

**ANNUAL
REPORT
2021**



ANNUAL REPORT 2021

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THE WORLD OF BONFIGLIOLI:

**A BUSINESS UNIVERSE MADE
OF PEOPLE, VALUES,
AND HISTORY**

LETTER FROM THE CHAIRWOMAN



From a health, as well as a political-economic standpoint, 2021 was a challenging year that certainly put us to the test. All this, however, failed to frighten us. In fact, it led us to think with an increasingly clear mind, never losing sight of our focus and values. However, most importantly, thanks to the invaluable cooperation of our people, we have succeeded in achieving ambitious goals.

First of all, **we achieved a very important milestone: One billion euros in sales.** This accomplishment, which had come earlier than expected, would have been unforeseen just a few years ago. Even when, in 1956, my father and his collaborators started this adventure with many dreams, an ambition like this would have been too distant, even for dreamers like them. Yet, in 65 years of operation, albeit with ups and downs along the way, this milestone has been reached: the result of the work and efforts of all our staff, now more than 4,000 worldwide. And it was my pride and privilege to be able to share as well as celebrate the "One billion" with all of The Bonfiglioli Family.

This goal was attained at the very end of a year marked by consolidations and major investments, carried out on the basis of **our main drivers of current and future development: sustainable development through our solutions for wind, recycling and e-mobility, automation and robotics, as well as digitalisation.**

We focused increasingly on e-mobility with the new company Bonfiglioli Ennowing S.p.A., we expanded our competence centre for electromobility, introducing a new line of integrated electric powertrains for numerous applications, both on- and off-highway. We have thus expanded our e-mobility offering, with the aim of becoming a key partner for all of our customers and players who

wish to follow the trend of electromobility. The latter will soon increasingly become part of our daily reality.

Through the acquisition of Sampingranaggi and Samp Machinery Shanghai assets, which specialise in high-precision gears and gearboxes for articulated robots - we have made a leap forward in industrial automation. In line with our development strategies, we have entered the market for transmissions for robotics, with ample room for growth in the future.

I like to think that if Sampingranaggi had not already existed after the war, there would be no Bonfiglioli today. Because after all, it all started from there, when, in 1948, a young technical school graduate began his important journey of work and experience that led him, three years later, to decide to start his first entrepreneurial business. Beyond this emotional reunion - which made me very happy on a personal level as well - and the total complementarity between Sampingranaggi and Bonfiglioli's products, my first thought turned to the women and men of this accomplishment. All of them have since become an integral part of the Group and today represent an important component of Bonfiglioli.

Moreover, we have been engaged in the process of digitalisation for many years. This for us means having production plants that follow the logic of industry 4.0, enabling better and more efficient development to meet customer needs by means of digitised processes. It also means offering our customers sensor-controlled products, as well as an IIOT platform by Bonfiglioli.

In addition, digitisation passes through the implementation of the Group's e-commerce. Launched first in the United States and then, in 2021, in Italy, this has enabled us to engage our customers in an innovative and digital shopping experience, with plans in the near future to extend our e-shop to other countries.

Training has also now gone fully digital with the Bonfiglioli Academy providing ongoing technical training for not only our people, but also external users, in fact, our courses transcend the company boundaries. Moreover the Academy represents a powerful means of ensuring gender equity, because in my opinion skills have no connotation of gender or age.

At the same time we continue to invest in the factories that I consider to be the heart of the company. In 2021, in Tecnotrans Bonfiglioli SA (our Spanish subsidiary), building work began on the new headquarters in the area of the municipality of Castellbisbal, in the province of Barcelona. In 2021 we approved an important investment for two major production facilities in India.

Thus, the year 2021 marked a turning point in every sense. Thanks to the commitment, perseverance and enthusiasm of all our people, we were able to get through the dark tunnel of the pandemic. Furthermore, we are still dealing with the commodity crisis, and have laid the groundwork for facing other challenges, including the conflict in Ukraine - still ongoing as I write this letter - which once again has destabilised the political-economic balance in many countries. However, in spite of this, the results achieved during 2021, then culminating in the "One billion" milestone, give us the right drive as well as motivation to take on new challenges, aiming to go beyond expectations and, as always, realise our dreams.

Forever Forward!

ONE BILLION COMPANY

The Group reached €1 billion in sales by December 2021, and important milestones deserve to be shared!

As part of the celebration of this achievement, the company decided to support employees, Save the Children, and Treedom, through actions in line with the values that have always guided its projects and decisions, namely, people, solidarity, and sustainability.



Save the Children

Our contribution will enable Save the Children to build housing in Uganda for four teachers. This will enable them to live near the school and travel to the classroom on a daily basis, ensuring continuity of education for the students.



Thanks to Treedom we will plant 4,500 trees that will help make our planet greener, absorbing 1,229,000 kg of CO₂.

As a result of the Bonfiglioli forest, local communities will have jobs to take care of these trees.

All Bonfiglioli employees received a special award as a sign of recognition for their efforts in achieving this milestone.



One billion Thanks!



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.”

EXCELLENCE

INNOVATION

SUSTAINABILITY

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, practising leadership with commitment and determination.

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

MILESTONES

1956

Clementino founded
Costruzioni Meccaniche Bonfiglioli

1964

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

2002

We launched BEST, our
international distribution
network

2001

Acquisition of Vectron

2003

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

2005

Bonfiglioli expands into Slovakia

2006

Bonfiglioli Turkey is established

2015

Acquisition of O&K Antriebstechnik
GmbH

2013

Bonfiglioli South East Asia opens in
Singapore

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

2019

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



1968

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

1975

Acquisition of Trasmital

1993

Certifications DNV and TÜV

2000

Launch of MOSAICO, our product online configurator

1999

Inauguration of the plant in Chennai, India

1995

Launch of the C, A, and F series gear units

2008

- › New organisation into business units
- › Bonfiglioli Vietnam Ltd. is established in Ho Chi Minh City



2009

Bonfiglioli Brazil is established

2012

Creation of the Electromobility Competence Center

2011

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

2010

Sonia Bonfiglioli takes control of the Group



2020

E-commerce USA launch

2021

- › Sampingranaggi acquisition
- › Italy e-commerce launch
- › Bonfiglioli Ennowing S.p.A. is established: enlargement of the competence center for electromobility
- › Bonfiglioli becomes a €1 Billion Company

GLOBAL PRESENCE FOR LOCAL SUPPORT

Through an international network of closely interconnected subsidiaries, production facilities, and assembly plants, we guarantee the same high level of Bonfiglioli quality anywhere in the world and at any time.

The company has structured its organisation into 20 sales subsidiaries, 15 manufacturing plants, and more than 550 distributors around the world, knowing that the key to long-term success is a direct presence in local markets and an understanding of the realities in which our customers operate.

This is a continual strategy in our growth plans. Every year we invest in expanding our organisation and direct presence in each of our markets.

15

PRODUCTION
SITES



20

COMMERCIAL
SITES



80

COUNTRIES



~4,000

PEOPLE



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



AUSTRALIA

BRAZIL

CHINA

FRANCE

GERMANY

GREAT BRITAIN

INDIA

ITALY

NEW ZEALAND

SINGAPORE

SLOVAKIA

SPAIN

SOUTH AFRICA

TURKEY

USA

VIETNAM

OUR BUSINESS UNITS

OUR THREE BUSINESS UNITS: DISCRETE MANUFACTURING & PROCESS INDUSTRIES, MOTION & ROBOTICS AND MOBILITY & WIND INDUSTRIES EMBODY ALL THE KNOW-HOW AND EXPERIENCE NEEDED TO SUPPORT OUR CUSTOMER GROWTH.



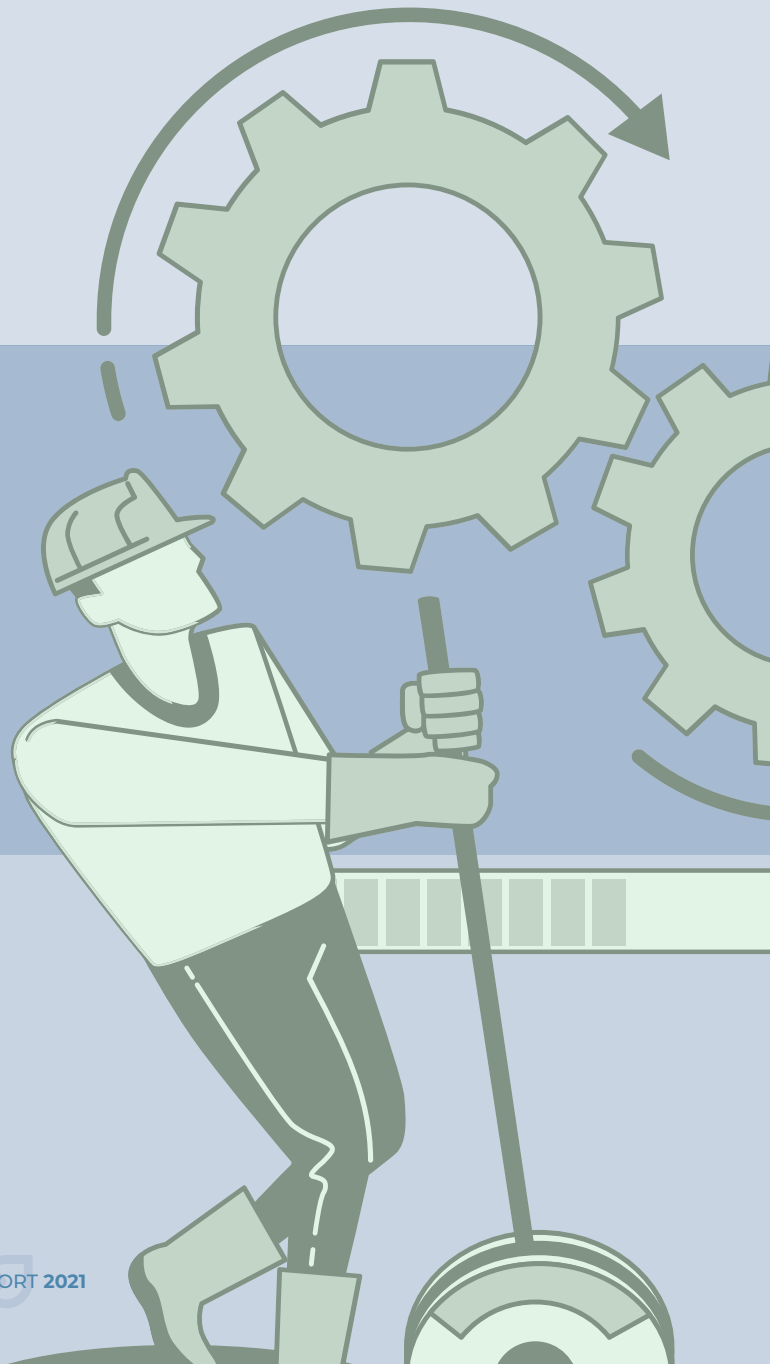
DISCRETE MANUFACTURING
& PROCESS INDUSTRIES



MOTION &
ROBOTICS



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.



MATERIAL
HANDLING



BIOGAS



PACKAGING



RECYCLING



MINING INDUSTRY



LOGISTICS AND
STORAGE SYSTEMS

OTHER SECTORS:

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

MOTION & ROBOTICS

Bonfiglioli solutions ensure the highest level of precision, efficiency, and energy optimisation. Thanks to our experience, we are able to support our customers with integrated and innovative advanced mechatronic solutions for more than twenty industries, including material handling, logistics, intralogistics, robotics, packaging, and the textile industry.

As of 2021, we have expanded our offerings in the area of robotics in order to provide increasingly vertical and cutting-edge solutions, our business unit Mechatronic & Motion Systems has therefore evolved into Motion & Robotics.

HIGHLIGHTS

- › The **centre of excellence in Rovereto** deals with the development of innovative solutions for: IOT, high-precision electric motors and gearmotors.
- › The **centre of excellence in Krefeld** deals with the development of advanced power electronic drives, such as inverters and servo motors.



WOOD



TEXTILES



FOOD AND BEVERAGE



PACKAGING



CRANES AND BRIDGE CRANES



MATERIAL HANDLING



STORAGE SYSTEMS



MEDICAL AND PHARMACEUTICAL



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 durable solutions dedicated to the most complex applications in construction, wind energy, logistics, agriculture, and the 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 self-propelled 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



AGRICULTURE



MINING
INDUSTRY



MATERIAL
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 six of the 15 plants (Italy, Germany, India, China, Vietnam, and Brazil) to better serve local markets and major global players.

Our Yaw and Pitch drives are continuously optimised 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.

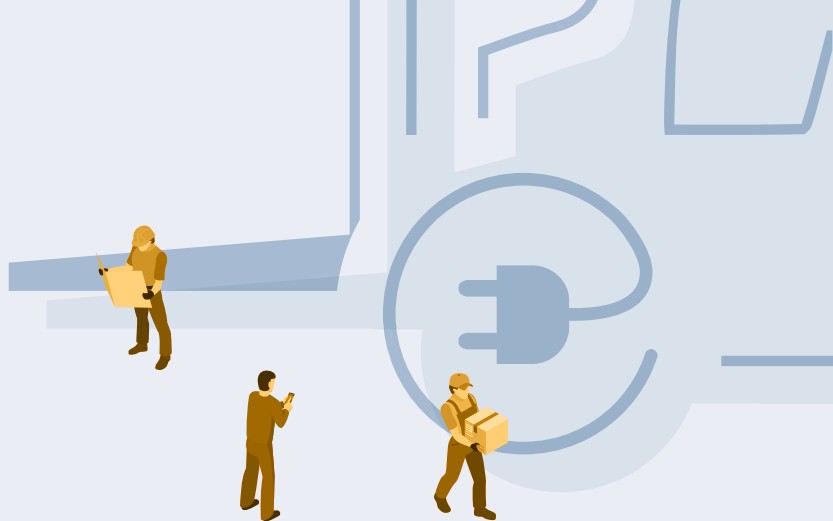


SMALL WIND TURBINES
UP TO 200 KW



ON-SHORE
UP TO 6 MW

OFF-SHORE
UP TO 15 MW



ELECTROMOBILITY SOLUTIONS

ELECTRIC GEARMOTORS FOR DEDICATED ELECTROMOBILITY SOLUTIONS

Bonfiglioli leads the field in hybrid and electric technologies, with the aim of 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 metres.



COMMERCIAL VEHICLES



AGRICULTURE



CONSTRUCTION



MATERIAL HANDLING EQUIPMENT

**BONFIGLIOLI ENNOWING:
ENLARGEMENT OF THE COMPETENCE
CENTRE FOR ELECTROMOBILITY,
the transition to electric has never been easier**

NEW!

2021

E-Axle and e-Dro are the new state-of-the-art integrated powertrains:

- Engine
- Inverter
- DCDC
- Telematic control unit

GOAL

Supporting our customers' transition to electric with a solution that differentiates and expands Bonfiglioli's current business offer.



The background is a complex, abstract composition of various geometric shapes. It features a mix of blue tones (light, medium, and dark), a bright yellow, and a vibrant green. The shapes are layered and overlapping, creating a sense of depth and movement. The overall aesthetic is modern and dynamic.

**WE CARE
ABOUT OUR PEOPLE**

BONFIGLIOLI ACADEMY

2021 was also a year of consolidation for **Bonfiglioli Academy**, our digital learning platform that represents the evolution of the Bonfiglioli Digital Re-Training pilot project launched in 2017.

Today, the structure of the Bonfiglioli Academy comprises **four in-house schools: Bonfiglioli Culture, Leadership Gym, Professional School and Technical Tool**. By offering a wide range of courses, we are able to meet all the training needs of our employees while sharing our values and technical expertise.

The Academy, which is open to all employees and not

only, **received an important recognition in 2021 when it ranked first in the Knowledge and Know-how category of the Responsible Innovators Award for the Emilia-Romagna region**. One of the reasons why we received the award was the inclusiveness of our Academy, which allows all Bonfiglioli employees to develop their skills and grow professionally.

Course participation has grown significantly over the years. In fact, in 2021 **85 percent of employees used the platform for their own training**.



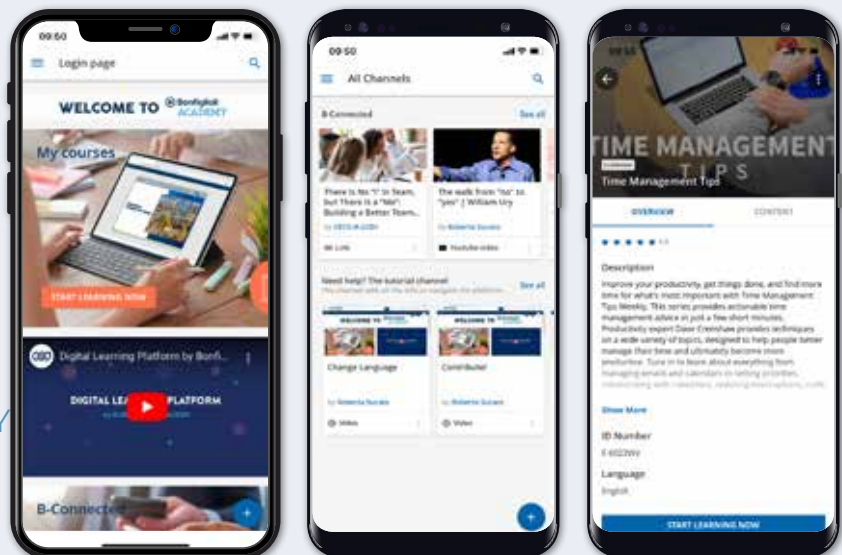
At **Bonfiglioli Academy**, the concept of learning by doing becomes learning by virtual doing: we give our people the chance to develop the skills needed to manage and master technology, according to the concept of “people at the centre”, a concept that animates the Group’s business and strategic choices.

- > **CUSTOM BONFIGLIOLI COURSES**
- > **A PLATFORM FOR ALL OUR PEOPLE**

- > **POSSIBILITY OF ACCESSING LIBRARIES WITH EXTERNAL CONTENT**
- in LEARNING**

2021

- > **MORE THAN 23,000 COURSES DELIVERED**
- > **17,500 HOURS OF TRAINING PROVIDED**
- > **7,022 COURSES TAKEN BY BLUE COLLARS**
- > **16,000 COURSES TAKEN BY WHITE COLLARS**



SAFETY BREAKS

During 2021, in the Italian sites, we promoted the **Safety Breaks: collective moments dedicated to all employees, both blue and white collars, to invite them to think about the importance of adopting safe behaviours** for themselves and others, both in the workplace and outside of company facilities.

These are half-an-hour moments designed to make aware and spread important safety culture issues.

More than 1,300 Italian employees took part in Safety Breaks and the topics addressed by the speakers we hosted concerned accidents at work and first aid.



VACCINE HUB

In June 2021 the **Bonfiglioli Vaccine HUB** opened in Calderara di Reno, Bologna.

We provided the community with 1,500 square metres of warehouse space as well as constructed the necessary facilities for the establishment of six clinics, following the protocols and features stipulated by the immunisation plans and the National Health Service.

The activity began immediately after the ribbon cutting and resulted in the **administration of 50,370 doses of vaccine**.

The Bonfiglioli Hub was created as part of a system-wide operation in the area, promoted by Confindustria Emilia

Area Centro and in agreement with institutions and public health, resulting in the creation of an inter-agency network of vaccination hubs, available to all members and non-members in the region, as well as their employees and family members. This was a major effort to support the community and businesses to help accelerate the 2021 vaccination campaign.

Through the Hub, Bonfiglioli employees and their families were able to complete their vaccinations by the end of the summer break, allowing them to enjoy the break with greater peace of mind, while looking forward to the return to normality.

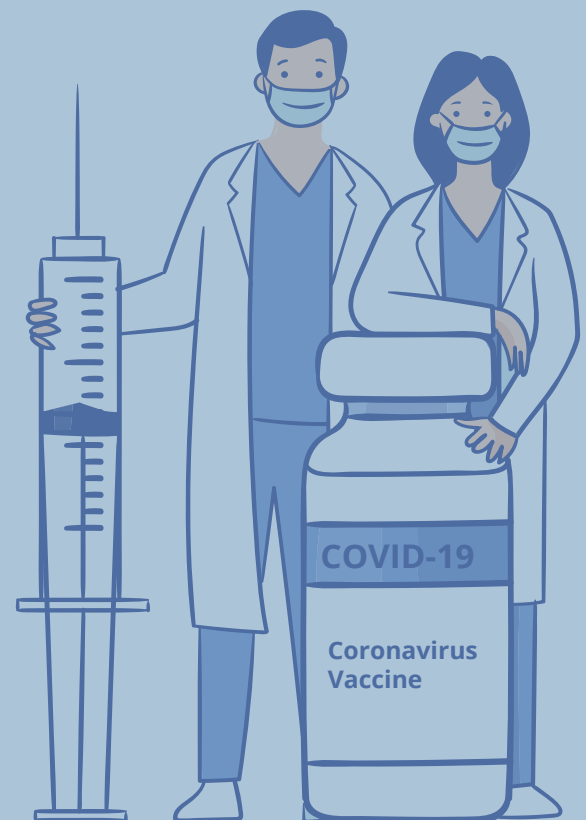


DAILY STAFF PRESENT AT THE HUB:

6
DOCTORS

7
NURSES

6
ADMINISTRATORS



4
VOLUNTEERS

2
CHWS
(COMMUNITY HEALTH WORKERS)



5

The background is an abstract composition of various geometric shapes. There are large, overlapping triangles and polygons in shades of blue, green, and yellow. Some shapes have a slight 3D effect with shadows. The overall style is modern and minimalist.

HIGHLIGHTS 2021

PRIZES AND AWARDS

RESPONSIBLE INNOVATORS AWARD



The **Bonfiglioli Academy** received the first prize in the Knowledge and Know-how category at the seventh edition of the Responsible Innovators Award. This was sponsored by the Emilia-Romagna Region, with the aim to promote an integrated vision of sustainability and to stimulate innovation in the region, aligned with the 2030 Agenda for Sustainable Development.

