2013 Annual Report

SABAF

Global mind Open world

"SABAF is a true global company with the heart in Italy and the head focused on the rest of the world": these AD Bartoli's words are a perfect synthesis from which takes inspiration the creative concept of this annual report.

SABAF has a physical structure, a way of thinking and behaviour that condition the economic and social system: is a real antrophomorfic personality, an active actress of the world economy with specific skills and abilities to operate and excel in the global market. The illustrations, on the cover and inside separate the sections of the document, metaphorically represent the main qualities of "Mr. Sabaf" which allow him to orient oneself and compete on a global level with positive mentality (and proactive). A fresh mood, apparently easy, to diffuse the tension and generate a smile, even in this delicate economic period.

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2013 ANNUAL REPORT

Chief Executive Officer's letter to stakeholders

Alberto Bartoli

SABAF®

Dear Shareholders and Stakeholders,

I am writing my second letter as chief executive as we celebrate the twentieth anniversary of the agreement that in January 1994 opened the way to what is now generally known as “globalisation”. When, at the end of 1993, Bill Clinton signed the treaty that led to Nafta (North American Free Trade Agreement), many people pointed out that this was a revolutionary step.
Well, this revolution took place, but perhaps not exactly as most people hoped: even more than an opportunity, globalisation has turned into an obligation, and staying at home, within one’s own borders, has become a risk that these days, no-one can afford to take. Today’s market is the world, and anyone who thinks they can limit their horizons is doomed to suffer a slow and inexorable decline.

Generally, the first moves towards delocalisation and joint ventures, years ago, were intended to offer companies lower costs than at home. Things have changed dramatically: going abroad is now absolutely essential for a company that wants to grow, whatever its size. Growth, including simple demographic expansion, is no longer to be found here, but in Brazil, India, China, Egypt, Turkey and the Middle East, and it is no longer conceivable that we can capture this business while staying at home, in our own backyard. In other words, we go abroad to supply growing companies generating a lot of business, often with tailored products, expressly designed for certain markets. We must accept the need to compete on a global scale. Sabaf provides quality components to international producers of hobs, whose demands, in any cases, are impossible to satisfy from a distance. This would mean going through customs, protective legislation and logistical problems, which in the long term, would weaken our position against competitors prepared to move to where there are greater opportunities. And sooner or later, we would end up losing not only the supply contracts in question, but would give our potential competitors a real opportunity of gaining a foothold in new markets, including those in which we are currently leader. Establishing a worldwide presence is therefore fundamental, not only for growth, but also to safeguard the heart of our operations, which are and will remain in Italy.

Since my appointment in May 2012, our prime objective has been to increase Sabaf's international presence. A few years ago, more than half of our revenue was generated in Italy, and sales outside Europe represented less than 10% of the total. We now generate just under 33% in Italy, and only 5.7% in western Europe. Eastern Europe (Poland and Turkey) account for 20%, and the remaining 40% is sold in Africa, America and Asia. Our plants in Brazil and Turkey are fundamental pillars of our strategy, and we will soon add another production site, in China. If things go as we hope, we plan to open production facilities in India and the US in the medium term.

We should point out that making sales on international markets is much more challenging than selling in Italy or in Europe. Beyond specific products, we have to have a thorough knowledge of the country we want to work in. It was for this reason that we launched a training course for international managers a few years ago. After graduating, Indian, Turkish, Polish and Brazilian recruits came to Sabaf for a few years to learn our production and management philosophy, before returning to their country of origin: they are now the general managers of our subsidiaries or our local agents.

To operate on international markets, we also need a more credible and stronger country system, to ensure we present ourselves abroad more effectively: it is therefore positive that, even in the current phase of unavoidable spending reviews, the support provided by Italian institutions to companies planning to expand internationally has continued, and even increased.

We are therefore operating in an increasingly complex environment, in which it is difficult to forecast revenue for the following month, but we are required to produce medium-term growth plans. For many years, we have considered that quantitative and qualitative factors in how we act must be assessed in an integrated manner.

I am proud to say that in 2013, as previously in 2004, the way we think and act was rewarded by the Italian Federation of Public Relations (Ferpi), when we received the *Oscar di Bilancio* financial communication award in the Small and Medium-sized Listed Company Category, in recognition of our innovative approach to reporting. For us, this is a way of telling everyone that we are a team and that the challenge of global quality can only be won by everyone pulling together: innovation, reliability, expertise and precision.

For this reason, over the years, we have continued to invest a large portion of our income in research and technology, particularly in Italy. This is a way of ensuring our future, even in the absence of the incentives and tax breaks we would have wished for. An example of this is how much we have achieved in just a short space of time thanks to greater efficiency in the production of light alloy valves. We have been able to transform the complexities of an innovative production process into a strength: today in Ospitaletto, Sabaf can make highly competitive products that comply with the highest quality standards, and it is thanks to our capacity to establish this kind of virtuous path that Italy will remain central to our operations in the future.

Sabaf recently decided to rejoin Italy's leading business federation, Confindustria, in order to boost its role within the political arena. We would like to see greater recognition of the value of companies in the growth plans for our country. In Italy, passion for industry seems to have remained limited to the few. We continue to think of it as a priority, with no alternatives. Provided there is a market for our components somewhere, we will continue to produce and innovate, to be able to satisfy this demand and improve. It is a mission that touches our very essence as a modern group that will keep going as long as goods are manufactured.

Alberto Bartoli

INTRODUCTION TO THE ANNUAL REPORT

Sabaf's progress towards Integrated Reporting

The publication of Sabaf's Annual Report, in its ninth edition this year, confirms the Group's commitment, undertaken in 2005, to providing integrated reporting of its economic, social and environmental performance.

Confirming the importance of integrated reporting as the new emerging corporate reporting model, work continued on the area at international level. In December 2013, the International Integrated Reporting Council (IIRC) presented the international framework on sustainability reporting, "The International <IR> Framework", which sets the guidelines to follow in the preparation of an integrated report and its key contents. Integrated Reporting represents a significant development in corporate reporting, which is increasingly focused on promoting cohesion and efficiency in the reporting process and adopting "integrated thinking".

Sabaf was one of the first companies at international level to adopt integrated reporting, and intends to continue along this path, guided by the International Framework, in the knowledge that integrated, complete and transparent information can benefit both companies themselves - through a better understanding of the various strategic strands and greater internal cohesion - and the investors community, which can thereby gain a clearer understanding of the link between strategy, governance and company performance.

In 2013, for its commitment to integrated reporting, Sabaf received the prestigious financial communication award, *Oscar di Bilancio*, in the Small and Medium-Sized Listed Company category. The Jury, chaired by Prof. Andrea Sironi, Rector of Milan's Bocconi University, explained the reasons why it decided to recognise Sabaf's financial statements: *"This is an integrated report with a section dedicated to sustainability, and a clear commitment to combining the various aspects of financial and other forms of reporting. It has good sections on economic and financial information, management and organisation, and CSR. The document has a strong visual impact, as it uses a variety of graphic designs to summarise the text, and shows Key Performance Indicators and other key aspects. It has an excellent risk management section, which is immediately understandable even for non-experts and the description of staff selection and remuneration processes is very clear"*.

Methodology

Sections **1 – Business Model and strategic approach, 2 – International operations and core markets** and **4 – Social and environmental sustainability** comprise the Annual Report at 31 December 2013, prepared in accordance with:
- the 2006 Sustainability Reporting Guidelines defined by the GRI/G3, the level of application of which we believe corresponds to A+;
- the AA 1000 (AccountAbility 1000) standards issued by AccountAbility, as regards the social reporting process and the dialogue with stakeholders.

As in previous years, the process of defining content and determining materiality is based on GRI principles (materiality, inclusivity of stakeholders, sustainability and completeness). From 2013 the Annual Report's reporting scope includes the subsidiary Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey), which began production in the last quarter of 2012 and was fully operational in 2013. Unless stated otherwise, comparative figures at 31 December 2012 do not include Sabaf Turkey, as it was not possible to reconstruct the information retrospectively.

Section **3 – Governance, Risk Management, Compliance and General Remuneration Policy** reports important information regarding the corporate governance structure and the company risk management system.

Sections **5 – Report on Operations, 6 – Consolidated Financial Statements** and **7 – Financial Statements of Sabaf S.p.A.** make up the Annual Financial Report at 31 December 2013.

Finally, the **Report on Remuneration** is provided, prepared pursuant to Article 123-*ter* of the Consolidated Law on Finance.

Once again this year, the "non-financial indicators" include the results of operating and improving intangible fixed assets, the principal drivers that allow monitoring of the business strategy's ability to create value in the medium to long term.

To ensure that the information contained in the Annual Report is reliable, only directly measurable figures are included, avoiding the use of estimates wherever possible. The calculations are based on the best information available or on sample-based surveys. Where they have been used, estimates are clearly indicated as such.

The Annual Report was approved by the Board of Directors on 20 March 2014 and presented to shareholders at the Annual General Meeting held on 29 April 2014.

Key issues for Group operations

In order to identify the key issues to be explored in the 2013 Annual Report, the following were taken into account:
- the strategic priorities defined at Company level;
- stakeholder expectations.

Sustainable development

- SUSTAINABILITY STRATEGY AND MANAGEMENT
- BUSINESS ETHICS
- ENHANCED EXPLOITATION OF INTANGIBLE ASSETS AND INTELLECTUAL CAPITAL
- ESTABLISHMENT IN INTERNATIONAL MARKETS

Customers

- CUSTOMER SATISFACTION
- PRODUCT AND PROCESS RESEARCH AND INNOVATION
- IMAGE AND REPUTATION
- PARTNERSHIPS WITH MULTINATIONAL GROUPS

Staff

- STAFF MANAGEMENT, DEVELOPMENT AND TRAINING
- EMPLOYMENT
- HEALTH AND SAFETY

Environment

- ENVIRONMENTAL IMPACT
- ECO-EFFICIENCY AND QUALITY MANAGEMENT

Suppliers

- MONITORING OF THE SUPPLY CHAIN

Shareholders

- CORPORATE GOVERNANCE AND PROTECTION OF MINORITY SHAREHOLDERS

Society

- RELATIONS WITH THE REGION

Sabaf adopts **CECED Code of Conduct**

Sabaf subscribes to the CECED Italia Code of Conduct. CECED Italia is an association that represents more than 100 companies in the household electric appliance industry.

By signing up for this initiative, Sabaf recognises and undertakes to act as a "good corporate citizen".
The CECED Italia Code of Conduct is a voluntary agreement for CECED Italia members wanting to promote fair and sustainable working conditions, corporate social responsibility and environmental quality. It also requires the signatory companies to encourage the application of the principles enshrined in the Code within their own supply chain.

In this context, the Sabaf Annual Report is the tool through which the Group reports each year on the practical implementation of the Code's principles and the progress achieved, as specifically required of participating companies.

Sabaf is a member of the **Global Compact**

In April 2004 Sabaf formally subscribed to the Global Compact, the United Nations programme for companies that commit to supporting and promoting 10 universally accepted principles covering human rights, labour rights, environmental protection and the fight against corruption. By publishing the 2013 Annual Report, we are renewing our commitment to making the Global Compact and its principles an integral part of our strategy, our culture and our daily operations, and we also undertake explicitly to declare this commitment to all our employees, partners, customers and public opinion in general.
The Annual Report contains details of the measures taken by the Sabaf Group in support of the 10 principles. The references are set out in the index of GRI indicators, according to the guidelines "Making the connection. The GRI Guidelines and the UNGC Communication on Progress".

Alberto Bartoli

Global compact's 10 principles

HUMAN RIGHTS

PRINCIPLE I

BUSINESSES ARE REQUIRED TO PROMOTE AND RESPECT UNIVERSALLY ACKNOWLEDGED HUMAN RIGHTS IN THE AMBIT OF THEIR RESPECTIVE SPHERES OF INFLUENCE AND

PRINCIPLE II

MAKE SURE THAT THEY ARE NOT DIRECTLY NOR INDIRECTLY COMPLICIT IN HUMAN RIGHTS ABUSES.

LABOUR

PRINCIPLE III

BUSINESSES ARE REQUIRED TO SUPPORT THE FREEDOM OF ASSOCIATION OF WORKERS AND TO RECOGNISE THEIR RIGHT TO COLLECTIVE BARGAINING.

PRINCIPLE IV

ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR.

PRINCIPLE V

EFFECTIVE ABOLITION OF CHILD LABOUR.

PRINCIPLE VI

ELIMINATION OF ALL FORMS OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

ENVIRONMENT

PRINCIPLE VII

BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES AND

PRINCIPLE VIII

UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY.

PRINCIPLE IX

ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

ANTI-CORRUPTION

PRINCIPLE X

BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

KEY PERFORMANCE INDICATORS (KPIs)

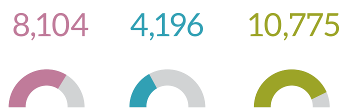
Key 2013 2012 2011 change

Financial indicators

Income statement

(AMOUNTS IN €'000)	2013	2012	2011
Sales revenues	130,967	130,733	148,583
EBITDA	24,572	21,813	30,092
Operating profit (EBIT)	11,132	7,920	16,566
Pre-tax profit	9,811	6,219	15,454

NET PROFIT



Balance sheet and financial position

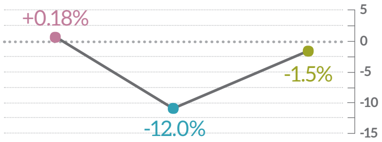
(AMOUNTS IN €'000)	31/12/2013	31/12/2012	31/12/2011
Non-current assets	97,467	101,728	102,310
Working capital	41,241	41,086	37,915
Current financial assets	22	0	0
Provisions for risks, post-employment benefits and deferred taxes	(4,049)	(3,392)	(3,606)
Capital employed	**134,681**	**139,422**	**136,619**
Shareholders' equity	117,955	115,626	121,823
Net financial debt	16,726	23,796	14,796

TOTAL SOURCES

Other financial indicators

	2013	2012	2011
ROCE (return on capital employed)	8.3%	5.7%	12.1%
Dividend per share (€)	0.40 [1]	0.35	0.60
Net debt/equity ratio	14%	21%	12%
Market capitalisation (31.12) /equity ratio	1.27	0.88	1.06

CHANGE IN SALES



(AMOUNTS IN €'000)	2013	2012	2011
Investments in research & development	368	369	648
Other investments	9,658	13,628	13,842

(AMOUNTS IN €'000)	2013	2012	2011
Value of outsourced goods & services			
• brass pressing and aluminium die-casting	4,519	4,682	5,049
• other processing	5,606	6,734	8,010

1 Proposed dividend

GENERATED AND DISTRIBUTED ECONOMIC VALUE

The following table shows the amounts and allocation of economic value among stakeholders, prepared in accordance with GRI guidelines.
The table was prepared by defining three levels of economic value: generated value, distributed value and value retained by the Group. Economic value represents the overall wealth created by Sabaf, which is then allocated amongst its various stakeholders: suppliers (operating costs), staff and independent contractors, lenders, shareholders, government and society (grants and gifts outside the Company).

(€'000)	2013	2012	CHANGE
Economic value generated by Group	**133,397**	**132,260**	**1,137**
Revenue	130,967	130,733	234
Other income	3,885	3,592	293
Financial income	138	219	(81)
Adjustments	915	1,056	(141)
Doubtful account provision	(1,240)	(1,608)	368
Foreign exchange loss (gain)	(186)	(293)	107
Income/expenses from sale of tangible and intangible fixed assets	71	54	17
Adjustments to tangible and intangible fixed assets	(655)	(1,028)	373
Gains/ losses from equity investments	(498)	(465)	(33)
Economic value distributed by Group	**116,992**	**119,104**	**(2,112)**
Remuneration of suppliers	78,504	82,661	(4,157)
of which environmental costs	*670*	*716*	*(46)*
Employee compensation	31,339	29,302	2,037
Remuneration of lenders	775	1,162	(387)
Shareholder earnings [2]	4,613	3,911	702
Government levies [3]	1,707	2,023	(316)
External donations	54	45	9
Economic value retained by Group	**16,405**	**13,156**	**3,249**
Depreciation & Amortisation	12,856	12,919	(63)
Allocations	91	21	70
Use of provisions	(33)	(69)	36
Reserves	3,491	285	3,206

2 The estimated amount for 2013 is based on the proposed dividend
3 Includes deferred taxes

Non-financial indicators

Key: 2013 | 2012 | 2011

Human capital

	AVERAGE AGE OF EMPLOYEES (sum of age of employees/total employees at 31/12)	LEVEL OF EDUCATION (number of university and high school graduates/total employees at 31/12)	STAFF TURNOVER (employees who resign or are dismissed/ total employees at 31/12)	HOURS OF TRAINING PER EMPLOYEE (average hours of training per employee)	INVESTMENT IN TRAINING/SALES [4]
	YEARS	%	%	HOURS	%
2013	36.6	54.5	7.1	18	0.45
2012	36.2	51.7	5.6	16.1	0.42
2011	35.9	50.7	5.0	12.3	0.42

Structural capital

%

HOURS SPENT ON NEW PRODUCT DEVELOPMENT/ TOTAL HOURS WORKED

2013	2012	2011
1.9	2.0	1.8

HOURS SPENT ON PROCESS ENGINEERING/ HOURS WORKED
(hours spent on contract work for construction of new machinery for new products or to increase production capacity/total hours worked)

2013	2012	2011
2.0	2.7	2.5

IT BUDGET (capital expenditure + current expenses)/**SALES**

2013	2012	2011
0.6	0.8	0.6

CAPITAL EXPENDITURE ON TANGIBLE ASSETS/SALES

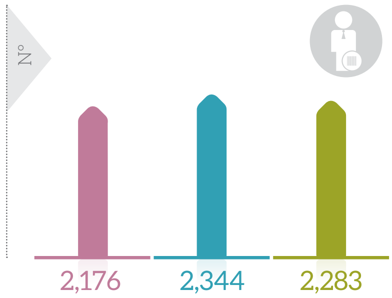
2013	2012	2011
7.2	10.1	9.2

CAPITAL EXPENDITURE ON INTANGIBLE ASSETS/SALES

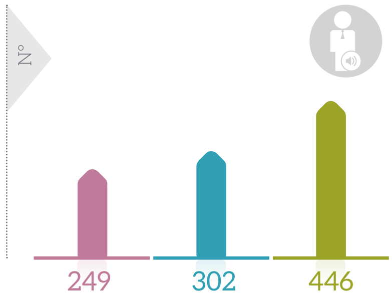
2013	2012	2011
0.4	0.6	0.5

4 The index has been recalculated to include temporary staff training costs.

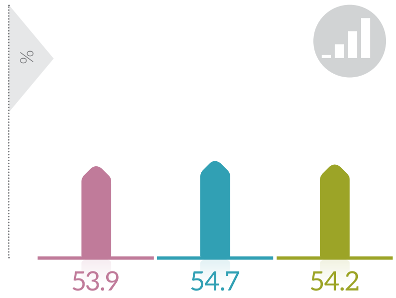
NUMBER OF DIFFERENT PRODUCT SKUS (stock-keeping units) **SUPPLIED TO TOP 10 CUSTOMERS**



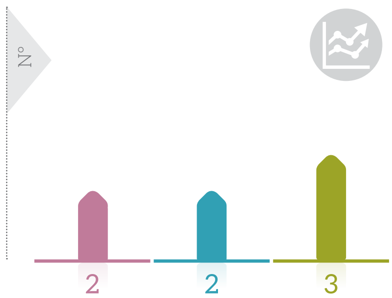
CUSTOMER COMPLAINTS



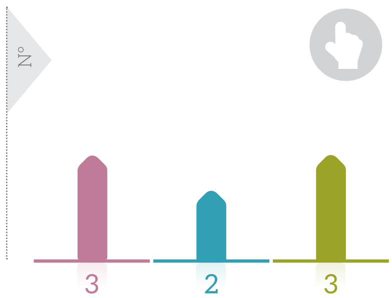
CERTIFIED SUPPLIER SALES (certified supplier sales/sales)



NUMBER OF FINANCIAL ANALYSTS FOLLOWING SABAF STOCK ON AN ONGOING BASIS



LAWSUITS ACTIONED AGAINST GROUP COMPANIES



Social indicators

TOTAL EMPLOYEE HEADCOUNT	N°	730	702	714
• MEN	%	65.2	65.4	65.7
• WOMEN	%	34.8	34.6	34.3
SICKNESS RATE (Sick leave hours/total workable hours)	%	2.88	2.75	2.77
ACCIDENT FREQUENCY INDEX (No. of accidents (excluding accidents in transit) per 1 million hours worked)		12.99	12.00	18.48
ACCIDENT SEVERITY INDEX (days of absence (excluding accidents in transit) per 1,000 hours worked)		0.22	0.15	0.27
JOBS CREATED (lost)	N°	5	11[5]	11
% OF SUPPLIER SALES IN PROVINCE OF BRESCIA	%	49.9	53.3	52.3
DONATIONS/ NET PROFIT	%	0.66	1.07	0.71

5 Figure recalculated to take account of the 23 employees of Sabaf Turkey at 31 December 2012

Environmental indicators

MATERIALS USED

t

BRASS	ALUMINIUM ALLOYS	STEEL
1,234	7,332	6,784
1,186	6,847	5,853
1,384	7,928	6,948

WASTE

t

MUNICIPAL-TYPE WASTE	HAZARDOUS WASTE	NON-HAZARDOUS WASTE
214	2,831	6,046
176	3,053	5,230
178	3,345	6,402

NATURAL GAS CONSUMPTION

m³ x 000

3,616
2,726
3,308

ELECTRICITY CONSUMPTION

MWh

31,944
29,290
31,098

CO² EMISSIONS

t

20,109
17,133
18,898

CURRENT ENVIRONMENTAL SPENDING/SALES AT 31/12

%

0.51
0.55
0.56

ENVIRONMENTAL INVESTMENT/SALES AT 31/12

%

0.18
0.00
0.06

Key 2013 2012 2011

Be dynamic

SABAF®

CHAPTER 1

Business model and strategic approach

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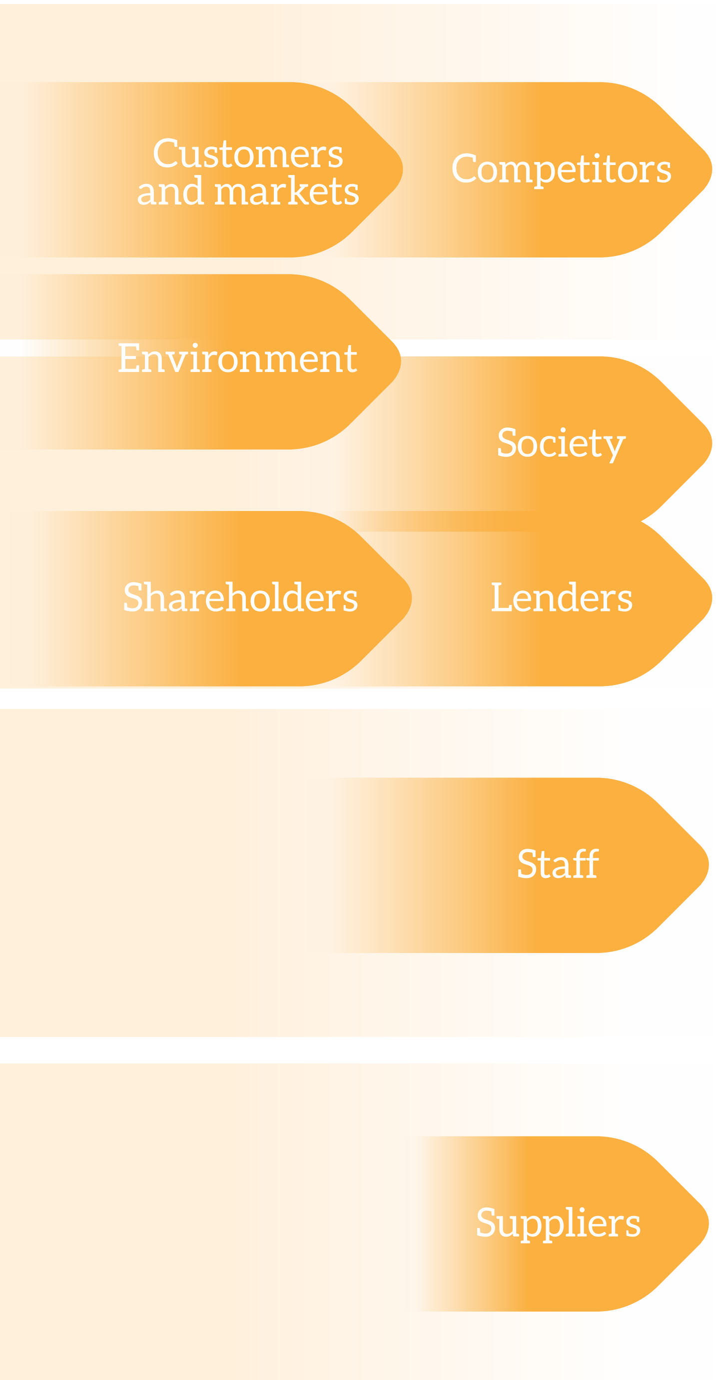
BUSINESS MODEL AND STRATEGIC APPROACH



Sales management

The development of **partnerships with customers** is a key aspect of Sabaf's sales policy. As part of this cooperation with strategic customers, the Group seeks to anticipate **changes in the market** by offering appropriate technological and production solutions.

External relations management

Business-financial management

Services and support structures

Human resources management

Procurement management

Sabaf ensures careful management of its relations with suppliers, by developing **lasting relations over time** also with a view to constantly **monitoring the potential risks** associated with the supply chain.

Business Model

In keeping with its shared values and mission, the Company believes that there is a successful business and cultural model to be consolidated as a priority through organic growth.

Innovation, safety, personal development and socio-environmental sustainability are the distinctive characteristics of the Sabaf model.

SUSTAINABILITY

In line with the Company's *vision* and *mission*, and in accordance with the Charter of Values, the strategic and operational decisions implemented by Sabaf are intended to ensure **sustainable development**, by balancing business and financial requirements with social and environmental needs. According to this logic, Sabaf undertakes to be a reliable partner with which lasting relationships can be formed.

INNOVATION AND CONTINUOUS LEARNING

Sabaf is constantly geared towards **innovation** and favours **self-learning** to deal with changes in the competitive environment and the market knowledgeably and comprehensively.

QUALITY, PERFORMANCE, ECO-COMPATIBILITY

Over time, Sabaf has developed an integrated management system for quality, environment, occupational safety and social responsibility, and obtained the related certification.

The most advanced products set themselves apart not only for their quality and safety, but also for their energy efficiency and design.

INTERNATIONALISATION

Sabaf's identity reflects its roots in the region in which it is based. In relation to growth on international markets, first and foremost in emerging countries, the valuing of and respect for local cultures are indispensable aspects, forming part of a unique and uniform industrial model.

Strategic approach and value creation

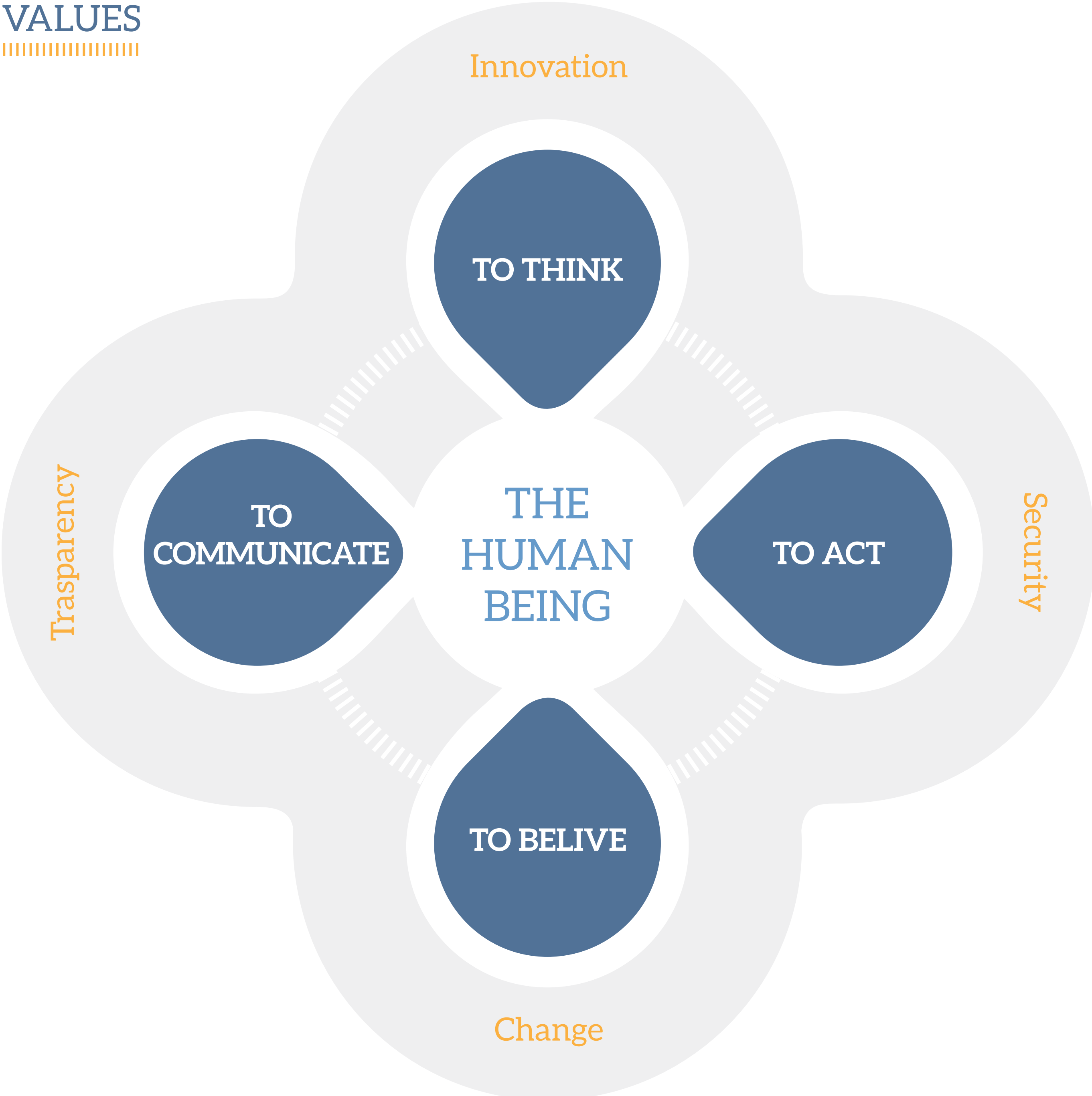
Values, vision and mission

Sabaf uses the individual as its core value – and therefore the fundamental criterion for all its decisions. This creates a central entrepreneurial vision that guarantees the individual's dignity and freedom within the framework of a shared Code of Conduct.

