debenture loan issued by the Parent Company on September 8, 2005 renewed with expiry on June 30, 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 at the end of 2020 for 2,625 K€. The remaining payable recorded is due for 1.0 M€ within five years and the residual amount after five years.
- 125 MUSD shelf facility signed on January 16, 2019 by Bonfiglioli and Pricoa Capital Group through which the Bonfiglioli Group will have the right to issue private placements in the next three years that will be underwritten by Pricoa Capital Group. This transaction marks the first private placement for Bonfiglioli. The partnership with Pricoa adds an expert, long-term funder to the Bonfiglioli capital structure, at the same time increasing the diversification of funding to the company, which is seeing significant expansion at a global level. During 2019, a bond of 25 M€ was issued with a duration of 12 years, including 7 years of pre-amortization and 5 years of straight-line amortization with half-yearly installments, recorded in the financial statements at amortized cost for a total of 24.5 M€.

In the item "Payables to other financial institutions" are recorded by the Parent company both medium and long-term loans received from entities other than banks (Ministry of Industry pursuant to Law 46) and the amount of the loan received from SIMEST on the capital of the Brazilian subsidiary (3.6 M€), maturing on 06/30/2025. Furthermore, this item includes the payable to minority shareholders of the South African company Bonfiglioli South Africa Pty Ltd belonging to the BEE program (Broad-Based Black Economic Empowerment Act) which at the end of the financial year amounted to 1.0 M€.

Other changes	31.12.2020	Due within 12 months	Over 12 months Within 5 years	Beyond 5 years
60	27,082	-	1,000	26,082
60	**27,082**	**-**	**1,000**	**26,082**
-	154,381	16,526	93,650	44,205
-	986	526	460	-
-	-	-	-	-
-	3,269	1,332	1,729	208
(190)	2,464	1,516	948	-
-	1,134	297	837	-
(1)	38	-	38	-
(290)	3,940	272	1,087	2,581
(481)	**166,212**	**20,469**	**98,749**	**46,994**
(1,691)	**15,724**	**15,724**	**-**	**-**
-	2,127	1,245	834	48
-	14,104	1,013	13,051	40
(120)	1,021	446	575	-
-	4,851	600	2,353	1,898
(112)	1,994	151	527	1,316
(163)	5,185	1,798	2,330	1,057
(395)	**29,282**	**5,253**	**19,670**	**4,359**
-	4,510	180	4,330	-
(2)	18	18	-	-
(188)	1,006	1,006	-	-
(190)	**5,534**	**1,204**	**4,330**	**-**
(2,697)	**243,834**	**42,650**	**123,749**	**77,435**

In 2020, the item "payables to banks" saw a substantial change compared to 2019. Taking advantage of the favorable interest rate trends, the Parent Company stipulated two new seven-year loan agreements with the European Investment Bank (EIB) and Cassa Depositi e Prestiti (CDP), for an amount up to 40 M€ each and both aimed at financing or refinancing investments in Research and Development and innovation of industrial processes for the four-year period 2019-2022. At the date of the financial statements, each of the two loans had been used for 20 M€ and are entered at amortized cost for 20 M€ (EIB) and 19.9 M€ (CDP).

Again, with a view to benefiting from interest rate developments and stabilizing the cost of long-term borrowing, during 2020 the Parent Company early paid off the unsecured portion of the 2017 Pool loan, the residual amount of which was 82 M€ early, refinancing it with a new Pool loan and thus benefiting from a new finance share of 18 M€, a two-year extension of the amortization plan, and a downward revision of the interest rate. At the date of the financial statements, the Pool 2020 loan is entered with an amortized cost criterion for a total of 93.3 M€.

On the other hand, the mortgaged part of the 2017 Pool loan remains in place, which on the date of the financial statements is entered with the amortized cost criterion for a total of 21.2 M€.

Finally, in 2020 the US subsidiary Bonfiglioli USA entered into a 10-year mortgage loan to finance the construction of the plant expansion, which at the date of the financial statements is entered with the amortized cost criterion for a total of 3.9 M€ (4.8MUSD).

Medium/long-term lines of credit recorded by the Parent Company have standard covenants linked to the Group Net Cash Position and EBITDA, which as of 31.12.2020 have been fully respected.

