



**REPORT BY THE
BOARD OF DIRECTORS
OF GEFran S.p.A.
On the Items of the Agenda**

1. Year-end Financial Statements as at 31 December 2011.

1.1 Approval of year-end financial statements as at 31 December 2011, report by the Board of Directors, by the Board of Statutory Auditors and by the Independent Auditors. Presentation of consolidated Financial Statements as at 31 December 2011.

1.2 Allocation of year-end profit and approval of distribution of dividends.

2. General Policies on Group Remuneration. Consultation on the first section of the Remuneration Report pursuant to art. 123-ter(6) of Legislative Decree no. 58/1998.

3. Appointment of Board of Statutory Auditors.

3.1 Appointment of members of the Board of Statutory Auditors;

3.2 Determine annual remuneration.

4. Revocation of previous authorisation to purchase and sell own shares and issue new authorisation.

**FOR THE ORDINARY GENERAL SHAREHOLDERS' MEETING
OF 23 APRIL 2012**

The documentation related to the items on the agenda is available at www.gefran.com and was published in accordance with the law.

Dear Shareholders,

The Financial Statements as at 31 December 2011 show a net profit for the period of €4,418,690. We hereby submit this resolution text to your attention:

“the Ordinary Shareholders’ Meeting of Gefran S.p.A, having acknowledged the Board of Auditors’ Report and the Independent Auditors’ Report, hereby resolves:

- 1. to approve the financial statements as at 31 December 2011, accompanied by the Directors’ report, the explanatory notes and the annexes, as prepared;*
- 2. to distribute to the shareholders a dividend of Euro 0.15, before tax, per ordinary share (without including own shares) in circulation at the date of dividend registration, by using net year-end profit for the amount needed. The dividend, in compliance with the provisions provided in the “Rules of the Markets Organised and Managed by Borsa Italiana S.p.A.”, shall be paid as follows: registration date 30 April 2012, payment starting on 4 May 2012;*
- 3. to allocate € 378,363.68 to Unrealised Exchange Gains Reserve, corresponding to the amount of earnings gained on exchanges not yet realised and which need a specific reserve;*
- 4. to allocate the remainder to Retained Earnings.*

We would like to remind you that the legal reserve has already reached the maximum limit set by the Civil Code for some time, and that the available reserves largely cover the development costs under non-current assets.

Provaglio d’Iseo, 09 March 2012

The Chairman of the Board of Directors
Ennio Franceschetti

Item two on the agenda

Dear Shareholders,

In accordance with the Corporate Governance Code for listed companies and art. 123-ter of the Consolidated Finance Act, the company adopted a general remuneration policy to be voted on by the general shareholders' meeting.

The policy was approved by the Board of Directors on 9 March 2012 and is published on the company website. It contains the guidelines for remuneration for executive officers and for management in general. In particular, the policy defines the salary mix and specifies the percentage that is fixed and the percentage that is variable.

Thus the General Shareholders' Meeting for Gefran S.p.A. shall be called to vote in favour or against the group's general remuneration policy adopted by the company and contained in section one of the report.

Provaglio d'Iseo, 09 March 2012

The Chairman of the Board of Directors
Ennio Franceschetti

Item three on the agenda

Dear Shareholders,

Approval of the year-end financial statements as at 31 December 2011 coincides with the end of the term of office of the Board of Statutory Auditors appointed by the Shareholders' Meeting of 23 April 2009.

In this regard, you are asked to appoint – in the manner set forth in art. 23 of the Articles of Association – the members of the Board of Statutory Auditors and then indicate their remuneration.

The appointment takes place by voting for slates submitted by the shareholders and filed at the registered offices no later than 25 days prior to the date of the shareholders' meeting. If only one slate is submitted Gefran shall inform the market and grant additional time to submit slates as well as reduce the quota required by one half.

By resolution 18083 of 25 January 2012, Consob set the minimum shareholding required to submit candidate slates, which is 2.5%.

Concerning the number of members of the Board of Auditors art. 23(1) provides that *“the Board of Statutory Auditors shall be composed of three standing auditors and two substitute auditors”* and as for term of office *“auditors shall remain in office for three financial years, until the date of the general shareholders' meeting called to approve the year-end financial statements for the last financial year of their term of office. They can be re-elected.”*. Concerning remuneration, the same article provides that *“their remuneration for the entire term of office shall be determined by the general shareholders' meeting when they are appointed.”*

With regard to the resolution on their remuneration, we should point out that the annual gross compensation for each member of the current Board of Statutory Auditors is in accordance with the minimum standard fees charged in addition to reimbursement for expenses.

Art. 23 of the Articles of Association is annexed for further details.

Provaglio d'Iseo, 09 March 2012

The Chairman of the Board of Directors
Ennio Franceschetti

art. 23

The Board of Statutory Auditors shall be composed of three standing auditors and two substitute auditors.

