

**GEFRAN GROUP
INTERIM FINANCIAL REPORT
AS AT 30 SEPTEMBER 2012**

Index

GEFRAN GROUP – INTERIM FINANCIAL REPORT AS AT 30 SEPTEMBER 2012

1)	STATUTORY BODIES and STRUCTURE OF THE GEFRAN GROUP	3
2)	BUSINESS SITUATION IN THE THIRD QUARTER OF 2012	5
2.1)	3RD QUARTER CONSOLIDATED INCOME STATEMENT	5
3)	BUSINESS SITUATION AS AT 30 SEPTEMBER 2012	7
3.1)	CONSOLIDATED INCOME STATEMENT AS AT 30 SEPTEMBER 2012	7
3.2)	RECLASSIFIED BALANCE-SHEET	9
3.3)	CONSOLIDATED STATEMENT OF CASH FLOW	10
3.4)	INVESTMENTS	11
3.5)	EMPLOYEES	12
3.6)	RESULTS BY BUSINESS AREA	12
3.6.1)	SENSORS	13
3.6.2)	AUTOMATION COMPONENTS	13
3.6.3)	DRIVES.....	14
4)	EVENTS OCCURRING AFTER THE END OF THE THIRD QUARTER 2012.....	15
5)	EXPECTED BUSINESS DEVELOPMENTS.....	16

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2012 AND EXPLANATORY NOTES

1)	CONSOLIDATED EQUITY STATEMENT	18
2)	CONSOLIDATED INCOME STATEMENT	19
3)	CONSOLIDATED CASH FLOW	21
4)	CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY	22
5)	EXPLANATORY NOTES.....	23

1) STATUTORY BODIES and STRUCTURE OF THE GEFRAN GROUP

Board of Directors

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

Board of Auditors

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

Internal control committee

- Cesare Vecchio
- Daniele Piccolo
- Marco Agliati

Remuneration committee

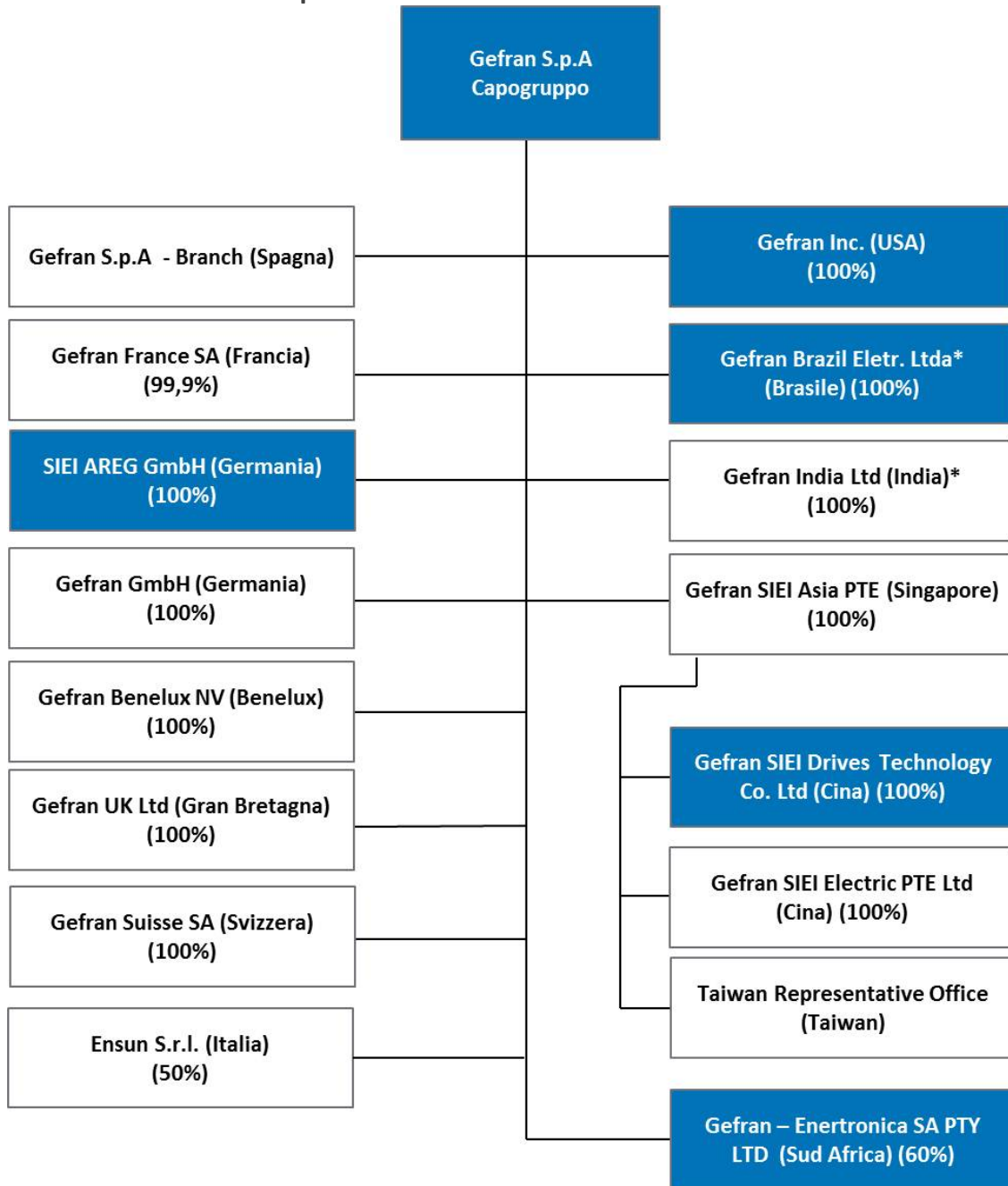
- Daniele Piccolo
- Romano Gallus
- Cesare Vecchio

Auditing firm

BDO S.p.A.

* Daniele Piccolo was co-opted as director on 1 October 2012 in replacement of Elisabetta Magistretti, who resigned on the same date.

Structure of the Gefran Group



Production Units

Sales Branches

Gefran India and Gefran Brazil indirectly via Gefran UK / Gefran UK

Key economic figures of the Group

(€,000)	30 September 2012		30 September 2011		Q3/2012		Q3/2011	
Revenues	97,700	100.0%	101,694	100.0%	32,755	100.0%	36,260	100.0%
Gross operating margin (EBITDA)	5,456	5.6%	13,978	13.7%	2,729	8.3%	5,842	16.1%
Operating income (EBIT)	256	0.3%	9,422	9.3%	1,009	3.1%	4,306	11.9%
Recurrent business results	(608)	-0.6%	8,205	8.1%	664	2.0%	4,177	11.5%
Group's net result	(638)	-0.7%	5,723	5.6%	729	2.2%	3,114	8.6%

Key financial-equity figures of the Group

(€,000)	30 September 2012	31 December 2011	30 September 2011
Net invested capital	104,258	104,012	105,976
Consolidated net equity	73,256	77,414	72,498
Net financial position	(31,002)	(26,598)	(33,478)
Operating cash flow	4,562	14,902	10,279
Investments	5,490	11,275	9,099

This interim financial report was approved at the Board Meeting held on 13 November 2012.

