SABAF GROUP

CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2014

GROUP STRUCTURE AND CORPORATE BODIES

Group structure

Direct parent company

SABAF S.p.A.

Subsidiaries and equity interest owned by the Group

Faringosi-Hinges S.r.l.	100%
Sabaf Immobiliare S.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf Mexico S.A. de c.v.	100%
Sabaf US Corp.	100%
Sabaf Appliance Components (Kunshan) Co. Ltd.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	100%
Sabaf Appliance Components Trading (Kunshan) Co. Ltd.	100%

Corporate Bodies

Board of Directors

Chairman	Giuseppe Saleri
Deputy Chairman	Cinzia Saleri
Deputy Chairman	Ettore Saleri
Deputy Chairman	Gianbattista Saleri
Chief Executive Officer	Alberto Bartoli
Director (*)	Salvatore Bragantini
Director (*)	Renato Camodeca
Director (*)	Giuseppe Cavalli
Director (*)	Leonardo Cossu
Director (*)	Fausto Gardoni
Director (*)	Maria Chiara Franceschetti
Director (*)	Nicla Picchi
Director (*)	Riccardo Rizza

(*) Independent directors

Board of Statutory Auditors

Chairman	Alessandro Busi
Standing Auditor	Enrico Broli
Standing Auditor	Anna Domenighini

Independent Auditor

Deloitte & Touche S.p.A.

Consolidated balance sheet and financial position

(€/000)	Notes:	31.12.2014	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	74,483	75,701
Real estate investment	**2**	7,228	7,674
Intangible assets	**3**	7,359	7,290
Equity investments	**4**	974	905
Non-current receivables	**5**	529	426
Deferred tax assets	**21**	5,579	5,471
Total non-current assets		**96,152**	**97,467**
CURRENT ASSETS			
Inventories	**6**	30,774	28,226
Trade receivables	**7**	40,521	36,442
Tax receivables	**8**	2,390	2,595
Other current receivables	**9**	1,095	874
Current financial assets	**10**	0	22
Cash and cash equivalents	**11**	2,958	5,111
Total current assets		**77,738**	**73,270**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**173,890**	**170,737**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**12**	11,533	11,533
Retained earnings, other reserves		90,867	98,318
Net profit for the year		8,338	8,104
Total equity interest of the Parent Company		*110,738*	*117,955*
Minority interests		*0*	*0*
Total shareholders' equity		**110,738**	**117,955**
NON-CURRENT LIABILITIES			
Loans	**14**	10,173	3,895
Post-employment benefit and retirement reserves	**16**	3,028	2,845
Reserves for risks and contingencies	**17**	605	672
Deferred tax	**21**	692	532
Total non-current liabilities		**14,498**	**7,944**
CURRENT LIABILITIES			
Loans	**14**	19,613	17,940
Other financial liabilities	**15**	105	2
Trade payables	**18**	19,328	18,963
Tax payables	**19**	2,453	1,494
Other liabilities	**20**	7,155	6,439
Total current liabilities		**48,654**	**44,838**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**173,890**	**170,737**

Consolidated income statement

(€/000)	Notes	2014	2013
CONTINUING OPERATIONS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	136,337	130,967
Other income	**24**	3,748	3,918
Total operating revenue and income		**140,085**	**134,885**
OPERATING COSTS			
Materials	**25**	(54,472)	(52,415)
Change in inventories		2,447	4,784
Services	**26**	(29,875)	(30,083)
Payroll costs	**27**	(32,180)	(31,339)
Other operating costs	**28**	(1,042)	(2,175)
Costs for capitalised in-house work		989	915
Total operating costs		**(114,133)**	**(110,313)**
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**25,952**	**24,572**
Depreciation and amortisation	**1, 2, 3**	(12,292)	(12,856)
Capital gains on disposals of non-current assets		63	71
Write-downs of non-current assets	**4.29**	(548)	(655)
OPERATING PROFIT		**13,175**	**11,132**
Financial income		61	138
Financial expenses	**30**	(592)	(775)
Exchange rate gains and losses	**31**	119	(186)
Profits and losses from equity investments	**4**	(606)	(498)
PROFIT BEFORE TAXES		**12,157**	**9,811**
Income tax	**32**	(3,819)	(1,707)
Minority interests		0	0
NET PROFIT FOR THE YEAR		**8,338**	**8,104**
EARNINGS PER SHARE (EPS)	**33**		
Base		**€0.723**	**€0.715**
Diluted		**€0.723**	**€0.715**

Consolidated comprehensive income statement

(€/000)	2014	2013
NET PROFIT FOR THE YEAR	**8,338**	**8,104**
Total profits/losses that will not later be reclassified under profit (loss) for the year:		
Actuarial post-employment benefit reserve evaluation	(283)	(12)
Tax effect	78	3
	(205)	(9)
Total profits/losses that will not later be reclassified under profit (loss) for the year:		
Forex differences due to translation of financial statements in foreign currencies	817	(4,558)
Cash flow hedges	(26)	26
Tax effect	5	(5)
	(21)	21
Total profits/(losses) net of taxes for the year	**591**	**(4,546)**
TOTAL PROFIT	**8,929**	**3,558**

Statement of changes in consolidated shareholders' equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Investment in own shares	Translation reserve	Cash flow hedge reserve	Post-employment benefit discounting reserve	Other reserves	Net profit for the year	Total Group shareholders' equity	Minority interest	Total shareholders' equity
Balance at 31 December 2012	**11,533**	**10,002**	**2,307**	**(2,339)**	**93**	**0**	**(402)**	**89,834**	**4,196**	**115,224**	**0**	**115,224**
Allocation of 2012 earnings												
- dividends paid out									(3,911)	(3,911)		(3,911)
- carried forward								285	(285)	0		0
Purchase/sale treasury shares				2,334				750		3,084		3,084
Total profit at 31 December 2013					(4,558)	21	(9)		8,104	3,558		3,558
Balance at 31 December 2012	**11,533**	**10,002**	**2,307**	**(5)**	**(4,465)**	**21**	**(411)**	**90,869**	**8,104**	**117,955**	**0**	**117,955**
Allocation of 2013 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,491	(3,491)	0		0
Extraordinary dividend								(11,533)		(11,533)		(11,533)
Total profit at 31 December 2014					817	(21)	(205)		8,338	8,929		8,929
Balance at 31 December 2014	**11,533**	**10,002**	**2,307**	**(5)**	**(3,648)**	**0**	**(616)**	**82,827**	**8,338**	**110,738**	**0**	**110,738**

Consolidated statement of cash flows

	12M 2014	12M 2013
Cash and cash equivalents at beginning of year	***5,111***	***6,137***
Net profit for period	8,338	8,104
Adjustments for:		
- Depreciation and amortization	12,292	12,856
- Realised gains	(63)	(71)
- Write-downs of non-current assets	548	655
- Losses from equity investments	606	498
- Net financial income and expenses	531	637
- Income tax	3,819	1,707
Change in post-employment benefit reserve	(158)	(145)
Change in risk provisions	(67)	40
Change in trade receivables	*(4,079)*	*1,526*
Change in inventories	*(2,548)*	*(4,190)*
Change in trade payables	*365*	*419*
Change in net working capital	(6,262)	(2,245)
Change in other receivables and payables. deferred tax	210	916
Payment of taxes	(2,325)	(2,096)
Payment of financial expenses	(553)	(706)
Collection of financial income	61	138
Cash flow from operations	**16,977**	**20,288**
Investments in non-current assets		
- intangible	(639)	(535)
- tangible	(9,843)	(9,491)
- financial	(1,223)	(456)
Disposal of non-current assets	214	242
Cash flow absorbed by investments	**(11,491)**	**(10,240)**
Repayment of loans	(16,993)	(15,668)
Raising of loans	25,047	7,572
Short-term financial assets	0	(22)
Sale of treasury shares	0	3,084
Payment of dividends	(16,146)	(3,911)
Cash flow absorbed by financing activities	**(8,092)**	**(8,945)**
Foreign exchange differences	453	(2,129)
Net financial flows for the year	**(2,153)**	**(1,026)**
Cash and cash equivalents at end of year (Note 10)	***2,958***	***5,111***
Current financial debt	19,718	17,941
Non-current financial debt	10,173	3,896
Net financial debt (Note 22)	***26,933***	***16,726***

Explanatory Notes

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

Consolidated year-end accounts of the Sabaf Group for the financial year 2014 have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with full-year financial statements for the previous year, prepared according to the same standards. The report consists of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the cash flow statement, and these explanatory notes. The financial statements have been prepared on a historical-cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and is considered a going concern. The Group found that, despite the difficult economic and business climate, there were no significant uncertainties (as defined by paragraphs 25 and 26 of IAS 1) on the continuity of the Company, including due to the strong competitive position, high profitability and solidity of the financial structure.

Financial statements

The Group has adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement that expresses revenue and expense items not recognised in profit (loss) for the year as required or permitted by IFRS;
- a cash flow statement that presents financial flows originating from operating activity, using the indirect method.

Use of these formats permits the most meaningful representation of the Group's capital, business, and financial status.

Scope of consolidation

The scope of consolidation at 31 December 2014 comprises the direct parent company Sabaf S.p.A. and the following companies that Sabaf S.p.A. controls:

- Faringosi Hinges s.r.l.
- Sabaf Immobiliare S.r.l.
- Sabaf do Brasil Ltda.
- Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
- Sabaf Appliance Components Trading (Kunshan) Co., Ltd.