Statutory Auditors shall remain in office for three financial years, until the date of the general shareholders' meeting called to approve the year-end financial statements for the last financial year of their term of office. They can be re-elected. Their remuneration for the entire term of office shall be determined by the general shareholders' meeting when they are appointed.

Statutory Auditors shall possess the prerequisites laid down by the law and other applicable regulatory provisions. Concerning professional requirements, the company mainly operates in the following areas and business sectors: electronic automation for the sensor industry and industrial automation components.

The members of the Board of Statutory Auditors are subject to the limit in accumulation of appointments on boards as established by Consob rules.

The general shareholders' meeting appoints the Board of Statutory Auditors according to slates submitted by the shareholders following the procedures set forth below, without prejudice to any different and additional mandatory rules provided by law or regulatory provisions.

A standing auditor, who shall be the Chairman of the Board of Auditors, and a substitute auditor shall be elected from the minority, provided they have no association, even indirectly, as prescribed by art. 148(2) of legislative Decree 58/1998 and applicable regulatory provisions. Minority Statutory Auditors are elected at the same time as the other members of the board of auditors are elected, with the exceptions of replacements, as provided for below.

Shareholders entitled to submit a slate for appointing members of the Board of Statutory Auditors are those hold, on their own or in association with other submitting shareholders, an amount of shares at the moment the slate is submitted as determined by Consob pursuant to article 147-ter(1) of Legislative Decree 58/1998 and in compliance with the Issuer Rules approved with resolution no. 11971 of 14 May 1999 as amended.

The slates should be filed at company head offices at least twenty-five days prior to the shareholders' meeting called to appoint the Board of Statutory Auditors and they should be published in accordance with legal rules in force at least twenty-one days prior to the same date.

The slates should contain the names of one or more candidates for the office of standing auditor and one or more candidates for the office of substitute auditor. The names of candidates shall be marked by a progressive number and the number shall not exceed the members of the board to be elected.

Additionally, the lists should contain, also annexed, the information, statements and other documents required by law and by applicable regulatory provisions.

In the case where at the date the term expires for submitting slates only one slate has been submitted, or only slates submitted by shareholders associated with one another under applicable legal rules, slates can be submitted within the term established by law. In this case the threshold mentioned above for submitting slates is reduced by half.

No shareholder can submit nor vote for more than one slate, even when through a third party or through a trust company. Shareholders belonging to the same group and shareholders who enter into a shareholders' agreement with issuer shares as its object cannot submit or vote for more than one slate, even when through a third party or through a trust company. A candidate can be present on only one slate, on penalty of ineligibility.

Statutory Auditors are elected as follows: (i) From the slate that received the highest number of votes ("Majority Slate") two standing auditors and one substitute auditor is taken according to their progressive number listed on the slate; (ii) From the slate that received the second highest number of votes ("Minority Slate") and not linked, even indirectly, to the shareholders who submitted or voted for the Majority Slate pursuant to applicable legal rules, one standing auditor, who shall be the chairman of the Board of Statutory Auditors ("Minority Auditor"), and one substitute auditor ("Minority Substitute Auditor") is taken according to their progressive number listed on the slate. If the slates receive an equal number of votes the winning slate shall be the one submitted by the shareholders with the highest shareholding at the moment the slate is submitted or, subordinately, by the highest number of shareholders.

If only one slate is submitted, the shareholders' meeting shall vote on it and if it obtains a majority of votes, without taking into account any abstainers, the candidates on the slate are elected as standing auditors and substitute auditors. The Chairman of the Board of Statutory Auditors shall be the first candidate for standing auditor.

Without such slates the Board of Statutory Auditors and the Chairman are appointed by the General Shareholders' Meeting with the ordinary majority provided by the law.

If for any reason the Majority Auditor is no longer available then he or she shall be replaced by the substitute auditor taken from the Majority Slate.

If for any reason the Minority Auditor is no longer available then he or she shall be replaced by the substitute minority auditor.

When the Shareholders' Meeting is called to appoint members to the Board of Statutory Auditors to replace auditors elected from the minority slate then, where allowed by applicable legal rules, voting takes place. Not calculated in such proceedings are the votes of shareholders who hold, also indirectly or jointly with other shareholders that have entered into significant shareholders' agreements under art. 122 of Legislative Decree 58/1998, a majority of the votes that can be exercised at the meeting, as well as shareholders who control, are controlled or are subject to joint control by the aforementioned.

In any case the new minority auditor shall also act as chairman.

The meetings of the board of statutory auditors can also be held using telecommunications in the manner set forth under art. 17.

Dear Shareholders,

This report was drafted pursuant to article 73 and Annex 3A, schedule 4 of the **rules adopted by Consob with resolution** no. 11971 of 14 May 1999 as amended ("Issuer Rules") and it was approved by the Board of Directors on 9 March 2012.