2) BUSINESS SITUATION IN THE THIRD QUARTER OF 2012

2.1) 3RD QUARTER CONSOLIDATED INCOME STATEMENT

(€,000)	Q3 2012	Q3 2011	2012/2011 change	
			value	%
a Revenues	32,755	36,260	(3,505)	-9.7%
b Consumption of materials and products	14,038	14,502	(464)	-3.2%
c Value added (a-b)	18,717	21,758	(3,041)	-14.0%
d Other operating costs	6,409	7,051	(642)	-9.1%
e Personnel costs	10,058	9,360	698	7.5%
f Increases for in-factory works	479	495	(16)	-3.2%
g Gross operating margin - EBITDA (c-d-e+f+g)	2,729	5,842	(3,113)	-53.3%
h Depreciations and write-downs	1,720	1,536	184	12.0%
i Operating income - EBIT (g-h)	1,009	4,306	(3,297)	-76.6%
l Financial result	(345)	(129)	(216)	167.4%
m Recurrent business results (i+l)	664	4,177	(3,513)	-84.1%
n Non-recurrent transactions result	0	0	0	-
o Consolidated pre-tax result (m+n)	664	4,177	(3,513)	-84.1%
p Taxes	64	(1,063)	1,127	-106.0%
q Result including minority interest (o+p)	728	3,114	(2,386)	-76.6%
r Net result for minority interest	(1)	0	(1)	-
s Net result for the Group (q+r)	729	3,114	(2,385)	-76.6%

Revenues for the third quarter of 2012 came to €32,755,000, down on the figure of €3,505,000 (-9.7%) for the same period in 2011, while Q1/2012 recorded a 11.2% decrease and Q2/2012 a 9.2% increase. Orders acquired in Q3/2012 amounted to €31,532,000, up compared to €29,596,000 in Q3/2011.

The following table shows revenues by geographical area:

(€,000)	Q3/2012		Q3/2011		2012-2011 change	
		%		%	value	%
Italy	10,295	31.4%	14,420	39.8%	(4,125)	-28.6%
EU countries	6,766	20.7%	6,548	18.1%	218	3.3%
Non-EU countries in Europe	1,397	4.3%	1,289	3.6%	108	8.4%
North America	3,260	10.0%	2,373	6.5%	887	37.4%
South America	1,226	3.7%	1,417	3.9%	(191)	-13.5%
Asia	9,489	29.0%	9,807	27.0%	(318)	-3.2%
Rest of the World	322	1.0%	406	1.1%	(84)	-20.7%
Total	32,755	100.0%	36,260	100.0%	(3,505)	-9.7%

Revenues by geographical area show a significant growth (+37.4%) in North America, compared to Q3/2011, continuing the positive trend in the previous periods (+20.9% in Q1 and +15.1% in Q2).

Revenues in the European Union as a whole rose compared to the same period in 2011 (+3.3%), like in non-EU countries in Europe (+8.4%).

The other areas show a decline on the third quarter of 2011, especially South America (-3.5%), confirming the difficulties that arose in the previous quarters, the Rest of the World (-20.7%) and Asia (-3.2%), which recorded -24% in Q1 and +8.4% in Q2.

With regard to the Italian market, the third quarter ended down €4,125,000 on the third quarter of 2011 (-28.6%), due mainly to sales of photovoltaic products, which amounted to €3,271,000 in Q3, down €3,681,000 (-53%). Not counting this specific product, the part linked to the portion associated to the sale of industrial products continued to decrease (-5.9%), with -3.8% in Q1 and -8% in Q2.

Under **Revenues by business area**, automation components generated €7,704,000 revenues, in line (-1.3%) with Q3/2011, with -2.3% in Q1 and +9.8% in Q2. The sensors business ended the third quarter with revenues of €8,932,000, up 8.8%, a significant improvement on -0.1% in Q1 and -2.9% in Q2, mainly the result of sales in North America and Asia.

The drives business ended the third quarter with revenues of €17,402,000, down 18.8% on Q3/2011, with -23.1% in Q1 and +23.8% in Q2. The decline in the third quarter and highly volatile sales are mainly due to products for the photovoltaic sector.

(€,000)	Q3/2012					Q3/2011				
	Revenues	EBITDA	% on revenues	EBIT	% on revenues	Revenues	EBITDA	% on revenues	EBIT	% on revenues
Automation components	7,704	296	3.8%	(142)	-1.8%	7,808	373	4.8%	(21)	-0.3%
Sensors	8,932	2,156	24.1%	1,675	18.8%	8,207	1,952	23.8%	1,512	18.4%
Drives	17,401	277	1.6%	(524)	-3.0%	21,426	3,517	16.4%	2,815	13.1%
Eliminations	(1,282)					(1,181)				
Total	32,755	2,729	8.3%	1,009	3.1%	36,260	5,842	16.1%	4,306	11.9%

Gross Operating Margin (EBITDA) in the 3rd quarter came to €2,729,000 (€5,842,000 in Q3/2011), equal to 8.3% of revenues (16.1% in 2011), an improvement on the 1.1% in Q1 and 6.6% in Q2. The difference compared to 2011 is due to the drop in value added, and to decreased volumes and prices, especially in the photovoltaic sector. Other operating costs and personnel costs are in line with the figures for Q3/2011.

The **Operating result** for the third quarter was €1,009,000 in the positive (€4,306,000 in Q3/2011), equal to 3.1% of revenues, compared to -4.9% in Q1, +1.8% in Q2 and +11.9% in 2011. The reasons for this trend in the operating result are the same as those given above for EBITDA.

3) BUSINESS SITUATION AS AT 30 SEPTEMBER 2012

3.1) CONSOLIDATED INCOME STATEMENT AS AT 30 SEPTEMBER 2012

(€,000)	30 Sept.		2012/2011 change	
	2012	2011	value	%
a Revenues	97,700	101,694	(3,994)	-3.9%
b Consumption of materials and products	40,472	39,557	915	2.3%
c Value added (a-b)	57,228	62,137	(4,909)	-7.9%
d Other operating costs	20,200	19,238	962	5.0%
e Personnel costs	33,324	30,841	2,483	8.1%
f Increases for in-factory works	1,752	1,920	(168)	-8.8%
g Gross operating margin - EBITDA (c-d-e+f+g)	5,456	13,978	(8,522)	-61.0%
h Depreciations and write-downs	5,200	4,556	644	14.1%
i Operating income - EBIT (g-h)	256	9,422	(9,166)	-97.3%
l Financial result	(864)	(1,217)	353	-29.0%
m Recurrent business results (i+l)	(608)	8,205	(8,813)	-107.4%
n Non-recurrent transactions result	0	0	0	- -
o Consolidated pre-tax result (m+n)	(608)	8,205	(8,813)	-107.4%
p Taxes	(69)	(2,482)	2,413	-97.2%
q Result including minority interest (o+p)	(677)	5,723	(6,400)	-111.8%
r Net result for minority interest	(39)	0	(39)	- -
s Net result for the Group (q+r)	(638)	5,723	(6,361)	-111.1%

Revenues as at 30 September 2012 came to €97,700,000 (€101,694,000 as at 30 September 2011), down 3.9% on the same period in 2011.

Orders received in the first nine months of the year totalled €96,932,000, more or less in line with the figure €101,556,000 for the same period in 2011. The order portfolio at the end of September 2012 came to €21,813,000, versus €28,260,000 at the end of September 2011.

The following table shows revenues by geographical area:

(€,000)	30 Sept.		%		2012-2011 change	
	2012	2011			value	%
Italy	32,454	36,548	33.2%	35.9%	(4,094)	-11.2%
EU countries	20,870	20,331	21.4%	20.0%	539	2.7%
Non-EU countries	4,172	4,227	4.3%	4.2%	(55)	-1.3%
North America	8,955	7,197	9.2%	7.1%	1,758	24.4%
South America	4,021	4,427	4.1%	4.4%	(406)	-9.2%
Asia	26,419	28,045	27.0%	27.6%	(1,626)	-5.8%
Rest of the world	809	919	0.8%	0.9%	(110)	-12.0%
Total	97,700	101,694	100.0%	100.0%	(3,994)	-3.9%

Revenues by geographical area show significant growth in North America (sales +24.4% compared to the September 2011 figure) and in the European Union (+2.7%). The other areas show a decrease, namely in South America (-9.2%), non-EU countries (-1.3%) and Asia (-5.8%).

