

*INTERIM MANAGEMENT STATEMENT*

*AT 31 DECEMBER 2015*



**SABAF**®

**SABAF S.p.A.**

**Via dei Carpini 1 – OSPITALETTO (BS), ITALY**

**Share capital: €1,533,450 fully paid in**

**[www.sabaf.it](http://www.sabaf.it)**

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## Group structure

### *Parent company*

SABAF S.p.A.

### *Subsidiaries and equity interest owned by the Group*

#### Wholly consolidated companies

Faringosi- Hinges S.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited	100%
Sirteki (Sabaf Turkey)	
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. (in liquidation)	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%
Sabaf Immobiliare S.r.l.	100%

#### Unconsolidated companies

Sabaf US Corp.	100%
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### **Board of Directors**

Chairman	Giuseppe Saleri
Vice Chairman	Cinzia Saleri
Vice Chairman	Ettore Saleri
Vice Chairman	Roberta Forzanini
Chief Executive Officer	Alberto Bartoli
Director	Gianluca Beschi
Director (*)	Renato Camodeca
Director (*)	Giuseppe Cavalli
Director (*)	Fausto Gardoni
Director (*)	Anna Pendoli
Director (*)	Nicla Picchi
(*) independent directors	

### **Board of Statutory Auditors**

Chairman	Antonio Passantino
Standing Statutory Auditor	Luisa Anselmi
Standing Statutory Auditor	Enrico Broli

## Consolidated statement of financial position

(€000)	31.12.2015	30.09.2015	31.12.2014
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	73,037	73,320	74,483
Real estate investment	6,712	6,822	7,228
Intangible assets	7,525	7,524	7,359
Investments	204	204	974
Non-current receivables	432	239	529
Deferred tax assets	4,887	5,409	5,579
<b>Total non-current assets</b>	<b>92,797</b>	<b>93,518</b>	<b>96,152</b>
CURRENT ASSETS			
Inventories	31,009	31,911	30,774
Trade receivables	40,425	38,530	40,521
Tax receivables	2,489	2,438	2,390
Other current receivables	1,447	1,576	1,095
Current financial assets	69	0	0
Cash and cash equivalents	3,991	5,686	2,958
<b>Total current assets</b>	<b>79,430</b>	<b>80,141</b>	<b>77,738</b>
ASSETS HELD FOR SALE	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>172,227</b>	<b>173,659</b>	<b>173,890</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	90,509	89,329	90,867
Net profit for the period	8,998	7,747	8,338
<i>Total equity interest of the Parent Company</i>	<i>111,040</i>	<i>108,609</i>	<i>110,738</i>
<i>Minority interests</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total shareholders' equity</b>	<b>111,040</b>	<b>108,609</b>	<b>110,738</b>
NON-CURRENT LIABILITIES			
Loans	6,388	7,575	10,173
Post-employment benefit and retirement reserves	2,914	2,968	3,028
Reserves for risks and contingencies	395	510	605
Deferred tax	772	740	692
<b>Total non-current liabilities</b>	<b>10,469</b>	<b>11,793</b>	<b>14,498</b>
CURRENT LIABILITIES			
Loans	23,480	23,750	19,613
Other financial liabilities	31	7	105
Trade payables	19,450	19,564	19,328
Tax payables	1,219	2,294	2,453
Other liabilities	6,538	7,642	7,155
<b>Total current liabilities</b>	<b>50,718</b>	<b>53,257</b>	<b>48,654</b>
LIABILITIES HELD FOR SALE	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>172,227</b>	<b>173,659</b>	<b>173,890</b>