AWARDS IN CHINA:

Awards received from local government:

- Top 100 Enterprises
- Outstanding talents team for the innovation and Entrepreneurship
- Tax contribution award

Awards received from OEM customers:

- Excellent supplier of SANY
- Excellent supplier of XCMG



ASSOCIATIONS



In 2021, Bonfiglioli became a member of **GWEC - Global Wind Energy Council - the international trade association for the wind energy industry.**

GWEC's mission is in line with the Group's values and strategies on environmental sustainability. In fact, the association aims to **ensure that wind energy emerges as the answer to today's energy challenges**, providing substantial environmental and economic benefits.

GWEC works at the highest international political level to create a better policy environment that promotes wind energy by educating local and national governments as well as international agencies about the benefits of wind energy.



APQP4Wind
Company Member

We renewed in 2021 our membership with **APQP4Wind**, a non-profit organisation founded by the world's leading wind turbine manufacturers and suppliers.

APQP4Wind represents the quality assurance methodology used in the entire global wind industry supply chain, from design to customer.

Therefore, being a member of **APQP4Wind** offers our customers an additional assurance of the high quality of our wind energy solutions.

E-COMMERCE ITALY

We engineer and deliver dreams

BONFIGLIOLI E-COMMERCE: EASY, TRANSPARENT, TIMELY.

After the go-live in the U.S. in December 2020, **during 2021 we launched the Bonfiglioli e-commerce platform in Italy** and we plan to extend it to other countries as well.

The e-shop is a valuable asset, enabling us to offer our customers a digital and innovative shopping experience for a defined number of products.



WHY SHOP AT BONFIGLIOLI E-COMMERCE?



FAST SHIPPING

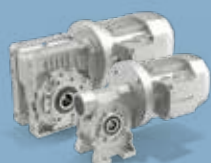


ELECTRONIC
PAYMENTS



LIVE
SUPPORT

WHAT PRODUCTS CAN YOU BUY?



WORM
GEARBOXES



ASYNCHRONOUS
MOTORS



ELECTRIC
MOTORS

SAMPINGRANAGGI TRANSACTION

In March 2021, we acquired the assets of the Sampingranaggi and Samp Machinery Shanghai, companies of the SAMP Group.

This acquisition is perfectly in line with the Group's design and production strategies. It offers us the opportunity to integrate some productions of strategic components, such as bevel gears, while offering us an opportunity to enter into the robotic transmission market, where there is still ample room for growth in the future, both in Italy and in China.

With this transaction, we not only took over warehouses, the Sampingranaggi brand, patents, designs, and robotics products, but also committed ourselves to absorbing 100 percent of the staff.

There has been a particular focus on the proper development of the workforce, including by implementing the continuing education programmes of the **Bonfiglioli Academy**. This has also been implemented for the Sampingranaggi staff, in order to ensure the synergistic and interdisciplinary sharing of their respective skills.

After this acquisition, the Mechatronic & Motion Systems Business Unit became Motion & Robotics to reflect, also formally, the significant investments the Group is making in its Robotics business.



I like to think that if Sampingranaggi had not already existed after the war, there would be no Bonfiglioli today. This is because it all began in 1948 when a young undergraduate engineer started out on a precious journey of work and experience that, three years later, led him to start his first business.

Beyond this emotional reunion - which made me very happy - and the total complementarity between Sampingranaggi and Bonfiglioli's products, my first thought turns to the women and men of this accomplishment, who today represent an important component of Bonfiglioli.

Sonia Bonfiglioli



CERTIFICATIONS

QUALITY, HEALTH, SAFETY, ENVIRONMENT & ENERGY OUR COSTANT AMBITION

Quality, health, safety, environmental protection and efficient energy management, are the principles underlying the Group's strategies.

That is why we constantly strive to improve the quality of all stages of the production chain, from design to the choice of materials and suppliers, to the creation of safe and pleasant workplaces. With this in mind, we constantly align our standards with major system and product certifications.

In 2021 we reached an important milestone in the Forlì plant. In fact, we obtained the certification **ISO 50001 - Energy Management System**. This certification represents the international standard that specifies the requirements for creating, implementing, maintaining and improving the Energy Management System, thereby facilitating the process of integrating energy efficiency into all business activities.

SYSTEM CERTIFICATIONS



PRODUCT CERTIFICATIONS



START OF WORK ON NEW HEADQUARTERS IN SPAIN

In 2021, work began on the **construction of the new home of Tecnotrans Bonfiglioli S.A.**, our subsidiary in Spain that has presided over the local market since 1968. The new location will be in the **municipality of Castellbisbal**, in the province of Barcelona, and will be operational by the end of August 2022.

As David Bassas, General Manager of the branch, points out, "With this change of location, we are committed to promoting the key role of our company within the Spanish market. By improving and optimising work protocols and thanks to the new and innovative facilities, we will, in fact, be able to provide an even more qualified service to our clients".

The new Spanish headquarters will be developed **over an area of 14,000 sq.m, 6,900 of which will be occupied by offices and logistics**. The building was designed to create open and bright spaces, a dynamic, stimulating and proactive environment, with the goal of promoting constant collaboration and communication among employees.

At the logistics level, it will lead to optimisation of material flow with new storage and intralogistics systems. Furthermore, **a large solar panel will be installed that will produce 35% of the energy required**, as part of the Group's environmental sustainability and energy efficiency standards.



BEST



In 2021, the BEST (Bonfiglioli Excellence Service Team) distributor network grew further: Bonfiglioli business partners deemed most qualified.

With a wide selection of Bonfiglioli products and components, as well as their technical expertise, BEST can assemble Bonfiglioli products and meet customer requirements within a short period of time, from support for the start-up of their machines to dedicated after-sale service and training.

Within the BEST family in 2019, an ambitious distributor certification plan was launched in cooperation with TÜV aimed at offering the best to end customers. The **certification, issued by TÜV**, guarantees the same high quality level of services to all Bonfiglioli customers who use a BEST-certified distributor. It also ensures that the products and services provided correspond exactly to Bonfiglioli's ethical, environmental, quality and safety requirements.

IN 2021 THEY WERE JOINED BY:

4 >



BELTIMPORT LTD.,
HIDROBALT, REPO,
SEFI Transmission



13

1 >



LAUCIRICA



5

20

1 >



A.T.I. MORGANTI S.r.l



2



GRAND TOTAL

> 55

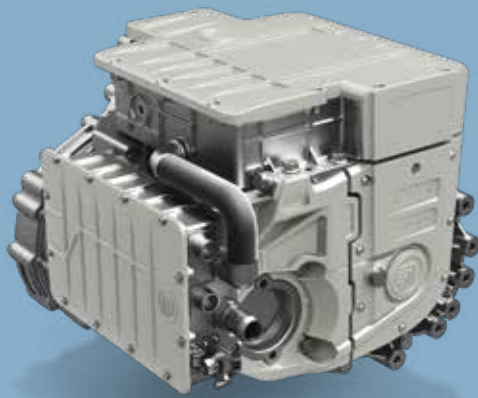
E-MOBILITY COMPETENCE CENTER ENLARGEMENT

In 2021, Bonfiglioli Ennowing S.p.A. was established, as elettromobility competence center enlargement, within the Mobility & Wind Business Unit.

Introducing the two new lines of integrated electric powertrains, we have expanded and differentiated our current product offer with the aim to better support customers and companies as they transition to electric, accelerating their journey.

E-AXLES Series

Electric Drive System



E-AXLE and **HydroBEV** are two lines of high-tech integrated electric powertrains for numerous on-highway and off-highway applications.

HydroBEV Series

Electric Drive System



OFF-HIGHWAY

- > CONSTRUCTION
- > AGRICULTURE
- > AIRPORT VEHICLES

ON-HIGHWAY

- > COMMERCIAL VEHICLES
- > BUS
- > PASSENGER VEHICLES

CUSTOMER BENEFITS:



EASY
INSTALLATION



REDUCED TIME
TO MARKET



LESS SPECIFIC
KNOW-HOW IN
VEHICLE
ELECTRIFICATION



>80%
WEIGHT AND
VOLUME
REDUCTION



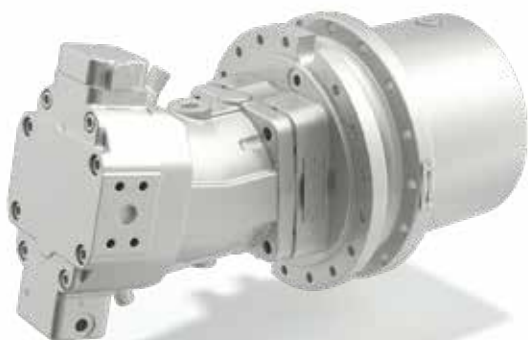
POWER DENSITY



The background is an abstract composition of various geometric shapes, including triangles, trapezoids, and polygons, in shades of blue and green. The shapes are layered and overlap, creating a sense of depth and movement. The colors range from light, airy blues to deep, saturated greens and blues.

PRODUCT NEWS

800 SERIES



The 800 series is the new series of winch drives dedicated to the marine industry, available in 5 sizes from 25,000 to 225,000 Nm. In addition to fast and easy assembly, the new 800 Series gearboxes are designed to be easy to maintain. They are also extremely versatile thanks to a certified modular architecture. A wide range of components makes it possible to use electric or hydraulic

motors, and angular versions minimize the footprint.

This series is particularly suitable for specific projects with low lead times. In fact, thanks to its modular design and the use of 300 series sub-assemblies (already certified), we are able to offer specific and fast solutions to customers.

Like all our marine solutions, this series is designed to meet high performance requirements under special conditions at sea.

The drives comply with the standards set by the American Bureau of Shipping (ABS). Certificates from Det Norske Veritas and Germanischer Lloyd (DNV GL) and the China Classification Society (CCS) are also available.

FWX SERIES

For large, high-performance winches, the new series of FWX motors is easily adapted to the most challenging situations in the marine industry, and is available with torques as high as 1.6 million Nm, according to FEM classes M5-T5-L2. FWX gearboxes have a robust design suitable for typically harsh environmental conditions at sea. In relation to torque, it is very compact and light and offers a wide range of ratios.

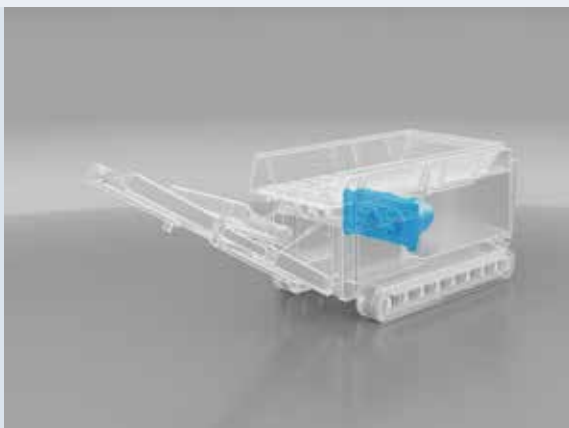
The FWX series comes in six sizes covering the spectrum from 225,000 to 1.6 million Nm. The largest size of this gearbox series, FWX3000, is distinguished by its size and weight: nearly 1.6 metres in outer diameter and a weight of about 10 tons. The all-steel architecture and special seals allow it to reach down to minus 40 degrees Celsius, thus ensuring the highest level of performance. Maintenance has been simplified with oil changes from the front side

and an additional drain hole plug on the rotating flange.

Especially suited to special projects, tailor-made solutions, where the highest level of performance is required.



R3 SERIES

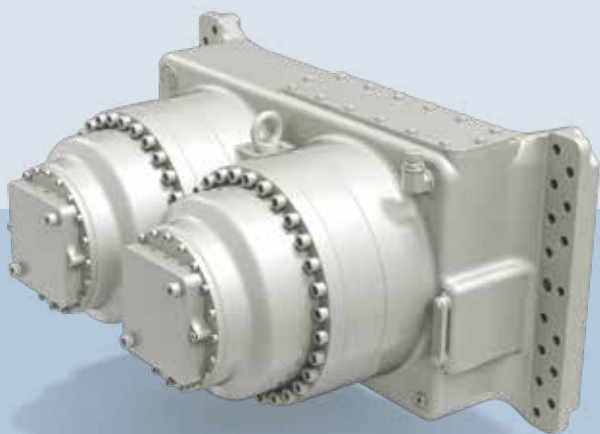


The R3 series is Bonfiglioli's solution dedicated to self-propelled primary shredders, compact and capable of delivering high torques.

Planetary drive trains are the optimal choice for all heavy duty cycle applications, overloads and peak loads are more of a feature than an exception.

The configuration of the gearbox is very flexible, thanks to the ability to customise both the input and outputs.

The product features a version with synchronised shafts and an integrated mounting flange. Depending on the functional requirements of the machine, it can be equipped with 1, 2 or 4 hydraulic motors.



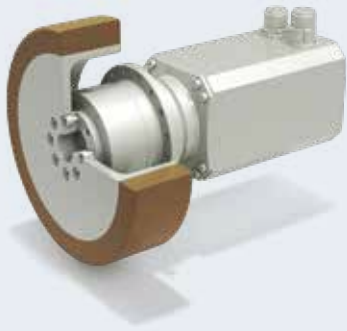
DGM MODULAR

DGM Modular series decentralised inverters are designed for the control of asynchronous, reluctance synchronous, and permanent magnet synchronous electric motors with sensorless vector control.

In addition to Harting and Phoenix connectors, onboard digital I/O, and excellent value for money, the DGM Modular is ideal for packaging and intralogistics applications. The DGM Modular can be wall mounted, machine mounted, or supplied directly in combination with the gearmotor. In the latter case, mechanical assemblies, electrical connections and basic programming will be performed by Bonfiglioli, which has the advantage of minimising installation activities, thus reducing time and errors.

The inverter can be designed and installed faster than if it were installed in the control cabinet, downtime costs can be greatly reduced, and troubleshooting can be done quickly and immediately.





BLUEROLL

BlueRoll is a new platform for Automated Guided Vehicles (AGV) and Autonomous Mobile Robots (AMR), developed specifically to deliver great performance in terms of power density, precision, and load capacity, while allowing for easy installation and assembly. BlueRoll enables the development of high-performance AGVs and AMRs with compact wheelbases and low vertical footprints.

Our AGV and AMR solutions, are available in 3 versions

each with a progressively greater level of integration: the Basic solution includes a precision planetary gearbox; it is available in three sizes with load capacities of 360kg, 720kg, and 1020kg and speeds up to 2m/s; the Advanced solution includes a low voltage servomotor and precision gearbox; and the Compact solution includes an additional compact gearmotor, which further reduces the axial footprint by 25%. All three versions can be supplied with a wheel, in diameters of 160mm, 200mm, and 250mm. The wide selection of feedback systems and options on the servo motor help make BlueRoll highly configurable to suit specific application needs.

E-AXLE & HYDROBEV



E-AXLE & HydroBEV are the new integrated electric powertrain lines launched in 2021 by Bonfiglioli. The modularity, compactness, and high power density of powertrains make them particularly adaptable and suitable for small installation areas.

The E-AXLE product line was developed to adapt to various powertrain architectures on mechanically driven vehicles, whereas HydroBEV was created for hydrostatic transmission applications.

Within the E-AXLE family we find:

- e-Axle, powertrain consisting of motor, inverter and gearbox with differential, applicable to both front- and rear-wheel drive vehicles and available in 20kW, 70kW, 90kW and 120kW versions.
- TransAxle, powertrain positioned transversely to the front or rear axle of the vehicle, consists of motor and inverter.

- CentrAxle, a powertrain located in the centre of the vehicle and connected to the rear axle via a cardan shaft, consists of an electric motor and inverter. TransAxle and CentrAxle are available in 70kW, 90kW and 120kW with gearbox and 20kW, 70kW, 90kW and 120kW without gearbox.

The e-Dro is the line of the HydroBEV family solutions, consisting of a motor with an inverter, and in some versions a gearbox, ready for direct connection with hydraulic pumps and available in 25kW and 70kW versions. Powertrains in the E-AXLE and HydroBEV families, depending on version, are available at a voltage range of 72Vdc to 450Vdc.

Telematics can be added to all powertrains as an optional component. Furthermore, those in the 70kW, 90kW and 120kW power ratings are also available with integrated DCDC.

To make the systems more flexible and give our customers the opportunity to customise the functionality of the powertrains to specific applications, it will be possible to add a Power Control Unit.

As a means of facilitating our customers' electric transitions, RESS (Rechargeable Energy Storage Systems) - which can be integrated with our powertrains - have been developed in collaboration with our strategic partners.

EFFICIENCY

Since July 1, 2021, the Ecodesign Directive (EU) 2019/1781 has introduced new energy efficiency requirements for induction motors and, for the first time, frequency inverters, eliminating some of the previous exceptions.

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.

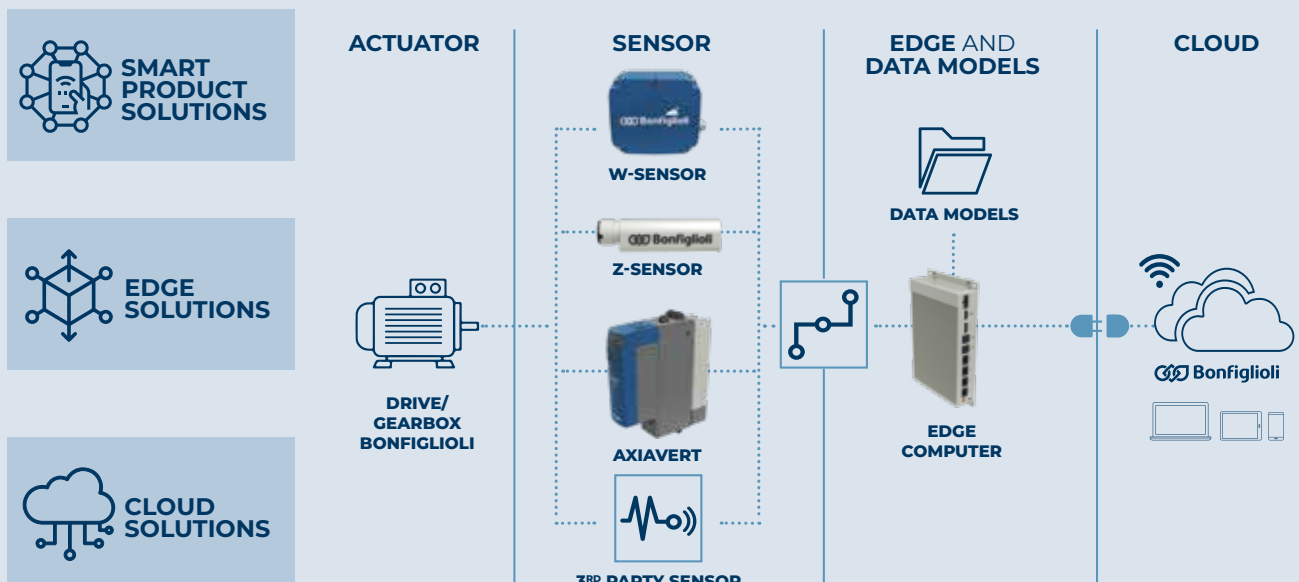
Our solutions comply with the highest energy efficiency requirements and follow international standards, including ABNT, NEMA, IEC.



IIoT

Due to the more than 60 years of experience and expertise we have gained in the industrial automation industry, and through a constant pursuit of innovation for our customers, we are now able to provide new and advanced digitisation solutions, ranging from sensors to cloud-based services.

Bonfiglioli's IIoT platform provides information about our products and their health status, and through sensors, software and algorithms, it allows us to detect the need for predictive maintenance. Our digital offerings are on three levels: Smart Product Solutions, Edge Solutions, Cloud Solutions.





5



SOCIAL RESPONSIBILITY

SUSTAINABILITY REPORT

Aware of our social role, in 2020 we declared our commitment to sustainability with the publication of the first **Sustainability Report**, a snapshot of all the activities put in place by the Group to protect the environment and the land and for ethical business management at the highest level.

Near-zero energy buildings and minimal carbon footprint, development of highly efficient solutions for our customers, digitisation of our processes, and initiatives to support local communities (young people, territory development, STEM disciplines and technical education) represent our commitment to a better tomorrow.

The Bonfiglioli sustainability report consists of three fundamental parts: **OUR WAY, OUR PEOPLE, OUR IMPACT**.

*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 WAY

A STORY OF CONTINUOUS EXCELLENCE

Our commitment to ethical business is stated within an internally shared code.

We promote our principles and values to all of the Group's stakeholders to ensure a positive impact towards local communities in the countries where we operate.



**20 SALES SUBSIDIARIES, 15 FACTORIES AND
MORE THAN 550 DISTRIBUTORS**



CODE OF ETHICS



SUPPORT FOR PROJECTS WORLDWIDE

OUR PEOPLE

ENGINE OF SUCCESS

Our people are our wealth. This is why we aim to create a stimulating and safe environment where everyone can contribute to innovation and excellence with talent, passion, and curiosity.



MORE THAN 4,000 PEOPLE: BONFIGLIOLI FAMILY IN THE WORLD



BONFIGLIOLI ACADEMY



INTERNATIONAL MOBILITY

OUR IMPACT

WORKING TODAY FOR A SUSTAINABLE TOMORROW

Operating ethically is the legacy left to us by our founder, Clementino Bonfiglioli: we design our products while protecting the environment and we work every day with the aim of building a better world. The environment, as well as the well-being of local communities, are high priorities for us. That is why we strive to reduce the impact we have on the environment throughout the design, development and manufacture of our products.



COLLABORATIONS WITH SCHOOLS, UNIVERSITIES AND INSTITUTIONS



BONFIGLIOLI E-COMMERCE



ENERGY FROM OUR PHOTOVOLTAIC PANELS



R&D AND LAB TEST

SOCIAL RESPONSIBILITY

Our social responsibility programmes and initiatives around the world are based on three pillars: young people, territory development, STEM disciplines and technical education. Since our first project CheerFutureLand, a youth's home in India, to our partnership with Save the Children in 2021, we are committed to giving children in need the possibility of a better life, fostering culture and health in our host territories, and assisting students during their transition to the workforce.



YOUNG PEOPLE



TERRITORY DEVELOPMENT



STEM DISCIPLINES AND TECHNICAL EDUCATION

For further information about our Social Responsibility projects and activities, please visit:
www.bonfiglioli.com/international/en/Social-Responsibility

A BETTER FUTURE FOR OUR CHILDREN

WORLD



Thanks to Treedom, we planted 4,500 trees that will help make our planet greener by absorbing 1,229,000 kg of CO2.