Italy recorded a decrease of €4,094,000 (-11.2%) compared to September 2011, due mainly to sales of photovoltaic products, which declined by €2,599,000 (-22.5%) in the first nine months of 2012. Sales of industrial products also dropped (-6.0%), due mainly to the unfavourable macroeconomic situation.

Revenues by business area show a €528,000 (+2.2%) increase in components for automation and €423,000 (+1.5%) in sensors, while drives decreased by €3,651,000 (-7%), due mainly to sales regarding photovoltaic products, as explained in the comments under revenues by geographical area.

	30 Sept. 2012					30 Sept. 2011				
	Revenues	EBITDA	% on revenues	EBIT	% on revenues	Revenues	EBITDA	% on revenues	EBIT	% on revenues
(€,000)										
Automation components	24,844	454	1.8%	(907)	-3.7%	24,316	1,478	6.1%	377	1.6%
Sensors	28,324	6,561	23.2%	5,107	18.0%	27,901	7,163	25.7%	5,792	20.8%
Drives	48,752	(1,559)	-3.2%	(3,944)	-8.1%	52,403	5,337	10.2%	3,253	6.2%
Eliminations	(4,220)					(2,926)				
Total	97,700	5,456	5.6%	256	0.3%	101,694	13,978	13.7%	9,422	9.3%

Gross Operating Margin (EBITDA) as at 30 September 2012 was €5,456,000 in the positive (€13,978,000 in the positive as at 30 September 2011); equal to 5.6% of revenues, compared to 13.7% on the same period in 2011.

The decrease is due partly to a drop in value added (€-4,909,000), the combined effect of reduced sales volumes (€-2,339,000) and margin (€-2,570,000), associated with a different mix of products sold, and partly to the drop in selling prices, mainly for those photovoltaic sector.

The other operating costs increased by 5% compared to September 2011, mainly costs for developing new projects. **EBITDA** (Gross Operating Margin) in the third quarter was €2,729,000 (€5,842,000 in Q3/2011), equal to 8.3% of Revenues (16.1% in 2011), an improvement on the 1.1% in Q1 and 6.6% in Q2.

Increments for internal work amount to €1,752,000 (€1,920,000 as at September 2011) and mainly concern product development costs sustained and capitalised in the first nine months of the year.

The **Operating result** as at 30 September 2012 was €256,000 (€9,422,000 as at 30 September 2011), equal to 0.3% of revenues, compared to 9.3% in 2011. The reasons for this operating result are the same as those given above for EBITDA.

Amortisation and depreciation came to €5,200,000, up 14.5%, reflecting the effect on the operating result of the higher investments made in the previous year.

The **Group's net result** as at 30 September 2012 was €638,000 in the negative, with a -0.7% incidence on revenues, compared to a positive result of €5,723,000 in September 2011, equal to a 5.6% incidence on sales.

Financial management was €864,000 in the negative (€-1,217,000 for the same period in 2011). Interest payable amounted to €900,000 (€857,000 as at September 2011). Net exchange differences totalled €36,000, an improvement of €396,000 on the same period in 2011.

Taxes amounted to €69,000 (€2,482,000 as at 30 September 2011) and can be broken down as follows:

- €1,522,000 current taxes (€1,868,000 as at 30 September 2011). Tax liability for the period is mainly attributable to IRAP (Regional Business Tax) due from the parent company Gefran S.p.A. and local taxes depending on the profit achieved by the member companies abroad.
- €1,453,000 pre-paid taxes (€614,000 in the negative as at 30 September 2011). This item includes mainly prepaid taxes entered for Gefran S.p.A.'s negative taxable amount for the period.

3.2) RECLASSIFIED BALANCE-SHEET

The Gefran Group's reclassified balance sheet as at 30 September 2012 is as follows:

GEFRAN GROUP	30 Sept. 2012	%	31 Dec. 2011	%
<i>(€ ,000)</i>				
Intangible assets	11,711	11.2	11,435	11.0
Tangible assets	44,263	42.5	44,422	42.7
Financial assets	8,821	8.5	7,718	7.4
Net fixed assets	64,795	62.1	63,575	61.1
Inventories	29,756	28.5	28,657	27.6
Trade receivables	46,039	44.2	48,981	47.1
Trade payables	(19,707)	(18.9)	(19,303)	(18.6)
Other assets/liabilities	(9,132)	(8.8)	(9,979)	(9.6)
Working capital	46,956	45.0	48,356	46.5
Provisions for contingencies	(1,408)	(1.4)	(1,882)	(1.8)
Provision for deferred taxes	(750)	(0.7)	(761)	(0.7)
Employee benefits	(5,335)	(5.1)	(5,276)	(5.1)
Net Invested Capital	104,258	100.0	104,012	100.0
Shareholders' equity	73,256	70.3	77,414	74.4
Medium- and long-term loans	16,434	15.8	24,605	23.7
Short-term loans	22,957	22.0	17,064	16.4
Cash and short-term financial receivables	(8,389)	(8.0)	(15,071)	(14.5)
Net financial debt related to operating activities	31,002	29.7	26,598	25.6
Total sources of funding	104,258	100.0	104,012	100.0

Net invested capital as at 30 September 2012 came to €104,258,000 (€104,012,000 as at 31 December 2011). The increase of around €246,000 compared to the end of 2011 is accounted for by net fixed assets as the result of investments made during the period. Further details are provided under point 3.4.

Working capital decreased by €1,400,000, thanks mainly to a €2,942,000 reduction in trade receivables and a €404,000 increase in trade payables. This continues the upward trend in working capital highlighted in June 2012. Inventories rose by €1,099,000, compared to December 2011, but was down on 30 June 2012 (€30,701,000).

Shareholders' equity as at 30 September 2012 amounted to €73,256,000 (€77,414,000 as at 31 December 2011). The change as at 31 December 2011 is mainly due, in addition to the result for the year, to the payment of €2,143,000 dividends, a change in the consolidation reserve and €241,000 currency conversion difference for the subsidiaries' net equity, which are expressed in local currencies.

The **Net Financial Position** as at 30 September 2012 amounted to €31,002,000, compared to €26,598,000 as at 31 December 2011 and €34,286,000 as at 30 June 2012.

Below is a breakdown of the net financial position:

Description	30 September 2012	31 December 2011
<i>(€,000)</i>		
Cash and cash equivalents	8,389	15,071
Bank loans and short-term loans	(21,651)	(15,785)
Current financial liabilities (*)	(1,306)	(1,279)
(indebtedness)/short-term available funds	(14,568)	(1,993)
Non-current bank loans	(16,434)	(24,605)
(Indebtedness)/medium/long-term available funds	(16,434)	(24,605)

Net financial position	(31,002)	(26,598)
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(*) Current financial liabilities as at 31 December 2011 include €166,000 reclassified for debt factoring, which was previously included under medium/long-term loans.

The main difference concerns the payment of dividends (€2,143,000) and net investments for the period (€5,171,000).

For further details please refer to note 2 under Explanatory Notes.

3.3) CONSOLIDATED STATEMENT OF CASH FLOW

The Gefran Group's consolidated financial report as at 30 September 2012 shows the following evolution:

<i>(€,000)</i>	30 Sept. 2012	30 Sept. 2011
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,071	13,163
B) CASH FLOW GENERATED BY (USED FOR) OPERATING ACTIVITIES IN THE PERIOD:		
Profit/loss for the period	(638)	5,723
Amortisation, depreciation and impairments	5,200	4,556
(Gain) losses from the disposal of non-current assets	(93)	(1)
Net result from financial operations	900	857
Changes in provisions	(2,362)	(1,962)
Changes in working capital	2,247	(11,957)
TOTAL	5,254	(2,784)
C) CASH FLOW GENERATED BY (USED FOR) INVESTMENTS	(5,171)	(9,412)
D) CASH FLOW GENERATED BY (USED FOR) FUNDING ACTIVITIES	(6,725)	7,357
Currency conversion differences on cash items	(40)	366
E) NET CHANGE IN CASH	(6,682)	(4,473)
F) CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,389	8,690

In the first nine months of 2012, operating activities showed a significant improvement in cash flows for €5,254,000, compared to the same period in 2011, when cash for €2,784,000 was used.

