GEFRAN GROUP

INTERMEDIATE FINANCIAL REPORT

AS AT 31 MARCH 2012

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1) STATUTORY BODIES and GEFRAN GROUP STRUCTURE

Board of Directors

Chairman and Chief Executive	Ennio Franceschetti
Chief executive	Alfredo Sala
Vice-chairman	Romano Gallus
Director	Maria Chiara Franceschetti
Director	Giovanna Franceschetti
Director	Andrea Franceschetti
Director	Cesare Vecchio
Director	Elisabetta Magistretti
Director	Marco Agliati

Board of Auditors

Chairman	Eugenio Ballerio
Statutory auditor	Ernesto Bino
Statutory auditor	Enrico Broli
Deputy auditor	Guido Ballerio
Deputy auditor	Rossella Rinaldi

Internal control committee

- Cesare Vecchio
- Elisabetta Magistretti
- Marco Agliati

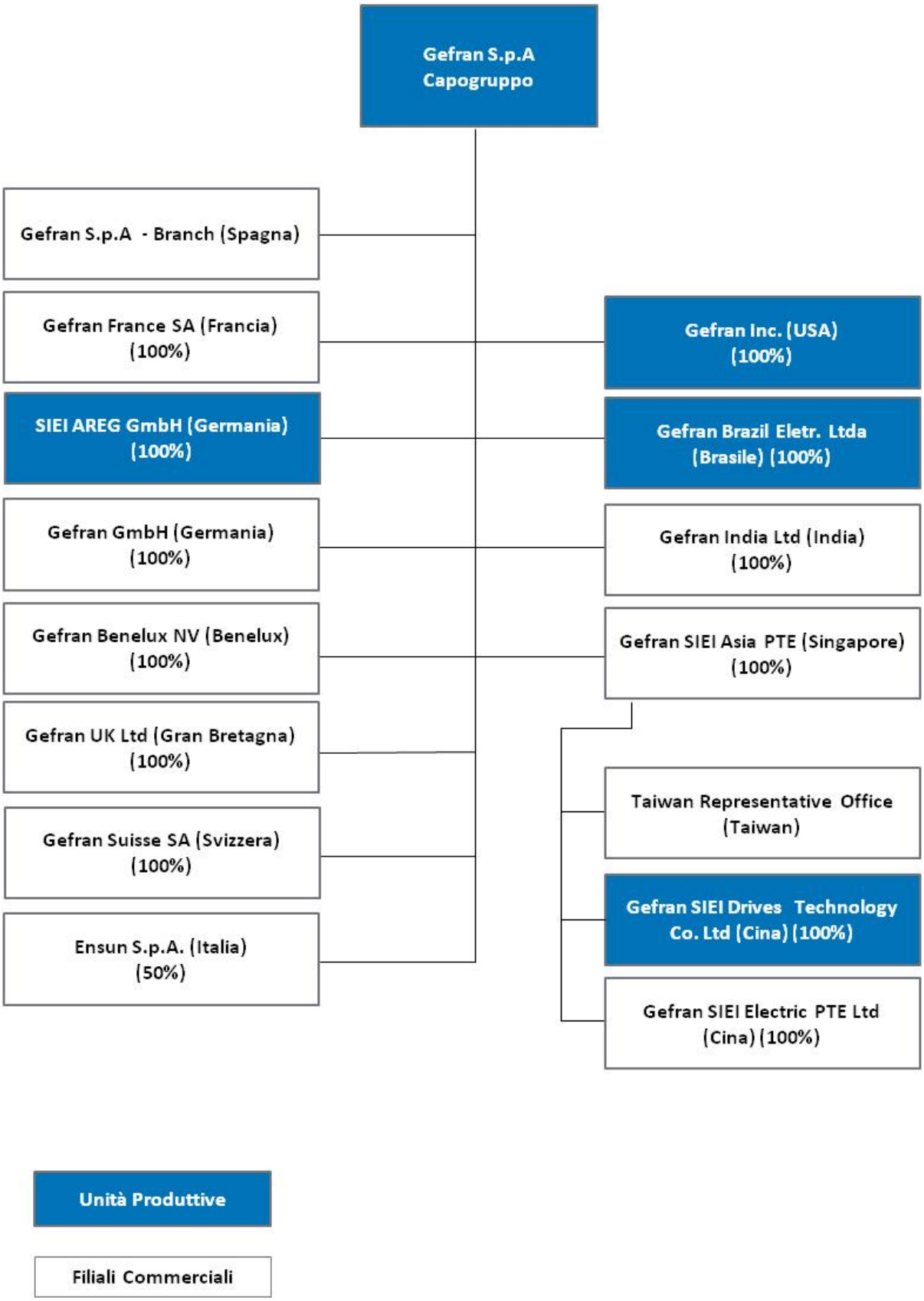
Remuneration committee

- Romano Gallus
- Elisabetta Magistretti
- Cesare Vecchio

Auditing firm

BDO S.p.A.

Structure of the Gefran Group



2. BUSINESS REPORT

The following tables provide an overview of the economic and financial results and equity as at 31st March 2012, compared to the same date a year earlier.

The consolidation area in this quarterly financial report has unchanged compared to the same first quarter of 2011 and December 2011.

Key economic figures of the Group

(€,000)	As at 31 March 2012		As at 31 March 2011	
Revenues	28,256	100.0%	31,826	100.0%
Gross operating margin (EBITDA)	321	1.1%	3,658	11.5%
Operating income (EBIT)	(1,397)	-4.9%	2,157	6.8%
Recurrent business results	(1,703)	-6.0%	1,694	5.3%
Group's net result	(1,495)	-5.3%	1,065	3.3%

Key financial-equity figures of the Group

(€,000)	As at 31 March 2012	As at 31 March 2011
Net invested capital	106,656	96,214