At that meeting the Board resolved to submit to the General Shareholders' Meeting – to be held on 23 April 2012 – for approval pursuant to art. 2357 and 2357-ter of the Civil Code and art. 132 of Legislative Decree no. 58 of 24 February 1998 ("Consolidated Finance Act"), of authorisation to purchase and sale, on one or more occasions, of a number of ordinary company shares representing a maximum of 10% of share capital (at the date of this report this would amount to a maximum of 1,440,000.00 ordinary shares at a nominal value of Euro 1.00 each).

A proposal is also submitted to revoke the previous authorisation made by the shareholders' meeting on 4 May 2011, which will be replaced by the new authorisation mentioned herein.

Thus, below is a brief description of the reasons and procedure for purchasing and selling company own shares by which the Board of Directors proposes to request authorisation.

1. Reasons for requesting authorisation to purchase and sell own shares

The request for authorisation to purchase and sell own shares is based on the recommendation to give the company a valuable tool for strategic and operational flexibility that would enable the following:

- Intervene directly or through authorised brokers to limit any irregular movement in trading and to regulate trading trends and runs due to excessive volatility or lack of liquidity in trading; such interventions shall be made without prejudice to the equal treatment of shareholders;
- Provide shareholders with an additional valuation tool for their investment.

The Board of Directors deems it recommendable for the company to have this option at their disposal - especially when selling own shares purchased – also in order to act on opportunities to maximise value which arise in the market and so for the purpose of trading.

2. Maximum number, class and nominal value of shares related to the authorisation

At the date of this report share capital amounted to Euro 14,400,000.00, represented by 14,400,000 ordinary shares at a nominal value of Euro 1.00 each.

The maximum number of own shares to be purchased is 1,440,000.00, or a limit of 10% of share capital, taking into consideration the own shares held directly and any shares held by subsidiaries in the case of resolutions for increases and reductions while this authorisation remains effective.

In any case, the number of own shares that can be purchased shall not exceed the amount that can be covered, in relation to the purchase price, in the available reserves as per the latest financial statements approved.

In this regard, it should be mentioned that in the year-end financial statements at 31 December 2010, approved on 4 May 2011, the following figure emerges:

- available reserves: € 30,740,000 (at today's date € 35,612,000).

3. Provisions under art. 2357(3) of the Civil Code

For the purpose of assessing respect for the limit laid down by article 2357(3), at today's date the company and its subsidiaries hold a total of no. 113,761 own shares in their portfolio, corresponding to 0.79% of share capital.

4. Duration of authorisation

The authorisation to purchase own shares is requested for a period of 18 months from the date of the shareholders' meeting that passed the resolution for authorisation.

The authorisation for any own shares purchased is requested without time limits.

5. Minimum and maximum payment and market valuation

The Board of Directors proposes that own shares should be purchased at a unit price that is not less than their nominal value and not higher than the average price over the last three trading days prior to the purchase date, with an additional 15%.

Concerning the price to sell own shares purchased the Board of Directors shall have the power to determine from time to time any additional condition, manner and term at their discretion, while taking into consideration the procedure followed, share price in period prior to transaction and the best interests of the company. The minimum price shall not be lower than the price recorded during trading prior to each disposal transaction, with a reduction of 10%.

This price minimum shall not be applied in the case of disposal by trade, assignment or other act available for acquiring shareholdings, implementation of industrial projects and other extraordinary financial transactions that involve assigning or availability of own shares (*such as mergers, demergers, etc.*).

The Board of Directors also proposes to make it possible to assign own shares, in full or partially, as dividends on the basis of a prudent appraisal.

6. Procedure for purchase and disposal

Buying transactions shall start and end according to the timeframes set by the Board of Directors following this authorisation.

Own shares shall be purchased in compliance with applicable law and regulatory provisions in force and, in particular, with article 132 of the Consolidated Finance Act and article 144-bis(a,b) of the Issuers Rules:

- a) by public offering for purchase or trade;
- b) on regulated capital markets according to the operational procedures laid down in the rules of the markets in question, which do not allow direct association of purchase proposals with pre-determined sale proposals.

Amongst the various procedures allowed by the Issuers Rules, it would be recommendable to purchase on regulated markets for the purposes mentioned, especially in order to stabilise the security. This objective can be achieved more effectively through a simple mechanism that is flexible and not strict such as direct purchase on the market in a timely and gradual manner according to need. It might even be advisable to have recourse to a public offering.

Own shares may be purchased in a different manner from that above, yet still in compliance with article 132(3) of the Consolidated Finance Act or other provisions applicable from time to time at the date of the transaction.

Furthermore, transactions to buy shares can also be made in accordance with art. 3 of Regulation (EC) no. 2273/2003, in order to benefit, where possible, from the exception to the provisions on market abuse under art. 183 of the Consolidated Finance Act, concerning abuse of inside information and market rigging.