In particular, cash flow generated €3,007,000 (€9,173,000 in September 2011), and the constant attention of the Group in managing the working capital provided in turn cash flows for €2,247,000, while in the first nine months of 2011 €11,957,000 financial resources were used.

Technical and financial investments, net of divestments, used cash resources for €5,171,000, €4,241,000 down compared to September 2011. Investments in capital goods and intangible assets continued in 2012, and included the capitalisation of R&D projects, mainly by the parent company, which invested €4,847,000 overall. For further details, please refer to subsection 3.4 of the interim business report.

In the first nine months, loans were repaid for a total of €4,957,000, and new loans were obtained for €3,000,000. The dividends distributed amounted to €2,143,000.

3.4) INVESTMENTS

Investments in tangible and intangible assets made in September 2012 amounted to €5,490,000 (€11,275,000 as at 31 December 2011). The main investments relate to parent company's buildings, plant and equipment (€728,000) as part of a plan covering a new layout at the company's headquarters and completion of the project covering moving of the Technological Centre for the production of sensors. Other major investments involving Gefran S.p.A. relate to the purchase of machinery and equipment for €1,844,000.

Investments in subsidiaries mainly involved Gefran Suisse (€155,000, covering the upgrading of hardware and motor vehicles) and Gefran Siei Drives Technology (€126,000 for production equipment).

Investments in intangible assets relate to capitalisation of costs sustained during the period for developing new products, for a total of €1,667,000:

(€,000)	30/09/2012	31/12/2011
Intangible assets	2,142	3,018
Tangible assets	3,348	8,257
Total	5,490	11,275

Total tangible and intangible **assets** as at 30 September 2012 (including work in progress) came to €55,974,000, divided into €11,711,000 intangible assets and €44,263,000 tangible assets.

(€,000)	30/09/2012	31/12/2011
Intangible assets	11,711	11,435
Tangible assets	44,263	44,422
Total	55,974	55,857

3.5)EMPLOYEES

The Group's workforce as at 30 September 2012 comprised 878 units, compared to 870 as at 30 September 2011, of which 13 on fixed-term contracts.

There was an increase of 5 units compared to 31 December 2011 as the result of the following:

- ◆ 95 new employees joined the group - 1 executive, 61 office workers and 33 factory workers
- ◆ 90 units left the Group - 2 executives, 54 office workers and 34 factory workers.

The changes were mainly due to a high level turnover, which mainly involved companies in Asia.

3.6)RESULTS BY BUSINESS AREA

The following subsections contain comments on the trend for the individual business areas.

For a correct interpretation of the economic figures related to each business area, it must be noted that:

- ◆ the economic figures are the sum of income and charges of the parent company Gefran S.p.A. and the Group subsidiaries;
- ◆ the economic figures of each business are shown gross of inter-segment transactions;
- ◆ the costs of the corporate structure, which are chargeable to Gefran S.p.A., have been allocated to the various business areas either based on actual use, whenever possible, or shared using economic and technical criteria.

Below is an overview of Revenues, Gross Operating Margin and Operating Income figures for the individual business areas, compared to the same period in 2011.

	30 Sept. 2012					30 Sept. 2011				
	Revenues	EBITDA	% on revenues	EBIT	% on revenues	Revenues	EBITDA	% on revenues	EBIT	% on revenues
(€,000)										
Automation components	24,844	454	1.8%	(907)	-3.7%	24,316	1,478	6.1%	377	1.6%
Sensors	28,324	6,561	23.2%	5,107	18.0%	27,901	7,163	25.7%	5,792	20.8%
Drives	48,752	(1,559)	-3.2%	(3,944)	-8.1%	52,403	5,337	10.2%	3,253	6.2%
Eliminations	(4,220)					(2,926)				
Total	97,700	5,456	5.6%	256	0.3%	101,694	13,978	13.7%	9,422	9.3%

The figures summarised in the single business statements are compared with those of the same period in 2011 and the figures as at 31 December 2011.

3.6.1) SENSORS

Business trend

Turnover as at 30 September 2012 was up 1.5% on the same period in 2011. The increase involved all product lines and was achieved at constant average prices. The third quarter picked up well with +8.8% compared to Q3 in 2011.

The operating result as at 30 September 2012 was €5,107,000, equivalent to 18% of revenues, compared to €5,792,000 in 2011 (20.8% of revenues). This increase, linked to the rise in volumes, was partly offset by an increase in structural costs, especially for marketing campaigns launched to develop the business.

The operating result for the third quarter of 2012 alone amounted to €1,675,000 (18.8% of revenues), up €163,000 on Q3/2011. The improvement in absolute value was due mainly to the increase in revenues.

Orders acquired in the first nine months amounted to €28,434,000, up from €27,172,000 for the same period in 2011. The order portfolio at the end of September 2012 came to €4,637,000, compared to €4,571,000 for the same period in 2011.

Overview of key economic figures

The key economic figures are summarised in the table below.

(€,'000)	30 Sept. 2012	30 Sept. 2011	2012/2011 change		Q3 2012	Q3 2011	2012/2011 change		31 Dec. 2011
			value	%			value	%	
Revenues	28,324	27,901	423	1.5%	8,932	8,207	725	8.8%	36,409
Gross operating margin	6,561	7,163	(602)	-8.4%	2,156	1,952	204	10.5%	8,834
% on revenues	23.2%	25.7%			24.1%	23.8%			24.3%
Operating income	5,107	5,792	(685)	-11.8%	1,675	1,512	163	10.8%	7,014
% on revenues	18.0%	20.8%			18.8%	18.4%			19.3%

3.6.2) AUTOMATION COMPONENTS

Business trend

As at 30 September 2012, revenues amounted to €28,844,000, up €528,000 on the same period in 2011. Sales to the market declined slightly (-4%), while inter-segment sales, mainly involving products related to photovoltaic installations, virtually doubled compared to the same period in 2011. In Q3/2012, revenues from third parties decreased for all the product lines, whereas inter-segment sales rose by around 20%, allowing the third quarter of 2012 to close more or less in line with the same period in 2011 (€-104,000).

Operating income in September 2012 decreased compared to the previous year (€-1,284,000), due to value added, which was influenced by the different product mix, namely the high percentage of inter-segment transactions at lower margins than those from direct sales to the market. The investments made in 2011 to strengthen the sales organisation and research and development generated increased costs, the effects of which were felt in 2012, but were not offset by a more than proportional increase in revenues.

Operating income was substantially on a par with Q3/2012.

Orders received in September 2012 amounted to €20,483,000, compared to €22,055,000 in September 2012; the order portfolio at the end of the period totalled €2,762,000, as against €3,426,000 in September 2011.

Overview of key economic figures

The key economic figures are summarised in the table below.

(€,000)	30 Sept. 2012	30 Sept. 2011	2012/2011 change		Q3 2012	Q3 2011	2012/2011 change		31 Dec. 2011
			value	%			value	%	
Revenues	24,844	24,316	528	2.2%	7,704	7,808	(104)	-1.3%	32,623
Gross operating margin	454	1,478	(1,024)	n.s.	296	373	(77)	-20.6%	1,517
% on revenues	1.8%	6.1%			3.8%	4.8%			4.7%
Operating income	(907)	377	(1,284)	n.s.	(142)	(21)	(121)	n.s.	(19)
% on revenues	-3.7%	1.6%			-1.8%	-0.3%			-0.1%

3.6.3) DRIVES

Business trend

Revenues as at 2012 amounted to €48,752,000, a drop of €3,651,000 on the same period in 2011. The drives business recorded +34% for the American market and 15.6% in Italy, due to the drop in sales of inverters for the photovoltaic sector (-23%), and to sales in the industrial sector (-7%), mainly the result of a slowdown due to the macroeconomic crisis. Strong growth rates were achieved in India (+84%) and in Switzerland where revenues almost tripled. The Chinese market picked up more in the third quarter compared to the first half of the year, closing Q3 more or less in line (+1.3%) with Q3/2011 .

