SABAF S.p.A.

SEPARATE FINANCIAL

STATEMENTS

AT 31 DECEMBER 2015

CORPORATE BODIES

Board of Directors

Chairman	Giuseppe Saleri
Deputy Chairman	Cinzia Saleri
Deputy Chairman	Ettore Saleri
Deputy 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 Auditor	Luisa Anselmi
Standing Auditor	Enrico Broli

Independent Auditor

Deloitte & Touche S.p.A.

Balance sheet and financial position

(in euro)	NOTES	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	31,939,736	31,393,333
Real estate investments	**2**	1,837,259	2,029,304
Intangible assets	**3**	3,197,864	3,232,240
Investments	**4**	45,819,480	44,837,629
Non-current financial assets	**5**	1,837,054	1,659,556
- of which from related parties	**37**	*1,837,054*	*1,659,556*
Non-current receivables		9,183	6,800
Deferred tax assets	**21**	3,284,696	3,611,023
Total non-current assets		**87,925,272**	**86,769,885**
CURRENT ASSETS			
Inventories	**6**	24,674,840	25,077,020
Trade receivables	**7**	32,870,713	34,695,488
- of which from related parties	**37**	*2,008,185*	*1,142,546*
Tax receivables	**8**	1,749,451	1,526,943
- of which from related parties	**37**	*1,113,702*	*1,083,666*
Other current receivables	**9**	1,197,919	1,283,256
- of which from related parties	**37**	*0*	*521,328*
Current financial assets	**10**	1,069,431	0
- of which from related parties	**37**	*1,000,000*	*0*
Cash and cash equivalents	**11**	1,089,671	1,366,374
Total current assets		**62,652,025**	**63,949,081**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**150,577,297**	**150,718,966**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**12**	11,533,450	11,533,450
Retained earnings, other reserves		79,058,252	76,482,904
Net profit for the year		5,642,123	7,877,868
Total shareholders' equity		**96,233,825**	**95,894,222**
NON-CURRENT LIABILITIES			
Loans	**14**	4,631,730	7,339,849
Post-employment benefit and retirement reserves	**16**	2,527,275	2,640,850
Reserves for risks and contingencies	**17**	326,140	514,744
Deferred tax	**21**	150,017	35,394
Total non-current liabilities		**7,635,162**	**10,530,837**
CURRENT LIABILITIES			
Loans	**14**	21,762,487	18,438,481
Other financial liabilities	**15**	13,610	0
Trade payables	**18**	18,202,899	17,572,698
- of which to related parties	**37**	*852,935*	*0*
Tax payables	**19**	787,676	1,724,829
- of which to related parties	**37**	*0*	*1,091,582*
Other liabilities	**20**	5,941,638	6,557,899
Total current liabilities		**46,708,310**	**44,293,907**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**150,577,297**	**150,718,966**

Income statement

(in euro)	NOTES	2015	2014
CONTINUING OPERATIONS			
OPERATING REVENUE AND INCOME			
Revenues	**23**	113,962,039	115,919,460
- of which from related parties	**37**	*7,274,762*	*4,728,669*
Other income	**24**	2,733,344	2,974,909
Total operating revenue and income		**116,695,383**	**118,894,369**
OPERATING COSTS			
Materials	**25**	(43,860,895)	(44,818,617)
Change in inventories		(402,180)	1,202,031
Services	**26**	(28,750,556)	(29,795,239)
- of which by related parties	**37**	*(4,162,137)*	*(4,000,697)*
Payroll costs	**27**	(27,967,750)	(27,937,849)
Other operating costs	**28**	(821,303)	(549,664)
Costs for capitalised in-house work		1,230,058	989,372
Total operating costs		**(100,572,626)**	**(100,909,966)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**16,122,757**	**17,984,403**
Depreciation and amortisation	**1,2,3**	(8,736,191)	(9,042,940)
Capital gains/(losses) on disposal of non-current assets		157,965	148,465
Write-downs/write-backs of non-current assets	**29**	1,302,841	617,597
- of which by related parties	**37**	*1,302,841*	*617,597*
OPERATING PROFIT		**8,847,372**	**9,707,525**
Financial income		73,091	84,467
Financial expenses	**30**	(500,483)	(466,068)
Exchange rate gains and losses	**31**	(260,920)	236,630
Profits and losses from equity investments	**32**	0	970,196
- of which by related parties	**37**	*0*	*970,196*
PROFIT BEFORE TAXES		**8,159,060**	**10,532,750**
Income tax	**33**	(2,516,937)	(2,654,882)
NET PROFIT FOR THE YEAR		**5,642,123**	**7,877,868**

Comprehensive income statement

(in euro)	2015	2014
NET PROFIT FOR THE YEAR	**5,642,123**	**7,877,868**
Total profits/losses that will not later be reclassified under profit (loss) for the year:		
Actuarial post-employment benefit reserve evaluation	37,619	(242,646)
Tax effect	(8,114)	66,728
	29,505	(175,918)
Total profits/losses that will later be reclassified under profit (loss) for the year:		
Cash flow hedges	0	(26,227)
Tax effect	0	5,482
	0	(20,745)
Total profits/(losses) net of taxes for the year	29,505	(196,663)
TOTAL PROFIT	**5,671,628**	**7,681,205**

Statement of changes in shareholders' equity

(€/000)	Share capital	Share premium re-serve	Legal reserve	Treasury shares	Cash flow hedge reserve	Actuarial post-employ-ment benefit reserve evalua-tion	Other reserves	Net income for the year	Total shareholders' equity
Balance at 31 December 2013	**11,533**	**10,002**	**2,307**	**(5)**	**21**	**(359)**	**77,130**	**3,730**	**104,359**
Ordinary dividend							(883)	(3,730)	(4,613)
Extraordinary dividend							(11,533)		(11,533)
Total profit at 31 December 2014					(21)	(176)	0	7,878	7,681
Balance at 31 December 2014	**11,533**	**10,002**	**2,307**	**(5)**	**0**	**(535)**	**64,714**	**7,878**	**95,894**
Allocation of 2014 earnings									
- dividends paid out								(4,613)	(4,613)
- to reserve							3,265	(3,265)	
Purchase of treasury shares				(718)					(718)
Total profit at 31 December 2015						29	0	5,642	5,671
Balance at 31 December 2015	**11,533**	**10,002**	**2,307**	**(723)**	**0**	**(506)**	**67,979**	**5,642**	**96,234**

Cash flow statement

(€/000)	FY 2015	FY 2014
Cash and cash equivalents at beginning of year	**1,366**	**2,345**
Net profit for period	5,642	7,878
Adjustments for:		
- Depreciation and amortisation	8,736	9,043
- Realised gains	(158)	(148)
- Write-downs of non-current assets	(1,303)	(618)
- Net financial income and expenses	427	382
- Differences in exchange on non-monetary activities	281	-
- Income tax	2,517	2,655
Change in post-employment benefit reserve	(149)	110
Change in risk provisions	(189)	96
Change in trade receivables	*1,825*	*(3,095)*
Change in inventories	*402*	*(1,202)*
Change in trade payables	*630*	*663*
Change in net working capital	2,857	(3,634)
Change in other receivables and payables, deferred tax	75	409
Payment of taxes	(3,814)	(1,702)
Payment of financial expenses	(465)	(431)
Collection of financial income	73	84
Cash flow from operations	**14,531**	**14,124**
Investments in non-current assets		
- intangible	(646)	(687)
- tangible	(9,601)	(7,952)
- financial	(1,394)	(1,150)
Disposal of non-current assets	2,606	760
Cash flow absorbed by investments	**(9,035)**	**(9,030)**
Repayment of loans	(7,834)	(4,503)
Raising of loans	8,463	14,784
Change in financial assets	(1,069)	(208)
Sale of treasury shares	(719)	0
Payment of dividends	(4,613)	(16,146)
Cash flow absorbed by financing activities	**(5,772)**	**(6,073)**
Total financial flows	**(276)**	**(979)**
Cash and cash equivalents at end of year (Note 11)	**1,090**	**1,366**
Current financial debt	21,776	18,438
Non-current financial debt	4,632	7,340
Net financial debt (Note 22)	**25,318**	**24,412**

