SABAF S.p.A.

SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2016

CORPORATE BODIES

Board of Directors

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

(*) Independent directors

Board of Statutory Auditors

Chairman	Antonio Passantino
Statutory Auditor	Luisa Anselmi
Statutory Auditor	Enrico Broli

Independent Auditor

Deloitte & Touche S.p.A.

Statement of financial position

(in €)	NOTES	31/12/2016	31/12/2015
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	31,092,204	31,939,736
Investment property	**2**	1,645,412	1,837,259
Intangible assets	**3**	3,095,000	3,197,864
Equity investments	**4**	50,098,459	45,819,480
Non-current financial assets	**5**	2,137,353	1,837,054
- of which from related parties	**36**	*1,897,353*	*1,837,054*
Non-current receivables		11,621	9,183
Deferred tax assets	**21**	3,315,263	3,284,696
Total non-current assets		**91,395,312**	**87,925,272**
CURRENT ASSETS			
Inventories	**6**	23,492,840	24,674,840
Trade receivables	**7**	27,465,436	32,870,713
- of which from related parties	**36**	*1,191,581*	*2,008,185*
Tax receivables	**8**	2,477,294	1,749,451
- of which from related parties	**36**	*1,083,666*	*1,113,702*
Other current receivables	**9**	1,039,324	1,197,919
Current financial assets	**10**	1,060,000	1,069,431
- of which from related parties	**36**	*1,000,000*	*1,000,000*
Cash and cash equivalents	**11**	1,796,980	1,089,671
Total current assets		**57,331,874**	**62,652,025**
ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**148,727,186**	**150,577,297**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**12**	11,533,450	11,533,450
Retained earnings, other reserves		77,530,764	79,058,252
Profit for the year		2,459,688	5,642,123
Total shareholders' equity		**91,523,902**	**96,233,825**
NON-CURRENT LIABILITIES			
Loans	**14**	17,281,379	4,631,730
Other financial liabilities	**15**	240,000	0
Post-employment benefit and retirement reserves	**16**	2,435,538	2,527,275
Provisions for risks and charges	**17**	322,979	326,140
Deferred tax liabilities	**21**	129,289	150,017
Total non-current liabilities		**20,409,185**	**7,635,162**
CURRENT LIABILITIES			
Loans	**14**	14,054,604	21,762,487
Other financial liabilities	**15**	298,161	13,610
Trade payables	**18**	16,010,381	18,202,899
- of which to related parties	**36**	*104,142*	*852,935*
Tax payables	**19**	641,944	787,676
Other payables	**20**	5,789,009	5,941,638
Total current liabilities		**36,794,099**	**46,708,310**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**148,727,186**	**150,577,297**

Income statement

(in euro)	NOTES	2016	2015
INCOME STATEMENT COMPONENTS			
OPERATING REVENUE AND INCOME			
Revenue	**23**	101,523,407	113,962,039
- of which from related parties	**36**	*6,680,209*	*7,274,762*
Other income	**24**	2,278,649	2,733,344
Total operating revenue and income		**103,802,056**	**116,695,383**
OPERATING COSTS			
Materials	**25**	(36,875,454)	(43,860,895)
Change in inventories		(1,182,000)	(402,180)
Services	**26**	(26,031,824)	(28,750,556)
- of which by related parties	**36**	*(4,151,074)*	*(4,162,137)*
Payroll costs	**27**	(26,382,450)	(27,967,750)
Other operating costs	**28**	(647,178)	(821,303)
Costs for capitalised in-house work		841,526	1,230,058
Total operating costs		**(90,277,380)**	**(100,572,626)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BAC OF NON-CURRENT ASSETS		**13,524,676**	**16,122,757**
Depreciations and amortisation	**1,2,3**	(9,020,829)	(8,736,191)
Capital gains/(losses) on disposals of non-current assets		87,113	157,965
Write-downs/write-backs of non-current assets	**29**	(521,021)	1,302,841
- of which by related parties	**36**	*(521,021)*	*1,302,841*
EBIT		**4,069,939**	**8,847,372**
Financial income		84,559	73,091
Financial expenses	**30**	(512,872)	(500,483)
Exchange rate gains and losses	**31**	(48,356)	(260,920)
PROFIT BEFORE TAXES		**3,593,270**	**8,159,060**
Income tax	**32**	(1,133,582)	(2,516,937)
PROFIT FOR THE YEAR		**2,459,688**	**5,642,123**

Comprehensive income statement

(in €)	2016	2015
PROFIT FOR THE YEAR	**2,459,688**	**5,642,123**
Total profits/losses that will not be subsequently reclassified under profit (loss) for the year		
Actuarial post-employment benefit reserve evaluation	(35,894)	37,619
Tax effect	8,615	(8,114)
Total other profits/(losses) net of taxes for the year	**(27,279)**	**29,505**
TOTAL PROFIT	**2,432,409**	**5,671,628**

Statement of changes in shareholders' equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Cash flow hedge reserve	Actuarial post-employment benefit reserve evaluation	Other reserves	Profit for the year	Total shareholders' equity
Balance at 31 December 2014	**11,533**	**10,002**	**2,307**	**(5)**	**0**	**(535)**	**64,714**	**7,878**	**95,894**
Allocation of 2014 profit									
- 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**
Allocation of 2015 profit									
- dividends paid out								(5,467)	(5,467)
- to reserve							175	(175)	
Purchase of treasury shares				(1,676)					(1,676)
Total profit at 31 December 2016						(27)	0	2,460	2,433
Balance at 31 December 2016	**11,533**	**10,002**	**2,307**	**(2,399)**	**0**	**(533)**	**68,154**	**2,460**	**91,524**

