

GEFRAN

Remuneration Report

As required by art. 123-bis Consolidated Finance Act

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Approved by the Board of Directors on 9 March 2012

SECTION I

Gefran Group Remuneration Policy

The remuneration policy is the group of standards and guidelines behind the remuneration system for Gefran Group workers and directors, both for the parent company in Italy, Gefran Spa, and its foreign affiliates.

The policy was drafted in order to attract, motivate and hold onto competent resources capable of pursuing group objectives in light of the recommendations set forth in the Corporate Governance Code by Borsa Italiana.

The path that led to setting out the policy was driven by the Remuneration Committee and then the Board of Directors reviewed the document and approved it.

The period of reference is the financial year that just ended and subsequent years, i.e., 2011 and later.

The remuneration policy shall be implemented by:

- > The remuneration committee, to determine remuneration for directors;
- > Group HR Department, in cooperation with the CEO and Chairman, to determine remuneration for Italian and foreign management.

During the year the HR Department shall prepare reports on policy implementation and present them at Remuneration Committee meetings.

Chapter 1 Director Remuneration

The Gefran General Shareholders' Meeting held on 4 May 2011, when appointing the Board of Directors, determined total remuneration for directors as required under art. 2389(1) of the Civil Code and gave the Board of Directors the duty of deciding distribution.

In particular, on the basis of the Remuneration Committee's proposal, the Shareholders' Meeting resolved that total gross remuneration would amount to Euro 240,000.00 per annum and distributed amongst the Board of Directors as follows:

- > € 225,000.00 in equal parts to all directors for a total of € 25,000 gross per annum for each director;
- > € 14,000.00 for Committees;
- > € 1,000.00 for the Lead Independent Director.

Pursuant to art. 2389 of the Civil Code, the Chairman of the Board of Directors shall also receive the amount of € 420,000.00.

In accordance with the highest international standards, variable remuneration is not provided for directors who do not hold special positions.

Furthermore, in line with international best practices a Directors & Officers liability insurance policy is provided for company bodies, general directors, executive officers, senior managers and other executives to indemnify the group against any claims for damages deriving from provisions laid down in applicable national labour agreements and legal rules related to the position.

Chapter 2 The Remuneration Committee

The company set up a Remuneration Committee composed of three independent, non-executive directors who shall remain in office until the 2013 year-end financial statements are approved. The Board decided that the members should include persons with adequate knowledge and experience in accounting and financial matters.

The Directors sitting on the Committee are as follows:

Office	Name and Surname
Independent Director Committee Chairman	Romano Gallus
Independent Director	Cesare Vecchio
Independent Director	Elisabetta Magistretti

The Committee works under a set of rules and executes specific instructions assigned by the Board, namely:

- 1) It presented proposals for remuneration for executive directors and executive officers while ensuring transparency and information on remuneration;
- 2) It periodically assessed the criteria adopted for the remuneration mentioned above;
- 3) It provided the Board with recommendations concerning MBO, while monitoring the development and application of plans selected by the Board.

In 2011 the Committee held 2 meetings lasting one hour each. All members took part in the meetings. The Group HR director, by invitation from the Chairman, took part in the meetings to provide information on the incentive system adopted by the company.

Board members refrained from participating in committee meetings where their remuneration was discussed.

Reports are produced for meetings.

So far at least two committee meetings are scheduled to be held during the year.

Chapter 3 Remuneration for Management in Italy and Abroad

Remuneration or salaries for Italian management is composed as follows:

- > Gross Annual Salary or GAS - fixed portion of salary
- > Bonuses or variable portion of salary
- > Multi-year bonus
- > Benefits

Gross Annual Salary or GAS is the fixed component of salary and it is normally set when hired and once the employment contract between the company and worker takes effect.

The standard used to determine equity and adequacy of the amount is based on job market benchmarks and on policies and salaries already adopted by the Group.

It is policy to define executive development and growth over the years, both in terms of responsibilities and in terms of salary in relation to positive assessment of the executive's performance.

In 2011, the fixed portion of salary for executive officers amounted to 80%.

Bonuses are normally a component of the variable portion of salary and are obtained when yearly objectives are achieved, set by the first quarter of the year of reference. Bonuses are defined through an MBO system (Management by Objectives) characterised by a common approach to represent the features of the group and the interdependence of department operations.

The MBO system is proposed by the HR Department and then discussed and developed with the Chief Executive Officer and Chairman.

The MBO plan is made official after it is presented to the Management Committee.

MBO system criteria and indicators are set specifically for every worker by each Executive Officer and every department head, in collaboration with the HR Department.