The centrality of the individual is a universal value, i.e. a "hyper-rule" applicable regardless of place or time. In accordance with this universal value, the Sabaf Group fosters cultural diversity through the criterion of spatial and temporal equality. This type of moral commitment implies the renouncement of all choices that do not respect the individual's physical, cultural and moral integrity, even if such decisions would be efficient, economically beneficial, and legally acceptable.

Respecting the value of the individual means, first and foremost, making "being" a priority before "doing" and "having", and thus protecting and enhancing the "quintessential" manifestations that allow people to express themselves fully.

VALUES



The Sabaf Charter of Values

The Sabaf Charter of Values is a governance tool through which Sabaf's Board of Directors expresses the values, standards of conduct and ways in which relations between Sabaf and its stakeholders are managed. All Group companies are formally required to adopt it.

The Charter of Values is also a reference document for the Organisational, Management and Control Model pursuant to Legislative Decree 231/2001. As such, it sets out a series of general rules of conduct that Group employees and contractors must follow.

Innovation

For Sabaf, innovation is one of the essential components of its business model and one of its main strategic drivers.
Through constant innovation, the Group has succeeded in achieving excellent results, identifying some of the most advanced and efficient technological and manufacturing solutions currently available, and creating a virtuous circle of continuous process and product improvement – ultimately acquiring technological skills that are difficult for competitors to emulate. A key factor in the Group's success has been the know-how acquired over the years in the internal development and construction of machinery, tools and moulds, which integrates synergically with know-how in the development and production of our products.
Investments in innovation have enabled the Company to become a global leader in an extremely specialised niche market and, over time, to achieve high standards of technological advancement, specialisation and manufacturing flexibility. The manufacturing sites in Italy and abroad are designed to ensure that products are based on the highest technological standards available today. They are a cutting-edge model in terms of both environmental protection and worker safety.

Eco-efficiency

One of the underlying priorities of Sabaf's product innovation strategy is the quest for superior performance in terms of environmental impact. Our attention to environmental issues materialises through innovative production processes with lower energy consumption in product manufacturing, and, above all, products that are designed to be eco-efficient during everyday use. More specifically, innovation efforts are predominantly focused on the development of burners that reduce fuel consumption (natural or other gases) and emissions (particularly carbon dioxide and carbon monoxide) during use.

Safety

Safety has always been one of the indispensable features of Sabaf's business model.
Safety for Sabaf is not mere compliance with existing standards, but a management philosophy striving for continuous improvement in performance in order to guarantee end users an increasingly safe product. Besides investing in new-product R&D, the Group has chosen to play an active role in fostering a safety culture, both by promoting the sale of products featuring thermoelectric safety devices, and via a communication policy aimed at promoting the use of products with thermoelectric safety devices. Sabaf has long been a worldwide promoter in the various institutional environments of the introduction of regulations making the adoption of products with thermoelectric safety devices obligatory. Safety has proved to be a key factor for success, partly because the Company has succeeded in anticipating demand for products with safety devices in the European market and in stimulating the spread of such products in developing countries. More recently, Sabaf has become a promoter, together with the Brazilian regulatory authority, of the ban on the use of zamak (a zinc and aluminium alloy) for the production of gas cooking valves due to its inherent risks. Today, however, the use of zamak is still permitted in Brazil, Mexico and in other South American countries, limiting business opportunities in the valves segment for Sabaf, which does not plan to consider the production of valves using zamak.

Establishment in international markets

Sabaf is continuing to expand by becoming established in international markets, seeking to replicate its business model in emerging countries and adapting it to the local culture.
In keeping with its corporate values and mission, the Group is seeking to bring state-of-the-art know-how and technology to these countries, whilst fully respecting human and environmental rights and complying with the United Nations Code of Conduct for Transnational Corporations. This choice is based on our awareness that only by operating in a socially responsible manner is it possible to assure the long-term development of business initiatives in emerging markets.

Expansion of the component product line and partnership with multinational groups

Ongoing expansion of our range is intended to further increase our customers' loyalty via greater satisfaction of their needs. Its ability to offer a complete range of components further distinguishes Sabaf from its competitors.
This expansion is mainly pursued via in-house research, although possible strategic alliances with other leading players in the sector or acquisitions, even in related sectors, are not ruled out.
The Group intends to further consolidate its collaborative relationships with customers and to strengthen its positioning as sole supplier of a complete product range in the cooking components market, thanks to its ability to tailor its production processes to customers' specific requirements.

Enhanced exploitation of intangible assets and intellectual capital

Enhanced exploitation of intangible assets is essential to be able to compete effectively in the international market.
Sabaf carefully monitors and enhances the value of its intangible assets: the advanced technical and professional expertise of people working in the Company; its image synonymous with quality and reliability; its reputation as a company mindful of social and environmental issues and the needs of its stakeholders. Advocating the idea of work and relations with stakeholders as **"the passion for a project founded on common ethical values in which everyone recognises themselves"** is not only a moral commitment, but also a real guarantee of enhanced exploitation of intangible assets (intellectual capital). In this perspective the sharing of ethical values is the link between the promotion of a business culture oriented towards social responsibility and enhanced exploitation of the Company's intellectual capital. Thanks to the strong drive represented by value-sharing, Sabaf aims to strengthen its human capital (increasing employees' skills, sense of ownership and satisfaction), thus aiding development of organisational capital (operating know-how and process improvement), whilst assuring constant development of relational capital (in terms of improved interaction with stakeholders).

Social responsibility in business processes

In order to translate the values and principles of sustainable development into decisions regarding of action and operating activities, Sabaf applies a structured methodology, whose key factors are as follows:

1

the **sharing of values, mission and sustainability strategy**;

2

training and **communication;**

3

an **internal control and audit system** capable of monitoring risks (including ethical and reputational risks) and of verifying that commitments to stakeholders are fulfilled;

4

key performance indicators (KPIs) capable of monitoring our economic, social and environmental performance;

5

a clear and complete **reporting system** able to inform the various categories of stakeholder effectively;

6

a **stakeholder engagement system**, to deal with the expectations of all stakeholders and to receive useful feedback with a view to continuous improvement.

Prudent approach

Awareness of the social and environmental implications of Group activities, together with consideration both of the importance of a cooperative approach with stakeholders and the Group's own reputation, has led Sabaf to adopt a **prudent approach** to management of the economic, social and economic variables that it encounters on a daily basis.

Accordingly, the Group has developed specific analyses of the main risks faced by its business entities.

Detailed information on the internal control and audit system and the risk management system are provided in **Section 3**.

STAKEHOLDER ENGAGEMENT

Sabaf is committed to constantly strengthening the social value of its business activities through the careful management of its relations with stakeholders. The Company intends to establish an open and transparent dialogue, promoting opportunities for discussion in order to find out their legitimate expectations, increase their confidence in the Company, manage risks and identify new opportunities.

The identification of stakeholders is an essential starting point for the definition of socio-environmental reporting processes. The "stakeholder map" shows Sabaf's main stakeholders, identified according to their business features, typical market characteristics and the intensity of Sabaf's relations with them. The Annual Report is the key communication tool for the presentation of economic, social and environmental performance over the year.

The table below shows the initiatives to engage stakeholders which are conducted periodicly (generally every two or three years). The key issues emerging from these activities are detailed in the section on Social and Environmental Sustainability.

Be ready to change

CHAPTER 2

International operations and Core Markets

Page 23

International operations and Core Markets

INTERNATIONAL PRESENCE

The Sabaf Group is one of the world's leading manufacturers of components for household gas cooking appliances, with a market share of around 50% in Europe and a global share of about 10%. Its core market consists of manufacturers of household appliances, particularly cookers, hobs, and ovens. The majority of Sabaf's sales consist of the supply of original equipment, whereas sales of spare parts are negligible.

A market share of around 50% in Europe and a global share of about 10%.

Main production lines

Valves and thermostats

These components regulate the flow of gas to covered burners (in the oven or grill) or exposed burners; thermostats are characterised by the presence of a thermal regulator device to maintain a constant pre-set temperature.

Burners

These components, via the mixing of gas with air and combustion of the gas used, produce one or more rings of flame.

Hinges

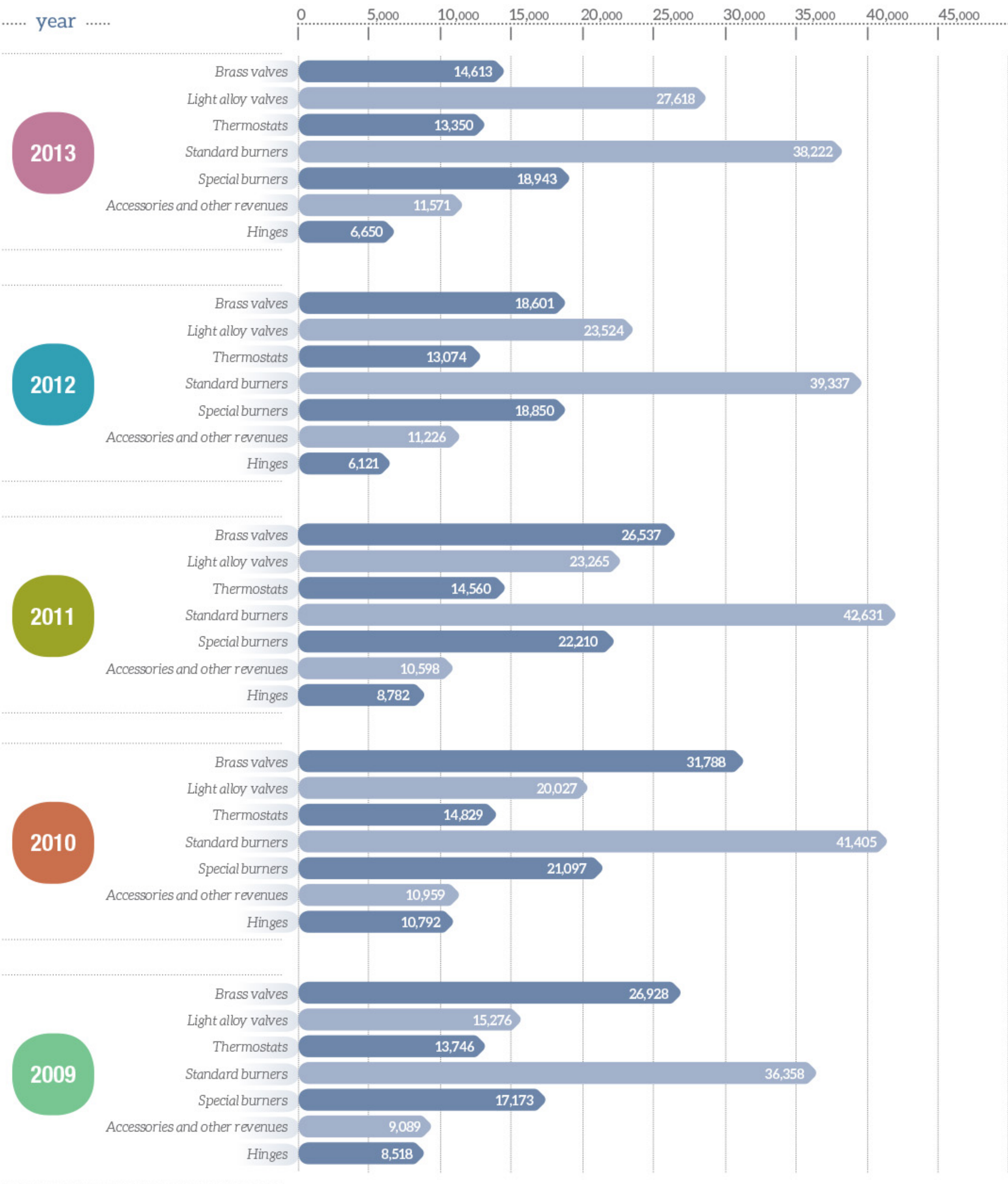
These components allow a smooth and balanced movement of oven, washing-machine or dishwasher doors when they are opened or closed.

Accessories

The Group also produces and markets an extensive range of accessories, which supplement the offering of the main product lines.

Sales by product line

IN THOUSANDS OF EURO



TOTAL

130,967 130,733 148,583 150,897 127,088

SABAF'S INTERNATIONAL GROWTH: CHALLENGES AND OPPORTUNITIES

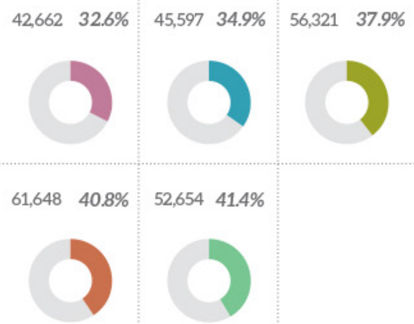
Revenue (in thousands of Euro) and incidence % of the total

Sales by geographical area

PERFORMANCE DATA

Italy

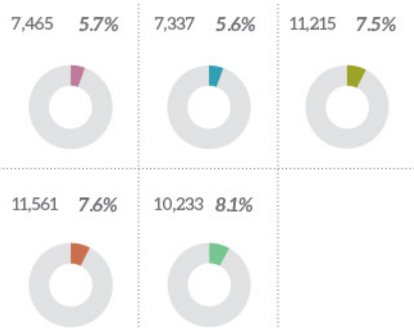
Italy – traditionally Europe's leading producer of household appliances – is losing its position to a certain extent. Some customers have scaled back their activities in Italy, others have abandoned the country altogether or have suspended activities due to financial difficulties. However, producers of cooking appliances focused on the high end of the market and export continue to post excellent results.
Sabaf offers Italian customers extremely high quality and a differentiated range of components which help them to promote the "made in Italy" reputation on international markets.



PERFORMANCE DATA

Western Europe

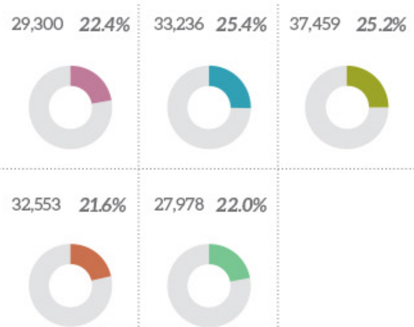
In line with the trends on the Italian market, Western European countries present risks relating to the emergence of competitors from low-cost countries.
Also in this case, Sabaf intends to focus on the **quality and innovation** of its products in order to consolidate its customer base.



PERFORMANCE DATA

Eastern Europe and Turkey

Sabaf intends to benefit from the **expansion** in Eastern Europe and Turkey.
Turkey is now Europe's biggest producer of household appliances. In this regard, the opening of a **production facility in Turkey in 2012** and the development of new trade relations are key to growth.

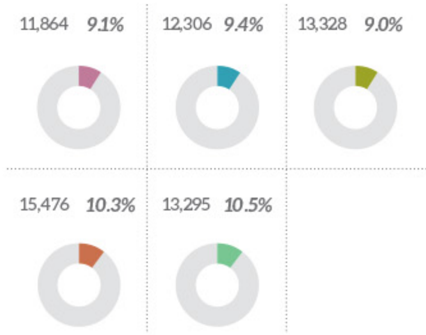


Key 2013 2012 2011 2010 2009

PERFORMANCE DATA

Asia and Oceania

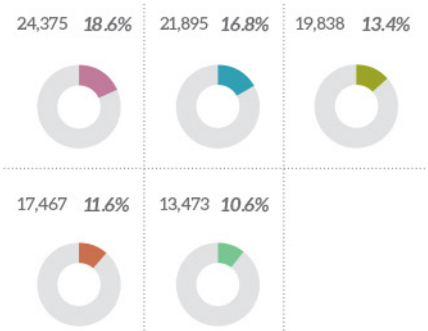
Asian markets are marked by the emergence of consumption patterns similar to those of the West. The expansion of the gas cooking appliance industry, together with the possible tightening of safety standards, represents a growth opportunity for Sabaf, which can count on the **strength of its brand** and the "**made in Italy**" reputation. However, difficulties in relations with some Middle Eastern countries mean it is not yet possible to fully capitalise on the potential of these markets.



PERFORMANCE DATA

Central and South America

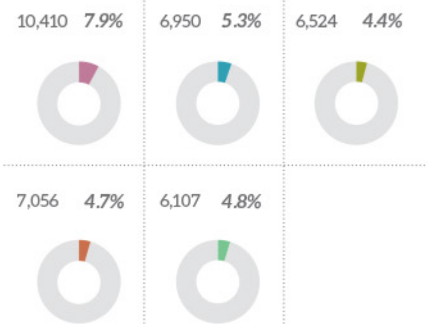
Sabaf now has a **consolidated presence, also in production**, on which to base future growth (a facility in Brazil has been operational since 2001 and in recent years production levels have constantly increased). Growth possibilities in Brazil, South America and Central America are related to the large size of the market and sustained growth trends.



PERFORMANCE DATA

Africa

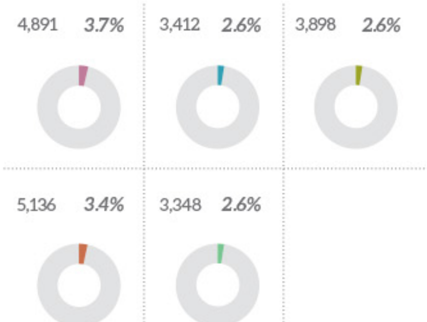
Sabaf is increasing its presence in the area by leveraging on the brand's strong reputation, its geographical proximity and its longstanding presence.
City expansion plans in North Africa represent a driver for possible market opportunities, despite the difficulties connected with the current political situation in some of the bigger countries.



PERFORMANCE DATA

US, Canada & Mexico

Its wide range of innovative and efficient products, together with relations with the main producers and its good technical reputation, provide the Group with new opportunities.
Sabaf's market share is constantly gowing in the **premium segment.**



TRENDS IN THE COOKING APPLIANCE MANUFACTURING SECTOR

For years now the sector has tended to outsource component design and production to highly specialised suppliers, who, like Sabaf, are active in the world's main markets and are able to supply a range of products tailored to the specific requirements of individual markets.

In addition, the trend to internationalize production is becoming more accentuated, with production increasingly shifting to countries with low-cost labour and lower levels of saturation.

Moreover, the emergence of new players at the international level is causing over-supply. This in turn leads to pressure from competition and is bringing about greater concentration in the sector. However, this trend is less evident in cooking appliances than for other domestic appliances: in the cooking segment, design and aesthetics on the one hand and less intensive investment on the other mean that small, highly innovative producers can also prosper.

CORE MARKETS

In Western Europe, which accounts for about half of the end-user market for Sabaf products, the level of saturation reached by cooking appliances (i.e. the number of households owning such appliances) is close to 100%.
Purchases of new appliances are therefore mainly replacement purchases. Moving house or the purchase or refurbishment of a home are often occasions for the purchase of a new cooking appliance. The market trend is therefore directly influenced by the general economic trend and, in particular, by households' disposable income, consumer confidence and housing market trends. In this context, demand in the household appliances sector has been stagnating for years, with the situation more marked in the peripheral countries.

Conversely, in other markets the saturation level is often much lower. Faster economic growth rates and a more favourable demographic trend than in Western Europe create huge opportunities for groups such as Sabaf that are able to work both with multinational household appliance manufacturers and with local manufacturers.

A varied landscape

Manufacturers of gas cooking appliances – Sabaf's core market – consist of:

- large multinational groups with a well-established international presence in sales and production and possessing strong brands;
- manufacturers located in countries with low-cost labour that aim both to exploit opportunities in their home markets and to grow fast globally;
- manufacturers focused on specific markets in which they are the market leader;
- manufacturers (mainly Italian export firms) occupying segments featuring greater product differentiation (for example, built-in hobs and ovens, or large, free-standing cookers).

Be organized

CHAPTER 3

Corporate governance, Risk management, Compliance and General Remuneration Policy

Page 31

Corporate Governance

Overview

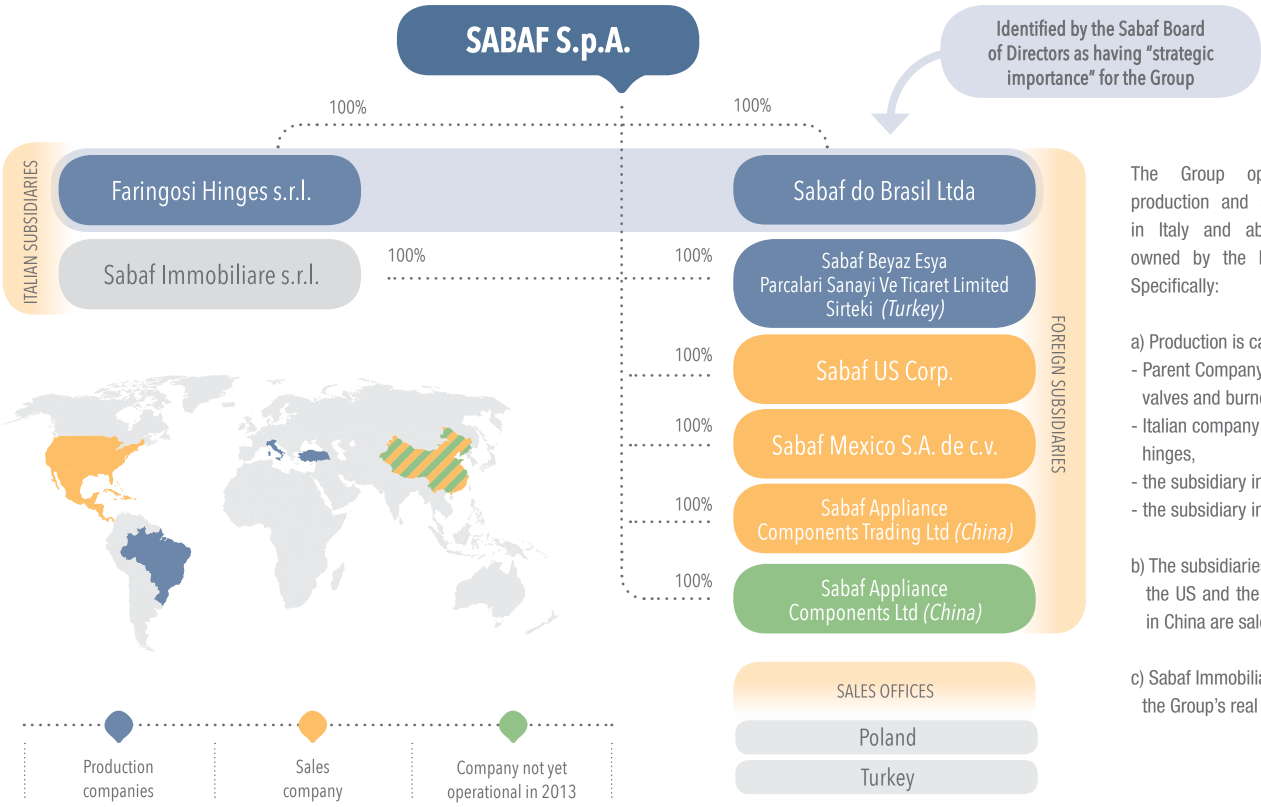
The corporate governance model adopted by Sabaf is based on the decision to strictly separate the interests and choices of the reference shareholder – the Saleri family – from those of the Company and the Group, and therefore assign corporate management to managers who are distinct from the reference shareholder.

Expansion of the shareholder base following listing on the stock exchange, admission to the STAR segment (and the voluntary acceptance of stricter transparency and disclosure rules), and the desire to comply consistently with best practice in relation to corporate governance represent the subsequent steps taken by Sabaf towards compliance of its corporate governance system with a model whose benchmark is that directors act in the Company's interest and in view of creating value for shareholders and other stakeholders.

As a further step along this path, Sabaf's management believes that ethics founded on the centrality of the individual and respect of principles, set at the head of the creation of value, are able to orient decisions in a manner consistent with corporate culture and contribute significantly to assuring the Company's sustainable long-term growth.
To this end, Sabaf has created and published a Charter of Values (available in the Sustainability section of the website, **www.sabaf.it,** considered to be the tool through which the Board of Directors renders explicit the Company's values, standards of conduct and commitments in respect of all stakeholders – shareholders, employees, customers, suppliers, financiers, the public administration, the community and the environment. The document was revised by the Company in the final months of 2013 to ensure greater consistency with the Group's current strategic directions and existing governance model, and to develop the increasing attention paid by the Group to subjects such as respect for the environment and management of transparent and proper relationships with all stakeholders. The updated version of the Charter of Values was submitted to the Board of Directors for approval on 11 February 2014.

This section of the report is intended to show the decisions taken by Sabaf and the special features of its governance system, reviewed in the light of the new measures introduced by the Corporate Governance Code published in December 2011. Where possible, a comparison is also provided with other listed companies, using information taken from Assonime in its report "Corporate Governance in Italy", published in November 2013 and based on the Corporate Governance reports for the year 2012, available at 15 July 2013, of 223 listed Italian companies which have formally chosen to adhere to the Corporate Governance Code (corresponding to 93% of the total of listed companies at 31 December 2012). The benchmark used below takes into account, where possible, a panel of "non-financial" companies only.

The information below is a summary, and does not replace the "Report on Corporate Governance and Ownership Structure", prepared by the Issuer pursuant to Article 123-ter of the Consolidated Law on Finance for 2013 and available in the Investor Relations/Corporate Governance section of the website **www.sabaf.it.**



The Group operates through production and sales companies in Italy and abroad, all 100% owned by the Parent Company. Specifically:

a) Production is carried out by:
- Parent Company Sabaf S.p.A., valves and burners,
- Italian company Faringosi Hinges, hinges,
- the subsidiary in Brazil, burners,
- the subsidiary in Turkey, burners.

b) The subsidiaries in Mexico and the US and the trading company in China are sales companies.

c) Sabaf Immobiliare manages the Group's real estate assets.

Management and control model

Sabaf has adopted a ***traditional*** management and control model, consisting of:

- ***Shareholders' Meetings,*** ordinary and extraordinary, called to pass resolutions pursuant to the laws in force and the Bylaws;

- the ***Board of Statutory Auditors,*** responsible for supervising: (i) compliance with the law and Articles of Incorporation and adherence to principles of proper management in the performance of corporate activities; the adequacy of the Company's organisational structure, internal control system, and administrative/accounting system; the procedures for effective implementation of the corporate governance rules envisaged in the Code; risk management; the statutory review of the accounts and the independence of the auditing firm;

- a ***Board of Directors*** responsible for management of Company operations.

This model is integrated, pursuant to the provisions of the Corporate Governance Code to which the Company adheres, by:

a) the Committees set up when the bodies where renewed by the Board of Directors within the Board, each being responsible for making proposals or providing consultancy on specific topics and having no decision-making powers:

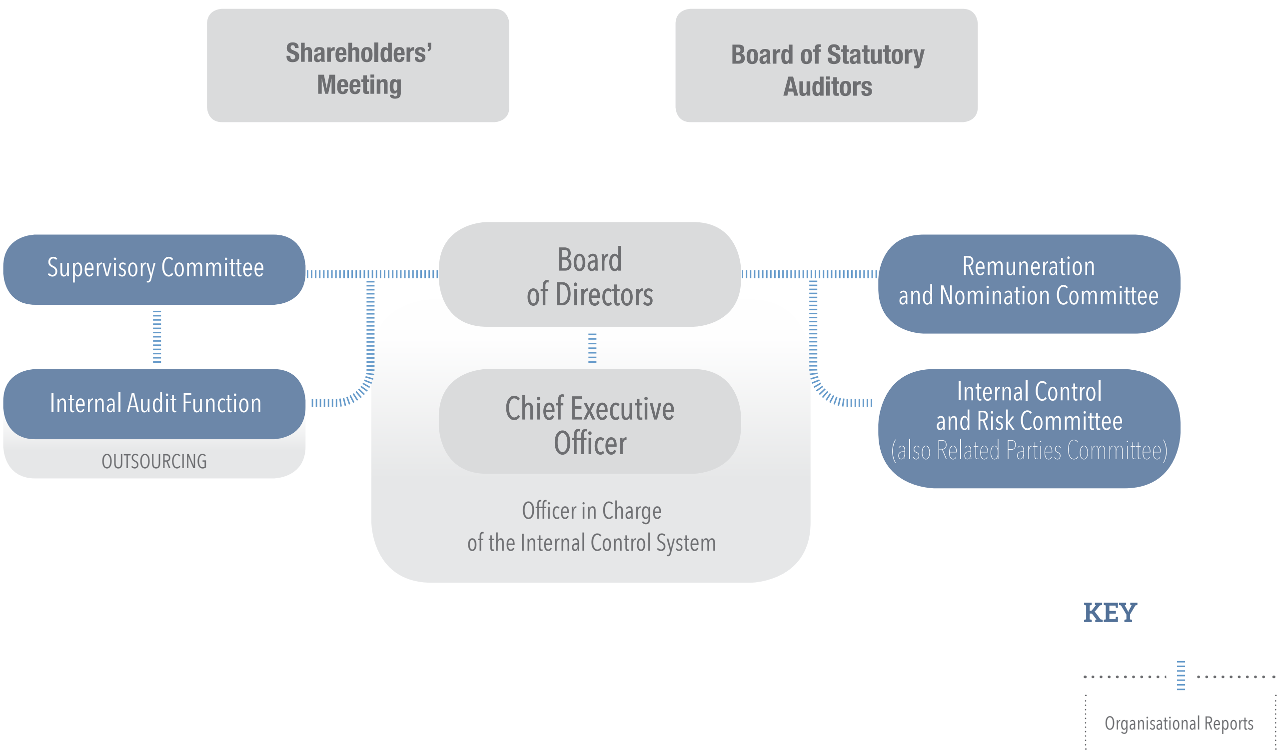
- ***Internal Control and Risk Committee,*** formerly the Internal Control Committee during the previous mandate, which also assumes the functions (since May 2012, date when the bodies were renewed) of the Related Parties Committee;

- ***Remuneration and Nomination Committee,*** which assumes the functions stipulated by the previous mandate of the Remuneration Committee and integrates them with those relating to the appointment and composition of the supervisory bodies indicated by the Code,

b) the ***Internal Audit function***, responsible for checking whether the internal control and risk management system is adequate and operates properly.