The investment in subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd., a company formed in 2009 and which at 31 December 2014 had yet to initiate purchase, production and sales operations, is booked at equity, to reflect the results of the subsidiary in the consolidated financial statements, which is incurring start-up costs resulting in losses, pending the launch of sales and production activity, planned for the beginning of 2015.

The companies in which Sabaf S.p.A. simultaneously possess the following three elements are considered subsidiaries: (a) power over the company; (b) exposure or rights to variable returns resulting from involvement therewith; (c) ability to affect the size of these returns by exercising power; If these subsidiaries exercise a significant influence, they are consolidated as from the date in which control begins until the date in which control ends so as to provide a correct representation of the Group's income, investments and cash flow.

Sabaf Mexico and Sabaf U.S. have not been consolidated since they are immaterial for the purposes of consolidation.

Consolidation criteria

The data used for consolidation have been taken from the income statements and balance sheets prepared by the directors of individual subsidiary companies. These figures have been appropriately amended and restated, when necessary, to align them with international accounting standards and with uniform group-wide classification policies.

The policies applied for consolidation are as follows:

a) Assets and liabilities, income and costs in financial statements consolidated on a 100% line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. In addition, the carrying value of equity interests is eliminated against the shareholders' equity relating to subsidiary companies.

b) Positive differences arising from elimination of equity investments against the carrying value of shareholders' equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill. In accordance with the provisions of IFRS 3, the Group has changed the accounting treatment of goodwill on a prospective basis as from the transition date. Therefore, since 1 January 2004, the Group has not amortised goodwill and instead subjects it to impairment testing.

c) Payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intercompany transactions are eliminated.

d) If minority shareholders exist, the portion of shareholders' equity and net profit for the period pertaining to them is posted in specific items of the consolidated balance sheet and income statement.

Conversion into euro of foreign-currency income statements and balance sheets

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, each company's financial statements are expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements.

Balance-sheet items in accounts expressed in currencies other than euro are converted by applying current end-of-year exchange rates. Income-statement items are converted at average exchange rates for the year.

Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" in shareholders' equity.
Exchange rates used for conversion into euro of the company's foreign subsidiaries, prepared in local currency, are in the following table:

Description of the currency	**Exchange rate as at 31/12/14**	**Average exchange rate 2014**	**Exchange rate as at 31/12/13**	**Average exchange rate 2013**
Brazilian real	3.2207	3.1211	3.2576	2.8687
Turkish lira	2.8320	2.9065	2.9605	2.5335
Chinese renminbi	7.5358	8.1857	8.3491	8.1650

Reconciliation between parent company and consolidated shareholders' equity and net profit for the year

	31.12.2014		**31.12.2013**	
Description	Profit for the period	Shareholders' equity	Profit for the period	Shareholders' equity
Net profit and shareholders' equity of parent company Sabaf S.p.A.	**7,878**	**95,894**	**3,730**	**104,359**
Equity and consolidated company results	3,263	54,609	4,669	51,614
Elimination of consolidated equity investments' carrying value	(1,771)	(43,936)	939	(42,165)
Goodwill	0	4,445	0	4,445
Equity investments booked at net equity	0	73	0	5
Intercompany Eliminations				
Dividends	(970)	0	(1,034)	0
Other intercompany eliminations	(62)	(347)	(200)	(303)
Profit and Shareholders' Equity attributable to the Group	**8,338**	**110,738**	**8,104**	**117,955**

Segment reporting

The Group's operating segments in accordance with IFRS 8 - Operating Segment are identified in the business segments that generate revenue and costs, whose results are periodically reassessed by top management in order to assess performance and decisions regarding resource allocation. The Group operating segments are the following:
- gas components
- hinges.

Accounting policies

The accounting standards and policies applied for the preparation of the consolidated financial statements as at 31 December 2014, unchanged versus the previous year, are shown below:

Property, plant and equipment

These are recorded at purchase or manufacturing cost. The cost includes directly chargeable ancillary costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers. Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life, in years, is as follows:

Buildings	33
Light constructions	10
General plant	10
Plant and machinery	6 – 10
Equipment	4 – 10
Furniture	8
Electronic equipment	5
Vehicles and other transport means	4 – 5

Ordinary maintenance costs are expensed in the year they are incurred; costs that increase the asset value or useful working life are capitalised and depreciated according to the residual possibility of utilisation of the assets to which they refer.
Land is not depreciated.

Leased assets

Assets acquired via finance lease contracts are accounted for using the financial method and are reported with assets at their purchase value, less depreciation. Depreciation of such assets is reflected in the consolidated annual financial statements applying the same policy followed for Company-owned property, plant and equipment. Set against recognition of such assets, the amounts payable to the financial lessor are posted among short- and medium-/long-term payables. In addition, finance charges pertaining to the period are charged to the income statement.

Goodwill

Goodwill is the difference between the purchase price and fair value of subsidiary companies' identifiable assets and liabilities on the date of acquisition.
As regards acquisitions completed prior to the date of IFRS adoption, the Sabaf Group has used the option provided by IFRS 1 to refrain from applying IFRS 3 – concerning business combinations – to acquisitions that took place prior to the transition date. Consequently, goodwill arising in relation to past acquisitions has not been recalculated and has been posted in accordance with Italian GAAPs, net of amortisation reported up to 31 December 2003 and any losses caused by a permanent value impairment.
After the transition date, goodwill – as an intangible asset with an indefinite useful life – is not amortised but subjected annually to impairment testing to check for value loss, or more frequently if there are signs that the asset may have suffered impairment.

Other intangible assets
As established by IAS 38, other intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. When it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.

Such assets are measured at purchase or production cost and - if the assets concerned have a finite useful life - are amortised on a straight-line basis over their estimated useful life.
The useful life of projects for which development costs are capitalised is estimated to be 10 years.
The SAP management system is amortised over five years.

Impairment of value
At each balance-sheet date, the Group reviews the carrying value of its tangible and intangible assets to see whether there are signs of impairment of the value of these assets. If there is any indication in this sense, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate recoverable value individually, the Group estimates the recoverable value of the cash-generating unit (CGU) to which the asset belongs.
In particular, the recoverable value of the cash generating units (which generally coincide with the legal entity which the capitalised assets refer to) is verified by determining the value of use. The recoverable amount is the higher between the net selling price and value in use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects fair market valuations of the present cost of money and specific asset risk. The assumptions used for calculating the value of use concerns the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for calculation, during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sale prices are based on past experience and on the expected future changes in the market. The Group prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the consolidated companies, draws up four-year forecasts and determines the terminal value (current value of perpetual income), which expresses the medium and long term operating flows in the specific sector.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or CGU) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment of value. Reversal of impairment loss is recognised as income in the income statement.

Real estate investment
As allowed by IAS 40, non-operating buildings and constructions are assessed at cost net of depreciation and losses due to cumulative impairment of value. The depreciation criterion applied is the asset's estimated useful life, which is considered to be 33 years.

If the recoverable amount of investment property – determined based on the market value of the real estate – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or CGU) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment of value. Reversal of impairment loss is recognised as income in the income statement.

Equity investments and non-current receivables
The investment in subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd., a company formed in 2009 and which at 31 December 2014 had yet to initiate purchase, production and sales operations, is booked at equity, to reflect in the consolidated financial statements the results of the subsidiary, which is incurring start-up costs resulting in losses, pending the launch of production.
Other equity investments not classified as held for sale are stated in the accounts at cost, reduced for impairment. The original value is written back in subsequent years if the reasons for write-down cease to exist.
Non-current receivables are stated at their presumed realisable value.

Inventories
Inventories are measured at the lower of purchase or production cost – determined using the weighted average cost method – and the corresponding fair value represented by the replacement cost for purchased materials and of the presumed realisable value for finished and semi-processed products – calculated taking into account any conversion costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Inventories subject to obsolescence and low turnover are written down in relation to their possibility of use or realisation. Inventory write-downs are eliminated in subsequent years if the reasons for such write-downs cease to exist.

Receivables
Receivables are recognised at their presumed realisable value. Their face value is adjusted to a lower realisable value via specific provisioning directly reducing the item based on in-depth analysis of individual positions. Trade receivables assigned on a no-recourse basis, despite being transferred legally, continue to be stated with "Trade receivables" until they are collected, which is never prior to the due date. Trade receivables past due and non-recoverable assigned on a non-recourse basis are recorded under "Other current receivables"

Current financial assets
Financial assets held for trading are measured at the fair value, allocating profit and loss effects to finance income or expense.

Reserves for risks and contingencies
Reserves for risks and contingencies are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use

of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the effect is significant, the provisions are calculated by actualising future financial flows estimated at an actualisation rate estimated including taxes that reflect current market valuations of the current value of the cash and specific risks associated with the liability.

Post-employment benefit reserve

The reserve for Italian post-employment benefit obligations is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. The rules for such provisions were changed by Italian Law no. 296 of 27 December 2006 and the subsequent decrees and regulations issued in the early months of 2007. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at balance-sheet). Conversely, portions accruing after that date are treated as defined-contribution plans. Actuarial gains or losses are recorded immediately under "Other total profits/(losses)".