EXPLANATORY NOTES

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The Sabaf S.p.A. individual year-end accounts for the financial year 2015 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference to the IFRS also includes all current International Accounting Standards (IAS).
The separate financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The income statement, the comprehensive income statement and the statement of financial position schedules are prepared in euro, while the comprehensive income statement, the cash flow, and the changes in shareholders' equity schedules and the values reported in the explanatory notes are in thousands of euro.

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 are considered a going concern. The Company found that, despite the difficult economic and business climate, there were no significant uncertainties (as defined by paragraphs 25 and 26 of IAS 1) regarding the continuity of the Company, also due to the strong competitive position, high profitability and solidity of the financial structure.
Sabaf S.p.A., as the Parent Company, also prepared the consolidated financial statements of the Sabaf Group at 31 December 2015.

Financial statements

The Company has adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of the 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 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 Company's capital, business and financial status.

Accounting policies

The accounting standards and policies applied for the preparation of the separate financial statements as at 31 December 2015, 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
Specific plant and machinery	6 – 10
Equipment	4
Furniture	8
Electronic equipment	5
Vehicles and other transport means	5

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

Investment properties
Investment property is valued at cost, including revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.
The depreciation is calculated based on the estimated useful life, 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.

Intangible assets
As established by IAS 38, 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. If 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.

Equity investments and non-current receivables
Equity investments not classified as held for sale are booked at cost, reduced for impairment.
Non-current receivables are stated at their presumed realisable value.

Impairment of value
At each balance sheet date, Sabaf S.p.A. reviews the carrying value of its property, plant and equipment, intangible assets and equity investments to determined whether there are signs of impairment of the value of these assets. If there is any such indication, 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 Company 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 to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of 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 main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Company prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the subsidiaries, 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.
Furthermore, the Company checks the recoverable value of its subsidiaries at least once a year when the separate financial statements are prepared.
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.

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 by the presumed realisable value for finished and semi-processed products – calculated taking into account any manufacturing 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. Advance payments obtained with regard to the sale of trade receivables are recognised under current loans.

Current and non-current financial assets

Financial assets held for trading are measured at 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 updating future financial flows estimated at a rate including taxes such as to 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. 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 the balance sheet date). 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 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 Company has the unconditional right to defer discharge of a liability by at least 12 months after the reference date.

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 the transaction date.

At year-end, assets and liabilities expressed in foreign currencies 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 Company's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The Company may decide to use derivative financial instruments to hedge these risks.

The Company does not use derivatives for trading purposes.

Derivatives are initially recognised at cost and are then adjusted to 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 Company'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 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 reporting

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 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 expenses
Financial expenses include 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 Company'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 in accordance with the global liability provisioning method. They are calculated on all temporary differences that emerge from the taxable base of an asset or liability and its book value. 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 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
Treasury shares are booked in a specific reserve as a reduction of shareholders' equity. The carrying value of treasury shares and revenues from any subsequent sales are recognised in the form of changes in shareholders' equity.

Use of estimates
Preparation of the separate financial statements 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 might differ from these estimates. Estimates are used to measure tangible and intangible assets and investments subject to impairment testing, as described earlier, as well as to measure the ability to recover prepaid tax assets, credit risks, inventory obsolescence, depreciation and amortisation, asset write-downs, employee benefits, taxes, other provisions and reserves. Specifically:

Recoverability of value of tangible and intangible assets and investments
The procedure for determining impairment of value of tangible and intangible assets described in "Impairment of value" implies – in estimating the value of use – the use of the Business Plans 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 might have an effect on liabilities for pension benefits.
Income tax
Determining liabilities for Company 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 might change over time and have a significant effect on the valuation of deferred tax assets.
Other provisions and reserves
When 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 Company 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 2015

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company from 1 January 2015:

On 20 May 2013, the interpretation IFRIC 21 – Levies was published, which clearly provides at the time of recognition of a liability related to taxes (other than income taxes) imposed by a government agency. The standard is concerned with both the liabilities for taxes within the scope of application of IAS 37 - Provisions, potential assets and liabilities, and those for taxes whose timing and amount are certain. The interpretation is applied retrospectively for the years starting from 17 June 2014 at the latest or a later date. The adoption of this new interpretation did not have any effect on the Company's separate financial statements.

On 12 December 2013, the IASB published the document "Annual Improvements to IFRSs: 2011-2013 Cycle", which includes the changes to some principles within the scope of the annual improvement process of same. The main changes involve: IFRS 3 Business Combinations –

Scope exception for joint ventures; IFRS 13 Fair Value Measurement – Scope of portfolio exception (par. 52); IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The changes apply starting from the financial years which began on 1 January 2015 or a later date. The adoption of these amendments did not have any effect on the Company's separate financial statements.

IFRS and IFRIC accounting standard, amendments approved by the European Union, not yet universally applicable and not adopted early by the Company at 31 December 2015

On 21 November 2013 the amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" was published, which proposes to present the contributions (related only to the service provided by the employee in the year) carried out by the employees or third parties in the defined-benefit plans for reduction of the service cost of the year in which this contribution is paid. The need for this proposal arose with the introduction of the new IAS 19 (2011), where it is considered that these contributions are to be interpreted as part of a post-employment benefit, rather than a benefit for a brief period, and, therefore, that this contribution must be spread over the employee's years of service. The changes apply starting from the financial years which began on 1 February 2015 or a later date. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

On 12 December 2013, the document "Annual Improvements to IFRSs: 2010-2012 Cycle" was published, which includes the changes to some principles within 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/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/amortisation, 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. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

On 6 May 2014 the IASB issued some amendments to the standard IFRS 11 "Joint Arrangements – Accounting for acquisitions of interests in joint operations" related to the accounting of the acquisition of equity interests in a joint operation whose activity consists of a business within the meaning of IFRS 3. The modifications require that the standards set forth in IFRS 3 related to the recognition of the effects of a business combination are applied for these cases. The changes apply from 1 January 2016, but early application is permitted. At the present time, these cases are not applicable for the Company, since there are no joint operations.

On 12 May 2014, the IASB issued some amendments to IAS 16 "Property, plant and Equipment" and to IAS 38 Intangible Assets – "Clarification of acceptable methods of depreciation and amortisation". The changes to IAS 16 establish that the determining depreciation and amortisation criteria based on the revenues are not appropriate, since, according to the amendment, the revenues generated by an activity that includes the activity subject to depreciation and amortisation generally reflect factors other than only consumption of the economic benefits of the activity itself. The changes to IAS 38 introduce a rebuttable presumption, according to which a depreciation and amortisation criterion based on revenues is considered to be an inappropriate regulation for the same reasons established by the modifications introduced to IAS 16. In the case of the intangible assets this presumption can however be overcome, but only in limited and specific circumstances. The changes apply from 1 January 2016, but early application is permitted. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

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.