Lastly, the Group's administration and control model is completed by the presence of the ***Supervisory Committee,*** set up following the adoption of the Organisation, Operation and Control Model pursuant to Legislative Decree 231/2001, adopted by Sabaf on first approval in 2006.

THE GOVERNANCE STRUCTURE



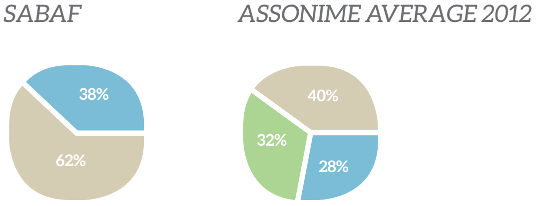
BOARD OF DIRECTORS

The Board of Directors currently has 13 members, the majority of whom are non-executive and independent (8 members), of whom one was chosen by the minority shareholders (consist with 72% of the sample analysed by Assonime in 2012).

	OFFICE	MEMBERS
EXECUTIVE DIRECTORS	Chairman	Giuseppe Saleri
	Deputy Chairman	Gianbattista Saleri
	Deputy Chairman	Ettore Saleri
	Deputy Chairman	Cinzia Saleri
	Chief Executive Officer	Alberto Bartoli
NON-EXECUTIVE AND INDEPENDENT DIRECTORS PURSUANT TO TUF AND CODE	Director	Salvatore Bragantini
	Director	Giuseppe Cavalli
	Director	Leonardo Cossu
	Director	Renato Camodeca
	Director	Fausto Gardoni
	Director	Maria Chiara Franceschetti
	Director	Nicla Picchi
	Director	Riccardo Rizza

The ***Curricula Vitae*** of individual directors are available on the Company website.

Composition of the board of directors



Executive directors
Non-executive and independent directors pursuant to Code
Non-executive and independent directors pursuant to TUF

Lead Indipendent Director

Appointed by the Board on 7 May 2013 and until the following Shareholders' Meeting to be held to approve the financial statements for 2013, following the resignation of the director Gregorio Gitti.

Appointed by the Shareholders' Meeting of 8 May 2012, Gregorio Gitti resigned his positions in a letter dated 5 April 2013 and with effect from the Shareholders' Meeting of 30 April 2013, pursuant to Article 2385 of the Italian Civil Code, due to the professional and institutional commitments he had recently taken on.

Observations

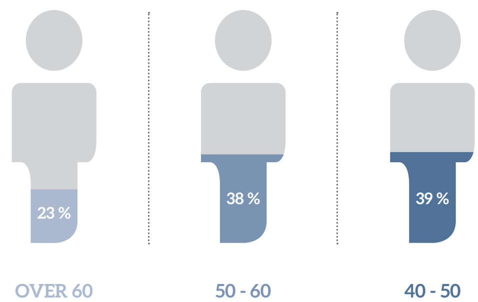
Around 40% of the members of the Board in office are aged between 50 and 60 and overall the directors of the Company are younger than the average of the sample analysed by Assonime (56 vs. 58).

In the last three years the Board has met slightly fewer times than the average of the sample analysed by Assonime in each period (8 meetings in 2013) and with members' attendance always higher than 90%, in line with the other listed non-financial companies in the study (92% in 2013).

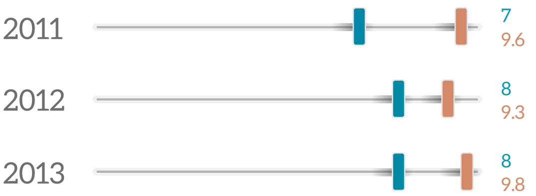
The Board of Statutory Auditors and the Company's Administration, Finance and Control Director took part in the meetings, as well as Sabaf executives, who were invited to attend and discuss specific subjects on the agenda.

Age of directors

Average age: Sabaf 56 vs Assonime 58



Number of meetings
of the Board of Directors



Average attendance at meetings
of the Board of Directors

Sabaf Assonime average

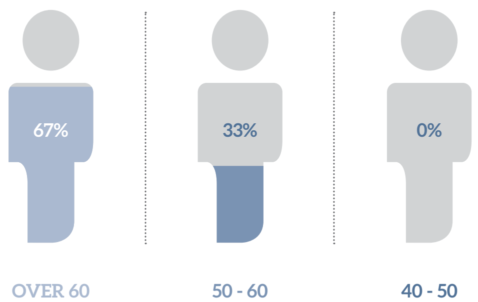
BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 8 May 2012 for the 2012-2015 period, has 5 members, including 2 alternate auditors, with an average age of 57 (in line with the sample analysed by Assonime). The Chairman of the Board of Statutory Auditors was chosen by the minority shareholders.

OFFICE	MEMBERS
Chairman	Alessandro Busi
Statutory Auditor	Enrico Broli
Statutory Auditor	Anna Domenighini
Alternate Auditor	Maurizio Fioretti
Alternate Auditor	Paolo Guidetti

The ***Curricula Vitae*** of individual directors are available on the Company website.

Age of Statutory auditors
Average age: **63**

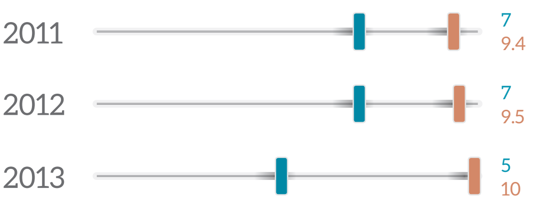


Observations

In the last three years Sabaf's Board of Statutory Auditors has met only slightly fewer times than the average of the sample analysed by Assonime in each period, with the exception of 2013 (5 meetings) in which the average number of the sample analysed by Assonime was affected by companies, different from Sabaf, experiencing difficulties and/or financial restructuring which therefore required greater involvement from the Statutory Auditors (10 meetings on average in 2013)).

Members' attendance at the meetings was, on average, around 94% in the 2011-2013 period (93% in 2013), and in line with the other listed companies in the study. In general, as well as conducting checks and attending the regular meetings pursuant to the laws in force, all members of the Sabaf Board of Statutory Auditors must attend the meetings of the Board of Directors and the Internal Control and Risk Committee, the half-yearly collective meetings with the supervisory bodies and the individual meetings with the statutory auditing firm.

Number of meetings
of the Board of Statutory Auditors



Average attendance at meetings
of the Board of Statutory Auditors

Sabaf Assonime average [1]

[1] Assonime panel including financial companies

INTERNAL CONTROL AND RISK COMMITTEE

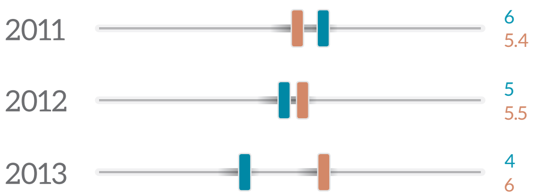
The Internal Control and Risk Committee currently in office, formed within the Board, is composed entirely of 4 non-executive and independent directors (Assonime average: 3 members).

The Committee has also been allocated the relevant functions of the Related Parties Committee.

OFFICE	MEMBERS
Chairman	Leonardo Cossu
Member	Salvatore Bragantini
Member	Renato Camodeca
Member	Nicla Picchi

Number of meetings

of the Internal Control and Risk Committee / Internal Control and Audit Committee



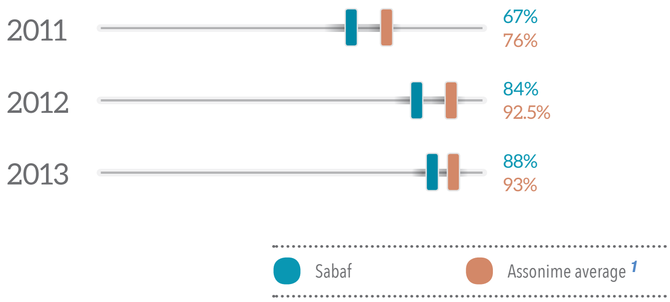
Observations

The Committee met 4 times in 2013 (Assonime average: 6 meetings); insignificant related-party transactions were discussed in one of these meetings. In the last three years, the number of meetings was on average in line with the sample analysed by Assonime.

Attendance by Committee members at these meetings increased in the period and approached 90% in 2013.

Average attendance at meetings

of the Internal Control and Risk Committee / Internal Control and Audit Committee



REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee, set up within the Board, has 3 non-executive and independent members (Assonime average: 3.1 members), with knowledge and experience of accounting, finance and remuneration policies, as confirmed by the Board.

OFFICE	MEMBERS
Chairman	Fausto Gardoni
Member	Giuseppe Cavalli
Member	Leonardo Cossu

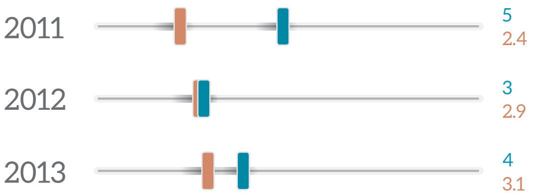
Observations

In the last three years the Committee has met more times than the Assonime average (4 times in 2013) and with full attendance from each member.

1 Assonime panel including financial companies

Number of meetings

of the Remuneration and Nomination Committee (formerly the Remuneration Committee)



Average attendance at meetings

of the Remuneration and Nomination Committee (formerly the Remuneration Committee)

Sabaf Assonime average [1]

INTERNAL AUDIT HEAD AND SUPERVISORY COMMITTEE

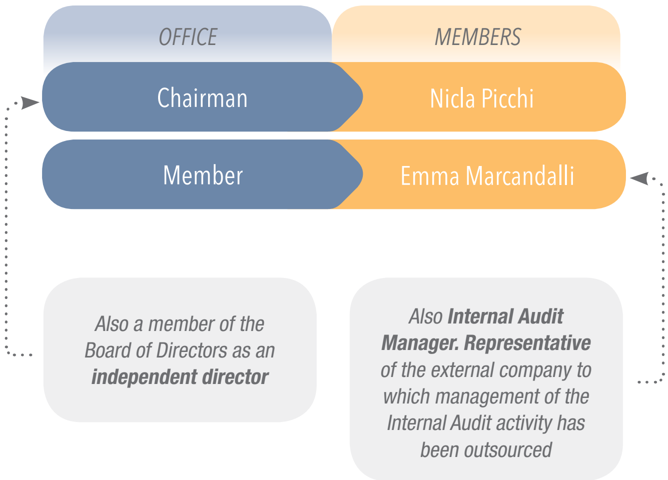
INTERNAL AUDIT

On 8 May 2012, the Board of Directors, subject to the favourable opinion of the Internal Control and Risk Committee and having heard the Board of Statutory Auditors, engaged Protiviti s.r.l., an external company, to carry out the internal audit activity for the 2012-2015 period, appointing Emma Marcandalli, Managing Director of the company, as the Manager in charge. The decision is based on the greater skills and efficiency that an external consultant specialised in internal control can guarantee, taking account of the size of Sabaf.

The Internal Audit Manager is responsible for verifying that the internal control and risk management system is adequate and operates properly. They report to the Board of Directors, are not responsible for any operating area and remain in office for the entire term of the Board that appointed them.

SUPERVISORY COMMITTEE

The Supervisory Committee, appointed for the 2012-2015 period, is composed entirely of external members.



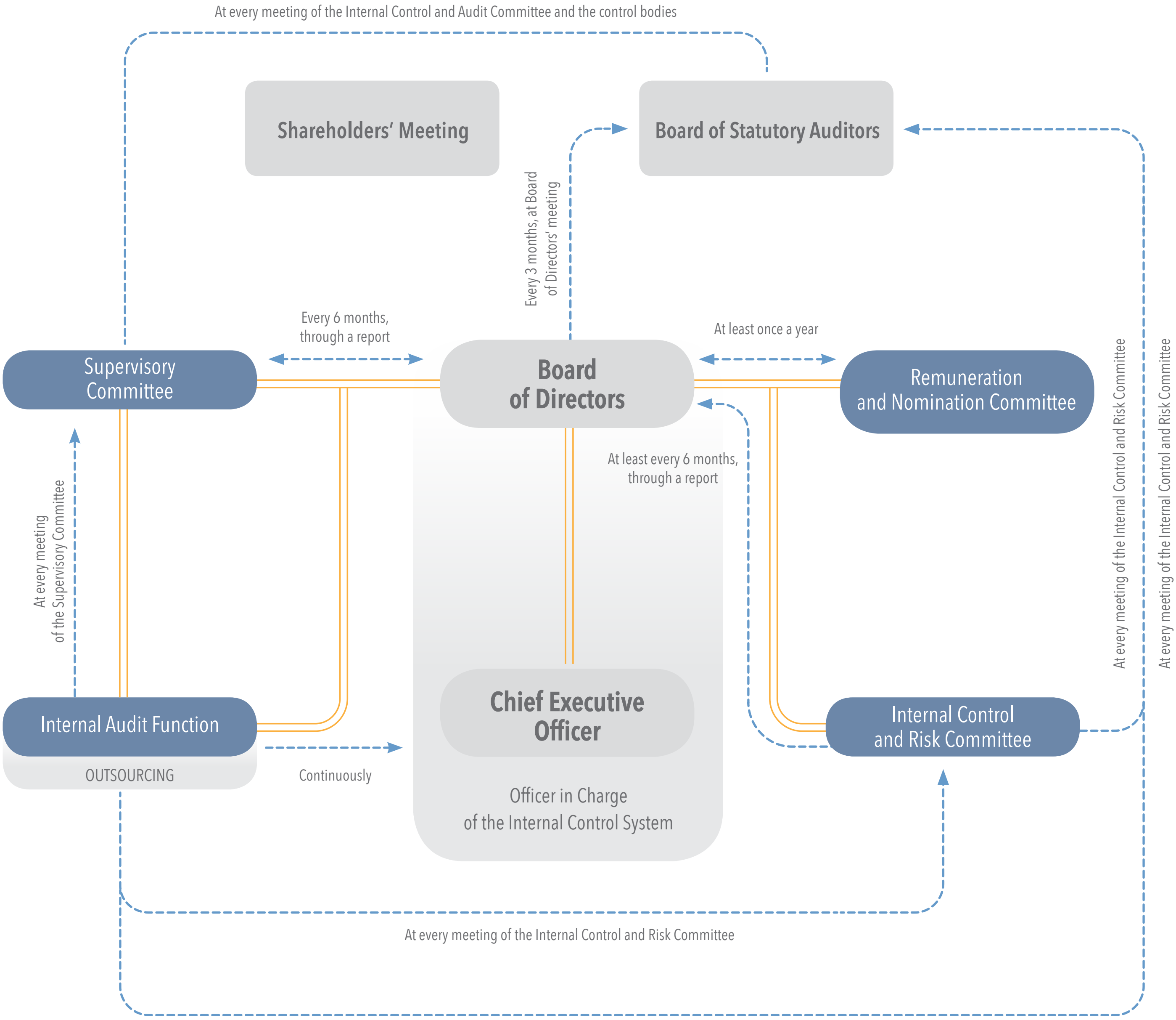
Sabaf's Supervisory Committee met 7 times in 2013, requesting the attendance at the meetings of the Company's Management, in order to consult with it on specific topics.

1 Assonime panel including financial companies

INFORMATION FLOWS

Sabaf's management and control model operates through a **network of information flows,** which are regular and systematic, between the various company bodies.
Each body, according to the timeframes and procedures defined by the Bylaws, the Governance Model and other internal documents such as regulations and procedures, reports to the functionally superior body regarding the activities conducted during the time period in question and those planned for the subsequent period, any observations noted and suggested action.

INFORMATION FLOWS WITHIN THE CORPORATE GOVERNANCE STRUCTURE



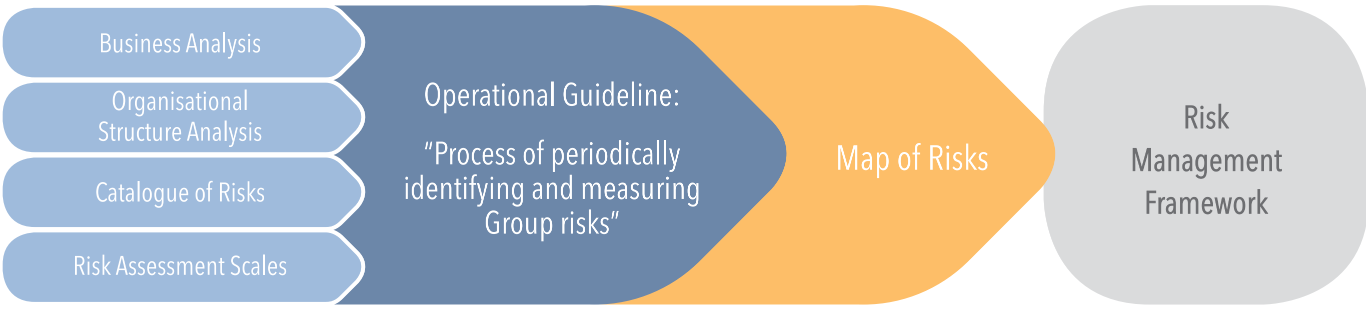
KEY

Risk Management

Framework

In conducting its business, Sabaf defines strategic and operational objectives, and identifies, assesses and manages the risks that could prevent them from being met

Over the last five years, Sabaf has progressively explored the concepts of risk assessment and risk management, in order to develop an internal, structured and regular process of risk identification, assessment and management, defined and formalised in Guidelines contained in the Company's Corporate Governance Manual.



The guidelines define the roles and responsibilities for risk assessment and risk management processes, indicating the parties to be involved, process frequency and assessment scales.

Each risk is subject to an **assessment** which breaks down into the following variables:

- *probability* of occurrence over a three-year timeframe;
- estimate of the greatest *impacts* in terms of the business-financial position, damage to persons and damage to image, over the timeframe subject to assessment;
- level of *risk management and control.*

	ASSESSMENT SCALE	1	2	3	4
IMPACT	**Financial losses**	*1% Ebit c.ca*	*1% - 2.5% Ebit c.ca*	*2.5% - 10% Ebit c.ca*	*10% Ebit c.ca*
	Harm to persons	Limited effects on health	Average consequences on health	Serious risks to health	Effects not remediable
	Harm to reputation	Effects at local level	Effects at regional level	Effects at national level	Effects at international level
PROBABILITY	**Frequency of occurrence**	Once every 3 years or more	Once every 2 years	Once a year	More than once a year
	Qualitative indications	Improbable/ Remote	Not likely	Likely	Very likely
	RISK MANAGEMENT LEVEL	*Inadequate*	*To be strengthened*	*Adequate (with limited margins for improvement)*	*Optimum*

2013

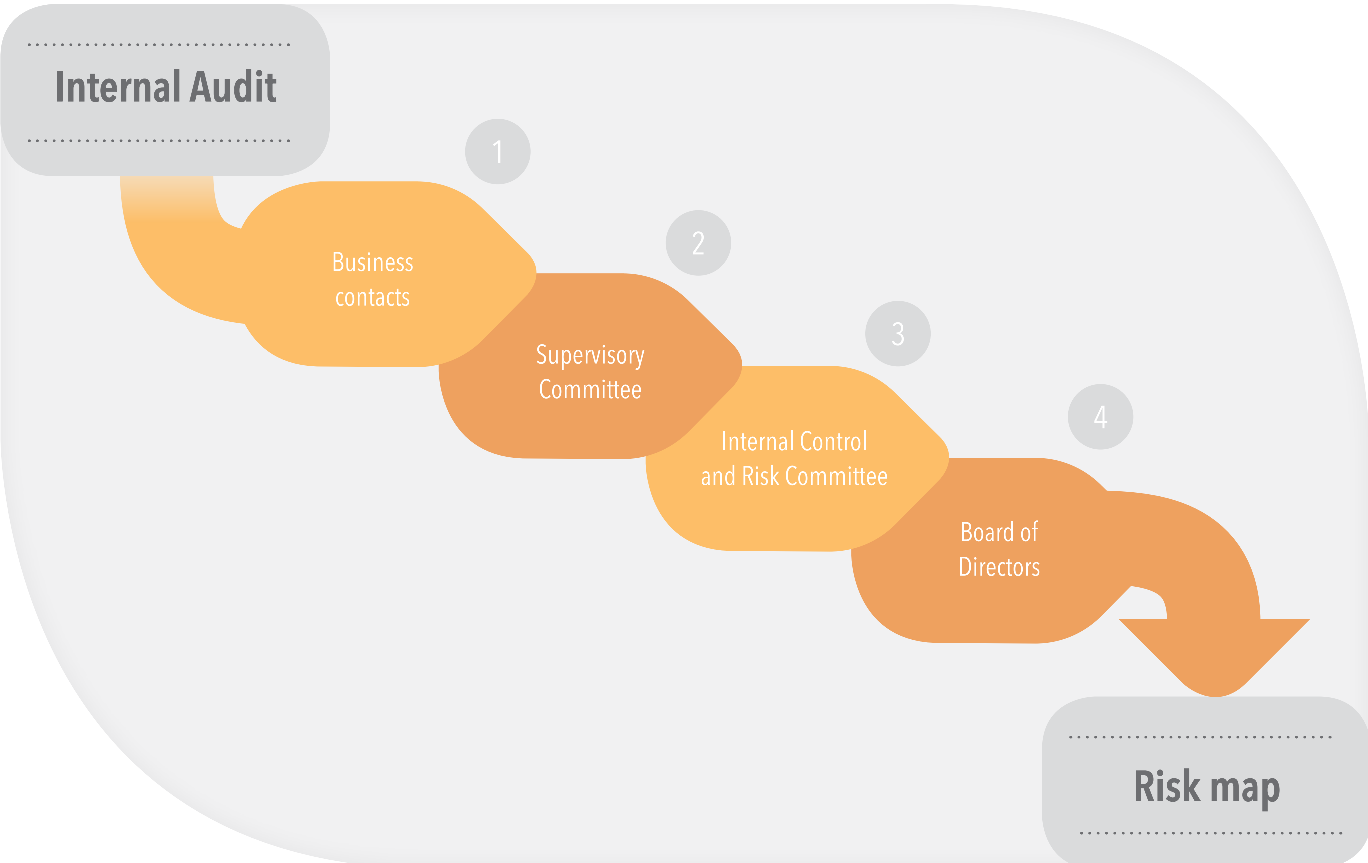
RESULTS

In the final months of 2013, the Internal Audit Function conducted the periodic risk assessment process to identify and assess Group risks, calling for the involvement, according to their scope of authority, of the:

- Chief Executive Officer
- Administration, Finance and Control Director — also in his capacity as Financial Reporting Officer
- Production Director — also in his capacity as Employer and Environmental and Safety Manager
- Technical Director
- Information Systems Director
- Procurement Manager
- Supervisory Committee

During the assessment process, which involves the control bodies, the risks take shape and are allocated on the map.

RISK ASSESSMENT PROCESS



The results of Sabaf's 2013 risk assessment highlight, among other things, the following 12 main risks, selected for their importance and consistency with the issues covered in this document:

For more information on the Group's financial risks, including those not mentioned here owing to their lack of relevance, please see the Notes to the Consolidated Financial Statements.

MAIN RISKS OF THE GROUP

1 Risks related to the overall conditions of the economy and trend in demand

The business and financial circumstances of the Group are influenced by a variety of factors, such as gross domestic product, consumer and corporate confidence, interest rate trends, the cost of raw materials, the unemployment rate, and the ease of access to credit.
The Group's core market, the household appliances sector, which is cyclical and generally related to the performance of the real estate market, was hit particularly hard by the progressive decline in the macroeconomic situation in Europe. Contraction of demand in the mature markets is accompanying a gradual concentration of the buying market and a heightening of competition, phenomena which impose aggressive policies in defining sales prices.

RISK MANAGEMENT MEASURES

To cope with this situation, the Group aims to retain and reinforce its leadership position wherever possible through:

- *the launch of new products characterised by superior performance compared with market standards;*
- *expansion on markets with high growth rates;*
- *the maintenance of high quality and safety standards, which make it possible to differentiate the product through the use of resources and implementation of production processes that are not easily sustainable by competitors.*

2 Risk of instability in the emerging countries In which the group produces or sells

40% of Sabaf Group sales are registered on markets outside Europe. Furthermore, products sold in Italy can be exported by customers in international markets, making the percentage of sales earned directly and indirectly from emerging economies more significant.
The Group's main markets outside Europe include the Middle East and North Africa (which accounted for 6% and 8% respectively of direct Group sales in 2013, as well as indirect sales registered by our customers, which are difficult to quantify).
Any embargos or major political or economic stability, or changes in the regulatory and/or local law systems, or new tariffs or taxes imposed in the future could affect a portion of Group sales and the related profitability.

RISK MANAGEMENT MEASURES

To confront this risk, the Group has adopted a policy of diversifying investments at international level, setting different strategic priorities that, as well as business opportunities, also consider the different associated risk profiles.

3 Risk of volatility in the prices of commodities

The Group uses metals and alloys in its production processes, chiefly brass, aluminium alloys and steel. The sale prices of products are generally renegotiated semi-annually or annually; as a result, Group companies may not be able to immediately pass on to customers changes in the prices of commodities that occur during the year.

RISK MANAGEMENT MEASURES

The Group protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months or, alternatively, with derivative financial instruments.
At the date of this report, the Sabaf Group has already fixed the purchase prices for around 50% of the expected requirements for 2014 of aluminium, steel and brass. Any further increase in the price of commodities not hedged could have negative effects on expected profits.

4 Sustainability of the hinges business

The Hinges business posted negative results in 2013. A partial recovery in sales has not yet translated into benefits in terms of profitability, also due to the start-up costs involved in launching new productions.

RISK MANAGEMENT MEASURES

The Group therefore stepped up its efforts to develop specialist products (such as dampened springs for soft opening and closing of oven doors and hinges for extra-heavy doors). The 2014-2018 business plan of the Hinges CGU forecasts a significant recovery in sales and profitability, to which new products should make a crucial contribution. If this is unsuccessful, the Group cannot rule out the need for further write-downs of the value of assets allocated to the Hinges business.

For more information, please see the Notes to the Consolidated Financial Statements.

5 Risk of exchange-rate fluctuations

The Sabaf Group operates primarily in euro. It executes transactions in other currencies, such as the US dollar and the Brazilian real.
Since sales in US dollars accounted for 12% of consolidated revenue, the gradual depreciation expected in the coming months could lead to a loss in competitiveness on the markets where sales are made in that currency (mainly South and North America).

RISK MANAGEMENT MEASURES

At 31 December 2013 the Group had in place a forward sale contract for USD 510,000 at the euro/dollar exchange rate of 1.30, expiring 30 June 2014. The Administration and Finance Department constantly monitors forex exposure, the trend in exchange rates and the operational management of related activities.

6 Risks related to the difficulties of managing the group's internationalisation appropriately

The Sabaf Group is going through a process of growing internationalisation, with the opening of new companies and production facilities in countries considered strategic for the future development of its business. This process requires appropriate measures, which include the identification and training of managerial staff and the roll-out of management and coordination activities by the Parent Company.

RISK MANAGEMENT MEASURES

In order to support this expansion process, the Sabaf Group seeks to define suitable measures which include the appropriate definition of the spheres and responsibilities of management action, careful planning of activities in implementing new projects, and an accurate analysis of the regulatory environment in the relevant countries.

7 Risk of sales concentration

The Group is characterised by a strong concentration in its revenue, with 50% arising from sales to its ten biggest customers. Relationships with customers are generally stable and long-term, and usually regulated with renewable contracts of under one year, with no minimum guaranteed sales.

RISK MANAGEMENT MEASURES

At the date of this report, there was no reason for the Group to foresee the loss of any significant clients in the coming months.

8 Risks related to products with a single customer

Sabaf, through its internal research and development structure, also creates tailor-made products for its customers. There is a risk that customisation of products will result in obsolescent inventories if the customer is suddenly lost or becomes insolvent.

RISK MANAGEMENT MEASURES

Sabaf therefore constantly monitors stock rotation indicators and, thanks to its strong relationships with its customers, assesses every possible product variation on a case-by-case basis in order to identify necessary action plans in a timely manner.

9 Risks related to product liability

Sabaf products carry a high intrinsic risk in terms of safety. The Group's great attention to product quality and safety has made it possible to avoid incidents caused by product defects. Despite this, it is not possible to automatically exclude incidents of this nature.

RISK MANAGEMENT MEASURES

In order to transfer the risk of third-party liability damage arising from malfunctioning of its products, Sabaf has signed insurance policies with deductibles of up to €10 million per individual claim.

10 Trade credit risk

The high concentration of sales to a small number of customers, under the previous point, generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of one of them. In particular, given the structural difficulties of the domestic appliance sector in mature markets, it is possible that new situations of customers experiencing financial difficulty and insolvency could arise.

RISK MANAGEMENT MEASURES

To minimise this risk, the Group tends to favour the larger brands in the segment, considered more reliable. At the same time, risk is constantly monitored through the preliminary assessment of customers and checks that agreed payment terms are met.
The risk is also partially transferred to third parties by no-recourse assignment, i.e., partially guaranteed through the request for letters of credit issued by leading banks for customers. The remainder of the receivable risk is covered by a doubtful account provision considered appropriate.