Cash flow Statement

(€/000)	2016	2015
Cash and cash equivalents at beginning of year	**1,090**	**1,366**
Profit for the year	2,460	5,642
Adjustments for:		
- Depreciation and amortisation	9,021	8,736
- Realised gains	(87)	(158)
- Write-downs/write-backs of non-current assets	521	(1,303)
- Net financial income and expenses	428	427
- Non-monetary foreign exchange differences	(60)	281
- Income tax	1,133	2,517
Change in post-employment benefit reserve	(131)	(149)
Change in risk provisions	(3)	(189)
Change in trade receivables	*5,405*	*1,825*
Change in inventories	*1,182*	*402*
Change in trade payables	*(2,192)*	*630*
Change in net working capital	4,395	2,857
Change in other receivables and payables, deferred tax	367	75
Payment of taxes	(2450)	(3,814)
Payment of financial expenses	(474)	(465)
Collection of financial income	85	73
Cash flow from operations	**15,205**	**14,531**
Investments in non-current assets		
- intangible	(735)	(646)
- tangible	(7,298)	(9,601)
- financial	(4,800)	(1,394)
Disposal of non-current assets	242	2,606
Cash flow absorbed by investments	**(12,591)**	**(9,035)**
Repayment of loans	(19,077)	(7,834)
Raising of loans	24,243	8,463
Change in financial assets	69	(1,069)
Sale of treasury shares	(1,675)	(719)
Payment of dividends	(5,467)	(4,613)
Cash flow absorbed by financing activities	**(1,907)**	**(5,772)**
Total financial flows	**707**	**(276)**
Cash and cash equivalents at end of year (Note 11)	**1,797**	**1,090**
Current financial debt	14,353	21,776
Non-current financial debt	17,521	4,632
Net financial debt (Note 22)	**30,077**	**25,318**

EXPLANATORY NOTES

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The separate financial statements of Sabaf S.p.A. for the financial year 2016 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 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 cash flow statement, the statement of changes in shareholders' equity 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 2016.

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 at 31 December 2016, 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 utilisation of the assets to which they refer.
Land is not depreciated.

Investment Property
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 the investment property – determined based on the market value of the properties – 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 cash generating unit) 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 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 end of the reporting period, Sabaf S.p.A. reviews the carrying value of its property, plant and equipment, intangible assets and equity investments to determine 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 the 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 investees, 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 investees 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 of the cash-generating unit) is increased to the new value stemming from the estimate of its recoverable value – 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 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 without recourse, 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.

Provisions for risks and charges

Provisions for risks and charges 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 post-employment benefit reserve (TFR) is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulations of this fund were amended by Italian Law no. 296 of 27 December 2006 and subsequent Decrees and Regulations issued during the first months of 2007 In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the end of the reporting period). 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 the end of the reporting period 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.
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 benefits 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 at the end of the reporting period. 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, provisions for bad debts, for 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 investees, which are based on a series of assumptions relating to future events and actions of the investees' 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 bad debts
Receivables are adjusted by the related bad debt provision to take into account their 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 at the end of the reporting period. 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, the Directors rely 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 2016

The following IFRS accounting standards, amendments and interpretations were applied for the first time by the Company from 1 January 2016:

- Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" (published on 21 November 2013): related to the recognition in the financial statements of the contributions made by employees or third parties to defined benefit plans. The adoption of these amendments did not have any effect on the Company's separate financial statements.

- Amendments to IFRS 11 Joint Arrangements – "Accounting for acquisitions of interests in joint operations" (published on 6 May 2014): related to the accounting for acquisitions of interests in a joint operation the activity of which is a business. The adoption of these amendments did not have any effect on the Company's separate financial statements.

- Amendments to IAS 16 – Property, plant and Equipment and to IAS 38 – Intangibles Assets – "Clarification of acceptable methods of depreciation and amortisation" (published on 12 May 2014): according to which a method of depreciation based on revenues is considered generally inappropriate, in that, revenues generated by an asset that includes the use of the asset to be depreciated generally reflect factors other than just consumption of the economic benefits of the asset, a requirement that is, however, required for depreciation. The adoption of this amendment did not have any effect on the Company's separate financial statements.

- Amendment to IAS 1 – "Disclosure Initiative" (published on 18 December 2014): the objective of the amendments is to provide clarifications with regard to elements of information which can be perceived as impediments to a clear and intelligible preparation of the financial statements. The adoption of this amendment did not have any effect on the Company's separate financial statements.

- Amendment to IAS 27 Equity Method in Separate Financial Statements (published on 12 August 2014): 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. The adoption of this amendment did not have any effect on the Company's separate financial statements.

Finally, as part of the annual process of improvement of the standards, on 12 December 2013 the IASB published the document "*Annual Improvements to IFRSs: 2010-2012 Cycle*" (including 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* and *Reconciliation of total of the reportable segments' assets to the entity's assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables*) and on 25 September 2014 the document "*Annual Improvements to IFRSs: 2012-2014 Cycle*" (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 – *Financial Instruments: Disclosure* and IAS 19 – *Employee Benefits*) which partially integrate the existing standards.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union, not yet universally applicable and not adopted early by the Company at 31 December 2016

- Standard IFRS 15 – *Revenue from Contracts with Customers* (published on 28 May 2014 and supplemented with further clarifications published on 12 April 2016), which is scheduled to 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 standard establishes a new revenue recognition model, which will apply to all contracts signed with customers except those falling within the application of other IAS/IFRS standards, such as leases, insurance contracts and financial instruments. The fundamental passages for the recognition of revenues according to the new model are:
  - the identification of the contract with the customer;
  - the identification of the contract's performance obligations;
  - the determination of the price;
  - the allocation of the price to the contract's performance obligations;
  - the revenue recognition criteria 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.

- Final version of IFRS 9 – Financial Instruments (published on 24 July 2014). 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. The directors do not expect that the application of IFRS 9 can have a significant impact on the amounts and on the 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 Company has not completed a detailed analysis of the related contract.

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

On the reporting 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 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 establishes a single model of recognition and measurement of the lease agreements for the lessee which requires the recognition of the asset to be leased (operating lease or otherwise) in assets offset by a financial debt, while also providing the opportunity not to recognise as leases the agreements whose subject matter are "low-value assets" and leases with a contract duration equal to or less than 12 months. By contrast, the Standard does not include significant changes for the lessors. The standard applies beginning on 1 January 2019 but early application is permitted, only for Companies that opted for early application of IFRS 15 - *Revenue from Contracts with Customers*. 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.

- On 19 January 2016, the IASB published the document *"Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)*", which contains the amendments to IAS 12. The aim of the document is to provide some clarification on the recognition of deferred tax assets on unrealised losses upon the occurrence of certain circumstances and on the estimate of taxable income for future years. The amendments apply from 1 January 2017 but early application is permitted.

- On 29 January 2016, IASB published the document *"Disclosure Initiative (Amendments to IAS 7)*", which contains the amendments to IAS 7. The aim of the document is to provide some clarification to improve disclosure on financial liabilities. In particular, the amendments require providing disclosures that enable the users of financial statements to understand changes in liabilities arising from financing activities.

- IFRIC 22 Interpretation "Foreign Currency Transactions and Advance Consideration" (published on 8 December 2016). The interpretation aims to provide guidelines for foreign currency transactions if advances or non-cash payments are recognised in the financial statements, prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and consequently, the spot exchange rate to be used when foreign currency transactions occur in which the payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018, 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.