Consolidated net equity	74,145	69,107
Net financial position	(32,511)	(27,107)
Operating cash flow *(net result + depreciation)*	223	2,566
Investments	2,376	2,337

2.1) CONSOLIDATED INCOME STATEMENT

	(€,000)	31 March 2012	31 March 2011	2012/2011 change	
				value	%
a	Revenues	28,256	31,826	(3,570)	-11.2%
b	Consumption of materials and products	10,479	12,060	(1,581)	-13.1%
c	Value added (a-b)	17,777	19,766	(1,989)	-10.1%
d	Other operating costs	6,626	6,471	155	2.4%
e	Personnel costs	11,453	10,242	1,211	11.8%
f	Increases for in-factory works	623	605	18	3.0%
g	Gross operating margin - EBITDA (c-d-e+f+g)	321	3,658	(3,337)	- -
h	Depreciations and write-downs	1,718	1,501	217	14.5%
i	Operating income - EBIT (g-h)	(1,397)	2,157	(3,554)	- -
l	Financial result	(306)	(463)	157	-33.9%
m	Recurrent business results (i+-l)	(1,703)	1,694	(3,397)	- -
n	Non-recurrent transactions result	0	0	0	- -
o	Consolidated pre-tax result (m+-n)	(1,703)	1,694	(3,397)	- -
p	Taxes	185	(631)	816	- -
q	Result including minority interest (o+-p)	(1,518)	1,063	(2,581)	- -
r	Net result for minority interest	(23)	(2)	(21)	- -
s	Net result for the Group (q+-r)	(1,495)	1,065	(2,560)	- -

Revenues as at 31 March 2012 came to €28,256,000 (€31,826,000 as at 31 March 2011), down 11.2% on Q1 2011. The decline in turnover reflects the current macroeconomic situation, which has mainly affected the local market. Legislative uncertainty in Italy has also led to a slowdown in the sales of

photovoltaic inverters. Order received amounted to €34 million, compared to 38.3 million in Q1 2011 (-11.2%). The order portfolio at the end of the 1st quarter totalled €29.2 million (€34.5 million at the end Q1 2011).