11 Protection of product exclusivity

There is a risk that some Group products, although patented, will be copied by competitors, particularly in countries in which it is more difficult to protect intellectual property rights.
Sabaf's business model therefore bases the protection of product exclusivity mainly on design capacity and the internal production of special machines used in manufacturing processes, which result from its unique know-how that competitors would find difficult to replicate.

RISK MANAGEMENT MEASURES

Sabaf has structured processes to manage innovation and protect intellectual property.

12 Risks related to the loss of and difficulty in identifying Key resources and skills

Group results depend to a large extent on the work of executive directors and management. The loss of a key staff member for the Group without an adequate replacement and the inability to attract new resources could have negative effects on the future of the Group and on the quality of financial and economic results.

RISK MANAGEMENT MEASURES

The Group has had in place for years policies to strengthen the most critical internal organisational structures and initiatives to retain talent.

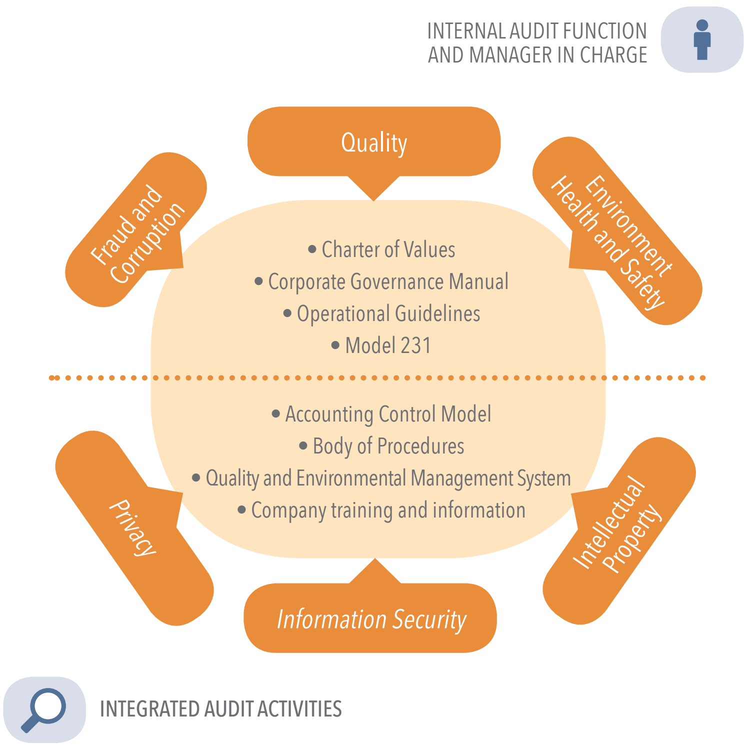
Key – Risk Trend compared to 2012:

Increasing Decreasing Stable

Compliance

Integrated compliance

THE INTERNAL CONTROL SYSTEM



For the purposes of meeting company objectives, the risk management activities conducted by Sabaf also take into account compliance requirements.
The internal control system governing this activity is based on the following elements:
- organisation of the **internal control and risk management system;**
- concrete implementation procedures and mechanisms of the **control principles**;
- processes of **continuous auditing and monitoring** carried out at the various levels of the organisation, both within the scope of business processes and through independent structures.

Specifically, Sabaf has an integrated Audit Plan, which breaks down according to specific control objectives (e.g. operational, compliance with Law 262/2005 and Legislative Decree 231/2001, the security and profiling of corporate information systems).
The implementation of measures is outsourced to a single structure, Internal Audit, in turn responsible for reporting the results of the activities conducted to the delegated supervisory bodies.

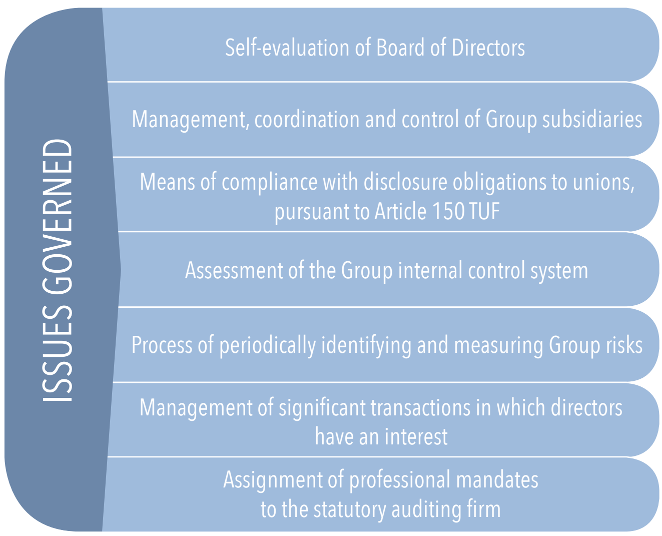
All this translates into
a culture and tools based on
integrated compliance

INTEGRATED COMPLIANCE AND THE CORPORATE GOVERNANCE MANUAL

Following adhesion to the Borsa Italiana Corporate Governance Code and in order to internalise within its processes good governance practices in this sponsored document, Sabaf has adopted a **Corporate Governance Manual*** which governs principles, regulations and operational procedures.
This Manual, adopted by board resolution of 19 December 2006, has been updated several times over the years, in order to reflect changes in laws and regulations regarding corporate governance, as well as best practice adopted by the Company.

The Manual contains certain operating guidelines, which were approved by the Board of Directors and last updated in September 2013. These guidelines were issued to ensure that the management and control bodies of Sabaf properly carry out their duties.

OPERATIONAL GUIDELINES



** The latest version of the text, updated pursuant to the Borsa Italiana Corporate Governance Code as amended in December 2011, approved by the Board of Directors' meeting of 25 September 2012, is available in the Corporate Governance section of the website **www.sabaf.it.***

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 231/2001

In 2006, Sabaf S.p.A. adopted the Organisation, Operation and Control Model pursuant to Legislative Decree 231/2001. The Model is designed to prevent the committing of criminal offences by employees and/or outside staff in the Company's interest.
Following the initial adoption, through the supervision of the Supervisory Committee, Sabaf promptly responded to the need to adjust the Model and the control structure of the company departments involved, to the change in legislation that have occurred over time.

A new edition of the Model, which mainly implements the results of the risk assessment conducted during the year with reference to the crimes of "Induced bribery" and Private bribery", added to the Decree in November 2012, was approved by the Board of Directors in September 2013.

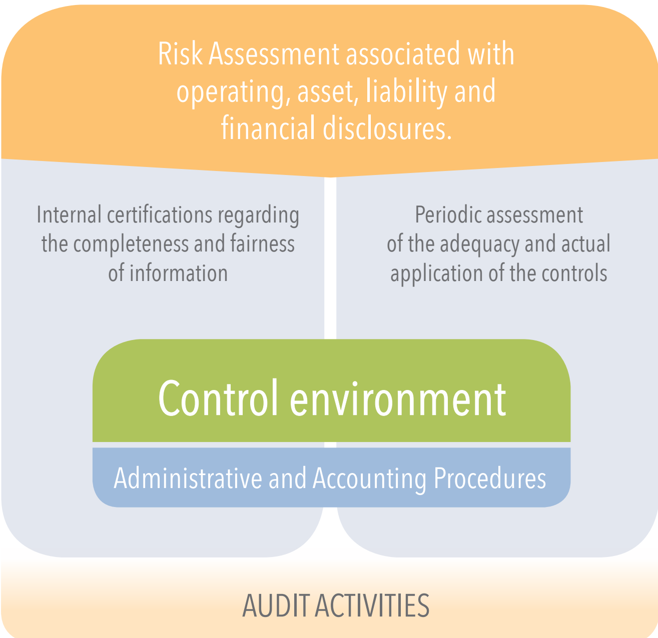
The Company tasks the Supervisory Committee with assessing the adequacy of the Model (i.e. its real ability to prevent offences), as well as with supervising the functioning and compliance of the protocols adopted.

ACTIVITIES CONDUCTED IN 2013

- Systematic **checks** on the **Model's effectiveness,** through both audits conducted by Internal Audit, and interviews with staff assigned to sensitive activities.
- **Updating of the Model**, through:
  - the introduction of two new protocols with reference to the recent crimes of private bribery pursuant to Article 25-ter of the Decree;
  - implementation of the organisational changes occurring during the year with reference to the Environmental Management System,
  - other minor changes and updates;
- **Information** and **training** of employees aimed at employees around the specific protocols regulated by the Model.
- **Update of the Group's Charter of Values*** to ensure greater consistency with the Group's current strategic directions and existing governance model, and to develop the increasing attention paid by the Group to subjects such as respect for the environment and management of transparent and proper relationships with all stakeholders.

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 262/2005

FEATURES OF THE ACCOUNTING CONTROL MODEL



In 2013 no updates were required to the Audit Control Model and Sabaf's company procedures controlling the financial reporting process.

Sabaf considers the internal control and risk management system on financial reporting to be an integral part of its own risk management system.
In this regard, since 2008, Sabaf has integrated activities relating to the management of the internal control system on financial reporting into its Audit and Compliance process.
The Group has defined an **Accounting Control Model**, approved by the Board of Directors for the first time on 12 February 2008, and subsequently revised and updated.

** The text, in its most up-to-date version, approved by the Board of Directors on 11 February 2014, is available in the Sustainability section on the website **www.sabaf.it.***

General Remuneration Policy

In accordance with the regulation on remuneration, the Board of Directors approved the "General Remuneration Policy" on 22 December 2011 and updated it on 20 March 2013.
This Policy, applied from the date it was approved by the Board, was fully implemented in 2012 following the appointment of the new management bodies.

The Policy defines the criteria and guidelines to fix the remuneration of: (i) members of the Board of Directors, (ii) members of the Board of Statutory Auditors, (iii) managers with strategic responsibilities.

For more details on the above policy, see the complete text on the Company's website.

See also the Report on Remuneration for specific information on remuneration earned and paid out in 2013.

Purpose

BODIES INVOLVED IN THE APPROVAL PROCESS

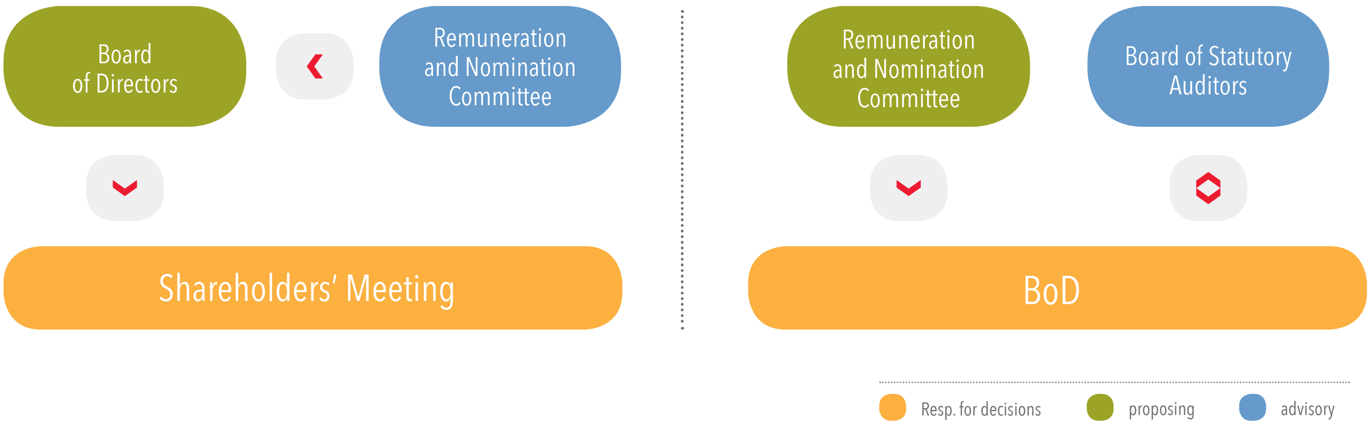
Fixed component

On the proposal of the Board of Directors and having heard the opinion of the Remuneration and Nomination Committee, the Shareholders' Meeting determines a maximum total amount including a fixed amount and attendance fees, for:

- *all members of the Board of Directors*

On the proposal of the Remuneration and Nomination Committee and subject to the opinion of the Board of Statutory Auditors, the Board of Directors determines, within the amount indicated above, additional remuneration for:

- *directors vested with special powers*



Variable component

Short-term:
On the proposal of the Remuneration and Nomination Committee and in line with the budget, the Board of Directors defines an MBO plan, for:

- *executive directors (excluding the Chairman and Deputy Chairmen)*
- *other executives with strategic responsibilities*
- *other managers identified by the Chief Executive who report directly thereto or who report to the abovementioned managers*

Long-term:
On the proposal of the Remuneration and Nomination Committee, the Board of Directors approves the long-term financial incentive for:

- *Chief Executive Officer*
- *other executives with strategic responsibilities*

COMPONENTS OF REMUNERATION

Fixed component

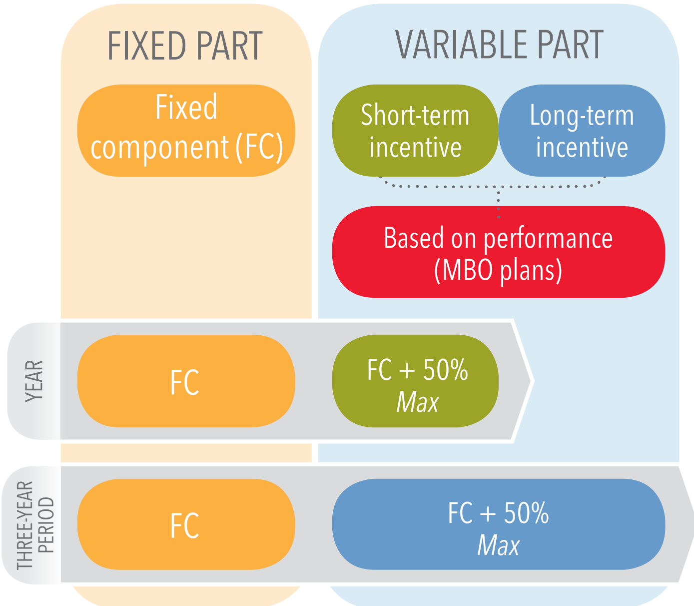
- **Directors:** the total amount for the remuneration of the members of the Board includes a fixed amount and attendance fees.
- **Statutory Auditors:** remuneration for Statutory Auditors is set by the Shareholders' Meeting, which establishes a fixed amount.
- **Other executives with strategic responsibilities:** remuneration is in relation to the employment relationships governed by the Collective National Contract for Industrial Managers.
- **Directors and executives with strategic responsibilities in subsidiaries:** remuneration is set at a fixed amount.

Variable component:

- **The short-term variable component** may not exceed 50% of the fixed annual gross salary; it may be only partially granted in the event that the objectives are not completely met.
  75% is paid out in the April of the following year, and 25% in the January of the second subsequent year.

- **The total long-term variable component** for three years may not exceed 50% of the fixed annual gross salary; it may be only partially granted in the event that the objectives are not fully met.
  In the event that 100% of the objectives assigned are met, an increase on 50% of the gross fixed annual salary may be granted.
  It is paid in full following the approval of the financial statements of the third year to which the incentive relates.

  The annual variable component is linked to an **MBO** plan.
  This plan sets a **common objective** (Group EBIT, which is considered to be the Group's main indicator of financial performance) and quantifiable and measurable **individual objectives,** both economic-financial and technical-productive in nature.



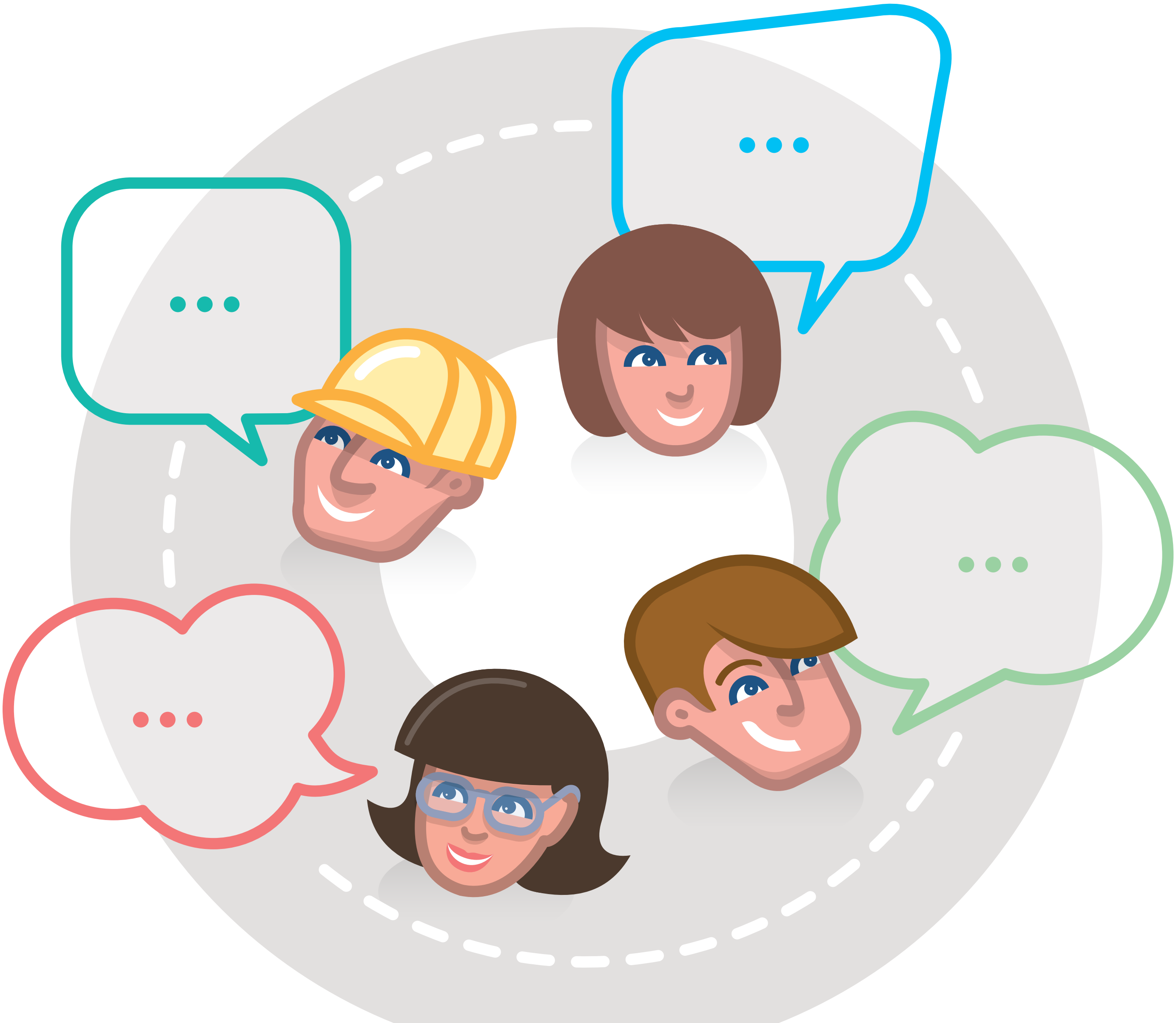
Non-monetary benefits:

- **Third-party civil liability insurance policy:** in favour of directors, statutory auditors, and executives and covering liability resulting from any illegal act or violation of obligations they should commit in exercising their respective responsibilities.
- **Life insurance policy and cover for medical expenses (FASI):** in favour of executives who, in addition to the provisions of the Collective National Contract for Industrial Managers, benefit from an additional policy to cover medical expenses not covered by FASI repayments.

Indemnity against the early termination of employment:

- The Board of Directors, on the recommendation of the Remuneration and Nomination Committee has considered introducing, in 2014, a **non-compete pact** for some of the Company's employees in the event of termination of employment, setting its terms and conditions.

Be socially skilled



SABAF

CHAPTER 4

Social and environmental Sustainability

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SABAF and its staff

THE SA8000 STANDARD

The Sabaf S.p.A. social accountability system complies with the SA8000 standard, for which the Company obtained certification in 2005. The decision to certify the system stemmed from the belief that the Company's human resources are an important asset. In particular, it seeks to raise awareness among management, suppliers, employers and independent contractors of full compliance with the social accountability principles enshrined in the standard.

In implementing SA8000, Sabaf S.p.A. has analysed and monitored the main ethical and social risk factors in terms of child labour, forced labour, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary procedures, working hours and compensation.

There was dialogue during the year between management representatives and workers' representatives concerning the concrete application of the SA8000 standard.

The social accountability management system was audited by IMQ / IQ NET twice in 2013, when auditors collected evidence of the Company's commitment to supporting the Social Accountability System, and no evidence of non-compliance emerged.

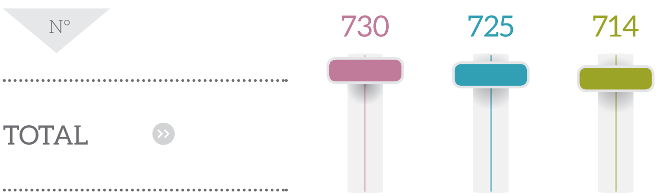
HIRING POLICY, COMPOSITION AND CHANGES IN EMPLOYEES

As at 31 December 2013, the Sabaf Group had 730 employees, compared with 725[1] at 2012 year-end (+0.7%).

As regards basic types of employment contracts, 712 employees (97.5%) had permanent contracts, and 18 (2.5%) had temporary contracts.

	31.12.2013	31.12.2012	31.12.2011
Sabaf S.p.A. (Ospitaletto, BS)	563	580	598
Faringosi Hinges (Bareggio, MI)	49	49	51
Sabaf do Brasil (Jundiaì, San Paolo)	89	73	65
Sabaf Beyaz Esya Parcalari San Tic ltd (Manisa – TR)	29	23	0
TOTAL	**730**	**725**	**714**

	31.12.2013			31.12.2012		
Permanent	464	248	712	451	243	694
Training or apprenticeship	0	0	0	4	0	4
Temporary	12	6	18	4	0	4
TOTAL	**476**	**254**	**730**	**459**	**243**	**702**

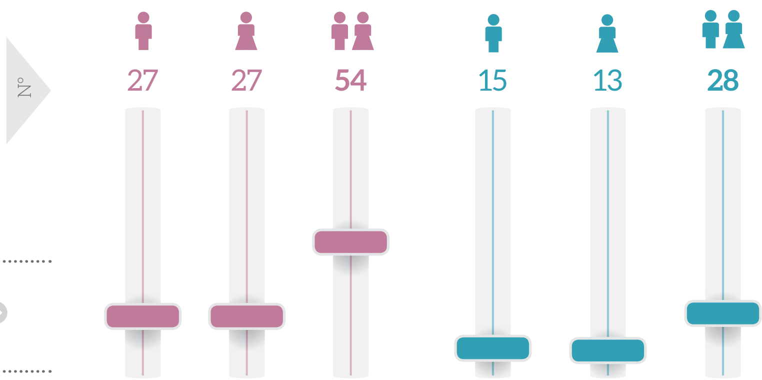


1 Includes Sabaf Turkey

Temporary staff (on an employment agency contract)

	2013			2012		
TEMPORARY STAFF						
January	17	16	33	26	31	57
February	25	19	44	28	26	54
March	25	23	48	25	19	44
April	25	24	49	8	4	12
May	37	32	69	12	10	22
June	31	34	65	12	15	27
July	36	43	79	17	15	32
August	34	41	75	19	12	31
September	33	36	69	12	8	20
October	25	29	54	7	3	10
November	19	19	38	7	7	14
December	15	7	22	4	6	10
ANNUAL AVERAGE	**27**	**27**	**54**	**15**	**13**	**28**

ANNUAL AVERAGE



The Sabaf Group uses employment agency staff for the purposes allowed under the applicable laws and regulations. Temporary staff numbers fluctuated greatly in 2013, mainly due to unexpected changes in demand requiring timely adjustments to production levels, or to replace absent staff.

During 2013 Sabaf Group companies hired 47 ex-temporary workers on a permanent basis (37 in 2012), of which 46 at Sabaf do Brasil.

In 2013 Sabaf offered work placements to 11 students (14 in 2012).
In this way, Sabaf offers for a week some students from schools in the province of Brescia with a bias towards industry a first direct contact with the world of work, in which they are able to apply the technical knowledge they have acquired in the classroom in the field.

STAFF TURNOVER IN 2013

Sabaf S.p.A.

	31/12/12	New hires	Departures	Change in category	31/12/13
Senior management	8	0	0	0	8
Clerical staff and middle management	106	4	6	0	104
Manual workers	466	0	15	0	451
TOTAL	**580**	**4**	**21**	**0**	**563**

Faringosi Hinges s.r.l.

	31/12/12	New hires	Departures	Change in category	31/12/13
Senior management	1	0	0	0	1
Clerical staff and middle management	16	1	0	0	17
Manual workers	32	0	1	0	31
TOTAL	**49**	**1**	**1**	**0**	**49**

Sabaf Do Brasil Ltda

	31/12/12	New hires	Departures	Change in category	31/12/13
Senior management	0	0	0	0	0
Clerical staff and middle management	9	1	0	0	10
Manual workers	64	45	30	0	79
TOTAL	**73**	**46**	**30**	**0**	**89**

SABAF BEYAZ ESYA PARCALARI SAN TIC LTD

	31/12/12	New hires	Departures	Change in category	31/12/13
Senior management	2	0	0	0	2
Clerical staff and middle management	4	1	1	0	4
Manual workers	17	19	13	0	23
TOTAL	**23**	**20**	**14**	**0**	**29**

GROUP TOTAL

	31/12/12 [2]	New hires	Departures	Change in category	31/12/13
Senior management	11	0	0	0	11
Clerical staff and middle management	135	7	7	0	135
Manual workers	579	64	59	0	584
TOTAL	**725**	**71**	**66**	**0**	**730**

New hires by category and gender

Description	2013			2012		
Senior management	0	0	**0**	0	0	**0**
Clerical staff and middle management	5	2	**7**	0	6	**6**
Manual workers	53	11	**64**	28	3	**31**
TOTAL	**58**	**13**	**71**	**28**	**9**	**37**

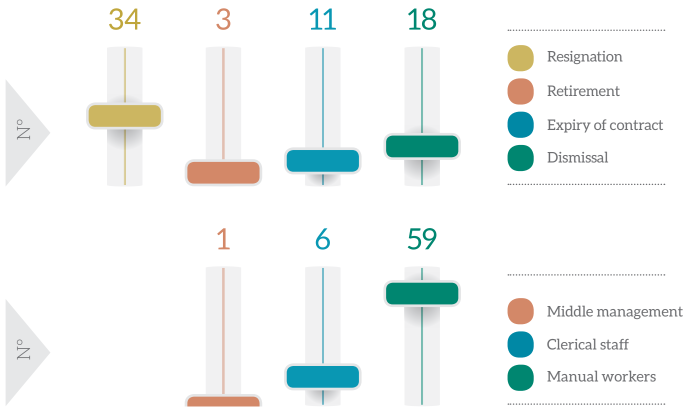
Redundancies by age bracket and gender

Description	2013			2012		
< 20 years	1	0	**1**	0	1	**1**
21-30 years	18	6	**24**	19	5	**24**
31-40 years	24	3	**27**	7	5	**12**
41-50 years	6	0	**6**	4	0	**4**
> 50 years	5	3	**8**	5	3	**8**
TOTAL	**54**	**12**	**66**	**35**	**14**	**49**

2 The initial figures includes Sabaf Turkey, which was not included in the scope of consolidation of the Annual Report in 2012

Reasons for termination of employment in 2013

Description	Middle management	Clerical staff	Manual workers	TOTAL
Resignation	1	5	28	**34**
Retirement	0	0	3	**3**
Expiry of contract	0	1	10	**11**
Dismissal	0	0	18	**18**
TOTAL	**1**	**6**	**59**	**66**



TOTAL 66

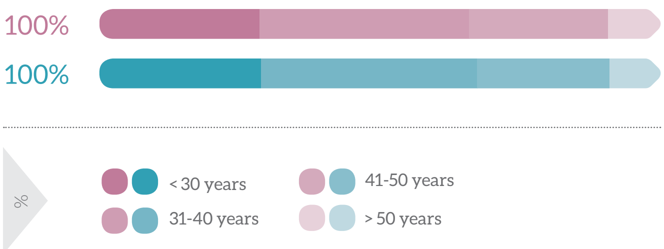
The initiatives undertaken in recent years, including the review of remuneration policies, significantly reduced staff turnover at Sabaf do Brasil, which is still however higher than the Group average, because of the high demand for labour in the country, particularly in the area of Jundiaì.

Breakdown of employees by age

	31.12.2013	31.12.2012
< 30 years	28.5%	28.8%
31-40 years	37.4%	38.5%
41-50 years	24.7%	23.6%
> 50 years	9.4%	9.1%
TOTAL	**100.0%**	**100.0%**

The average age of Group employees (36.6 years) reflects the continuous expansion of the business and the desire to hire young workers, giving preference to in-house training and development rather than bringing in outside skills, particularly in view of the specific nature of Sabaf's business model.

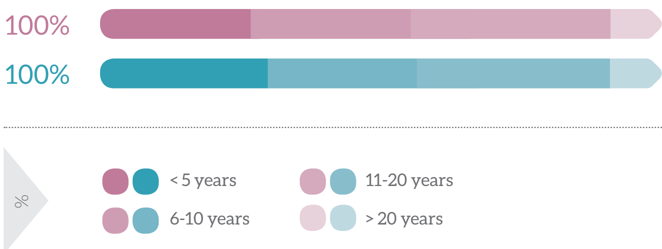
The minimum age of Group employees is 18 in Italy and Turkey and 16 in Brazil.