Payables

Payables are recognised at the face value. The portion of interest included in their face value and not yet payable at period-end is deferred to future periods.

Loans

Loans are initially recognised at cost, net of related costs of acquisition. This value is subsequently adjusted to allow for any difference between initial cost and repayment value over the loan's duration using the effective interest-rate method.
Loans are classified among current liabilities unless the Group has the unconditional right to defer discharge of a liability by at least 12 months after the date of reference.

Policy for conversion of foreign-currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on transaction date.
At year-end, assets and liabilities expressed in foreign currencies, with the exception of non-current items, are posted at the spot exchange rate in force at year-end and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting

The Group's business is exposed to financial risks relating to changes in exchange rates, commodity prices, and interest rates. The company uses derivative instruments (mainly forward contracts on currencies and commodity options) to hedge risks stemming from

changes in foreign currencies relating to irrevocable commitments or to future transactions planned.
The Group does not use derivatives for trading purposes.
Derivatives are initially recognised at cost and are then adjusted to the fair value on subsequent closing dates.
Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Group's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.
For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in the fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.
Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.
Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue recognition
Revenue is reported net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.
Sales revenue is reported when the company has transferred the significant risks and rewards associated with ownership of the goods and the amount of revenue can be reliably measured.
Revenues of a financial nature are recorded based on an accrual basis.

Financial income
Finance income includes interest receivable on funds invested and income from financial instruments, when not offset as part of hedging transactions. Interest income is recorded in the income statement at the time of vesting, taking effective output into consideration.

Financial charges
Financial expense includes interest payable on financial debt calculated using the effective interest method and bank expenses.

Income taxes for the year
Income taxes include all taxes calculated on the Group's taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Other taxes not relating to income, such as property taxes, are included among operating expenses. Deferred taxes are provisioned according to the global liability provisioning method. They are calculated on all temporary differences emerging between the taxable base of an asset and liability and its book value in the consolidated balance sheet, with the exception of goodwill that is not tax-deductible and of differences stemming from investments in subsidiaries for which cancellation is not envisaged in the foreseeable future. Deferred tax assets on unused tax losses and tax credits carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legal right to settle on a net basis. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applicable, according to the respective regulations of the countries where the Group operates, in the years when temporary differences will be realised or settled.

Dividends
Dividends are posted on an accrual basis when the right to receive them materialises, i.e. when shareholders approve dividend distribution.

Treasury shares
Own shares are booked as a reduction of shareholders' equity. The carrying value of own shares and revenues from any subsequent sales are recognised in the form of changes in shareholders' equity.

Earnings per share
Basic EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of shares outstanding, adjusted to take into account the effects of all potential ordinary shares with dilutive effects.

Use of estimates
Preparation of the financial statements and notes in accordance with IFRS requires management to make estimates and assumptions that affect the carrying values of assets and liabilities and the disclosures on contingent assets and liabilities as of the balance sheet date. Actual results could differ from these estimates. Estimates are used to measure tangible and intangible assets subject to impairment testing, as described earlier, as well as to measure credit risks, inventory obsolescence, depreciation and amortisation, asset write-downs, employee benefits, taxes, and other provisions. Specifically:

Recoverable value of tangible and intangible assets

The procedure for determining impairment of value in tangible and intangible assets described under “Impairment of value“ implies – in estimating the value of use – the use of the Business Plan of subsidiaries, which are based on a series of assumptions and hypotheses relating to future events and actions of the subsidiaries’ management bodies, which may not necessarily come about. In estimating market value, however, assumptions are made on the expected trend in trading between third parties based on historical trends, which may not actually be repeated.

Provisions for credit risks

Credit is adjusted by the related provision for doubtful accounts to take into account its recoverable value. To determine the size of the write-downs, management must make subjective assessments based on the documentation and information available regarding, among other things, the customer’s solvency, as well as experience and historical payment trends.

Provisions for inventory obsolescence

Warehouse inventories subject to obsolescence and slow turnover are systematically valued, and written down if their recoverable value is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.

Employee benefits

The current value of liabilities for employee benefits depends on a series of factors determined using actuarial techniques based on certain assumptions. Assumptions concern the discount rate, estimates of future salary increases, and mortality and resignation rates. Any change in the above-mentioned assumptions could have significant effects on liabilities for pension benefits.

Income tax

The Group is subject to different bodies of tax legislation on income. Determining liabilities for Group taxes requires the use of management valuations in relation to transactions whose tax implications are not certain on the balance sheet date. Furthermore, the valuation of deferred taxes is based on income expectations for future years; the valuation of expected income depends on factors that could change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions and reserves

In estimating the risk of potential liabilities from disputes, management relies on communications regarding the status of recovery procedures and disputes from the lawyers who represent the Group in litigation. These estimates are determined taking into account the gradual development of the disputes, considering existing exemptions.

Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

New accounting standards

Accounting standards and amendments applicable from 1 January 2014

The IASB issue the standard **IFRS 10 – *Consolidated Financial Statements*** which will replace il SIC-12 *Consolidation – Special-purpose entities* and parts of IAS 27 – *Consolidated and separate financial statements,* which will be renamed Separate financial statements and will regulate the accounting treatment of equity investments in the separate financial statements. The main changes established by the new standard are as follows:

- According to IFRS 10, there is a single underlying principle regarding the consolidation of all types of entity, which is based on control. This change removes the inconsistency seen between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
- A more solid definition of control has been introduced, based on three factors: (a) power over the acquired company; (b) exposure or rights to variable returns resulting from involvement therewith; (c) ability to affect the size of these returns by exercising power;
- IFRS 10 requires that, to assess if it has control over an acquired company, an investor is focused on the assets that significantly influence its returns;
- IFRS 10 requires that, in assessing the existence of control, only substantive rights are considered, i.e. those that are exercisable in practice when decisions relevant to the acquired company must be taken;
- IFRS 10 provides practical support guides to assess if control exists in complex situations, such as de facto control, potential voting rights, situations in which it is necessary to establish if those with decision-making power are acting as agent or principal, etc.

In general terms, IFRS 10 requires a significant degree of judgement over a number of aspects relating to its application. The standard is to be applied retrospectively from 1 January 2014. The application of this standard did not have any effect on the Group's consolidated financial statements as at December 31 2014.

The IASB issued standard **IFRS 11 – *Joint arrangements*** che which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Joint-controlled entities – Non-monetary contributions by Venturers*. Without prejudice to the criteria to identify the presence of joint control, the new standard provides the criteria for the accounting treatment of joint arrangements based on rights and obligations resulting from agreements rather than their legal form, and establishes the equity method as the only method of accounting for interests in joint ventures in consolidated financial statements. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. The new standard is to be applied retrospectively from 1 January 2014. Following the issuing of the standard, IAS 28 – *Investments in Associates* has been amended to include interests in joint ventures in its scope from the date the standard becomes effective. As there are no existing joint arrangements, the application of this standard did not have any effect on the Group's consolidated financial statements as at December 31 2014.

The IASB issued standard **IFRS 12 – *Disclosure of interests in other entities*** a new and complete standard on the additional information to be provided in the consolidated financial statements for every type of interest, including those in subsidiaries, joint arrangements, affiliates, special purpose vehicles and other non-consolidated entities. The standard is to be applied retrospectively from 1 January 2014. The application of this standard did not involve additions to the information already exposed in the Group's consolidated financial statements at 31 December 2013 with regard to these investments.

The IASB issued some amendments to ***IAS 36*** – Impairment of assets – Recoverable amount disclosures for non-financial assets. The amendments are intended to clarify that the additional information required concerning the recoverable amount of assets (including goodwill) or cash-generating units if their recoverable amount is based on fair value less costs of disposal only concerns the assets or cash-generating units for which an impairment has been recorded or restored during the year. The changes apply retrospectively from 1 January 2014. The adoption of these amendments did not have any effect on the Group's consolidated financial statements as at 31 December 2014.

Accounting standards and amendments not yet applicable and not yet adopted in advance by the Group

On 12 December 2013, the IASB published the document ***Annual Improvements to IFRSs: 2010-2012 Cycle***, which includes the changes to the principles under the scope of the annual improvement process of same. The main changes involve: IFRS 2 Share Based Payments – Definition of vesting condition. IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments, IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables, IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization, IAS 24 Related Parties Disclosures – Key management personnel.
The changes apply starting from the financial years which began on 1 February 2015 or a later date. Although the systematic analysis of the various cases is not yet completed, the Directors do not expect there to be a significant effect on the Group's consolidated financial statements from the adoption of these changes.

On 28 May 2014, the IASB published the standard IFRS 15 ***- Revenue from Contracts with Customers,*** which will replace IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as interpretations IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The new revenues recognition model will apply to all contracts signed with customers except for those which come under the scope of application of other IAS/IFRS principles such as leasing, insurance contracts and financial instruments. The fundamental passages for the recognition of revenues according to the new model are:

- the identification of the contract with the customer;
- the identification of the contract's performance obligations;
- the determining of the price;
- the allocation of the price to the contract's performance obligations;

- the recognition of revenue when the entity satisfies a performance obligation.

The principle applies from 1 January 2016 but early application is permitted. Although the systematic analysis of the various cases is not yet completed, taking into consideration the type of activity conducted by the Group and the types of contracts, the Directors do not expect the application of the new standard to have a significant impact.