14. PROVISIONS FOR RISKS AND CHARGES

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Current provisions	15,650	14,241	1,409
Non current provisions	18,096	22,203	(4,107)
Total	**33,746**	**33,444**	**(2,698)**

The breakdown of changes during the financial year is given below:

DESCRIPTION	Warranty reserve	Sales agents indemnity reserve	Tax assessment reserve	Other reserves	Total
31.12.2019	**26,066**	**1,488**	**992**	**7,898**	**36,444**
Provisions	3,281	63	405	33	3,782
Uses/Reversals	(4,286)	-	(463)	(1,257)	(6,006)
Other changes	(449)	-	(69)	44	(474)
31.12.2020	**24,612**	**1,551**	**865**	**6,718**	**33,746**

Provisions for risks and charges include, in addition to the warranty reserve set aside in accordance with Group policies, the Sales agents' indemnity reserve set aside in accordance with the Italian agency contract, as well as the estimate of liabilities that could arise from existing tax disputes. The item Other reserves includes a provision to cover expected charges for liabilities related to restoration costs and other potential liabilities identified by several Group companies.

15. EMPLOYEE BENEFIT OBLIGATIONS

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Non current employee benefit obligations	18,816	18,716	100
Current employee benefit obligations	1,031	1,109	(78)
Total	**19,847**	**19,825**	**22**

This item includes the "employee severance indemnity" of Italian companies, consistent with applicable legislation, and defined benefit plans following the termination of employment of all German subsidiaries and the Vietnamese, French and Turkish subsidiaries.
The amounts due beyond 5 years are 14.6 M€.
Details of the changes are outlined below:

	31.12.2020	31.12.2019
Opening balance	19,825	19,600
Service costs	372	397
Interest	231	316
Settlements	(1,138)	(1,682)
Actuarial changes	570	1,197
Exchange rate differences	(13)	(3)
Closing balance	**19,847**	**19,825**

The actuarial assumptions for the calculation of pension plans are detailed in the following table (it should be noted that for Vietnam and Turkey no actuarial appraisals have been carried out since the amounts are very limited, approximately 71 K€ in total).

2020	Italy	France	Germany
Discount rates	0.70%	0.49%	0.95%
Salary increase rates	1.80%	2.55%	2.00%
Inflation rates	0.80%	1.80%	0.00%

2019	Italy	France	Germany
Discount rates	1.10%	1.02%	1.31%
Salary increase rates	2.00%	2.55%	0.40%
Inflation rates	1.00%	1.80%	0.00%

By uniformly varying the discount rate by +/- 50 b.p., the consolidated liability at 31.12.2020 would have been approximately 1.4 M€ lower or 1.6 M€ higher.

16. TRADE PAYABLES

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Trade payables	210,844	204,205	6,639
Advances to suppliers	(833)	(1,631)	798
Total	**210,011**	**202,574**	**7,437**

The breakdown of trade payables by geographical area is given below:

	31.12.2020	31.12.2019	2020%	2019%
EMEA (Europe - Middle East - Africa)	148,817	157,855	70.9%	77.9%
AME (America)	4,187	2,927	2.0%	1.4%
APAC (Asia - Pacific)	57,007	41,792	27.1%	20.6%
Total	**210,011**	**202,574**	**100.0%**	**100.0%**

17. OTHER PAYABLES AND LIABILITIES

DESCRIPTION	31.12.2020	31.12.2019	CHANGE 2020
Payables to social security institutions	1,021	625	396
Payables to employees	4,194	2,913	1,281
Accrued expenses and deferred income	1,858	621	1,237
Other non current payables and liabilities (A)	**7,073**	**4,159**	**2,914**
Tax payables	11,953	11,335	618
Payables to social security institutions	10,040	8,932	1,108
Payables to employees	22,482	21,822	660
Other payables	1,269	1,036	233
Accrued expenses and deferred income	2,294	2,123	171
Other current payables and liabilities (B)	**48,038**	**45,248**	**2,790**
Total (A+B)	**55,111**	**49,407**	**5,704**

A breakdown is given below:

TAX PAYABLES	31.12.2020	31.12.2019
Direct taxes	5,961	5,350
Indirect taxes	5,546	5,127
Other taxes	446	858
Total current tax payables	**11,953**	**11,335**