- Amendment to IAS 40 "Transfers of Investment Property" (published on 8 December 2016). These amendments clarify the transfers of a property to, or from, investment property. In particular, an entity must reclassify a property among, or from, investment property only when there is evidence that there was a change in the intended use of the property. This change must refer to a specific event that happened and must not be limited to a change of intention by the Management of an entity. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

Comments on the main items of the statement of financial position

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
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**
Increases	53	5,325	1,462	758	7,598
Disposals	(1)	(2,982)	(236)	-	(3,219)
Reclassification	-	684	19	(1,003)	(300)
At 31 December 2016	**6,327**	**158,391**	**31,819**	**1,427**	**197,964**
Accumulated depreciation					
At 31 December 2014	**2,535**	**127,774**	**25,579**	**0**	**155,888**
Depreciations 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**
Depreciations for the year	176	6,200	1,702	-	8,078
Eliminations for disposals	-	(2,973)	(178)	-	(3,151)
At 31 December 2016	**2,887**	**135,147**	**28,838**	**0**	**166,872**
Net carrying value					
At 31 December 2016	3,440	23,244	2,981	1,427	31,092
At 31 December 2015	3,564	23,444	3,260	1,672	31,940

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

	31/12/2016	**31/12/2015**	**Change**
Land	1,291	1,291	-
Industrial buildings	2,149	2,273	(124)
Total	**3,440**	**3,564**	**(124)**

The main investments in the financial year were aimed at the further automation of production of light alloy valves. Investments were also made to improve production processes as well as maintenance and replacement investments designed to keep the capital equipment constantly updated.
Decreases mainly relate to the disposal of obsolete machinery.
Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2016, 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 2014	**6,675**
Increases	-
Disposals	-
At 31 December 2015	**6,675**
Increases	-
Disposals	-
At 31 December 2016	**6,675**

Accumulated depreciations	
At 31 December 2014	**4,646**
Depreciations for the year	192
At 31 December 2015	**4,838**
Depreciations for the year	192
At 31 December 2016	**5,030**

Net carrying value	
At 31 December 2016	1,645
At 31 December 2015	1,837

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 2016, the Company found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of investment property was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
Cost				
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**
Increases	108	313	53	474
Reclassifications	54	(87)	207	174
Decreases	-	-	-	-
At 31 December 2016	**6,275**	**4,902**	**2,067**	**13,244**
Amortisation and write-downs				
At 31 December 2014	**5,416**	**2,011**	**1,290**	**8,717**
2015 amortisation	203	336	142	681
Decreases	-	-	-	-
At 31 December 2015	**5,619**	**2,347**	**1,432**	**9,398**
2016 amortisation	254	350	147	751
Decreases	-	-	-	-
At 31 December 2016	**5,873**	**2,697**	**1,579**	**10,149**
Net carrying value				
At 31 December 2016	**402**	**2,205**	**488**	**3,095**
At 31 December 2015	**494**	**2,329**	**375**	**3,198**

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, mainly related to the expansion of the range of burners (research and development activities carried out during the financial year are set out in the Report on Operations). Software investments include the application development of the management system (SAP) and CAD development. Other intangible assets refer, in the main, to improvements to third-party leased assets.
At 31 December 2016, 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. EQUITY INVESTMENTS

	31/12/2016	31/12/2015	Change
In subsidiaries	50,039	45,760	4,279
Other equity investments	59	59	-
Total	**50,098**	**45,819**	**4,279**

The change in equity 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	A.R.C. s.r.l.	Total
Historical cost										
At 31 Dec 2014	**13,475**	**10,329**	**8,469**	**548**	**139**	**3,400**	**200**	**13,351**	**0**	**49,911**
Increases/reductions of capital	-	-	-	-	-	1,000	-	(1,346)	-	(346)
Equity investment liquidation	-	-	-	(548)	-	-	-	-	-	(548)
At 31 Dec 2015	**13,475**	**10,329**	**8,469**	**0**	**139**	**4,400**	**200**	**12,005**	**0**	**49,017**
Purchase of equity investments	-	-	-	-	-	-	-	-	4,800	4,800
At 31 Dec 2016	**13,475**	**10,329**	**8,469**	**0**	**139**	**4,400**	**200**	**12,005**	**4,800**	**53,817**
Provision for write-downs										
At 31 Dec 2014	**0**	**1,882**	**0**	**548**	**0**	**2,683**	**0**	**0**	**0**	**5,113**
Write-downs (write-backs) (Note 28)	-	(1,882)	-	-	-	574	-	-	-	(1,308)
Equity investment liquidation	-	-	-	(548)	-	-	-	-	-	(548)
At 31 Dec 2015	**0**	**0**	**0**	**0**	**0**	**3,257**	**0**	**0**	**0**	**3,257**
Write-downs (write-backs) (Note 28)	-	-	-	-	-	521	-	-	-	521
At 31 Dec 2016	**0**	**0**	**0**	**0**	**0**	**3,778**	**0**	**0**	**0**	**3,778**
Net carrying value										
At 31 Dec 2016	**13,475**	**10,329**	**8,469**	**0**	**139**	**622**	**200**	**12,005**	**4,800**	**50,039**
At 31 Dec 2015	**13,475**	**10,329**	**8,469**	**0**	**139**	**1,143**	**200**	**12,005**	**0**	**45,760**
Portion of shareholders' equity (calculated in compliance with IAS/IFRS)										
At 31 Dec 2016	**30,027**	**5,546**	**10,628**	**0**	**(25)**	**683**	**266**	**14,805**	**3,025**	**64,955**
At 31 Dec 2015	**28,679**	**4,922**	**7,145**	**0**	**(32)**	**1,302**	**293**	**14,085**	**0**	**56,394**
Difference between shareholders' equity and carrying value										
At 31 Dec 2016	**16,552**	**(4,783)**	**2,159**	**0**	**(164)**	**61**	**66**	**2,800**	**(1,775)**	**14,916**
At 31 Dec 2015	**15,204**	**(5,407)**	**(1,324)**	**0**	**(171)**	**159**	**93**	**2,080**	**-**	**10,634**

<u>Faringosi Hinges s.r.l.</u>

In the course of 2016, the Faringosi Hinges achieved better results, both in terms of sales development and profitability, which turned out to be greater than the budget. The 2017-2021 forward plan, drafted at the end of 2016, plans a further gradual improvement of sales and the maintaining of profitability, to be considered as durably acquired also in a future perspective. At 31 December 2016, Sabaf S.p.A. tested the carrying value of the equity investment for impairment, determining its recoverable value, considered to be equivalent to its usable value plus available liquidity, by discounting expected future cash flows in the forward plan drafted by the management. Cash flows for the period from 2017 to 2021 were augmented by the so-called terminal value, which expresses the operating flows that the investee 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 7.76% (8.45% in the impairment test conducted while drafting the separate financial statements at 31 December 2015) 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 assumptions and valuation techniques is € 12,700 million, compared with a carrying value of the equity investment of € 10,329 million; consequently, the value recorded for equity investment at 31 December 2016 was deemed recoverable.