The Bonfiglioli forest employs local communities that will take care for these trees.

UGANDA



Save the Children

With Save the Children, we ensure continuous education for 100 children in one of the most populous districts in Uganda.

The right to education is the basic foundation for development and is the most valuable tool for reducing poverty, marginalisation and exploitation.

ITALY



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

INDIA



The boys' and girls' homes welcome children in need, giving them the opportunity to live together in a protected environment. Children receive an education and acquire skills which will prepare them for higher education or enter the labour market.



SOUTH AFRICA

The **St. Mary's School in Johannesburg** offers a high-level education to the most talented girls from neighbouring slums, with the goal of giving them access to college and ensuring a better future for both them and their families.



VIETNAM

School in Ho Chi Minh City offers free education to children living in situations of economic and social shortages.



IN SUPPORT OF 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 with onset of epilepsy.

CINEMA MODERNISSIMO

Attentive to local art and cultural heritage, Bonfiglioli contributes to the restoration of the Cinema Modernissimo, at Palazzo Ronzani in Bologna.



LEONARDO MELANDRI STUDY CENTRE

The "**Leonardo Melandri Study Centre**" Association was established on 17 July 2013. The association promotes training activities, the dissemination of science and the transfer of knowledge from the world of research to the production one. It also financially supports deserving high school and university students.



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.

BRIDGE BETWEEN SCHOOL AND LIFE

LEONARDO COMMITTEE

The **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.



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



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 organisations we support.

SECTOR ASSOCIATIONS WE JOIN

Innovation remains a milestone for us, so we want to make our contribution in the mechanical industry by participating in:

- Clust-ER Association, Federmeccanica
- Associazione Italiana Acquisti and Supply Chain (ADACI)
- Unione Costruttori Italiani Macchine Automatiche per il Confezionamento e l'Imballaggio (UCIMA)

We are proud to lend our support to:

- Federazione Nazionale Imprese Elettroniche ed Elettrotecniche (ANIE) *that is the Foundation from which the 30% of the R&D private expenditure comes every year in Italy*

In addition, to boost the excellence of manufacturing industries in our area, we actively participate in:

- Confindustria Emilia Area Centro
- Ente nazionale italiano di unificazione (UNI)

Additionally, we wish to recall our contributions to:

- Federazione Nazionale Cavalieri del Lavoro.
- 4.Managers", "Capo D" and "Il lavoro del Futuro" *to promote equal opportunity in the workplace"*



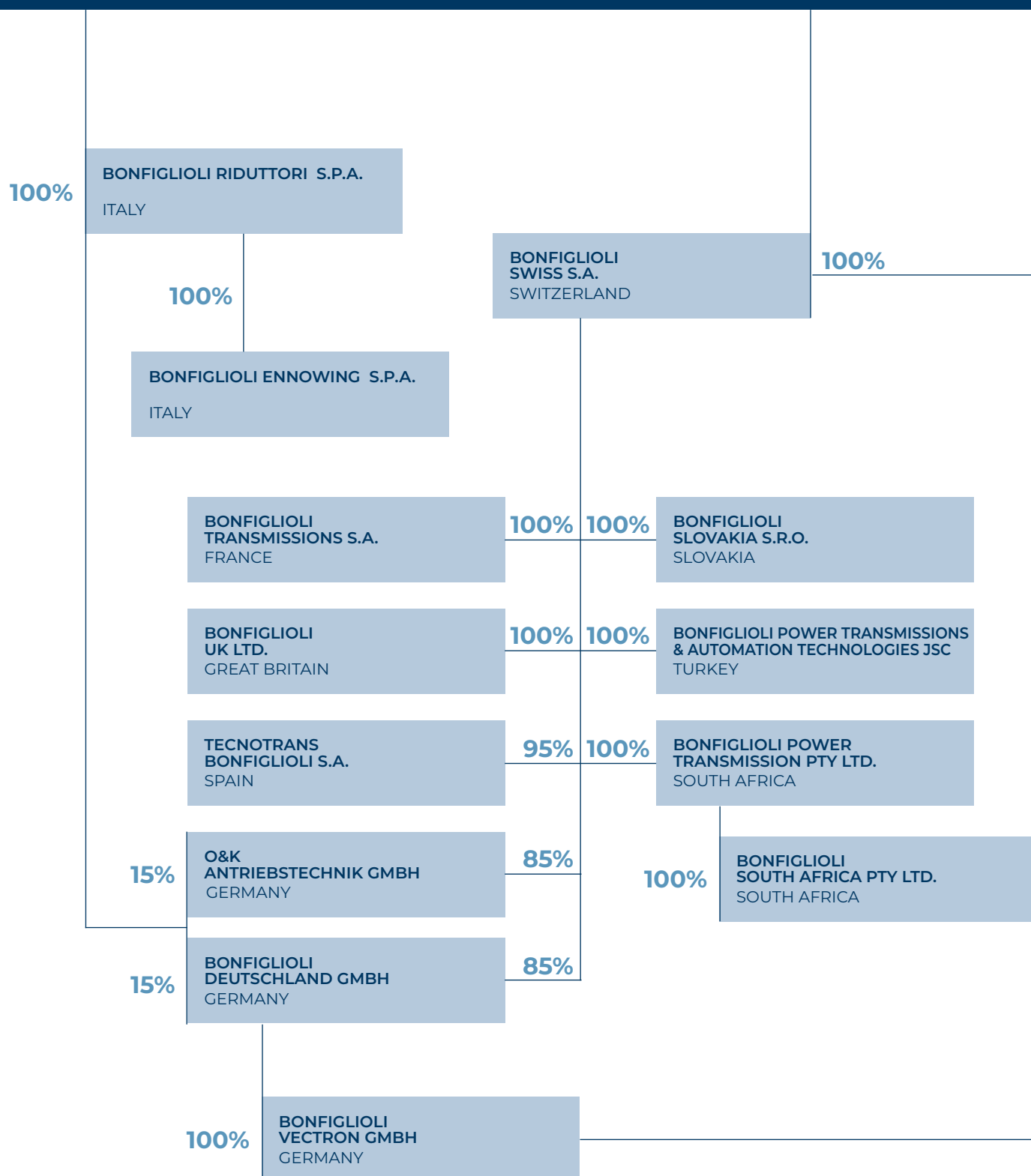


FINANCIAL DATA

GROUP CHART AS OF 31.12.2021



Bonfiglioli S.p.A.



EMEA

APAC

AME

100%

BONFIGLIOLI SOUTH EAST
ASIA PTE LTD.
SINGAPORE

100%

BONFIGLIOLI DRIVES
(SHANGHAI) CO. LTD.
CHINA

100%

BONFIGLIOLI
VIETNAM LTD.
VIETNAM

100%

BONFIGLIOLI TRADING
(SHANGHAI) CO. LTD.
CHINA

100%

BONFIGLIOLI
CANADA INC.
CANADA

100%

BONFIGLIOLI TRANSMISSION
(AUST.) PTY LTD.
AUSTRALIA

100%

BONFIGLIOLI
USA INC.
USA

73.82%

BONFIGLIOLI REDUTORES DO BRASIL
INDUSTRIA E COMERCIO LTDA
BRAZIL

2.43%

BONFIGLIOLI
TRANSMISSION PVT LTD.
INDIA

97.57%

B.E.S.T. HELLAS SA
GREECE

10%

100%

BONFIGLIOLI RENEWABLE POWER
CONVERSION INDIA PVT LTD.
INDIA

ORGANISATION 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**



**MOTION &
ROBOTICS
BUSINESS UNIT**

CHINA

INDIA

NORTH
AMERICA

SPAIN

FRANCE

GERMANY

GREAT
BRITAIN

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 AUDITOR

EY S.p.A.

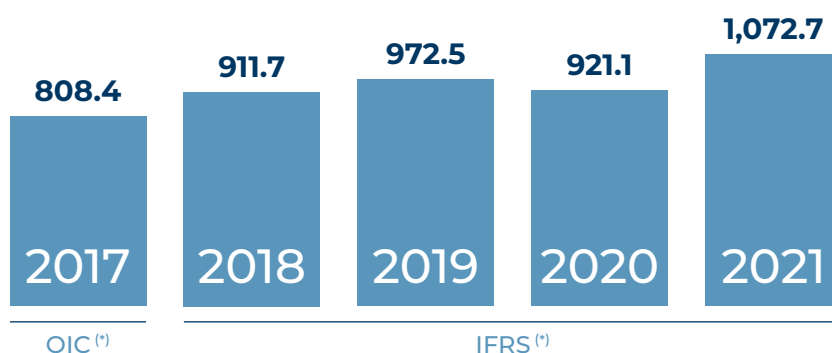


FINANCIAL HIGHLIGHTS

GROUP TURNOVER

(EURO/MILLION)

*ACCOUNTING PRINCIPLES

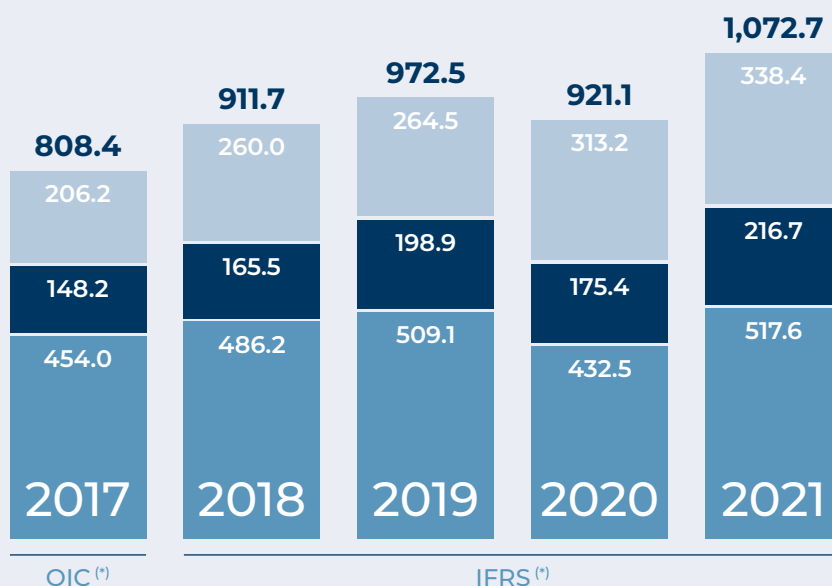


SALES BY GEOGRAPHICAL AREA

(EURO/MILLION)

*ACCOUNTING PRINCIPLES

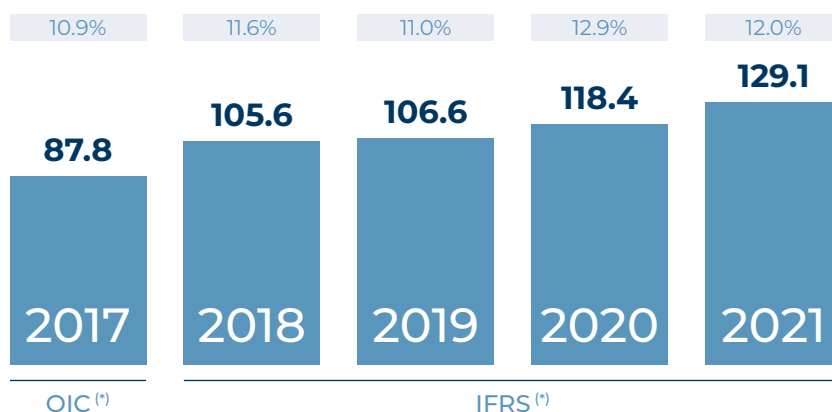
■ EMEA
■ AME
■ APAC



EBITDA

(EURO/MILLION -
% OF TURNOVER)

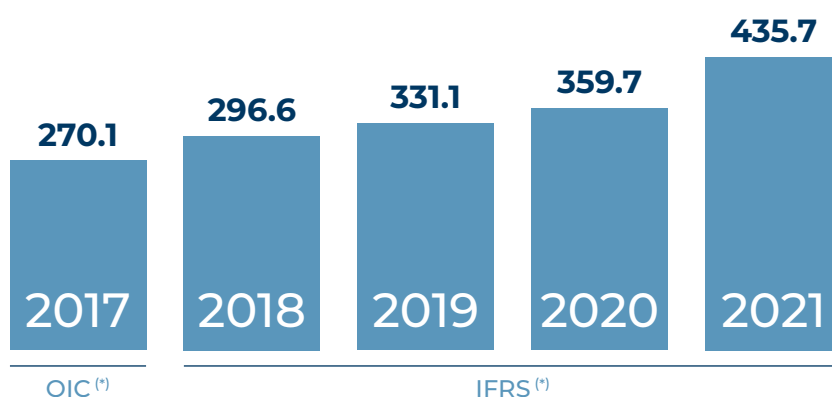
*ACCOUNTING PRINCIPLES



GROUP SHAREHOLDERS' EQUITY

(EURO/MILLION)

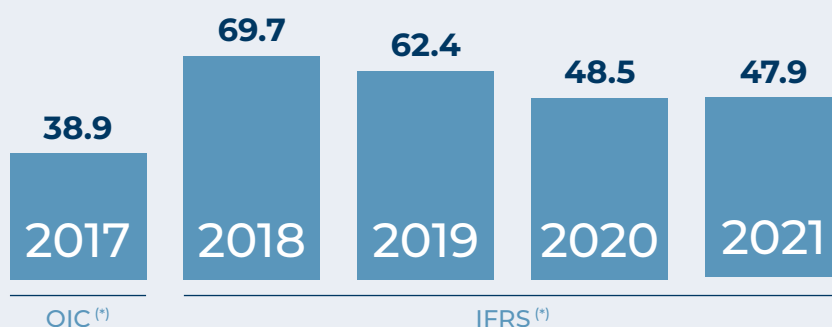
*ACCOUNTING PRINCIPLES



NET CAPITAL EXPENDITURE

(EURO/MILLION)

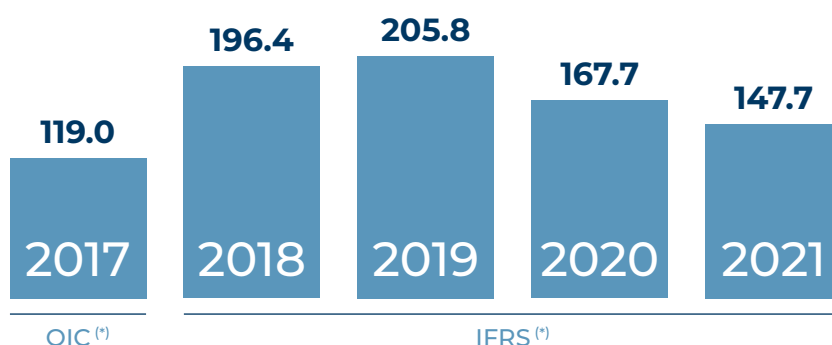
*ACCOUNTING PRINCIPLES



NET CASH POSITION (NCP)

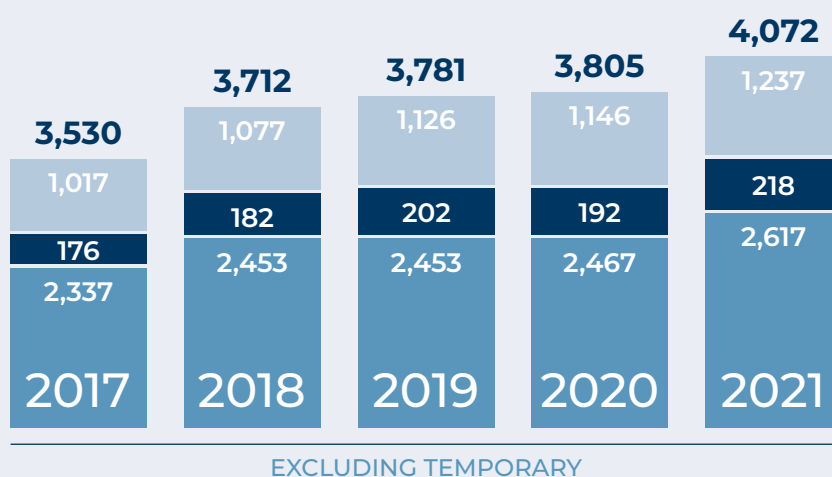
(EURO/MILLION)

*ACCOUNTING PRINCIPLES

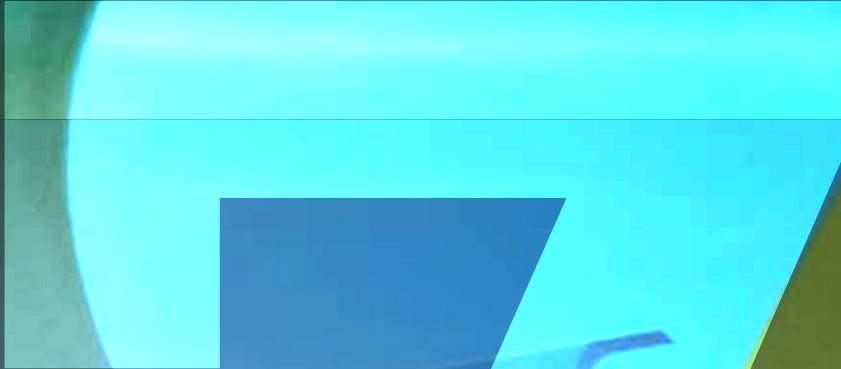


NUMBER OF EMPLOYEES

■ EMEA
■ AME
■ APAC



EXCLUDING TEMPORARY



The background is an abstract composition of various geometric shapes, including triangles, polygons, and curved forms. The color palette is dominated by shades of blue and green, with some darker and lighter variations creating a sense of depth and movement. The shapes overlap and intersect, creating a complex, layered visual effect.

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 Bonfiglioli Group as of December 31, 2021 consisting of the financial statements and related illustrative notes and drafted in accordance with the 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

Two years after the outbreak of Coronavirus, the world is still searching for a complete way out of the pandemic. The year 2021 was marked by major steps towards normalization - including the launch of vaccination campaigns, the easing and, indeed, lifting of restrictions in many parts of the world - but also by setbacks with the spread of the Delta and Omicron variants. The last two years were "extraordinary", not only for the human kind, but also for the global economy. While vaccination programmes are now allowing to better control the spread of the virus, some sectors of the global economy, such as labour markets, are struggling to recover. A full return to normality remains the exception and will be such even for the foreseeable future. When COVID-19 turned into a global pandemic in 2020, the subsequent lockdowns caused the deepest recession on record. This unprecedented shock resulted in extraordinary fiscal and monetary support measures, which facilitated a sharp recovery. However, the information triggered by such a major economic upheaval is hardly recognizable and difficult to interpret, especially for making forecasts for the future. Rising inflation was one of the central themes of 2021. At first, the pandemic produced a strong deflationary shock. Fearing a deflationary spiral and a 1930s-style depression, policy-makers intervened in a quick and appropriate way by introducing unprecedented monetary and fiscal stimuli. These policies helped put the economy back on track. On the other hand, the strong demand for goods and the pandemic turmoil in many supply chains led to substantial price increases in primary goods. Rising energy prices and supply disruptions led to higher and wider-than-expected inflation, especially in the United States, in Europe and also in many emerging markets. The continued downsizing of China's real estate sector and also a slower-than-expected recovery in private consumption are generating limited growth prospects.

According to data recently released by the International Monetary Fund (IMF), global growth is expected to settle at 5.9% in 2021. In contrast, IMF analysts estimate growth at 4.4% in 2022, half a percentage point lower for 2022 than in the October World Economic Outlook, largely reflecting downward forecasts in the two largest economies (USA and China). The downward revision by 1.2 percentage points for the United States was affected by the assumed removal of the "Build Back Better" fiscal policy, a reduction in monetary stimulus actions and continued supply shortages. In China, the economic fallout linked to the "COVID-19 zero tolerance" policy and the prolonged financial stress in the real estate sector prompted a downgrade by 0.8 percentage points. Global growth is expected to further slow down to 3.8 per cent in 2023 (0.2 percentage points higher than in 2022 compared to the October World Economic Outlook (WEO)). The forecast is conditional on adverse health outcomes falling to low levels in most countries by the end of 2022, assuming that vaccination rates improve worldwide and treatments become more effective.

The United States showed a 5.6% growth in 2021 before contracting to 4.0% in 2022 for the reasons outlined above.

The same trend is expected for the Eurozone. The Eurozone closed 2021 with a 5.2% growth, but the estimate for 2022 falls to 3.9% due to both COVID-19 management restrictions and the economy's exposure to supply chain shocks.

For Germany, updated forecasts indicate a GDP growth of 2.7% in 2021, followed by a further growth of 3.8% in 2022. For Italy, the estimated growth in 2021 is 6.2%, while the forecast for 2022 is +3.8%.

The United Kingdom closed 2021 with a GDP growth of 7.2%, followed by a stabilization at 4.7% in the forecasts for 2022. China closed 2021 with a GDP growth of 8.1%, while the forecasts, as mentioned above, see the year 2022 stop at +4.8%. India recorded a growth of 9% in 2021, being confirmed by analysts also for 2022.

For Japan, the IMF estimates a GDP growth of 1.6% in 2021, followed by a growth of 3.3% in 2022.

As mentioned in the foreword, inflation continued to rise throughout the second half of 2021 due to several factors. Fossil fuel prices almost doubled in the past year, thus increasing energy costs and causing higher inflation especially in Europe. High demand for goods and continuous supply chain disruptions due to congested ports and land-side constraints caused further pressure on prices on a worldwide basis. Inflation is expected to remain high in the short term, averaging 3.9 per cent in advanced economies and 5.9 per cent in emerging markets and developing economies in 2022, before easing back to a declining level in 2023. Assuming the pandemic loosens its grip, higher inflation is expected to decline as supply chain disruptions ease and demand rebalances.

The ongoing climate emergency continues to call for urgent international action. Very broadly coordinated global policies will be needed to meet the new targets set at the Glasgow Climate Conference (COP26) and avert catastrophic global climate change. Among the most important decisions contained in the Glasgow Pact is the identification of new minimum decarbonization targets: a 45% cut in carbon dioxide emissions compared to 2010, to be implemented by 2030, and the achievement of net zero emissions "around mid-century."