Breakdown of employees by seniority

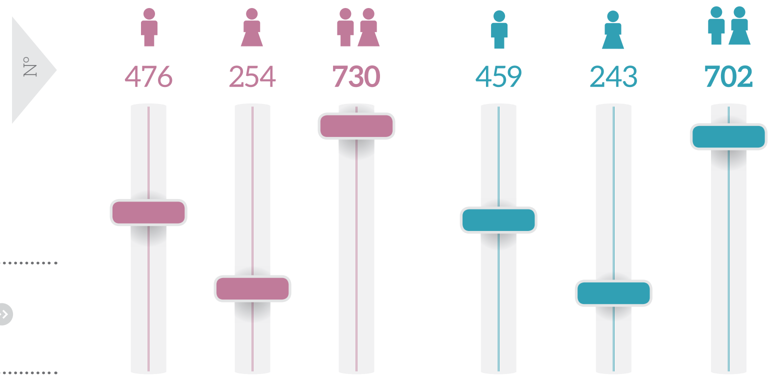
	31.12.2013	31.12.2012
< 5 years	26.8%	29.9%
6-10 years	28.5%	26.5%
11-20 years	35.5%	34.2%
> 20 years	9.2%	9.4%
TOTAL	**100.0%**	**100.0%**

Sabaf is well aware of the fundamental importance of having a stable and qualified workforce that, together with investments in technology, is a key factor in maintaining the Group's competitive advantage.



Staff breakdown by functional area

AREA	2013			2012		
Production	302	172	474	284	165	449
Quality	40	32	72	41	29	70
Research & development	72	4	76	75	4	79
Logistics	20	0	20	24	1	25
Administration	9	20	29	7	19	26
Sales	6	11	17	5	11	16
Services	21	10	31	19	12	31
Procurement [3]	6	5	11	4	2	6
TOTAL	**476**	**254**	**730**	**459**	**243**	**702**



ANNUAL AVERAGE

HIRING POLICY

In order to attract the best resources, our hiring policy aims to ensure equal opportunities for all candidates, avoiding all forms of discrimination.
The selection policy envisages, inter alia:

- that the hiring process be carried out in at least two phases with two different interviewers;
- that at least two candidates be considered for each position.

Candidates are assessed based on their skills, training, previous experience, expectations and potential, according to the specific needs of the business.

All new hires receive the Charter of Values and the SA8000 standard, as well as a copy of the national collective bargaining agreement for the industry.

Staff breakdown by educational qualifications

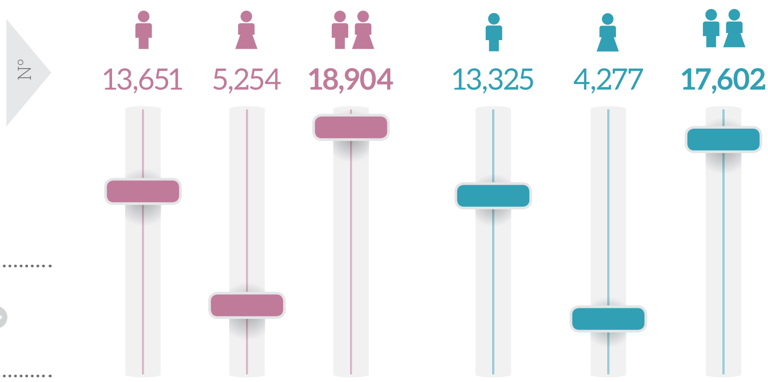
Educational qualification	2013				2012			
University degree	55	21	76	10.4%	45	15	60	8.5%
High school diploma	229	93	322	44.1%	217	86	303	43.2%
Middle school diploma	186	130	316	43.3%	190	131	321	45.7%
Primary school certificate	6	10	16	2.2%	7	11	18	2.6%
TOTAL	**476**	**254**	**730**	**100%**	**459**	**243**	**702**	**100%**

3 Following a reorganisation, Sabaf S.p.A.'s Planning Office was merged with the Procurement Office in 2013. The Planning Office's six employees were classified under Logistics in 2012

TRAINING

At Sabaf, employee professional development is underpinned by a continuous training process. The Human Resources Department, in consultation with the managers concerned, devises an annual training plan, based on which specific courses to be held during the year are scheduled.

	2013			2012		
Training for new recruits, apprentices, initial employment contracts	2,471	783	3,254	2,889	619	3,508
Information systems	148	20	168	112	31	143
Technical training	782	361	1,143	1,065	163	1,227
Safety, environment and social responsibility	5,245	2,428	7,673	3,717	1,077	4,794
Administration & organisation	398	222	620	269	306	575
Foreign languages	195	90	285	720	309	1,029
Total hours of training received	**9,238**	**3,904**	**13,141**	**8,772**	**2,504**	**11,276**
Of which: training hours provided by in-house trainers	4,413	1,350	5,763	4,553	1,773	6,326
TOTAL	**13,651**	**5,254**	**18,904**	**13,325**	**4,277**	**17,602**



ANNUAL AVERAGE

The training hours provided by in-house trainers also include the training given to employment agency staff (3,264 hours in 2013).

In 2013 the Group's major commitment related to training in occupational health and safety. In particular, all the training courses were completed at Sabaf S.p.A. (at least 12 hours for every worker).

Per capita hours of training received by job category

	2013			2012		
Manual workers	17.9	14.2	16.6	15.9	8.2	13.2
Clerical staff and middle management	23.9	18.7	22.1	29.7	20.3	26.5
Senior management	36.2	107	42.6	24.7	61.75	30.0
TOTAL	**19.4**	**15.4**	**18.0**	**18.7**	**10.2**	**15.9**

In 2013 the total cost of training Group employees was €515,000 (€471,000 in 2012). In addition, training costs for temporary staff totalled €77,000 (€75,000 in 2012).

INTERNAL COMMUNICATION

With a view to developing an ongoing dialogue between the business and its employees, Sabaf publishes a biannual magazine featuring key information about corporate life and addressing subjects of general interest.

The Human Resources Department officially has two periods each week during which it is available to meet with employees to offer them help and advice, even with issues not strictly related to the employer-employee relationship, such as information on tax and social security laws.

During 2013 Sabaf S.p.A.'s Human Resources Office held 1,384 meetings with employees on problems regarding the employment relationship or personal issues.

Sabaf S.p.A. uses a software program called HR PORTAL, which allows all workers to log in to their own space and consult information published by the Company regarding their payslips, and tax and social-security information. Collective communications and company agreements are also available.

A significant event organised in 2013 was the meeting with Arrigo Sacchi, former coach of the Milan football team and the Italian national squad. Sacchi was invited to talk about the importance of teamwork, describing how far better results can be obtained by a cohesive collective than by the sum of the possibilities of each individual.

DIVERSITY AND EQUAL OPPORTUNITIES

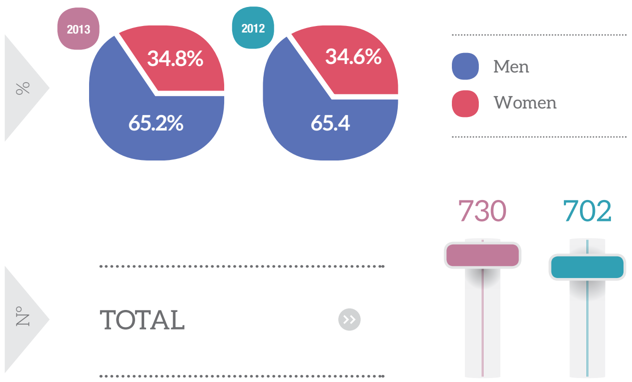
Sabaf is permanently committed to assuring equal opportunities for female staff, who today account for 34.8% of the workforce (34.6% in 2012).

The Company – subject to organisational and production requirements – is mindful of staff family commitments. To date, the majority of requests to reduce working hours made by workers have been satisfied. In 2013, the Group's Italian companies granted a total of 36 part-time contracts (four to female clerical staff, 29 to female manual workers and three to male manual workers), equivalent to 4.9% of the total (35 contracts in 2012).

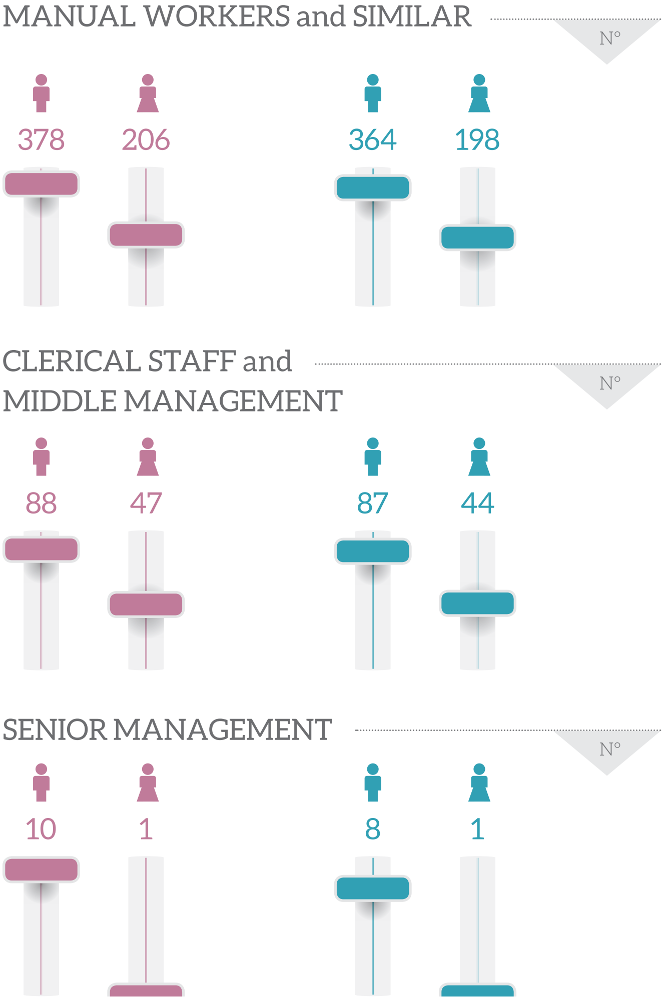
The Group's Italian companies have 16 disabled employees, of whom five on a part-time basis. The Company wants to facilitate the integration of disabled people within the manufacturing process, and has entered into an agreement with *Gruppo Fraternità* (a social cooperative consortium based in Ospitaletto) for the hiring of protected categories.

Percentage distribution of employment by gender

	2013		2012	
	Number	%	Number	%
	476	65.2	459	65.4
	254	34.8	243	34.6
TOTAL	**730**	**100**	**702**	**100**



Breakdown by category



TOTAL 730 | 702

At all Group sites, senior management is recruited from the local area.

Non-EU workers [4]

	2013	2012	BENCHMARK [5]
Non-EU workers	58	66	
% of total employees	9.48%	10.49%	3.80

At 31 December 2013, 14 different nationalities were represented on Sabaf's workforce.

COMPENSATION, INCENTIVE AND PROMOTION SYSTEMS

Sabaf S.p.A. employees are classified according to the national collective bargaining agreement for the metalworking and mechanical engineering sector, as amended by second-level bargaining, which includes:

- a personal bonus by employee grade,
- a productivity bonus by employee grade,
- a fixed performance-related bonus for all employee grades,
- a standard consolidated bonus for all employee grades,
- a standard variable performance-related bonus for all employee grades.

Details of staff cost components are set out in the notes to the consolidated financial statements.

Besides financial incentives – e.g. individual pay rises, mortgage guarantees issued by the Company for employees, sale or rental of apartments at cost price, and company discounts on goods and services – Sabaf's incentive system also includes the option of taking part in free training courses held on or off-site, as well as a variable performance-related bonus based on pre-set targets, an MBO system.

The types of welfare benefits available to Group employees are those envisaged by the statutory legislation in force in the various countries in which the Group operates.

4 The figure refers to the Group's Italian companies only

5 FEDERMECCANICA, *The metalworking industry in figures (June 2013) – Non-EU workers (2011) [L'industria metalmeccanica in cifre (giugno 2013) – Lavoratori extracomunitari (2011)], http://www.federmeccanica.it*

Ratio between the minimum monthly salary envisaged by national collective agreements and the minimum salary paid by Group companies

	Minimum salary as per national collective agreement	Minimum salary paid	% increase over minimum
Italy [6]	1,520.49	1,567.3	+3.1%
Brazil (BRL)	950	1,069	+12.6%
Turkey (TRY)	737	840	+14.0%

Ratio between average salary of female employees and average salary of male employees

	2013	2012
Clerical staff, middle management and senior management	64%	65%
Manual workers	90%	91%

These figures were determined as the ratio between the average gross annual pay of female employees and that of male employees for individual Group companies. The Group indicator was determined by weighing the indicators of the individual companies by the number of employees in each.

WORKING HOURS AND HOURS OF ABSENCE

The ordinary working week is 40 hours for Italian companies and 44 hours for Sabaf do Brasil, spread over five working days, from Monday to Friday. The working week for Sabaf Beyaz is 45 hours, spread over six working days. If there are changes in working hours or the introduction of shifts at particular times, the trade union representatives and employees concerned are informed.

Overtime

	2013		2012		BENCHMARK [7]	
	Clerical staff	Manual workers	Clerical staff	Manual workers	Clerical staff	Manual workers
Average number of workers per month who worked overtime	68	275	65	201	-	-
Number of hours of overtime	11,590	39,079	8,579	22,514	-	-
Annual hours of overtime per capita [8]	86	67	64	40	61	64

6 Gross salary of a manual worker/grade 3 clerical employee

7 FEDERMECCANICA, *The metalworking industry in figures (June 2013) – Per capita overtime hours (2011) [L'industria metalmeccanica in cifre (giugno 2013) – Ore pro-capite di lavoro straordinario (2011)]*, http://www.federmeccanica.it

8 In relation to the average number of employees

Total hours of absence

	2013			2012			BENCHMARK [9]
	♂	♀	♂♀	♂	♀	♂♀	
Total annual hours of absence	27,903	50,221	78,124	27,642	45,863	73,505	-
Hours of absence as % of workable hours	2.9%	10.1%	5.3%	3.0%	9.7%	5.2%	-
Average hours of absence per capita	57.9	196.4	105.9	59.7	185.6	103.6	128.5

Hours of sick leave

	2013			2012			BENCHMARK [10]
	♂	♀	♂♀	♂	♀	♂♀	
Total annual hours of sick leave	23,892	18,386	42,278	20,844	17,679	38,523	-
Hours of sick leave as % of workable hours	2.5%	3.7%	2.9%	2.2%	3.7%	2.7%	-
Per capita hours of sick leave	49.6	71.9	57.3	45.1	71.5	54.3	55

Hours of maternity/paternity leave

	2013			2012			BENCHMARK [10]
	♂	♀	♂♀	♂	♀	♂♀	
Total annual hours of maternity/paternity leave	575	30,865	31,440	672	25,378	26,050	-
Hours of maternity leave as % of workable hours	0.1%	6.2%	2.1%	0.1%	5.4%	1.9%	-
Per capita hours of maternity leave	1.2	120.7	42.6	1.5	102.7	36.7	21.6

The high number of hours of maternity leave compared with the sector average reflects our much higher percentage of female staff.

9 FEDERMECCANICA, *The metalworking industry in figures (June 2013) – Per capita hours of absence from work (2011) [L'industria metalmeccanica in cifre (giugno 2013) – Ore pro-capite di assenza dal lavoro (2011)]*, http://www.federmeccanica.it

10 FEDERMECCANICA, *The metalworking industry in figures (June 2013) – Per capita hours of absence from work (2011) [L'industria metalmeccanica in cifre (giugno 2013) – Ore pro-capite di assenza dal lavoro (2011)]*, http://www.federmeccanica.it

Parental leave [11]

Type of leave	2013			2012			
							% of workers in workforce after 12 months
Statutory maternity/ paternity leave	0	17	17	0	16	16	94%
Early maternity leave	0	12	12	0	15	15	93%
Optional maternity/ paternity leave	2	19	21	4	16	20	100%
Child-rearing leave	0	11	11	1	9	10	100%
Blood donation	5	0	5	5	2	7	100%
Assistence to disabled relatives (Law 104)	16	11	27	14	10	24	100%
Leave of absence	1	1	2	3	1	4	50%
Extraordinary parental leave	1	0	1	2	0	2	100%
TOTAL	**25**	**71**	**96**	**29**	**69**	**98**	

Recourse to the government's statutory redundancy pay scheme *(Cassa Integrazione Guadagni Ordinaria)* [12]

	2013	2012
Number of hours of statutory redundancy pay	18,507	28,920
Annual average number of hours per capita	30.04	45.43

During the year the Group's Italian companies made limited use of the government's statutory redundancy pay scheme *(Cassa Integrazione Guadagni Ordinaria)*, when production needs were low.

11 Figures for Sabaf S.p.A.

12 Institution provided for by Italian national legislation; figure relates to the Group's Italian companies only

OCCUPATIONAL HEALTH AND SAFETY

The Company is fully committed to protecting the health and safety of its employees: the system used to manage occupational health and safety issues is OHSAS 18001 compliant. Not only does it guarantee compliance with applicable laws and regulations, it is also designed to ensure continuous improvement of working conditions.

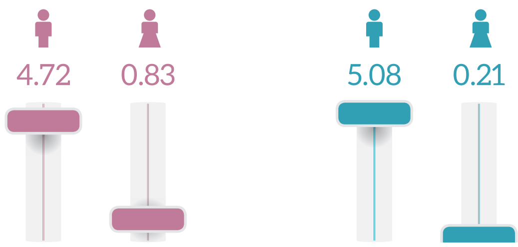
Sabaf S.p.A. and Faringosi Hinges S.r.l. have updated company guidelines and operating procedures required pursuant to Legislative Decree 81/2008 (consolidated law on occupational health and safety).

Since February 2012, the occupational health and safety system of Faringosi Hinges has been certified according to the OHSAS 18001 standard. The latest check, conducted by the TUV NORD certifying authority in January 2014, certified that the system complies with standards, and made a few recommendations for improvement. The two minor comments resulting from the previous visit (January 2013) were closed with effective actions.

Number and duration of accidents

	2013			2012			BENCHMARK [13]
On-site accidents	12	3	15	11	2	13	-
Off-site accidents	3	0	3	5	0	5	-
Average absence due to on-site accidents (days)	18.08	11.67	16.80	14.09	4.00	12.54	-
Average absence due to off-site accidents (days)	51.67	0	51.67	45.8	0	45.8	-
Total days of absence due to accidents	2,273	213	2,486	2,334	50	2,384	-
Per capita hours of absence due to accidents	**4.72**	**0.83**	**3.37**	**5.08**	**0.21**	**3.40**	**8.1**

TOTAL 3.37 3.40



13 FEDERMECCANICA, *The metalworking industry in figures (June 2013) – Per capita hours of absence from work (2011) [L'industria metalmeccanica in cifre (giugno 2013) – Ore pro-capite di assenza dal lavoro (2011)]*, http://www.federmeccanica.it

Accident frequency index
Number of accidents (excluding off-site accidents) per 1,000,000 hours worked

	2013			2012		
Index	15.09	8.35	12.99	14.62	6.04	12.00

Accident severity index
Number of accidents (excluding off-site accidents) per 1,000 hours worked

	2013			2012		
Index	0.27	0.10	0.22	0.21	0.02	0.15

No serious accidents occurred in 2013. Training and instruction on the use of protective and safety equipment continued. Systematic safety audits of all Sabaf S.p.A. machinery have been conducted since 2008.

In compliance with current law, Group companies have prepared and implemented a health-monitoring programme for their employees, with medical check-ups focusing on the specific work-related hazards.
In 2013, 2,536 medical check-ups were performed (2,082 in 2012).

Current expenditure on worker safety

AMOUNTS IN €'000	2013	2012
Plant, equipment and materials	59	35
Personal protective equipment (PPE)	51	60
External training	30	44
Advisory services	134	29
Analyses of workplace environment	2	7
Medical check-ups (including pre-hire check-ups)	44	53
Software and databases	0	0
TOTAL	**320**	**228**

Investments in worker safety

AMOUNTS IN €'000	2013	2012
Plant, equipment and materials	120	80
TOTAL	**120**	**80**

Use of hazardous substances

Only those materials that fully comply with Directive 2002/95/EC (RoHS Directive) are used in production. These materials are intended to limit the use of hazardous substances such as lead, mercury, cadmium and hexavalent chromium.

LABOUR RELATIONS

Three trade unions are represented internally at Sabaf S.p.A.: FIOM, FIM and UILM. As at December 2013, 144 employees were card-carrying members, i.e. 19.7% of total employees (in 2012, 153 employees were card-carrying members, 21.8% of the total).

Relations between senior management and trade union representatives are based on mutual transparency and fairness. During the year, there were 17 meetings at Sabaf S.p.A. between management and trade union representatives. The main issues addressed were:

- second-level negotiations for the renewal of the supplemental company agreement;
- announcements regarding changes in permanent staff and employment agency contracts, monitoring temporary and training contracts and planning of recruitment and training;
- definition of the company calendar;
- worker training in company safety;
- recourse to the government's statutory redundancy scheme.

Renewal of the supplemental company agreement

On 7 February 2014 Sabaf S.p.A. reached a supplemental company agreement with the trade union representatives, valid for the period from 1 January 2013 to 30 June 2016. Regarding financial settlements, the agreement includes:

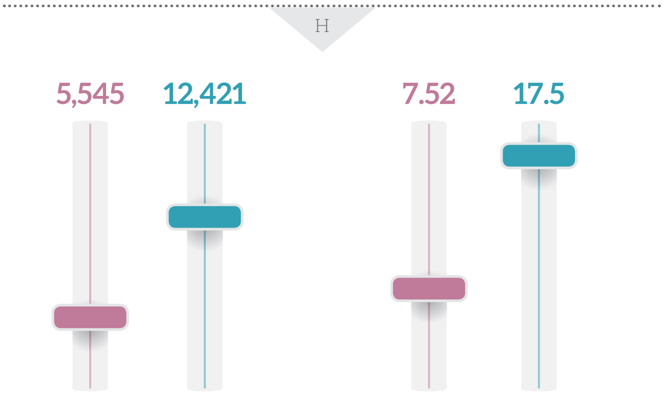
- the institution of a new variable performance-related bonus, based on productivity and quality indicators;
- the consolidation of a portion of the previous variable performance-related bonus;
- a collective company personal bonus;
- an increase for night work;
- and recognition of a one-off sum covering the contractual holiday period.

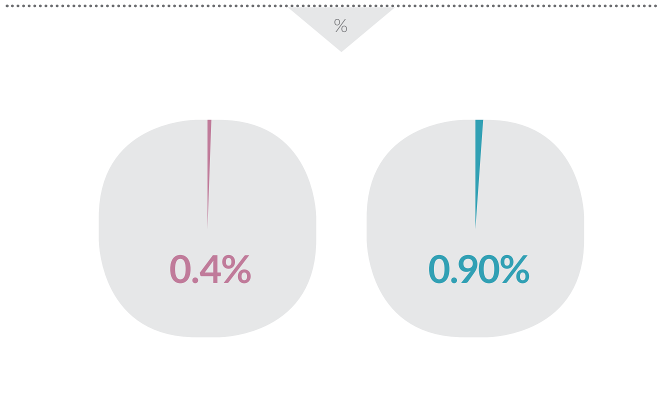
The agreement was reached after discussions lasting several months, but without strikes.

The hours spent taking part in trade union activities in 2013 were equivalent to 0.40% of workable hours.

PARTICIPATION IN TRADE UNION ACTIVITIES

	2013	2012	BENCHMARK [14]
UNION MEETINGS			
Number of hours	1,983	3,667	-
As % of workable hours	0.14%	0.27%	-
Number of hours per capita	2.7	5.2	-
UNION LEAVE OF ABSENCE			
Number of hours	1,683	1,972	-
As % of workable hours	0.12%	0.14%	-
Number of hours per capita	2.3	2.8	-
INDUSTRIAL ACTION			
Number of hours	1,879	6,782	-
As % of workable hours	0.13%	0.49%	-
Number of hours per capita	2.5	9.6	7.9
TOTAL			
Number of hours	5,545	12,421	-
As % of workable hours	0.40%	0.90%	-
Number of hours per capita	7.52	17.5	-





TOTAL

TOTAL PER CAPITA

TOTAL PERCENTAGE

In 2013, a total of 12 hours of strike were called at Sabaf S.p.A., owing to national claims. No strikes were called at Faringosi Hinges, Sabaf do Brasil or Sabaf Beyaz.

14 FEDERMECCANICA, *The metalworking industry in figures (June 2013) – Per capita hours of absence from work (2011) [L'industria metalmeccanica in cifre (giugno 2013) – Ore pro-capite di assenza dal lavoro (2011)]*, http://www.federmeccanica.it

Survey

The Group strives to encourage a positive work environment, including by listening to its employees' needs. For this reason, a second analysis of the organisational climate was conducted in October 2012 at Sabaf S.p.A. to monitor how employees' perceive their working conditions and identify areas for improvement. A summary of the results is given in the 2012 Annual Report.

Following the survey, a "cascading" training initiative was launched with the aim of strengthening and developing some specific skills relating to communication, listening and relationship management, the prerequisite for effective management of the manager/employee relationship. The initiative, which initially targeted the front line managers (10 people) and was then extended to the heads of the various working teams (29 people), alternates theoretical activities with active participation. These training activities will continue in 2014.

SOCIAL ACTIVITIES AND BENEFITS

Sabaf S.p.A. has signed an agreement with a bank for mortgages and consumer loans with particularly advantageous terms, acting as a guarantor for employees: at 31 December 2013, 67 employees had benefited from the agreement.

The Company leased eight apartments to employees near the Ospitaletto site. A residential complex was built in 2007 with 54 units, which are allocated on a priority basis at preferential rates to employees, who have bought 29 of the units.

The Company has also signed various agreements with retailers to purchase products and services at special low prices.

LITIGATION AND DISCIPLINARY MEASURES

During 2013, 90 disciplinary measures were taken against Group employees. These break down as follows:

- 9 verbal warnings
- 1 reminder concerning the use of personal protective equipment
- 43 written warnings
- 27 fines
- 8 suspensions
- 2 dismissals

The principal causes for disciplinary measures are unexcused absences, failure to observe working hours and failure to observe requirements for sick leave.

At 31 December 2013, three lawsuits were pending with former employees.

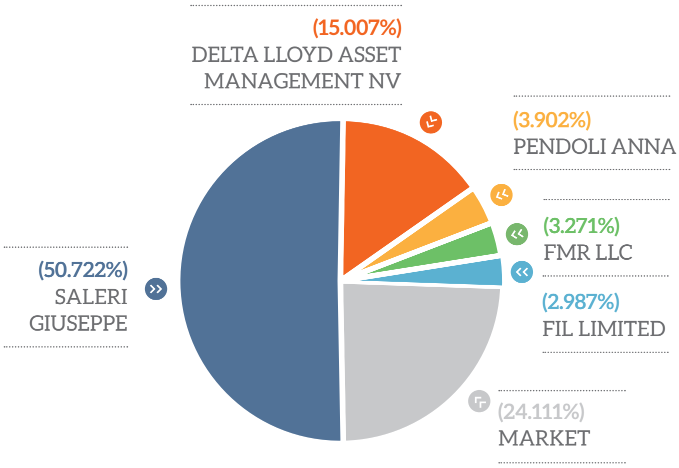
SABAF and its shareholders

SHAREHOLDER BASE

As at 31 December 2013, 1,773 shareholders were listed in the shareholders' register. Of these:

- 1,484 owned fewer than 1,000 shares
- 223 owned from 1,001 to 5,000 shares
- 22 owned from 5,001 to 10,000 shares
- 44 owned over 10,000 shares

Shareholders residing outside Italy hold 38.5% of the share capital. Institutional investors are very strongly present in share capital, estimated to account for approximately 90% of the free float.



RELATIONS WITH INVESTORS AND FINANCIAL ANALYSTS

Right from the time when it went public (1998) the Company has considered financial communication to be of strategic importance. Sabaf's financial communication policy is based on the principles of integrity, transparency and continuity, in the belief that this approach enables investors to assess the Company properly. In this regard, Sabaf is 100% willing to engage in dialogue with financial analysts and institutional investors.

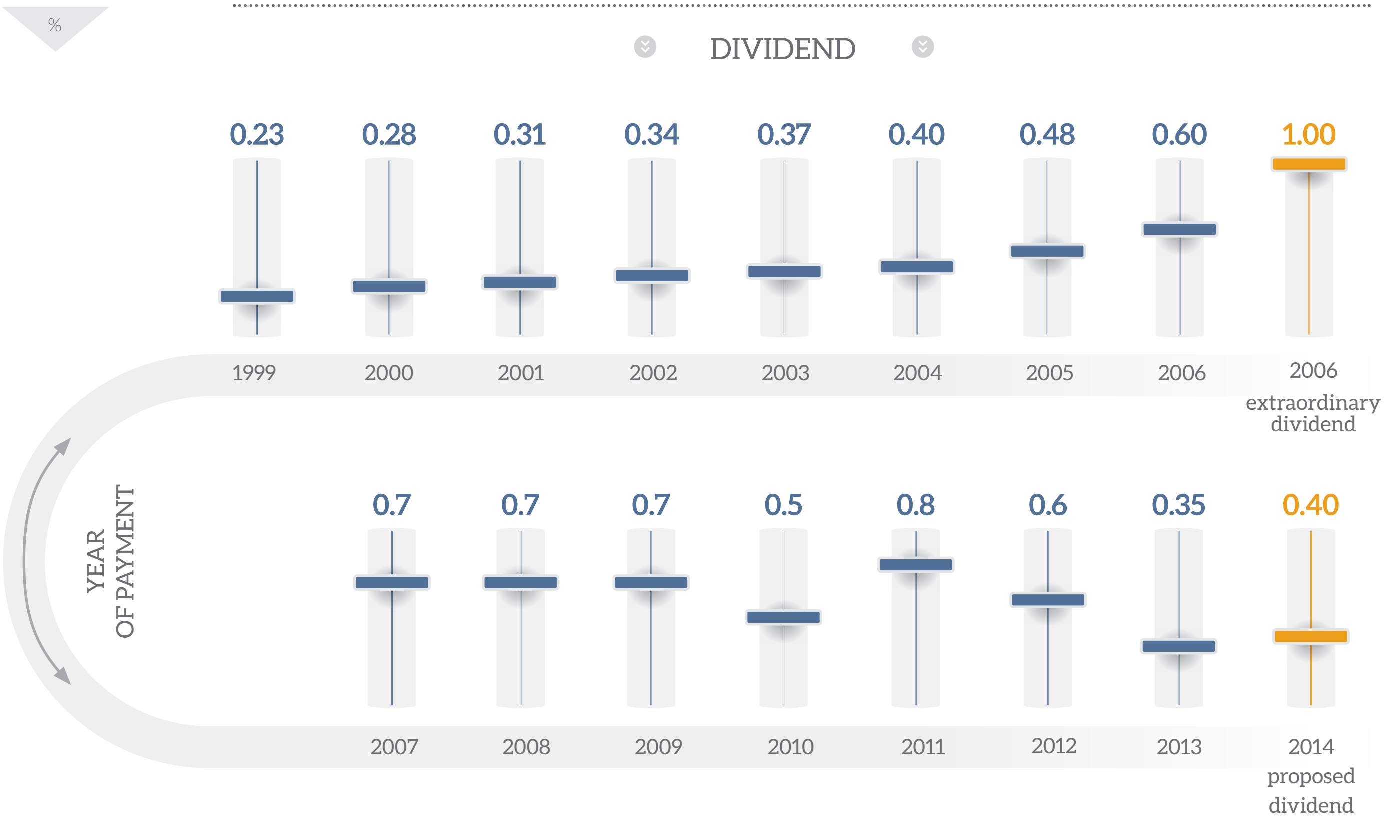
The brokers that prepare studies and research documents about Sabaf on an ongoing basis are: Equita and Banca Akros.