On 24 July 2014, the IASB published the final version of **IFRS 9 – Financial instruments.** The document includes the results of the phases relating to the classification and valuation, impairment and hedge accounting, of the IASB project designed to replace IAS 39. The new standard, which replaces the previous versions of IFRS 9, should be applied by financial statements from 1 January 2018 onwards.

On 25 September 2014, the IASB published the document ***Annual Improvements to IFRSs: 2012-2014 Cycle"***. The changes introduced by the document apply starting from the financial years which begin on 1 January 2016 or a later date.
The document introduces changes to the following standards:
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.
IFRS 7 – Financial instruments: Disclosure.
IAS 19 – Employee Benefits.
IAS 34 – Interim Financial Reporting.

On 18 December 2014, the IASB issued an amendment to ***IAS 1 – Disclosure Initiatives.*** The objective of the changes is to provide clarification with regard to elements of information which could be perceived as impediments to a clear and intelligible preparation of the financial statements. The following changes were made:
- Materiality and aggregation: it was clarified that a company should not obscure information by adding to it or subtracting from it and that considerations relating to materiality apply to financial statements, notes to financial statements and specific IFRS information requirements. The disclosures specifically required by the IFRSs should only be provided if the information is material;
- Statement of financial position and comprehensive income statement: it was clarified that the list of items specified by IAS 1 can be disaggregate or aggregate depending on the case. A guideline is also provided on the use of sub-totals within the tables;
- Presentation of elements of Other Comprehensive Income ("OCI"): it is clarified that the share of OCI of associate companies and joint ventures consolidated using the net equity method should be presented in aggregate in a single item, in turn divided between components susceptible or not to future income statement reclassifications;
- Notes to the financial statements: it is clarified that the entities enjoy flexibility in defining the structure of the notes to the financial statements and guidelines are provided on how to systematically order these notes.

The changes introduced by the document apply starting from the financial years which begin on 1 January 2016 or a later date. Although the systematic analysis of the various cases is not yet completed, the Directors do not expect there to be a significant effect on the Group's consolidated financial statements from the adoption of these changes.

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31 December 2012	**53,182**	**160,669**	**31,008**	**3,227**	**248,086**
Increases	211	4,853	2,690	737	8,491
Disposals	-	(1,671)	(352)	(16)	(2,039)
Reclassifications	-	1,533	357	(1,890)	-
Forex differences	(1,507)	(1,478)	(377)	(117)	(3,479)
At 31 December 2013	**51,886**	**163,906**	**33,326**	**1,941**	**251,059**
Increases	78	4,586	2,349	2,845	9,858
Disposals	-	(1,211)	(34)	-	(1,245)
Reclassifications	6	711	206	(936)	(15)
Forex differences	207	186	44	2	439
At 31 December 2014	**52,177**	**168,178**	**35,891**	**3,850**	**260,096**
Cumulative amortisation					
At 31 December 2012	**11,331**	**129,188**	**26,129**	**-**	**166,648**
Depreciation of the year	1,472	7,707	2,453	-	11,632
Eliminations for disposals	-	(1,617)	(311)	-	(1,928)
Reclassifications	6	15	37	-	58
Forex differences	(106)	(690)	(256)	-	(1,052)
At 31 December 2013	**12,703**	**134,603**	**28,052**	**-**	**175,358**
Depreciation of the year	1,458	7,417	2,399	-	11,274
Eliminations for disposals	-	(1,125)	(36)	-	(1,161)
Reclassifications	6	(15)	76	-	67
Forex differences	11	52	12	-	75
At 31 December 2014	**14,178**	**140,932**	**30,503**	**-**	**185,613**
Net carrying value					
At 31 December 2014	**37,999**	**27,246**	**5,388**	**3,850**	**74,483**
At 31 December 2013	**39,183**	**29,303**	**5,274**	**1,941**	**75,701**

The breakdown of the net carrying value of Property was as follows:

	31.12.2014	**31.12.2013**	**Change**
Land	6,900	6,838	62
Industrial buildings	31,099	32,345	(1,246)
Total	**37,999**	**39,183**	**(1,184)**

The net carrying value of industrial property includes an amount of €2,382,000 (€7,744,000 at 31 December 2013) relating to industrial buildings held under finance leases.

The main investments in the year related to the industrialisation of new models of special burners and light alloy valves, sales of which are expected to increase further in the future. The production capacity at the Turkish plant also increased and investments were also made to improve production processes - including the purchase of new alcohol washing facilities - and investments were made in maintenance and replacement, designed to keep the capital equipment constantly updated. Decreases mainly relate to

the disposal of machinery no longer in use. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2014, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2012	**12,257**
Increases	1,000
Disposals	-
At 31 December 2013	**13,257**
Increases	-
Disposals	-
At 31 December 2014	**13,257**

Cumulative amortisation	
At 31 December 2012	**4,864**
Depreciation of the year	335
Write-downs for impairment	384
Eliminations for disposals	-
At 31 December 2013	**5,583**
Depreciation of the year	446
Write-downs for impairment	-
Eliminations for disposals	-
At 31 December 2014	**6,029**

Net carrying value	
At 31 December 2014	7,228
At 31 December 2013	7,674

This item includes non-operating buildings owned by the Group: these are mainly properties for residential use held for rental or sale.
At 31 December 2014, the Group found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of property, plant and equipment was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
Cost					
At 31 December 2012	**9,008**	**5,729**	**3,765**	**558**	**19,060**
Increases	-	85	405	45	535
Reclassifications	-	73	(64)	(9)	-
Decreases	-	(2)	(272)	(2)	(276)
Forex differences	-	(8)	-	-	(8)
At 31 December 2013	**9,008**	**5,877**	**3,834**	**592**	**19,311**
Increases	-	103	484	52	639
Reclassifications	-	-	-	-	-
Decreases	-	-	-	-	-
Forex differences	-	-	-	-	-
At 31 December 2014	**9,008**	**5,980**	**4,318**	**644**	**19,950**
Amortisation/Write-downs					
At 31 December 2012	**4,563**	**4,757**	**1,377**	**450**	**11,145**
Amortisation 2013	-	568	291	20	879
Decreases	-	(2)	-	-	(2)
Forex differences	-	(2)	-	-	(2)
At 31 December 2013	**4,563**	**5,320**	**1,668**	**470**	**12,021**
Amortisation 2014	-	208	343	19	570
Decreases	-	-	-	-	-
Forex differences	-	-	-	-	-
At 31 December 2014	**4,563**	**5,528**	**2,011**	**489**	**12,591**
Net carrying value					
At 31 December 2014	**4,445**	**452**	**2,307**	**155**	**7,359**
At 31 December 2013	**4,445**	**557**	**2,166**	**122**	**7,290**

Goodwill
The Group verifies the ability to recover goodwill at least once a year or more frequently if there may be value impairment. Recoverable value is determined through value of use, by discounting expected cash flows. Goodwill booked in the balance sheet mainly arises from acquisition of Faringosi Hinges S.r.l. and is allocated to the “Hinges” CGU (cash generating unit).

In 2014, the results of the "Hinges" CGU showed an improvement over the previous year, both in terms of sales performance and as far as profitability was concerned. This, however, remained slightly negative because production volumes were not yet sufficient to support fixed costs. Actions were undertaken designed to improve operating efficiency, whose effect will be seen fully in 2015. Decisive steps were also taken to start supplying a special product (hinges which allow the soft closing of oven doors) to a major customer.

The 2015-2019 plan, drawn up at the end of 2014, projects a gradual recovery in sales and profitability, to which the new products will also make a contribution. At 31 December 2014, the Group tested the carrying value of its Hinges CGU for impairment, determining its recoverable value, considered to be equivalent to its usable value, by discounting expected future cash flow. Following the fact that the elements of uncertainty were significantly reduced compared with the plans prepared in previous years, it was deemed preferable not to carry out a multi-scenario analysis (like in 2013), but to carry out an evaluation based exclusively on the plan developed by management. This plan was actually prepared incorporating the risk of realisability through the 75% weighting of the expected contribution of the new products, and represents a scenario which is comparable with the interim scenario considered for the impairment test at 31 December 2013.

Cash flows for the period 2015-2019 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity. The value of use was calculated based on a discount rate (WACC) of 8.76% (8.62% in the impairment test conducted while drafting the separate financial statements at 31 December 2013) and a growth rate (g) of 1.50%, which is in line with historic data.

The recoverable value determined based on the assumptions and assessment techniques mentioned above is €9,213 million, compared with a carrying value of the assets allocated to the Hinges CGU of €7,092 million; consequently, the value recorded for goodwill at 31 December 2014 was deemed recoverable.

Note that the performance for sales, profitability and orders in the first months of 2015 confirm the positive trend on which the development of the plan was based.

Sensitivity analysis
The table below shows the changes in recoverable value depending on changes in the WACC discount rate and growth factor g, also in the “best estimate” and “steady state” scenarios:

(€‘000)					
			growth rate		
discount rate	**1.00%**	**1.25%**	**1.50%**	**1.75%**	**2.00%**
7.76%	10,093	10,401	10,734	11,095	11,487
8.26%	9,375	9,636	9,917	10,220	10,547
8.76%	8,749	8,973	9,213	9,470	9,746
9.26%	8,199	8,393	8,599	8,820	9,055
9.76%	7,711	7,880	8,060	8,250	8,453

Patents, software and know-how
Software investments relate to the extension of the application area and the companies covered by the Group’s management system (SAP).