OTHER PAYABLES	31.12.2020	31.12.2019
Payables to directors	1,063	618
Other payables	206	418
Total other current payables	**1,269**	**1,036**

ACCRUED EXPENSES AND DEFERRED INCOME	31.12.2020	31.12.2019
Interest	603	687
Insurance	14	16
Deferred income from public contributions	2,845	1,617
Other	690	424
Total accrued expenses and deferred income	**4,152**	**2,744**

With regard to deferred income from public contributions, these are:

- 0.5 M€ of the deferred income on tax receivables on assets recorded by the Parent by the Parent Company and by "Bonfiglioli Mechatronic Research SpA" and entered in the income statement consistently with the amortization of the related assets. The current portion amounts to 118 K€.
- 1.7 M€ of the deferred contribution granted to the company “Bonfiglioli Mechatronic Research SpA” by the APIAE (a Trentino regional authority) supporting the project for the “creation of an IoT (Internet of Things) industrial platform.” The current portion amounts to 470 K€.
- The residual amount of 0.6 M€ refers to the residual contribution due to the Parent Company as Coordinator of a Horizon 2020 project (IoTwins Project), which was officially approved and financed by the European Commission in June 2019. The project has a time horizon that will end in 2022, and the contribution is entered in the income statement to ensure the best possible correlation between costs and revenues.

INCOME STATEMENT

18. REVENUES FROM SALES AND SERVICES

Revenues from sales and services were achieved in the following geographical areas:

DESCRIPTION	2020	2019	Change	2020 %	2019 %
EMEA (Europe - Middle East - Africa)	432,482	509,068	(76,586)	47.0%	52.3%
AME (America)	175,408	198,942	(23,534)	19.0%	20.5%
APAC (Asia - Pacific)	313,202	264,488	48,714	34.0%	27.2%
Total	**921,092**	**972,498**	**(51,406)**	**100%**	**100%**

The Group revenues from sales and services in 2020 recorded a decrease compared to the previous financial year of 5.3% (921.1 M€ compared to 972.5 M€ in 2019), a minor decrease thanks to the particularly positive performance of the APAC area and particularly China.
For more details on the Group performance, we refer you to the Management Report.

19. MATERIAL COSTS

DESCRIPTION	2020	2019	CHANGE
Purchases from thirds	533,581	561,588	(28,007)
Delta stock	(6,800)	8,166	(14,966)
Total	**526,781**	**569,754**	**(42,973)**

20. PAYROLL COSTS

DESCRIPTION	2020	2019	CHANGE
Wages and salaries	133,435	138,632	(5,197)
Social contributions	34,294	36,160	(1,866)
Defined benefit and contribution plans costs	5,023	5,298	(275)
Other personnel costs	1,004	1,259	(255)
Total	**173,756**	**181,349**	**(7,593)**

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

	31.12.2020	31.12.2019	2020 average	2019 average
Executives and managers	186	178	180	180
White collars and middle management	1,833	1,829	1,835	1,807
Direct and indirect blu collars	1,786	1,774	1,760	1,777
Temporary workers	289	277	276	327
Total	**4,094**	**4,058**	**4,051**	**4,091**

21. SERVICES, LEASES AND RENTALS

DESCRIPTION	2020	2019	CHANGE
Subcontracting and external operation	32,234	34,226	(1,992)
Transport and porterage	29,230	32,319	(3,089)
Maintenance and utilities	27,339	26,651	688
Travel, fairs and advertising	4,051	9,390	(5,339)
Consultancies	10,331	12,576	(2,245)
Services to employees	5,054	5,495	(441)
Fees for directors, statutory auditors and independent auditors	2,729	2,517	212
Other	11,325	12,768	(1,443)
Total	**122,293**	**135,942**	**(13,649)**

22. OTHER OPERATING INCOME

DESCRIPTION	2020	2019	CHANGE
Scrap, sales to vendor and other minor sales	4,616	5,996	(1,380)
Transport and packaging refunds	4,626	5,535	(909)
Claims to vendor	957	1,042	(85)
Capital gains and contingent assets	3,390	3,459	(69)
Received grants and contributions	6,243	3,869	2,374
Reserve reversal	3,255	3,495	(240)
Insurances and other refunds	332	340	(8)
Revenues from internal projects costs capitalized	1,257	1,775	(518)
Other	1,474	1,238	236
Total	**26,150**	**26,749**	**(599)**