In 2013, the Company met with institutional investors at roadshows organised in Milan and London.

SHAREHOLDER RETURN AND SHARE PERFORMANCE

During 2013, Sabaf shares reached their highest official price on 23 September (€13.721) and their lowest on 1 July (€8.774). Average daily trading volume was 6,215 shares, equivalent to an average daily total value of €67,500 (€78,000 in 2012).

The dividend policy adopted by Sabaf is designed to guarantee a fair return for shareholders. This is realised in part through the annual dividend, by maintaining a ratio of approximately 50% between dividends and profits.



SOCIALLY RESPONSIBLE INVESTMENTS

Sabaf shares have often been analysed by analysts and managers of SRI funds, which have invested in Sabaf on several occasions.

LITIGATION

No lawsuits are pending with shareholders.

Dialogue with investors and analysts

As part of its activities to engage stakeholders, in 2013 Sabaf conducted a survey of institutional investors and financial analysts with the aim of understanding how the financial community views the choices made by Sabaf in relation to corporate social responsibility, corporate governance and investor relations. The activity undertaken was intended to focus attention, among other things, on external communication through the Integrated Annual Report. The results are set out in the 2012 Annual Report.

SABAF and its customers

SALES ANALYSIS

Countries and customers

	2013	2012
Countries	58	60
Customers [15]	268	269

For a detailed analysis of revenue by product family and geographical area, please see the Report on Operations.

In line with the Group's commercial policies, most of the active commercial relationships are well established and long-term.

Thirty-two customers generated annual sales of over €1 million (30 in 2012). The breakdown by sales amount is as follows:

	2013	2012
< €1,000	26	39
€1,001-€50,000	171	165
€50,001-€100,000	17	19
€100,001-€500,000	36	41
€500,001-€1,000,000	12	14
€1,000,001-€5,000,000	25	24
> €5,000,000	7	6

In addition to the headquarters office at Ospitaletto, the commercial network is based on the subsidiaries located in Brazil, Turkey, the United States, Mexico and China, and the contact office located in Poland. Fourteen agency relationships are currently active, primarily in relation to markets outside Europe.

THE QUALITY SYSTEM

Our quality management system is integrated with our environmental management and workplace safety systems, and should enable us to achieve the following objectives:

a. increase customer satisfaction by understanding and responding to customers' present and future needs;
b. continuously improve processes and products, with special attention to environmental protection and employee safety;
c. involve partners and suppliers in the continuous improvement process, encouraging a "comakership" approach;
d. develop the potential of our human resources;
e. improve business performance.

CURRENT SPENDING ON QUALITY

AMOUNTS IN €'000	2013	2012
Product certification	100	74
Certification and management of quality system	4	5
Purchase of measuring instruments and equipment	41	5
Calibration of measuring instruments and equipment	38	27
Technical regulations, software and publications	2	1
Training	0	0
Trials and tests by independent laboratories	1	0
TOTAL	**186**	**112**

INVESTMENTS IN QUALITY

AMOUNTS IN €'000	2013	2012
Purchase of measuring instruments and equipment	95	24
TOTAL	**95**	**24**

15 With sales over €1,000

The Ospitaletto facility and the production site in Brazil have obtained quality certification according to ISO 9001:2008. Sabaf S.p.A.'s quality system has been ISO 9001 certified since 1993, that of Faringosi Hinges since 2001 and that of Sabaf do Brasil since 2011.

In July 2013 the CSQ (IMQ's certification system) conducted its periodic audit of the Sabaf S.p.A. quality and environmental management system. This audit confirmed that the existing quality and environment management system has been set up appropriately. Certain strong points were highlighted:

- the attention to product quality;
- the historical choice to design and make the production machinery and tools;
- the attention to the product identification aspects so that it is easy to track products back through the process.

No instances of non-compliance were found.

As regards the subsidiary Sabaf do Brasil, in June 2013, the annual audit of the Quality System was conducted in compliance with the ISO 9001 standard, with a positive outcome.

In October 2013 the TUV NORD certifying authority conducted the periodic audit of the Faringosi Hinges S.r.l. quality management system. The audit confirmed that the system has been set up appropriately.

No instances of non-compliance were found.

LITIGATION

Sabaf is involved in several proceedings against manufacturers of counterfeit components, cookers and stove tops who market or sell appliances with components that infringe our patents and trademarks.

Customer satisfaction

The biennial customer satisfaction survey is part of the stakeholder engagement activities which Sabaf undertakes in order to constantly improve the qualitative level of the services offered and to meet customer expectations.
The results of the survey, conducted by sending structured questionnaires to the Group's key customers, confirm the positive opinion they have of Sabaf as a result of the prompt, professional and skillful sales support it provides. Customers' opinions of Sabaf's Annual Report were also positive. The detailed results are set out in the 2012 Annual Report.

SABAF and its suppliers

THE SA8000 STANDARD AND SUPPLIERS

In 2005 Sabaf S.p.A. was certified as compliant with the SA8000 (Social Accountability 8000) standard. The Company therefore requires its suppliers to respect – in all their activities – the standard's principles as a basic prerequisite for building a lasting relationship based on the principles of social accountability. Supply contracts include an ethics clause inspired by the SA8000 standard, which requires suppliers to guarantee respect for human and social rights, and more specifically, to avoid employing persons below the minimum age stipulated by the standard, to guarantee their workers a safe workplace, to protect trade union rights, to comply with legislation on working hours, and to ensure that workers are paid the statutory minimum wage.

Failure to comply with or accept the principles of the SA8000 standard could lead to the supply relationship being terminated. In 2013, 29 audits (23 in 2012) were carried out at suppliers on quality, environmental and social-responsibility management, none of which revealed any critical instances of non-compliance. Suppliers were asked to take the appropriate measures to resolve any non-conformity of a non-critical nature.

PURCHASING ANALYSIS

The Sabaf Group aims to promote development in the areas where it operates. Therefore, when choosing suppliers it gives preference to local firms.

Purchases made in Lombardy by the Group's Italian companies represent 65.6% of the total.

Sales generated outside the European Union mainly comes from suppliers in China, with components supplied totalling around €4,173,000 in 2013 (€5,102,000 in 2012). Chinese suppliers have signed a clause to comply with the principles set out in the SA 8000 standard.

Geographical distribution of suppliers [16]

	2013		2012	
AMOUNTS IN €'000	**Sales**	**%**	**Sales**	**%**
Province of Brescia	43,512	49.9	45,581	53.4
Province of Milan	2,484	2.8	1,750	2.0
Rest of Lombardy region	11,265	12.9	10,637	12.4
Italy	17,233	19.8	14,869	17.4
Rest of EU	7,425	8.5	6,455	7.5
Non-EU countries	5,314	6.1	6,238	7.3
TOTAL	**87,233**	**100**	**85,530**	**100**

Sabaf do Brasil and Sabaf Turkey mainly purchase their production materials from local suppliers. The main machinery items used (transfer machining and assembly equipment and die-casting burner presses) have instead been imported from Italy to assure uniform group-wide manufacturing processes, particularly as regards quality and safety.

16 Figure relates to the Group's Italian companies only

SUPPLIER RELATIONS AND CONTRACTUAL TERMS

Our relations with suppliers aim for long-term partnerships and are based on business integrity, propriety and fairness, and on shared growth strategies.

In order to share with suppliers the values underpinning its business model, and to foster complete transparency and reciprocal knowledge, Sabaf has distributed its Charter of Values extensively and periodically sends suppliers its “Sabaf Magazine” newsletter.

Sabaf guarantees total impartiality in supplier selection and undertakes to adhere strictly to the agreed payment terms.

Sabaf requires its suppliers to upgrade their technology so that they are constantly able to offer the best value for money. It gives preference to suppliers who have obtained or are in the process of obtaining quality and environmental certification.

In 2013 sales to Sabaf Group by suppliers with certified quality systems accounted for 53.9% of the total (vs. 54.7% in 2012).

Breakdown of purchases by category

	2013		2012	
IN THOUSANDS OF EURO	**Sales**	**%**	**Sales**	**%**
Raw materials	24,579	25.1	24,625	27.1
Components	27,194	27.8	20,786	22.8
Machinery & equipment	4,507	4.6	4,786	5.3
Services	41,672	42.5	40,785	44.8
TOTAL	**97,952**	**100**	**90,982**	**100**

For small suppliers, we have agreed very short payment terms (mainly 30 days).

LITIGATION

At end-2013 a dispute was pending with a supplier, initiated by Sabaf S.p.A. and concerning a quality issue.

SABAF and its lenders

Our commitment to lenders

BANKING RELATIONS

The Group operates with a low debt ratio (net indebtedness/shareholders' equity of 0.14 at 31 December 2013) and has ample unused short-term lines of credit.

At 31 December 2013, net financial debt was €16.7 million, versus €23.8 million at 31 December 2012. All new loans opened in 2013 were exclusively short term, including using advances on bank receipts or invoices. In the financial market's current state the conditions that can be obtained from the banking industry are far better than for medium- to long-term borrowings and liquidity risk is considered to be minimal.

The Group mainly deals with ten Italian banks (Banco di Brescia, Intesa San Paolo, Unicredit, Monte dei Paschi di Siena, BNL, Banca Popolare di Vicenza, Banca Popolare dell'Emilia Romagna, Banca Popolare di Sondrio, Banca Passadore, Cariparma) and five foreign banks (Banco Itau in Brazil, Halkbank and Isbank in Turkey, Bank of China and Industrial & Commercial Bank of China in China).

LITIGATION

No lawsuits are pending with lenders.

SABAF and its competitors

THE SABAF GROUP'S MAIN ITALIAN AND INTERNATIONAL COMPETITORS

In Italy and in Europe as a whole, Sabaf estimates that it has a market share of over 40% in each product segment. It is the only company offering the complete range of gas cooking components, as its competitors only manufacture part of this product range.

Sabaf's main competitors in the international market are Copreci, Burner System International and Defendi.

Copreci is a cooperative based in the Basque region of Spain. It is part of the Mondragon Cooperative Corporation and, along with Sabaf, is Europe's leading valve and thermostat manufacturer.

Burner Systems International (BSI) is a US company that has acquired control of the French manufacturer Sourdillon, a longstanding competitor of Sabaf, and of Harper Wyman, the biggest manufacturer of gas cooking components for the North American market.

Defendi Italy is an Italian group that also has a presence in Brazil and Mexico. It is mainly involved in the production of burners.

The Sabaf Group's main Italian and international competitors

	Valves	Thermostats	Burners	Hinges
SABAF	**X**	**X**	**X**	**X**
Burner Systems International (USA)	X	X	X	
CMI (Italy)				X
Copreci (Spain)	X	X		
Defendi Italy (Italy)	X		X	
Nuova Star (Italy)				X
Somipress (Italy)			X	

2011 and 2012 Profit & Loss highlights of Sabaf's main Italian competitors [17]

	2012			2011		
€'000	**Sales**	**Operating profit**	**Net income**	**Sales**	**Operating profit**	**Net income**
CMI	20,615	680	447	21,488	527	274
DEFENDI GROUP	59,191	5,515	3,121	51,220	2,868	739
NUOVA STAR	23,559	(80)	97	22,130	235	110
SOMIPRESS	40,240	3,123	1,788	33,387	4,773	2,926

No further information is available about Sabaf's competitors due to the difficulty in obtaining data.

LITIGATION

A lawsuit is pending, initiated against a competitor following an alleged patent infringement.
As regards a previous lawsuit initiated by our competitor, the trial court judgment was in our favour and the competitor decided not to appeal.

17 Data compiled by Sabaf from the financial reports of the various companies. Latest available figures

SABAF, Government and Society

INSTITUTIONAL RELATIONS

In line with its standard policies, Sabaf's dealings with the Government and Tax Authorities are informed by the utmost transparency and honesty.
At local level, Sabaf has sought to establish an open dialogue with the various authorities to create harmonious industrial development. For this reason, Sabaf systematically provides Ospitaletto town council with copies of analyses relating to atmospheric emissions from its production plants.

CHARITY INITIATIVES AND DONATIONS

In 2013 donations totalled around €54,000 (€45,000 in 2012), and mainly supported local social and humanitarian initiatives.

LONG-DISTANCE ADOPTION

Sabaf supports the Associazione Volontari per il Servizio Internazionale (AVSI), an Italian non-profit NGO working on international development aid projects. The donations have been earmarked for providing support to 20 children living in various countries in the world.

RELATIONS WITH UNIVERSITIES AND STUDENTS

Sabaf systematically organises company visits for groups of students and showcases CSR best practice during major conferences in various Italian cities.

RELATIONS WITH INDUSTRY ASSOCIATIONS

Sabaf is one of the founding members of CECED Italia, the association that develops and coordinates research in Italy, promoted at European level by CECED (European Committee of Domestic Equipment Manufacturers) with the associated scientific, legal and institutional implications in the household electric appliance sector.

LITIGATION

There are no significant lawsuits pending with public organisations or other representatives of society.

Sabaf and the environment

DIALOGUE WITH ENVIRONMENTAL ASSOCIATIONS AND INSTITUTIONS

For some time the Group has been keen to raise awareness of the reduced environmental impact of using gas in cooking instead of electricity: the use of gas to produce heat in fact permits much higher yields than those achievable with electric cooking appliances. In addition, there is worldwide demand for increased power and multiple cooking points (plates/burners) to cook food quickly. An increase in electric hobs would cause an increase in peak electricity consumption, typically around meal times, further increasing electricity demand which is already difficult to meet.

ENVIRONMENTAL POLICY, PROGRAMME AND OBJECTIVES

Sabaf has always been mindful of the environment, constantly seeking to reduce the impact of its industrial operations. The Company's awareness of the importance of ecological balance is reflected in the various decisions taken over the years, which not only respect legal requirements but also aim to achieve constant progress in the Company's environmental performance.

The environmental management system in place at the Ospitaletto plant (which accounts for more than 85% of total Group production) has been ISO 14001 certified since 2003. With implementation of the ISO 14001 standard Sabaf has also pinpointed the main environmental risks associated with its production, which are systematically monitored and managed.

In 2008, Sabaf S.p.A. obtained the Integrated Environmental Authorisation (IPPC) from the Region of Lombardy pursuant to Legislative Decree n°59 of 18 February 2005.

The most significant product and process innovations introduced by Sabaf in terms of environmental impact are detailed below.

PRODUCT INNOVATION AND ENVIRONMENTAL SUSTAINABILITY

Washing of metals

The production process for valves requires the washing of metals in several phases. Traditionally, the metals were washed using systems which use chlorine-based solvents.
In 2013 Sabaf began to assess alternatives which could guarantee an equal or superior washing quality, while at the same time minimising the environmental impact and management costs. The solution identified inserts into the production process machinery which uses a washing system based on a modified alcohol, a solvent which can be redistilled (and hence, recycled).
With a planned investment of around €1,000,000, the replacement process began at the end of 2013, will continue until 2015 and will completely replace all of the Company's washing machinery.
The environmental impact and management costs will be essentially eliminated.

Product marking

Standards in force require products to be marked with a series of distinctive characteristics. Until now the printing has always been done using an ink-jet system: this system makes it possible to print just three lines, with a preset number of characters for each line, and with an annual management cost of around €60,000 for ink, solvents and maintenance. Sabaf has decided to opt for a fibre-optic laser marking system which makes it possible to print all the necessary characters on products, without any limitations. Between 2013 and 2014, with an investment of €250,000, all the ink-jet systems will be replaced with fibre-optic laser marking systems, thereby eliminating the management costs.

PRODUCT INNOVATION AND ENVIRONMENTAL SUSTAINABILITY

Light alloy valves

The production of aluminium alloy valves has numerous advantages over brass valve production: elimination of the hot pressing phase, lower lead content in products, reduced weight and consequent decrease in packaging and transport costs. In 2013 the process to replace brass valves with light alloy valves continued, which now represents two-thirds of the valves produced.

High-efficiency burners

For many years Sabaf has been a pioneer in presenting to the market burners which offer much higher yields than standard burners. After the launch of the Series III, AE and AEO, in 2012 Sabaf introduced a new family of high-efficiency burners, the HE burners, which achieve yields of up to 68%. The HE burners are also almost completely interchangeable with Series II burners.
In 2013 the DCC range of specialist burners was completed; these burners have energy efficiency of above 60%, the highest currently available on the market for burners with more than one ring of flame.

ENVIRONMENTAL IMPACT

Materials used and product recyclability

Sabaf's main product lines – valves, thermostats and burners for domestic gas cooking appliances – feature high energy yields and optimal use of natural resources. The use of combustible gas to generate heat permits much higher yields than those achievable with electric cooking appliances.
Sabaf products are also easily recyclable, as they are made almost entirely of brass, aluminium alloys, copper and steel.

Sabaf has introduced in-house recycling of paper/cardboard, glass, cans and plastic. In 2013 recycling made it possible to recover 113,000 kg of paper, cardboard and plastic packaging.

MATERIALS USED	2013 CONSUMPTION (t)	2012 CONSUMPTION (t)
Brass	1,234	1,186
Aluminium alloys	7,332	6,847
Zamak	57	80
Steel	6,784	5,853

100% of the brass and around 65% of the aluminium alloys used are produced through scrap metal recycling; 35% of aluminium alloys and 100% of steel are produced from mineral sources.
Lower brass consumption was partly linked to the gradual replacement of brass valves with light alloy valves.

Sabaf's products are 100% compliant with the requirements of Directive 2002/95/EC **(RoHS Directive),** which aims to restrict the use of hazardous substances, such as lead, in the production of electrical and electronic equipment. This category includes all household appliances, including gas cooking appliances (which are equipped with electronic ignition devices).

In addition, Sabaf's products are 100% compliant with the requirements of **Directive 2000/53/EC** (End of Life Vehicles), i.e. their heavy-metal content (lead, mercury, cadmium and hexavalent chromium) is lower than the limits set by the directive.

In terms of the **REACH Regulation** (Regulation No. 1907/2006 of 18. December 2006), Sabaf S.p.A. is classed as a downstream user of chemicals. The products supplied by Sabaf are classed as items that do not release substances during normal use, therefore the substances contained in them do not need to be registered. Sabaf has contacted its suppliers to ensure that they comply fully with the REACH Regulation and to obtain confirmation of compliance with pre-registration and registration requirements for the chemicals used by them. Sabaf also constantly monitors new legislation derived from the REACH Regulation, in order to identify and manage any new requirements in this area.

Energy sources

ELECTRICITY	2013 CONSUMPTION (MWh)	2012 CONSUMPTION (MWh)
TOTAL	31,944	29,290

NATURAL GAS	2013 CONSUMPTION (m^3 x 1000)	2012 CONSUMPTION (m^3 x 1000)
TOTAL	3,616	2,726

Sabaf S.p.A. and Sabaf do Brasil use natural gas as an energy source for the die-casting of aluminium and for firing enamelled caps. Faringosi Hinges does not use natural gas as an energy source in its production.
The increased consumption of natural gas compared to 2012 is primarily attributable to the insourcing of die-casting, as well as the higher production levels to build inventories back up.

Water

Water	2013 CONSUMPTION (m^3)	2012 CONSUMPTION (m^3)
Mains water	36,347	29,895
Groundwater	27,760	40,374
TOTAL	64,107	70,269

All water used in manufacturing processes by Group companies is sent for treatment: consequently there is no industrial waste water. The groundwater used in die-casting and enamelling processes in Italy is recovered by concentration plants, which significantly reduce the quantities of water used and waste produced.

Waste

Trimmings and waste from the manufacturing process are identified and collected separately for subsequent recycling or disposal. Sprue from aluminium die-casting is reused.
Waste for disposal and recycling is summarised below.

WASTE (metric tons)	2013	2012
Municipal-type waste	214	176
Non-hazardous (for disposal)	1,892	1,709
Non-hazardous (for recycling)	4,154	3,521
Total non-hazardous waste	**6,046**	**5,230**
Hazardous (for disposal)	1,309	1,922
Hazardous (for recycling)	1,522	1,131
Total hazardous waste	**2,831**	**3,053**

No major spills occurred in 2013.

Atmospheric emissions

Most of the atmospheric emissions released by the Sabaf Group derive from activities defined as producing "negligible pollution".

- Sabaf S.p.A. operates three production processes:

  1 - Production of burner components (injector-holder casings and flame spreaders) involves melting and subsequent pressure die-casting of aluminium alloy, sandblasting of pieces, a series of mechanical processes removing material, washing of some components, and assembly and testing. This production process releases insignificant amounts of oily and PERC (perchloroethylene) mists, as well as dust and carbon dioxide.
  2 - Production of burner caps, in which steel is used as a raw material and subjected to blanking and coining. The semi-finished caps then undergo washing, sand blasting, and application and firing of enamel. The entire process generates dust.
  3 - Production of valves and thermostats, in which the main raw materials are brass bars and casings (aluminium alloy for new-generation valves) and, to a much lesser extent, steel bars. The production cycle is divided into the following phases: (a) mechanical processing of die-cast bars and casings with removal of material, (b) washing of semi-finished products and components, (c) finishing of the male coupling surfaces using diamond machine tools, and (d) assembly and final testing of the finished product. This process generates an insignificant amount of oily mists and PERC emissions.

- At Faringosi Hinges the main material used to produce hinges is steel. This undergoes a series of mechanical and assembly processes that do not lead to any significant emissions.
- The entire burner production process is carried out at Sabaf do Brasil. Analysis of the internal process did not identify any significant emissions.
- The entire process for producing burner heads and coating burner caps is carried out at Sabaf Turkey. Analysis of the internal process did not identify any significant emissions.

The efficiency of purification systems is guaranteed through regular maintenance and periodic monitoring of all emissions. Monitoring performed during 2012 and 2013 showed compliance of all emissions with legal limits.

CO_2 EMISSIONS[18]

TONNES	2013	2012
Use of natural gas	7,108	5,358
Use of electricity	13,001	11,775
Total CO_2 emissions	**20,109**	**17,133**

The use of natural gas to power the smelting furnaces leads to the release of NOX (nitrogen oxides) and SOX (sulphur oxides) into the atmosphere, although in insignificant quantities. The use of a relatively clean fuel such as natural gas means that Sabaf makes a negligible contribution to national greenhouse gas emissions.

There are no emissions of the following greenhouse gases: CH_4, N_2O, HFCS and SF_6. No substances that damage the ozone layer are currently used by Sabaf, with the exception of the refrigerant fluid (R22), which is used in air conditioning units in compliance with applicable regulations.

ENVIRONMENTAL INVESTMENTS

Current environmental spending

AMOUNTS IN €'000	2013	2012
Waste disposal	595	654
Advisory services	44	24
Emissions analysis	22	23
Training	0	14
Plant, equipment and materials	9	1
TOTAL	**670**	**716**

Environmental investments

AMOUNTS IN €'000	2013	2012
Plant, equipment and materials	241	0
TOTAL	**241**	**0**

LITIGATION

No lawsuits are currently pending with regard to environmental matters.

18 Calculated according to the "Instructions for implementation of the European Commission's decision C(2004)130 of 29 January 2004 establishing guidelines for the monitoring and reporting of greenhouse gas emissions pursuant to Directive 2003/87/EC of the European Parliament and of the Council" issued by the Italian Environment Ministry in conjunction with the Ministry for Trade and Industry

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(Translation from the Italian original which remains the definitive version)

Limited assurance report on the social report

To the board of directors of
SABAF S.p.A.

1 We have reviewed the social report for the year ended 31 December 2013 of the SABAF Group (the "Group"), consisting of the following sections of the Annual Report of the Group at the same date:

- "Introduction to the Annual Report"
- Section 1 "Business model and strategic approach"
- Section 2 "International operations and core markets"
- Section 4 "Social and environmental sustainability"

The parent's directors are responsible for the preparation of the social report in accordance with the Sustainability Reporting Guidelines issued in 2006 by GRI - Global Reporting Initiative, as set out in the "Methodology" paragraph of the "Introduction to the Annual Report". They are also responsible for determining the Group's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.

Our work was solely performed on the social report as defined above and did not cover the data and information included in section 3 "Corporate governance, Risk Management, Compliance and General Remuneration Policy", section 5 "Report on Operations", or the consolidated and separate financial statements of SABAF S.p.A., which were audited by other auditors.

2 We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements (the "Code of Ethics for Professional Accountants" issued by the International Federation of Accountants ("IFAC")), including independence requirements, and that we plan and perform the engagement to obtain limited assurance (and, therefore, less assurance than in a reasonable assurance engagement) about whether the report is free from material misstatement. A limited assurance engagement on a social report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the social report, and applying analytical and other evidence gathering procedures, as appropriate.

SABAF Group
Limited assurance report
on the social report
31 December 2013

These procedures included:

- comparing the information and data presented in the "Generated and distributed economic value" paragraph of the "Introduction to the Annual Report" to the social report to the corresponding information and data included in the Group's consolidated financial statements as at and for the year ended 31 December 2013, on which other auditors issued their report dated 4 April 2014 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;

- analysing how the processes underlying the generation, recording and management of quantitative data included in the social report operate. In particular, we have performed the following procedures:

  - interviews and discussions with management of SABAF S.p.A. and personnel of Faringosi-Hinges S.r.l., to gather information on the IT, accounting and reporting systems used in preparing the social report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the social report;

  - sample-based analysis of documentation supporting the preparation of the social report to confirm the effectiveness of processes, their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information included in the social report;

- analysing the compliance of the qualitative information included in the social report with the guidelines referred to in paragraph 1 and their consistency, in particular with reference to the sustainability strategy and policies and the determination of material issues for each stakeholder category;

- analysing the stakeholder involvement process, in terms of methods used and completeness of persons involved, by reading the minutes of the meetings or any other information available about the salient features identified;

- obtaining the representation letter signed by the legal representative of SABAF S.p.A. on the compliance of the social report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, it offers a lower level of assurance that we have become aware of all significant matters and events that would be identified during an audit.

KPMG

SABAF Group
Limited assurance report
on the social report
31 December 2013

The social report includes the corresponding information and data of the prior year social report for comparative purposes, with respect to which reference should be made our report dated 5 April 2013.

3 Based on the procedures performed, nothing has come to our attention that causes us to believe that the social report of the SABAF Group for the year ended 31 December 2013 is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines issued in 2006 by GRI - Global Reporting Initiative, as set out in the "Methodology" section.

Bergamo, 11 April 2014

KPMG S.p.A.