The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

On 18 December 2014, the IASB issued an amendment to IAS 1 – Disclosure Initiative. 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 IFRS 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 disaggregated or aggregated as the case may be. A guideline on the use of sub-totals within the tables is also provided;
- 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 susceptible 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. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

On 12 August 2014, the IASB issued an amendment to IAS 27 – Equity Method in Separate Financial Statements. The document introduces the option of using the shareholders' equity method for valuing investments in subsidiaries, companies under joint control and associate companies in the separate financial statements of an entity. As a result, following the introduction of the amendment, an entity can record these investments in its separate financial statements, alternatively: at cost; or in accordance with the provisions of IFRS 9 (or IAS 39); or using the net equity method.

The changes apply from 1 January 2016, but early application is permitted. The directors have not yet assessed whether to use this option in the Company's separate financial statements from 1 January 2016.

IFRS accounting standards, amendments and interpretations not yet approved by the European Union

On the reference date of these separate financial statements the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the amendments and principles described below.

On 30 January 2014, the IASB published the standard IFRS 14 – Regulatory Deferral Accounts, which consents the recognition of the amounts related to the activities subject to regulated rates ("Rate Regulation Activities") according to the preceding accounting standards adopted only to those that adopt the IFRS for the first time. Since the Company was not a first-time adopter, this standard is not applicable.

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 revenue 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 performance obligations;
- the determining of the price;
- the allocation of the price to the contract performance obligations;
- the criteria of entry of the revenue when the entity satisfies each performance obligation.

The principle applies from 1 January 2018, but early application is permitted. Although the systematic analysis of the case and in particular a detailed analysis of the contracts with the customers have not yet been completed, the directors do not expect that the application of IFRS 15 can have a significant impact on the amounts recorded for the revenues and on the related disclosures in the Company's separate financial statements.

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 13 January 2016, the IASB published the standard IFRS 16 – Leases which will replace the standard IAS 17 – Leases, as well as interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset in order to distinguish the leasing contracts from the service contracts, identifying the discriminatory ones: the identification of the asset, the right of replacement of the same, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.
The standard applies from 1 January 2019, but early application is permitted, only for the companies that have applied IFRS 15 - Revenue from Contracts with Customers at an early date. The directors do not expect that the application of IFRS 16 can have a significant impact on the accounting of the leasing contracts and on the related disclosures in the Company's separate financial statements. However, it is not possible to provide a reasonable estimate of the effect as long as the Group has not completed a detailed analysis of the related contract.

On 11 September 2014, the IASB published the amendment to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published for the purpose of resolving the current conflict between IAS 28 and IFRS 10. At the present time, this case is not applicable for the Company.

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 2013	**6,163**	**146,296**	**27,741**	**1,635**	**181,835**
Increases	39	3,315	1,894	2,704	7,952
Disposals	-	(2,282)	(65)	(145)	(2,492)
Reclassification	6	456	9	(485)	(14)
At 31 December 2014	**6,208**	**147,785**	**29,579**	**3,709**	**187,281**
Increases	67	7,802	1,038	749	9,656
Disposals	-	(2,891)	(106)	-	(2,997)
Reclassification	-	2,668	63	(2,786)	(55)
At 31 December 2015	**6,275**	**155,364**	**30,574**	**1,672**	**193,885**
Accumulated depreciation and amortisa-tion					
At 31 December 2013	**2,362**	**123,368**	**23,748**	**145**	**149,623**
Depreciation for the year	173	6,096	1,891	-	8,160
Eliminations for disposals	-	(1,690)	(60)	(145)	(1,895)
At 31 December 2014	**2,535**	**127,774**	**25,579**	**0**	**155,888**
Depreciation for the year	176	5,847	1,841	-	7,864
Eliminations for disposals	-	(1,701)	(106)	-	(1,807)
At 31 December 2015	**2,711**	**131,920**	**27,314**	**0**	**161,945**
Net carrying value					
At 31 December 2015	3,564	23,444	3,260	1,672	31,940
At 31 December 2014	3,673	20,011	4,000	3,709	31,393

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

	31.12.2015	31.12.2014	Change
Land	1,291	1,291	-
Industrial buildings	2,273	2,382	(109)
Total	**3,564**	**3,673**	**(109)**

The main investments in the year aimed at increasing production capacity and the further automation of production of light alloy valves. 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.
The decreases are mainly related to the disposal of machinery to the Group's foreign companies. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2015, the Company 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 2013	**6,675**
Increases	-
Disposals	-
At 31 December 2014	**6,675**
Increases	-
Disposals	-
At 31 December 2015	**6,675**

Accumulated depreciation and amortisation	
At 31 December 2013	**4,453**
Depreciation for the year	193
At 31 December 2014	**4,646**
Depreciation for the year	192
At 31 December 2015	**4,838**

Net carrying value	
At 31 December 2015	1,837
At 31 December 2014	2,029

This item includes non-operating buildings owned by the Group. During the year this item did not undergo any changes except for depreciation and amortisation for the year. At 31 December 2015, the Company 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

	Patents, know-how and software	Development costs	Other intangible assets	Total
Cost				
At 31 December 2013	**5,753**	**3,834**	**1,676**	**11,263**
Increases	102	474	110	686
Reclassifications	-	-	-	-
Decreases	-	-	-	-
At 31 December 2014	**5,855**	**4,308**	**1,786**	**11,949**
Increases	192	414	21	627
Reclassifications	66	(46)	-	20
Decreases	-	-	-	-
At 31 December 2015	**6,113**	**4,676**	**1,807**	**12,596**
Depreciation, amortisation and write-downs				
At 31 December 2013	**5,216**	**1,668**	**1,143**	**8,027**
Amortisation 2014	200	343	147	690
Decreases	-	-	-	-
At 31 December 2014	**5,416**	**2,011**	**1,290**	**8,717**
Amortisation 2015	203	336	142	681
Decreases	-	-	-	-
At 31 December 2015	**5,619**	**2,347**	**1,432**	**9,398**
Net carrying value				
At 31 December 2015	**494**	**2,329**	**375**	**3,198**
At 31 December 2014	**439**	**2,297**	**496**	**3,232**

Intangible assets have a finite useful life and, as a result, are amortised throughout their life. The main investments in the year relate to the development of new products, including various versions of special burners for several clients 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). Software investments include the extension of the application area and the companies covered by the Group's management system (SAP) and the realisation of the new website. Other intangible assets refer, in the main, to improvements to third-party leased assets.
At 31 December 2015, the Company found no endogenous or exogenous indicators of impairment of its intangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

4. INVESTMENTS

	31.12.2015	31.12.2014	Change
In subsidiaries	45,760	44,798	962
Other shareholdings	59	40	19
Total	**45,819**	**44,838**	**981**

The change in investments in subsidiaries is broken down in the table below:

	Sabaf Immobiliare	Faringosi Hinges	Sabaf do Brasil	Sabaf Mexico	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf A.C. Kunshan (China)	Sabaf Turkey	Total
Historical cost									
At 31 December 2013	**13,475**	**10,329**	**8,469**	**548**	**139**	**2,250**	**200**	**13,351**	**48,761**
Increases/reductions of capital	-	-	-	-	-	1,150	-	-	1,150
At 31 December 2014	**13,475**	**10,329**	**8,469**	**548**	**139**	**3,400**	**200**	**13,351**	**49,911**
Increases/reductions of capital	-	-	-	-	-	1,000	-	(1,346)	(346)
Liquidation investment	-	-	-	(548)	-	-	-	-	(548)
At 31 December 2015	**13,475**	**10,329**	**8,469**	**0**	**139**	**4,400**	**200**	**12,005**	**49,017**
Provision for write-downs									
At 31 December 2013	**0**	**3,653**	**0**	**0**	**0**	**2,077**	**0**	**0**	**5,730**
Write-downs (write-backs)	-	(1,771)	-	548	-	606	-	-	(617)
At 31 December 2014	**0**	**1,882**	**0**	**548**	**0**	**2,683**	**0**	**0**	**5,113**
Write-downs (write-backs) (Note 28)	-	(1,882)	-	-	-	574	-	-	(1,308)
Liquidation investment	-	-	-	(548)	-	-	-	-	(548)
At 31 December 2015	**0**	**0**	**0**	**0**	**0**	**3,257**	**0**	**0**	**3,257**
Net carrying value									
At 31 December 2015	**13,475**	**10,329**	**8,469**	**0**	**139**	**1,143**	**200**	**12,005**	**45,760**
At 31 December 2014	**13,475**	**8,447**	**8,469**	**0**	**139**	**717**	**200**	**13,351**	**44,798**
Net equity (calculated in conformity with IAS/IFRS)									
At 31 December 2015	**28,679**	**4,922**	**7,145**	**0**	**(32)**	**1,302**	**293**	**14,085**	**56,394**
At 31 December 2014	**27,309**	**4,549**	**8,333**	**28**	**(36)**	**717**	**255**	**14,163**	**55,318**
Difference between net equity and carrying value									
At 31 December 2015	**15,204**	**(5,407)**	**(1,324)**	**0**	**(171)**	**159**	**93**	**2,080**	**10,634**
At 31 December 2014	**13,834**	**(3,898)**	**(136)**	**28**	**(175)**	**0**	**55**	**812**	**10,520**

The changes in the recorded values of the subsidiaries are commented on below:

Faringosi Hinges s.r.l.
In the course of 2015 Faringosi Hinges achieved better net results compared with the previous year, in terms of both the development of sales and profitability, which turned out to be largely positive and greater than the 2015 budget. The company has benefited from the initiatives undertaken aimed at increasing operative efficiency, from the commencement of the sales of special products and from the strengthening of the dollar, into which around 30% of revenues is divided.

The forward plan 2016-2020, drafted at the end of 2015 and approved by the Board of Directors of the subsidiary, plans a further gradual improvement of sales and profitability, to be considered as sustainably purchased also going forward. At 31 December 2015, Sabaf S.p.A. tested the carrying value of the investment in Faringosi Hinges for impairment, determining its recoverable value, considered to be equivalent to its usable value plus available liquidity, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period 2016-2020 were augmented by the so-called terminal value, which expresses the operating flows that the subsidiary is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 8.45% (8.76% in the impairment test conducted while drafting the separate financial statements at 31 December 2014) and a growth rate (g) of 1.50%, which is in line with historical data.

The recoverable value calculated on the basis of the above-mentioned valuation assumptions and techniques was €11,061 million. The value of the investment, which in previous years was reduced for adjustment to the presumed recoverable value, reporting in these separate financial statements write-backs of € 1,882 million (Note 29).

The performance of sales, profitability and orders in the first months of 2016 confirms 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:

(€ '000)					
			growth rate		
discount rate	**1.00%**	**1.25%**	**1.50%**	**1.75%**	**2.00%**
7.45%	12,206	12,622	13,074	13,564	14,100
7.95%	11,260	11,611	11,989	12,397	12,840
8.45%	10,441	10,740	11,061	11,405	11,776
8.95%	9,726	9,983	10,258	10,551	10,866
9.45%	9,096	9,319	9,556	9,809	10,079

Sabaf do Brasil

In 2015 Sabaf do Brasil continued to obtain positive results, which improved compared with 2014. The reduction in shareholders' equity (converted into euros as the end-of-year exchange rate) is to be ascribed entirely to the strong devaluation of the Brazilian real.

Sabaf Mexico S.A. de c.v.

During 2015 the process of voluntary liquidation of the Mexican subsidiary, no longer considered to be functional to the Group's strategic objectives. The value of the investment was written off entirely during 2014 and at the outcome of the liquidation no additional charges for the Company have emerged.

Sabaf U.S.

The subsidiary Sabaf U.S. operates as a commercial base for North America.
The difference between the carrying value and the net equity of the investment is attributable to the non-durable losses taking into consideration expected development on the North American market.

Sabaf Appliance Components

In 2015, Sabaf Appliance Components (Kunshan) Co., Ltd. launched the production of special burners for the Chinese market. Furthermore, from 2015 the company has performed the function as distributor on the Chinese market of Sabaf products manufactured in Italy and Turkey. To sustain the necessary investments at the production launch, Sabaf S.p.A. paid in €1 million for the share capital increase during the financial year. On 31 December 2015 the value of the investment was reduced in order to reflect the loss of the financial year of € 542,000, considered to be durable.

Sabaf Appliance Components Trading

Sabaf Appliance Components Trading (Kunshan) Co., Ltd., was founded during 2012 in order to perform the function as distributor. During 2015, this activity was centralised at Sabaf Appliance Components; however, the company went into liquidation.

Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)

In 2015 Sabaf Turkey achieved very satisfactory results and strong growth following the gradual expansion of production capacity. During the financial year Sabaf Turkey proceeded to make a partial reimbursement of capital to the parent company, for a higher amount than that of the current equity requirements.

5. NON-CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014	Change
Financial receivables from subsidiaries	1,837	1,660	177
Total	**1,837**	**1,660**	**177**

At 31 December 2015 and at 31 December 2014, an interest-bearing loan of USD 2 million was recorded under this item, maturing in March 2017, granted to the subsidiary Sabaf do Brasil with the aim of optimising the Group's exposure to foreign exchange rate risk.

6. INVENTORIES

	31.12.2015	31.12.2014	Change
Commodities	8,758	8,851	(93)
Semi-processed goods	9,326	9,166	160
Finished products	8,461	9,060	(599)
Provision for inventory write-downs	(1,870)	(2,000)	130
Total	**24,675**	**25,077**	(402)

The value of final inventories at 31 December 2015 remained substantially unchanged compared with the end of the previous year. The obsolescence provision, which refers €390,000 to commodities, €570,000 to semi-processed goods and €910,000 to finished products, reflects the improved estimate of the risk of obsolescence, based on specific analyses conducted at the end of the year on slow-moving and non-moving articles.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2015	31.12.2014	Change
Italy	15,317	14,967	350
Western Europe	1,489	2,855	(1,366)
Eastern Europe and Turkey	6,054	6,024	30
Asia and Oceania (excluding Middle East)	1,979	2,986	(1,007)
South America	3,043	2,363	680
Middle East and Africa	4,333	4,671	(338)
North America and Mexico	1,606	1,429	177
Gross total	**33,821**	**35,295**	**(1,474)**
Provision for doubtful accounts	(950)	(600)	(350)
Net total	**32,871**	**34,695**	**(1,824)**

At 31 December 2015 the value of trade receivables was down against the previous year, following a moderate decrease in sales in the last quarter. At 31 December 2015, trade receivables included balances totalling USD 2,489,000, booked at the EUR/USD exchange rate in effect on 31 December 2015, i.e. 1.0877. The amount of trade receivables recognised in accounts includes €2.3 million of receivables assigned on a no-recourse basis (€6.3 million at 31 December 2014) and approximately €13.9 million in insured credits (€ 10.7 million at 31 December 2014). The provision for doubtful accounts was increased during the financial year (by €350,000), mainly following the deterioration of the situation of an Italian customer.