If the employment contract is terminated prior to the end of the year the bonus is not recognised.

In 2011, 110 persons were involved in the MBO system, 10 of which at group branch offices. These were all the group workers with variable salary incentives.

The MBO scheme for 2011 is outlined below:

a) FINANCIAL OBJECTIVES (weight: 80%)

They represent the importance of growth (market share, volumes) backed by the capacity of the company to generate profit and cash flow.

Objective 1) Group EBIT

Objective 2) TOTAL SALES: group/branch/business

Objective 3) WORKING CAPITAL: group/branch/business

The latter was specifically composed by: management of customer payments/receivables; lower inventory; management of supplier payment.

b) MANAGEMENT OBJECTIVES (weight: 20%)

The common approach of the MBO system envisages flexibility, meaning careful attention to the unique needs/opportunities of each country, business, historical moment, specific issue to resolve or an opportunity to seize.

Management objectives can also be based on quality and not necessarily on numbers or quantity.

According to the financial statements as at 31/12/2011, the parent company, Gefran S.p.a., granted yearly MBO incentives amounting to € 795,606.

According to the financial statements as at 31/12/2011, group affiliates granted yearly MBO incentives amounting to € 253,600.

The MBO scheme for 2012 is based on the guidelines from the previous year and it is again the method and tool used to steer and gear workers towards company strategic objectives.

Thus, the MBO scheme is composed of a minimum of three to a maximum of five components in the whole, each of which is an addition, provided the group EBIT is higher than 1 million Euro: this condition underlies the entire system.

Like the previous financial year, the structure is based on two macro areas. Minimums and maximums were defined for "importance rate":

- Financial objectives (min. 20% - max. 70%)
- Management objectives (min. 30% - max. 80%)

The multi-year bonus is a variable, medium/long-term component set to bring the interests of management in line with those of the group on plans and projects with timeframes that exceed one year.

Indeed, the number one objective to create value with sustainable growth and to consolidate such growth over time requires planning objectives with a vision and strategy that spans at least three years.

The amount of the bonus and its composition typically vary according to common interests held by the company and the worker during the period in question.

In certain cases the purpose of the multi-year bonus is retention.

Benefits normally granted to management include:

- ✓ Health insurance (in Italy this is a supplement of the FASI healthcare plan)
- ✓ Company car for work and private use
- ✓ Accommodation near company location – when necessary -
- ✓ Life insurance and accident insurance

Specific to foreign countries:

In addition to the benefits listed for management in Italy, in the countries where there is no state pension system, or where the system is not considered adequate, a country-specific supplemental pension plan is offered.

Severance Indemnity

It is not Gefran Group's normal practice – though it is possible - to stipulate agreements with Directors or Executive Officers that regulate financial factors if the company or individual end their employment contracts in advance (so-called "parachute" agreement).

Without prejudice to legal and/or contract obligations, any agreements reached regarding employment contracts with the group are based on applicable benchmarks and under the limits defined by case law and practices in the country where the agreement is stipulated. If the employment contract is terminated for reasons other than just cause the policy is the attempt to reach an amicable agreement to "end" the relationship.

In 2004, Gefran S.p.a. stipulated an agreement with the Chief Executive Officer, Mr. Alfredo Sala, that regulates his possible severance from the company. In particular, if the contract is terminated during the year the right to receive the 30% bonus for that year no longer exists.

At today's date this is the only case of severance indemnity.

Non-competition Agreement

Gefran Group does not stipulate non-competition agreements with its employees.

Stock option plans

The stock option plan approved by the company on 13.11.2006 for its executives expired with the approval of year-end financial statements at 31.12.2009 as their financial objectives and share-price objectives were not reached.