The following table shows revenues by business area and geographical area:

Description	As at 31 March 2012	%	As at 31 March 2011	%	As at 31 Dec. 2011	%
(€,000)						
Automatic components	7,990	28.3%	8,177	25.7%	32,623	23.4%
Sensors	9,540	33.8%	9,548	30.0%	36,409	26.1%
Drives	11,460	40.6%	14,907	46.8%	74,601	53.5%
(Inter-segment revenues)	(734)	-2.6%	(806)	-2.5%	(4,230)	-3.0%
	---		---		---	
Total	**28,256**	**100.0%**	**31,826**	**100.0%**	**139,403**	**100.0%**
Italy	8,682	30.7%	10,578	33.2%	48,764	35.0%
EU countries	6,979	24.7%	6,966	21.9%	26,485	19.0%
Non-EU countries	1,433	5.1%	1,399	4.4%	5,616	4.0%
North America	2,990	10.6%	2,474	7.8%	9,691	7.0%
South America	1,353	4.8%	1,509	4.7%	5,660	4.1%
Asia	6,659	23.6%	8,765	27.5%	42,152	30.2%
Rest of the world	160	0.6%	135	0.4%	1,035	0.7%
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Total	**28,256**	**100.0%**	**31,826**	**100.0%**	**139,403**	**100.0%**

Revenues by business area declined in nearly all areas compared to the first quarter of 2011. The situation for sensors is stable, while automation components are down 2.3% and drives 23.1%. The decline in drives is due mainly to inverters for photovoltaic systems, which are 68.3% down on Q1 2011 due to changes in the law on grants and to the sale of products for the lift sector in China. In 2011 in China, the suppliers of an important primary component had delivery problems, which were solved in the latter half of the year. In October, the Chinese branch was able to execute all the outstanding orders and also anticipate some orders for 2012 to meet the needs of the local dealers.

Revenues by geographical area show a significant growth in North America, with a 20.9% increase in turnover compared to Q1 2011, while the other areas show a decrease, namely Asia (-24%), the domestic market (-17.9%) and South America (-10.3%). EU countries (+0.2%) and non-EU countries in Europe (+2.4) remained virtually stable.

Gross Operating Margin as at 31 March 2012 was €321,000 in the positive (€3,658,000 as at 31 March 2011), equal to 1.1% of revenues, compared to 11.5% in Q1 2011. Value added increased in percentage terms (62.9% in 2012 compared to 62.1% in 2011), but the decrease in sales did not allow full absorption of the costs, especially personnel costs, which increased over Q1 2011 due to investments made during the year, particularly in the areas of marketing and technology.

The **Operating result** as at 31 March 2012 was €1,397,000 in the negative (€2,157,000 in the positive as at 31 March 2011), equal to -4.9% of sales, versus +6.8% in Q1 2011. The reasons for this operating result are the same as those given above; depreciation costs increased by 14.5%, reflecting the involvement of the previous year's investments in the operating result.

The **Group's net result** as at 31 March 2012 was €1,495,000 in the negative, with a -5.3% incidence on sales, compared to a positive result of €1,065,000, equal to a 3.3% incidence on sales in Q1 2011. Financial management was €306,000 in the negative, compared to -€463,000 in Q1 2011. This improvement is due to exchange differences, which are positive in the current quarter but were negative in Q1 2011. This improvement more than offset the increase in interest payable associated with

higher indebtedness. Taxes amounted to €185,000 receivable, as against €631,000 payable in the same period of 2011.

2.2) RECLASSIFIED BALANCE-SHEET

The Gefran Group's reclassified balance sheet as at 31 March 2012 is as follows:

(€,000)	31 March 2012	31 Dec. 2011	31 March 2011
Intangible assets (A)	11,492	11,435	10,747
Tangible assets (B)	44,563	44,422	40,727
Other non-current assets (C)	7,851	7,718	9,289
Inventories (D)	31,453	28,657	34,160
Trade receivables (E)	44,187	48,981	44,379
Trade payables (F)	(17,797)	(19,303)	(21,435)
Other current Receivables/Payables (G)	(7,270)	(9,979)	(13,042)
Severance indemnity (H)	(5,227)	(5,276)	(5,388)
Provision for deferred and non-current taxes (I)	(2,596)	(2,643)	(3,223)
Net Invested Capital (L)=(A+B+C+D+E+F+G+H+I)	**106,656**	**104,012**	**96,214**
Net equity (M)	**74,145**	**77,414**	**69,107**
Net financial position (N)	**(32,511)**	**(26,598)**	**(27,107)**
Own shares and net financial position (O)=(M+N)	**106,656**	**104,012**	**96,214**

Net invested capital as at 31 March 2012 came to €106.7 million (€104 million as at 31 December 2011 and €96.2 million as at 31 March 2011). It increased by around €2.7 million compared to the end of 2011 and €10.5 million compared to Q1 2011. Net current assets increased by around €2.2 million compared to December 2011, due mainly to the increase in inventory as a consequence of the procurement of material with long lead times and the slowdown in sales.