	31.12.2015	31.12.2014	Change
Current receivables (not past due)	28,280	29,991	(1,711)
Outstanding up to 30 days	2,233	1,939	294
Outstanding from 31 to 60 days	415	827	(412)
Outstanding from 31 to 90 days	730	487	243
Outstanding for more than 90 days	2,163	2,051	112
Total	**33,821**	**35,295**	**(1,474)**

8. TAX RECEIVABLES

	31.12.2015	31.12.2014	Change
From Giuseppe Saleri SapA for IRES	1,114	1,083	31
From inland revenue for IRAP	605	-	605
From inland revenue for VAT	30	444	(414)
Total	**1,749**	**1,527**	**222**

Sabaf S.p.A. has 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 three years. In this scheme, the parent company Giuseppe Saleri S.a.p.A. acts as the consolidating company. At 31 December 2015 the receivable from Giuseppe Saleri S.a.p.A. includes, at €1,083,000, the receivable from the full 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 Sabaf S.p.A. for the share pertaining to it as soon as it is refunded.
The tax receivable for IRAP is generated by the higher tax payments on account paid in during the year compared with the tax due.

9. OTHER CURRENT RECEIVABLES

	31.12.2015	31.12.2014	Change
Credits to be received from suppliers	857	306	551
Advances to suppliers	33	544	(511)
Due from INAIL	32	62	(30)
Other	276	371	(95)
Total	**1,198**	**1,283**	**(85)**

At 31 December 2015 Credits to be received from suppliers included €411,000 related to the relief due to the parent company as an energy-intensive business (so-called "energy-intensive bonuses") for the years 2014 and 2015.
At 31 December 2014, advance payments to suppliers included €521,000 to Sabaf Immobiliare s.r.l., paid on account for the 2015 rent of the properties owned by the subsidiary.

10. CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014	Change
Financial receivables from subsidiaries	1,000	-	1,000
Derivatives on currency	69	-	69
Total	**1,069**	**0**	**1,069**

During the financial year, an interest-bearing loan of € 1 million was paid to Sabaf Appliance Components Co., Ltd. to support the Chinese subsidiary's working capital. The loan has a term of 12 months.
At 31 December 2015, there were forward sale contracts of USD 4.384 million, maturing on 31 December 2016, whose fair value at the end of the year was positive at €69,000. Exchange gains for the same amount were recognised in the income statement.

11. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €1,090,000 at 31 December 2015 (€1,366,000 at 31 December 2014) refers almost exclusively to bank current account balances.

12. SHARE CAPITAL

At 31 December 2015 the parent company's share capital consists of 11,533,450 shares with a par value of €1.00 each. The share capital paid in and subscribed did not change during the year.

13. TREASURY SHARES

During the financial year Sabaf S.p.A. acquired 61,571 treasury shares at an average unit price of €11,675; there have been no sales.
At 31 December 2015, the parent company Sabaf S.p.A. held 62,078 treasury shares, equal to 0.538% of share capital (507 treasury shares at 31 December 2014), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €11,653 (the market value at year-end was €11,419).
There were 11,471,372 outstanding shares at 31 December 2015 (11,532,943 at 31 December 2014).

14. LOANS

	31.12.2015		31.12.2014	
	Current	Non Current	Current	Non Current
Unsecured loans	2,707	4,632	2,660	7,340
Short-term bank loans	13,194	-	9,647	-
Advances on bank receipts or invoices	5,825	-	6,091	-
Interest payable	36	-	40	-
Total	**21,762**	**4,632**	**18,438**	**7,340**

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 1.3 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

	31.12.2015	31.12.2014	Change
Derivative instruments on interest rates	14	-	14
Total	**14**	**0**	**14**

At 31 December 2015, a negative fair value of the outstanding derivative financial instruments hedging rate risks was recorded under this item (Note 36). Financial charges in the same amount were recognised in the 2015 income statement.

16. EMPLOYEE SEVERANCE PAY RESERVE

	31.12.2015	31.12.2014
Liabilities at 1 January	**2,641**	**2,496**
Financial expenses	35	52
Amounts paid out	(111)	(150)
Actuarial gains and losses	(38)	243
Liabilities at 31 December	**2,527**	**2,641**

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. 2015	*31.12.2014*
Discount rate	1.60%	1.40%
Inflation	2.00%	2.00%

Demographic theory

	31,12. 2015	*31.12.2014*
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 of all ages	6% per year of all ages
Advance payouts	5% per year	5% per year
Retirement age	pursuant to legislation in force on 31 December 2015	pursuant to legislation in force on 31 December 2014

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

	31.12.2014	Provisions	Utilization	Release of excess portion	31.12.2015
Reserve for agents' indemnities	285	31	-	(50)	266
Product guarantee fund	160	8	(108)	-	60
Reserve for legal risks	70	-	-	(70)	-
Total	**515**	**39**	**(108)**	**(120)**	**326**

The reserve for agents' indemnities covers amounts payable to agents if the Company terminates the agency relationship.
The product warranty reserve covers the risk of returns or charges by customers for products already sold.
The reserve for legal risks, set aside for moderate disputes in previous financial years, was zeroed out since the disputes have had a favourable outcome.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historical experience, have not been time-discounted because the effect is considered negligible.

18. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

	31.12.2015	31.12.2014	Change
Italy	14,536	14,064	472
Western Europe	2,895	2,870	25
Eastern Europe and Turkey	327	32	295
Asia and Oceania	420	495	(75)
South America	14	25	(11)
Middle East and Africa	10	-	10
North America and Mexico	1	87	(86)
Total	**18,203**	**17,573**	**630**

The amount of trade payables in currencies other than the euro is not significant. At 31 December 2015, there were no overdue payables of a significant amount, and the Company had not received any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2015	31.12.2014	Change
To Giuseppe Saleri SapA for IRES	-	1,092	(1,092)
From inland revenue for IRAP	-	16	(16)
To inland revenue for IRPEF withholding	788	617	171
Total	**788**	**1,725**	**(937)**

At the end of the financial year, the Company does not have payables for IRES and IRAP since the payments on account made during the financial year are greater than the taxes due.

20. OTHER CURRENT PAYABLES

	31.12.2015	31.12.2014	Change
Due to employees	3,658	3,815	(157)
To social security institutions	1,861	2,148	(287)
Prepayments from customers	88	246	(158)
Due to agents	281	295	(14)
Other current payables	54	54	-
Total	**5,942**	**6,558**	**(616)**

At the beginning of 2016, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2015	31.12.2014
Deferred tax assets	3,285	3,611
Deferred tax liabilities	(150)	(35)
Net position	**3,135**	**3,576**

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

	Amortisation and leasing	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Actuarial post-employment benefit reserve evaluation	Other temporary differences	Total
At 31 December 2013	**245**	**1,098**	**5**	**1,993**	**136**	**155**	**3,632**
Income statement	108	(165)	-	-	-	(61)	(118)
Shareholders' equity	-	-	(5)	-	67	-	62
At 31 December 2014	**353**	**933**	**0**	**1,993**	**203**	**94**	**3,576**
Income statement	-	(140)	(19)	(222)	(25)	(27)	(433)
Shareholders' equity	-	-	-	-	(8)	-	(8)
At 31 December 2015	**353**	**793**	**(19)**	**1,771**	**170**	**67**	**3,135**

Tax assets relating to goodwill 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.
At 31 December 2015 the Group's Italian companies accounted for the adjustment of the deferred taxation (reduction of the IRES rate from 27.5% to 24% from 2017 provided by the Stability Law [*Legge di Stabilità*] 2016), recognising overall a negative effect in the income statement of € 390,000 (Note 33).