Development costs
The main investments in the year related to the development of new products, including various versions of special burners and a new model of light-alloy kitchen valves (research and development activities conducted over the year are set out in the Report on Operations).

4. INVESTMENTS

	31.12.2013.	Capital increases	Losses from equity investments	Value decreases of equity investments	Forex differences	31.12.2014.
Sabaf Appliance Components (Kunshan)	179	1,150	(606)	-	73	796
Sabaf Mexico	548	-	-	(548)	-	0
Sabaf US	139	-	-	-	-	139
Other shareholdings	39	-	-	-	-	39
Total	**905**	**1,150**	**(606)**	**(548)**	**73**	**974**

Sabaf Appliance Components (Kunshan) Co., Ltd., the Chinese company formed in 2009, has not yet launched purchase, production and sales operations. At the end of 2014 the first investments were made for the start of the production of special burners for the Chinese market, expected in the first half of 2015. To support these investments and start-up costs, the Parent Company made capital increases of €1,150,000 during the year. At the end of the year the value of the investment was adjusted to the company's net equity, with the costs sustained by the subsidiary recorded in the consolidated financial statements (Note 30).

In 2014, the Mexican subsidiary, which has never actually been fully operational, was placed in liquidation as it was deemed no longer functional for the strategic goals of the group, which intends to concentrate activities in North America through Sabaf US. Since only a negligible recovery of the capital paid in is expected from the liquidation, the investment was totally written down by €548,000 (Note 29).

The subsidiary Sabaf US operates as a commercial base for North America. The carrying value of the investment is deemed recoverable taking into consideration expected developments on the North American market.

5. NON-CURRENT RECEIVABLES

	31.12.2014	**31.12.2013**	**Change**
Tax receivables	518	396	122
Guarantee deposits	9	28	(19)
Other	2	2	-
Total	**529**	**426**	**103**

Tax receivables relate to indirect taxes expected to be recovered after 2015.

6. INVENTORIES

	31.12.2014	31.12.2013	Change
Commodities	10,497	9,273	1,224
Semi-processed goods	10,355	11,276	(921)
Finished products	12,141	9,977	2,164
Obsolescence provision	(2,219)	(2,300)	81
Total	**30,774**	**28,226**	**2,548**

The value of final inventories at 31 December 2014 increased following the ever growing request of customers to operate on consignment stock (method through which the product remains our property until the moment it is used for production by the customer) and the opportunity of buying commodities at lower prices than expected for 2015 supplies. The obsolescence provision reflects the improved estimate of the obsolescence risk, based on specific analyses conducted at the end of the year on slow- and non-moving products.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2014	31.12.2013	Change
Italy	17,214	15,944	1,270
Western Europe	3,106	4,957	(1,851)
Eastern Europe and Turkey	8,595	5,522	3,073
Asia and Oceania	5,839	5,313	526
South America	3,247	4,364	(1,117)
Africa	1,406	675	731
North America and Mexico	1,783	1,542	241
Gross total	**41,190**	**38,317**	**2,873**
Provision for doubtful accounts	(669)	(1,875)	1,206
Net total	**40,521**	**36,442**	**4,079**

At 31 December 2014 the value of trade receivables was up against the previous year, following the significant increase in sales in the last quarter. At 31 December 2014, trade receivables included balances totalling approximately USD 4,095,000, booked at the EUR/USD exchange rate in effect on 31 December 2014, i.e. 1.2141. The amount of trade receivables recognised in accounts includes €6.3 million of receivables assigned on a no-recourse basis (€8.8 million at 31 December 2013) and approximately €13 million in insured credits. The provision for doubtful accounts at the beginning of the year was partly used to recognise losses on receivables which became definite during 2014, including the most significant one resulting from the bankruptcy of Fagor; at the end of the year the provision was adequate to reflect the best estimate of credit risk updated at 31 December 2014.

	31.12.2014	31.12.2013	Change
Current receivables (not past due)	35,285	30,836	4,449
Outstanding up to 30 days	2,200	2,833	(633)
Outstanding from 30 to 60 days	932	1,087	(155)
Outstanding from 60 to 90 days	507	666	(159)
Outstanding for more than 90 days	2,266	2,895	(629)
Total	**41,190**	**38,317**	**2,873**

Of the receivables assigned on a non-recourse basis, €8.5 million are booked under "current receivables" and €0.3 million under "outstanding up to 30 days".

8. TAX RECEIVABLES

	31.12.2014	31.12.2013	Change
From Giuseppe Saleri SapA for IRES	1,262	1,287	(25)
From inland revenue for VAT	464	430	34
From inland revenue for IRAP	-	1	(1)
Other tax receivables	664	877	(213)
Total	**2,390**	**2,595**	**(205)**

Since 2004, Italian companies of the Group have been part of the national tax consolidation scheme pursuant to articles 117/129 of the Unified Income Tax Law. This option was renewed in 2013 for another three years. In this scheme, Giuseppe Saleri S.a.p.A., the parent company of Sabaf S.p.A., acts as the consolidating company.

At 31 December 2014 the receivable from Giuseppe Saleri S.a.p.A. includes, for €1,159,000, the receivable from the deductibility of IRAP from IRES relating to the expenses incurred for employees for the period 2006-2011 (Legislative Decree 201/2011), for which the consolidating company has presented an application for a refund and which will revert to the Sabaf Group companies for the share pertaining to them as soon as it is refunded.

Other tax receivables mainly refer to receivables in respect of indirect Brazilian and Turkish taxes.

9. OTHER CURRENT RECEIVABLES

	31.12.2014	31.12.2013	Change
Credits to be received from suppliers	311	169	142
Advances to suppliers	93	70	23
Other	691	635	56
Total	**1,095**	**874**	**221**

10. CURRENT FINANCIAL ASSETS

	31.12.2014	31.12.2013	Change
Derivative instruments on interest rates	-	22	(22)
Total	**0**	**22**	**(22)**

At 31 December 2013 this item includes the positive fair value of a USD 510,000 forward sale contract maturing in 2014.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €2,958,000 at 31 December 2014 (€5,111,000 at 31 December 2013) consisted of bank current-account balances of approximately €2.7 million and sight deposits €0.3 million.

12. SHARE CAPITAL

The parent company's share capital consists of 11,533,450 shares of a par value of €1.00 each. The share capital paid-in and subscribed did not change during the year.

13. TREASURY SHARES

At 31 December 2014, the parent company Sabaf S.p.A. held 507 treasury shares (0.004% of share capital), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €9.006 (the market value at the year-end was €11.236).
There were 11,532,943 outstanding shares at 31 December 2014 (like at 31 December 2013).
Sabaf S.p.A. did not purchase or sell treasury shares during the year.

14. LOANS

	31.12.2014		31.12.2013	
	Current	Non Current	Current	Non Current
Property leasing	138	1,898	135	2,036
Property mortgages	924	935	911	1,859
Unsecured loans	2,660	7,340	317	-
Short-term bank loans	9,647	-	8,950	-
Advances on bank receipts or invoices	6,203	-	6,504	-
Advances from factoring companies	-	-	1,074	-
Interest payable	41	-	49	-
Total	**19,613**	**10,173**	**17,940**	**3,895**

Two unsecured loans of €5 million each were taken out in the year, repayable at constant instalments, one expiring in three years and the other in five years.
All outstanding bank loans are denominated in euro, at a floating rate linked to the

Euribor, with the exception of a short-term loan of USD 2 million.
The loans are not bound by contractual provisions (covenants).
Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2014	31.12.2013	Change
Derivative instruments on foreign exchange rates	105	-	105
Derivative instruments on interest rates	-	2	(2)
Total	**105**	**2**	**103**

At 31 December 2014 this item included the negative fair value of a term sales agreement for USD 1.2 million at an exchange rate of 1.36 agreed with regard to the foreign exchange rate risk described in Note 36. Exchange rate losses of the same amount were recorded in the income statement.

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT RESERVES

	31.12.2014	31.12.2013
Liabilities at 1 January	**2,845**	**2,928**
Financial charges	58	69
Amounts paid out	(158)	(164)
Actuarial losses	283	12
Liabilities at 31 December	**3,028**	**2,845**

Following the revision of IAS 19 - Employee benefits, from 1 January 2013, all actuarial gains or losses are recorded immediately in the comprehensive income statement ("Other comprehensive income") under the item "Actuarial income and losses".

Post-employment benefits are calculated as follows:

Financial assumptions

	31.12. 2014	*31.12.2013.*
Discount rate	1.40%	2.70%
Inflation	2.00%	2.00%

Demographic theory

	31.12. 2014	*31.12.2013.*
Mortality rate	ISTAT 2010 M/F	ISTAT 2010 M/F
Disability rate	INPS 1998 M/F	INPS 1998 M/F
Staff turnover	6% per year on all ages	6% per year on all ages
Advance payouts	5% per year	5% per year
Retirement age	in agreement with the legislation in force at 31 December 2014	in agreement with the legislation in force at 31 December 2013

According to article 83 of IAS 19, which relates to the definition of actuarial assumptions and specifically the discount rate, these should be determined with reference to the yields on high-quality corporate bonds, i.e. those with low credit risk. With reference to the definition of "Investment Grade" securities, for which a security is defined as such if it has a rating equal to or higher than BBB from S&P or Baa2 from Moody's, only bonds issued from corporate issuers rated "AA" were considered, on the assumption that this category identifies a high rating level within all investment grade securities, and thereby excludes the riskiest securities. Given that IAS 19 does not make explicit reference to a specific sector of industry, it was decided to adopt a "composite" market curve that summarised the market conditions existing on the date of valuation of securities issued by companies operating in different sectors, including the utilities, telephone, financial, banking and industrial sectors. For the geographical area, the calculation was made with reference to the euro zone.