Shareholders' equity as at 31 March 2012 amounted to €74.1 million (€77.4 million as at 31 December 2011 and €69.1 million as at 31 March 2011), more or less in line with the end of 2011. The decrease is mainly due to the loss for the period and partial repayment of Ensun's loan to the shareholders (€970,000).

The **Net Financial Position** as at 31 March 2012 showed a €32.5 million debt (€26.6 million as at 31 December 2011 and €27.1 million as at 31 March 2011). This increase over the end of 2011 is mainly attributable to funding of the increase in net current assets, in addition to technical investments made in the quarter.

Below is a breakdown of the net financial position:

Description	31 March 2012	31 December 2011	31 March 2011
(€,000)			
Cash and cash equivalents	9,855	15,071	10,598
Bank borrowings and short-term loans	(15,578)	(15,785)	(22,493)
Current financial assets	0	0	0
Current financial liabilities	(907)	(1,113)	(1,242)
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(indebtedness)/short-term available funds	(6,630)	(1,827)	(13,137)
Non-current bank borrowings	(25,738)	(24,605)	(13,970)
Non-current financial assets	0	0	0
Cash and cash equivalents	(143)	(166)	0
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(Indebtedness/medium/long-term available funds	(25,881)	(24,771)	(13,970)
Net financial position	**(32,511)**	**(26,598)**	**(27,107)**

2.3) CONSOLIDATED FINANCIAL REPORT

The Gefran Group's consolidated financial report as at 31 March 2011 shows the following evolution:

(€,000)	31 March 2012	31 December 2011	31 March 2011
(Indebtedness)/initial short-term available funds (A)	**(1,827)**	**(3,057)**	**(3,057)**
Profit (loss) for the Group	(1,495)	8,713	1,065
Depreciation and value adjustments on non-current assets	1,718	6,189	1,501
Other non-monetary items	(146)	50	(10)
Change in net current assets	(2,155)	(12,909)	(8,627)
Total cash flow (for) operating activities (B)	**(2,078)**	**2,043**	**(6,071)**
Cash flow (for) investment activities (C)	**(1,863)**	**(8,800)**	**(1,512)**
Change in medium/long-term loans	1,133	8,921	(1,714)
Dividends paid	0	(2,117)	0
Changes in net equity and minority interest	(1,995)	1,183	(783)
Total cash flow from (for) financial assets (D)	**(862)**	**7,987**	**(2,497)**
CASH FLOW FOR THE PERIOD (E)=(B+C+D)	**(4,803)**	**1,230**	**(10,080)**
(Indebtedness)/final short-term available funds (A+E)	**(6,630)**	**(1,827)**	**(13,137)**

2.4) INVESTMENTS

Investments made during the first quarter of 2012 amounted to €2.4 million (€11.3 million as at 31 December 2011 and €2.3 million as at 31 March 2011), mainly involving Gefran S.p.A. production sites. The figure includes €0.6 million for industrial equipment, €0.8 million for plant and machinery at the Italian sites, €0.7 million for costs sustained for developing new products, and €0.3 million for costs sustained in other branches of the group.

2.5) EMPLOYEES

The Group's workforce as at 31 March 2012 comprised 867 units, of which 18 on fixed-term contracts.

There was a decrease of 6 units compared to 31 December 2011, as the result of the following:

- 31 new employees joined the group - 19 office workers and 12 factory workers.
- 37 units left the Group, 17 office workers and 20 factory workers.

The changes were mainly due to a high level of sales in Asia at this particular time of the year.

2.6) RESULTS BY BUSINESS AREA

This subsection provides comments on the trends in individual business areas.

For a correct interpretation of the figures relating to the individual activities, we wish to point out that:

- the figures for each business area include intergroup exchanges;
- the costs of the corporate structure, charged to Gefran S.p.A., have been entirely allocated to the business areas and, where possible, quantified on the basis of their effective use; where possible, they have been distributed using economic and technical criteria.