## Consolidated income statement

	Q4 2015		Q4 2014		12M 2015		12M 2014	
<i>(€'000)</i>								
<b>CONTINUING OPERATIONS</b>								
OPERATING REVENUE AND INCOME								
Revenues	33,434	100.0%	34,371	100.0%	138,003	100.0%	136,337	100.0%
Other income	906	2.7%	895	2.6%	3,758	2.7%	3,748	2.7%
<b>Total operating revenue and income</b>	<b>34,340</b>	<b>102.7%</b>	<b>35,266</b>	<b>102.6%</b>	<b>141,761</b>	<b>102.7%</b>	<b>140,085</b>	<b>102.7%</b>
OPERATING COSTS								
Materials	(13,057)	-39.1%	(11,778)	-34.3%	(54,366)	-39.4%	(54,472)	-40.0%
Change in inventories	(1,057)	-3.2%	(2,483)	-7.2%	1,025	0.7%	2,447	1.8%
Services	(6,871)	-20.6%	(7,244)	-21.1%	(29,759)	-21.6%	(29,875)	-21.9%
Payroll costs	(7,911)	-23.7%	(7,765)	-22.6%	(32,526)	-23.6%	(32,180)	-23.6%
Other operating costs	(77)	-0.2%	(180)	-0.5%	(1,193)	-0.9%	(1,042)	-0.8%
Costs for capitalised in-house work	292	0.9%	243	0.7%	1,230	0.9%	989	0.7%
<b>Total operating costs</b>	<b>(28,681)</b>	<b>-85.8%</b>	<b>(29,207)</b>	<b>-85.0%</b>	<b>(115,589)</b>	<b>-83.8%</b>	<b>(114,133)</b>	<b>-83.7%</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>								
	<b>5,659</b>	<b>16.9%</b>	<b>6,059</b>	<b>17.6%</b>	<b>26,172</b>	<b>19.0%</b>	<b>25,952</b>	<b>19.0%</b>
Depreciation & amortisation	(3,124)	-9.3%	(3,001)	-8.7%	(12,185)	-8.8%	(12,292)	-9.0%
Capital gains/(losses) on disposals of non-current assets	45	0.1%	1	0.0%	104	0.1%	63	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	(548)	-1.6%	0	0.0%	(548)	-0.4%
<b>OPERATING PROFIT (EBIT)</b>								
	<b>2,580</b>	<b>7.7%</b>	<b>2,511</b>	<b>7.3%</b>	<b>14,091</b>	<b>10.2%</b>	<b>13,175</b>	<b>9.7%</b>
Financial income	23	0.1%	12	0.0%	67	0.0%	61	0.0%
Financial expense	(134)	-0.4%	(130)	-0.4%	(596)	-0.4%	(592)	-0.4%
Exchange rate gains and losses	(489)	-1.5%	(11)	0.0%	(89)	-0.1%	119	0.1%
Profits and losses from equity investments	0	0.0%	(219)	-0.6%	0	0.0%	(606)	-0.4%
<b>PROFIT BEFORE TAXES</b>								
	<b>1,980</b>	<b>5.9%</b>	<b>2,163</b>	<b>6.3%</b>	<b>13,473</b>	<b>9.8%</b>	<b>12,157</b>	<b>8.9%</b>
Income tax	(729)	-2.2%	(85)	-0.2%	(4,475)	-3.2%	(3,819)	-2.8%
Minority interests	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>NET PROFIT FOR THE PERIOD</b>								
	<b>1,251</b>	<b>3.7%</b>	<b>2,078</b>	<b>6.0%</b>	<b>8,998</b>	<b>6.5%</b>	<b>8,338</b>	<b>6.1%</b>

## Consolidated statement of comprehensive income

(€'000)	Q4 2015	Q4 2014	12M 2015	12M 2014
<b>NET PROFIT FOR THE PERIOD</b>	<b>1,251</b>	<b>2,078</b>	<b>8,998</b>	<b>8,338</b>
<i>Overall earnings/losses that will not be subsequently restated under profit (loss) for the period:</i>				
Actuarial post-employment benefit reserve evaluation	44	(283)	49	(283)
Tax effect	(9)	78	(14)	78
	<b>35</b>	<b>(205)</b>	<b>35</b>	<b>(205)</b>
<i>Overall earnings/losses that will be subsequently restated under profit (loss) for the period:</i>				
Forex differences due to translation of financial statements in foreign currencies	<b>1,688</b>	<b>(73)</b>	<b>(3,400)</b>	<b>817</b>
Cash flow hedges	0	0	0	(26)
Tax effect	0	0	0	5
	<b>0</b>	<b>0</b>	<b>0</b>	<b>(21)</b>
<b>Total other profits/(losses) net of taxes for the year</b>	<b>1,723</b>	<b>(278)</b>	<b>(3,330)</b>	<b>591</b>
<b>TOTAL PROFIT</b>	<b>2,974</b>	<b>1,800</b>	<b>5,668</b>	<b>8,929</b>