17. RESERVES FOR RISKS AND CONTINGENCIES

	31.12.2013	Pro visions	Utilisation	Release of excess	31.12.2014
Reserve for agents' indemnities	337	24	-	(26)	335
Product guarantee fund	60	102	(2)	-	160
Reserve for legal risks	275	-	(164)	-	111
Total	**672**	**126**	**(166)**	**(26)**	**606**

The reserve for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.
The product warranty reserve covers the risk of returns or charges by customers for products already sold. The fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.
The reserve for legal risks, set aside for moderate disputes, was partly utilised during the year for payments made to settle several outstanding disputes.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historic experience, have not been time-discounted because the effect is considered negligible.

18. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

	31.12.2014	31.12.2013	Change
Italy	15,223	16,348	(1,125)
Western Europe	2,897	1,922	975
Eastern Europe and Turkey	360	216	144
Asia	502	319	183
South America	255	148	107
North America and Mexico	91	10	81
Total	**19,328**	**18,963**	**365**

Average payment terms did not change versus the previous year. At 31 December 2014, there were no overdue payables of a significant amount, and the Group had not received any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2014	31.12.2013	Change
To Giuseppe Saleri SapA for income tax	1,575	655	920
Withholding taxes	712	783	(71)
To inland revenue for IRAP	47	40	7
Other tax payables	119	16	103
Total	**2,453**	**1,494**	**959**

The payable to Giuseppe Saleri SapA relates to the balance of income tax transferred by the Group's Italian companies to the parent company as part of the tax consolidation agreement in place.

20. OTHER CURRENT PAYABLES

	31.12.2014	31.12.2013	Change
Due to employees	4,160	3,961	199
To social security institutions	2,290	2,085	205
Due to agents	342	252	90
Prepayments from customers	279	68	211
Other current payables	84	73	11
Total	**7,155**	**6,439**	**716**

At the beginning of 2015, payables due to employees and social security institutions were paid according to the scheduled expiry dates.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2014	31.12.2013
Deferred tax assets	5,579	5,471
Deferred tax liabilities	(692)	(532)
Net position	**4,887**	**4,939**

The table below analyses the nature of the temporary differences that determines the recognition of deferred tax liabilities and assets and their movements during the year and the previous year.

	Tax losses	Amorti-. sation and leasing	Pro-visions and value adjustments	Fair value of derivative instruments	Good-will	Tax incentives	Actuarial post-employment benefit reserve evaluation	Other temporary differences	Total
At 31 December 2012	**180**	**(15)**	**1,223**	**0**	**1,993**	**0**	**152**	**174**	**3,707**
Income statement	(180)	(52)	262	-	-	1,156	-	81	1,267
Shareholders' equity	-	-	-	5	-	-	3	-	8
Forex differences	-	-	(32)	-	-	-	-	(11)	(43)
At 31 December 2013	**0**	**(67)**	**1,453**	**5**	**1,993**	**1,156**	**155**	**244**	**4,939**
Income statement	-	11	(286)	29	-	77	-	(9)	(178)
Shareholders' equity	-	-	-	(5)	-	-	78	-	73
Forex differences	-	(2)	2	-	-	52	-	1	53
At 31 December 2014	**0**	**(58)**	**1,169**	**0**	**1,993**	**1,285**	**233**	**236**	**4,887**

Tax assets relating to goodwill, equal to €1,993,000, refer to the redemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011. The future tax benefit can be made in ten annual portions starting in 2018.
Deferred tax assets and tax incentives relate to investments made in Turkey, for which the Group benefited from tax breaks recognised on income generated in Turkey for up to 30% of the investments made.

22. NET FINANCIAL POSITION

As required by the CONSOB memorandum of 28 July 2006, we disclose that the Company's net financial position is as follows:

		31.12.2014	31.12.2013	Change
A.	Cash (Note 9)	9	15	(6)
B.	Positive balances of unrestricted bank accounts (Note 9)	2,691	4,519	(1,828)
C.	Other cash equivalents	258	577	(319)
D.	**Liquidity (A+B+C)**	**2,958**	**5,111**	**(2,153)**
E.	Current bank payables (Note 14)	15,890	15,503	387
F.	Current portion of non-current debt (Note 14)	3,723	1,363	2,360
G.	Other current financial payables (Notes 14-15)	105	1,076	(971)
H.	**Current financial debt (E+F+G)**	**19,718**	**17,942**	**1,776**
I.	**Current net financial debt (H-D)**	**16,760**	**12,831**	**3,929**
J.	Non-current bank payables (Note 14)	8,275	1,859	6,416
K.	Other non-current financial payables (Note 14)	1,898	2,036	(138)
L.	**Non-current financial debt (J+K)**	**10,173**	**3,895**	**6,278**
M.	**Net financial debt (I+L)**	**26,933**	**16,726**	**10,207**

The consolidated cash flow statement provides changes in cash and cash equivalents (letter D of this schedule).

Comments on key income statement items

23. REVENUES

In 2014, sales revenue totalled €136,337,000 in 2014, up by €5,370,000 (+4.1%) versus 2013.

Revenue by product family

	2014	%	2013	%	% change
Brass valves	13,741	*10.1%*	14,613	*11.1%*	*-6.0%*
Light alloy valves	34,006	*24.9%*	27,618	*21.1%*	*+23.1%*
Thermostats	12,288	*9.0%*	13,350	*10.2%*	*-8.0%*
Standard burners	36,160	*26.5%*	38,222	*29.2%*	*-5.4%*
Special burners	20,251	*14.9%*	18,943	*14.5%*	*+6.9%*
Accessories	12,928	*9.5%*	11,571	*8.8%*	*+11.7%*
Total gas parts	*129,374*	*94.9%*	*124,317*	*94.9%*	*+4.1%*
Hinges	6,963	*5.1%*	6,650	*5.1%*	*+4.7%*
Total	**136,337**	*100%*	**130,967**	*100%*	***+4.1%***

Revenues by geographical area

	2014	%	2013	%	% change
Italy	42,277	*31.0%*	42,662	*32.6%*	-0.9%
Western Europe	8,716	*6.4%*	7,465	*5.7%*	+16.8%
Eastern Europe and Turkey	36,198	*26.6%*	29,300	*22.4%*	+23.5%
Asia and Oceania	11,204	*8.2%*	11,864	*9.1%*	-5.6%
Central and South America	18,324	*13.4%*	24,375	*18.6%*	-24.8%
Africa	12,574	*9.2%*	10,410	*7.9%*	+20.8%
North America and Mexico	7,044	*5.2%*	4,891	*3.7%*	+44.0%
Total	**136,337**	*100%*	**130,967**	*100%*	+4.1%

The Italian market remained stagnant in 2014, while other European markets produced excellent results following the increase in the share of major customers and the launch of new supplies. Of major importance, note the increase in sales in Africa and North America, while revenues in Asia (with the Middle East suffering) and South America were lower than in 2013.
In line with the strategic decisions made in recent years, the trend to replace brass valves with light alloy valves, which are more competitive, continued in 2014. As far as burners are concerned, there was a movement away from the mix of standard burners towards special burners, also thanks to the launch of supplies of new models.
Average sale prices in 2014 were down, on average, by around 2% versus 2013:
Refer to the Report on Operations for more detailed comments on the trends that marked the Group's market over the year.

24. OTHER INCOME

	2014	2013	Change
Sale of trimmings	2,922	3,141	(219)
Contingent income	218	164	54
Rental income	132	119	13
Use of provisions for risks and contingencies	26	33	(7)
Other income	450	461	(11)
Total	**3.748**	**3,918**	(170)

25. PURCHASES OF MATERIALS

	2014	2013	Change
Commodities and outsourced components	49,782	47,856	1,926
Consumables	4,690	4,559	131
Total	**54,472**	**52,415**	**2,057**

The increase in purchase costs is entirely due to the greater volumes; the effective purchase price of the main commodities (brass, aluminium and steel alloys) fell, on average, by around 5% compared with 2013. Savings were also made in the purchase of other components. Consumption (purchases plus change in inventory) as a percentage of sales was 38.2% in 2014, compared with 36.3% in 2013.

26. COSTS FOR SERVICES

	2014	2013	Change
Outsourced processing	10,662	11,161	(499)
Natural gas and power	5,201	5,727	(526)
Maintenance	3,999	3,760	239
Freight, carriage, transport	2,032	1,736	296
Advisory services	1,440	1,424	16
Commissions	881	762	119
Directors’ remuneration	868	878	(10)
Travel expenses and allowances	687	544	143
Canteen	400	367	33
Insurance	385	334	51
Temporary agency workers	184	119	65
Other costs	3,136	3,271	(135)
Total	**29,875**	**30,083**	**(208)**

The fall in outsourced processing costs was due to the increased insourcing of certain phases of burner production. In 2014, the cost per kwh of electricity and the cost per cubic metre of methane remained essentially unchanged compared with the previous year. The Group was therefore able to make significant savings in energy costs thanks to actions targeted at energy efficiency. The increase in commissions was due to the increase in sales in markets serviced by agents, such as North Africa. The increase in transport costs was due, in the main, to greater international purchases. Other costs for services did not vary significantly from the previous year.