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:

		31.12.2015	31.12.2014	Change
A.	Cash (Note 11)	6	8	(2)
B.	Positive balances of unrestricted bank accounts (Note 11)	1,084	1,358	(274)
C.	Other cash equivalents	0	0	0
D.	**Liquidity (A+B+C)**	**1,090**	**1,366**	**(276)**
E.	Current bank payables (Note 14)	19,055	15,778	3,277
F.	Current portion of non-current debt (Note 14)	2,707	2,660	47
G.	Other non-current financial payables (Note 15)	14	0	14
H.	**Current financial debt (E+F+G)**	**21,776**	**18,438**	**3,338**
I.	**Net current financial position (H-D)**	**20,686**	**17,072**	**3,614**
J.	Non-current bank payables (Note 14)	4,632	7,340	(2,708)
K.	Other non-current financial liabilities	0	0	0
L.	**Non-current financial debt (J+K)**	**4,632**	**7,340**	**(2,708)**
M.	**Net financial debt (I+L)**	**25,318**	**24,412**	**906**

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

Comments on key income statement items

23. REVENUES

In 2015, sales revenue totalled €113,962,000, down by €1,957,000 (-1.7%) compared with 2014.

Revenues by geographical area

	2015	%	**2014**	%	**% change**
Italy	38,081	33.4%	39,770	34.3%	*-4.2%*
Western Europe	6,481	5.7%	7,880	6.8%	*-17.8%*
Eastern Europe and Turkey	28,322	24.8%	30,287	26.1%	*-6.5%*
Asia and Oceania (excluding Middle East)	6,347	5.6%	6,528	5.6%	*-2.8%*
Central and South America	11,991	10.5%	10,582	9.2%	*+13.3%*
Middle East and Africa	16,479	14.5%	16,561	14.3%	*-0.5%*
North America and Mexico	6,261	5.5%	4,311	3.7%	*+45.2%*
Total	**113,962**	100%	**115,919**	100%	*-1.7%*

Revenue by product family

	2015	*%*	**2014**	*%*	**% change**
Brass valves	12,673	11.1%	13,738	11.9%	*-7.8%*
Light alloy valves	33,663	29.6%	33,758	29.1%	*-0.3%*
Thermostats	10,513	9.2%	12,268	10.6%	*-14.3%*
Valves and thermostats total	*56,849*	*49.9%*	*59,764*	*51.6%*	*-4.9%*
Standard burners	22,983	20.2%	23,261	20.1%	*-1.2%*
Special burners	20,773	18.2%	19,975	17.2%	*+4.0%*
Burners total	*43,756*	*38.4%*	*43,236*	*37.3%*	*+1.2%*
Accessories and other revenues	*13,357*	*11.7%*	*12,919*	*11.1%*	*+3.4%*
Total	**113,962**	**100%**	**115,919**	**100%**	*-1.7%*

During 2015 there was a decrease in sales on the European markets, more marked in Western Europe also due to a further shift in production of household appliances towards countries with lower labour costs. Better results were obtained on the non-European markets, with a sizable increase in sales on the American continent, also favoured by the strong dollar.
The analysis per product family shows a rather marked decrease for valves and thermostats (more significant for brass products), a substantial stability of sales of standard burners and a good increase of sales of special burners, also thanks to the introduction of new high energy efficiency models.
Average sales prices in 2015 were around 0.9% lower compared with 2014.
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

	2015	2014	Change
Sale of trimmings	1,403	1,782	(379)
Services to subsidiaries	280	211	69
Contingent income	260	201	59
Rental income	116	132	(16)
Use of provisions for risks and contingencies	158	26	132
Services to parent companies	10	10	0
Other	506	613	(107)
Total	**2,733**	**2,975**	**(242)**

The fall in the sale of trimmings is related to the reduction in volumes of die cast parts. Services to subsidiaries and parent companies refer to administrative, commercial and technical services within the scope of the Group.

25. PURCHASES OF MATERIALS

	2015	2014	Change
Commodities and outsourced components	40,279	41,323	(1,044)
Consumables	3,582	3,496	86
Total	**43,861**	**44,819**	**(958)**

The effective purchase prices of the principal raw materials (brass, aluminium and steel alloys) increased on average by around 5.5% versus 2014. Consumption (purchases plus change in inventory) as a percentage of sales was 38.8% in 2015, compared with 37.6% in 2014.

26. COSTS FOR SERVICES

	2015	2014	Change
Outsourced processing	9,202	10,156	(954)
Electricity and natural gas	3,874	4,350	(476)
Property rental	4,032	4,000	32
Maintenance	2,661	3,163	(502)
Transport and export expenses	1,392	1,545	(153)
Advisory services	1,488	1,210	278
Directors' remuneration	1,049	816	233
Commissions	574	778	(204)
Travel expenses and allowances	674	592	82
Waste disposal	364	400	(36)
Canteen	315	317	(2)
Insurance	443	315	128
Temporary agency workers	145	173	(28)
Factoring fees	15	116	(101)
Other costs	2,523	1,864	659
Total	**28,751**	**29,795**	**(1,044)**

The fall in outsourced processing costs was due to the partial insourcing of certain phases of burner production. The reduction in energy costs results from the reduction in the price of electrical energy and gas (on average -6.8% compared with 2014) and from reduced consumption.

The increase in maintenance costs is linked to the normal cyclicality of maintenance operations; the maintenance policies, aimed at guaranteeing constant efficiency of all the production plants, did not register any changes. The increase in insurance costs is attributable to the introduction of a commercial insurance cover policy (simultaneously no-recourse factoring commissions, previously the prevalent form of credit guarantee, were reduced).
Other costs included charges by customers, expenses for the registration of patents, leasing third-party assets, cleaning costs and other minor charges.

27. PAYROLL COSTS

	2015	2014	Change
Salaries and wages	18,767	18,757	10
Social security costs	6,131	6,156	(25)
Temporary agency workers	1,182	1,365	(183)
Post-employment benefit reserve and other payroll costs	1,888	1,660	228
Total	**27,968**	**27,938**	**30**

Average Company headcount in 2015 totalled 552 employees (428 blue-collars, 115 white-collars and supervisors, 9 managers), compared with 558 in 2014 (441 blue-collars, 109 white-collars and supervisors, 8 managers). The average number of temporary staff, with supply contract, was 32 in 2015 (41 in 2014).
During the year the Company made sporadic use of the temporary unemployment fund in periods characterized by low production requirements: this allowed savings in personnel costs of €333,000 (€124,000 in 2014).

28. OTHER OPERATING COSTS

	2015	2014	Change
Losses and write-downs of trade receivables	360	44	316
Duties and other non-income taxes	179	173	6
Contingent liabilities	159	87	72
Reserves for risks	8	102	(94)
Other provisions	31	22	9
Other administrative expenses	84	122	(38)
Total	**821**	**550**	**271**

Non-income taxes mainly include IMU, TASI and the tax for the disposal of urban solid waste. Provisions for risks and other provisions relate to sums set aside for the risks described in Note 17.