The growing focus on environmental, social and governance (ESG) issues will continue to influence companies and investment prospects. The commitment of shareholders, employees, regulators and ESG activists, holding companies to account, will have an even greater impact in the coming years.

However, the macroeconomic scenario described by analysts in their year-end forecasts could be completely overturned by the events of recent weeks.

At dawn on February, 24, Vladimir Putin gave the order to invade Ukraine, and explosions were confirmed in major cities, including the capital Kiev, despite the fact that the troops sent to Donbass territories in the previous days had been justified as a "peacekeeping" mission. The decision came after the official recognition of the Donbass separatist republics located on Ukrainian territory, Donetsk and Lugansk. The military escalation, which brought war back to European territory for the first time since the Second World War (excluding the Balkan War), led Europe and the United States to the immediate adoption of sanctions against Moscow. Such sanctions were said to be "unprecedented" by Joe Biden and Ursula von der Leyen. Economic sanctions are currently the only weapon the West is willing to use, and it has excluded the military defence of Kiev from its options. However, the magnitude of the impact of European sanctions appears to be strongly conditioned by energy supply issues. Today about 36% of the gas imported by the EU (50% if only non-European imports are considered) comes from Moscow. Over the last few years, the EU has actively sought to diversify its gas supply sources, in particular by focusing on liquefied natural gas (LNG) after 2009 and 2010, when for the first time Russia turned off the taps to Ukraine and part of the EU. However, "dependence" on Moscow is a structural and geographical fact: it is much easier and cheaper to transport gas by pipeline, and a huge producer not far from large European consumers is an inevitable partner.

At the time of writing of this report, trials of dialog and negotiation between Russia and Ukraine are taking place. So far there are at least 2,000 civilian victims, according to the Ukrainian government. Refugees already count more than 1.5 million, thus being the largest migration flow in Europe since the Second World War.

CONSOLIDATION AREA

As of December 31, 2021, the consolidation area includes, along with the Parent Company, 22 subsidiaries representing the following manufacturing and industrial organization:

- 15 production plants (4 in Italy, 3 in India, 2 in Germany, 2 in China and 1 each in 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:

- The transfer to Bonfiglioli Italia S.p.A. of the operating branch of Bonfiglioli Riduttori 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."
- The Transfer Decree, on the basis of which Bonfiglioli was awarded the assets and rights relating to the companies "Sampingranaggi S.r.l." and "Samp S.p.A.", both of which are in composition with creditors, as well as the Chinese company "Samp Machinery Shanghai Ltd" acquired by "Bonfiglioli Riduttori S.p.A." and "Bonfiglioli Drives Shanghai Co. Ltd" respectively.
- The exit of the third party shareholders belonging to the "BEE" (Broad-Based Black Economic Empowerment Act) programme from the South African company "Bonfiglioli South Africa Pty Ltd" was finalized through the repurchase of a shareholding accounting for 25% of the share capital by the parent company "Bonfiglioli Power Transmission Pty Ltd".
- The incorporation by Bonfiglioli Riduttori S.p.A. of "Bonfiglioli Ennowing S.p.A." with a share capital of 50,000 Euro;
- The merger of the company "Bonfiglioli Mechatronic Research S.p.A." into the company "Bonfiglioli Riduttori S.p.A.", carried out with accounting and fiscal effects backdated to January 1, 2021.
- The start of liquidation process of the no longer operating company "Bonfiglioli Renewable Power Conversion India Pvt Ltd".
- The capital increase by the Parent Company in the Indian subsidiary "Bonfiglioli Transmission Pvt Ltd" by means of the payment of a total of 200 MINR (equal to about 2.4 M€), part of which as a share premium.

ANALYSIS OF 2021 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 Euro and in percentage, as well as the main economic-financial indicators.

RECLASSIFIED INCOME STATEMENT	VALUES			% OF TURNOVER		
	2021	2020	2019	2021	2020	2019
TURNOVER	1,072.7	921.1	972.5	100.0%	100.0%	100.0%
COST OF SALES	(827.6)	(706.1)	(758.0)	(77.2)%	(76.7)%	(77.9)%
GROSS MARGIN	245.1	215.0	214.5	22.8%	23.3%	22.1%
STRUCTURE & OPERATING EXPENSES	(160.5)	(142.7)	(152.7)	(15.0)%	(15.5)%	(15.7)%
EBIT	84.5	72.3	61.7	7.9%	7.9%	6.3%
Financial income and expenses	(5.2)	(6.2)	(6.3)	(0.5)%	(0.7)%	(0.6)%
Exchange rate differences	2.3	(2.1)	(1.0)	0.2%	(0.2)%	(0.1)%
Dividends, income and charges from securities valuation	0.3	0.3	(0.1)	0.0%	0.0%	(0.0)%
EBT	81.8	64.3	54.4	7.6%	7.0%	5.6%
Current Taxes	(17.4)	(14.8)	(14.0)	(1.6)%	(1.6)%	(1.4)%
Deferred Taxes	(1.7)	4.3	(3.5)	(0.2)%	0.5%	(0.4)%
CONSOLIDATED NET INCOME	62.7	53.9	36.8	5.8%	5.8%	3.8%
Minority	(0.0)	(0.0)	(0.1)	(0.0)%	(0.0)%	(0.0)%
NET GROUP INCOME	62.6	53.8	36.7	5.8%	5.8%	3.8%
PERSONNEL COSTS	(194.0)	(173.8)	(181.3)	(18.1)%	(18.9)%	(18.6)%
DEPRECIATION/AMORTIZATION	(42.6)	(42.5)	(37.6)	(4.0)%	(4.6)%	(3.9)%
PROVISIONS FOR DOUBTFUL RECEIVABLES AND RESERVES	(2.0)	(3.6)	(7.3)	(0.2)%	(0.4)%	(0.8)%
EBITDA	129.1	118.4	106.6	12.0%	12.9%	11.0%

STATEMENT OF FINANCIAL POSITION	ROTATION			VALUES (*)		
	2021	2020	2019	2021	2020	2019
Net working capital	303.8	257.3	263.9	102	101	98
Fixed assets	343.2	332.4	331.9	115	130	123
Other invested capital	(63.0)	(61.8)	(58.4)	(21)	(24)	(22)
Minority	(0.5)	(0.5)	(0.4)	(0)	(0)	(0)
CAPITAL EMPLOYED	583.4	527.4	536.9	196	206	199
Group Shareholders' Equity	435.7	359.7	331.1	146	141	123
Net Cash Position (NCP)	147.7	167.7	205.8	50	66	76
FUNDS	583.4	527.4	536.9	196	206	199

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

TURNOVER BY GEOGRAPHICAL AREA	VALUES			% OF TURNOVER		
	2021	2020	2019	2021	2020	2019
EMEA	517.6	432.5	509.1	48.3%	47.0%	52.3%
AME	216.7	175.4	198.9	20.2%	19.0%	20.5%
APAC	338.4	313.2	264.5	31.5%	34.0%	27.2%
TOTAL TURNOVER	1,072.7	921.1	972.5	100.0%	100.0%	100.0%

INDICATORS	2021	2020	2019	DESCRIPTION
ECONOMIC				
Net ROE	14.4%	15.0%	11.1%	(Net profit/Shareholders' equity)
ROI	14.5%	13.7%	11.5%	(EBIT/Capital employed)
ROS	7.9%	7.9%	6.3%	(EBIT/Turnover)
EBITDA/ Net financial charges	24.7	19.1	17.0	
EQUITY AND STRUCTURE				
Primary structural balance ratio	1.3	1.1	1.0	(Shareholders' equity/Fixed assets)
Financial indebtedness ratio	0.3	0.5	0.6	(NCP/Shareholders' equity)
NCP/EBITDA ratio	1.1	1.4	1.9	(NCP/EBITDA)
Shareholders' equity tangibility ratio	0.9	0.9	0.9	(Equity-Intangible assets/Equity)
OTHER				
Average number of employees	4,377	4,051	4,091	Annual average
Turnover per employee	245	227	238	Data EURO THOUSAND

The following events are significant for the financial year 2021.

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 this occasion, the Parent Company changed its corporate object to reflect the activity carried out as the Group's industrial holding company.

In the context of the sale auction held on March 12, 2021 at the Court of Bologna, Bonfiglioli was awarded the single and joint lot relating to "Sampingranaggi" at a total award price of 7.2 M€, subject to adjustment. This acquisition is part of the total synergy of Sampingranaggi's know-how with the Group's design and production strategies, and aims to preserve and consolidate Sampingranaggi's strategic supply chain, while strengthening its role as a technological pivot for the regional and metropolitan Bologna area. This acquisition involved the assets of the Italian and Chinese companies, their respective inventories, Sampingranaggi brand, patents, projects and products for robotics, as well as the total absorption of staff. With this acquisition, Bonfiglioli will be able to further increase its manufacturing verticalization both in Italy and in China and enter the robotics market, also thanks to the development of other high-precision and high-efficiency products, while safeguarding the production continuity of Sampingranaggi and of its workforce counting around 80 people. Furthermore, this acquisition has a special significance for us: Sampingranaggi was the first company in which Clementino Bonfiglioli, our founder, practised and learned his profession in 1948.

With the acquisition of "Sampingranaggi", Bonfiglioli integrates the production activities of strategic components such as bevel gears and above all enters the market of robotics transmissions. In order to accept the automation challenge, our

"Mechatronic and Motion" Business Unit has become "Motion and Robotics".

The Bonfiglioli vaccine hub in Calderara di Reno, one of the 3 Industrial Association's (Confindustria) hubs in the province, was also inaugurated on June 14, 2021. Bonfiglioli provided 1,500 square meters of floor space and was responsible for setting up and building all the necessary facilities. The hub has 6 clinics with a vaccination capacity of 500 vaccines per day. At first, the hub was used for inter-company vaccination of all Bonfiglioli employees in the Emilia-Romagna plants, as well as of all workers, collaborators and family members of local companies. Starting from August 2021, Bonfiglioli then made the facility available to the community by becoming one of Bologna's municipal administration centers.

In July, following the worsening of the COVID-19 epidemic in India, which led to a shortage of oxygen supplies, Bonfiglioli donated equipment for the production and filling on-site of hospital-quality oxygen cylinders, thermometers, saturation meters, imaging devices for advanced diagnosis, stretchers with mattresses and pillows, and reverse osmosis equipment to the Kancheepuram hospital in Tamil Nadu. In the city of Pune, in consultation with government authorities, the company donated medical equipment and essential products to the huge hospital facility set up for COVID-19, including mobile toilets, oxygen cylinders, video-laryngoscopes, defibrillators and more. It also distributed COVID-19 kits to front-line workers and financial support to local medical and vaccination centers.

At Bonfiglioli, we were very proud to be a step on this imaginary ladder of solidarity that aims to bring us out of the darkness and anguish of these long months, also thanks to the increase in vaccination numbers. All together, we can cohesively start running again.

With a view to digitization and new technologies aimed at the "Go To Market", which already began in 2020, the Group has continued its E-commerce strategy. 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 an E-commerce platform ready to capitalize on the trend of change in customers' purchasing methods, from offline to online.

After North America, whose E-Shop was launched at the end of 2020, the E-Shop for the Italian market, created with the involvement of the distribution network, also saw the light in 2021.

Within the scope of the M&W BU, we should also mention the establishment of "Bonfiglioli Ennowing S.p.A.", a start-up created with the aim of accelerating the transition to electric solutions to differentiate and expand Bonfiglioli's current commercial offer and thus improve customer support on the "Electric Drive System" integration in the vehicle architecture.

The year 2021 will also be remembered by Bonfiglioli for the achievement of **One Billion Euro**. To celebrate this corporate milestone, achieved at a time being still economically marked by the pandemic, the Group has decided to donate around two million Euro to support three actions that focus on people, solidarity and sustainability, in line with the spirit and values that have always distinguished the Group's projects and decisions:

- 1) People at the center: all Group employees received a special prize in January 2022.
- 2) The Bonfiglioli forest is born: 4,500 trees providing the planet with oxygen. Each branch/location will receive a given number of trees, whose type, location and growth can be followed online through Treedom, the platform committed to preserving the environment and its ecosystem.
- 3) Save the Children: children and young people have always been at the centre of Bonfiglioli Group's attention because they represent the future. In this same spirit, a donation was made to this non-profit organization, which has been working for years to help children in difficulty around the world.

With reference to the Group's performance in 2021, the consolidated turnover increased by 16.5% compared to the previous year (1,072.7 M€ compared to 921.1 M€ in 2020). The increase in turnover was more consistent in Europe and in the United States, while the APAC area was affected by the contraction in China in the second half of the year.

The Consolidated Income Statement shows a Group Gross Operating Result (EBITDA) of 129.1 M€, equal to 12.0% of the turnover, slightly down compared to the previous year in percentage terms (-0.9%) but growing in absolute value (+10.7 M€).

The analysis of the various components shows that:

- cost of sales for 2021 came to 77.2% of turnover. The decrease in margins compared to 2020 (-0.5%) is mainly due to the significant increase in the costs of raw materials and transport;

- structural costs show an increase compared to 2020 of 17.8 M€ in absolute value, while remaining essentially constant in terms of percentage of turnover (15% compared to 15.5% last year);
- the total labour cost went from 173.8 M€ to 194.0 M€, though with an improvement in terms of percentage of turnover (18.1% compared to 18.9% last year);
- amortization, depreciation and other provisions decreased in absolute value compared to the previous year (44.6 M€ compared to 46.1 M€ in 2020) also in terms of percentage of turnover (4.2% compared to 5% last year);
- net financial charges in absolute value decreased by 1.0 M€ compared to 2020 (5.2 M€ compared to 6.2 M€ last year) and their percentage of turnover also fell (0.5% in 2021 compared to 0.7% in 2020);
- exchange rate dynamics led to profits of 2.3 M€, a value in line with the exchange rate dynamics observed during the year and caused mainly by the devaluation of Euro compared to all the main currencies used within the Group.

The Group's Net Working Capital increased in absolute value from 257.3 M€ to 303.8 M€, while keeping a substantially constant rotation on turnover (102 average days of rotation compared to 101 in 2020).

The Net Cash Position (NCP) recorded a reduction in borrowing in absolute value (from 167.7 M€ in December 2020 to 147.7 M€ in December 2021), while the leverage, i.e. the ratio between NCP and EBITDA, passed from 1.4 in 2020 to 1.1 in 2021.

Net investments amounted to 47.9 M€ (of which 7.5 M€ related to rights of use), as follows:

VALUES IN M€	2021	2020	2019
Land and buildings	0.4	20.2	22.6
Plant and machinery	17.5	17.6	20.3
Equipment	13.2	12.7	11.2
Other assets	5.3	4.5	5.9
Assets under construction	7.6	(9.2)	(1.5)
Tangible assets	44.0	45.8	58.5
Licenses, trademarks, patents	2.6	1.7	3.3
Others (including assets under construction)	1.3	1.0	0.6
Intangible assets	3.9	2.7	3.9
Total Investments	47.9	48.5	62.4

Group's main investments for 2021 are described below:

- the changes in the item land and buildings mainly concerned the Parent Company, which in 2021 sold the property in Lippo di Calderara (with a residual book value of 7.7 M€) realising a capital gain of approximately 0.7 M€ and made investments in real estate owned for approximately 1 M€; investments in property extensions in Bonfiglioli USA for 0.7 M€ should also be noted. To all this must be added investments in the right of use of property for a total of 5.3 M€;
- investments in plant, machinery and equipment concerned first of all the company Bonfiglioli Riduttori S.p.A. (16.4

M€) for expenses for the purchase of machinery and equipment connected with the upgrading of the various Italian factories, of which 3.0 M€ related to the acquisition of Sampingranaggi. Further investments were made for the factories in China (4.4 M€ of which 0.9 M€ related to the acquisition of Sampingranaggi), Vietnam (2.5 M€), India (3.4 M€), Slovakia (1.6 M€) and O&K (0.7 M€);

- the investments for other assets, which include 2.4 M€ of right of use for other tangible assets (IFRS 16) are mainly represented by leased cars and forklifts, hardware and office furniture of the various Group companies;
- tangible assets under construction, gross of the completion of those in progress at the end of 2020, mainly relate to real estate investments in progress by the Parent Company (3.5 M€) and the Spanish subsidiary (1.6 M€) as well as advances to suppliers for machinery and equipment manufactured by the various Group factories;
- investments in licences, trademarks and patents mainly relate to the purchase of software licences by the Parent Company (1.5 M€) as well as patent rights acquired by the company Bonfiglioli Riduttori S.p.A. for 0.4 M€ as part of Sampingranaggi transaction;
- investments in other intangible assets, gross of the completion of those in progress at the end of 2020, mainly relate to development expenses in completion made by 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): it offers a better assessment of the Group's overall level of indebtedness.
- Net working capital, fixed assets and other capital employed: they 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 there is an analysis of the main risks the Group is exposed to, meaning the 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 position 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.

RISKS CONNECTED WITH THE MARKET SECTORS SERVED

The Group works in many markets, divided into three Business Units: Industrial (D&P), Automation & Robotics (M&R) and Mobility & 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, the global health crisis related to the COVID-19 pandemic or the escalation of international geopolitical tensions such as the one we are witnessing between Russia and Ukraine.

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 result from the 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 reference 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 (EUR 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 labour 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 labour contracts applicable to the Group could affect the flexibility with which it redefines or strategically repositions its activities.

RISKS CONNECTED WITH COMPETITION

The macroeconomic 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

During 2021, Bonfiglioli Group continued to invest in human capital with the aim of supporting business development and the continuous adaptation of skills to changing market conditions. As at December 2021, the Group's operating staff counted 4,072 people plus 475 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 main drivers of development were:

- The investment in new professional skills and competences, with particular attention to the professional families "Trade", "Business Development" and "Product Development", so as to support the evolution of the Group at an international level.
- The acquisition of "Sampingranaggi", which has allowed a more rapid verticalization of production both in Italy and in China and enables the development of extremely high-precision products for the robotics market. All this while safeguarding the production continuity of Sampingranaggi and its workforce.
- The establishment of a "start-up" in the e-mobility sector (Bonfiglioli Ennowing S.p.A.).

In 2021 Bonfiglioli Group continued to evolve its organization and operating model: while maintaining the centrality of the Business Units, work was carried out to introduce specialist roles focused on industrial sectors in order to strengthen the understanding of market needs and product/solution applications. These roles also allow greater proximity to the customer and consequently a more effective understanding of their needs.

The development trend continues with a series of initiatives and projects aimed at improving the integration of Human Capital processes through the e-ngeous digital platform. Among them is the introduction of a "Skill Management" model that introduces a scientific approach to the measurement of the technical-specialist skills of our roles. The aim is to guarantee an adequate and timely availability of professional skills in relation to the needs determined by market evolution. The connection between the professional skill model and talent attraction and development strategies has therefore been strengthened, and it is increasingly linked to the monitoring and analysis of the evolution of skills and the internal and external market.

Furthermore, in 2021 the Bonfiglioli Global Reward Policy was introduced as an integrated system aimed at recognizing and adequately remunerating the contribution of each individual and their "employability" with respect to the business strategy, thus guaranteeing a high level of motivation of Bonfiglioli people.

Moreover, among the employer branding initiatives developed in 2021, the project aimed at redefining a digital and international candidate experience at Bonfiglioli continued with the objective of making it inclusive and smart.

Bonfiglioli's participation in university events continued with a view to renewing its collaboration with universities and confirming the company's desire to invest in young people. In this regard the participation in the "Recruiting digital week" at the University of Bologna is significant.

2021 was also a year of consolidation for our Digital Learning platform (launched in July 2020). The figures related to Bonfiglioli Academy exponentially grew and in 2021 85% of the employees used the platform for their training. The Bonfiglioli Academy framework has evolved over the year and today through its 4 internal schools (Bonfiglioli Culture, Leadership Gym, Professional School and Technical Tools) the training needs of the entire company population are covered. We have developed and expanded the Professional School area, within which we find all the Bonfiglioli courses aimed at disseminating and preserving the company's know-how. Today, the Manufacturing School's 40 hours of e-learning training allow us to delve into all the technical issues relating to our products and manufacturing plants.

Bonfiglioli believes in the importance of training and this is why in July 2021 an agreement was signed for the Bonfiglioli Performance Bonus which, alongside production-related parameters, saw the introduction for the first time of an individual and collective indicator linked to training. This further strengthens the company's commitment to Bonfiglioli Academy, which becomes the pivot for designing the professional skills of the future. One of the most important innovations in this agreement is the implementation of Safety Breaks, namely collective moments to discuss the importance of disseminating a widespread safety culture. These are half-an-hour moments designed to make all employees aware of important safety culture issues. More than 1,300 Italian employees took part in Safety Breaks and the topics addressed by the speakers we hosted concerned accidents at work and first aid. To make Bonfiglioli Academy accessible to all our employees, we set up training points inside the production plants and trained all workers on how to use the platform and take courses. This year Bonfiglioli Academy also received an important award, coming first in the knowledge and know-how category of the Emilia-Romagna Region's Responsible Innovators Award. One of the reasons why we received the award was the inclusiveness of our Academy, which allows all Bonfiglioli employees to develop their skills and grow professionally.

In 2021, the multi-level discussion on the management of COVID-19 emergency also continued. With this in mind, a vaccination campaign was planned for all employees and their families at the Bonfiglioli hub.

The great success of "B-Welfare" programme was also reconfirmed, which was renewed thanks to the introduction of a new platform, integrated with company systems and full of many new contents and services, so as to make our welfare increasingly responsive to the needs of our people.

RESEARCH AND DEVELOPMENT

Expenditures in 2021 in the area of Research and Development totalled around 16.6 M€ at a Group level. To this must be added the costs capitalized by Bonfiglioli Vectron for a total of 1 M€.

A breakdown of the main development projects is given below.

APPLICATIONS IN THE EARTH MOVING, CONSTRUCTION AND MINING SECTOR

During 2021, following the full start of series production of the innovative continuously variable mechanical transmission designed on the toroidal variator principle and electronically controlled for telehandlers up to 100kW, a number of new projects were launched to optimize production processes aimed at increasing the product competitiveness, and other developments focused on the production of new versions especially to meet various installation requirements, and use in vehicles with installed power of 55kW.

