

GEFRAN S.P.A.

PROVAGLIO D'ISEO (BS)

SHARE CAPITAL Euro 14,400,000 fully paid up

BUSINESS REGISTRY OF BRESCIA AND TAX CODE

03032420170

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BOARD OF AUDITORS' REPORT FOR CONSOLIDATED

FINANCIAL STATEMENTS AS AT 31 December 2011

Dear Shareholders,

We have reviewed the consolidated financial statements of GEFran SPA as at 31 December 2011 and its report. This report is a summary of our oversight conducted in the 2011 financial year as the accounts were audited by BDO SpA, independent auditors.

The consolidated financial statements were drafted in compliance with IFRS as in previous years.

To the best of our knowledge and within our scope of operations we verified and can certify that:

- The accounting data used for consolidation are those from accounting records at 31 December 2011 as prepared by the Board of Directors of each company;
- The scope of consolidation includes the following companies, in addition to the parent company Gefran SpA:
 - Gefran Benelux NV - Belgium;
 - Gefran GmbH – Germany;
 - Gefran France S.A. – France;

- Gefran U.K. Ltd – United Kingdom;
- Gefran Inc. - The United States;
- Gefran Suisse S.A. – Switzerland;
- Gefran Brasil Eletroelectronica Ltda – Brazil;
- SIEI AREG GmbH – Germany;
- Gefran SIEI Asia Pte Ltd– Singapore;
- Gefran SIEI DRIVES TECHNOLOGY Co. Ltd – China;
- Gefran SIEI Electric Pte Ltd – China (in liquidation);
- Gefran India Ltd – India;
- Ensun srl – Italy.

These companies are directly controlled by the parent company, with the exception of Gefran Siei Drives Technology Pte Ltd and Gefran Siei Electric Pte Ltd, 100% controlled by Gefran Siei Asia Pte and so indirectly controlled by Gefran SpA.

The line-by-line method is used for consolidation.

Associated companies are valued using the net equity method.

The consolidation policies are described in the explanatory notes, and they comply with articles 31, 32 and 33 of Legislative Decree 127/91, which implement EU directives on consolidated financial statements. Therefore:

- Figures pertaining to non-E.U. subsidiaries were converted into Euro at the exchange rate on the date the financial year ended, whereas the average exchange rate of the financial year was used for income statements;
- The book value of shareholdings in subsidiaries and associated

companies was eliminated, and fractions in net equity were entered into the consolidated financial statements;

- Amounts payable and receivable between consolidated companies and any significant intercompany transactions were eliminated;
- Unrealised profit and losses deriving from intercompany transactions were eliminated.

The policies used for the valuation of items in the consolidated financial statements and explanatory notes comply with IFRS as in previous financial years.

It is our opinion that the valuation policies adopted in accordance with the legal rules mentioned above have been complied with.

We also acknowledge the detailed and thorough report where the Board of Directors illustrates group trends overall and the most significant information on each consolidated company as well as the results for each business segment, thereby making it possible to gain insight on the condition of each company and the group as a whole. Pursuant to art. 2428(2) C.C., the report also contains indications on the primary risks and uncertainties to which Gefran SpA and the group are exposed.

Also provided is the statement issued on 9 March 2012 by the executive in charge of preparing company accounting documents as required by art. 81-ter of CONSOB regulation 11971 of 14 May 1999 as amended.

All the information and figures in the financial statements are detailed and explained so as to satisfy with legal rules and provide

the reader with full insight and several economic indices. The consolidated financial statements were audited by BDO SpA, the independent auditors. In their report the independent auditors confirm that the consolidated financial statements are accurate and that they were drafted in a clear manner and provide a true and accurate picture of the equity and financial situation and the consolidated economic result. They also acknowledge that the report is consistent with the group's consolidated financial statements.

A summary of figures in the consolidated financial statements is provided below (in Euro):

	31/12/11	31/12/10
- <i>Non-current assets</i>	€ 63,575	€ 61,298
- <i>Current assets</i>	<u>€ 98,797</u>	<u>€ 91,766</u>
<i>Total assets</i>	€ 162,372	€ 153,064
- <i>Non-current liabilities</i>	€ 32,524	€ 24,184
- <i>Current liabilities</i>	<u>€ 52,434</u>	<u>€ 59,566</u>
<i>Total liabilities</i>	<u>€ 84,958</u>	<u>€ 83,750</u>
<i>Net Equity</i>	€ 77,414	€ 69,314

Included in net equity, €457 of which pertains to minority interests, is share capital for €14,280, various reserves for €45,726, and retained earnings for €16,951. It should be remembered that by statute the share capital of the parent company is €14,400,000 (whole number) but, in accordance with IAS, it is less in the schedule as a result of the own shares held at the end of the

financial year (120,132), thus the share capital shown is €14,279,868 (whole number).

The income statement confirms the result:

Revenue and other income

inventory and internal work € 139,194 145,481

Costs for purchase of materials, for services, and for personnel

 (120,739) (124,157)

Difference, EBITDA 18,455 21,324

Depreciation and amortisation (6,189) (5,817)

Value adjustments -- (500)

Operating profit 12,266 15,007

Financial income and expenses (381) 248

Non-recurrent transactions -- --

Taxes for the year (2,728) (5,942)

Profit(Loss) of the period 9,157 9,313

This amount is net of the share of profit pertaining to minority interests (€444).

In consideration of the above we hereby provide our consent for the consolidated financial statements of Gefran SpA as prepared by the Board of Directors.

Provaglio d’Iseo, 19 March 2012

Board of Auditors

Eugenio Ballerio

Ernesto Bino

Enrico Broli