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%**
6.76%	14,086	14,619	15,202	15,844	16,553
7.26%	12,922	13,363	13,842	14,365	14,937
7.76%	11,930	12,300	12,700	13,133	13,603
8.26%	11,076	11,390	11,727	12,091	12,483
8.76%	10,332	10,601	10,889	11,198	11,529

<u>Sabaf do Brasil</u>

In 2016, Sabaf do Brasil continued to obtain positive results, which improved compared with 2015. The increase in shareholders' equity (converted into euros at the end-of-year exchange rate) also benefits from the revaluation of the Brazilian real.

<u>Sabaf U.S.</u>

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

Sabaf Appliance Components

Sabaf Appliance Components (Kunshan) Co., Ltd. has been producing burners for the Chinese market since 2015. Furthermore, the company has performed the function as distributor on the Chinese market of Sabaf products manufactured in Italy and Turkey. Low production volumes have enabled the company to reach the break-even point in 2016. At 31 December 2016, the value of the equity investment decreased by € 521,000, adjusting it to the shareholders' equity at the end of the year, in that the loss was considered permanent.

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; the process of liquidation will end in 2017.

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

Sabaf Turkey achieved extremely satisfactory results in 2016 as well. The conversion into euro of the shareholders' equity at the end of the financial year was affected by the strong devaluation of the Turkish lira at the end of 2016; however, the shareholders' equity remains higher than the carrying value of the equity investment.

A.R.C. s.r.l.

In June 2016, the Company acquired the controlling share (70%) of A.R.C. s.r.l., leading company in the production of burners for professional cooking. The transaction allowed Sabaf to enter into a new sector, contiguous with the traditional sector of components for household gas cooking appliances, and to enhance the consolidated international presence of the Sabaf Group.

At 31 December 2016, the Company tested the carrying value of the equity investment for impairment, determining its recoverable value, considered to be equivalent to its usable value plus available liquidity, by discounting expected future cash flows in the forward plan prepared during the acquisition of the equity investment in A.R.C. and adjusted at the end of 2016 on the basis of further elements known. Cash flows for the period from 2017 to 2019 were augmented by the so-called terminal value, which expresses the operating flows that the investee 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 5.79% and a growth rate (g) of 1.50%.

The portion pertaining to Sabaf S.p.A. of the recoverable value calculated on the basis of the above-mentioned assumptions and valuation techniques is € 6.938 million, compared with a carrying value of the equity investment of € 4.8 million; consequently, the carrying value recorded for equity investment at 31 December 2016 was deemed recoverable.

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%**
4.79%	7,718	8,129	8,601	9,152	9,801
5.29%	6,989	7,304	7,660	8,067	8,535
5.79%	6,413	6,661	6,938	7,250	7,603
6.29%	5,945	6,146	6,368	6,614	6,889
6.79%	5,559	5,724	5,905	6,104	6,323

As part of the acquisition of 70% of A.R.C. S.r.l., Sabaf S.p.A. signed with Loris Gasparini (current minority shareholder by 30% of A.R.C.) an agreement that aimed to regulate Gasparini's right to leave A.R.C. and the interest of Sabaf to acquire 100% of the shares after expiry of the term of five years from the signing of the purchase agreement of 24 June 2016, by signing specific option agreements. Therefore, the agreement envisaged specific option rights to purchase (by Sabaf) and sell (by Gasparini) exercisable as from 24 June 2021, the remaining shares of 30% of A.R.C., with strike prices contractually defined on the basis of final income parameters from A.R.C. at 31 December 2020.

The option for the purchase of the residual 30% of A.R.C. represents a derivative instrument; since the exercise price defined by contract was considered representative of the fair value of the portion that can be potentially acquired, no value was recorded in the separate financial statements ended 31 December 2016.

5. NON-CURRENT FINANCIAL ASSETS

	31/12/2016	31/12/2015	Change
Financial receivables from subsidiaries	1,897	1,837	60
Fixed bank account	240	-	240
Total	**2,137**	**1,837**	**300**

At 31 December 2016 and at 31 December 2015, financial receivables from subsidiaries consist of an interest-bearing loan of USD 2 million, 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.
As part of the acquisition of 70% of A.R.C., Sabaf S.p.A. paid to a fixed bank account the total amount of € 300,000, of which € 240,000 falling due after 12 months. This amount was deducted from the consideration agreed to guarantee the commitments assumed by the sellers and is payable in equal instalments over five years. (Note 15)

6. INVENTORIES

	31/12/2016	31/12/2015	Change
Commodities	7,455	8,758	(1,303)
Semi-processed goods	9,310	9,326	(16)
Finished products	8,773	8,461	312
Provision for inventory write-downs	(2,045)	(1,870)	(175)
Total	**23,493**	**24,675**	**(1,182)**

The value of final inventories at 31 December 2016 was lower than the previous year as a result of the decline in production and sales volumes. The obsolescence provision, which refers € 470,000 to commodities, € 645,000 to semi-processed goods and € 930,000 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

	31/12/2016	31/12/2015	Change
Total trade receivables	**28,065**	**33,821**	**(5,756)**
Bad debt provision	(600)	(950)	350
Net total	**27,465**	**32,871**	**(5,406)**

At 31 December 2016, trade receivables included balances totalling USD 2,925,000, booked at the EUR/USD exchange rate in effect on 31 December 2016, i.e. 1.0541. The amount of trade receivables recognised in the financial statements includes € 1.1 million of receivables assigned without recourse to factoring companies (€ 2.3 million at 31 December 2015) and approximately € 14 million in insured receivables (€ 13.9 million at 31 December 2015).
The bad debt provision was adjusted to the better estimate of the credit risk at the end of the reporting period.
The reduction in trade receivables is attributable not only to the decline in sales but also to lower receivables past due compared to the previous year, as shown in the following table:

	31/12/2016	31/12/2015	Change
Current receivables (not past due)	24,378	28,280	(3,902)
Outstanding up to 30 days	2,242	2,233	9
Outstanding from 31 to 60 days	184	415	(231)
Outstanding from 61 to 90 days	64	730	(666)
Outstanding for more than 90 days	1,197	2,163	(966)
Total	**28,065**	**33,821**	**(5,756)**

8. TAX RECEIVABLES

	31/12/2016	31/12/2015	Change
From Giuseppe Saleri SapA for IRES	1,083	1,114	(31)
From inland revenue for income tax	992	605	387
From inland revenue for VAT	402	30	372
Total	**2,477**	**1,749**	**728**

Until the 2015 financial year, Sabaf S.p.A. has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law. In this scheme, Giuseppe Saleri S.a.p.A., the parent company of Sabaf S.p.A., acted as the consolidating company. In 2016, the conditions for the preparation of the tax consolidation scheme fell short, which consequently was discontinued.

The receivable from Giuseppe Saleri S.a.p.A. recognised at 31 December 2016 derives from the full deductibility of IRAP from IRES relating to the expenses incurred for employees for the 2006-2011 period (Italian Legislative Decree 201/2011), for which the consolidating company presented an application for a refund and which will revert to Sabaf as soon as it is refunded.
The tax receivable for income taxes is generated by the higher tax payments on account paid in during the year compared with the tax due.

9. OTHER CURRENT RECEIVABLES

	31/12/2016	31/12/2015	Change
Credits to be received from suppliers	678	857	(179)
Advances to suppliers	54	33	21
Due from INAIL	58	32	26
Other	249	276	(27)
Total	**1,039**	**1,198**	**(159)**

At 31 December 2016, credits to be received from suppliers included € 411,000 related to the relief due to the Company as an energy-intensive business (so-called "energy-intensive bonuses") for the years 2014 and 2015, of which € 194,000 received at the beginning of 2017.

10. CURRENT FINANCIAL ASSETS

	31/12/2016	31/12/2015	Change
Financial receivables from subsidiaries	1,000	1,000	-
Fixed bank account (Note 5)	60	-	60
Currency derivatives	-	69	(69)
Total	**1,060**	**1,069**	**(9)**

At 31 December 2016 and at 31 December 2015, financial receivables from subsidiaries consist of an interest-bearing loan of € 1 million to Sabaf Appliance Components Co., Ltd. to support the Chinese subsidiary's working capital. The loan has a term of 12 months and was renewed in December 2016 for the same period.

11. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to € 1,797,000 at 31 December 2016 (€ 1,090,000 at 31 December 2015) refers almost exclusively to bank current account balances.

12. SHARE CAPITAL

At 31 December 2016 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 171,061 treasury shares at an average unit price of € 9,794; there have been no sales.
At 31 December 2016, the Company held 233,139 treasury shares, equal to 2.021% of share capital (62,078 treasury shares at 31 December 2015), reported in the financial statements as an adjustment to shareholders' equity at a unit value of € 10.289 (the market value at year-end was € 10.4).
There were 11,300,311 outstanding shares at 31 December 2016 (11,471,372 at 31 December 2015).

14. LOANS

	31/12/2016		31/12/2015	
	Current	Non current	Current	Non current
Unsecured loans	6,656	17,281	2,707	4,632
Short-term bank loans	7,397	-	13,194	-
Advances on bank receipts or invoices	2	-	5,825	-
Interest payable	-	-	36	-
Total	**14,055**	**17,281**	**21,762**	**4,632**

During the financial year, the Company reformulated the average duration of its loans, entering into 4 unsecured loan agreements totalling € 19.8 million repayable in five years in quarterly fixed instalments, a rates ranging from 0.60% to 1%.
Only one of the outstanding unsecured loans of € 5 million at 31 December 2016 has covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- Commitment to maintain a ratio of net financial position to shareholders' equity of less than 1
- Commitment to maintain a ratio of net financial position to EBITDA of less than 2

widely observed at 31 December 2016.
All outstanding bank loans are denominated in euro, with the exception of a short-term loan of USD 2 million.
Note 35 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31/12/2016		31/12/2015	
	Current	Non current	Current	Non current
Payables to A.RC. shareholders	60	240	-	-
Currency derivatives	201	-	17	-
Derivative instruments on interest rates	37	-	14	-
Total	**298**	**240**	**31**	**0**

The payable to the A.R.C. shareholders of € 300.000 at 31 December 2016 is related to the part of the price still to be paid to the sellers, which was deposited on an fixed account (Note 5) and will be released in favour of the sellers at constant rates in 5 years, in accordance with contractual agreements and guarantees issued by the sellers.

Other financial liabilities also include:

- the negative fair value of term sales contracts totalling USD 6 million at an exchange rate of 1.1061 agreed with regard to the foreign exchange rate risk described in Note 35. Exchange rate losses of the same amount were recorded in the income statement;
- the negative fair value of IRS hedging rate risks of unsecured loans pending, for a notional amount of approximately € 13 million and expiry until 31 December 2021. Exchange rate losses in the same amount were recognised in the income statement.

16. POST-EMPLOYMENT BENEFIT RESERVE

	31/12/2016	31/12/2015	Change
Post-employment benefit reserve	2,436	2,527	(91)
Total	**2,436**	**2,527**	**(91)**

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

	31/12/2016	*31/12/2015*
Discount rate	1.15%	1.60%
Inflation	1.75%	2.00%

Demographic theory

	31/12/2016	*31/12/2015*
Mortality rate	ISTAT 2010 M/F	ISTAT 2010 M/F
Disability rate	INPS 1998 M/F	INPS 1998 M/F
Staff turnover	6%	6%
Advance payouts	5% per year	5% per year
Retirement age	pursuant to legislation in force on 31 December 2016	pursuant to legislation in force on 31 December 2015

17. PROVISIONS FOR RISKS AND CHARGES

	31/12/2015	Provisions	Utilisation	Release of excess portion	31/12/2016
Reserve for agents' indemnities	266	-	-	(53)	213
Product guarantee fund	60	35	(35)	-	60
Reserve for legal risks	-	50	-	-	50
Total	**326**	**85**	**(35)**	**(53)**	**323**

The reserve for agents' indemnities covers amounts payable to agents if the Company terminates the agency relationship.
The product guarantee fund covers the risk of returns or charges by customers for products already sold.
The reserve for legal risks is allocated for disputes of a modest size.
The provisions booked to the provisions for risks, which represent the estimate of future payments made based on historical experience, have not been discounted because the effect is considered negligible.