Costs for advisory services related to technical (€301,000), sales (€213,000) and legal, administrative and general (€926,000) services.
Other costs included expenses for the registration of patents, leasing third-party assets, cleaning costs and other minor items.

27. PERSONNEL COSTS

	2014	2013	Change
Salaries and wages	21,812	21,485	327
Social security costs	7,113	7,076	37
Temporary agency workers	1,406	848	558
Post-employment benefit reserve and Other payroll costs	1,849	1,930	(81)
Total	**32.180**	**31,339**	**841**

Average Group headcount in 2014 totalled 730 employees (578 blue-collars, 141 white-collars and supervisors, and 11 managers), compared with 731 in 2013 (530 blue-collars, 136 white-collars and supervisors, and 11 managers). The average number of temporary staff was 64 in 2014 (54 in 2013).
During the year the Group made occasional use of the temporary unemployment fund in periods featuring low production requirements: this allowed savings in personnel costs of €160,000 (€339,000 in 2013).

28. OTHER OPERATING COSTS

	2014	2013	Change
Other non-income taxes	510	536	(26)
Other administration expenses	152	189	(37)
Contingent liabilities	141	109	32
Losses and write-downs of trade receivables	115	1,240	(1,125)
Reserves for risks	102	91	11
Others provisions	22	10	12
Total	**1,042**	**2,175**	**(1,133)**

Non-income taxes chiefly relate to property tax.
Provisions refer to the allocations to the reserves described in Note 17.
In 2013 losses and write-downs of receivables were recognised in the amounts of €1,240,000 in total, as a consequence of the financial difficulties suffered by some of the Company's major customers, including Fagor.

29. WRITE-DOWNS/WRITE-BCKS OF NON-CURRENT ASSETS

	2014	2013	Change
Investment write-down	548	-	548
Write-down of investment property	-	384	(384)
Write-down of development costs	-	271	(271)
Total	**548**	**655**	**(107)**

The write-down of investments refers entirely to the zeroing of the carrying value of Sabaf Mexico, as described in Note 4, which should be referred to.

30. FINANCIAL CHARGES

	2014	2013	Change
Interest paid to banks	247	416	(169)
Interest paid on finance lease contracts	36	39	(3)
IRS spreads payable	2	33	(31)
Banking expenses	239	208	31
Other financial expenses	68	79	(11)
Total	**592**	**775**	**(183)**

The fall in financial expenses relates to the lower average net financial debt and the reduction in interest rates compared with 2013.

31. EXCHANGE RATE GAINS AND LOSSES

In 2014, the Company reported net foreign exchange gains of €119,000, versus net losses of €186,000 in 2013. Exchange rate gains mainly arose following the revaluation of the dollar against the euro.

32. INCOME TAX

	2014	2013	Change
Current tax	3,832	3,760	72
Deferred tax	273	(1,513)	1,786
Balance of previous FY	(286)	(540)	254
Total	**3,819**	**1,707**	**2,112**

Current income taxes include corporate income tax (IRES) of €2,440,000 and Italian regional production tax (IRAP) of €1,177,000, Brazilian income tax of €134,000 and income on Turkish revenue of €69,000 and on Chinese revenue of €12,000 (respectively €1,978,000, €1,121,000, €653,000, €8,000 and €0 in 2013).
In 2014 tax relating to previous years referred, in the main, to tax refunds obtained during the year with regard to appeals submitted in previous years and not recognised as there was no certainty of recoverability.

Reconciliation between the tax burden booked in year-end financial statements and the theoretical tax burden calculated according to the statutory tax rates currently in force in Italy is shown in the table.

	2014	2013
Theoretical income tax	3,343	2,697
Permanent tax differences	90	199
Previous years' tax	(279)	(386)
Tax effect from different foreign tax rates	(101)	77
Use of tax losses	-	(469)
Booking of tax incentives for investments in Turkey	(352)	(1,350)
Other differences	(47)	(29)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**2,654**	**739**
IRAP (current and deferred)	1,165	968
Total	**3,819**	**1,707**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. IRAP is not taken into account for the purpose of reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distortive effects.

No significant tax disputes were pending at 31 December 2014.

33. EARNINGS PER SHARE

Basic and diluted EPS are calculated based on the following data:

Earnings

	2014	2013
	Euro 000	*Euro 000*
Net profit for period	8,338	8,104

Number of shares

	2014	2013
Weighted average number of ordinary shares for determining basic earnings per share	11,532,943	11,330,356
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,532,943	11,330,356

Earnings per share (€)

	2014	2013
Basic earnings per share	0.723	0.715
Diluted earnings per share	0.723	0.715

Basic earnings per share is calculated on the average number of outstanding shares minus treasury shares, equal to 507 in 2014 (203,094 in 2013).
Diluted earnings per share is calculated taking into account any shares approved but not yet subscribed, of which there were none in 2014 and 2013.

34. DIVIDENDS

On 29 May 2014, shareholders were paid an ordinary dividend of €0.40 per share (total dividends of €4,613,000).

On 12 November 2014, shareholders were paid an extraordinary dividend of €1.00 per share (total dividends of €11,533,000), following the resolution of the Shareholders' Meeting on 28 October 2014.
Directors have recommended payment of a dividend of €0.40 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders’ Meeting and was not included under liabilities.
The dividend proposed is scheduled for payment on 27 May 2015 (ex-date 25 May 2014 and record date 26 May 2014).

35. INFORMATION BY BUSINESS SEGMENT

Below is the information by business segment for 2014 and 2013.

	FY 2014			FY 2013		
	Gas parts	**Hinges**	**Total**	**Gas parts**	**Hinges**	**Total**
Sales	129,355	6,982	**136,337**	124,321	6,646	**130,967**
Operating result	12,973	(202)	**13,175**	11,526	(395)	**11,131**

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, below is breakdown of the financial instruments, among the categories set forth by IAS 39.

	31.12.2014	**31.12.2013**
Financial assets		
Amortised cost		
Cash and cash equivalents	2,958	5,111
Trade receivables and other receivables	41,616	37,316
Income statement fair value		
Derivative cash flow hedges	0	22
Financial liabilities		
Amortised cost		
Loans	29,786	21,835
Trade payables	19,328	18,963
Income statement fair value		
Derivative cash flow hedges	105	0
Comprehensive income statement fair value		
Derivative cash flow hedges	0	2

The Group is exposed to financial risks related to its operations, and mainly:
- credit risk, with special reference to normal trade relations with customers;
- market risk, relating to the volatility of prices of commodities, foreign exchange and interest rates;
- liquidity risk, which can be expressed with the inability to find financial resources necessary to ensure Group operations.

It is part of the Sabaf Group's policies to hedge exposure to changes in prices and in fluctuations in exchange and interest rates via derivative financial instruments. Hedging is done using forward contracts, options or combinations of these instruments. Generally speaking, the maximum duration covered by such hedging does not exceed 18 months. The Group does not enter into speculative transactions. When the derivatives used for hedging purposes meet the necessary requisites, hedge accounting rules are followed.

Credit risk management
Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Company assesses the creditworthiness of all its customers at the start of the supply and systemically on at least an annual basis. After this assessment, each client is assigned a credit limit.
Since 1 November 2014, there has been a credit insurance policy, which guarantees cover for approximately 70% of trade receivables.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management
The key currencies other than the euro which the Group is exposed to are the US dollar and the Brazilian real and the Turkish lira, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production units in Brazil and Turkey. Sales in US dollars represented 10% of total revenue in 2014, while purchases in dollars represented 3.5% of total revenue. Transactions in dollars were partly hedged by these derivative financial instruments: at 31 December 2014, the Group had in place a forward sale contract of USD 1,200,000 at an exchange rate of 1.36, maturing on 30 June 2015.

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2014, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €436,000.

Interest rate risk management
The Company borrows money at a floating rate; to reach an optimal mix of floating and fixed rates in the structure of the loans, the Company assesses whether to use derivative financial instruments designating them to cash flow hedges. On 31 March 2014 an interest rate swap (IRS) matured, at the same time as the extinction of the last instalment of the underlying unsecured loan. During the year, the Company did not utilise other derivative financial instruments.

Sensitivity analysis
With reference to financial assets and liabilities at variable rate at 31 December 2014 and 31 December 2013, a hypothetical increase (decrease) in the interest rate of 100 base points versus the interest rates in effect at the same date – all other variables being equal - would lead to the following effects:

	31.12.2014		31.12.2013	
	Financial charges	Cash flow hedge reserve	Financial charges	Cash flow hedge reserve
Increase of 100 base points	140	-	240	-
Decrease of 100 base points	(61)	-	(171)	-

Commodity price risk management

A significant portion of the Group's acquisitions are represented by brass, steel and aluminium alloys. Sale prices of products are generally renegotiated annually; as a result, the Group is unable to pass on to clients any changes in the prices of commodities during the year. The Group protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2014 and 2013, the Group did not use financial derivatives on commodities. To stabilise the rising costs of commodities, Sabaf preferred to execute transactions on the physical market, establishing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Group operates with a low debt ratio (net financial debt / shareholders' equity at 31 December 2014 of 27%, net financial debt / EBITDA of 1.15) and has unused short-term lines of credit of approximately €50 million. To minimise the risk of liquidity, the Administration and Finance Department:

- regularly assesses expected financial needs in order to make the best decisions;
- maintains correct balance of net financial debt, financing investments with capital and with medium- to long-term debt.