The figures are compared with those for the first quarter of 2010 and with those as at 31 December 2011.

2.6.1) SENSORS

Business trend

First quarter sales were more or less the same as in the same period in 2011. Certain new products in particular displayed strong growth, especially in India, North America and Germany. China recorded a downturn due to a slump in the plastics machinery market, an important outlet for Gefran products, that started in the latter half of 2011.

The operating result was positively influenced by improvement in the value added, since the positive mix of countries and internal production efficiency enabled the company to improve its margins and maintain a stable level.

Overview of the figures

The key economic figures are given below:

(€,000)	31 March 2012	31 March 2011	2012-2011 change value	2012-2011 change %	31 Dec. 2011
Turnover	9,540	9,548	(8)	-0.1%	36,409

Gross operating margin	2,403	2,377	26	1.1%	8,834
% of revenues	*25.2%*	*24.9%*			*24.3%*
Operating income	1,923	1,907	16	0.8%	7,014
% of revenues	*20.2%*	*20.0%*			*19,3%*

2.6.2) AUTOMATION COMPONENTS

Business trend

The first quarter ended with market sales in line with the previous period, whereas intergroup sales, especially photovoltaic products, declined due to a slowdown in the business.

Costs for strengthening the sales department and research & development affected the operating result, since volumes did not grow enough to absorb costs completely.

Overview of the figures

The key economic figures are given below:

(€,000)	31 March 2012	31 March 2011	2012/2011 change value	%	31 Dec. 2011
Turnover	7,990	8,177	(187)	-2.3%	32,623
Gross operating margin	(255)	635	(890)	n.s.	1,517
% of revenues	*-3.2%*	*7.8%*			*4,7%*
Operating income	(710)	289	(999)	n.s.	(19)
% of revenues	*-8.9%*	*3.5%*			*-0,1%*

2.6.3) DRIVES

Business trend

Sales declined compared to the previous year as the result of inverters for photovoltaic systems in Italy and inverters for the lift segment in China, as detailed in subsection 2.1. North America and India were the geographical areas displaying the highest growth rate.

2011 investments in marketing and technology generated an increase in costs, which was not absorbed by sales and generated a negative operating result.

Overview of the figures

The key economic figures are given below:

(€,000)	31 March 2012	31 March 2011	2012/2011 change value	%	31 Dec. 2011
Turnover	11,460	14,907	(3,447)	-23.1%	74.601
Gross operating margin	(1,827)	646	(2,473)	n.s.	8.104

% of revenues	*-15.9%*	*4.3%*			*10.9%*
Operating income	(2,610)	(39)	(2,571)	n.s.	5.271
% of revenues	*-22.8%*	*-0.3%*			*7.1%*

3. SIGNIFICANT EVENTS OCCURRING AFTER 31 MARCH 2012

No significant events have occurred since the end of the quarter.

4. EXPECTED BUSINESS DEVELOPMENTS

As partially predicted, the first quarter of 2012 was difficult. For the entire first half of the year, the Gefran Group's expectations have been influenced by the effects of the global decline in orders, but the situation is expected to improve in the second half in view of easing of financial tensions on sovereign debts in the euro area and improved prospects for the American economy.

This non-positive macroeconomic situation is worsened by two two contingent facts that significantly influenced the group's turnover in the 1st quarter:

- freezing of the photovoltaic industry in Italy, following revocation of the previous 4th energy account and uncertainties in the interpretation and operation of the new 5th energy account. This measure caused a €1.6 million drop in sales in the period considered compared to Q1 2011;

- reduced sales on the Chinese market, around €2.3 million less than in Q1 2011, for two reasons:
  - a downturn in the plastics machinery market – an important outlet for Gefran products in China – which is returning to its usual growth rate after a peak in production in 2010 and the first half of 2011;
  - the short-term effect of exceptional sales of inverters at the end of 2011.

Discounting these two facts, the group's sales are slightly up (+1.5%) compared to Q1 2011. The expectation of different rates of growth was confirmed, with two-digit growth in Germany, the USA, Switzerland and India, compared to a 6.5% decline in the domestic market.

The Chinese market is expected to recover gradually during the year. The group's forecast for industrial products for the next 12-24 months remains basically unchanged, with moderate growth after a slow first half of the year.