18. TRADE PAYABLES

	31/12/2016	31/12/2015	Change
Total	**16,010**	**18,203**	**(2,193)**

The decrease in trade payables compared to the previous financial year is related to lower purchase volumes; average payment terms did not change versus the previous year. The amount of trade payables in currencies other than the euro is not significant. At 31 December 2016, there were no overdue payables of a significant amount and the Company did not receive any injunctions for overdue payables.

19. TAX PAYABLES

	31/12/2016	31/12/2015	Change
To inland revenue for IRPEF tax deductions	642	788	(146)
Total	**642**	**788**	**(146)**

20. OTHER CURRENT PAYABLES

	31/12/2016	31/12/2015	Change
To employees	3,472	3,658	(186)
To social security institutions	1,937	1,861	76
Advances from customers	108	88	20
To agents	241	281	(40)
Other current payables	31	54	(23)
Total	**5,789**	**5,942**	**(153)**

At the beginning of 2017, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31/12/2016	31/12/2015
Deferred tax assets	3,315	3,285
Deferred tax liabilities	(129)	(150)
Net position	**3,186**	**3,135**

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 2014	**353**	**933**	**0**	**1,993**	**203**	**94**	**3,576**
To the income statement	-	(140)	(19)	(222)	(25)	(27)	(433)
To shareholders' equity	-	-	-	-	(8)	-	(8)
At 31 December 2015	**353**	**793**	**(19)**	**1,771**	**170**	**67**	**3,135**
To the income statement	40	(23)	76	-	-	(50)	43
To shareholders' equity	-	-	-	-	8	-	8
At 31 December 2016	**393**	**770**	**57**	**1,771**	**178**	**17**	**3,186**

Deferred tax assets relating to goodwill refer to the exemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011 pursuant to Italian law Decree 98/2011. The future tax benefit can be made in ten annual portions starting in 2018.

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:

		31/12/2016	31/12/2015	Change
A.	Cash (Note 11)	4	6	(2)
B.	Positive balances of unrestricted bank accounts (Note 11)	1,793	1,084	709
C.	Other cash equivalents	0	0	0
D.	**Liquidity (A+B+C)**	**1,797**	**1,090**	**707**
E.	Current bank payables (Note 14)	7,399	19,055	(11,656)
F.	Current portion of non-current debt (Note 14)	6,656	2,707	3,949
G.	Other current financial payables (Note 15)	298	14	284
H.	**Current financial debt (E+F+G)**	**14,353**	**21,776**	**(7,423)**
I.	**Net current financial position (H-D)**	**12,556**	**20,686**	**(8,130)**
J.	Non-current bank payables (Note 14)	17,281	4,632	12,649
K.	Other non-current financial payables	240	0	240
L.	**Non-current financial debt (J+K)**	**17,521**	**4,632**	**12,889**
M.	**Net financial debt (I+L)**	**30,077**	**25,318**	**4,759**

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

Comments on key income statement items

23. REVENUE

In 2016, sales revenue totalled € 101,523,000, down by € 12,439,000 (-10.9%) compared with 2015.

Revenue by geographical area

	2016	%	2015	%	% change
Italy	31,431	30.9%	38,081	33.4%	*-17.5%*
Western Europe	6,868	6.8%	6,481	5.7%	*+6.0%*
Eastern Europe and Turkey	27,365	26.9%	28,322	24.8%	*-3.4%*
Asia and Oceania (excluding Middle East)	7,064	7.0%	6,347	5.6%	*+11.3%*
Central and South America	10,373	10.2%	11,991	10.5%	*-13.5%*
Middle East and Africa	11,254	11.1%	16,479	14.5%	*-31.7%*
North America and Mexico	7,168	7.1%	6,261	5.5%	*+14.5%*
Total	**101,523**	100%	**113,962**	100%	***-10.9%***

Revenue by product family

	2016	%	2015	%	% change
Brass valves	9,002	8.9%	12,673	11.1%	*-29.0%*
Light alloy valves	32,406	31.9%	33,663	29.6%	*-3.7%*
Thermostats	7,690	7.6%	10,513	9.2%	*-26.9%*
Total valves and thermostats	*49,098*	*48.4%*	*56,849*	*49.9%*	*-13.6%*
Standard burners	21,483	21.2%	22,983	20.2%	*-6.5%*
Special burners	19,438	19.1%	20,773	18.2%	*-6.4%*
Total burners	*40,921*	*40.3%*	*43,756*	*38.4%*	*-6.5%*
Accessories and other revenues	11,504	11.3%	*13,357*	*11.7%*	*-13.9%*
Total	**101,523**	**100.0%**	**113,962**	**100%**	***-10.9%***

The 2016 sales performance was negatively affected by the crisis of the Middle East and African markets (mainly Egypt), which recorded a downturn in direct sales of more than € 5 million. The crisis in these markets also affected the sales realised in Italy, since our Italian customers are strong exporters to the Middle East. The positive trend of the other international markets, most notably the steady growth in North America, only partially offset the decline in sales in the Middle East, Africa and Italy.
The analysis by product family shows a sharp decline in more mature products (brass valves and thermostats), mainly intended for markets in crisis. Average sales prices in 2016 were around 1.3% lower compared with 2015.

24. OTHER INCOME

	2016	2015	Change
Sale of trimmings	958	1,403	(445)
Services to subsidiaries	154	280	(126)
Contingent income	136	260	(124)
Rental income	85	116	(31)
Use of provisions for risks and charges	88	158	(70)
Services to parent company	10	10	-
Other income	848	506	342
Total	**2,279**	**2,733**	**(454)**

Lower income from the sale of trimmings is due to the recovery in the production process of a greater portion of generated trimmings.
Services to subsidiaries and to the parent company refer to administrative, commercial and technical services within the scope of the Group.
Other income includes the charge to customers for sharing the development and industrialisation of new products.

25. PURCHASES OF MATERIALS

	2016	2015	Change
Commodities and outsourced components	33,692	40,279	(6,587)
Consumables	3,183	3,582	(399)
Total	**36,875**	**43,861**	**(6,986)**

In 2016, the effective purchase prices of the main raw materials (aluminium alloys, steel and brass) were on average lower than in 2015, allowing a saving of 1.1% of sales. Consumption (purchases plus change in inventories) as a percentage of sales was 37.5% in 2016, compared with 38.8% in 2015.