Revenues in the third quarter of 2012 dropped by 19% compared to Q3/2011, mostly due to the drop in sales of photovoltaic inverters in Italy. The lift market in China, which was very weak in the first quarter, picked up well in Q3/2012, ending more or less on a par with September 2011.

The operating result in September 2012 was €3,944,000 in the negative, compared to €3.253,000 in the positive in September 2011. Investments made in 2011 to the sales and technical structure led to an increase in costs, which were not entirely offset by revenues. Moreover, changes in the Italian laws on incentives for photovoltaic installations, a different mix of products sold and declining selling prices combined to have a negative impact on revenues from photovoltaic products compared to September 2011.

The third quarter of 2012 showed an operating result of €-524,000 in the negative, but still an improvement on the first two quarters of the year.

Orders received in the first nine months amounted to €47,655,000, compared to €52,359,000 in September 2012. The order portfolio at the end of the period totalled €14,532,000, as against €20,262,000 in September 2011.

Overview of key economic figures

The key economic figures are summarised in the table below.

(€,000)	30 Sept. 2012	30 Sept. 2011	2012/2011 change		Q3 2012	Q3 2011	2012/2011 change		31 Dec. 2011
			value	%			value	%	
Revenues	48,752	52,403	(3,651)	-7.0%	17,401	21,426	(4,025)	-18.8%	74,601
Gross operating margin	(1,559)	5,337	(6,896)	n.s.	277	3,517	(3,240)	n,s,	8,104
% on revenues	-3.2%	10.2%			1.6%	16.4%			10.9%
Operating income	(3,944)	3,253	(7,197)	n.s.	(524)	2,815	(3,339)	n,s,	5,271
% on revenues	-8.1%	6.2%			-3.0%	13.1%			7.1%

3. EVENTS OCCURRING IN THE THIRD QUARTER OF 2012

In September Gefran and Enertronica signed shareholders' agreements relating to the company Gefran Enertronica SA (South Africa) and completed work on establishing its corporate structure.

Cape Town will be the location of the industrial unit for the delocalised production of inverters in the 20kW-330kW range, the assembly of modular panels and containers up to 1.6MWp, the design and manufacture of single-axis and dual-axis fittings and solar trackers for photovoltaic installations, as well as calculation engineering and maintenance and technology services.

The company will become operational during the last quarter of this year.

4) EVENTS OCCURRING AFTER THE END OF THE THIRD QUARTER 2012

On 1 October 2012 the board of directors of GEFTRAN S.p.A. co-opted Daniele Piccolo in replacement of Elisabetta Magistretti, who resigned on the same date. With the board of auditors' approval, the board of directors ascertained the existence of the requirements of independence in accordance with the Code of Corporate Governance for Listed Companies. Mr. Piccolo declared its independence pursuant to Italian Legislative Decree 58/1998. The board of directors also appointed Mr. Piccolo as a member of the Internal Control Committee and the Remuneration Committee in replacement of Elisabetta Magistretti. In accordance with art. 2386 of the Italian Civil Code, the new director will hold office until the next meeting of the general assembly.

During the session, the Board resolved to revise the articles of association to comply with the provisions of Law no. 120/2011, and the regulations implementing it in terms of gender quotas.

The Board also resolved to avail itself of the faculty to simplify its information disclosure in accordance with art. 70, subsection 8, and art. 71, subsection 1-bis, of CONSOB regulations no. 11971/1999 as amended.

5) EXPECTED BUSINESS DEVELOPMENTS

The macroeconomic scenario in the third quarter of 2012 remained weak and uncertain, and continued to be characterised by recession, mainly in some of the Eurozone countries, and a general slowdown in other economies.

The differences between the various countries continued to be marked, with weakness in southern Europe and a stronger position in northern Europe, the United States and China.

Market sentiment in Europe in recent months has been sustained by the words of the President of the ECB and the new plan of operations to buy bonds in support of the Eurozone. This decision was a turning point in the perception of the relative risk to the Euro, which will be stronger, and therefore have an effect on exports, and on GDP, which is expected to end the year at 0.5%.

In China, growth in real GDP in the third quarter year-on-year remained at 7.4%, just below the government threshold of 7.5%.

Economic growth in the United States will be around 2.5% in the second half of the year, a slightly higher rate than in the third quarter, domestic consumption being the main driving force.

In this scenario, the Gefran Group has confirmed its expectation of different growth rates in the various countries, with two-digit growth in Germany, the USA, Switzerland and India, compared to an 11% decline in the domestic market.

In 2011 and 2012 the Gefran Group made major investments in industrial assets, developing new products, research and acquiring resources of marketing activities, in view of penetrating and developing selected foreign markets and gaining new market shares. With these measures, the Group has tried to limit the negative effects of the general recession, setting aside the necessary financial resources. The reduced economic results for 2012 must be viewed in this context, against the backdrop of a substantially stable turnover.

The Group's outlook over the next few months for industrial products remains more or less unchanged. However, since the macroeconomic picture is expected to improve in the second half of 2013, the Group will probably be in a good position to seize the opportunities for growth and improve its margins.

The Group is starting to receive its first orders for photovoltaic products for foreign markets, which will counterbalance the drop in sales on the domestic market.

In the light of this situation and taking into account the current macroeconomic scenario, the financial year – in the absence of unforeseeable events – is expected to close with revenues slightly down on the €140 million recorded in 2011. The result for the year is expected to be just in the positive, though lower than the figure for the previous year and the budget.

The Group closely monitors the financial situation regarding net working capital indicators and continues to make investments aimed at further developing its operations. The Group will keep a close eye on the global economic situation so that it will be ready to react quickly and rein in its structural costs should the situation deteriorate further.

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2012 AND
EXPLANATORY NOTES**

1) CONSOLIDATED EQUITY STATEMENT

GEFRAN GROUP		30 Sept. 2012		31 Dec. 2011	
(€,000)	note	of which related parties		of which related parties	
NON-CURRENT ASSETS					
Goodwill	4	3,745		3,744	
Intangible assets	5	7,966		7,691	
Land, buildings, plant, machinery and equipment	6	44,263	356	44,422	1,077
Investments in other companies	7	4,482		4,416	
Securities and loans		-		-	
Receivables and other non-current assets	8	19		71	
Prepaid taxes	9	4,320		3,231	
TOTAL NON-CURRENT ASSETS		64,795		63,575	
CURRENT ASSETS					
Inventories	10	29,756		28,657	
Trade receivables	11	46,039	6	48,981	18
Other assets	12	1,777		1,726	
Tax receivables	13	3,402		4,362	
Cash and cash equivalents	15	8,389		15,071	
TOTAL CURRENT ASSETS		89,363		98,797	
TOTAL ASSETS		154,158		162,372	
SHAREHOLDERS' EQUITY					
Share capital		14,276		14,280	
Reserves		48,624		45,726	
Profit brought forward		9,938		16,951	
Group's total shareholders' equity		72,838		76,957	
Minority interest		418		457	
TOTAL SHAREHOLDERS' EQUITY	19	73,256		77,414	
NON-CURRENT LIABILITIES					
Long-Term Financial Loans	18	16,434		24,605	
Personnel benefits	20	5,335		5,276	
Non-current provisions	21	1,408		1,882	
Deferred taxes	22	750		761	
TOTAL NON-CURRENT LIABILITIES		23,927		32,524	
CURRENT LIABILITIES					
Payables to banks and short-term loans	16	21,651		15,785	
Short-term financial loans	17	1,306		1,279	
Trade payables	23	19,707	10	19,303	246
Current provisions	24	1,701		2,007	
Tax payables	25	2,691		5,124	
Other liabilities	26	9,919		8,936	
TOTAL CURRENT LIABILITIES		56,975		52,434	
TOTAL LIABILITIES		80,902		84,958	
TOTAL EQUITY AND LIABILITIES		154,158		162,372	