It is not clear at the moment what could be the trend in the photovoltaic sector in Italy, which represents the main risk factor in the achievement of 2012 targets. Orders started to pick up in April, though.

The group will continue to monitor developments o the macroeconomic scene very carefully so that it will be ready to react quickly with cost-cutting measures if the situation takes a downward turn.

5. RECLASSIFIED ACCOUNTS

5.1) CONSOLIDATED QUARTERLY EQUITY STATEMENT

ASSETS	31 March 2012	%	31 Dec. 2011	%	31 March 2011	%
(€,000)						
Goodwill	3,686	2.4%	3,744	2,3%	3,583	2.3%
Other intangible assets	7,806	5.0%	7,691	4,7%	7,164	4.6%
Tangible assets	44,563	28.5%	44,422	27.4%	40,727	26.4%
Non-current financial assets	4,559	2.9%	4,416	2.7%	5,200	3.4%
Other non-current assets	3,292	2.1%	3,302	2.0%	4,089	2.6%
TOTAL NON-CURRENT ASSETS	**63,906**	**40.9%**	**63,575**	**39.2%**	**60,763**	**39.3%**
Inventories	31,453	20.1%	28,657	17.6%	34,160	22.1%
Trade receivables	44,187	28.3%	48,981	30.2%	44,379	28.7%
Other current assets	6,904	4.4%	6,088	3.7%	4,594	3.0%
Cash and cash equivalents	9,855	6.3%	15,071	9.3%	10,598	6.9%
TOTAL CURRENT ASSETS	**92,399**	**59.1%**	**98,797**	**60.8%**	**93,731**	**60.7%**
TOTAL ASSETS	**156,305**	**100.0%**	**162,372**	**100.0%**	**154,494**	**100.0%**

LIABILITIES	31 March 2012	%	31 Dec. 2011	%	31 March 2011	%
(€,000)						
Non-current financial liabilities	25,738	16,5%	24,605	15,2%	13,970	9,0%
Employee benefits	5,227	3.3%	5,276	3.2%	5,388	3.5%
Other non-current liabilities	2,596	1.7%	2,643	1.6%	3,223	2.1%
TOTAL NON-CURRENT LIABILITIES	**33,561**	**21.5%**	**32,524**	**20.0%**	**22,581**	**14.6%**
Short-term bank loans	15,578	10.0%	15,785	9.7%	22,493	14.6%
Other financial liabilities	1,050	0.7%	1,279	0.8%	1,242	0.8%
Trade payables	17,797	11.4%	19,303	11.9%	21,435	13.9%
Other current payables	14,174	9.1%	16,067	9.9%	17,636	11.4%
TOTAL CURRENT LIABILITIES	**48,599**	**31.1%**	**52,434**	**32.3%**	**62,806**	**40.7%**
CONSOLIDATED NET EQUITY	**74,145**	**47.4%**	**77,414**	**47.7%**	**69,107**	**44.7%**
TOTAL LIABILITIES	**156,305**	**100.0%**	**162,372**	**100.0%**	**154,494**	**100.0%**

5.2) CONSOLIDATED QUARTERLY INCOME STATEMENT

- 1st quarter

(€,000)	31 March 2012	%	31 March 2011	%
REVENUES	**28,165**	**99.7%**	**31,701**	**99.6%**
Other operating income and proceeds	91	0.3%	125	0.4%
Chances in inventories	3,104	11.0%	3,760	11.8%
Increase for in-factory works	623	2.2%	605	1.9%
Costs for raw materials and accessories	(13,583)	-48.1%	(15,820)	-49.7%
Costs for services	(6,257)	-22.1%	(6,375)	-20.0%
Personnel costs	(11,453)	-40.5%	(10,242)	-32.2%
Other operating income and charges	(369)	-1.3%	(96)	-0.3%
GROSS OPERATING MARGIN	**321**	**1.1%**	**3,658**	**11.5%**
Depreciation and amortisation	(1,718)	-6.1%	(1,501)	-4.7%
Adjustments of value on non-current assets	0	0.0%	-	0.0%
OPERATING INCOME	**(1,397)**	**-4.9%**	**2,157**	**6.8%**
Financial income and charges	(306)	-1.1%	(463)	-1.5%
Result for equity-valued companies	0	0.0%	-	0.0%
RESULT OF CURRENT TRANSACTIONS	**(1,703)**	**-6.0%**	**1,694**	**5.3%**
Result of non-current transactions	0	0.0%	-	0.0%
PRE-TAX RESULT	**(1,703)**	**-6.0%**	**1,694**	**5.3%**
Taxes for the period	185	0.7%	(631)	-2.0%
NET PROFIT FOR THE PERIOD	**(1,518)**	**-5.4%**	**1,063**	**3.3%**
Attributable to:				
Group	(1,495)	-5.3%	1,065	3.4%
Third parties	(23)	-0.1%	(2)	0.0%