(signed on the original)

Stefano Azzolari
Director

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SO1 Core	Management of impacts on community	19-20, 73	
SO2 Core	Monitoring of corruption risk	7, 44-45	2
SO3 Core	Staff trained in prevention of corruption offences	45, 55-56	
SO4 Core	Actions taken in response to cases of corruption	N/A there were no incidences of corruption	
SO5 Core	Public policy positions and lobbying	73	1-10
SO7 Add	Legal actions for anti-competitive behaviour	71-72	
SO8 Core	Monetary and other sanctions for non-compliance with laws and regulations	68	

Key RCG: 2013 annual report on corporate governance and ownership structure

	PROFILE	Page	Global Compact Principle
	PRODUCT RESPONSIBILITY		
DMA PR Core	Information on management procedures	67-68	
PR1 Core	Health and safety of products and services	67-68	1
PR3 Core	Information required by procedures and services subject to such information requirements	6-7, 67-68	8
PR5 Add	Customer satisfaction	68	
PR6 Core	Programmes for adherence to laws and voluntary codes relating to marketing activities	N/A this indicator is not significant for the type of business	
PR9 Core	Fines for non-compliance with laws and regulations	68	

	ENVIRONMENTAL PERFORMANCE		
DMA EN	Information on management procedures	6-7, 75-76	
EN1 Core	Raw materials used	12, 75	8
EN2 Core	Reused or recycled materials	75	8-9
EN3Core	Direct energy consumption by source	75	8
EN4Core	Indirect energy consumption	75	8
EN5 Add	Energy saved	75	
EN6 Add	Energy-efficient or renewable energy-based products and services	74	
EN8 Core	Water withdrawal by source	75	8
EN9 Add	Water sources significantly affected by water withdrawal	N/A the Group's activities do not require water withdrawal that could significantly affect the balance of water sources	
EN10 Add	Percentage and total volume of water recycled and reused	75	
EN11 Core	Location of sites owned in protected areas or in areas of high biodiversity	N/A since the Group's production sites are located in areas with little environmental significance	8
EN12 Core	Description of significant impacts on biodiversity	N/A since the Group's production sites are located in areas with little environmental significance	8
EN16 Core	Total direct greenhouse gas emissions	76	8
EN17 Core	Other significant indirect greenhouse gas emissions by weight	76	8
EN 18 Add	Initiatives to reduce greenhouse gas emissions	76	
EN19 Core	Emissions of ozone-depleting substances	76	
EN20 Core	Other atmospheric emissions	76	
EN21 Core	Water discharge	75	8
EN22 Core	Production of waste and disposal methods	12, 75	
EN23 Core	Total number and volume of spills	75	
EN26 Core	Initiatives to mitigate environmental impacts of products and services	19, 74	7-8-9
EN27 Core	Percentage of products sold and their packaging materials that are recycled or reused	N/A as not significant for products sold by Sabaf	
EN28 Core	Fines for non-compliance with environmental laws and regulations	76	8
EN30 Add	Environmental protection expenditure and investment	76	7

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CHAPTER 5

Report on Operations

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Group business and financial status

IN THOUSANDS OF EURO	2013	%	2012	%	Change 2013-2012	Change %
Sales revenue	130,967	100%	130,733	100%	234	+0.2%
EBITDA	24,572	18.8%	21,813	16.7%	2,759	+12.6%
Operating profit (EBIT)	11,132	8.5%	7,920	6.1%	3,212	+40.6%
Pre-tax profit	9,811	7.5%	6,219	4.8%	3,592	+57.8%
Net profit	8,104	6.2%	4,196	3.2%	3,908	+93.1%
Earnings per share (euro)	0.715		0.367		0.348	+94.8%
Diluted earnings per share (euro)	0.715		0.367		0.348	+94.8%

In another difficult year for the household appliances sector, sales of the Sabaf Group remained broadly unchanged, but profitability registered a significant improvement versus 2012, thanks to gains in productivity, particularly in the production of light alloy valves and the growing contribution of activities in Brazil and Turkey.
In 2013, EBITDA was 18.8% of sales (16.7% in 2012), EBIT 8.5% (6.1% in 2012) and net profit rose from 3.2% of sales to 6.2%.

The breakdown of revenue by product line was as follows:

The trend of replacing brass valves with the more innovative light allow valves continued: the sales generated by light alloy valves are now almost double those of brass valves, while in 2011, sales of brass valves were still prevalent. Sales of burners remained broadly stable, with a slight improvement for the special burner product families. Finally, sales of hinges recovered slightly.

The geographical breakdown of revenue was as follows:

Sales by product line

IN THOUSANDS OF EURO	2013	%	2012	%	Change %
Brass valves	14,613	*11.1%*	18,601	*14.2%*	-21.4%
Light alloy valves	27,618	*21.1%*	23,524	*18.0%*	+17.4%
Thermostats	13,350	*10.2%*	13,074	*10.0%*	+2.1%
Standard burners	38,222	*29.2%*	39,337	*30.1%*	-2.8%
Special burners	18,943	*14.5%*	18,850	*14.4%*	+0.5%
Accessories and other revenues	11,571	*8.8%*	11,226	*8.6%*	+3.1%
Total gas components	**124,317**	***94.9%***	**124,612**	***95.3%***	**-0.2%**
Hinges	6,650	*5.1%*	6,121	*4.7%*	+8.6%
TOTAL	**130,967**	*100%*	**130,733**	*100%*	**+0.2%**

Sales by geographical area

IN THOUSANDS OF EURO	2013	%	2012	%	Change %
Italy	42,662	*32.6%*	45,597	*34.9%*	-6.4%
Western Europe	7,465	*5.7%*	7,337	*5.6%*	+1.7%
Eastern Europe and Turkey	29,300	*22.4%*	33,236	*25.4%*	-11.8%
Asia and Oceania	11,864	*9.1%*	12,306	*9.4%*	-3.6%
South America	24,375	*18.6%*	21,895	*16.8%*	+11.3%
Africa	10,410	*7.9%*	6,950	*5.3%*	+49.8%
US, Canada & Mexico	4,891	*3.7%*	3,412	*2.6%*	+43.3%
TOTAL	**130,967**	*100%*	**130,733**	*100%*	**+0.2%**

In 2013, European markets continued to suffer as a result of the weak macroeconomic environment, with demand again down on the previous year. Sales in Europe thereby fell to 60.7% of the total, from 65.9% in 2012 and 70.6% in 2011.
The main markets outside Europe trended in the opposite direction: of particular significance were the results registered by the Group in Africa and South America, where sales rose by €3.5 million and €2.5 million respectively. The Group registered very positive growth in North America, although this market remains marginal, thanks to the launch of new supply contracts with the main manufacturers of cooking appliances. Finally, sales in Asia fell slightly, as the political problems affecting some Middle Eastern markets remain, and the contribution of exports to China and India is still limited.

Average sale prices in 2013 were down by around 1% versus 2012: the over-supply on the market continues to exert considerable competitive pressure.

The actual cost of the main raw materials (brass, aluminium alloys and steel) was approximately 5% lower than in 2012. Savings were also made in the purchase of other components. Consumption (purchases plus change in inventory) as a percentage of sales was 36.3% in 2013, compared with 39% in 2012; this decrease was due to a different mix of products sold, and in particular the shift from brass valves to aluminium alloy valves.

The impact of the cost of labour on sales rose from 23.7% in 2012 to 23% in 2013.

As a result of the crisis affecting several important clients, in 2013 the Group posted write-downs and losses on receivables totalling €1.2 million, equivalent to 0.9% of sales (€1.6 million in 2012).

The impact of net financial charges on sales remains very low (0.5% in 2013, versus 0.7% in 2012), owing to the low level of debt and low interest rates.

Operating cash flow (net profit plus depreciation & amortisation) rose from €17.1 million to €21 million, equivalent to 16% of sales (vs. 13.1% in 2012).

The tax rate in 2013 was 17.4%, lower than the ordinary rate because of a non-recurring benefit of €1.35 million relating to the booking of tax breaks in connection with investments made in Turkey.

BALANCE SHEET AND FINANCIAL POSITION

Reclassification based on financial criteria is as shown below:

IN THOUSANDS OF EURO	31/12/2013	31/12/2012 [1]
Non-current assets	*97,467*	*101,880*
Short-term assets [2]	68,137	66,453
Short-term liabilities [3]	(26,896)	(25,367)
Working capital [4]	*41,241*	*41,086*
Short-term financial assets	*22*	
Provisions for risks, post-employment benefits and deferred taxes	*(4,049)*	*(3,946)*
NET CAPITAL EMPLOYED	**134,681**	**139,020**
Net short-term financial position	(12,831)	(18,537)
Net medium/long-term financial position	(3,895)	(5,259)
NET FINANCIAL DEBT	**(16,726)**	**(23,796)**
SHAREHOLDERS' EQUITY	**117,955**	**115,224**

Cash flows during the year are summarised in the following table:

IN THOUSANDS OF EURO	2013	2012
Cash and cash equivalents – opening balance	***6,137***	***14,208***
Operating cash flow	20,288	15,163
Cash flow from investments	(10,240)	(14,316)
Cash flow from financing activities	(8,945)	(7,982)
Foreign exchange differences	(2,129)	(936)
CASH FLOW FOR THE PERIOD	**(1,026)**	**(8,071)**
Cash and cash equivalents – closing balance	***5,111***	***6,137***

1 Amounts recalculated following the retrospective application of IAS 19 (revised)
2 Sum of inventories, trade receivables, tax credits, and other current receivables
3 Sum of trade payables, tax payables, and other payables
4 Difference between current assets and current liabilities

Net financial debt and the cash and cash equivalents shown in the tables above are defined in compliance with the net financial position detailed in Note 21 of the consolidated accounts, as required by the Consob memorandum of 28 July 2006.

In 2013, the Sabaf Group made capital investments of approximately €10 million. The most significant investments related to the industrialisation of new special models of burners and the expansion of production capacity in Turkey and Brazil. Furthermore, investments were made in maintenance and replacement to keep plant, machinery and moulds constantly up to date.
Working capital was €41.2 million, broadly unchanged versus the figure of €41 million at end-2012: as a percentage of sales, it was 31.5%.

Self-financing generated by operating cash flow totalled €20.3 million versus €15.2 million in the previous year, owing to an upturn in profitability.
Net financial debt totalled €16.7 million, against €23.8 million at 31 December 2012. The net medium- to long-term financial position was negative at €3.9 million (€5.3 million at 31 December 2012) and corresponded to property leasing and mortgages.
The net short-term financial position was negative to the tune of €12.8 million (€18.5 million at 31 December 2012) and consisted of cash and cash equivalents of €6.1 million, short-term debts of €20.6 million, and the current portion of medium- to long-term borrowings of €4 million.
Over the year, only short-term loans were paid off, taken out or extended, in order to finance working capital. The ratio of working capital to short-term loans was 3.2, so the Group considers the liquidity risk to be minimum and does not consider it appropriate, in the current financial market environment, to make greater use of medium- to long-term forms of financing.

Shareholders' equity totalled €118 million at 31 December 2013; the debt/equity ratio was 0.14 versus 0.21 in 2012.

Economic and financial indicators

	2013	2012 [5]
ROCE (return on capital employed)	8.3%	5.7%
Dividend per share (€)	0.40 [6]	0.35
Net debt/equity ratio	14%	21%
Market capitalisation (31.12)/ equity ratio	1.27	0.88
Change in sales	+0.2%	-12.0%

Please refer to the introductory part of the Annual Report for a detailed examination of other key performance indicators.

RISK FACTORS RELATED TO THE SEGMENT IN WHICH THE GROUP OPERATES

Risks related to the overall conditions of the economy and trend in demand

The business and financial circumstances of the Group are influenced by a variety of factors, such as gross domestic product, consumer and corporate confidence, interest rate trends, the cost of raw materials, the unemployment rate, and the ease of access to credit.
The Group's core market, the household appliances sector, which is cyclical and generally related to the performance of the real estate market, was hit particularly hard by the progressive decline in the macroeconomic situation in Europe. The contraction of demand on mature markets has been accompanied by a progressive concentration of end markets and tougher competition, phenomena that require aggressive policies in setting sales prices.
To cope with this situation, the Group aims to retain and reinforce its leadership position wherever possible through:

- the launch of new products characterised by superior performance compared with market standards;
- expansion on markets with high growth rates;
- the maintenance of high quality and safety standards, which make it possible to differentiate the product through the use of resources and implementation of production processes that are not easily sustainable by competitors.

Commodity price volatility risk

The Group uses metals and alloys in its production processes, chiefly brass, aluminium alloys and steel. The sale prices of products are generally renegotiated semi-annually or annually; as a result, Group companies may not be able to immediately pass on to customers changes in the prices of commodities that occur during the year, which has an impact on profitability.
The Group protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months or, alternatively, with derivative financial instruments.
As of the date of this report, the Sabaf Group has already fixed purchase prices for 50% of its expected requirement of aluminium, steel and brass for 2014.
Any further increase in the price of commodities not hedged could have negative effects on expected profits.
For more information on how this risk is managed, see Note 36 of the consolidated financial statements, as regards disclosure for the purposes of IFRS 7.

Exchange rate fluctuation risk

The Sabaf Group operates primarily in euro. It executes transactions in other currencies, such as the US dollar and the Brazilian real.
Since sales in US dollars accounted for 12% of consolidated revenue, the gradual depreciation expected in the coming months could lead to a loss in competitiveness on the markets where sales are made in that currency (mainly South and North America).

5 Amounts recalculated following the retrospective application of IAS 19 (revised)
6 Proposed dividend

At 31 December 2013, the Group had in place a forward sale contract of USD 510,000 at a euro/dollar exchange rate of 1.30, maturing on 30 June 2014. The Administration and Finance Department constantly monitors forex exposure, the trend in exchange rates and the operational management of related activities.
For more information on how this risk is managed, see Note 36 of the consolidated financial statements, as regards disclosure for the purposes of IFRS 7.

Risks related to single-customer products

Through its research and development department, Sabaf also creates dedicated products for its customers. There is a risk that product customisation leads to phenomena of inventory obsolescence in the event that the customer is lost or suddenly becomes insolvent.
To combat this risk, Sabaf constantly monitors inventory rotation indices, and thanks to its well-established relations with its customers, assesses on a case-by-case basis any possible product variation in order to identify necessary action plans in good time.

Risks related to product liability

Sabaf products carry a high intrinsic risk in terms of safety. The Group's great attention to product quality and safety has made it possible to avoid incidents caused by product defects. Despite this, it is not possible to automatically exclude incidents of this nature.
In order to transfer the risk of third-party liability damage arising from malfunctioning of its products, Sabaf has signed insurance policies with deductible of up to €10 million per individual claim.

Protection of product exclusivity

There is a risk that some Group products, although patented, will be copied by competitors, particularly in countries in which it is more difficult to protect intellectual property rights.
Sabaf's business model therefore bases the protection of product exclusivity mainly on design capacity and the internal production of special machines used in manufacturing processes, which result from its unique know-how that competitors would find difficult to replicate.
In any case, Sabaf has in place structured processes to manage innovation and protect intellectual property.

Risks of revenue concentration

The Group is characterised by a strong concentration in its revenue, with 50% arising from sales to its ten biggest customers. Relationships with customers are generally stable and long-term, and usually regulated with renewable contracts of under one year, with no minimum guaranteed sales.
At the date of this report, there was no reason for the Group to foresee the loss of any significant clients in the coming months.

Trade receivable risk

The high concentration of sales to a small number of customers, under the previous point, generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of one of them. In particular, given the structural difficulties of the domestic appliance sector in mature markets, it is possible that new situations of financial difficulty and insolvency among customers could arise.
To minimise this risk, the Group tends to favour the larger brands in the segment, considered more reliable. At the same time, risk is constantly monitored through the preliminary assessment of customers and checks that agreed payment terms are met. The risk is also partially transferred to third parties by no-recourse assignment, i.e., partially guaranteed through the request for letters of credit issued by leading banks for customers. The remainder of the receivable risk is covered by a doubtful account provision considered appropriate.
For more information, see Note 36 of the consolidated financial statements, as regards disclosure for the purposes of IFRS 7.

Risk of instability in emerging countries in which the Group produces or sells

40% of Sabaf Group sales are registered on markets outside Europe. Furthermore, products sold in Italy can be exported by customers in international markets, making the percentage of sales earned directly and indirectly from emerging economies more significant.
The Group's main markets outside Europe include the Middle East and North Africa (which accounted for 6% and 8% respectively of direct Group sales in 2013, as well as indirect sales registered by our customers, which are difficult to quantify). Any embargos or major political or economic stability, or changes in the regulatory and/or local law systems, or new tariffs or taxes imposed in the future could affect a portion of Group sales and the related profitability.
To combat this risk, the Group has adopted a policy of diversifying investments at international level, setting different strategic priorities that, as well as business opportunities, also consider the different associated risk profiles.

Sustainability of the hinges business

The Hinges business registered negative results in 2013. Despite a partial recovery in sales, the Group has yet to see the benefit in terms of profitability, partly owing to the start-up costs sustained to launch new production. To combat this situation, the Group has intensified efforts to develop special products (such as shock-absorbing springs for soft opening and closing of oven doors, and hinges for heavy doors). The 2014-2018 business plan of the Hinges CGU projects a significant recovery in sales and profitability, to which the new products should make a substantial contribution. If this is unsuccessful, the Group cannot rule out the need for further write-downs of the value of assets allocated to the Hinges business. For more information, see Note 3 of the consolidated financial statements.

Risks relating to the difficulties of sufficiently managing the Group's internationalisation

The Sabaf Group is going through a process of growing internationalisation, with the opening of new companies and production facilities in countries considered strategic for the future development of its business. This process requires appropriate measures, which include the recruitment and training of management staff, and the implementation of management and coordination measures by the parent company.

In order to support this expansion process, the Sabaf Group is committed to defining suitable measures, which include the appropriate definition of the spheres and responsibilities of management action, careful planning of activities in implementing new projects, and a detailed analysis of the regulatory environment in the various countries involved.

Risks relating to the loss of key staff and expertise and the difficulty of replacing them

Group results depend to a large extent on the work of executive directors and management. The loss of a key staff member for the Group without an adequate replacement and the inability to attract new resources could have negative effects on the future of the Group and on the quality of financial and economic results.

RESEARCH & DEVELOPMENT

The most important research and development projects conducted in 2013 were as follows:

Burners

- the range of specialist DCC burners was completed, with a triple crown model, available also in a dual version;
- the Group developed full brass burners in the standard HE burner and the specialist DCC burner families, for middle eastern markets and the semi-professional segment;
- a series of flat burners were developed with air intake from above, expected to be launched on the market in 2014;
- based on the Lotus S4 burner platform destined for the Indian market, a family of S4 burners was developed for the European market. Improvements were also made to the Lotus S4 burner to meet specific requirements for the Indian market.

Valves

- the vertical integration of the production process for light alloy valves was completed, also that volumes of these valves now outweigh those of traditional brass valves;
- a feasibility study was launched in relation to an industrial model that allows, in subsequent phases, a moulded aluminium valve to be produced in China. In this regard, development work began on a specific valve for the Chinese market, based on the wide range of valves already available.

Hinges

- a type of motorised hinge within the oven with a shock-absorbing system was developed;
- a hinge block system was developed, which prevents it from detaching during use.

Improvements were made to production processes across the entire Group, which were accompanied by the development and creation of machinery, utensils and moulds.

Development costs to the tune of €368,000 were capitalised, as all the conditions set by the international accounting standards were met; in other cases, they were charged to the income statement. Over the year, development costs sustained in previous year were written down to the tune of €271,000, as they are no longer expected to yield future economic benefits. Research costs are booked to the income statement.

SAP IMPLEMENTATION

In order to align subsidiaries' operational and management model with that of Sabaf S.p.A., the Group has extended the implementation of the SAP IT system to all production units; the system was also launched in Turkey from 1 January 2013.

SUSTAINABILITY

Since 2005, Sabaf has drawn up a single report on its economic performance and its social and environmental sustainability. In 2005, this was a pioneering and almost experimental move, but today, the trend emerging at international level suggests that integrated reporting unquestionably represents best practice.

In this regard, in 2013, for the second time, the Sabaf annual report won the Oscar di Bilancio, the prestigious financial communication award promoted and managed by FERPI – the Italian Public Relations Federation – in the Small and Medium-Sized Listed Company category.

PERSONNEL / STAFF

At 31 December 2013, the Sabaf Group had 730 employees, up by five compared to year-end 2012. In 2013, the Sabaf Group suffered no on-the-job deaths or serious accidents that led to serious or very serious injury of staff, for which the Group has been definitively held responsible, nor was it held responsible for occupational illnesses of employees or former employees, or causes of mobbing.

For more information, see the "Sabaf and employees" section of the Annual Report.

ENVIRONMENT

In 2013, there were no:

- environmental issues for which the Group has been found guilty;
- fines or penalties imposed on the Group for environmental crimes or damages.

For more information, see the "Environmental Sustainability" section of the Annual Report.

CORPORATE GOVERNANCE

For a complete description of the corporate governance system of the Sabaf Group, see the report on corporate governance and on the ownership structure, available in the Investor Relations section of the company website.

INTERNAL CONTROL SYSTEM ON FINANCIAL REPORTING

The internal control system on financial reporting is analytically described in the report on corporate governance and on ownership structure.
With reference to the "conditions for listing shares of parent companies set up and regulated by the law of states not belonging to the European Union" pursuant to articles 36 and 39 of the Market Regulations, the Company and its subsidiaries have administrative and accounting systems that can provide the public with the accounting situations prepared for drafting the consolidated report of the companies that fall in the area of this regulation and can supply management and the auditors of the Parent Company with the data necessary for drafting the consolidated financial statements. The Sabaf Group has also set up an effective information flow to the independent auditor and continuous information on the composition of the company officers of the subsidiaries, complete with information on the roles covered and requires the systematic and centralized gathering and regular updates of the formal documents relating to the bylaws and granting of powers to company officers. The conditions exist as required by article 36, letters a), b) and c) of the Market Regulations issued by Consob. In the year, no acquisitions were made of companies in countries not belonging to the European Union which, considered independently, would have a significant relevance for the purposes of the regulation in question.

MODEL 231

The Organisation, Management and Control Model, adopted pursuant to Legislative Decree 231/2001, is described in the report on company governance and on the ownership structure, which should be reviewed for reference.

PERSONAL DATA PROTECTION

With regard to Legislative Decree 196 of 30 June 2003, in 2013 the Group continued its work to ensure compliance with current regulations.

DERIVATIVE FINANCIAL INSTRUMENTS

Comments on this item are provided in Note 36 to the consolidated financial statements.

ABNORMAL OR UNUSUAL TRANSACTIONS

Sabaf Group companies did not execute any unusual or abnormal transactions in 2013.

SECONDARY OFFICES

Neither Sabaf S.p.A. nor its subsidiaries have secondary offices.

DIRECTION AND CO-ORDINATION

Although Sabaf S.p.A. is controlled by the ultimate parent company, Giuseppe Saleri S.a.p.A., the Board of Directors holds that the Company is not subject to management and co-ordination of the parent company, since the Board of Directors of Sabaf S.p.A. enjoys complete operating autonomy and does not have to justify its actions to the parent company, except at the annual Shareholders' Meeting held to approve the annual financial statements and, obviously, in the event of violation of the law and/or the Bylaws. Furthermore, the parent company's Bylaws explicitly state that it does not manage and co-ordinate the operations of Sabaf S.p.A.
Sabaf S.p.A. exercises direction and co-ordination activity over its Italian subsidiaries, Faringosi Hinges S.r.l. and Sabaf Immobiliare S.r.l.

INFRAGROUP AND RELATED-PARTY TRANSACTIONS

Transactions between Group companies, including those with the ultimate parent company, are regulated at arm's length conditions, as are those with related parties as defined by IAS 24. Details of infragroup and other transactions with related parties are provided in Note 37 to the consolidated financial statements and in Note 36 of the annual financial statements of Sabaf S.p.A.

FISCAL CONSOLIDATION

In 2013 Sabaf S.p.A. approved the renewal for 2013-2015 of the fiscal consolidation contract with the ultimate parent company Giuseppe Saleri S.a.p.A. and its subsidiaries, Faringosi Hinges S.r.l. and Sabaf Immobiliare S.r.l.. For Sabaf Group companies, joining the fiscal consolidation does not imply higher taxes, as it makes no difference if these are paid to the tax authorities or to its parent company at the expiration dates. Having made the offsets and adjustments necessary, the parent company will handle payment and be liable for any damages the subsidiaries may incur for the former's failure to comply.

MAJOR EVENTS OCCURRING AFTER YEAR-END AND OUTLOOK

No significant events took place subsequent to the end of the year and up to the date of this report that would be considered worthy of mention.
At the beginning of this year, European markets have not shown any clear signs of recovery, while the positive sales trend continues in North Africa and South America. In the first two months of 2014, total Group sales were 4% higher than in the same period of 2013.
For the full year, based on negotiations concluded with its main customers, the Group believes that it will be able to register moderate growth in sales and profitability compared with 2013. These targets assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from forecasts.

Sabaf S.p.A. business and financial status

IN THOUSANDS OF EURO	2013	2012	Change 2013/2012	Change %
Sales revenue	112,417	116,202	(3,785)	-3.3%
EBITDA	16,902	15,830	+1,072	+6.8%
Operating profit (EBIT)	5,382	3,765	+1,617	+42.9%
Pre-tax profit	5,718	3,709	+2,009	+54.2%
Net profit	**3,730**	**2,236**	**+1,494**	**+66.8%**

Balance sheet and financial position

Reclassification based on financial criteria is as shown below:

IN THOUSANDS OF EURO	31/12/2013	31/12/2012 [7]
Non-current assets	*84,392*	*86,498*
Short-term assets [8]	58,478	59,993
Short-term liabilities [9]	(23,882)	(23,291)
Working capital [10]	*34,596*	*36,702*
Financial assets	*1,451*	*1,516*
Provisions for risks, post-employment benefits and deferred taxes	*(2,928)*	*(2,992)*
NET CAPITAL EMPLOYED	**117,511**	**121,724**
Net short-term financial position	(13,152)	(19,956)
Net medium/long-term financial position	0	(317)
NET FINANCIAL POSITION	**(13,152)**	**(20,273)**
SHAREHOLDERS' EQUITY	**104,359**	**101,451**

Cash flows during the year are summarised in the following table:

IN THOUSANDS OF EURO	2013	2012
Cash and cash equivalents – opening balance	***1,601***	***9,180***
Operating cash flow	17,101	11,226
Cash flow from investments	(9,217)	(15,509)
Cash flow from financing activities	(7,140)	(3,296)
Cash flow for the period	**744**	**(7,579)**
Cash and cash equivalents – closing balance	***2,345***	***1,601***

Net financial debt and the net short-term financial position shown in the tables above are defined in compliance with the net financial position detailed in Note 21 of the statutory accounts, as required by the Consob memorandum of 28 July 2006.

FY 2013 closed with sales down 3.3% compared with 2012, mainly on account of lower sales of burners on the Turkish market, which the Group now provides directly from the Manisa production site. Over the year, however, technical measures put in place, particularly in the production of light alloy valves, led to significant productivity gains. All profitability indicators therefore show a net improvement against 2012: EBITDA came in at €15.8 million, equivalent to 15% of sales (€15.8 million in 2012, 13.6% of sales), EBIT was €5.4 million, or 4.8% of sales (vs. €3.8 million in 2012, 3.2%), and net profit was €3.7 million, equivalent to 3.3% of sales (€2.2 million in 2012, 1.9%).

The actual cost of the main raw materials (brass, aluminium alloys and steel) was on average 5% lower compared to 2012.
The impact of the cost of labour on sales rose from 22.3% in 2012 to 24% in 2013, partly following the greater insourcing of some manufacturing phases to make better use of production capacity.
Net finance expense as a percentage of sales was minimal, at 0.61% (0.67% in 2012), given the low level of financial debt and the low interest rates.

Operating cash flow (net profit plus depreciation & amortisation) rose from €12.6 million to €13.6 million, equivalent to 12.1% of sales (vs. 10.9% in 2012).

In 2013 SABAF S.p.A. invested over €9 million. The main investments in the year related to the industrialisation of new models of special burners and light alloy valves, sales of which are expected to increase further in the future.

7 Amounts recalculated following the retrospective application of IAS 19 (revised)
8 Sum of inventories, trade receivables, tax credits, and other current receivables
9 Sum of trade payables, tax payables, and other payables
10 Difference between current assets and current liabilities

Working capital amounted to €34.6 million versus €36.7 million in the previous year: as a percentage of sales, it fell to 30.8%, from 31.6% at the end of 2012.

Self-financing generated by operating cash flow totalled €17.1 million versus €11.2 million in 2012, and was boosted by greater profitability and a more favourable trend in working capital.

Net financial debt was €13.2 million, compared with €20.3 million at 31 December 2012. All financial debt, which partially finances working capital, matures in less than a year.

Shareholders' equity amounted to €104.4 million, against €101.5 million at year-end 2012. The debt/equity ratio was 0.13, compared with 0.20 in 2012.

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE PERIOD

Pursuant to the Consob memorandum of 28 July 2006, below is a reconciliation statement of the results of the 2013 financial year and Group shareholders' equity at 31 December 2013 with the same values of parent company Sabaf S.p.A.:

Description	31.12.2013		31.12.2012	
	Net profit	Shareholders' equity	Net profit	Shareholders' equity [11]
Net profit and shareholders' equity of parent company Sabaf S.p.A.	**3,730**	**104,359**	**2,236**	**101,450**
Shareholders' equity and net result of consolidated companies	4,669	51,614	2,413	50,608
Elimination of consolidated equity investments' carrying value	939	(42,165)	1,586	(41,189)
Goodwill	0	4,445	(1,028)	4,445
Equity investments booked at net equity	0	5	0	5
Intercompany eliminations:				
• Dividends	(1,034)	0	(792)	0
• Other intercompany eliminations	(200)	(303)	(219)	(95)
GROUP NET PROFIT AND SHAREHOLDERS' EQUITY	**8,104**	**117,955**	**4,196**	**115,224**

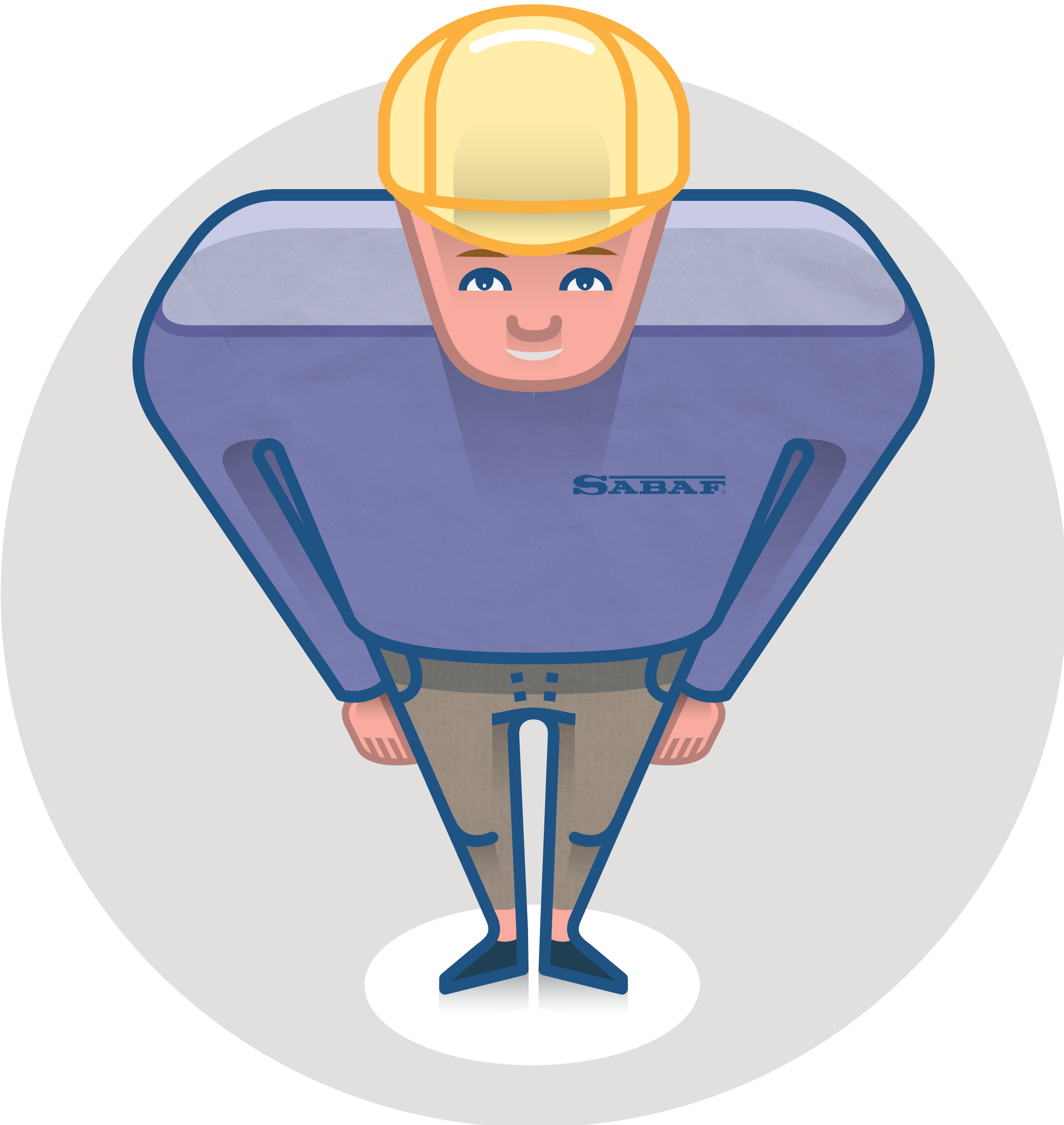
Proposal for approval of the financial statements and proposed dividend

First and foremost, we would like to thank our employees, the Board of Auditors, the independent auditors and the supervisory authorities for their invaluable cooperation.
We recommend approving the financial statements for the year ended 31 December 2013, which closed with a profit of €3,729,628.
The Board of Directors proposes the distribution to shareholders of an ordinary dividend of €0.40 per share, excluding treasury shares on the ex-date, by distribution of all the profit for 2013 and, for the remainder, by distribution of part of the extraordinary reserve. The dividend is scheduled for payment on 29 May 2014 (ex-date 26 May 2014 and record date 28 May 2014).