Also in the construction and earth moving vehicle sector, the design of the travel drives in the O&K Antriebstechnik range has been radically revised, with the aim of combining the reliability and robustness of products made in Germany with the technology and competitiveness of Bonfiglioli Trasmital products. The new optimized series have completed the bench validation cycle with positive results and have been gradually put on the market.

In addition, to boost competitiveness, a new O&K travel drive with integrated hydraulic motor has been developed and tested for medium-sized vehicles, in which new solutions in terms of materials and manufacturing processes have been implemented.

As regards the development of integrated hydraulic motors, development and experimental validation activities continued in the laboratory and in the field in collaboration with some strategic customers. These are innovative solutions, in particular with continuously variable displacement optimized for compact loader applications.

APPLICATIONS IN THE AGRICULTURE SECTOR

With reference to travel drive systems for agricultural applications, a new innovative concept of combined braking system (dynamic and static) was developed, which is currently being tested and validated on a test bench, with the aim of further improving vehicle performance in terms of braking capacity and efficiency, meeting increasingly stringent regulatory requirements and ensuring at the same time product compactness, especially in the axial direction.

Prototyping, development and bench validation activities also continued for various solutions aimed at integrating tyre inflation systems centralized in the gearmotor.

In order to expand the market offer and serve combined working machines, both for the Asian and the European markets, a new 3-speed mechanical transmission with integrated clutch-brake was designed.

APPLICATIONS IN THE ELECTROMOBILITY SECTOR

In the construction machinery sector, after having completed the electromagnetic and thermal design phase of the internal permanent magnet range with power from 22 to 100kW, the executive phase was started in order to reach prototyping.

With reference to the development of electrical solutions for small and medium excavators, up to 4 tonnes, field test campaigns were started, both for the travel and rotation of the turret, in order to validate the assumed competitive advantage resulting from the adoption of these technologies compared to traditional hydraulic drive.

The electrification trend of earth moving machines was also confirmed on heavier applications, where prototypes of rotation systems were developed for machines up to 20 tonnes in which, thanks to less stringent space requirements, it was possible to integrate an electric motor derived from those used in the traction systems of electric commercial vehicles.

The market for "full electric on-highway" vehicles is currently undergoing a period of strong expansion, therefore, with the aim of exploiting the market trend in a sector where Bonfiglioli has consolidated its recognized know-how over the years, a project was launched to create an electric transmission platform capable of providing a complete solution for replacing endothermic engines. The new platform is designed to integrate the electric motor, the transmission, the DC/DC converter, the inverter and the Power Control Unit (PCU) in a single highly engineered solution.

APPLICATIONS IN THE MARINE AND WIND GENERATOR SECTOR

The design of the new range (called 800W series) of planetary drives specifically for winch applications was completed and prototypes were made to start product validation activities. The new range was conceived with a modular structure, exploiting the planetary reductions existing in other product ranges. This will make it possible to meet the very stringent requirements of this market in terms of flexibility, timing and service level, while guaranteeing product reliability and certification requirements.

Also in the "Marine" area for large winches, the development of a new range of large size drives has been completed, combining the technologies of O&K products. This project made it possible to broaden the product offer and strongly address new markets and customers, to the point of obtaining new businesses and already producing the first batches of some sizes of this new range.

In addition, for the offshore market, the development of a large-size drive has been completed, being fully equipped with sensors in an IOT perspective, for platform lifting systems for offshore wind turbine installations or other oil-gas operations. The product is currently in the prototype stage with a view to building the first drives in 2022. In the meantime, two other sizes are being studied to complete the range and better meet the demand for these applications.

To complete the offer and service to customers in the Marine and Offshore market, after obtaining type approval certification with the certification body ABS for planetary products in the 300 series through the review and standardization of calculation methods and product documentation, the entire approval process was completed for products in the 700 series with both the ABS and DNV-GL certification bodies and for the 300 series with DNV-GL.

For the wind turbine market, the design and development of the renewal of the entire range of planetary drives for blade rotation and turret rotation was completed, producing new sizes to provide compact solutions with higher power density, less lubricant required and therefore with particular attention to the environmental impact of the product itself and its entire cycle, and optimized for the different needs of the various customers and markets, exploiting production synergies with components and sub-assemblies used in other product ranges, so as to guarantee reliability and service levels in an increasingly global and competitive market.

In addition to the planetary drives mentioned above, the development of further sizes and versions of internal permanent magnet (IPM) or surface permanent magnet (SPM) synchronous motors, and high-efficiency asynchronous motors, was completed. These are intended to be integrated in drives for controlling both blade pitch and nacelle orientation, particularly for offshore wind turbines up to 15MW. These new solutions enable more advanced and efficient control systems and include versions with the frequency converter directly integrated on the motor. The development of IoT systems also continued, with the direct implementation and testing of the solutions on the machine and the parallel creation of similar IoT platforms at Bonfiglioli testing facilities in order to replicate real machine conditions in real time and with extreme accuracy.

With regard to electric motors, we are continuing to develop further sizes and versions of internal permanent magnet (IPM) synchronous electric motors to complete our offer dedicated to wind turbine actuators.

The new solutions are suitable for the most advanced and efficient control systems, capable of increasing the annual output of the turbines where they are installed, and include versions with the frequency converter integrated on the motor, being a highly appreciated feature for its undoubted advantages in terms of compactness and maintenance.

APPLICATIONS IN THE INDUSTRIAL AUTOMATION SECTOR

Development in the industrial sector continued in the Light Duty area with the production start of the new line of coaxial gear units for the first four sizes designed with modular architecture and suitable for automatic assembly on a large scale. To complete the range, envisaged with other two sizes, experimental reliability tests were completed for product validation.

In the same sector, documentation was issued for the production of three pilot sizes for a new range of orthogonal gear units intended for the market sectors in which worm technology fails to meet the ever-increasing demands in terms of efficiency and energy containment.

For the renewable energy sector, a specific drive has been developed using the well-established worm technology in solar tracker applications.

In the Heavy Duty sector, particular attention was paid to applications where the need to withstand high loads on the output axis of the gear unit led to the development of specific solutions. The solutions developed proved to be competitive with those of the competitors thanks to the strong synergy with the standard HDP products.

In the Recycling sector, research continues for solutions with a high level of integration between the gear unit and the shredding machine. The study of a co-designed solution was started, which allows a substantial reduction in axial dimensions while maintaining the modularity required for the new generation of operating machines.

In the Automation sector, a study was carried out for the control of AGV (Automated Guided Vehicle) applications, with the aim of creating a drive in which the low voltage motor and precision gear unit are strongly integrated. For these applications, a fundamental requirement is compactness with limited overall dimensions. Two pilot sizes have been developed from the current TQF and TQFE products that will be part of a dedicated product platform for these applications.

For rack and pinion drives, which are used where it is necessary to transform a rotary movement into a linear one, dedicated interfaces have been designed using a range of pinions to meet the main requirements for this market sector. The study was carried out on the basis of the current TQ range, developing solutions adapted to withstand the load resulting from rack and pinion engagement.

The development of electric motors for industrial operating machines with efficiency class IE3 called EVOX, for power ratings from 0.12 to 30 kW, continued with the aim of optimising the assembly process and focusing on certification activities.

In particular, some modifications were made to facilitate and speed up the winding insertion phase, together with some improvements to reduce noise in the brake versions.

The entry into force of the new energy efficiency regulations has ruled out the possibility of marketing motors with continuous operation and IE1 efficiency, thus generating the need to make available cheaper series of motors with discontinuous operation.

For this reason, a new series has been developed with modular mechanics common to the new IE3 series and therefore compatible with the new line of coaxial gear units.

CROSS-CUTTING RESEARCH INTO PRODUCTS, DIGITIZATION AND IOT SYSTEMS

In 2021, the integrated and modular predictive and prognostic analytical system, based on Bonfiglioli specifications, which includes the integration of sensors and wireless communication systems (multi-smart sensor) and allows direct interfacing with the control electronics, underwent further developments and sampling to take into account the signals highlighted in the first field tests.

Applications on real cases dedicated to predictive diagnostics and prognostics (W sensor and Z sensor) also continued on applications within Bonfiglioli plants.

The implementation of the main diagnostic algorithms based on the analysis of vibrational signals was also completed, through targeted tests both of duration and comparison between "healthy" and "faulty" samples.

Diagnostic monitoring of the nacelle on wind turbines continued and the first step was taken in the development of Bonfiglioli cloud platform dedicated to the management of data acquired from the field and its visualization.

In the wind power sector, activities continued on the IoTwins project funded by the European Community as part of the Horizon 2020 programme, for which Bonfiglioli acts both as coordinator of a consortium of 25 companies, universities and international research centers, and as leader of an experimental project that aims to develop a scalable modular platform for the predictive maintenance of wind turbines based on artificial intelligence models. For this project, 8 sensor-equipped yaw drives were installed on 2 wind turbines at a wind farm in Northern Ireland, in collaboration with project partners. From these turbines, the acquisition of sensor data (via the dedicated IoTwins platform) has been activated and thanks to a "hybrid" approach, these data are synchronized with the general turbine data (SCADA), for processing by a digital twin model of the turbines, aimed at diagnostics and improving energy production efficiency.

Work continued on sensors and algorithms for monitoring the quality and ageing of the internal lubrication system of gear units for multiple applications both in the industrial and in the mobile machinery sectors.

A further step forward was taken in the joint development together with suppliers of torque sensors, with the design of a modular version capable of covering a torque range of up to 2,500 Nm.

During 2021, the Moliere project was presented on the EIT manufacturing platform for the industrialization of an innovative Mems sensor, capable of detecting surface deformations with a sensitivity 2 orders of magnitude higher than that of traditional load cells. Its possible applications in various industrial sectors are very interesting. The funding has been granted and the project will be developed in 2022, with the collaboration of 5 other important international partners.

In the specific field of artificial intelligence, aimed at developing predictive and prognostic maintenance algorithms for industrial drives and electric motors, we have entered the operational phase with a number of projects with multi-year development: IloT funded by the Province of Trento, Kinema funded by the BiRex Competence Centre and other internal projects that were made possible thanks to the support of an Open Innovation MatchER initiative promoted by the ArtER network. Collaborations with local laboratories and universities are continuing on these and other projects. Of particular note is the DiaPro4.0 project, which will reach its final stages in 2021 after three years of development.

DEVELOPMENT AND OPTIMIZATION OF PRODUCT DEVELOPMENT SUPPORT PROCESSES

The Product Development Process (PDP), already redesigned following the centralization of the Research and Development structure and made compliant with the APQP requirements, was further subject to optimization studies, also aimed at improving its user-friendliness. Specifically, an independent sub-process was developed for the management of Risk Analysis, i.e. the assessment of risks associated with a specific product development project.

AUTOMATION

In 2021, activities continued on the development and improvement of control strategies for synchronous and asynchronous motors, both in open and closed loop, thanks to the greater efficiency of the latest simulation tools and the new integrated circuit technologies adopted in the 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.

With specific reference to products, in 2021 development activities continued on AxiaVert, Bonfiglioli's new drive (inverter and servo drive) in sizes 1-4. Design activities also began for the next sizes, particularly in the power electronics part.

The BDI (Bonfiglioli Decentralized Inverter) project also had an important boost. A physical mock-up was produced and used for bench tests.

The SW customization activities of the current portfolio continued, in order to meet specific customer and application requirements, to strengthen the performance and increase the functionality of the inverters relating to the most important market sectors followed by Bonfiglioli.

DIGITAL&IT (INFORMATION TECHNOLOGY)

In September 2021, the e-commerce platform shop.bonfiglioli.com was also activated in Italy (the United States was the forerunner in December of the previous year). This allows anyone in Italy to register, choose and configure the gear unit most suited to their needs, to pay by credit card or electronically and to receive it at the desired destination.

Digitization of the factory continued, also thanks to the funds coming from innovation agreements with the Ministry of Economic Development (project called Digital@Bonfiglioli). As of December 2021, more than 50 of the approximately 90 work centers in the potential project perimeter are connected to the network and have made it possible to collect more than 5 Terabytes of data relating to the performance of the various machining assets. The big data collected represent the concrete basis for developing and testing machine learning algorithms aimed at predicting and preventing anomalies on the processing machinery in the factory with the aim of increasing the OEE (Overall Equipment Efficiency) indicator by several percentage points.

As regards the so-called "connected products" (i.e. gear units equipped with sensors, on-board computational unit (edge) and the ability to transmit data to the cloud), an "end to end" solution was completed that enables Bonfiglioli customers to equip themselves with intelligent gear units capable of collecting data on temperature, vibration, etc., processing them locally to make them available to local processing units on other components or control units and transmitting them to the cloud to facilitate data storage and analysis to improve the ability to predict anomalies.

Finally, the use of the scrum agile project management methodology continued successfully, enabling the following activities to be completed in 2021:

- Agile Recruiting (development of a minimum viable product for transforming the talent search and selection process into a fully digitalized structured project - its final version will go live in April 2022)
- Customer Portal (creation of a mock-up of a portal aggregating the digital functionalities available for our direct and indirect customers - see development details in the following paragraphs)
- Dynamic prototyping (redefinition of the prototyping process with strong digital support and implementation on the management system of precise planning and corresponding cost control mechanisms).

During the year, the implementation of a new Application Integration platform was completed, with the aim of rationalising application integration flows and, above all, enabling the publication of services and data through APIs, both towards users within the organization - making it possible to develop low-code/no-code applications even outside the IT area - and towards external partners - customers and suppliers - favouring communication and collaborative processes.

Following the agile initiative bearing the same name, a project was launched to create Bonfiglioli Customer Portal, a portal that will allow customers to use numerous services in self-service mode, including, for example, sending claims, consulting product documentation or checking the status of an order.

At the same time, with the aim of simplifying the experience of accessing Bonfiglioli systems for customers and suppliers, a new Identity & Access Management platform has been selected and the relative implementation project has been launched, which will lead to the release of the platform during 2022.

In the Supply Chain area, in 2021 the roll-out of the process for the generation and management of product identifiers (Serial Numbers) continued, being a necessary requirement for the activation of advanced functions based on IoT technologies on Bonfiglioli's product portfolio. The process has been activated in all the Group's major production plants. In this area a project was also started to implement a new Sales & Operations Planning and Requirement Planning tool, aimed at optimising the Supply Chain processes at a global level on all the production and logistics nodes of the main M&W Business Unit.

The main integration flows between the ERP and the Warehouse Management application were reviewed and updated, in view of the forthcoming go-live of the WMS system in the US subsidiary, the first outside the EVO plant and which in fact represents the first roll-out milestone in the Group's other plants.

In the Finance area, the launch of the project to automate the invoice registration processes, through the implementation of a Vendor Invoice Automation application, will significantly streamline the document registration phase and make the workflow for any misalignment check detection more efficient. The solution will be activated in an initial stage in Italy and will subsequently be distributed to all Group branches.

In order to encourage the adoption of more efficient collaboration methods and the diffusion of a greater awareness of the potential of the applications available, a training project was launched on a global scale, focusing on the main tools of Microsoft365 platform, in particular to improve the remote working experience made necessary by the pandemic effects. During the year, a significant set of enhancements was completed on BOARD application, with the aim of streamlining and making the Budget consolidation process more effective. Therefore, on BOARD it was possible to successfully consolidate and finalize the 2022 Budget for the whole Group.

In the Business Intelligence area, the adoption of a new generation Data Transformation tool has made it possible to significantly reduce the loading times of the main DataWarehouse datasets, thus making it possible to update the most critical KPIs on an hourly basis.

As part of the process of transition to the cloud, a cost optimization activity was completed during the year, which led to important results, both in terms of controlling the use of resources in the cloud, and in terms of containing overall costs. In the Cybersecurity area, further development actions were undertaken to increase the security level of systems, such as, for example, the activation of Multi Factor Authentication (for which about 40% of the population is covered, with a target completion date in 2022), the blocking of USB ports on most user workstations and the updating of the minimum complexity requirements for access credentials.

As in previous years, internal phishing campaigns, adversarial simulation and penetration testing continued. Finally, starting from the first few months of the year, a Security Dashboard was created for internal use, to monitor the main KPIs in the security field and identify the most significant improvement activities.

QUALITY, SAFETY, HEALTH AND ENVIRONMENT

The renewal of the Quality Management System Certification according to standard ISO 9001:2015 and the surveillance of the Safety and Environment Integrated Management System Certification took place in 2021.

Several projects were carried out with the aim of increasingly integrating management systems with the processes of defining the company's strategies and objectives.

Increasing attention is being paid to social, environmental and energy sustainability issues. Such aspects fully reflect the Group's core principles, values and integrated policy communicated during 2021. These issues also include the decision to obtain standard ISO 50001:2018 certification for the energy management system of the Mobility and Wind BU in the Forlì plant.

In terms of company KPIs, the use of a Group Scorecard is now consolidated in such a way as to easily have data available and monitored. Specific "Environmental KPIs" have also been defined at Group level.

On the supplier quality side, the already started collaboration with the Purchasing department for the optimization of the "Vendor List" through the development of suppliers that can be used at Group level has had a positive impact on the "Vendor rating Quality" of the plants, thus achieving the objectives set at the beginning of the year. In particular, during 2021, work was carried out:

- to optimize the supplier base in India and China, which saw the development of local suppliers that can be used at a global level, following the logic of the Global Strategy for commodities;
- to consolidate the supplier base to guarantee the increase in volumes forecast for 2022,

2021 also saw the start of development of the supplier base for Bonfiglioli Ennowing project to consolidate the electromobility market.

In the Group Quality Lab area, an internal laboratory was created, equipped with cutting-edge instrumentation for the analysis of lubricants.

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.

Starting from 2021 the planning of process audits will include the verification of already existing standard processes, the verification of new processes/new products for which PPAP type A validation is required, and if necessary, the inclusion of extra "ad hoc" audits.

On the product side, support continued to the local Quality departments for claim management, root cause analysis, and consequent corrective action management.

In addition, support continued to be provided to plants during type approval/surveillance audits by customers and the coordination of quality functions within new product development projects and support in the release and approval phases.

Also worthy of note is the performance of customer PPM (Parts Per Million), which continued the downward trend, settling at -14%, compared to the previous year.

BUSINESS OUTLOOK

Orders and turnover in the first two months of the new year show a trend in line with the same period in 2021.

Significant challenges await the Group in 2022, a year that will continue to be shaped by the prevailing uncertainty dictated by the pandemic still ongoing and also by the current geopolitical scenarios. Bonfiglioli will continue to face the challenges that await us with the strength and passion of the teams that make up the Group around the world, to whom we extend our most sincere thanks.

FURTHER INFORMATION

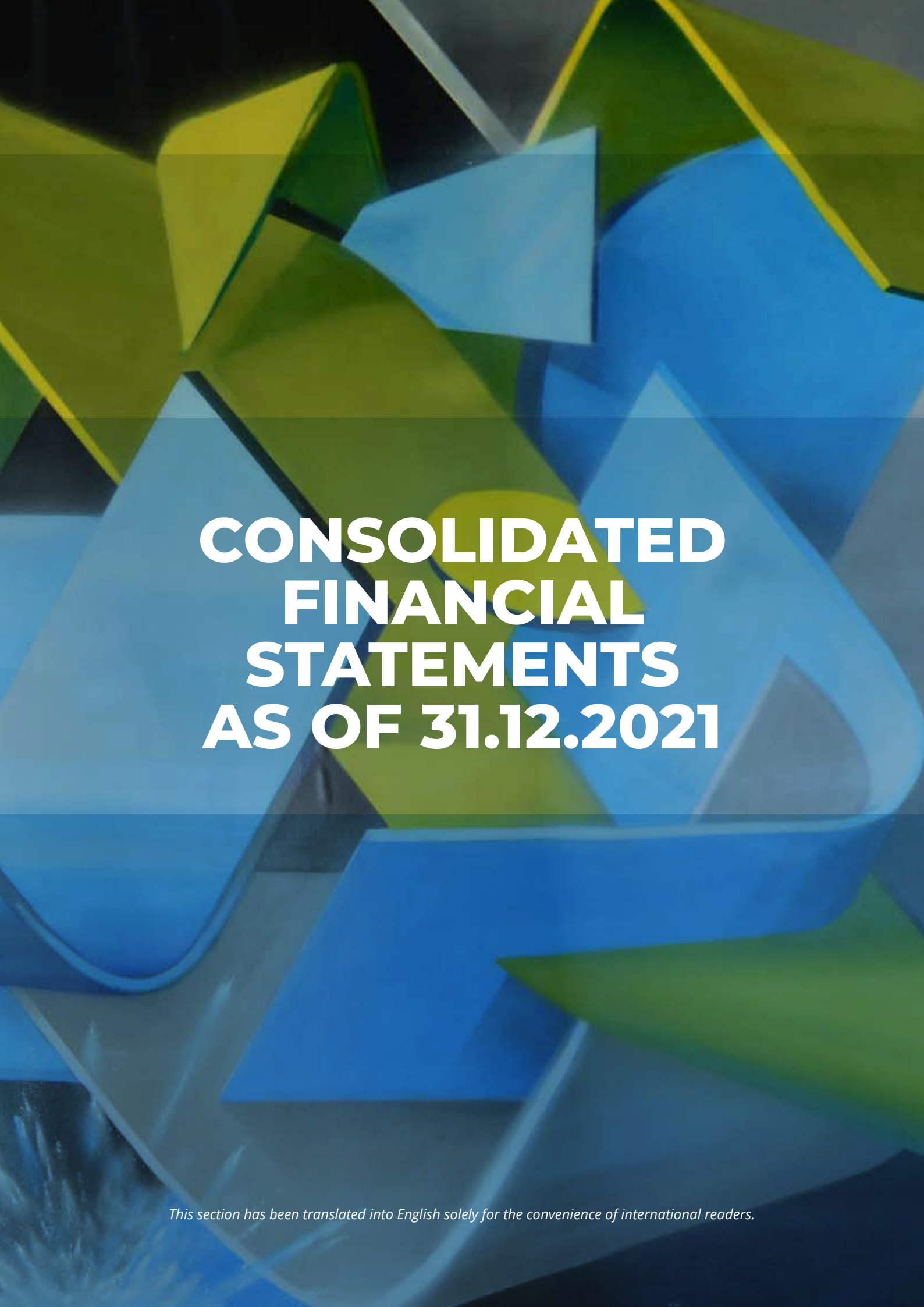
OWN SHARES

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 28, 2022
for The Board of Directors


The Chairwoman
Sonia Bonfiglioli



The background of the page is an abstract composition of various geometric shapes, primarily triangles and polygons, in shades of blue and green. The shapes are layered and overlapping, creating a sense of depth and movement. The colors range from light, airy blues to deep, forest greens, with some darker tones in the shadows of the shapes.