26. COSTS FOR SERVICES

	2016	2015	Change
Outsourced processing	7,587	9,202	(1,615)
Property rental	3,995	4,032	(37)
Electricity and natural gas	3,526	3,874	(348)
Maintenance	2,813	2,661	152
Advisory services	1,377	1,488	(111)
Transport and export expenses	1,134	1,392	(258)
Directors' fees	1,061	1,049	12
Insurance	562	443	119
Commissions	545	574	(29)
Travel expenses and allowances	478	674	(196)
Waste disposal	352	364	(12)
Canteen	282	315	(33)
Temporary agency workers	99	145	(46)
Other costs	2,221	2,538	(317)
Total	**26,032**	**28,751**	**(2,719)**

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 lower production volumes and, to a lesser extent, from the reduction in the price of electrical energy and gas (on average -3% compared with 2015). Moreover, during the financial year, steps were taken to improve energy efficiency (installation of LED lighting systems, repair of compressed air leaks).
The change in maintenance costs is linked to the normal cyclic nature of maintenance operations; the maintenance policies, aimed at guaranteeing constant efficiency of all the production plants, did not register any changes.
Costs for advisory services related to technical (€ 343,000), sales (€ 374,000) and legal, administrative and general (€ 660,000) services.
Other costs included expenses for the registration of patents, leasing third-party assets, cleaning costs, costs related to the research and development activity and other minor charges.

27. PAYROLL COSTS

	2016	2015	Change
Salaries and wages	18,322	18,767	(445)
Social Security costs	5,959	6,131	(172)
Temporary agency workers	845	1,182	(337)
Post-employment benefit reserve and other costs	1,256	1,888	(632)
Total	**26,382**	**27,968**	**(1,586)**

Average of the Company headcount in 2016 totalled 543 employees (424 blue-collars, 110 white-collars and supervisors, 9 managers), compared with 552 in 2015 (428 blue-collars, 115 white-collars and supervisors, 9 managers). The average number of temporary staff, with supply contract, was 26 in 2016 (32 in 2015).
During the financial year, the Company used the temporary lay-off scheme in periods characterised by low production requirements: this allowed savings in personnel costs of € 689,000 (€ 333,000 in 2015).

28. OTHER OPERATING COSTS

	2016	2015	Change
Losses and write-downs of trade receivables	171	360	(189)
Non-income related taxes and duties	181	179	2
Contingent liabilities	56	159	(103)
Reserves for risks	85	8	77
Other provisions	-	31	(31)
Other operating expenses	154	84	70
Total	**647**	**821**	**(174)**

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

	2016	2015	Change
Write-back of Faringosi Hinges	-	1,882	(1,882)
Write-down of Sabaf Appliance Components	(521)	(574)	53
Write-down of other equity investments	-	(5)	5
Total	**(521)**	**1,303**	**(1,824)**

The write-down of the equity investment in Sabaf Appliance Components is commented in Note 4, to which reference is made.

30. FINANCIAL EXPENSES

	2016	2015	Change
Interest paid to banks	241	248	(7)
Banking expenses	229	210	19
Other financial expense	43	42	1
Total	**513**	**500**	**13**

31. EXCHANGE RATE GAINS AND LOSSES

During the 2016 financial year, the Company reported net foreign exchange losses of € 48,000 (net loss of € 261,000 in 2015).

32. INCOME TAX

	2016	2015	Change
Current taxes	1,314	2,126	(812)
Deferred tax assets and liabilities	(43)	433	(476)
Taxes related to previous financial years	(137)	(42)	(95)
Total	**1,134**	**2,517**	**(1,383)**

Current taxes include IRES of € 1,034,000 and IRAP of € 280,000 (€ 1,734,000 and € 392,000 respectively in 2015).

Reconciliation between the tax burden booked in the 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:

	2016	**2015**
Theoretical income tax	988	2,244
Permanent tax differences	4	(496)
Taxes related to previous financial years	(131)	(37)
Adjustment of the deferred taxation for a change in the IRES rate (Note 21)	-	390
Other differences	7	16
IRES (current and deferred)	**868**	**2,117**
IRAP (current and deferred)	266	400
Total	**1,134**	**2,517**

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

TAX POSITION

No significant tax disputes were pending at 31 December 2016.

33. DIVIDENDS

On 25 May 2016, shareholders were paid an ordinary dividend of € 0.48 per share (total dividends of € 5,467,000).
The Directors have recommended payment of an unchanged 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 31 May 2017 (ex-date 29 May and record date 30 May).

34. SEGMENT REPORTING

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

35. 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.

	31/12/2016	31/12/2015
Financial assets		
Income statement fair value		
Derivative cash flow hedges (on currency)	-	69
Amortised cost		
Cash and cash equivalents	1,797	1,090
Trade receivables and other receivables	28,505	34,069
Non-current loans	1,897	1,837
Current loans	1,000	1,000
Other financial assets	300	-
Financial liabilities		
Income statement fair value		
Derivative cash flow hedges (on currency)	201	-
Derivative cash flow hedges (on interest rates)	37	14
Amortised cost		
Loans	31,336	26,394
Other financial liabilities	300	-
Trade payables	16,010	18,203

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 customer is assigned a credit limit.
A credit insurance policy is in place, which guarantees cover for approximately 50% 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 10.6% of total revenue in 2016, while purchases in dollars represented 2.7% of total revenue. The operations in dollars were partially hedged through forward sales contracts. At 31 December 2016, there were forward sales of dollars, maturing on 31 December 2017, for a total of USD 6 million.

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2016, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of € 210,000, without considering the pending forward sale contracts.

Interest rate risk management
At 31 December 2016, gross financial debt of the Company was at a floating rate for approximately 70% and at a fixed rate for approximately 30%; to reach an optimum mix of floating and fixed rates in the structure of the loans, the Company also used derivative financial instruments. At 31 December 2016, three interest rate swap (IRS) contracts totalling € 13 million were in place, mirrored in mortgages with the same residual debt, through which the Company transformed the floating rate of the mortgages into fixed rate. Considering the IRS in place, at the end of 2016, the fixed-rate portion amounted to approximately 70% of the total financial debt. The derivative contracts were not designated as a cash flow hedge and were therefore recognised using the "income statement fair value" method.