23. OTHER OPERATING COSTS

DESCRIPTION	2020	2019	CHANGE
Other tax & levy	3,242	3,376	(134)
Purchase of low value items	864	808	56
Association fees	317	374	(57)
Donations	380	345	35
Capital losses and contingent liabilities	1,068	597	471
Other	116	110	6
Total	**5,987**	**5,610**	**377**

24. DEPRECIATION, AMORTIZATION AND IMPAIRMENTS

DESCRIPTION	2020	2019	CHANGE
Amortization of intangible assets	4,959	5,334	(375)
Impairment of intangible assets	1,751	489	1,262
Depreciation of tangible assets	28,849	25,538	3,311
Depreciation of rights to use tangible assets	5,893	6,132	(239)
Impairment of tangible assets	1,015	60	955
Impairment of rights to use tangible assets	-	1	(1)
Total	**42,467**	**37,554**	**4,913**

The impairment of intangible assets of 1.8 M€ relates to the elimination of the costs capitalized in the subsidiary Bonfiglioli USA Inc. mentioned in the section on intangible assets.

25. FINANCIAL INCOME AND COSTS

DESCRIPTION	2020	2019	CHANGE
Financial income	2,126	2,038	88
Financial costs	(8,339)	(8,304)	(35)
Total	**(6,213)**	**(6,266)**	**53**

A breakdown is given below:

FINANCIAL INCOME	2020	2019	CHANGE
Bank interest income	1,860	1,750	110
Commercial and other interest	266	288	(22)
Total	**2,126**	**2,038**	**88**

FINANCIAL COSTS	2020	2019	CHANGE
Bank interest expenses	1,953	1,712	241
Interest on bonds	731	688	43
Interest payable on borrowings	2,772	3,385	(613)
IFRS16 interest	953	860	93
Discounts, premiums and expenses on derivatives (IRS and forward contracts)	1,415	1,082	333
Interest on employee benefits	243	336	(93)
Other	272	241	31
Total	**8,339**	**8,304**	**35**

26. FOREIGN EXCHANGE GAIN AND LOSSES

DESCRIPTION	2020	2019	CHANGE
Foreign exchange gains	14,107	8,305	5,802
Foreign exchange losses	(16,234)	(9,341)	(6,893)
Total	**(2,127)**	**(1,036)**	**(1,091)**

27. INVESTMENTS' INCOME AND COSTS

The investments' income relate to the profits of the company Grumento posted for reasons of transparency by "O&K Antriebstechnik GmbH" (265 K€) and the difference relates to the payables to minority shareholders in the South African company (36 K€).

28. TAXES

DESCRIPTION	2020	2019	CHANGE
Current taxes	14,270	13,529	741
Deferred tax assets variation	(2,694)	4,240	(6,934)
Deferred tax liabilities variation	(1,617)	(706)	(911)
Direct taxes related with previous years	491	475	16
Total	**10,450**	**17,538**	**(7,088)**

With regard to the deferred taxes, note that the positive variation is influenced by the realignment of the statutory and tax values on some buildings by the Parent Company in accordance with art. 110 of Legislative Decree no. 104/2020, which led to the release of the related deferred tax provision for a total of 1.9 M€.

FURTHER INFORMATION

COMMITMENTS

DESCRIPTION	31.12.2020	31.12.2019	CHANGE
Performance Guarantee	13,701	8,925	4,776
Collateral	42,168	45,577	(3,409)
Total	**55,869**	**54,502**	**1,367**

The performance guarantees refer to bank guarantees issued by credit institutions on contractual commitments or debts taken on by the Group.

The collateral relates to the following:

- Collateral on tangible assets as detailed below:
  - Bonfiglioli Trasmission Pvt Ltd for 8.5 M€
  - Bonfiglioli Slovakia Sro for 0.5 M€
- Collateral on property as detailed below:
  - Bonfiglioli Riduttori S.p.A. (now Bonfiglioli S.p.A.) for 21.2 M€
  - Bonfiglioli Deutschland GmbH for 1 M€
  - Bonfiglioli Slovakia Sro for 7 M€
  - Bonfiglioli USA for 4 M€

PUBLIC CONTRIBUTIONS

Pursuant to and by effect of Italian Law no. 124 of August 4, 2017 "Annual Law on the Market and Competition," the information relating to subsidies, contributions, paid appointments and economic benefits of any kind received in 2020 from national administrations or equivalent national bodies is given below.