## Statement of changes in consolidated shareholders' equity

(€'000)	Share capital	Share premium reserve	Legal reserve	Own shares	Translation reserve	Cash flow hedge reserve	Updated post-employment benefit reserve	Other reserves	Net profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders' equity
<b>Balance at 31 December 2013</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(5)</b>	<b>(4,465)</b>	<b>21</b>	<b>(411)</b>	<b>90,869</b>	<b>8,104</b>	<b>117,955</b>	<b>0</b>	<b>117,955</b>
Allocation of 2013 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,491	(3,491)	0		0
Extraordinary dividend payment								(11,533)		(11,533)		(11,533)
Total profit at 31 December 2014					817	(21)	(205)		8,338	8,929		8,929
<b>Balance at 31 December 2014</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(5)</b>	<b>(3,648)</b>	<b>0</b>	<b>(616)</b>	<b>82,827</b>	<b>8,338</b>	<b>110,738</b>	<b>0</b>	<b>110,738</b>
Allocation of 2014 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,725	(3,725)	0		0
Purchase of own shares				(718)						(718)		(718)
Total profit at 31 December 2015					(3,400)		35		8,998	5,633		5,633
<b>Balance at 31 December 2015</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(723)</b>	<b>(7,048)</b>	<b>0</b>	<b>(581)</b>	<b>86,552</b>	<b>8,998</b>	<b>111,040</b>	<b>0</b>	<b>111,040</b>

## Consolidated statement of cash flows

(€'000)	Q4 2015	Q4 2014	12M 2015	12M 2014
<b><i>Cash and cash equivalents at beginning of period (*)</i></b>	<b>5,686</b>	<b>2,637</b>	<b>3,675</b>	<b>5,111</b>
Net profit/(loss) for the period	1,251	2,078	8,998	8,338
Adjustments for:				
- Depreciation for the period	3,124	3,001	12,185	12,292
- Realised gains/losses	(45)	(1)	(104)	(63)
- Write-downs/write-backs of non-current assets	0	548	0	548
- Profits and losses from equity investments	0	219	0	606
- Financial income and expenses	111	118	529	531
- Income tax	729	85	4,475	3,819
Payment of post-employment benefit reserve	(37)	(3)	(129)	(158)
Change in risk provisions	(115)	61	(210)	(67)
<i>Change in trade receivables</i>	<i>(1,895)</i>	<i>(1,025)</i>	<i>107</i>	<i>(4,079)</i>
<i>Change in inventories</i>	<i>902</i>	<i>2,532</i>	<i>(170)</i>	<i>(2,548)</i>
<i>Change in trade payables</i>	<i>(114)</i>	<i>(650)</i>	<i>(58)</i>	<i>365</i>
Change in net working capital	(1,107)	857	(121)	(6,262)
Change in other receivables and payables, deferred tax	(304)	116	(72)	210
Payment of taxes	(2,154)	(153)	(5,931)	(2,325)
Payment of financial expenses	(154)	(136)	(556)	(553)
Collection of financial income	23	12	67	61
<b>Cash flow from operations</b>	<b>1,322</b>	<b>6,802</b>	<b>19,131</b>	<b>16,977</b>
<b>Net investments</b>	<b>(2,476)</b>	<b>(4,173)</b>	<b>(12,079)</b>	<b>(11,491)</b>
Repayment of loans	(4,252)	(5,451)	(19,480)	(16,993)
New loans	2,819	14,660	19,488	25,047
Short-term financial assets	(69)	0	(69)	0
Purchase/sale of own shares	(543)	0	(718)	0
Payment of dividends	0	(11,533)	(4,613)	(16,146)
<b>Cash flow from financing activities</b>	<b>(2,045)</b>	<b>(2,324)</b>	<b>(5,392)</b>	<b>(8,092)</b>
Foreign exchange differences	1,504	16	(1,344)	453
<b>Net financial flows for the period</b>	<b>(1,695)</b>	<b>321</b>	<b>316</b>	<b>(2,153)</b>
<b><i>Cash and cash equivalents at end of period</i></b>	<b><i>3,991</i></b>	<b><i>2,958</i></b>	<b><i>3,991</i></b>	<b><i>2,958</i></b>
Current financial debt	23,511	19,718	23,511	19,718
Non-current financial debt	6,388	10,173	6,388	10,173
<b>Net financial debt</b>	<b>25,908</b>	<b>26,933</b>	<b>25,908</b>	<b>26,933</b>

(\*) the balance of cash and cash equivalents at 01/01/2015 differs in the amount of €717,000 from the balance at 31/12/2014 owing to the change in the method of consolidation for Sabaf Appliance Components (Kunshan)