Sensitivity analysis
With reference to financial assets and liabilities at variable rate at 31 December 2016 and 31 December 2015, 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:

	31/12/2016	**31/12/2015**
	Financial expenses	Financial expenses
Increase of 100 base points	20	80
Decrease of 100 base points	-	(80)

Commodity price risk management
A significant portion of the purchase costs of the company is represented by brass and aluminium alloys. Sales prices of products are generally renegotiated annually; as a result, the Company is unable to immediately pass on to customers 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 2016 and 2015, 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 2016 of 32.9%, net financial debt / EBITDA of 2.22) 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 2016 and 31 December 2015:

At 31 December 2016

	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	23,937	24,388	1,709	5,129	17,550	-
Short-term bank loans	7,399	7,399	5,399	2,000	-	-
Payables to ARC shareholders	300	300	-	60	240	-
Total financial payables	**31,636**	**32,087**	**7,108**	**7,189**	**17,790**	**0**
Trade payables	16,010	16,010	15,373	637	-	-
Total	**47,646**	**48,097**	**22,481**	**7,826**	**17,790**	**0**

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**

The various due dates are based on the period between the end of the reporting period and the contractual expiration date of the commitments, the values indicated in the table 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 end of the reporting period increased by the spread set forth in each contract.

Hierarchical levels of fair value assessment

The revised IFRS 7 requires that financial instruments reported in the statement of financial position at fair value must 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 2016, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (currency derivatives)	-	201	-	201
Other financial liabilities (derivatives on interest rates)	-	37	-	37
Option on minorities A.R.C.	-	-	0	0
Total liabilities	**0**	**238**	**0**	**238**

36. 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 items and related parties, with the exception of the directors' fees, auditors and key management personnel which is stated in the Report on Remuneration.

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

	Total 2016	**Subsidiaries**	**Parent company**	**Other related parties**	**Total related parties**	**Impact on the total**
Non-current financial assets	2,137	1,897	-	-	1,897	88.77%
Trade receivables	27,465	1,192	-	-	1,192	4.34%
Tax receivables	2,477	-	1,084	-	1,084	43.76%
Current financial assets	1,060	1,000	-	-	1,000	94.34%
Trade payables	16,010	104	-	2	106	0.66%

	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%
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%

Impact of related-party transactions on income statement accounts

	Total 2016	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenue	101,523	6,680	-	-	6,680	6.58%
Other income	2,279	399	10	-	409	17.95%
Materials	36,895	916	-	-	916	2.48%
Services	26,032	4,129	-	22	4,151	15.95%
Capital gains on non-current assets	87	66	-	-	66	75.86%
Write-downs of non-current assets	521	521	-	-	521	100%
Financial income	85	82	-	-	82	96.47%

	Total 2015	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenue	113,962	7,275	-	-	7,275	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%
Financial income	73	73	-	-	73	100%

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.

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

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, no events or significant non-recurring transactions occurred during 2016.

38. 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

2016.

39. COMMITMENTS

Guarantees issued

Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of € 5,510,000 (€ 6,010,000 at 31 December 2015).

40. FEES TO DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

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

41. SHARE-BASED PAYMENTS

At 31 December 2016, 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 2016	Shareholders	ownership %	Shareholders' equity at 31 December 2016	2016 profit (loss)
Faringosi-Hinges S.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%	€ 5,546,105	€ 629,046
Sabaf Immobiliare s.r.l.	Ospitaletto (BS)	€ 25,000	Sabaf S.p.A.	100%	€ 23,409,330	€ 1,517,481
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%	BRL 36,458,354	BRL 5,649,678
Sabaf US Corp.	Plainfield (USA)	USD 100,000	Sabaf S.p.A.	100%	USD -26,387	USD -8,564
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	€ 4,400,000	Sabaf S.p.A.	100%	CNY 5,335,695	CNY 4,015,644
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 28,000,000	Sabaf S.p.A.	100%	TRY 52,641,491	TRY 10,977,294
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. in liquidation	Kunshan (China)	€ 200,000	Sabaf S.p.A.	100%	CNY 1,950,327	CNY 136,963
A.R.C. s.r.l.	Campodarsego (PD)	€ 45,000	Sabaf S.p.A.	70%	€ 4,321,471	€ 667,167

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 UTILISATION AND AVAILABILITY OF RESERVES

Description	Amount	Possibility of utilisation	Available share	Amount subject to taxation for the 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 342/00	1,592	A, B, C	1,592	1,592
Retained earnings:				
Legal reserve	2,307	B	0	0
Other retained earnings	65,769	A, B, C	65,425	0
Valuation reserve:				
Post-employment benefit actuarial reserve	(532)		0	0
Total	79,180		77,061	1,634

Key:

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

STATEMENT OF REVALUATIONS
OF EQUITY ASSETS AT 31 December 2016

		Gross value	Cumulative depreciation	Net value
Investment property	Law 72/1983	137	(137)	0
	1989 merger	516	(433)	83
	Law 413/1991	47	(41)	6
	1994 merger	1,483	(1,001)	482
	Law 342/2000	2,870	(2,282)	588
		5,053	**(3,894)**	**1,159**
Plants and machinery	Law 576/75	205	(205)	0
	Law 72/1983	2,224	(2,224)	0
	1989 merger	6,140	(6,140)	0
	1994 merger	6,820	(6,820)	0
		15,389	**(15,389)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
TOTAL		**20,653**	**(19,494)**	**1,159**

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)

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Fax: +39 030 – 6848249
Email: info@sabaf.it
Website: http://www.sabaf.it

Tax information:
R.E.A. Brescia 347512
Tax Code 03244470179
VAT Number 01786911082

Appendix

Information pursuant to article 149 *duodecies* of the CONSOB Issuers' Regulation

The following table, prepared pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2016 for auditing services and for services other than auditing provided by the Independent Auditor. No services were provided by entities belonging to the network.

(€/000)	Party providing the service	Fees pertaining to the 2016 financial year
Audit	Deloitte & Touche S.p.A.	57
Certification services	Deloitte & Touche S.p.A.	2[(1)]
Other services	Deloitte & Touche S.p.A.	14[(2)]
Total		*73*

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

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

Certification of Separate financial statements pursuant to Article 154-bis of Italian 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 adequacy, in relation to the business characteristics and
- the actual application

of the administrative and accounting procedures for the formation of the separate financial statements during the 2016 financial year.

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 with the measures issued in implementation of Article 9 of Italian Legislative Decree 38/2005;
    - are consistent with accounting books and records;
    - provide a true and fair view of the financial position and performance of the issuer;

- the report on operations contains a reliable 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 it is exposed.

Ospitaletto, 20 March 2017

Chief Executive Officer
Alberto Bartoli

The Financial Reporting Officer
Gianluca Beschi