Funding body	Recipient Company	Amount (€)	Reason
TRENTINO SVILUPPO SPA (Tax Code 00123240228)	Bonfiglioli Mechatronic Research S.p.A.	87,083	Contribution for the rental of space at the Polo Meccatronica Rovereto
Italian Revenue Agency	Bonfiglioli Riduttori S.p.A.	28,297	BRI tax credit for sanitation
Italian Revenue Agency	Bonfiglioli Italia S.p.A.	5,659	BIT tax credit for sanitation
Italian Revenue Agency	Bonfiglioli Mechatronic Research S.p.A.	8,489	BMR tax credit for sanitation

Based on the provisions of art. 24 of Legislative Decree no. 34/2020 (so-called "Relaunch Decree"), for subjects with revenues not exceeding 250 M€ the payment of the first installment of the IRAP 2020 advance is not due. However, the amount of this payment is excluded from the calculation of the tax to be paid in full for 2020. In accordance with this provision and the further clarifications provided by the Italian Revenue Agency with Circular no. 27/E of October 19, 2020, the company Bonfiglioli Italia S.p.A. calculated the amount of the figurative IRAP 2020 advance payment to be equal to €30,231.

From a systematic interpretation of the law, the benefits for all the companies (including but not limited to fiscal measures such as hyper-depreciation, super-depreciation, school bonus and tax credits for research and development and other facilities such as the "Cassa Integrazione Guadagni") are not included as their advantages do not target a specific company.

In relation to the receipt of state aid which the Italian companies in the Group received during the financial year, for any matters not specifically reported in the above table, refer to the details in the National Register of State Aid.

REMUNERATION PAID TO DIRECTORS, STATUTORY AUDITORS AND INDEPENDENT AUDITORS

During the year, the following amounts were paid out as remuneration to Group Directors, including bonuses, benefits and share-based payments, and auditing bodies:

DESCRIPTION	2020	2019
Directors	1,985	1,772
Statutory Auditors/Independent Auditors	744	745
Total	**2,729**	**2,517**

TRANSACTIONS WITH RELATED PARTIES

The Group has commercial relations with B.R.T. S.p.A., owned by the shareholders and directors of Bonfiglioli S.p.A. (formerly Bonfiglioli Riduttori S.p.A.). The company B.R.T. S.p.A. supplies spare parts for Bonfiglioli products in Italy and, partly, abroad. The business transactions relate to the sales of Bonfiglioli components and products under normal market conditions.

RISK MANAGEMENT

The Group is exposed to financial risks associated with its operations:

- Sector risk, with particular reference to the market performance of the sectors relevant to the Group and the regulations in force in the different countries the Group operates in.
- Liquidity risk, with particular reference to the availability of financial resources and access to the credit market and financial instruments in general.
- Credit risk in relation to business relationships with customers.
- Market risk (mainly related to exchange and interest rates), as the Group operates internationally and is exposed to foreign exchange risk.

The Group is not exposed to significant concentrations of risk. As described in the Management Report, to which reference is made for a detailed analysis, the Group constantly monitors the financial risks it is exposed to in order to assess in advance the potential negative effects and to take appropriate action to mitigate them.

SIGNIFICANT EVENTS AFTER YEAR END

The following events occurring after the closure of the financial year are worthy of note.

In order to rationalize production and organization, with effect from January 1, 2021 the operating company branch of Bonfiglioli Riduttori S.p.A. was transferred to Bonfiglioli Italia S.p.A. Concurrent with this transaction, the transferor Bonfiglioli Riduttori S.p.A. changed its corporate name to "Bonfiglioli S.p.A." while the transferee Bonfiglioli Italia S.p.A. increased its share capital to 50 M€ and changed its corporate name to "Bonfiglioli Riduttori S.p.A."

On March 4, 2021, the Parent Company also finalized the sale of the land and building in Lippo di Calderara di Reno, the Company's original headquarters, for a capital gain of approximately 0.7 M€.