## Consolidated net financial position

<i>(€'000)</i>	31.12.2015	30.09.2015	31.12.2014
A. Cash	11	15	9
B. Positive balances of unrestricted bank accounts	3,822	5,376	2,691
C. Other cash equivalents	158	295	258
<b>D. Liquidity (A+B+C)</b>	<b>3,991</b>	<b>5,686</b>	<b>2,958</b>
E. Current bank overdrafts	19,697	19,985	15,890
F. Current portion of non-current debt	3,783	3,765	3,723
G. Other current financial payables	31	7	105
<b>H. Current financial debt (E+F+G)</b>	<b>23,511</b>	<b>23,757</b>	<b>19,718</b>
<b>I. Current net financial debt (H-D)</b>	<b>19,520</b>	<b>18,071</b>	<b>16,760</b>
J. Non-current bank payables	4,632	5,782	8,275
K. Other non-current financial payables	1,756	1,793	1,898
<b>L. Non-current financial debt (J+K)</b>	<b>6,388</b>	<b>7,575</b>	<b>10,173</b>
<b>M. Net financial debt (L+I)</b>	<b>25,908</b>	<b>25,646</b>	<b>26,933</b>

## Explanatory notes

### Accounting standards and area of consolidation

The Interim Management Statement of the Sabaf Group at 31 December 2015 was prepared in accordance with the requirements of Article 154-ter of Legislative Decree 58/98 (Consolidated Finance Act or "TUF"), which was introduced by Legislative Decree 195 of 6 November 2007 (known as the "Transparency Decree"). As such, it does not contain the information required by IAS 34. Accounting standards and policies are the same as those adopted for preparation of the consolidated financial statements at 31 December 2014, which should be consulted for reference. All the amounts contained in the statements included in this Interim Management Statement are expressed in thousands of euro.

We also draw attention to the following points:

- The Interim Management Statement was prepared according to the "separation-of-periods principle" whereby the quarter in question is treated as a separate financial period. This means that the quarterly income statement reflects the ordinary and non-recurring items pertaining to the period on an accruals basis;
- the financial statements used in the consolidation process are those prepared by the subsidiaries for the period ended 31 December 2015, adjusted to comply with Group accounting policies, where necessary;
- the parent company, Sabaf S.p.A., and the subsidiaries Faringosi-Hinges S.r.l., Sabaf Immobiliare S.r.l., Sabaf do Brasil Ltda, Sabaf Turkey, Sabaf Appliance Components Trading (Kunshan) Co. Ltd and Sabaf Appliance Components (Kunshan) Co. Ltd have been consolidated on a 100% line-by-line basis;
- the subsidiary Sabaf US Corp. has not been consolidated as its contribution is considered immaterial for the purposes of consolidation;
- Chinese subsidiary Sabaf Appliance Components (Kunshan) Co. Ltd has been consolidated on a line-by-line basis since 1 January 2015, having launched operations in 2015 (until 31 December 2014, this company was consolidated at equity).
- disclosure relating to sales by geographical area has changed compared with the previous year, with sales in the Middle East combined with those in Africa rather than with those in Asia and Oceania. This change in breakdown provides a better representation of the performance of a region with more homogeneous characteristics (Middle East and Africa), and keeps the performance of other Asian markets (mainly China and India) separate. The amounts of the fourth quarter of 2014 and of the period January-December 2014 were consequently restated to make comparison possible.

The Interim Management Statement at 31 December 2015 has not been independently audited.

*Sales breakdown by geographical area (€'000)*

<i>(amounts in €'000)</i>	<b>4Q 2015</b>	<b>4Q 2014</b>	% change	<b>12M 2015</b>	<b>12M 2014</b>	% change
Italy	9,772	10,172	-3.9%	41,244	42,277	-2.4%
Western Europe	1,776	2,053	-13.5%	7,438	8,716	-14.7%
Eastern Europe	7,614	9,576	-20.5%	35,125	36,198	-3.0%
Middle East and Africa	4,431	3,401	+30.3%	16,759	16,871	-0.7%
Asia and Oceania	2,352	2,244	+4.8%	7,019	6,907	+1.6%
South America	5,022	4,998	+0.5%	20,815	18,324	+13.6%
North America and Mexico	2,467	1,927	+28.0%	9,603	7,044	+36.3%
<b>Total</b>	<b>33,434</b>	<b>34,371</b>	<b>-2.7%</b>	<b>138,003</b>	<b>136,337</b>	<b>+1.2%</b>