SECTION II
Remuneration for Board of Directors and Board of Statutory Auditors

name and surname	position	duration	Expiry	Fixed salary for parent company position	Remuneration for special positions	Remuneration for sitting on committees	Fringe benefits	Bonuses and other incentives	Fixed salary as employee	Total
<i>(Euro/000)</i>										
Franceschetti Ennio	Chairman and CEO	Entire period	2013 Shareholders' Meeting	25	420					445
Sala Alfredo	CEO	Entire period	2013 Shareholders' Meeting	25			4	110	234	373
Agliati Marco	Director	04/05/2011-31/12/2011	2013 Shareholders' Meeting	17		2				19
Bettinzoli Angelo	Director	01/01/2011-04/05/2011	2010 Shareholders' Meeting	8	1	1				10
Gallus Romano	Director	Entire period	2013 Shareholders' Meeting	25		2				27
Franceschetti M. Chiara	Director	Entire period	2013 Shareholders' Meeting	25			4	12	81	122
Franceschetti Giovanna	Director	Entire period	2013 Shareholders' Meeting	25			3	10	60	98
Franceschetti Luigi	Director	01/01/2011-04/05/2011	2010 Shareholders' Meeting	8						8
Franceschetti Andrea	Director	Entire period	2013 Shareholders' Meeting	17			4	10	63	94
Magistretti Elisabetta	Director	04/05/2011-31/12/2011	2013 Shareholders' Meeting	17		2				19
Papa Carlo Franco	Director	01/01/2011-04/05/2011	2010 Shareholders' Meeting	8		1				9
Vecchio Cesare	Director	Entire period	2013 Shareholders' Meeting	25	1	2				28
Ballerio Eugenio	Chairman of Board of Auditors	Entire period	2011 Shareholders' Meeting	47						47
Bino Ernesto	Standing Auditor	Entire period	2011 Shareholders' Meeting	32						32
Brolì Enrico	Standing Auditor	Entire period	2011 Shareholders' Meeting	31						31

No compensation for duties was paid in the year by other subsidiaries.

Committee Members:

<i>Members</i>	Internal Control Committee	Remuneration Committee	Payment for Attendance
Romano Gallus		X	€ 500.00 per meeting
Cesare Vecchio	X	X	€ 500.00 per meeting + €1,000.00 lump sum as LID
Elisabetta Magistretti	X	X	€ 500.00 per meeting
Marco Agliati	X		€ 500.00 per meeting

Remuneration for other Executive Officers

At 31 December 2011 the following were Executive Officers:

- Marco Bachechi: Chief Financial Officer
- Rinaldo Bravo: Director of Drive & Motion Control Business Unit
- Marcello Mercato: Director of Automation Business Unit
- Marcello Perini: Director of Sensors Business Unit
- Zdravko Petkovic: Group Sales Director

In 2011, executive officers were paid a total of € 768,809.37 and their remuneration is composed of the parts described in the section above chapter 3.

Monetary Incentive Plans for Members of the Board of Directors

The table below shows the monetary incentive plans for members of the Board of Directors.

Name and Surname	Position	Monetary incentives	Bonuses during year			Bonuses from previous years			Other bonuses
			Payable/ Paid	Deferred	Period	No longer payable	Payable/ Paid	Still Deferred	
Sala Alfredo	CEO	(I) Remuneration in company drafting financial statements	€110,100	€30,000	2011	-	-	-	€150,000
		(II) Remuneration from subsidiaries and affiliates	-	-	-	-	-	-	-
Franceschetti Maria Chiara	Director	(I) Remuneration in company drafting financial statements	€11,922	-	2011	-	-	-	-
		(II) Remuneration from subsidiaries and affiliates	-	-	-	-	-	-	-
Franceschetti Giovanna	Director	(I) Remuneration in company drafting financial statements	€10,000	-	2011	-	-	-	-
		(II) Remuneration from subsidiaries and affiliates	-	-	-	-	-	-	-
Franceschetti Andrea	Director	(I) Remuneration in company drafting financial statements	€10,000	-	2011	-	-	-	-
		(II) Remuneration from subsidiaries and affiliates	-	-	-	-	-	-	-

Members of the Board of Directors and of the Board of Statutory Auditors holding Gefran shares as at 31 December 2011:

Cognome e nome	nr. azioni al 31/12/2010	nr. azioni acquistate ¹	nr. azioni vendute	nr. azioni al 31/12/2011
Franceschetti Ennio (<i>Presidente e Amministratore Delegato</i>)	8.293.700*	314.125	- -	8.607.825*
Gallus Romano (<i>Consigliere</i>)	1.000	20	- -	1.020
Franceschetti Maria Chiara (<i>Consigliere</i>)	79.700**	1.594	- -	81.294**
Franceschetti Giovanna (<i>Consigliere</i>)	61.600	1.232	- -	62.832
Franceschetti Andrea (<i>Consigliere</i>)	110.800	2.216	--	113.016
Broli Enrico (<i>Sindaco</i>)	60.550	1.211	46.634	15.127***

* of which n. 3.417 through wife

** of which n. 7.038 through husband

*** of which n. 14.127 through wife and children

Ennio Franceschetti holds nr. 440.328 shares directly and nr. 8.164.080 shares through 54% of the share capital of the controlling company Fingefran S.r.l.

Provaglio d'Iseo, 09 March 2012

*The Chairman of the Board of Directors
Ennio Franceschetti*

¹ include quelle assegnate come integrazione al dividendo 2010.