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

	2015	2014	Change
Write-back of Faringosi Hinges	1,882	1,771	111
Write-down of Sabaf Appliance Components	(574)	(606)	32
Write-down of Sabaf Mexico	-	(547)	547
Write-downs of other investments	(5)	-	(5)
Total	**1,303**	**618**	**685**

The write-downs and write-backs in investments are commented upon in Note 4, to which reference is made.

30. FINANCIAL EXPENSES

	2015	2014	Change
Interest paid to banks	248	211	37
Bank charges	210	214	(4)
Other financial expenses	42	41	1
Total	**500**	**466**	**34**

31. EXCHANGE RATE GAINS AND LOSSES

In 2015, the Company reported net foreign exchange losses of €261,000, versus net gains of €237,000 in 2014. As described at Note 4, during the financial year the subsidiary Sabaf Turkey partially reimbursed the share capital in the amount of 4 million Turkish lira.
This operation determined the recognition in the consolidated income statement of an exchange rate loss of €458,000, from the difference between the average exchange rate at which the capital was paid in and the exchange rate on the reimbursement date.

32. EARNINGS FROM INVESTMENTS

	2015	2014	Change
Sabaf do Brasil dividends	-	970	-
Total	**0**	**970**	**(970)**

33. INCOME TAX

	2015	2014	Change
Current tax	2,126	2,800	(674)
Deferred tax assets and liabilities	433	118	315
Previous years' tax	(42)	(263)	221
Total	**2,517**	**2,655**	**(138)**

Current taxes include IRES of €1,734,000 and IRAP of €392,000 (€1,797,000 and €1,003,000 respectively in 2014). The significant reduction in IRAP is a consequence of the deductibility of the labour costs arising from the taxable base as from 2015.

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 following table:

	2015	2014
Theoretical income tax	2,244	2,897
Permanent tax differences	(496)	(712)
Effect of dividends from subsidiaries not subject to taxation	-	(267)
Previous years' tax	(37)	(256)
Adjustment of the deferred taxation for a change in the IRES rate (Note 21)	390	-
Other differences	16	-
IRES (current and deferred)	**2,117**	**1,662**
IRAP (current and deferred)	400	993
Total	**2,517**	**2,655**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. The permanent differences mainly include benefits pertaining to the company resulting from membership of the national tax consolidation scheme (Note 8) for €194,000 and the tax effect of adjustments in value of investments in subsidiaries of €360,000. 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.

TAX POSITION

No significant tax disputes were pending at 31 December 2015.

34. DIVIDENDS

On 27 May 2015, shareholders were paid an ordinary dividend of €0.40 per share (total dividends of €4,613,000).

The Directors have recommended payment of a dividend of €0.48 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities in these financial statements.

The dividend proposed is scheduled for payment on 25 May 2016 (ex-date 23 May and record date 24 May).

35. SEGMENT REPORTING

Within the Sabaf Group, the Company operates exclusively in the gas parts segment. The information in the consolidated financial statements is divided between the various segments in which the Group operates.

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

	31.12.2015	31.12.2014
Financial assets		
Comprehensive income statement fair value		
Derivative cash flow hedges (on currency)	69	0
Amortised cost		
Cash and cash equivalents	1,090	1,366
Trade receivables and other receivables	34,069	35,979
Non-current loans	1,837	1,660
Current loans	1,000	0
Financial liabilities		
Comprehensive income statement fair value		
Derivative cash flow hedges (on interest rates)	14	0
Amortised cost		
Loans	26,394	25,778
Trade payables	18,203	17,573

The Company is exposed to financial risks related to its operations, 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 by the inability to find financial resources necessary to ensure Company operations.

It is part of Sabaf'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 Company 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 supply and systemically on at least an annual basis. After this assessment, each client is assigned a credit limit.
A credit insurance policy is in place, which guarantees cover for approximately 60% 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 main exchange rate to which the Company is exposed is the euro/USD in relation to sales made in dollars (mainly in North America) and, to a lesser extent, to some purchases (mainly from Asian manufacturers). Sales in US dollars represented 7.7% of total revenue in 2015, while purchases in dollars represented 3.7% of total revenue. The operations in dollars were partially hedged through forward sales contracts. At 31 December 2015 there were forward sales of dollars, maturing on 31 December 2016, for a total of USD 4.384 million.

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2015, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €301,000, without considering the pending forward sale contracts.

Interest rate risk management
The Company borrows money at a floating rate; to reach an optimum mix of floating and fixed rates in the structure of the loans, the Company assesses whether to use derivative financial instruments. During the financial year, the Group concluded an interest rate swap (IRS) contract for amounts and maturities coinciding with an unsecured loan in the course of being amortised, whose residual value at 31 December 2015 is € 3,977 million. The contract was not designated as a cash flow hedge and is therefore recognised using the "fair value in the income statement" method.

Sensitivity analysis
With reference to financial assets and liabilities at variable rate at 31 December 2015 and 31 December 2014, 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:

	31.12.2015		31.12.2014	
	Financial expenses	Cash flow hedge reserve	Financial expenses	Cash flow hedge reserve
Increase of 100 base points	80	-	100	-
Decrease of 100 base points	(80)	-	(26)	-

Commodity price risk management
A significant portion of the Company's acquisitions is represented by brass, steel and aluminium alloys. Sales prices of products are generally renegotiated annually; as a result, the Company is unable to immediately pass on to clients any changes in the prices of commodities during the year. The Company 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 2015 and 2014, the Company did not use financial derivatives on commodities. To stabilise the rising costs of commodities, Sabaf preferred to execute transactions on the physical market, fixing 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 2015 of 26.3%, net financial debt / EBITDA of 1.57) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt.
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures

Below is an analysis by expiration date of financial payables at 31 December 2015 and 31 December 2014:

At 31 December 2015

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans	7,339	7,506	700	2,099	4,707	-
Short-term bank loans	19,055	19,055	17,055	2,000	-	-
Total financial payables	**26,394**	**26,561**	**17,755**	**4,099**	**4,707**	**0**
Trade payables	18,203	18,203	17,232	971	-	-
Total	**44,597**	**44,764**	**34,987**	**5,070**	**4,707**	**0**

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
Unsecured loans	10,000	10,336	702	2,105	7,529	-
Short-term bank loans	15,778	15,778	15,778	-	-	-
Total financial payables	**25,778**	**26,114**	**16,480**	**2,105**	**7,529**	**0**
Trade payables	17,573	17,573	16,217	1,356	-	-
Total	**43,351**	**43,687**	**32,697**	**3,461**	**7,529**	**0**

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 fair value be classified based on a hierarchy that reflects the significance of the input used in determining the fair value. IFRS 7 makes a distinction between 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 in the previous point, which can be observed (prices) or indirectly (derivatives from prices) on the market;
- Level 3 – input based on observable market data

The following table shows the assets and liabilities valued at fair value at 31 December 2015, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Current financial assets (derivatives on currency)	-	69	-	69
Total assets	**0**	**69**	**0**	**69**
Other financial liabilities (derivatives on interest rates)	-	14	-	14
Total liabilities	**0**	**14**	**0**	**14**

37. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

The table below illustrates the impact of all transactions between Sabaf S.p.A. and other related parties on the balance sheet and income statement and related parties on the statement of financial position and income statement, with the exception of the compensation of directors, auditors and key management personnel which is stated in the Remuneration Report.