*Sales breakdown by product category (€'000)*

<i>(amounts in €'000)</i>	<b>4Q 2015</b>	<b>4Q 2014</b>	% change	<b>12M 2015</b>	<b>12M 2014</b>	% change
Brass valves	2,831	2,883	-1.8%	12,689	13,741	-7.7%
Light alloy valves	8,019	9,126	-12.1%	33,784	34,006	-0.7%
Thermostats	2,504	2,746	-8.8%	10,596	12,288	-13.8%
Standard burners	9,287	9,493	-2.2%	37,789	36,160	+4.5%
Special burners	5,515	5,311	+3.8%	21,622	20,251	+6.8%
Accessories	3,391	3,288	+3.1%	13,577	12,928	+5.0%
<i>Total gas parts</i>	<i>31,547</i>	<i>32,847</i>	<i>-4.0%</i>	<i>130,057</i>	<i>129,374</i>	<i>+0.5%</i>
<i>Hinges</i>	<i>1,887</i>	<i>1,524</i>	<i>+23.8%</i>	<i>7,946</i>	<i>6,963</i>	<i>+14.1%</i>
<b>Total</b>	<b>33,434</b>	<b>34,371</b>	<b>-2.7%</b>	<b>138,003</b>	<b>136,337</b>	<b>+1.2%</b>

## **Management Statement**

### *Earnings*

In 4Q 2015, the Sabaf Group booked sales revenue of €33.4 million, a decrease of 2.7% compared with the figure of €34.4 million registered in 4Q 2014. Sales fell over the period on European markets, particularly in Eastern Europe. Conversely, all markets outside Europe registered positive growth rates.

With average sales prices down approximately 0.6% and higher commodity prices, which had an impact amounting to 0.5% of revenues, the Group benefited from a positive exchange rate effect equal to 0.8% of sales.

EBITDA for 4Q 2015 amounted to €5.7 million, with a 16.9% margin on sales, down by 6.6% versus €6.1 million (17.6% margin on sales) in 4Q 2014. EBIT was €2.6 million, equivalent to 7.7% of sales, and 2.7% higher than the €2.5 million of the same quarter in 2014 (7.3% of sales). Pre-tax profit, which was affected by the booking of negative exchange rate differences of €0.5 million, was €2 million, a fall of 8.5% from the figure of €2.2 million in 4Q 2014. Net profit for the period came in at €1.3 million, down 39.8% compared with €2.1 million in 4Q 2014 (when positive non-recurring items of €0.9 million were recorded under income taxes). An adjustment to deferred tax assets was booked during the period (cut in the IRES rate from 27.5% to 24% from 2017), and was negative at €0.4 million.

Revenues for full-year 2015 came in at €138 million, up 1.2% compared with €136.3 million in 2014. Gross profitability remained broadly unchanged: EBITDA was €26.2 million (with a 19% margin on sales, up 0.8%), while EBIT registered a more significant improvement, coming in at €14.1 million (with a 10.2% margin on sales, an increase of 7% compared with €13.2 million in 2014). Finally, net profit was €9 million (6.5% of sales, +7.9% compared with 2014).

### *Equity and cash flow*

Quarter investments totalled €2.5 million, bringing total investments for the year to €12.1 million (€11.5 million in FY 2014).

At 31 December 2015, net financial debt was €25.9 million, compared with €25.6 million at 30 September 2015 and €26.9 million at 31 December 2014.

### *Significant non-recurring, atypical and/or unusual transactions*

During the fourth quarter of 2015 the Group engaged in no significant transactions qualifying as non-recurring, atypical and/or unusual, as envisaged by the CONSOB communication of 28 July 2006.

### *Outlook*

2016 got off to a highly uncertain start, owing to political, economic and financial tensions that affect the main markets on which Sabaf operates. Sales in the first quarter are expected to fall compared with 2015, which was marked by a highly positive start.

However, agreements reached with some of our leading customers for 2016 point to an increase in our supply share, and the launch of supply for significant new projects. If the macroeconomic environment stabilises, the Group therefore believes it will be able to improve sales and profitability in the full year compared with 2015. If the economic situation were to change significantly, actual figures might diverge from forecasts.

## **Statement of the Financial Reporting Officer pursuant to Article 154-bis (2) TUF**

The Financial Reporting Officer, Gianluca Beschi, hereby declares, pursuant to paragraph 2, Article 154-bis of Legislative Decree 58/1998 (Consolidated Finance Act) that the accounting information contained in the Interim Management Statement at 31 December 2015 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

*Ospitaletto (BS), 11 February 2016*

Financial Reporting Officer  
Gianluca Beschi