2) CONSOLIDATED INCOME STATEMENT

- as at 30 September

GEFRAN GROUP	30 Sept. 2012		31 Dec. 2011	
(€,000)	of which related parties		of which related parties	
REVENUES	97,437	29	101,080	245
Other operating income and revenues	263		614	
Variation in inventories	1,119		2,927	
Capitalized work	1,752		1,920	
Cost of raw materials and accessories	(41,591)		(42,484)	
Costs for services	(19,302)	85	(19,423)	106
Personnel costs	(33,324)		(30,841)	
Sundry operating income and charges	(898)		185	
GROSS OPERATING MARGIN	5,456		13,978	
Amortisation, depreciation and write-downs	(5,200)		(4,556)	
GROSS OPERATING MARGIN	256		9,422	
Financial income and charges	(864)		(1,217)	
OPERATING INCOME	(608)		8,205	
Result for non-recurring transactions	0		0	
PRE-TAX RESULT	(608)		8,205	
Taxes for the period	(69)		(2,482)	
RESULT FOR THE PERIOD	(677)		5,723	
Attributable to:				
Group	(638)		5,723	
Minority interests	(39)		-	

Earnings per share	30 Sept. 2012	30 Sept. 2011
(€,000)		
Earning/(loss) per ordinary share	(0.04)	0.40
Earning/(loss) per ordinary share, diluted	(0.04)	0.40

CONSOLIDATED AGGREGATE INCOME STATEMENT

GEFRAN GROUP	30 Sept. 2012		30 Sept. 2011	
(€,000)				
RESULT FOR THE PERIOD	(677)		5,723	
change in non-current assets				
- investments in other companies	5		(62)	
- securities and financial assets available for sale	0		41	
- MTM - IRS derivatives	(159)	0		
Change in non-current assets				
overall tax effect	33		0	
Total change net of the tax effect	(121)		(21)	
Aggregate result for the period	(798)		5,702	
Attributable to:				
Group	(759)		5,702	
Minority interest	(39)		0	

- 3rd quarter

GEFRAN GROUP	Q3/2012	Q3/2011
<i>(€,000)</i>		
REVENUES	32,668	36,033
Other operating income and revenues	87	227
Variation in inventories	(727)	(1,967)
Capitalized work	479	495
Cost of raw materials and accessories	(13,311)	(12,535)
Costs for services	(6,214)	(7,765)
Personnel costs	(10,058)	(9,360)
Sundry operating income and charges	(195)	714
GROSS OPERATING MARGIN	2,729	5,842
Amortisation, depreciation and write-downs	(1,720)	(1,536)
GROSS OPERATING MARGIN	1,009	4,306
Financial income and charges	(345)	(129)
OPERATING INCOME	664	4,177
Result for non-recurring transactions	0	0
PRE-TAX RESULT	664	4,177
Taxes for the period	64	(1,063)
RESULT FOR THE PERIOD	728	3,114
Attributable to:		
Group	729	3,114
Minority interest	(1)	0

3) CONSOLIDATED CASH FLOW

(€,000)	30 Sept. 2012	30 Sept. 2011
A) CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	15,071	13,163
B) CASH FLOW GENERATED BY (USED FOR) OPERATING ACTIVITIES IN THE PERIOD:		
Profit/loss for the period	(638)	5,723
Amortisation, depreciation and impairments	5,200	4,556
(Gain) losses from the disposal of non-current assets	(93)	(1)
Net result from financial operations	900	857
Dividends received	0	0
Change in provisions for risks and contingencies	(1,262)	(2,780)
Change in deferred taxes	(1,100)	818
Change in operating lease items	0	0
Change in trade receivables	2,942	(2,466)
Change in inventories	(1,099)	(3,006)
Change in trade payables	404	(6,485)
TOTAL	5,254	(2,784)
C) CASH FLOW GENERATED BY (USED FOR) INVESTMENTS		
Investments in:		
- Property, plant and machinery and intangible assets	(5,490)	(9,119)
- Equity investments	(66)	(289)
- Securities		
- Loans	52	(26)
Disposal of non-current assets	333	22
TOTAL	(5,171)	(9,412)
D) CASH FLOW GENERATED BY (USED FOR) FUNDING ACTIVITIES		
Taking out of long-term loans	3,000	11,426
Repayment of long-term loans	(4,957)	(3,719)
Increment (decrement) of short-term loans	(322)	2,866
Interest received (paid)	(801)	(633)
Change in net equity reserves	(1,502)	(466)
Dividends paid	(2,143)	(2,117)
TOTAL	(6,725)	7,357
Currency conversion differences on cash items	(40)	366
E) NET CHANGE IN CASH	(6,682)	(4,473)
F) CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,389	8,690

4) CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

Description	Share capital	Capital reserves	Fair value securities valuation reserve	Consolidation reserve	Currency conversion reserve	Other reserves	Retained profit/(loss)	Profit/(loss) for the period	Group's total equity	Minority interest	Total shareholders' equity
(€,000)											
Balance as at 1° January 2011	14,035	21,926	-62	11,299	-21	11,212	1,601	9,311	69,301	13	69,314
Allocation of the 2010 result											
- Other reserves and provisions				2,266			5,020	-7,194	92		92
- Dividends								-2,117	-2,117		-2,117
Income/(Charges) recognised to Equity			-21						-21		-21
Treasury share disposal	211					-291			-80		-80
Conversion reserve					377				377		377
Other movements				-260	-400	-616	486		-790		-790
2011 result								5,723	5,723		5,723
Balance as at 30 September 2011	14,246	21,926	-83	13,305	-44	10,305	7,107	5,723	72,485	13	72,498

Description	Share capital	Capital reserves	Fair value securities valuation reserve	Consolidation reserve	Currency conversion reserve	Other reserves	Retained profit/(loss)	Profit/(loss) for the period	Group's total equity	Minority interest	Total shareholders' equity
(€,000)											
Balance as at 1° January 2012	14,280	21,926	-66	13,297	1,040	10,648	7,119	8,713	76,957	457	77,414
Allocation of the 2011 result											
- Other reserves and provisions				4,673			4,040	-8,713	0		0
- Dividends							-2,143	-2,143	-2,143		-2,143
Income/(Charges) recognised to Equity			-120						-120		-120
Treasury share disposal	-4					1			-3		-3
Conversion reserve				-284	69				-215		-215
Other movements				-995			-4		-999		-999
2012 result								-639	-639	-39	-678
Balance as at 30 September 2012	14,276	21,926	-186	16,691	1,109	10,649	9,012	-639	72,838	418	73,256

5) EXPLANATORY NOTES

NOTE 1 – GENERAL INFORMATION

Gefran S.p.A. is established and located in Provaglio d’Iseo (BS), registered office at 74 Via Sebina. The Group’s main activities are described in the previous sections of the Interim Business Report .

NOTE 2 – FORMAT, CONTENTS AND SCOPE OF CONSOLIDATION

The Interim Business Report for the period ending on 30 September 2012 was drawn up in compliance with IAS 34, as required by art. 154-ter of the Consolidated Finance Act.

The Interim Business Report for the period ending on 30 September 2012 do not include all the supplementary information required in the yearly financial report, and should be read in conjunction with the consolidated financial statements as at 31 December 2011.

The Interim Business Report for the period ending on 30 September 2012 was prepared on the basis of the accounts as at 30 September 2012 kept in accordance with the international accounting standards adopted by the parent company Gefran S.p.A. and the following subsidiaries:

Companies	Group’s shareholding		
	September 2012	December 2011	September 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%	75.50%
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%

The consolidation area as at 30 September 2012 remained unchanged compared to that of 30 September 2011 and 31 December 2011.