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2021

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

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2021

(EURO THOUSAND)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31.12.2021	31.12.2020	Changes
NON CURRENT ASSETS				
Tangible assets	1	298,638	286,798	11,840
Development costs	2	-	544	(544)
Other Intangible Assets	2	44,450	44,948	(498)
Share investments	3	64	63	1
Other non current financial assets	5	1,089	810	279
Deferred Tax assets	6	34,147	36,310	(2,163)
Other non current receivables and assets	10	9,153	7,794	1,359
TOTAL NON CURRENT ASSETS		387,541	377,267	10,274
CURRENT ASSETS				
Inventory	7	351,216	252,399	98,817
Trade receivables	8	234,891	214,863	20,028
Current derivatives	4	168	267	(99)
Corporate Tax receivables	9	4,170	3,198	972
Other current receivables and assets	10	21,063	18,368	2,695
Cash and cash equivalents	11	90,477	75,342	15,135
TOTAL CURRENT ASSETS		701,985	564,437	137,548
TOTAL ASSETS		1,089,526	941,704	147,822

EQUITY AND LIABILITIES	Notes	31.12.2021	31.12.2020	Changes
GROUP EQUITY				
Share Capital	12	50,000	50,000	-
Reserves	12	122,809	110,887	11,922
Retained earnings (losses) carried forward	12	200,252	144,986	55,266
Group's Income (Loss)	12	62,631	53,836	8,795
TOTAL GROUP EQUITY		435,692	359,709	75,983
TOTAL MINORITY INTERESTS		499	452	47
TOTAL EQUITY		436,191	360,161	76,030
NON CURRENT LIABILITIES				
Non current borrowings	13	192,581	201,184	(8,603)
Non current derivatives	4	395	1,232	(837)
Non current provisions	14	15,081	18,096	(3,015)
Non current employee benefit obligations	15	17,866	18,816	(950)
Deferred Tax liabilities	6	12,281	12,667	(386)
Other non current payables and liabilities	17	4,945	7,073	(2,128)
TOTAL NON CURRENT LIABILITIES		243,149	259,068	(15,919)
CURRENT LIABILITIES				
Current borrowings	13	46,702	42,650	4,052
Current derivatives	4	390	923	(533)
Current provisions	14	15,904	15,650	254
Current employee benefit obligations	15	1,172	1,031	141
Trade payables	16	282,340	210,011	72,329
Corporate Tax payable	9	3,899	4,172	(273)
Other current payables and liabilities	17	59,779	48,038	11,741
TOTAL CURRENT LIABILITIES		410,186	322,475	87,711
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,089,526	941,704	147,822

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2021

(EURO THOUSAND)

CONSOLIDATED INCOME STATEMENT

	Notes	31.12.2021	31.12.2020	Changes
Revenues from sales and services	18	1,072,707	921,092	151,615
Material costs	19	(625,936)	(526,781)	(99,155)
Payroll costs	20	(194,029)	(173,756)	(20,273)
Services, leases and rentals	21	(147,293)	(122,293)	(25,000)
Other operating income	22	29,053	26,150	2,903
Other operating costs	23	(5,441)	(5,987)	546
GROSS OPERATING PROFIT (EBITDA)		129,061	118,425	10,636
Depreciation and impairment	24	(42,561)	(42,467)	(94)
Bad Debt provision		(175)	(329)	154
Other risks provisions		(1,794)	(3,288)	1,494
OPERATING PROFIT (EBIT)		84,531	72,341	12,190
Financial income and (costs)	25	(5,235)	(6,213)	978
Foreign exchange gain and (losses)	26	2,266	(2,127)	4,393
Investments' income and (costs)	27	282	301	(19)
PROFIT BEFORE TaxES		81,844	64,302	17,542
Taxes	28	(19,166)	(10,450)	(8,716)
CONSOLIDATED INCOME (LOSS)		62,678	53,852	8,826
Minority		(47)	(16)	(31)
GROUP' INCOME (LOSS)		62,631	53,836	8,795

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	31.12.2021	31.12.2020	Changes
CONSOLIDATED INCOME (LOSS)	62,678	53,852	8,826
Actuarial gains (losses) on employee benefit obligations	517	(585)	1,102
Tax effect	(180)	174	(354)
Items that will not be reclassified to income statement	337	(411)	748
Foreign exchange currency conversion reserve variation	17,971	(19,589)	37,560
Reserve for hedging derivatives variation	1,383	(361)	1,744
Tax effect	(332)	86	(418)
Items that may be reclassified to income statement	19,022	(19,864)	38,886
CONSOLIDATED COMPREHENSIVE INCOME	82,037	33,577	48,460
Minority	(47)	(16)	(31)
GROUP' INCOME (LOSS)	81,990	33,561	48,429

CONSOLIDATED CASH FLOW AS OF 31.12.2021

(EURO THOUSAND)

	31.12.2021	31.12.2020
A. Opening Cash and Cash equivalents	75,342	52,617
B. OPERATING ACTIVITIES		
Group's Income (Loss)	62,631	53,836
Minority	47	16
Depreciation and impairment	42,561	42,467
Bad Debt provision	175	329
Other risks provisions	1,794	3,288
Interests	5,235	6,213
Current and deferred Taxes	19,166	10,450
Cash flow before operative capital employed variation	131,609	116,599
Trade Receivables variation	(12,449)	(12,415)
Inventory variation	(89,561)	(7,075)
Trade Payables variation	66,375	10,519
Derivatives FMV variation	(220)	(27)
Risk Provision variation	(4,555)	(5,986)
Employee benefit obligations variation	(477)	(379)
Current and deferred Taxes variation	(2,887)	(355)
Current taxes paid	(15,747)	(10,398)
Other assets and liabilities variation	2,991	9,888
Interests paid	(5,032)	(6,554)
B. Cash flow originating from (used for) operating activities	70,047	93,817

	31.12.2021	31.12.2020
C. INVESTING ACTIVITIES		
CAPEX Tangible	(44,025)	(45,757)
CAPEX Intangible	(3,886)	(2,777)
Share' investments	-	-
C. Cash flow originating from (used for) investing activities	(47,911)	(48,534)
D. FINANCING ACTIVITIES		
Third-party funding		
Borrowings variation	(2,640)	(60,782)
New Loans	18,687	145,867
Loans extinction	(22,095)	(97,424)
New bonds	-	-
Own funds		
Dividends paid	(6,003)	(5,003)
Other variations (Derivatives/DBO/Others)	1	(1)
D. Cash flow originating from (used for) financing activities	(12,050)	(17,343)
E. CASH FLOW FOR THE YEAR (B+C+D)	10,086	27,940
F. Exchange rate variation on Opening Cash and Cash equivalents	5,049	(5,215)
G. Closing Cash and Cash equivalents (A+E+F)	90,477	75,342

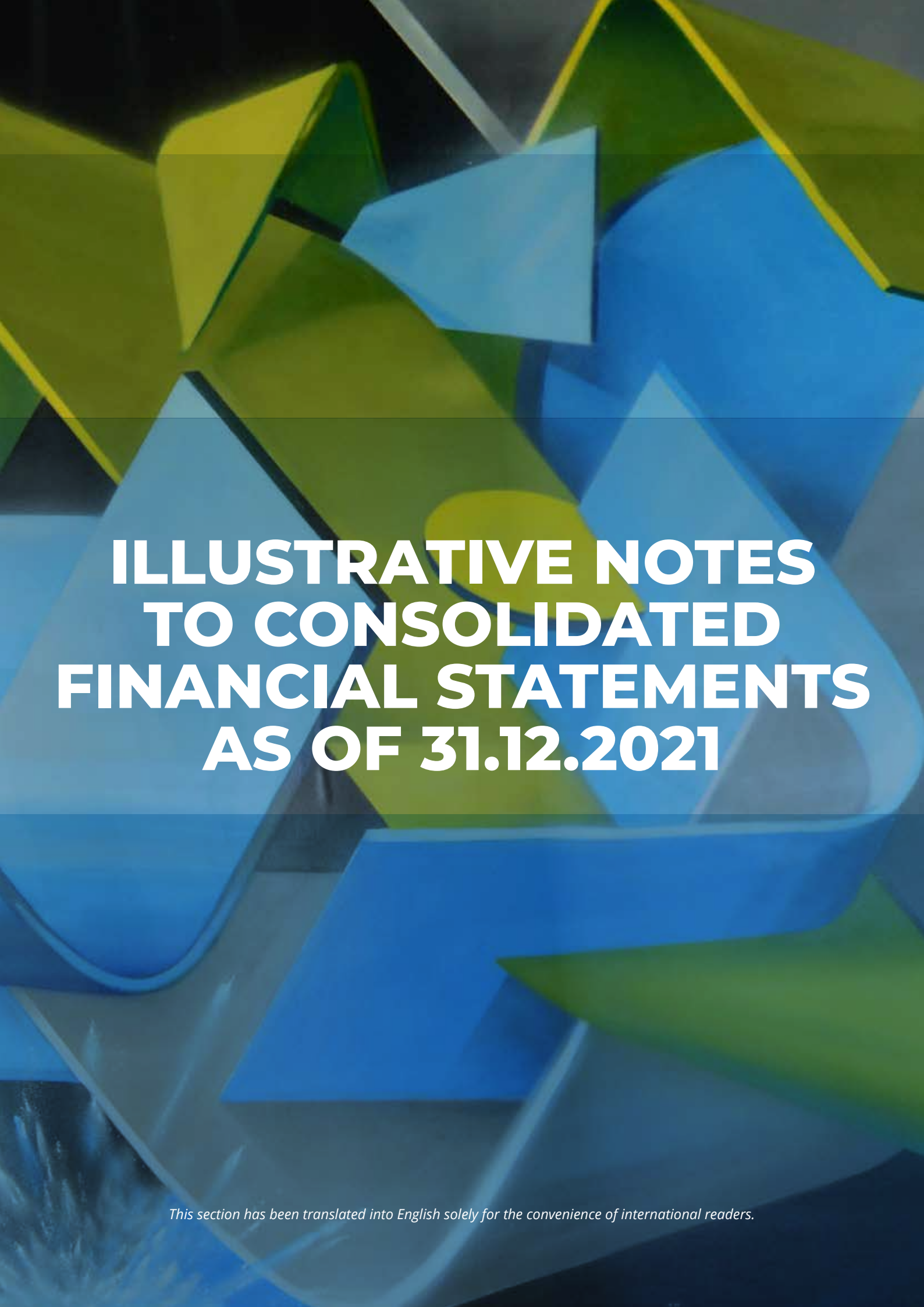
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EURO THOUSAND)

	SHARE CAPITAL	REVALUATION RESERVE	LEGAL RESERVE	HEDGING RESERVE	IAS19 RESERVE	RESERVE FTA	CONVERSION RESERVE
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)
Previous year result allocation		(945)					
Dividends' distribution							
IFRS9 Derivatives Reserve variation				1,051			
IAS19 Reserve variation					337		
Currency conversion reserve variation							17,971
Reclassification							
Others					(5)		
Income (Loss) for the year							
Closing at 31.12.2021	50,000	39,151	10,000	(366)	(811)	(8,819)	(11,635)

OTHER RESERVES	RETAINED EARNINGS (LOSSES)	NET INCOME (LOSSES)	GROUP EQUITY	MINORITY NET INCOME (LOSS)	MINORITY RESERVES	MINORITY INTERESTS	CONSOLIDATED EQUITY
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
	54,781	(53,836)	-	(16)	16	-	-
(6,000)	(3)		(6,003)			-	(6,003)
			1,051			-	1,051
			337			-	337
			17,971			-	17,971
(487)	487		-			-	-
	1		(4)			-	(4)
		62,631	62,631	47		47	62,678
95,289	200,252	62,631	435,692	47	452	499	436,191





ILLUSTRATIVE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31.12.2021

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

FOREWORD

Bonfiglioli S.p.A. (hereinafter also referred to as the "Company" or "Bonfiglioli") is a joint stock company having its domicile in Calderara di Reno (BO) ITALY, via Cav. Clementino Bonfiglioli, 1. Bonfiglioli is an Italian family-run business with a global presence. The three business units Discrete Manufacturing & Process Industries, Motion & Robotics and Mobility & Wind Industries embody all the skills and experience needed to support customer growth. With its worldwide network, Bonfiglioli Group (hereinafter also referred to as the "Group") can support customers anywhere, any time. 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 Bonfiglioli Group as of December 31, 2021 were prepared in accordance with European Regulation no. 1606/2002, in compliance with the International Financial Reporting Standards (IFRS) in force on December 31, 2021, 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 EURO THOUSAND (K€), unless otherwise indicated.

FORM AND CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the financial statements of the companies in Bonfiglioli Group, i.e. Bonfiglioli S.p.A., the Parent Company, and the Italian and foreign subsidiaries in which the Company directly or indirectly holds a controlling interest 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 are drawn up as of December 31, utilizing the Group accounting principles.

The subsidiaries included in the consolidation area on December 31, 2021 are as follows:

NAME	Country	Currency	Share Capital	Shareholding	
				31.12.2021	31.12.2020
Bonfiglioli S.p.A.	Italy	€	50,000,000	Parent company	
Bonfiglioli Riduttori S.p.A. sole shareholder	Italy	€	50,000,000	100%	100%
Bonfiglioli Ennowing S.p.A. sole shareholder (^)	Italy	€	50,000	100%	-
Bonfiglioli Swiss S.A.	Switzerland	CHF	25,100,000	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	100%	75%
Bonfiglioli Transmission Pvt Ltd (****)	India	INR	1,311,229,940	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%	100%
Bonfiglioli Trading (Shanghai) Co. Ltd (*****)	China	CNY	1,500,000	100%	100%
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 2.43% by Bonfiglioli Vectron GmbH

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

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

(^) Subsidiary indirectly controlled through Bonfiglioli Riduttori S.p.A.

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

- 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 in "Bonfiglioli S.p.A." while the transferee Bonfiglioli Italia S.p.A. increased its share capital to 50 M€ and changed its corporate name in "Bonfiglioli Riduttori S.p.A." On this occasion, the Parent Company changed its corporate object to reflect the activity carried out as the Group's industrial holding company;
- on May 12, 2021, the Transfer Decree was filed, on the basis of which Bonfiglioli was awarded the assets and rights relating to the companies "Sampingranaggi S.r.l." and "Samp S.p.A.", both of which are in composition with creditors, as well as the Chinese company "Samp Machinery Shanghai Ltd" acquired by "Bonfiglioli Riduttori S.p.A." and "Bonfiglioli Drives Shanghai Co. Ltd" respectively. The acquisition has provided the possibility to integrate some strategic component productions, including bevel gears, while in terms of business development it will offer entry into the robotics transmission market, where there is ample room for growth in the future both in Italy and in China. The transaction has included the assets of the Italian and Chinese companies, the inventories, the brand, the patents, the designs and the products for robotics as well as 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;
- also during the month of May, the exit of the third party shareholders belonging to the "BEE" (Broad-Based Black Economic Empowerment Act) programme from the South African company "Bonfiglioli South Africa Pty Ltd" was finalized through the repurchase of a shareholding accounting for 25% of the share capital by the parent company "Bonfiglioli Power Transmission Pty Ltd". The entry of new BEE shareholders in the capital is envisaged for 2022;
- on June 9, 2021, the company "Bonfiglioli Riduttori S.p.A." finalized the incorporation of "Bonfiglioli Ennowing S.p.A.", a 100% subsidiary company with share capital of 50,000 €, whose main purpose is the design, development, production and marketing, both on its own behalf and on behalf of third parties, of electromechanical and electronic systems for operating industrial and agricultural self-propelled machinery, as well as the performance of analyses, application studies, customization and testing of finished products and related services at the specific request of customers;
- on June 21, 2021, the deed of merger of the company "Bonfiglioli Mechatronic Research S.p.A." into the company "Bonfiglioli Riduttori S.p.A." was finalized. The transaction took place with accounting and Tax effects backdated to January 1, 2021 and was completed for the purpose of rationalising the Italian companies of the Group. It did not have any impact on the production plant located in Rovereto, which remained fully operational (as a Local Unit of the merging company) in line with the current business model of the merging company and the Group;
- during the month of October 2021, it was decided to put the no longer operating company "Bonfiglioli Renewable Power Conversion India Pvt Ltd" into liquidation. The liquidation process should end with the dissolution of the company in the course of 2022;
- during the month of December 2021, the capital increase by the Parent Company in the Indian subsidiary "Bonfiglioli Transmission Pvt Ltd" was resolved and completed by means of the payment of a total of 200 MINR (equal to about 2.4 M€), part of which as a share premium. The operation was aimed at guaranteeing the acquisition of a portion of government land in Pune.

CONSOLIDATION AREA CHANGES

With respect to the consolidated financial statements for the year ended 31.12.2020, no consolidation area changes occurred except as noted above.

DRAFTING PRINCIPLES

The consolidated financial statements provide comparative information with respect to the previous year.

The general principle adopted in the preparation of these consolidated financial statements is that of historical cost, except for those items which, according to IFRS, are compulsorily recognized at fair value, as indicated in the valuation criteria of the individual items.

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 ("Other Comprehensive Income" or 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.

CHANGE IN ACCOUNTING PRINCIPLES AND NOTES

The valuation and measurement criteria are based on the IFRS principles in force on December 31, 2021 and approved by the European Union. The following main changes in accounting policies occurred with reference to the 2021 financial year. Several other amendments and interpretations apply for the first time in 2021, 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.

ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS EFFECTIVE FROM JANUARY 1, 2021 AND ADOPTED BY THE GROUP

Effective 2021, the Group has applied the following new accounting principles, amendments and interpretations as revised by the IASB:

- Amendments to IFRS 16 "Leases: Covid-19-Related Rent Concessions beyond June 30, 2021". The IASB issued an amendment to this principle on March 31, 2021 that extends for one year the May 2020 amendment that clarified the circumstance in which a lessee as a practical expedient may assess that specific reductions in instalments (as a direct result of Covid-19) cannot be considered as plan changes, and therefore account for them accordingly. The new amendment applies from April 1, 2021. The amendment was endorsed by the EU on August 31, 2021. However, its application does not entail any changes to the Group's 2021 income statement and balance sheet balances.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform. The amendments include the temporary easing of the requirements with respect to the effects on the financial statements when the interest rate offered in the interbank market (IBOR) is replaced by an alternative substantially risk-free rate (RFR). The amendments include the following practical expedients:
 - (i) A practical expedient that allows contractual changes, or changes in cash flows that are directly required by the reform, to be considered and treated as changes in a variable interest rate, being equivalent to a movement in an interest rate in the market;

- (ii) Allowing the changes required by the IBOR reform to be made to the documentation for designating the hedging relationship without the hedging relationship having to be discontinued;
- (iii) Providing temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as hedging a risk component.

The application of these amendments had no impact on the Group's consolidated financial statements.

- Amendments to IFRS 4 Insurance Contracts- deferral of IFRS 9. In particular, the amendments to IFRS 4 extend the expiry date of the temporary exemption from the application of IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17 and thus remedy the temporary accounting consequences that could occur if the two principles were to come into force on different dates. These amendments relate to accounting principles that are not relevant to the Group's business.

NEW ACCOUNTING PRINCIPLES AND AMENDMENTS NOT YET APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP

- Amendments to IAS 1- "Presentation of Financial Statements: Classification of Liabilities as Current or Non-current." The IASB published this amendment on January 23, 2020 to clarify the presentation of liabilities in the financial statements of companies. In particular, it clarifies that:
 - (i) the classification of liabilities between current and non-current should be based on the rights existing at the end of the reporting period, and in particular the right to defer payment for at least 12 months;
 - (ii) the classification is not affected by expectations about the entity's decision to exercise its right to defer payment on a liability;
 - (iii) the payment relates to the transfer of cash, equity instruments, other assets or services to the counterparty.
 The new amendment will apply on or after January 1, 2023 and must be applied retrospectively. The Group is currently evaluating the impact that the amendments will have on the current situation but does not expect any significant impact with regard to these amendments.
- Amendments to IFRS 3 - "Business combinations". The IASB issued this amendment on May 14, 2020, which updates references to the IAS' Conceptual Framework and does not make any changes to the accounting treatment of business combinations. The new amendment will apply prospectively from January 1, 2022.
- Amendments to IAS 16- Property, Plant and Equipment: Proceeds before Intended Use". In May 2020, the IASB issued this amendment, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of goods sold during the period in which that asset is brought to the location or for the time needed for it to be capable of operating in the manner for which it was designed by management. On the contrary, an entity accounts for the revenue from the sale of such products, and their manufacturing costs, in the income statement. The amendment will be effective for the financial years beginning on or after January 1, 2022 and shall be applied retrospectively to items of property, plant and equipment that are available for use at the beginning or after the period prior to the one in which the entity first applies the amendment. The Group does not expect any significant impact from these amendments.
- Amendments to IAS 37 - "Onerous Contracts - Costs of Fulfilling a Contract". In May 2020, the IASB published amendments to IAS 37 to specify which costs an entity should consider in assessing whether a contract is onerous or loss-making. The amendment provides for the application of an approach called "directly related cost approach". Costs that are directly related to a contract for the provision of goods or services include both incremental costs and costs directly attributed to contract activities. General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments will be effective for the financial years beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet met all of its obligations at the beginning of the financial year in which it first applies these amendments.