6. NOTES ON THE INTERMEDIATE BUSINESS REPORT

The Intermediate Business Report for the three months ending 31 March 2011 was drawn up in accordance with Annexe 3D to resolution no. 11971 (Regulations of Issuers) of 14th May 1999 and subsequent amendments and revisions.

The accounting principles and criteria used in drawing up this Report comply with the IFRS and the criteria used to draw up the consolidated financial statements as at 31 December 2011, to which reference is made.

Transactions with correlated parties come under the normal business management and core business of each entity involved and are regulated at normal market conditions. No transactions of an atypical or unusual nature capable of having a significant effect on the Group's economic and financial position or equity are reported.

The quarterly consolidated financial statements as at 31 March 2012 have not been audited by an independent auditing firm.

The quarterly consolidated situation as at 31 March 2012 comprises the figures for the parent company Gefran S.p.A. and the following subsidiary companies, adjusted when necessary to comply with the Group's accounting principles:

	Company	Group's shareholding		
		March 2012	Dec. 2011	March 2011
1	GEFRAN UK Ltd (GB)	100.00%	100.00%	100.00%
2	GEFRAN, Inc. (USA)	100.00%	100.00%	100.00%
3	GEFRAN DEUTSCHLAND GmbH (D)	100.00%	100.00%	100.00%
4	GEFRAN BENELUX Nv (B)	100.00%	100.00%	100.00%
5	GEFRAN FRANCE Sa (F)	100.00%	100.00%	100.00%
6	GEFRAN SUISSE Sa (CH)	100.00%	100.00%	100.00%
7	GEFRAN BRASIL Ltda (BR)	100.00%	100.00%	100.00%

8	SIEI AREG GmbH (D)	100.00%	100.00%	100.00%
9	GEFRAN SIEI ASIA (Singapore)	100.00%	100.00%	100.00%
10	GEFRAN SIEI DRIVES TECHNOL. (Shanghai) indirectly via Gefran Siei Asia	100.00%	100.00%	100.00%
11	GEFRAN SIEI ELECTRIC (Shanghai) indirectly via Gefran Siei Asia	100.00%	100.00%	100.00%
12	GEFRAN INDIA Ltd (India)	100.00%	100.00%	100.00%
13	ENSUN Srl (I)	50.00%	50.00%	50.00%

Please refer to section 2 for details of the changes in the consolidation area.

The following exchange rates were adopted to convert figures into euros when necessary:

Currencies	**End-period exchange rate**	**Intermediate period exchange rate**
Swiss franc	1.2045	1.20798
Pound sterling	0.8339	0.83451
US dollar	1.3356	1.311
Brazilian real	2.4323	2.31621
Chinese renminbi	8.4089	8.27018
Indian rupee	68.042	65.88632

Provaglio d'Iseo, 14 May 2012

THE BOARD OF DIRECTORS

7. DECLARATION BY THE EXECUTIVE IN CHARGE OF DRAWING UP THE ACCOUNTING DOCUMENTS

pursuant to art. 154-bis, subsection 2, of Italian Legislative Decree no. 58 of 24 February 1998 n. 58 (Consolidated Finance Act)

I, the undersigned, Sala Alfredo, the executive in charge of drawing up the accounting documents for Gefran S.p.A., hereby declares, pursuant to subsection 2 of art. 154-bis of the Consolidated Finance Act, that the information contained in the intermediate business report as at 31 March 2012 corresponds to the documentary evidence and the company's books and accounting records.

Data: 14 May 2012

Signed by *Alfredo Sala*

Executive in charge of drawing up the accounting documents