Shareholders and the market shall receive timely information in accordance with article 144 *bis*(3,4,5) of Issuers Rules.

Concerning transactions to dispose of shares, the Board proposes that the authorisation should enable execution, on one or more occasions, without time limits, and in the manner deemed recommendable to achieve the goal in question, including selling on the stock market, lot trading, institutional placement, through placement of structured securities of any kind and nature or as payment for acquisition of company shareholdings and/or goods and/or assets.

It should be pointed out that the request for authorisation concerns the ability to carry out repeated and consecutive transactions to buy or sell own shares in a revolving manner (*meaning the maximum amount of own shares held in the portfolio from time to time*) also for fractions of the maximum amount authorised.

The Board proposes that the authorisation should provide an obligation for the Board of Directors to carry out transactions to buy and sell own shares while guaranteeing not to jeopardise the company's capacity to maintain the minimum amount of floating securities required for STAR class.

7. Purchase method

The purchase of own shares shall not be used to reduce share capital by cancelling own shares purchased.

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For the reasons described above the Board of Directors of Gefran S.p.A. proposes that you pass the following resolutions:

"The General Shareholders' Meeting for Gefran S.p.A.

- *acknowledges the Report by the Board of Directors;*

- *considering article 2357 et seq. of the Civil Code, art. 132 of Legislative Decree no. 58 of 24 February 1998, art. 144-bis of the rules adopted by Consob resolution no. 11971 of 14 May 1999 as amended;*
- *acknowledges the presence of 113,761 own shares in the portfolio of Gefran S.p.A. and its subsidiaries;*
- *considering the year-end financial statements at 31 December 2011*

resolves

1. *to revoke the previous authorisation to purchase and sell own shares, approved by the general shareholders' meeting on 4 May 2011, lasting 18 months;*
2. *to authorise the Board of Directors, pursuant to article 2357 et seq. of the Civil Code, to purchase a maximum number of 1,440,000.00 ordinary shares or a different amount representing 10% of share capital in the case of resolutions to increase and/or reduce share capital from time to time held by the company's subsidiaries and in any case in compliance with the limits laid down by law, in order to pursue the purposes set forth in the Report by the Board of Directors and the following terms and conditions:*
 - *transactions to buy own shares can be carried out from time to time in a revolving manner (meaning the maximum amount of own shares held in the portfolio from time to time), until the end of the eighteenth month starting from the date of this resolution;*
 - *the purchase can be made according to one of the methods provided under art. 132 of Legislative Decree no. 58 of 24 February 1998 n. 58 and art. 144-bis(a,b) of the Issuers Rules adopted by Consob resolution no. 11971/1999 taking into consideration – where necessary – to have recourse to the exception provided by paragraph 3 of article 132 of Legislative Decree 58/1998 and in any case following any other method provided by the law and regulatory provisions in force at the date of the purchase;*
 - *the unit price to purchase own shares shall not be less than their nominal value and not higher than the average price over the last three trading days prior to the purchase date, with an additional 15%.*
 - *transactions to buy and sell own shares shall be carried out by the Board of Directors in a manner so as not to jeopardise the company's capacity to maintain the minimum amount of floating securities required for STAR class;*
3. *to authorise the Board of Directors, pursuant to art. 2357ter c.c., to sell, on one or more occasions, the own shares purchased from time to time and held in the portfolio, in accordance with the regulatory provisions and legal rules in force from time to time and to pursue the purposes set forth in the Report by the Board of Directors to the shareholders and according to the following terms and conditions:*
 - *the shares may be disposed of or sold at any time and without any time limit, and they can also be assigned, also partially, as dividends;*
 - *transactions can be executed also before making all purchases, on one or more occasions, in the manner deemed recommendable to achieve the goal in question, including selling on the stock market, lot trading, institutional placement, through placement of structured securities of any kind and nature or as payment for acquisition of company shareholdings and/or goods and/or assets.*
 - *the minimum price shall not be lower than the price recorded during trading prior to each disposal transaction, with a reduction of 10%. This price limit shall not be applied in the case of disposal not necessarily by sale, and in particular, in the case where disposal is by trade, assignment or other act available for acquiring*

shareholdings, implementation of industrial projects or other extraordinary financial transactions that involve assigning or disposing of own shares;

- 4. to grant the Board of Directors, expressly providing the option to delegate, the broadest powers, none excluded, necessary and useful to execute this resolution, also approving all provisions on the purchase plan, in accordance with any requirements placed by competent authorities; as well as insert any amendments needed or required by the authorities mentioned above, by the Notary or by the competent Business Register for registration".*

Provaglio d'Iseo, 09 March 2012

The Chairman of the Board of Directors
Ennio Franceschetti