- Annual Improvements 2018-2020 Cycle. On May 14, 2020, the IASB published a package of amendments concerning:
 - (i) Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards- Subsidiary as a first-time adopter”. As part of the 2018-2020 annual IFRS improvements, the IASB published an amendment to this principle that allows a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts accounted for by the parent company, taking into account the parent company's date of transition to IFRS. This amendment will also apply to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1. The amendment will be effective for the financial years beginning on or after January 1, 2022. Early application is permitted.
 - (ii) Amendment to IFRS 9 “Financial Instruments- Fees in the ‘10 per cent’ test for derecognition of financial liabilities”. As part of the 2018-2020 annual IFRS improvements, the IASB published an amendment to IFRS 9 clarifying the fees an entity includes when determining whether the terms of a new or amended financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the debtor and the lender, including fees paid or received by the debtor or lender on behalf of others. An entity applies the amendment to financial liabilities that are modified or exchanged after the date of the first financial year in which the entity first applies the amendment. The amendment will be effective for the financial years beginning on or after January 1, 2022. Early application is permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged after the date of the first financial year in which the entity first applies such amendment. This amendment is not expected to have a material impact on the Group.
- Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Disclosure of Accounting policies”. On February 12, 2021, the IASB published an amendment to this principle to assist companies in choosing which accounting principles to disclose in their financial statements. The amendment will be effective for the financial years beginning on January 1, 2023. Early application is permitted.
- Amendments to IAS 8 “Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates”. The IASB issued an amendment to this standard on February 12, 2021 to introduce a new definition of accounting estimate and clarify the distinction between changes in accounting estimates, changes in accounting principles and errors. The amendment will be effective for the financial years beginning on January 1, 2023. Early application is permitted.
- Amendments to “IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”. The IASB published an amendment to this principle on May 7, 2021, which requires companies to recognize deferred Tax assets and liabilities on particular transactions that give rise to equivalent (Taxable and deductible) temporary differences on initial recognition - for instance, transactions relating to leases. The amendment will be effective for the financial years beginning on January 1, 2023. Early application is permitted.
- Amendments to “IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9- Comparative information”. On December 9, 2021, the IASB published an amendment to the transitional provisions of IFRS 17. The amendment provides insurers with an option to improve the relevance of disclosures to investors in the initial application of the new standard. The amendment will be effective for the financial years beginning on January 1, 2023. Early application is permitted. These changes relate to accounting principles and/or amendments that are not relevant to the Group's business.

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 cancelled.

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

The financial statements of foreign companies were converted to Euro, applying the year-end exchange rate for all assets and liabilities and the average exchange rate calculated over the full 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 at 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 31.12.2021	2021 ER average	ER 31.12.2020	2020 ER average
Bonfiglioli Transmission (Aust) Pty Ltd	AUD	1.5615	1.5749	1.5896	1.6549
Bonfiglioli Redutores Do Brasil Ltda	BRL	6.3101	6.3779	6.3735	5.8943
Bonfiglioli Canada Inc.	CAD	1.4393	1.4826	1.5633	1.53
Bonfiglioli Drives Shanghai Co. Ltd.	CNY	7.1947	7.6282	8.0225	7.8747
Bonfiglioli Trading Shanghai Co. Ltd.	CNY	7.1947	7.6282	8.0225	7.8747
Bonfiglioli Transmission Pvt Ltd	INR	84.2292	87.4392	89.6605	84.6392
Bonfiglioli Renewable Power Conversion India Pvt Ltd	INR	84.2292	87.4392	89.6605	84.6392
Bonfiglioli U.K. Ltd.	GBP	0.84028	0.85960	0.89903	0.8897
Bonfiglioli South East Asia Pte Ltd	SGD	1.5279	1.5891	1.6218	1.5742
Bonfiglioli USA Inc.	USD	1.1326	1.1827	1.2271	1.1422
Bonfiglioli Power Transmission Pty Ltd	ZAR	18.0625	17.4766	18.0219	18.7655
Bonfiglioli Power Transmission JSC	TRY	15.2335	10.5124	9.1131	8.0547
Bonfiglioli Vietnam Ltd	VND	25,819.0	27,129.50775	28,331.0	26,533.80545

There are no companies consolidated using the Net Equity Method.

VALUATION CRITERIA

The consolidated financial statements have been prepared in accordance with the general criterion of reliable and truthful representation of the Group's assets and liabilities, financial position, results of operations and cash flows, in compliance with the general principles of going concern, accrual basis of accounting, consistency of presentation, materiality and aggregation, prohibition of offsetting and comparability of information.

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, machinery 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 goods to the place and in the conditions necessary for their 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 tangible assets 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 their 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

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 withdrawn 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, it 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 goods 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 the 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 for 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 non-monetary items without physical substance that are clearly identifiable and capable of generating future economic benefits. These items 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.

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:

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.

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

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.

SHARE INVESTMENTS

In accordance with IFRS 9, share 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 an 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 an 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 derecognized, modified or revalued. In the case of assets recognized as FVOCI at the time of derecognition, 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 arising between the Tax base of an asset or liability and the related 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, labour, 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, labour, industrial depreciation and other production costs.

- Obsolete or slow-moving materials and products are valued according to their estimated useful life or future market value by means of an entry under impairment provisions.

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

TRADE RECEIVABLES

Trade receivables arise when an entity supplies goods or provides 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 an 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 an 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 cancelled 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 date of outflow 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.

EMPLOYEE BENEFIT OBLIGATIONS

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 PLANS

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 recognizing 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 term 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 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 acquired 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.

DETERMINATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS

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	31.12.2021			31.12.2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Share investments	-	-	64	-	-	63
Current financial derivatives	-	168	-	-	267	-
Non current financial derivatives	-	(395)	-	-	(1,232)	-
Current financial derivatives	-	(390)	-	-	(923)	-
Non current borrowings	-	-	(3,600)	-	-	(3,600)
Current borrowings	-	-	-	-	-	(1,007)
Other current liabilities (Purchase of share investments)	-	-	-	-	-	-
Total	-	(617)	(3,536)	-	(1,888)	(4,544)

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 judgement 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.

In the presence of uncertain Tax treatments, the Group determines the probability of their acceptance by the Tax authorities. If acceptance is considered probable, the Tax values take into account the uncertain Tax treatment. If acceptance is considered unlikely, the Group calculates the effect of this uncertainty using the most probable amount or expected value method.

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	31.12.2019	INCREASES	DECREASES
HISTORIC COST			
- Land and buildings	180,036	10,256	(10)
- Right to use land and buildings	38,767	3,989	(2,539)
- Plant and machinery	255,298	12,818	(3,223)
- Right to use plant and machinery	4,247	59	(205)
- Industrial and commercial equipment	123,907	11,701	(2,150)
- Other tangible assets	32,287	2,984	(745)
- Right to use other tangible assets	6,234	1,714	(1,016)
- Assets in progress and advances	18,401	2,680	(108)
Total (A)	659,177	46,201	(9,996)
ACCUMULATED AMORTIZATION			
- Land and buildings	46,746	5,590	(10)
- Right to use land and buildings	8,677	3,653	(2,480)
- Plant and machinery	193,783	12,269	(3,196)
- Right to use plant and machinery	2,177	507	(123)
- Industrial and commercial equipment	99,415	9,476	(2,004)
- Other tangible assets	23,322	2,529	(726)
- Right to use other tangible assets	2,738	1,733	(976)
Total (B)	376,858	35,757	(9,515)
NET VALUES			
- Land and buildings	133,290	4,666	-
- Right to use land and buildings	30,090	336	(59)
- Plant and machinery	61,515	549	(27)
- Right to use plant and machinery	2,070	(448)	(82)
- Industrial and commercial equipment	24,492	2,225	(146)
- Other tangible assets	8,965	455	(19)
- Right to use other tangible assets	3,496	(19)	(40)
- Assets in progress and advances	18,401	2,680	(108)
Total (A-B)	282,319	10,444	(481)

The column "other changes" mainly includes reclassifications connected with the completion of assets under construction at year-end, 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 plant, machinery and equipment (30.7 M€ of which 3.9 M€ relating to the "Sampingranaggi" acquisition) carried out mainly by the Group's production plants.

It should also be noted that during the financial year the Parent Company sold the property in Lippo di Calderara (with a residual book value of 7.7 M€) realising a capital gain of approximately 0.7 M€.

For a detailed analysis of the investments made during the year we refer you to the Management Report.

OTHER CHANGES	31.12.2020	INCREASES	DECREASES	OTHER CHANGES	31.12.2021
2,743	193,025	1,257	(18,676)	13,936	189,542
(941)	39,276	5,404	(1,255)	724	44,149
1,217	266,110	15,266	(12,409)	(2,509)	266,458
(698)	3,403	85	(17)	(802)	2,669
(1,175)	132,283	12,568	(5,834)	2,536	141,553
(949)	33,577	2,586	(4,640)	525	32,048
(132)	6,800	2,495	(1,493)	(141)	7,661
(12,475)	8,498	12,442	-	(4,169)	16,771
(12,410)	682,972	52,103	(44,324)	10,100	700,851
(1,489)	50,837	4,787	(10,970)	10,247	54,901
(367)	9,483	3,709	(1,179)	181	12,194
(2,656)	200,200	13,736	(12,305)	(6,191)	195,440
(372)	2,189	321	(6)	(524)	1,980
(1,426)	105,461	10,639	(5,763)	1,057	111,394
(562)	24,563	2,684	(4,601)	40	22,686
(54)	3,441	1,730	(1,422)	(131)	3,618
(6,926)	396,174	37,606	(36,246)	4,679	402,213
4,232	142,188	(3,530)	(7,706)	3,689	134,641
(574)	29,793	1,695	(76)	543	31,955
3,873	65,910	1,530	(104)	3,682	71,018
(326)	1,214	(236)	(11)	(278)	689
251	26,822	1,929	(71)	1,479	30,159
(387)	9,014	(98)	(39)	485	9,362
(78)	3,359	765	(71)	(10)	4,043
(12,475)	8,498	12,442	-	(4,169)	16,771
(5,484)	286,798	14,497	(8,078)	5,421	298,638

2. DEVELOPMENT COSTS AND OTHER INTANGIBLE ASSETS

DEVELOPMENT COSTS	31.12.2019	INCREASES	DECREASES
HISTORIC COST (A)	2,719	-	-
ACCUMULATED AMORTIZATION (B)	1,631	544	-
NET VALUES (A-B)	1,088	(544)	-

OTHER INTANGIBLE ASSETS	31.12.2019	INCREASES	DECREASES
HISTORIC COST			
- Patents and right to use intellectual properties	45,225	1,433	(16)
- Concession, licenses, trademarks and similar rights	16,828	26	-
- Customer List	17,657	-	-
- Other intangible assets	276	-	(68)
- Assets in progress and advances	7,013	1,361	(1,781)
Total (A)	86,999	2,820	(1,865)
ACCUMULATED AMORTIZATION			
- Patents and right to use intellectual properties	30,909	2,677	(16)
- Concession, licenses, trademarks and similar rights	3,913	837	-
- Customer List	3,532	883	-
- Other intangible assets	234	18	(68)
- Assets in progress and advances	-	1,751	(1,780)
Total (B)	38,588	6,166	(1,864)
NET VALUES			
- Patents and right to use intellectual properties	14,316	(1,244)	-
- Concession, licenses, trademarks and similar rights	12,915	(811)	-
- Customer List	14,125	(883)	-
- Other intangible assets	42	(18)	-
- Assets in progress and advances	7,013	(390)	(1)
Total (A-B)	48,411	(3,346)	(1)

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

OTHER CHANGES	31.12.2020	INCREASES	DECREASES	OTHER CHANGES	31.12.2021
-	2,719	-	-	-	2,719
-	2,175	544	-	-	2,719
-	544	(544)	-	-	-
OTHER CHANGES	31.12.2020	INCREASES	DECREASES	OTHER CHANGES	31.12.2021
69	46,711	2,475	(37)	137	49,286
-	16,854	11	-	-	16,865
-	17,657	-	-	-	17,657
(10)	198	5	(23)	-	180
(288)	6,305	1,396	(1)	(95)	7,605
(229)	87,725	3,887	(61)	42	91,593
(131)	33,439	2,673	(37)	15	36,090
-	4,750	837	-	-	5,587
-	4,415	883	-	-	5,298
(11)	173	18	(23)	-	168
29	-	-	1	(1)	-
(113)	42,777	4,411	(59)	14	47,143
200	13,272	(198)	-	122	13,196
-	12,104	(826)	-	-	11,278
-	13,242	(883)	-	-	12,359
1	25	(13)	-	-	12
(317)	6,305	1,396	(2)	(94)	7,605
(116)	44,948	(524)	(2)	28	44,450

- Technology recorded under intellectual property rights for 12.1 M€ (the net book value as of 31.12.2021 amounts to 8.4 M€)
- Trademark for 16 M€ (the net book value as of 31.12.2021 amounts to 11.2 M€)
- Customer list for 17.7 M€ (the net book value as of 31.12.2021 amounts to 12.4 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.

During the year, as anticipated, Bonfiglioli was awarded the single and joint lot relating to "Sampingranaggi" at a total award price of 7.2 M€, subject to adjustment. The final transfer values of the items involved are shown below, both as regards the net assets and liabilities acquired by Bonfiglioli Riduttori S.p.A. from Sampingranaggi S.r.l. and Samp S.p.A., and as regards the assets acquired by Bonfiglioli Drives Shanghai Co. Ltd from Samp Machinery Shanghai Ltd. The purchase cost was considered representative of the fair value of the net assets acquired.

DESCRIPTION	Samplingranaggi Srl	Samp SpA	Samp Machinery Shanghai Ltd	TOTAL
Property, plant, machinery and other tangible assets	3,007	-	900	3,907
Industrial patents and intellectual property rights	-	400	-	400
Concessions, licenses, trademarks and similar rights	-	1	-	1
Inventory	2,504	-	1,192	3,696
Advances from customers	(118)	-	-	(118)
Advances to suppliers	6	-	-	6
Accrual of payables to staff	(750)	-	-	(750)
Total	4,649	401	2,092	7,142

The contribution to the 2021 turnover of the complex acquired was respectively 6.2 M€ for Bonfiglioli Riduttori S.p.A. and 3.7 M€ for Bonfiglioli Drives Shanghai Co. Ltd.

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 31.12.2021 amounting to 7.2 M€. The project will be completed in 2022 and the subsidiary plans to start amortization in 2022 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 5.21% 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.

3. SHARE INVESTMENTS

DESCRIPTION	31.12.2019	INCREASES	DECREASES	31.12.2020	INCREASES	DECREASES	31.12.2021
Share investments in other companies	64	-	(1)	63	1	-	64
Total	64	-	(1)	63	1	-	64

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 and minority share investments (BEST Hellas SA). Increases for the year are related to the exchange rate variations.

4. FINANCIAL DERIVATIVES

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Non current positive derivatives	-	-	-
Current positive derivatives	168	267	(99)
Total (A)	168	267	(99)
Non current negative derivatives	395	1,232	(837)
Current negative derivatives	390	923	(533)
Total (B)	785	2,155	(1,370)
Total (A-B)	(617)	(1,888)	1,271

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

	NOTIONAL	31.12.2021	NOTIONAL	31.12.2020
USD sales	USD 3,621,747	41	USD 8,482,893	96
GBP sales	-	-	GBP 160,000	1
AUD sales	AUD 2,469,504	8	-	-
CNY sales	CNY 3,100,000	1	CNY 59,800,000	144
EUR sales	EUR 4,168,474	75	-	-
EUR purchase	-	-	EUR 400,000	8
JPY purchase	JPY 347,633,851	32	JPY 17,548,398	-
AUD purchase	AUD 895,000	11	AUD 836,000	18
Total		168		267

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

	NOTIONAL	31.12.2021	NOTIONAL	31.12.2020
GBP sales	GBP 987,000	9	GBP 589,000	4
AUD sales	AUD 4,675,000	45	AUD 7,380,518	82
CNY sales	CNY 30,900,000	76	CNY 6,200,000	4
EUR sales	-	-	EUR 4,926,687	57
EUR purchase	EUR 3,325,000	41	EUR 8,590,000	230
JPY purchase	JPY 280,609,082	21	JPY 95,511,377	10
CNY purchase	-	-	CNY 66,000,000	49
IRS Bonfiglioli SpA	EUR 61,500,000	593	EUR 71,750,000	1,719
Total		785		2,155

5. OTHER FINANCIAL ASSETS

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Other non current financial assets	1,089	810	279
Other current financial assets	-	-	-
Total	1,089	810	279

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	31.12.2021	31.12.2020	CHANGE
Deferred Tax assets (A)	34,147	36,310	(2,163)
Deferred Tax liabilities (B)	12,281	12,667	(386)
Total (A-B)	21,866	23,643	(1,777)

Details of the changes are outlined below:

	Deferred Tax assets		Deferred Tax liabilities	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Opening balance	36,310	32,423	(12,667)	(12,955)
Variation of the year	(1,651)	3,627	386	288
Taxes recognized in "OCI".	(512)	260	-	-
Closing balance	34,147	36,310	(12,281)	(12,667)

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 temporary differences relate to:

	31.12.2021			31.12.2020		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and machinery	1,705	(3,111)	(1,406)	2,307	(1,978)	329
Intangible assets	2,470	(13,248)	(10,778)	2,737	(13,736)	(10,999)
Inventory	14,252	(20)	14,232	13,389	(1)	13,388
Trade receivables	2,031	-	2,031	1,951	-	1,951
Provisions for risks	6,225	-	6,225	6,671	-	6,671
Employee benefit obligations	2,460	(11)	2,449	2,727	(25)	2,702
Payables to employees	3,934	-	3,934	3,140	-	3,140
Carried forward losses	4,900	-	4,900	5,273	-	5,273
Other	1,178	(899)	279	1,485	(297)	1,188
Reclassification for reporting	(5,008)	5,008	-	(3,370)	3,370	-
Total	34,147	(12,281)	21,866	36,310	(12,667)	23,643

7. INVENTORY

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Raw materials, supplies and consumables	59,435	36,406	23,029
Work in progress and semi finished goods	151,664	102,075	49,589
Finished goods and goods for resale	139,706	113,855	25,851
Advances	411	63	348
Total	351,216	252,399	98,817

The net realisable 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	31.12.2021	31.12.2020	CHANGE
Raw materials, supplies and consumables	5,069	5,654	(585)
Work in progress and semi finished goods	15,142	14,604	538
Finished goods and goods for resale	9,187	8,646	541
Total	29,398	28,904	494

Changes in the obsolescence reserve are shown below:

	31.12.2021	31.12.2020
Opening balance	28,904	28,930
Increases	2,037	3,106
Decreases	(2,574)	(2,102)
Other changes	1,031	(1,030)
Closing balance	29,398	28,904

8. TRADE RECEIVABLES

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Trade receivables	253,759	235,449	18,310
Bad debt reserve	(13,360)	(16,016)	2,656
Advances from customers	(5,508)	(4,570)	(938)
Total	234,891	214,863	20,028

Changes in bad debt reserve are shown below:

	31.12.2021	31.12.2020
Opening balance	16,016	20,650
Increases	175	329
Decreases	(3,106)	(4,237)
Other changes	275	(726)
Closing balance	13,360	16,016

Decreases for the year for 0.8 M€ refer to the use of the reserve to close old unrecoverable receivables and for 2.3 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:

	31.12.2021	31.12.2020	2021%	2020%
EMEA (Europe - Middle East - Africa)	122,348	102,843	52.1%	47.9%
AME (America)	39,619	29,570	16.9%	13.7%
APAC (Asia - Pacific)	72,924	82,450	31.0%	38.4%
Total	234,891	214,863	100.0%	100.0%

The increase in trade receivables in the EMEA and AME areas is consistent with the trend in turnover which, as indicated in the management report, was affected by a slowdown in the APAC area, especially in China, in the second half of the year.

9. CURRENT TAXES

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Corporate Tax receivables (A)	4,170	3,198	972
Corporate Tax payables (B)	3,899	4,172	(273)
Total (A-B)	271	(974)	1,245

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	31.12.2021	31.12.2020	CHANGE
Tax receivables	6,002	4,751	1,251
Other receivables	3,151	3,043	108
Other non current receivables and assets (A)	9,153	7,794	1,359
Tax receivables	17,604	13,519	4,085
Other receivables	1,393	2,812	(1,419)
Prepaid expenses and accrued income	2,066	2,037	29
Other current receivables and assets (B)	21,063	18,368	2,695
Total (A+B)	30,216	26,162	4,054

A breakdown is given below:

Tax RECEIVABLES	31.12.2021	31.12.2020
Direct Taxes	1,179	444
Direct Taxes to be refunded	58	55
Indirect Taxes	4,665	4,238
Indirect Taxes to be refunded	100	14
Other Taxes to be refunded	-	-
Total non current Tax receivables (A)	6,002	4,751
Direct Taxes	3,518	4,133
Direct Taxes to be refunded	45	227
Indirect Taxes	10,934	4,368
Indirect Taxes to be refunded	2,733	3,592
Other Taxes	9	94
Other Taxes to be refunded	365	1,105
Total current Tax receivables (B)	17,604	13,519
Total Tax receivables (A+B)	23,606	18,270

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 is starting the procedures for using the receivable due from the local authorities.

The decrease in current indirect Taxes to be refunded mainly refers to the receivable requested for refund by the Parent Company (1.2 M€ at the end of the 2020 financial year), which was duly collected in 2021.

The increase in current indirect Taxes is due to VAT receivables that will be deducted in subsequent settlements within the first half of 2022 and mainly related to the Italian companies for 2 M€, the Indian subsidiary (2.2 M€), the Chinese subsidiary (1.2 M€), the Brazilian subsidiary (0.7 M€) and the Vietnamese subsidiary (0.2 M€).

OTHER RECEIVABLES	31.12.2021	31.12.2020
Guarantee deposits	869	772
Public grants to be received	2,282	2,271
Total other non current receivables (A)	3,151	3,043
Guarantee deposits	101	66
Receivables from employees	398	425
Receivables from social security institutions	155	149
Refunds to be received	447	2,089
Other receivables	292	83
Total other current receivables (B)	1,393	2,812
Total other receivables (A+B)	4,544	5,855

Public grants to be received refer to the subsidiary Bonfiglioli Riduttori S.p.A., which in compliance with IAS 20 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. There are no unfulfilled conditions or risks related to these grants.

The decrease in refunds to be received relates to the reimbursement received by Bonfiglioli Riduttori S.p.A. from the insurance company with reference to a settlement agreement entered into in 2020.

There are no receivables due beyond five years.