Impact of related-party transactions or positions on statement of financial position items

	Total 2015	**Subsidiaries**	**Parent company**	**Other related parties**	**Total related parties**	**Impact on the total**
Non-current financial assets	1,837	1,837	-	-	1,837	100.00%
Trade receivables	32,871	2,008	-	-	2,008	6.11%
Tax receivables	1,749	-	1,114	-	1,114	63.69%
Current financial assets	1,069	1,000	-	-	1,000	93.55%
Trade payables	18,203	853	-	-	853	4.69%

	Total 2014	**Subsidiaries**	**Parent company**	**Other related parties**	**Total related parties**	**Impact on the total**
Non-current financial assets	1,660	1,660	-	-	1,660	100.00%
Trade receivables	34,695	1,143	-	-	1143	3.29%
Tax receivables	1,527	-	1,084	-	1084	70.99%
Other current receivables	1,283	521	-	-	521	40.61%
Trade payables	17,573	41	-	-	41	0.23%
Tax payables	1,725	-	1,092	-	1092	63.30%

Impact of related-party transactions on income statement accounts

	Total 2015	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenues	113,962	7,275			7,276	6.38%
Other income	2,733	400	10		410	15.00%
Materials	43,861	727			727	1.66%
Services	28,751	4,162		34	4,196	14.59%
Capital gains on non-current assets	158	100			100	63.29%
Write-downs of non-current assets	1,303	1,303			1,303	100.00%
Financial income	73	73			73	100.00%

	Total 2014	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenues	115,919	4,729			4,729	4.08%
Other income	2,975	298	10		308	10.35%
Materials	44,819	231			231	0.52%
Services	29,795	4,001			4,001	13.43%
Capital gains on non-current assets	148	82			82	55.41%
Write-downs of non-current assets	618	618			618	100.00%
Financial income	84	66			66	78.57%
Profits and losses from equity investments	970	970			970	100.00%

Relations with subsidiaries mainly consist of:
- trade relations, relating to the purchase and sale of semi-processed goods or finished products with Sabaf do Brasil, Faringosi Hinges, Sabaf Turkey and Sabaf Kunshan Trading;
- sales of machinery to Sabaf Brasile, Sabaf Turkey and Sabaf Kunshan Trading, which generated the capital gains highlighted;
- rental of property from Sabaf Immobiliare;
- intra-group loans;
- group VAT settlement.

Relations with the parent company Giuseppe Saleri S.a.p.A., which does not exercise management or coordination activities pursuant to Article 2497 of the Italian Civil Code, consist of:
- provision of administrative services;
- transactions as part of the domestic tax consolidation scheme, which generated the payables and receivables shown in the tables.

Related-party transactions are regulated by specific contracts regulated at arm's length conditions.

38. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Company declares that it did not execute any significant non-recurring transactions during 2015.

39. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Company declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2015.

40. COMMITMENTS

Guarantees issued

Sabaf S.p.A. issued sureties to guarantee bank loans raised by subsidiaries, with the residual debt at 31 December 2015 equal to €934,000 (€1,859,000 at 31 December 2014).
Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €6,010,000 (€6,249,000 at 31 December 2014).

41. REMUNERATION TO DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Remuneration to directors, statutory auditors and executives with strategic responsibilities is described in the Remuneration Report which will be presented to the shareholders' meeting called to approve these separate financial statements.

42. SHARE-BASED PAYMENTS

At 31 December 2015, there were no equity-based incentive plans for the Company's directors and employees.

LIST OF INVESTMENTS WITH ADDITIONAL INFORMATION REQUIRED BY CONSOB (COMMUNICATION DEM76064293 of 28 July 2006)

IN SUBSIDIARIES [1]

Company name	Registered offices	Share capital at 31 December 2015	Shareholders	% of investment	Net equity at 31 December 2015	2015 net income
Faringosi Hinges S.r.l.	Ospitaletto (BS)	EUR 90,000	SABAF S.p.A.	100%	EUR 4,921,666	EUR 367,242
Sabaf Immobiliare S.r.l.	Ospitaletto (BS)	EUR 25,000	SABAF S.p.A.	100%	EUR 21,891,849	EUR 1,494,202
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 24,000,000	SABAF S.p.A.	100%	BRL 30,808,676	BRL 3,972,038
Sabaf US Corp.	Plainfield (USA)	USD 100,000	SABAF S.p.A.	100%	USD -34,951	USD 9,014
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	EUR 4,400,000	SABAF S.p.A.	100%	CNY 9,351,338	CNY -26,059,573
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 28,000,000	SABAF S.p.A.	100%	TRY 46,872,970	TRY 8,659,268
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. in liquidation	Kunshan (China)	EUR 200,000	SABAF S.p.A.	100%	CNY 2,070,067	CNY 146,212

OTHER SIGNIFICANT EQUITY INVESTMENTS

None

[1] Values taken from the separate financial statements of subsidiaries, prepared in accordance with locally applicable accounting standards

ORIGIN, POSSIBILITY OF UTILIZATION AND AVAILABILITY OF RESERVES

Description	Amount	Possibility of utilization	Available share	Amount subject to taxation for company in the case of distribution
Capital reserve:				
Share premium reserve	10,002	A, B, C	10,002	0
Revaluation reserve, Law 413/91	42	A, B, C	42	42
Revaluation reserve, Law 342/91	1,592	A, B, C	1,592	1,592
Surplus reserves:				
Legal reserve	2,307	B.	0	0
Other surplus reserves:	65,621	A, B, C	65,170	0
Valuation reserve:				
Post-employment benefit actuarial reserve	(505)		0	0
Total	79,059		76,806	1,634

Key:

A. for share capital increase
B. to hedge losses
C. for distribution to shareholders

REVALUATIONS

OF EQUITY ASSETS AT 31 DECEMBER 2015

		Gross value	Cumulative amortisation	Net carrying amount
Real estate investments	Law 72/1983	137	(137)	0
	1989 merger	516	(416)	100
	Law 413/1991	47	(40)	7
	1994 merger	1,483	(956)	527
	Law 342/2000	2,870	(2,196)	674
		5,053	**(3,745)**	**1,308**
Plants and machinery	Law 576/75	205	(205)	0
	Law 72/1983	2,299	(2,299)	0
	1989 merger	6,249	(6,249)	0
	1994 merger	7,080	(7,080)	0
		15,833	**(15,833)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
TOTAL		**21,097**	**(19,789)**	**1,308**

GENERAL INFORMATION

Sabaf S.p.A. is a company organised under the legal system of the Republic of Italy.

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: http://www.sabaf.it

Tax information:
R.E.A. Brescia 347512
Tax identification number 03244470179
VAT number 01786911082

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 2015 for the independent auditor and for services other than independent auditing provided by the same auditing firm. No services were provided by entities belonging to the network.

(€/000)	Party providing the service	Payments pertaining to the financial year 2015
Audit	Deloitte & Touche S.p.A.	52
Certification services	Deloitte & Touche S.p.A.	2 (1)
Other services	Deloitte & Touche S.p.A.	14 (2)
Total		*68*

(1) signing of Unified Tax Return, IRAP and 770 forms

(2) auditing procedures agreement relating to interim management reports, auditing of statements and training activities

Certification of Separate financial statements pursuant to Article 154 bis of Legislative Decree 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, paragraphs 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 separate annual report and accounts in the course of the financial year 2015.

They also certify that:

- the separate financial statements:
    - 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 Legislative Decree 38/2005;
    - correspond to the results of the accounting entries and ledgers;
    - are appropriate to provide a true and correct representation of the issuer's operating results, financial position and cash flows;

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

Ospitaletto, 22 March 2016

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