This Interim Business Report, which was prepared on a consolidated basis, incorporates the financial statements and supplementary information required to draw up the consolidated explanatory notes prepared by the boards of directors of each subsidiary. Such statements have been prepared according to the same valuation criteria as those adopted by the parent company, or they have been adjusted at the consolidation stage.

The currency adopted in this interim financial report is the Euro, which is the Group’s functional currency.

This Interim Business Report as at 30 September 2012 was approved on 13 November 2012 by the Board of Directors, which authorised its publication.

5) EXPLANATORY NOTES

NOTE 3 – NET FINANCIAL POSITION

The table below shows a breakdown of the net financial position as at 30 September 2012.

Description	30 Sept. 2012	31 Dec. 2011	Change
(€,000)			
A. Cash on hand	39	42	(3)
B. Cash on bank deposits	7,411	14,532	(7,121)
Deposits bound for less than 3 months	939	497	442
C. Securities held for trading	939	497	442
D. Cash equivalents (A) + (B) + (C)	8,389	15,071	(6,682)
E. Short-term financial loans (*)	(1,306)	(1,279)	(27)
Intesa - S.Paolo loan	(1,333)	(1,333)	-
Centrobanca loan	(2,195)	(1,463)	(732)
Credito Emiliano loan	-	(343)	343
Credito Bergamasco loan	-	(345)	345
UBI – Banca loan	(1,028)	(1,010)	(18)
BNL loan	(1,000)	(1,000)	-
Unicredit loan	(1,231)	(923)	(308)
UBI – Banca loan	(483)	(238)	(245)
Mediocredito loan	(5,000)	-	(5,000)
Deutsche Bank	(600)	-	(600)
F. Current portion of long-term loans	(12,870)	(6,655)	(6,215)
G. Short-term bank loans (See note 16)	(8,781)	(9,130)	349
H. Total short-term loans (E) + (F) + (G)	(22,957)	(17,064)	(5,893)
I. Net short-term financial loans (H) – (D)	(14,568)	(1,993)	(12,575)
J. Long-term loans	(16,434)	(24,605)	8,171
L. Long-term financial loans (J)	(16,434)	(24,605)	8,171
M. Net financial indebtedness (I) + (L)	(31,002)	(26,598)	(4,404)
<i>of which pertaining to third parties:</i>	<i>(31,002)</i>	<i>(26,598)</i>	<i>(4,404)</i>

(*)(*) Current financial liabilities as at 31 December 2011 include €166,000 reclassified for debt factoring, which was previously included under medium/long-term loans.

Short-term loans increased by €12,575,000 as the result of €6,682,000 decrease in cash and €5,866,000 increase in bank loans. This is mainly due to reclassification of the €5,000,000 Mediocredito, which in December 2011 was classified as non-current bank loans, and recognition of the €600,000 short-term portion of the €3.000,000 loan taken out with the Deutsche Bank in March 2012.

Long-term indebtedness shows a decrease of €8,171,000, as the result of forthcoming reclassification of current portions of existing loans and the bullet loan obtained from Mediocredito.

Cash and cash equivalents decreased by €6,682,000, as detailed under section 3.3 of the cash flow statement in this interim business report, to which reference is made.

5) EXPLANATORY NOTES

NOTE 4 – LONG-TERM FINANCIAL LOANS

Long-term financial loans decreased by €8,171,000, as detailed in the table below.

Description	30/09/2012	31/12/2011	Change
(€,000)			
Intesa S.Paolo loan	667	1,667	(1,000)
Centrobanca loan	7,317	8,781	(1,464)
UBI – Banca loan	1,048	1,818	(770)
BNL loan	1,750	2,500	(750)
Unicredit loan	2,154	3,077	(923)
UBI – Banca loan	1,398	1,762	(364)
Mediocredito	-	5,000	(5,000)
Deutsche Bank	2,100	-	2,100
	-----	-----	-----
Total	16,434	24,605	(8,171)

The main changes relate to €4,957,000 repayment under the amortisation schedule of each loan and €3,000,000 new loans, of which €2,100,000 are recognised in long-term financial loans and the remaining part in short-term financial loans.

The table below shows a breakdown of the variable rate loans taken out by Gefran S.p.A.

Bank	Disbursed amount (€,000)	Date of signing	Balance as at 30 Sept. 2012	Expiry		Interest rate	maturity	repayment method
				within 12 months	over 12 months			
(€,000)								
Intesa - S.Paolo	Eur 6,000	29/04/09	2,000	1,333	667	3-month Euribor base + 1.45%	31/03/14	quarterly
Centrobanca	Eur 10,976	04/09/08	9,513	2,195	7,318	3-month Euribor base + 1.20%	01/10/18	half-yearly
UBI - Banca	Eur 5,000	11/09/09	2,076	1,028	1,048	Euribor 3m round + 1.50%	30/09/14	quarterly
BNL	Eur 4,000	30/04/11	2,750	1,000	1,750	3-month Euribor base + 1.20%	13/04/15	quarterly
Unicredit	Eur 4,000	24/06/11	3,384	1,231	2,153	3-month Euribor base + 1.10%	30/06/15	quarterly
UBI - Banca	Eur 2,000	27/06/11	1,881	483	1,398	3-month Euribor base + 1.30%	27/06/16	quarterly
Mediocredito	Eur 5,000	16/12/11	5,000	5,000	0	3-month Euribor base + 3.50%	14/06/13	single
Deutsche Bank	Eur 3,000	09/03/12	2,700	600	2,100	3-month Euribor base + 3.60%	31/03/17	quarterly
Total			29,304	12,870	16,434			

In order to mitigate the financial risk associated with variable rate loans, which mainly entail an increase in the Euribor interest rate, the Group decided to hedge the variable rate loans by entering into the following IRS (Interest Rate Swap) contracts.

Bank	Notional (€,000)	Date of signing	Balance as at 30 Sept. 2012	Derivative	Fair Value (€,000) as at 30 Sept. 2012	Long-position interest rate	Short-position interest rate
(€,000)							
Intesa - S.Paolo	Eur 6,000	29/04/09	2,000	IRS	(38)	2.35% fixed	3-month Euribor base
Centrobanca	Eur 9,550	31/03/10	9,513	IRS	(531)	3.11% fixed	3-month Euribor base
BNL	Eur 4,000	30/04/11	2,750	IRS	(97)	2.63% fixed	3-month Euribor base
Unicredit	Eur 4,000	24/06/11	3,384	IRS	(132)	2.51% fixed	3-month Euribor base
Deutsche Bank	Eur 3,000	09/03/12	2,700	IRS	(63)	1.34% fixed	3-month Euribor base
Total					(861)		

5) EXPLANATORY NOTES

NOTE 4 – LONG-TERM FINANCIAL LOANS

As at 30 September 2012 there were no out standing currency derivatives.

In order to support current activities, the Group has obtained different credit lines granted by banks and financial institution mainly in the form of credit facilities against invoices issued, cash flow and mixed credit lines for a total of €46,800,000. As at 30 September 2012, €7,200,000 were used overall, with a residual available amount of €38,700,000.

NOTE 5 – GUARANTEES, COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees granted

As at 30 September 2012 the Group had pledged guarantees on liabilities or commitments of third-party or related party debt for €16,436,000, up €4,500,000 compared to 31 December 2011 as detailed in the table below.

Description	30 Sept. 2012	31 Dec. 2011
Credito Bergamasco	100	100
Ubi Leasing	11,836	11,836
Banca Passadore	3,500	-
Banco di Brescia	1,000	-
	-----	-----
Total	16,436	11,936

Two bank guarantees were granted to UBI Leasing for a total of €11,836,000 to pledge financial obligations undertaken by BS Energia and Bs Energia 2 for the installation of two fotovoltaic systems.