PREPAID EXPENSES AND ACCRUED INCOME	31.12.2021	31.12.2020
Interest	980	1,034
Insurance	495	284
Rentals and maintenance	324	396
Other	267	323
Total prepaid expenses and accrued income	2,066	2,037

11. CASH AND CASH EQUIVALENTS

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Banks and postal accounts	90,435	75,293	15,142
Cash on hand	42	49	(7)
Total	90,477	75,342	15,135

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

As at 31.12.2021, 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 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, 2021 OF THE PARENT COMPANY BONFIGLIOLI S.P.A.

	Result for the year	Shareholders' equity
Bonfiglioli S.p.A. Separate financial statements	25,402	371,223
Accounting of the shareholders' equity and the results of consolidated and associated share investments to replace book value in the financial statements of the Parent Company, net of infra-group dividends	39,426	89,188
Shareholders' equity and profit attributable to minority interests	(47)	(499)
Elimination of infragroup profits on stock	(2,221)	(21,813)
Reversal of extraordinary infragroup transactions (contributions/disposals)	122	(332)
Other	(51)	(2,075)
Consolidated financial statements	62,631	435,692

13. NET CASH POSITION AND BORROWINGS

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

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Banks and postal accounts	90,435	75,293	15,142
Cash on hand	42	49	(7)
Cash and cash equivalents	90,477	75,342	15,135
Financial receivables from other companies	1,089	810	279
Other non current financial assets	1,089	810	279
Bonds	(250)	-	(250)
Payables to banks - Bank overdraft	(13,209)	(15,724)	2,515
Payables to banks	(27,827)	(20,469)	(7,358)
Lease liabilities (IFRS 16)	(5,235)	(5,253)	18
Payables to other financial institutions	(181)	(1,204)	1,023
Current borrowings	(46,702)	(42,650)	(4,052)
Bonds	(26,893)	(27,082)	189
Payables to banks	(135,557)	(145,743)	10,186
Lease liabilities (IFRS 16)	(25,982)	(24,029)	(1,953)
Payables to other financial institutions	(4,149)	(4,330)	181
Non current borrowings	(192,581)	(201,184)	8,603
Net Cash Position (NCP)	(147,717)	(167,682)	19,965

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

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Current bonds	250	-	250
Non current bonds	26,893	27,082	(189)
Bonds	27,143	27,082	61
Current payables to banks	41,036	36,193	4,843
Non current payables to banks	135,557	145,743	(10,186)
Payables to banks	176,593	181,936	(5,343)
Current lease liabilities (IFRS 16)	5,235	5,253	(18)
Non current lease liabilities (IFRS 16)	25,982	24,029	1,953
IFRS 16 Payables	31,217	29,282	1,935
Current payables to other financial institutions	181	1,204	(1,023)
Non current payables to other financial institutions	4,149	4,330	(181)
Payables to other financial institutions	4,330	5,534	(1,204)
Total borrowings	239,283	243,834	(4,551)

Details of the contents and main changes in borrowings are provided below:

	31.12.2020	Increases	Decreases
Parent company	27,082	-	-
Bonds	27,082	-	-
Parent company	154,381	15,000	(17,619)
Bonfiglioli Deutschland GmbH	986	-	(986)
Bonfiglioli Slovakia sro	3,269	-	(1,332)
Bonfiglioli Vietnam Ltd.	2,464	3,687	(1,612)
Tecnotrans Bonfiglioli SA	1,134	-	(297)
Bonfiglioli Canada Inc.	38	-	-
Bonfiglioli USA Inc.	3,940	-	(249)
Medium/long-term borrowings	166,212	18,687	(22,095)
Overdrafts	15,724	4,986	(8,063)
Parent company	2,127	1,303	(841)
Bonfiglioli Riduttori S.p.A.	2,098	2,350	(1,066)
O&K Antriebstechnik GmbH	14,104	238	(1,093)
Bonfiglioli Transmission Pvt Ltd	1,021	29	(450)
Bonfiglioli Vectron GmbH	4,851	2,106	(644)
Bonfiglioli UK Ltd	1,994	223	(180)
Bonfiglioli Drives Shanghai Co. Ltd.	725	832	(603)
Other subsidiaries	2,362	829	(1,228)
Lease liabilities (IFRS 16)	29,282	7,910	(6,105)
Parent company	4,510	-	(180)
Bonfiglioli USA Inc.	18	-	(18)
Bonfiglioli Power Transmission South Africa	1,006	-	(1,006)
Payables to other financial institutions	5,534	-	(1,204)
Total	243,834	31,583	(37,467)

"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 2021 for 2,625 K€. The remaining payable recorded is due for 1.25 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. 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 instalments, recorded in the financial statements at amortized cost as at 31.12.2021 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 30.06.2025. The significant change in the year is connected with the exit of the minority shareholders from the South African company Bonfiglioli South Africa Pty Ltd relating to the BEE (Broad-Based Black Economic Empowerment Act) programme, mentioned at the beginning.

Other changes	31.12.2021	Due within 12 months	Over 12 months Within 5 years	Beyond 5 years
61	27,143	250	1,000	25,893
61	27,143	250	1,000	25,893
-	151,762	25,077	105,810	20,875
-	-	-	-	-
-	1,937	432	1,505	-
270	4,809	1,723	3,086	-
-	837	301	536	-
4	42	-	42	-
306	3,997	294	1,177	2,526
580	163,384	27,827	112,156	23,401
562	13,209	13,209	-	-
(979)	1,610	771	839	-
978	4,360	821	2,507	1,032
-	13,249	1,013	12,223	13
37	637	367	270	-
-	6,313	609	2,398	3,306
132	2,169	196	715	1,258
66	1,020	576	444	-
(104)	1,859	882	976	1
130	31,217	5,235	20,372	5,610
-	4,330	181	4,149	-
-	-	-	-	-
-	-	-	-	-
-	4,330	181	4,149	-
1,333	239,283	46,702	137,677	54,904

As regards payables to banks, the only new transaction carried out during 2021 was the drawing by the Parent Company of 15 of the 20 M€ still available in the contract entered into in 2020 with Cassa Depositi e Prestiti (CDP), bringing the balance of this loan to 32 M€ at the date of the financial statements. On the other hand, the 2020 Pool loan, recognized in the financial statements using the amortized cost method for a total of 80.9 M€, the loan with the European Investment Bank (20 M€) and the mortgage part of the 2017 Pool loan, which at the balance sheet date was recognized using the amortized cost method for a total of 18.8 M€, remain outstanding.

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 31.12.2021 have been fully respected.

14. PROVISIONS FOR RISKS AND CHARGES

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Current provisions	15,904	15,650	254
Non current provisions	15,081	18,096	(3,015)
Total	30,985	33,746	(2,761)

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

DESCRIPTION	Warranty reserve	Sales agents' indemnity reserve	Tax assessment reserve	Other reserves	Total
31.12.2020	24,612	1,551	865	6,718	33,746
Provisions	1,784	152	299	37	2,272
Uses/Reversals	(4,500)	-	(234)	(873)	(5,607)
Other changes	470	-	49	55	574
31.12.2021	22,366	1,703	979	5,937	30,985

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	31.12.2021	31.12.2020	CHANGE
Non current employee benefit obligations	17,866	18,816	(950)
Current employee benefit obligations	1,172	1,031	141
Total	19,038	19,847	(809)

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 13.7 M€.

Details of the changes are outlined below:

	31.12.2021	31.12.2020
Opening balance	19,847	19,825
Service costs	350	372
Interest	158	231
Settlements	(795)	(1,138)
Actuarial changes	(509)	570
Exchange rate differences	(13)	(13)
Closing balance	19,038	19,847

The actuarial assumptions for the calculation of pension plans are detailed in the following table (it should be noted that for Vietnam, Turkey and Bonfiglioli Ennowing S.p.A. no actuarial appraisals have been carried out since the amounts are very limited, approximately 83 K€ in total).

2021	Italy	France	Germany
Discount rates	0.97%	0.77%	1.18%
Salary increase rates	2.70%	2.55%	2.00%
Inflation rates	1.70%	1.80%	0.00%
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%

By uniformly varying the discount rate by +/- 50 b.p., the consolidated liability at 31.12.2021 would have been approximately 1.2 M€ lower or 1.3 M€ higher.

16. TRADE PAYABLES

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Trade payables	283,150	210,844	72,306
Advances to suppliers	(810)	(833)	23
Total	282,340	210,011	72,329

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

	31.12.2021	31.12.2020	2021%	2020%
EMEA (Europe - Middle East - Africa)	215,467	148,817	76.3%	70.9%
AME (America)	3,454	4,187	1.2%	2.0%
APAC (Asia - Pacific)	63,419	57,007	22.5%	27.1%
Total	282,340	210,011	100.0%	100.0%

17. OTHER PAYABLES AND LIABILITIES

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Payables to social security institutions	84	1,021	(937)
Payables to employees	1,304	4,194	(2,890)
Other payables	1,560	-	1,560
Accrued expenses and deferred income	1,997	1,858	139
Other non current payables and liabilities (A)	4,945	7,073	(2,128)
Tax payables	11,877	11,953	(76)
Payables to social security institutions	11,824	10,040	1,784
Payables to employees	29,609	22,482	7,127
Other payables	3,818	1,269	2,549
Accrued expenses and deferred income	2,651	2,294	357
Other current payables and liabilities (B)	59,779	48,038	11,741
Total (A+B)	64,724	55,111	9,613

A breakdown is given below:

Tax PAYABLES	31.12.2021	31.12.2020
Direct Taxes	6,066	5,961
Indirect Taxes	5,323	5,546
Other Taxes	488	446
Total current Tax payables	11,877	11,953
OTHER PAYABLES	31.12.2021	31.12.2020
Payables to directors	1,846	1,063
Other payables	3,532	206
Total other payables	5,378	1,269
ACCRUED EXPENSES AND DEFERRED INCOME	31.12.2021	31.12.2020
Interest	752	603
Insurance	-	14
Deferred income from public contributions	3,233	2,845
Other	663	690
Total accrued expenses and deferred income	4,648	4,152

Other payables include the debt of Bonfiglioli Riduttori S.p.A. relating to the acquisition of Sampingranaggi for a total of 3.1 M€, half of which is due in May 2022 and the residual in May 2023.

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

- 1.2 M€ of the deferred income on Tax receivables on assets recorded by the company "Bonfiglioli Riduttori S.p.A." and entered in the income statement consistently with the amortization of the related assets. The current portion amounts to 539 K€.
- 1.3 M€ of the deferred contribution granted to the company "Bonfiglioli Riduttori S.p.A." 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 501 K€.
- 0.5 M€ of the deferred contribution granted to the company "Bonfiglioli Slovakia sro" equal to 25% of the purchase cost of a machine, which is recorded in the income statement in line with the depreciation quotas of the same (six years) and 0.1 M€ of the deferred contribution as a participant in the Horizon 2020 "KnowlEdge" project for a duration of 3 years. The current portion amounts to 0.2 M€, the non-current portion beyond 5 years amounts to 36 K€;
- The residual amount of 0.2 M€ refers to the residual contribution due to the Parent Company as Coordinator of a Horizon 2020 project (IoTwin 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	2021	2020	CHANGE	2021%	2020%
EMEA (Europe - Middle East - Africa)	517,611	432,482	85,129	48.3%	47.0%
AME (America)	216,711	175,408	41,303	20.2%	19.0%
APAC (Asia - Pacific)	338,385	313,202	25,183	31.5%	34.0%
Total	1,072,707	921,092	151,615	100.0%	100%

With reference to the Group's performance in 2021, the consolidated turnover increased by 16.5% compared to the previous year (1,072.7 M€ compared to 921.1 M€ in 2020). The increase in turnover was more consistent in Europe and in the United States, while the APAC area was affected by the contraction in China in the second half of the year. For more details on the Group performance, we refer you to the Management Report.

19. MATERIAL COSTS

DESCRIPTION	2021	2020	CHANGE
Purchases from third parties	713,901	533,581	180,320
Delta stock	(87,965)	(6,800)	(81,165)
Total	625,936	526,781	99,155

20. PAYROLL COSTS

DESCRIPTION	2021	2020	CHANGE
Wages and salaries	148,380	133,435	14,945
Social contributions	39,108	34,294	4,814
Defined benefit and contribution plans costs	5,205	5,023	182
Other personnel costs	1,336	1,004	332
Total	194,029	173,756	20,273

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

	31.12.2021	31.12.2020	2021 average	2020 average
Executives and managers	174	186	174	180
White collars and middle management	1,948	1,833	1,890	1,835
Direct and indirect blue collars	1,950	1,786	1,861	1,760
Temporary workers	475	289	452	276
Total	4,547	4,094	4,377	4,051

21. SERVICES, LEASES AND RENTALS

DESCRIPTION	2021	2020	CHANGE
Subcontracting and external operation	36,577	32,234	4,343
Transport and portorage	41,183	29,230	11,953
Maintenance and utilities	30,538	27,339	3,199
Travel, fairs and advertising	4,435	4,051	384
Consultancies	12,107	10,331	1,776
Services to employees	5,690	5,054	636
Fees for directors, statutory auditors and independent auditors	3,053	2,729	324
Other	13,710	11,325	2,385
Total	147,293	122,293	25,000

22. OTHER OPERATING INCOME

DESCRIPTION	2021	2020	CHANGE
Sales to vendor and other minor sales	6,804	4,616	2,188
Transport and packaging refunds	5,657	4,626	1,031
Claims to vendor	903	957	(54)
Capital gains and contingent assets	2,892	3,390	(498)
Received grants and contributions	6,712	6,243	469
Reserve reversal	3,610	3,255	355
Insurances and other refunds	396	332	64
Revenues from internal projects costs capitalized	1,038	1,257	(219)
Other	1,041	1,474	(433)
Total	29,053	26,150	2,903

23. OTHER OPERATING COSTS

DESCRIPTION	2021	2020	CHANGE
Other Tax & levy	3,148	3,242	(94)
Purchase of low value items	907	864	43
Association fees	328	317	11
Donations	720	380	340
Capital losses and contingent liabilities	249	1,068	(819)
Other	89	116	(27)
Total	5,441	5,987	(546)

24. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

DESCRIPTION	2021	2020	CHANGE
Amortization of intangible assets	4,955	4,959	(4)
Impairment of intangible assets	-	1,751	(1,751)
Depreciation of tangible assets	31,825	28,849	2,976
Depreciation of rights to use tangible assets	5,760	5,893	(133)
Impairment of tangible assets	21	1,015	(994)
Impairment of rights to use tangible assets	-	-	-
Total	42,561	42,467	94

25. FINANCIAL INCOME AND COSTS

DESCRIPTION	2021	2020	CHANGE
Financial income	2,330	2,126	204
Financial costs	(7,565)	(8,339)	774
Total	(5,235)	(6,213)	978

A breakdown is given below:

FINANCIAL INCOME	2021	2020	CHANGE
Bank interest income	2,144	1,860	284
Commercial and other interest	186	266	(80)
Total	2,330	2,126	204

FINANCIAL COSTS	2021	2020	CHANGE
Bank interest expenses	2,016	1,953	63
Interest on bonds	739	731	8
Interest payable on borrowings	1,722	2,772	(1,050)
Interest from lease liabilities (IFRS 16)	941	953	(12)
Discounts, premiums and expenses on derivatives (IRS and forward contracts)	1,845	1,415	430
Interest on employee benefits	168	243	(75)
Other	134	272	(138)
Total	7,565	8,339	(774)

26. FOREIGN EXCHANGE GAIN AND LOSSES

DESCRIPTION	2021	2020	CHANGE
Foreign exchange gains	17,950	14,107	3,843
Foreign exchange losses	(15,684)	(16,234)	550
Total	2,266	(2,127)	4,393

27. INVESTMENTS' INCOME AND COSTS

The investments' income relates to the profits of the company Grumento posted for reasons of transparency by "O&K Antriebstechnik GmbH" (279 K€) and the remainder relates to dividends received from the investee company BEST Hellas.

28. TAXES

DESCRIPTION	2021	2020	CHANGE
Current Taxes	14,502	14,270	232
Deferred Tax assets variation	705	(2,694)	3,399
Deferred Tax liabilities	1,033	(1,617)	2,650
Non-deductible withholdings and prior year Taxes	2,926	491	2,435
Total	19,166	10,450	8,716

The item Non-deductible withholding Taxes includes 2.9 M€ of withholding Taxes incurred on the distribution of dividends by the Indian company for a total of 20.7 M€.

FURTHER INFORMATION**COMMITMENTS**

DESCRIPTION	31.12.2021	31.12.2020	CHANGE
Guarantees provided	21,794	13,937	7,857
Guarantees received	(5,841)	(1,554)	(4,287)
Collateral	32,945	42,168	(9,223)
Total	48,898	54,551	(5,653)

Guarantees provided refer to sureties issued by credit institutions on contractual commitments or debts assumed by the Group. Guarantees received refer to sureties issued by credit institutions on third party commitments to the Group.

The collateral relates to the following:

➤ collateral on movable assets as indicated below:

- Bonfiglioli Transmission Pvt Ltd for 6.4 M€
- Bonfiglioli Slovakia Sro for 0.5 M€

➤ collateral on real estate as indicated below:

- Bonfiglioli S.p.A. for 20.1 M€
- Bonfiglioli USA for 4 M€
- Bonfiglioli Slovakia Sro for 1.9 M€ (the amount indicated in 2020 of 7 M€ did not take into account the loan instalments already repaid for 3.4 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 2021 from national administrations or equivalent national bodies is given below.

Funding body	Recipient Company	Amounts in Euro	Reason
TRENTINO SVILUPPO SPA (Tax Code 00123240228)	Bonfiglioli Riduttori S.p.A.	40,623	Contribution for the rental of space at the "Polo Meccatronica" in Rovereto
Italian Revenue Agency	Bonfiglioli S.p.A.	1,089	Tax credit for sanitation
Italian Revenue Agency	Bonfiglioli Riduttori S.p.A.	27,465	Tax credit for sanitation
BI-REX Big Data Innovation & Research Excellence (Tax Code 03747661209)	Bonfiglioli S.p.A.	127,283	Grants on technological innovation projects

BI-REX, based in Bologna, was established as a public-private Consortium in 2018 and is one of the 8 national "Competence Centres" set up by the Ministry of Economic Development as part of the government's Industry 4.0 plan. The Consortium, which is the only industry-led Competence Centre, facilitates the development of technological innovation projects and the exchange of expertise by bringing together in partnership 56 players including Universities, Research Centres and Companies of excellence, mainly from the territory, with a specialized focus on Big Data.

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, Tax credits for research and development and other facilities such as "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	2021	2020
Directors	2,294	1,985
Statutory Auditors/Independent Auditors	759	744
Total	3,053	2,729

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 significant events occurred after the end of the financial year.

At dawn on February, 24, Vladimir Putin gave the order to invade Ukraine, and explosions were confirmed in major cities, including the capital Kiev, despite the fact that the troops sent to Donbass territories in the previous days had been justified as a “peacekeeping” mission. The decision came after the official recognition of the Donbass separatist republics located on Ukrainian territory, Donetsk and Lugansk. At the time of writing of these financial statements, trials of dialog and negotiations between Russia and Ukraine are taking place. So far there are at least 2,000 civilian victims, according to the Ukrainian government. Refugees already number more than 1.5 million, thus being the largest migration flow in Europe since the Second World War.

Calderara di Reno (Bologna), March 28, 2022
for The Board of Directors



The Chairwoman
Sonia Bonfiglioli

ANNEX A

CONSOLIDATED CASH FLOW (NCP) (K€)

	2021	2020
A. Opening Net Cash Position	(167,682)	(205,802)
B. OPERATING ACTIVITIES		
Group' Income (Loss)	62,631	53,836
Minority	47	16
Depreciation and impairment	36,801	36,574
Depreciation and impairment IFRS16	5,760	5,893
Bad debt Provision	175	329
Other risks provisions	1,794	3,288
Current and deferred Taxes	19,166	10,450
Cash flow before operative capital employed variation	126,374	110,386
Net Working Capital variation	(46,691)	6,336
Derivatives FMV variation	(220)	(27)
Risk Provision variation	(4,555)	(5,986)
Employee benefit obligations variation	(477)	(379)
Current and deferred Taxes variation	(2,887)	(355)
Taxes paid	(15,747)	(10,398)
Other assets and liabilities variation	5,559	6,074
B. Cash flow originating from (used for) operating activities	61,356	105,651
C. INVESTING ACTIVITIES		
CAPEX	(40,369)	(43,249)
CAPEX IFRS16	(7,542)	(5,285)
Share investments	-	-
C. Cash flow originating from (used for) investing activities	(47,911)	(48,534)
D. FINANCING ACTIVITIES		
Dividends paid	(6,003)	(5,003)
Currency conversion reserve variation	17,971	(19,589)
Exchange rate (gains) losses on CAPEX	(4,909)	4,913
Exchange rate (gains) losses on CAPEX IFRS16	(539)	682
Exchange rate (gains) losses on Share Investments	(1)	1
Other variations	1	(1)
D. Cash flow originating from (used for) financing activities	6,520	(18,997)
E. CASH FLOW FOR THE YEAR (B+C+D)	19,965	38,120
F. Closing Net Cash Position (A+E)	(147,717)	(167,682)



The background is an abstract composition of various geometric shapes, including triangles, polygons, and curved forms, in shades of blue, green, and yellow. The shapes are layered and overlapping, creating a sense of depth and movement. The colors are vibrant and saturated, with some areas appearing darker due to shadows or overlapping layers.

INDEPENDENT AUDITOR'S REPORT

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



Bonfiglioli S.p.A.

Consolidated financial statements as at 31 December, 2021

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



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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 S.p.A. and its subsidiaries (the "Bonfiglioli Group" or "the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated equity variation and consolidated 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 2021, 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 the Parent Company Bonfiglioli S.p.A. or to cease operations, or have no realistic alternative but to do so.



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 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.



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 Management Report of Bonfiglioli Group as at 31 December 2021, 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 Management Report, with the consolidated financial statements of Bonfiglioli Group as at 31 December 2021 and on its compliance with the applicable laws and regulations, and in order to assess whether it contains material misstatements.

In our opinion, the Management Report is consistent with the consolidated financial statements of Bonfiglioli Group as at 31 December 2021 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, April 14, 2022

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.





ANNUAL REPORT 2021



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

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