Below is an analysis by expiration date of financial payables at 31 December 2014 and 31 December 2013:

At 31 December 2014

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	15,891	15,891	15,891	-	-	-
Unsecured loans	10,000	10,336	702	2,105	7,529	-
Property mortgages	1,858	1,884	0	942	942	-
Finance leases	2,037	2,384	47	141	754	1,442
Total financial payables	**29,786**	**30,495**	**16,640**	**3,188**	**9,225**	**1,442**
Trade payables	19,328	19,328	18,234	1,094	-	-
Total	**49,114**	**49,823**	**34,874**	**4,282**	**9,225**	**1,442**

At 31 December 2013

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	16,578	16,578	16,578	-	-	-
Unsecured loans	317	318	318	-	-	-
Property mortgages	2,770	2,834	-	945	1,889	-
Finance leases	2,171	2,573	47	142	754	1,630
Total financial payables	**21,836**	**22,303**	**16,943**	**1,087**	**2,643**	**1,630**
Trade payables	18,971	18,971	17,855	1,116	-	-
Total	**40,807**	**41,274**	**34,798**	**2,203**	**2,643**	**1,630**

The various due dates are based on the period between the balance sheet date and the contractual expiration date of the commitments, the values indicated in the chart correspond to non-discounted cash flows. Cash flows include the shares of principal and interest; for floating rate liabilities, the shares of interest are determined based on the value of the reference parameter at the financial year-end and increased by the spread set forth in each contract.

Hierarchical levels of the fair value assessment

The revised IFRS 7 requires that financial instruments reported in the statement of financial position at the fair value be classified based on a hierarchy that reflects the significance of the input used in determining the fair value. IFRS 7 includes the following levels:

- Level 1 – quotations found on an active market for assets or liabilities subject to assessment;
- Level 2 - input other than prices listed under the previous point, which can be observed (prices) or indirectly (derivatives from prices) on the market;
- Level 3 – input that are based on observable market data

The following table shows the assets and liabilities that are valued at the fair value at 31 December 2014, by hierarchical level of fair value assessment.

	Level 1	*Level 2*	*Level 3*	*Total*
Other financial liabilities (derivatives on currency)	-	105	-	105
Total liabilities	**0**	**105**	**0**	**105**

37. RELATED-PARTY TRANSACTIONS

Transactions between consolidated companies were eliminated from the consolidated financial statements and are not reported in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the balance sheet and income statement.

Impact of related-party transactions on balance sheet accounts

	Total 2014	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	40,521	-	112	-	112	0.28%
Tax receivables	2,390	1,262	-	-	1,262	52.80%
Tax payables	2,453	1,575	-	-	1,575	64.21%

	Total 2013	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	36,442	-	74	-	74	0.20%
Tax receivables	2,595	1,287	-	-	1287	49.60%
Trade payables	18,963	-	75	-	75	0.40%
Tax payables	1,494	655	-	-	655	43.84%

Impact of related-party transactions on income statement accounts

	Total 2014	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	3,748	10	-	-	10	0.27%
Services	(29,875)	-	(82)	-	(82)	0.27%
Write-downs of non-current assets	(548)	-	(548)	-	(548)	100.00%
Profits and losses from equity investments	(606)	-	(606)	-	(606)	100.00%

	Total 2013	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	3,918	11	-	-	11	0.28%
Services	(30,083)	-	(148)	-	(148)	0.49%
Profits and losses from equity investments	(498)	-	(498)	-	(498)	100%

Transactions with the ultimate parent company, Giuseppe Saleri S.a.p.A., comprise:

- administration services provided by Sabaf S.p.A. to the parent company;
- transactions as part of the domestic tax consolidation scheme, which generated the payables and receivables shown in the tables.

Transactions are regulated by specific contracts regulated at arm's length conditions.

Transactions with non-consolidated subsidiaries were solely of a commercial nature. Write-downs and losses on investments refer, respectively, to Sabaf Mexico and Sabaf Appliance Components (Kunshan), as illustrated more clearly in Note 4.

Remuneration to directors, statutory auditors and executives with strategic responsibilities

Please see the 2014 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

At 31 December 2014, there were no equity-based incentive plans for the Group's directors and employees.

39. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the Consob Communication dated 28 July 2006, below is a breakdown of the significant, non-recurring events, whose consequences are reflected in the income statement, balance sheet, and cash flow of the Group:

	Shareholders' equity	Net Profit	Net financial debt	Cash flows
Financial statement values (A)	**110,738**	**8,338**	**26,933**	**(2,153)**
Booking of tax incentives for investments in Turkey (Notes 21 and 32)	(1,518)	(352)	-	-
Financial statement notional value (A+B)	**109,220**	**7,986**	**26,933**	**(2,153)**

The effect on shareholders' equity shown in the table included the tax incentives on investments in Turkey recognised in 2013, which resulted in the recording of lower income taxes for €1,350,000 in the income statement.

40. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2014.

41. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by banks to Group employees for a total of €6,249,000 (€6,598,000 at 31 December 2013).

42. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED USING THE STRAIGHT LINE METHOD

Company name	Registered offices	Share capital	Shareholders	% ownership
Faringosi Hinges s.r.l.	Ospitaletto (BS)	€90,000	Sabaf S.p.A.	100%
Sabaf Immobiliare S.r.l.	Ospitaletto (BS)	€25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaì (SP, Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRK 30,885,081	Sabaf S.p.A.	100%
Sabaf Appliance Components Trading Ltd.	Kunshan (China)	€20,000	Sabaf S.p.A.	100%

NON-CONSOLIDATED COMPANIES VALUED AT EQUITY

Company name	Registered offices	Share capital	Shareholders	% ownership
Sabaf Appliance Components Ltd.	Kunshan (China)	€3,400,000	Sabaf S.p.A.	100%

NON-CONSOLIDATED COMPANIES VALUED AT COST

Company name	Registered offices	Share capital	Shareholders	% ownership
Sabaf Mexico S.A. de c.v.	San Luis Potosì (Mexico)	MXN 8,247,580	Sabaf S.p.A.	100%
Sabaf US Corp.	Plainfield (USA)	USD 100,000	Sabaf S.p.A.	100%

OTHER SIGNIFICANT EQUITY INVESTMENTS: NONE

43. GENERAL INFORMATION ON THE PARENT COMPANY

Registered and administrative office: Via dei Carpini 1
25035 Ospitaletto (Brescia)

Contacts: Tel: +39 030 - 6843001
Fax: +39 030 – 6848249
e-mail: info@sabaf.it
website: www.sabaf.it

Tax information: R.E.A. Brescia 347512
Tax Code 03244470179
VAT reg. 01786910982

Appendix

Information as required by Article 149/12 of the Consob Issuers' Regulation

The following table, prepared pursuant to Article 149/12 of the CONSOB Issuers' Regulation, shows fees relating to 2013 for the independent auditor and for services other than auditing provided by the same auditing firm and its network.

(€'000)	Party providing the service	Recipient	Payments pertaining to the period
Audit	Deloitte & Touche S.p.A.	Parent company	52
	Deloitte & Touche S.p.A.	Italian subsidiaries	20
	Deloitte network	Sabaf do Brasil	26
	Deloitte network	Sabaf Turkey	21
Certification services	Deloitte & Touche S.p.A.	Parent company	2(1)
	Deloitte & Touche S.p.A.	Italian subsidiaries	1(1)
Other services	Deloitte & Touche S.p.A.	Parent company	16(2)
	Deloitte network	Sabaf do Brasil	3(3)
Total			*141*

(1) signing of Unifed Tax Return, IRAP and 770 forms
(2) audit procedures relating to interim management reports, revising statements of training activities
(3) tax assistance regarding transfer pricing

Certification of the Consolidated Annual Report and Accounts, in accordance with Article 154 bis of Leg. Decree 58/98 58/98

Alberto Bartoli, the Chief Executive Officer, and Gianluca Beschi, the Financial Reporting Officer of Sabaf S.p.A., have taken into account the requirements of Article 154-bis, paragraph 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify

- the appropriateness in relation to the characteristics of the company and
- the effective application

of the administrative and accounting principles for drafting the consolidated annual report and accounts in 2014.

They also certify that:

- the Consolidated Annual Report and Accounts :
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and Article 9 of Leg. Decree 38/2005;
  - correspond to the results of the accounting entries and ledgers;
  - are appropriate to provide a truthful and correct picture of the income statement, balance sheet, and cash flow of the issuer and the companies included in the consolidation;

- the interim report includes a credible analysis of the performance and results of operations, the situation at the issuer, and the companies included in the area of consolidation, along with a description of the key risks and uncertainties to which they are exposed.

Ospitaletto, 23 March 2015

The Chief Executive Officer	**The Financial Reporting Officer**
Alberto Bartoli	Gianluca Beschi