The bank guarantee issued in favour of Banca Passadore pledges Bs Energia 2 S.r.l.'s credit line, and that in favour of Banco di Brescia Ensun S.r.l.'s credit line.

Legal proceedings and other disputes

The parent company and some of its subsidiaries are involved in various legal proceedings and disputes. It is, however, improbable that such proceedings will give rise to a significant liability for which provisions have not been already set aside.

Sales of receivables

The Group sold without recourse certain trade receivables falling due after 30 June 2012 for €200,000 (€100,000 million as at 31 December 2011 falling due after that date).

NOTE 6 – RELATED PARTIES

Pursuant to revised IAS 24, details of related party transactions are given below for the first nine months of 2012 and the corresponding period in 2011.

The transactions carried out by the Group are part of the normal management of the business and the core business of each entity involved and are carried out on commercial terms that are normal in the respective reference markets. The Group did not carry out any unusual and/or abnormal operations that may have a significant impact on its economic, equity and financial situation.

5) EXPLANATORY NOTES

NOTE 6 – RELATED PARTIES

On 12 November 2010, the Board of Directors of Gefran S.p.A. adopted the regulations governing related party transactions published in the company's website www.gefran.com, under Corporate Governance.

Below are details of the transactions carried out with other related parties:

- Elettropiemme S.r.l., a company in which Ennio Franceschetti (CEO of Gefran S.p.A.) holds the office of President (from 20 September 2011) and executive director. His office was renewed on 4 October 2012.
- Climat S.r.l., a company in which the director and member is a relative of Maria Chiara Franceschetti (director of Gefran S.p.A.)

It must be noted that the above relations have a non-material impact on the Group's economic and financial structure, and can be summarised in the following tables:

Companies	Costs and charges		Revenues and income	
	2012	2011	2012	2011
<i>(€,000)</i>				
Elettropiemme srl	0	27	27	245
Climat	85	79	2	0

Companies	Receivables and Other assets		Payables and other liabilities	
	30/09/2012	30/09/2011	30/09/2012	30/09/2011
<i>(€,000)</i>				
Elettropiemme srl	10	457	0	0
Climat	352	469	10	0

Transactions with related parties of an amount below €50,000 are not reported, in accordance with the internal regulation, since this amount was determined as threshold identifying significant transactions.

5) EXPLANATORY NOTES

NOTE 7 – EXCHANGE RATES USED IN THE CONVERSION OF FINANCIAL FIGURES FROM COMPANIES ABROAD

End-of-period exchange rates

Currencies	30 September 2012	31 December 2011	30 September 2011
Swiss franc	1.2099	1.2156	1.2170
Sterling pound	0.7981	0.8353	0.8667
US dollar	1.2930	1.2939	1.3503
Brazilian real	2.6232	2.4159	2.5067
Chinese renminbi	8.1261	8.1588	8.6207
Indian rupie	68.3480	68.7130	66.1190

Average exchange rates in the period

Currencies	30 September 2012	31 December 2011	30 September 2011
Swiss franc	1.2044	1.2340	1.2356
Sterling pound	0.8123	0.8678	0.8713
US dollar	1.2817	1.3917	1.4063
Brazilian real	2.4562	2.3259	2.2932
Chinese renminbi	8.1104	8.9961	9.1389
Indian rupie	68.0750	64.8669	63.6457

5) EXPLANATORY NOTES

NOTE 8 – INFORMATION BY BUSINESS AREA

Based on the elements that the management uses to make operating decisions and allocate resources to the different segments, Gefran has identified the following three business areas:

- Sensors for industrial use, with a full range of products for the measurement of four physical properties: temperature, pressure, position and force. The Group produces about two thirds of its sales abroad and has production facilities in Italy, USA and China. Primary sensor element are produced in Italy and the Group offers a calibration service approved in Italy for temperature, pressure and relative humidity measurements.
- Automation components for use in electronic instruments, with three product lines: electronic regulators, static units and advanced automation (industrial PCs, HMIs, PLCs and I/O modules). The Group exports over half of its turnover and the main production plant is located in Italy, in addition to the Brazilian plant for sales to the Latin American market.
- Drives for use in the field of electric motor control for speed regulation in CA, DC and brushless motors. A new range of inverters for photovoltaic installations (Radius) was launched in 2010. The Group exports about 60% of its turnover and has production plants in Italy, Germany and China.

Economic figures by business sector

As at 30 September 2012

(€,000)	Sensors	Components	Drives	Eliminations	Total
Revenues from the trade	28,048	21,158	48,494		97,700
<i>Inter-segment revenues</i>	276	3,686	258	(4,220)	-
Revenues	28,324	24,844	48,752	(4,220)	97,700
Gross operating margin	6,561	454	(1,559)		5,456
Operating result	5,107	(907)	(3,944)		256

As at 30 September 2011

(€,000)	Sensors	Components	Drives	Eliminations	Total
Revenues from the trade	27,703	22,022	51,969		101,694
<i>Inter-segment revenues</i>	198	2,294	434	(2,926)	-
Revenues	27,901	24,316	52,403	(2,926)	101,694
Gross operating margin	7,163	1,478	5,337		13,978
Operating result	5,792	377	3,253		9,422

Inter-segment sales are recognised at the transfer prices, which are substantially in line with the market prices.

5) EXPLANATORY NOTES

NOTE 9 – CONSOLIDATED INCOME STATEMENT, ANALYSIS BY QUARTER

	Q1		Q2		Q3		Q4	
	2012	2011	2012	2011	2012	2011	2011	2011
(€,000)								
a Revenues	28,256	31,826	36,689	33,608	32,755	36,260	37,709	139,403
b Consumption of materials and products	10,479	12,060	15,955	12,995	14,038	14,502	15,738	55,295
c Value added (a-b)	17,777	19,766	20,734	20,613	18,717	21,758	21,971	84,108
d Other operating costs	6,626	6,471	7,165	5,716	6,409	7,051	6,855	26,093
e Personnel costs	11,453	10,242	11,813	11,239	10,058	9,360	11,241	42,082
f Increases for in-factory works	623	605	650	820	479	495	602	2,522
g Gross operating margin - EBITDA (c-d-e+f+g)	321	3,658	2,406	4,478	2,729	5,842	4,477	18,455
h Depreciations and write-downs	1,718	1,501	1,762	1,519	1,720	1,536	1,633	6,189
i Operating income - EBIT (g-h)	(1,397)	2,157	644	2,959	1,009	4,306	2,844	12,266
l Financial result	(306)	(463)	(213)	(625)	(345)	(129)	836	(381)
m Recurrent business results (i+l)	(1,703)	1,694	431	2,334	664	4,177	3,680	11,885
n Non-recurrent transactions result	0	0	0	0	0	0	0	0
o Consolidated pre-tax result (m+n)	(1,703)	1,694	431	2,334	664	4,177	3,680	11,885
p Taxes	185	(631)	(318)	(788)	64	(1,063)	(246)	(2,728)
q Result including minority interest (o+p)	(1,518)	1,063	113	1,546	728	3,114	3,434	9,157
r Net result for minority interest	(23)	(2)	(15)	2	(1)	0	444	444
s Net result for the Group (q+r)	(1,495)	1,065	128	1,544	729	3,114	2,990	8,713

Provaglio d'Iseo, 13 November 2012

THE BOARD OF DIRECTORS

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, Valentina Montanari, the executive in charge of drawing up the accounting documents for Gefran S.p.A., hereby declare, pursuant to subsection 2 of art. 154-bis of the Consolidated Finance Act, that the information contained in the Interim business report as at 30 September 2012 corresponds to the documentary evidence and the company's books and accounting records.

Date: 13 November 2012

Signed by *Valentina Montanari*

Executive in charge of drawing up the accounting
documents