On March 12, with an investment of 7.2 M€, the Bonfiglioli group bought at auction the assets relating to the company Sampingranaggi S.r.l. and Samp Machinery Shanghai Co. Ltd., the division of Samp S.p.A. specialized in gears. For more details, please refer to the Management Report.

Calderara di Reno (Bologna), March 29, 2021
for The Board of Directors

The Chairwoman
Sonia Bonfiglioli

ANNEX A

CONSOLIDATED CASH FLOW (NCP) (K€)

		2020	2019
A.	**Opening Net Cash Position**	**(205,802)**	**(196,447)**
B.	**OPERATING ACTIVITIES**		
	Group' Income (Loss)	53,836	36,742
	Minority	16	72
	Depreciation and impairment	36,574	31,421
	Depreciation and impairment IFRS16	5,893	6,133
	Bad debt provision	329	469
	Other risks provisions	3,288	6,838
	Current and deferred taxes	10,450	17,538
	Cash flow before operative capital employed variation	**110,386**	**99,213**
	Net Working Capital variation	6,336	(17,339)
	Derivatives FMV variation	(27)	445
	Risks Provision variation	(5,986)	(4,696)
	Employee benefit obligations variation	(379)	(697)
	Current and deferred taxes variation	(355)	(1,001)
	Taxes paid	(10,398)	(15,882)
	Other assets and liabilities variation	6,074	(5,635)
B.	**Cash flow originating from (used for) operating activities**	**105,651**	**54,408**
C.	**INVESTING ACTIVITIES**		
	CAPEX	(43,249)	(60,738)
	CAPEX IFRS16	(5,285)	(1,680)
	Share' investments	-	(9)
C.	**Cash flow originating from (used for) investing activities**	**(48,534)**	**(62,427)**
D.	**FINANCING ACTIVITIES**		
	Dividends	(5,003)	(2,012)
	Net effect of exchange rate change	(19,589)	1,101
	Exchange rate (gains) losses on CAPEX	4,913	(279)
	Exchange rate (gains) losses on CAPEX IFRS16	682	(127)
	Exchange rate (gains) losses on Share' Investments	1	-
	Other variations	(1)	(19)
D.	**Cash flow originating from (used for) financing activities**	**(18,997)**	**(1,336)**
E.	**CASH FLOW FOR THE YEAR (B+C+D)**	**38,120**	**(9,355)**
F.	**Closing Net Cash Position (A+E)**	**(167,682)**	**(205,802)**

9.

INDEPENDENT AUDITOR'S REPORT

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


10.500
8.500
6.500

Building a better working world

Bonfiglioli S.p.A.

(formerly Bonfiglioli Riduttori S.p.A.)

Consolidated financial statements as at 31 December 2020

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010

EY
Building a better working world

EY S.p.A.
Via Massimo D'Azeglio, 34
40123 Bologna

Tel: +39 051 278311
Fax: +39 051 236666
ey.com

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders of
Bonfiglioli S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Bonfiglioli Group (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and illustrative notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.
We are independent of Bonfiglioli S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate Bonfiglioli S.p.A. or to cease operations or have no realistic alternative but to do so.

EY S.p.A.
Sede Legale: Via Lombardia, 31 - 00187 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

A member firm of Ernst & Young Global Limited

EY
Building a better working world

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Building a better working world

Report on compliance with other legal and regulatory requirements

Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010

The Directors of Bonfiglioli S.p.A. are responsible for the preparation of the Report on Operations of of Bonfiglioli Group as at 31 December 2020, including its consistency with the related consolidated financial statements and its compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations, with the consolidated financial statements of Bonfiglioli Group as at 31 December 2020 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Report on Operations is consistent with the consolidated financial statements of Bonfiglioli Group as at 31 December 2020 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Bologna, 15 April 2021

EY S.p.A.
Signed by: Marco Mignani, Auditor

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

We have a relentless commitment to excellence, innovation & sustainability. Our team creates, distributes and services world-class power transmission & drive solutions to keep the world in motion.

HEADQUARTERS

Bonfiglioli S.p.A
Registered office: Via Cav. Clementino Bonfiglioli, 1
40012 Calderara di Reno - Bologna (Italy)
Tel. +39 051 6473111

Head office: Via Isonzo, 65/67/69
40033 Casalecchio di Reno - Bologna (Italy)