Ospitaletto, 20 March 2014
The Board of Directors

11 Amounts recalculated following the application of IAS 19 (Revised)

Be grounded



SABAF®

CHAPTER 6

Consolidated financial statements at 31 December 2013

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Group structure and corporate bodies

GROUP STRUCTURE

Direct parent company

SABAF S.p.A.

Subsidiaries and equity interest owned by the Group

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

CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

Chairman	Alessandro Busi
Statutory Auditor	Enrico Broli
Statutory Auditor	Anna Domenighini

Independent Auditor

Deloitte & Touche S.p.A.

* independent directors

Consolidated statement of financial position

IN THOUSANDS OF EURO	Notes	31.12.2013	31.12.2012 [1]
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	75,701	81,438
Investment property	2	7,674	7,393
Intangible assets	3	7,290	7,915
Equity investments	4	905	951
Non-current receivables	5	426	90
Deferred tax assets (prepaid taxes)	21	5,471	4,093
Total non-current assets		**97,467**	**101,880**
CURRENT ASSETS			
Inventories	6	28,226	24,036
Trade receivables	7	36,442	37,968
Tax receivables	8	2,595	3,627
Other current receivables	9	874	822
Current financial assets	10	22	0
Cash and cash equivalents	11	5,111	6,137
Total current assets		**73,270**	**72,590**
ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**170,737**	**174,470**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533	11,533
Retained earnings, other reserves		98,318	99,495
Net profit for period		8,104	4,196
Total equity attributable to the Group parent company		*117,955*	*115,224*
Minority interest		*0*	*0*
Total shareholders' equity		**117,955**	**115,224**
NON-CURRENT LIABILITIES			
Loans	14	3,895	5,259
Post-employment benefit reserve and retirement reserves	16	2,845	2,928
Provisions for risks and contingencies	17	672	632
Deferred tax	21	532	386
Total non-current liabilities		**7,944**	**9,205**
CURRENT LIABILITIES			
Loans	14	17,940	24,641
Other financial liabilities	15	2	33
Trade payables	18	18,963	18,544
Tax payables	19	1,494	806
Other liabilities	20	6,439	6,017
Total current liabilities		**44,838**	**50,041**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**170,737**	**174,470**

1 The values were recalculated following the application of IAS 19 (revised), which involves, among other things, the change in the method to calculate the actuarial gains and losses for the post-employment benefit reserve (Note 16). The change described above led to the restatement of the consolidated statement of financial position at 31 December 2012 approved by the Board of Directors on 20 March 2014; this restatement implied the booking of an increased post-employment benefit reserve among liabilities of €553,573 and of a negative post-employment benefit evaluation reserve of €401,340

Consolidated income statement

IN THOUSANDS OF EURO	Notes	2013	2012 [2]
CONTINUING OPERATIONS			
OPERATING REVENUE AND INCOME			
Revenue	23	130,967	130,733
Other income	24	3,918	3,661
Total operating revenue and income		**134,885**	**134,394**
OPERATING COSTS			
Materials	25	(52,415)	(47,748)
Change in inventories		4,784	(3,174)
Services	26	(30,083)	(30,989)
Payroll costs	27	(31,339)	(29,302)
Other operating costs	28	(2,175)	(2,424)
Costs for capitalised in-house work		915	1,056
Total operating cost		**(110,313)**	**(112,581)**
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**24,572**	**21,813**
Depreciation & Amortisation	1,2,3	(12,856)	(12,919)
Capital gains/(losses) on disposal of non-current assets		71	54
Write-downs/write-backs of non-current assets	29	(655)	(1,028)
OPERATING PROFIT		**11,132**	**7,920**
Financial income		138	219
Financial expenses	30	(775)	(1,162)
Foreign exchange gains/losses	31	(186)	(293)
Profits and losses from equity investments	4	(498)	(465)
PRE-TAX PROFIT		**9,811**	**6,219**
Income tax	32	(1,707)	(2,023)
Minority interests		0	0
NET PROFIT FOR THE YEAR		**8,104**	**4,196**
EARNINGS PER SHARE (EPS)	33		
Base		**€0.715**	**€0.367**
Diluted		**€0.715**	**€0.367**

2 The change in the method to calculate the actuarial gains and losses for the post-employment benefit reserve pursuant to IAS 19 (revised), as set out in Note 16, did not have an effect on the consolidated income statement

Consolidated comprehensive income statement

IN THOUSANDS OF EURO	2013	2012 [3]
NET PROFIT FOR THE YEAR	**8,104**	**4,196**
Overall earnings/losses that will not be subsequently restated under profit (loss) for the period:		
• Actuarial post-employment benefit reserve evaluation	(9)	(250)
Total	**(9)**	**(250)**
Overall earnings/losses that will be subsequently restated under profit (loss) for the period:		
• Forex differences from translation of items in currency	(4,558)	(1,488)
• Cash hedge flows	21	7
Total	**(4,537)**	**(1,481)**
Total profits/(losses) net of taxes for the year	**(4,546)**	**(1,731)**
TOTAL PROFITS	**3,558**	**2,465**

Statement of changes in consolidated shareholders' equity

IN THOUSANDS OF EURO	Share capital	Share premium reserve	Legal reserve	Own shares	Conversion reserve	Cash flow hedge reserves	Post-employment benefit discounting reserve	Other reserves	Net profit for period	Total Group shareholders' equity	Minority interest	Total shareholders' equity
BALANCE AT 31.12.2011 [4]	**11,533**	**10,002**	**2,307**	**(328)**	**1,581**	**(7)**	**(152)**	**85,960**	**10,775**	**121,671**	**0**	**121,671**
Allocation of 2011 earnings												
• dividends paid									(6,901)	(6,901)		(6,901)
• carried forward								3,874	(3,874)	0		0
Acquisition own shares				(2,011)						(2,011)		(2,011)
Total profit at 31.12.2012					**(1,488)**	**7**	**(250)**	**0**	**4,196**	**2,465**		**2,465**
BALANCE AT 31.12.2012 [3]	**11,533**	**10,002**	**2,307**	**(2,339)**	**93**	**0**	**(402)**	**89,834**	**4,196**	**115,224**	**0**	**115,224**
Allocation of 2012 earnings												
• dividends paid									(3,911)	(3,911)		(3,911)
• carried forward								285	(285)	0		0
Purchase/sale own shares				2,334				750		3,084		3,084
Total profit at 31.12.2013					(4,558)	21	(9)		8,104	3,558		3,558
BALANCE AT 31.12.2013	**11,533**	**10,002**	**2,307**	**(5)**	**(4,465)**	**21**	**(411)**	**90,869**	**8,104**	**117,955**	**0**	**117,955**

3 The values were recalculated following the application of IAS 19 (revised), which involves, among other things, the change in the method to calculate the actuarial gains and losses for the post-employment benefit reserve (Note 16). The change described above led to the restatement of the consolidated comprehensive income statement at 31 December 2012 approved by the Board of Directors on 20 March 2013; this restatement led to the booking of actuarial losses totalling €249,723 on the comprehensive income statement

4 The values were recalculated following the application of the IAS standard 19 (revised), which involves, among other things, the change in the method to calculate the actuarial gains and losses for the post-employment benefit (Note 16); the change described above led to the restatement of the consolidated statement of financial position at 31 December 2012 approved by the Board of Directors on 20 March 2013; this restatement implied the booking of a negative post-employment benefit evaluation reserve of €343,609 under shareholders' equity

Consolidated statement of cash flows

IN THOUSANDS OF EURO	12 M 2013	12 M 2012
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6,137*	*14,208*
Net profit for period	8,104	4,196
Adjustments for:		
• Depreciation and amortisation	12,856	12,919
• Realised gains/losses	(71)	(54)
• Write-downs of non-current assets	655	1,028
• Losses from equity investments	498	465
• Net financial income and expenses	637	943
• Income tax	1,707	2,023
Change in post-employment benefit reserve	(145)	(243)
Change in general provisions	40	(99)
Change in trade receivables	*1,526*	*4,806*
Change in inventories	*(4,190)*	*2,847*
Change in trade payables	*419*	*(9,264)*
Change in working capital	**(2,245)**	**(1,611)**
Change in other receivables and payables, deferred tax liabilities	916	(692)
Payment of taxes	(2,096)	(2,877)
Payment of financial expenses	(706)	(1,054)
Collection of financial income	138	219
Cash flow from operations	**20,288**	**15,163**
Investments in non-current assets		
• intangible	(535)	(778)
• tangible	(9,491)	(13,219)
• financial	(456)	(600)
Disposal of non-current assets	242	281
Net investments	**(10,240)**	**(14,316)**
Repayment of loans	(15,668)	(11,627)
Raising of loans	7,572	12,556
Short-term financial assets	(22)	0
(Purchase)/sale own shares	3,084	(2,011)
Payment of dividends	(3,911)	(6,900)
Cash flow from financing activities	**(8,945)**	**(7,982)**
Foreign exchange differences	(2,129)	(936)
Net financial flows for the year	**(1,026)**	**(8,071)**
CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 10)	*5,111*	*6,137*
Current net financial debt	17,941	24,674
Non-current financial debt	3,896	5,259
Net financial debt (Note 22)	***16,726***	***23,796***

Explanatory Notes

Accounting Standards

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Consolidated year-end accounts of the Sabaf Group for the financial year 2013 have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with full-year financial statements for the previous year, prepared according to the same standards. The report consists of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the cash flow statement, and these explanatory notes. The financial statements have been prepared on a historical-cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and is considered a going concern. The Group found that, despite the difficult economic and business climate, there were no significant uncertainties (as defined by paragraphs 25 and 26 of IAS 1) on the continuity of the Company, including due to the strong competitive position, high profitability and solidity of the financial structure.

FINANCIAL STATEMENTS

The Group has adopted the following formats:

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

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

SCOPE OF CONSOLIDATION

The scope of consolidation at 31 December 2013 comprises the direct parent company Sabaf S.p.A. and the following companies that Sabaf S.p.A. controls:

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

The investment in subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd., a company formed in 2009 and which at 31 December 2013 had yet to initiate purchase, production and sales operations, is booked at equity, to reflect the results of the subsidiary in the consolidated financial statements, which is incurring start-up costs resulting in losses, pending the launch of sales and production activity.

Control is the power to directly or indirectly determine the financial and operating policies of an entity in order to obtain benefits from its activities. If these subsidiaries exercise a significant influence, they are consolidated as from the date in which control begins until the date in which control ends so as to provide a correct representation of the Group's income, investments and cash flow.

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

CONSOLIDATION POLICIES

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

The policies applied for consolidation are as follows:

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

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

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

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

CONVERSION INTO EURO OF FOREIGN-CURRENCY INCOME STATEMENTS AND BALANCE SHEETS

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, each company's financial statements are expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements.
Balance-sheet items in accounts expressed in currencies other than euro are converted by applying current end-of-year exchange rates. Income-statement items are converted at average exchange rates for the year.
Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" in shareholders' equity.
Exchange rates used for conversion into euro of Sabaf do Brasil's annual report and accounts, prepared in Brazilian real, are in the following table:

CURRENCY	Exchange rate at 31.12.13	Average exchange rate 2013	Exchange rate at 31.12.12	Average exchange rate 2012
Brazilian real	3.2576	2.8687	2.7036	2.5084
Turkish lira	2.9605	2.5335	2.3551	2.3136
Chinese Renminbi	8.3491	8.1650	8.2207	8.1058

RECONCILIATION BETWEEN PARENT COMPANY AND CONSOLIDATED SHAREHOLDERS' EQUITY AND NET PROFIT FOR THE YEAR

Description	31.12.2013		31.12.2012	
	Net profit	Shareholders' equity	Net profit	Shareholders' equity [5]
NET PROFIT AND SHAREHOLDERS' EQUITY OF PARENT COMPANY SABAF S.P.A.	**3,730**	**104,359**	**2,236**	**101,450**
Shareholders' equity and net result of consolidated companies	4,669	51,614	2,413	50,608
Elimination of consolidated equity investments' carrying value	939	(42,165)	1,586	(41,189)
Goodwill	0	4,445	(1,028)	4,445
Equity investments booked at net equity	0	5	0	5
Intercompany eliminations:				
• Dividends	(1,034)	0	(792)	0
• Other intercompany eliminations	(200)	(303)	(219)	(95)
GROUP NET PROFIT AND SHAREHOLDERS' EQUITY	**8,104**	**117,955**	**4,196**	**115,224**

SEGMENT REPORTING

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

ACCOUNTING POLICIES

The accounting standards and policies applied for the preparation of the consolidated financial statements as at 31 December 2013, unchanged versus the previous year, with the exception of the retrospective application of IAS 19 (revised) described in Note 16, are reported below:

5 Amounts recalculated following the application of IAS 19 (Revised)

Property, plant and equipment

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

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

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

Leased assets

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

Goodwill

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

Other intangible assets

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

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

Impairment of value

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

Investment property

As allowed by IAS 40, non-operating buildings and constructions are assessed at cost net of depreciation and losses due to cumulative impairment of value. The depreciation criterion applied is the asset's estimated useful life, which is considered to be 33 years.
If the recoverable amount of investment property – determined based on the market value of the real estate – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or CGU) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment of value. Reversal of impairment loss is recognised as income in the income statement.

Equity investments and non-current receivables

The investment in subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd., a company formed in 2009 and which at 31 December 2013 had yet to initiate purchase, production and sales operations, is booked at equity, to reflect in the consolidated financial statements the results of the subsidiary, which is incurring start-up costs resulting in losses, pending the launch of production.
Other equity investments not classified as held for sale are stated in the accounts at cost, reduced for impairment. The original value is written back in subsequent years if the reasons for write-down cease to exist.
Non-current receivables are stated at their presumed realisable value.

Inventories

Inventories are measured at the lower out of purchase or production cost - determined according to the weighted average cost method - and the corresponding fair value consisting of replacement cost for purchased materials and of the presumed realisable value for finished and semi-processed products - calculated taking into account any conversion costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Obsolete or slow-moving stocks are written down according to their possibility of use or realisation or recovery. 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, even though they have been transferred in legal terms, continue to be recognised among "Trade receivables" until the time of related cash-in, which is never in advance of the due date with respect to the expiration date. Trade receivables overdue or assigned on a no-recourse basis are recognised with "other current receivables".

Current financial assets

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

Reserves for risks and contingencies

Reserves for risks and contingencies are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the impact is major, provisions are calculated by discounting estimated future cash flows at an estimated pre-tax discount rate such as to reflect fair market valuations of the present cost of money and specific risks associated with the liability.

Post-employment benefit reserve

The reserve 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. Until 31 December 2006, post-employment benefits were considered to be a defined-benefit plan and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulation of this fund was changed by Law 296 of 27 December 2006 as amended by subsequent decrees and laws passed in early 2007. In light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at balance-sheet). Conversely, portions accruing after that date are treated as defined-contribution plans. Until 31 December 2012, actuarial gains and losses were accounted for using the "corridor method"; from 1 January 2013, following the revision of IAS 19, actuarial gains and losses are posted immediately to "Other comprehensive income/(losses)", as described in more detail under "New accounting standards".

Payables

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

Loans

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

Policy for conversion of foreign-currency items

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

Derivative instruments and hedge accounting

The Group's business is exposed to financial risks relating to changes in exchange rates, commodity prices, and interest rates. The company uses derivative instruments (mainly forward contracts on currencies and commodity options) to hedge risks stemming from changes in foreign currencies relating to irrevocable commitments or to future transactions planned.
The Group does not use derivatives for trading purposes.
Derivatives are initially recognised at cost and are then adjusted to the fair value on subsequent closing dates.
Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Group's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.
For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in the fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.
Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.
Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.
The entry into force of IFRS 13, applicable from 1 January 2013, did not have an impact on the calculation of the fair value of derivative instruments outstanding.

Revenue recognition

Revenue is reported net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.
Sales revenue is reported when the company has transferred the significant risks and rewards associated with ownership of the goods and the amount of revenue can be reliably measured.
Revenue of a financial nature is reported on an accrual-accounting 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 recognised in the income statement when it accrues, considering effective yield.

Financial expenses

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

Income taxes for the year

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

Dividends

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

Own shares

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

Earnings per share

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

Use of estimates

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

Recoverable value of tangible and intangible assets

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

Provisions for credit risks

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

Provisions for inventory obsolescence

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

Employee benefits

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

Income tax

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

Other provisions and reserves

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

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

New accounting standards

Accounting standards and amendments applicable from 1 January 2013

On 16 June 2011, the IASB issued an amendment to IAS 19 – Employee Benefits, which eliminates the option to defer the recognition of actuarial gains and losses with the corridor method, requiring that all actuarial gains or losses be immediately recognised under "Other comprehensive income" so that the whole net amount of defined-benefit funds (net of assets servicing the plan) be recognised in the consolidated financial statements. The amendments also require the change from one year to the next in the defined-benefit fund and the assets servicing the plan to be broken down into three components: cost components arising from employees providing service must be recognised in the income statement as "service costs"; net financial charges calculated applying the appropriate discount rate to the net balance of the defined-benefit fund, net of assets arising at the start of the year, must be recognised in the income statement as such, actuarial gains and losses resulting from the remeasurement of assets and liabilities must be recognised under "Other comprehensive income". Furthermore, the interest on assets included under net financial charges as indicated above must be calculated on the basis of the discount rate of liabilities and no longer on the expected return on the assets. Finally, the amendment introduced new information to be provided in the Explanatory Notes to the Financial Statements. The amendment is applicable retrospectively.

For the situations as of 31 December 2012, presented for comparative purposes in these consolidated financial statements, the accumulated actuarial losses in the previous fiscal years were therefore reclassified with a shareholders' equity reserve created and named the post-employment benefit reserve, while the results for the year were booked under "actuarial gains and losses" on the comprehensive income statement. The accounting effects resulting from the change described above, which had no impact on consolidated profit for the year, are shown under Note 16. As the effect is considered immaterial, the column of restated figures to 1 January 2012 was not prepared, as permitted by the standard.

On 12 May 2011, the IASB issued the standard **IFRS 13** – ***Fair value measurement***, which defines a single framework for fair value measurements required or allowed by other standards and the related disclosures in the accounting statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date.

This standard must be applied prospectively. The Group has considered the effects resulting from the application of this standard and does not consider them to be significant.

On 16 December 2011, the IASB issued some amendments to **IFRS 7** – ***Financial instruments: disclosures*** (par. 13A-13F). The amendment requires disclosure on the effects or potential effects of offsetting financial assets and liabilities on a company's statement of financial position in applying IAS 32. The information must be provided retrospectively. The application of the amendments did not have any effect on these consolidated financial statements.

On 16 June 2011, the IASB issued an amendment to **IAS 1** – ***Presentation of financial statements*** to require companies to group all the components presented under "Other comprehensive income" according to whether or not they can subsequently be reclassified to the income statement. The related taxes must be allocated on the same basis. The consolidated comprehensive income statement was consequently adjusted.

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

On 12 May 2011, the IASB issued the standard **IFRS 10** – ***Consolidated Financial Statements***, which will replace SIC-12 *Consolidation – Special-purpose entities* and parts of IAS 27 – *Consolidated and separate financial statements*, which will be renamed *Separate financial statements*, and will regulate the accounting treatment of equity investments in the separate financial statements. The main changes established by the new standard are as follows:

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

In general terms, IFRS 10 requires a significant degree of judgement over a number of aspects relating to its application. The standard is to be applied retrospectively from 1 January 2014. The adoption of this standard will not have any impact on the scope of consolidation.

On 12 May 2011, the IASB issued standard **IFRS 11** – ***Joint arrangements***, which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Joint-controlled entities – Non-monetary contributions by Venturers*. Without prejudice to the criteria to identify the presence of joint control, the new standard provides the criteria for the accounting treatment of joint arrangements based on rights and obligations resulting from agreements rather than their legal form, and establishes the equity method as the only method of accounting for interests in joint ventures in consolidated financial statements. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. The new standard is to be applied retrospectively from 1 January 2014. Following the issuing of the standard, IAS 28 – *Investments in Associates* has been amended to include interests in joint ventures in its scope from the date the standard becomes effective. The adoption of this standard will not have any impact on the scope of consolidation.

On 12 May 2011, the IASB issued standard **IFRS 12** – ***Disclosure of interests in other entities***, a new and complete standard on the additional information to be provided in the consolidated financial statements for every type of interest, including those in subsidiaries, joint arrangements, affiliates, special purpose vehicles and other non-consolidated entities. The standard is to be applied retrospectively from 1 January 2014.

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 2011	**49,138**	**155,455**	**29,494**	**3,071**	**237,158**
Increases	2,951	5,520	2,018	2,730	13,219
Disposals	-	(804)	(344)	(8)	(1,156)
Reclassifications	1,403	1,162	37	(2,612)	(10)
Forex differences	(310)	(664)	(197)	46	(1,125)
AT 31 DECEMBER 2012	**53,182**	**160,669**	**31,008**	**3,227**	**248,086**
Increases	211	4,853	2,690	737	8,491
Disposals	-	(1,671)	(352)	(16)	(2,039)
Reclassifications	-	1,533	357	(1,890)	-
Forex differences	(1,507)	(1,478)	(377)	(117)	(3,479)
AT 31 DECEMBER 2013	**51,886**	**163,906**	**33,326**	**1,941**	**251,059**
ACCUMULATED DEPRECIATION					
AT 31 DECEMBER 2011	**9,964**	**122,108**	**24,317**	**-**	**156,389**
Depreciation of the year	1,408	8,137	2,215	-	11,760
Eliminations for disposals	-	(709)	(274)	-	(983)
Reclassifications	7	35	12	-	54
Forex differences	(48)	(383)	(141)	-	(572)
AT 31 DECEMBER 2012	**11,331**	**129,188**	**26,129**	**-**	**166,648**
Depreciation of the year	1,472	7,707	2,453	-	11,632
Eliminations for disposals	-	(1,617)	(311)	-	(1,928)
Reclassifications	6	15	37	-	58
Forex differences	(106)	(690)	(256)	-	(1,052)
AT 31 DECEMBER 2013	**12,703**	**134,603**	**28,052**	**-**	**175,358**
CARRYING VALUE					
AT 31 DECEMBER 2013	**39,183**	**29,303**	**5,274**	**1,941**	**75,701**
AT 31 DECEMBER 2012	**41,851**	**31,481**	**4,879**	**3,227**	**81,438**

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

	31.12.2013	31.12.2012	Change
Land	6,838	7,150	(312)
Industrial buildings	32,345	34,701	(2,356)
TOTAL	**39,183**	**41,851**	**(2,668)**

The carrying value of industrial property includes an amount of €7,457,000 (€7,744,000 at 31 December 2012) relating to industrial buildings and related land held under finance leases.

The main investments in the year related to the industrialisation of new models of special burners and light alloy valves, sales of which are expected to increase further in the future. Production capacity was also increased at the plants in Turkey and Brazil, in light of expectations of further growth in the markets served by these sites. Furthermore, investments were made in maintenance and replacement, mainly in the die-casting division, to ensure plant, machinery and moulds remain efficient.

At 31 December 2013, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
AT 31 DECEMBER 2011	**12,257**
Increases	-
Disposals	-
AT 31 DECEMBER 2012	**12,257**
Increases	1,000
Disposals	-
AT 31 DECEMBER 2013	**13,257**
ACCUMULATED DEPRECIATION	
AT 31 DECEMBER 2011	**4,631**
Depreciation of the year	233
Write-downs for impairment	-
Eliminations for disposals	-
AT 31 DECEMBER 2012	**4,864**
Depreciation of the year	335
Write-downs for impairment	384
Eliminations for disposals	-
AT 31 DECEMBER 2013	**5,583**
CARRYING VALUE	
AT 31 DECEMBER 2013	**7,674**
AT 31 DECEMBER 2012	**7,393**

This entry includes non-instrumental property belonging to the Group. This is mainly property for residential use reserved for lease or sale.

In 2013 the Group adjusted the carrying value of investment property to market values, resulting in a write-down of €384,000.

3. INTANGIBLE ASSETS

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
COST					
AT 31 DECEMBER 2011	**9,008**	**5,272**	**3,448**	**546**	**18,274**
Increases	-	451	531	12	994
Decreases	-	(4)	(214)	-	(218)
AT 31 DECEMBER 2012	**9,008**	**5,729**	**3,765**	**558**	**19,060**
Increases	-	85	405	45	535
Reclassifications	-	73	(64)	(9)	-
Decreases	-	(2)	(272)	(2)	(276)
Forex differences	-	(8)	-	-	(8)
AT 31 DECEMBER 2013	**9,008**	**5,877**	**3,834**	**592**	**19,311**
AMORTISATION/WRITE-DOWNS					
AT 31 DECEMBER 2011	**3,535**	**4,137**	**1,103**	**417**	**9,192**
Amortisation 2012	-	620	274	33	927
Write-downs	1,028	-	-	-	1,028
Decreases	-	(2)	-	-	(2)
AT 31 DECEMBER 2012	**4,563**	**4,757**	**1,377**	**450**	**11,145**
Amortisation 2013	-	568	291	20	879
Decreases	-	(2)	-	-	(2)
Forex differences	-	(2)	-	-	(2)
AT 31 DECEMBER 2013	**4,563**	**5,320**	**1,668**	**470**	**12,021**
CARRYING VALUE					
AT 31 DECEMBER 2013	**4,445**	**557**	**2,166**	**122**	**7,290**
AT 31 DECEMBER 2012	**4,445**	**974**	**2,388**	**108**	**7,915**

Goodwill

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

Despite higher sales (€6.6 million, an increase of 8.9% on 2012 and slightly ahead of budget), the Hinges CGU posted a negative result again in 2013, with a net loss of €328,000. With the introduction of new products, the Group incurred start-up costs, and operational efficiency was only gradually achieved over the year. In addition, current production volumes ate still insufficient to sustain fixed costs. To relaunch the CGU, the Group considers it necessary to boost the sales of high value-added special products; to this end, it has recently developed products that guarantee performance not currently available on the market (such as oven-door hinges with shock-absorbing springs, and hinges for particularly heavy doors), and has initiated numerous contacts with customers to launch these products. The 2014-2018 plan, drawn up at the end of 2013, projects a recovery in sales and profitability, to which the new products will make an essential contribution.

At 31 December 2013, the Group tested the carrying value of its Hinges CGU for impairment, determining its recoverable value, considered to be equivalent to its usable value, by discounting expected future cash flow. However, given that there are various elements of uncertainty implicit in realising this plan, and in line with the evaluations conducted on 31 December 2012, it was considered preferable to prepare a multi-scenario analysis, which contemplates the following three hypotheses:

- a "best estimate" scenario, which coincides with the subsidiary's plan and considers 100% of flows arising from new products;
- a "steady state" scenario (or "worst case"), which completely excludes flows of new products and hypothesizes the continuation of the present state;
- an intermediate scenario, which incorporates the realisation risk and considers only 75% of flows related to new products. The 75% weighting was set by management based on the probability of success of the new products the Group intends to introduce, taking into account the extent of completion of the development projects (the majority of which are already concluded) and the level of progress of commercial negotiations (in the finalisation period for significant volumes of incremental sales). The impairment test was conducted prudently considering this last scenario, inasmuch as it is considered achievable based on the abovementioned considerations.

Cash flows for the period 2014-2018 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity. Value in use was calculated based on a discount rate (WACC) of 8.62% (8.52% in the impairment test conducted for preparation of the financial statements at 31 December 2012) and a growth rate (g) of 1.50%, which is in line with historical data.

The recoverable value determined based on the assumptions and assessment techniques mentioned above is €7.812 million, compared with a carrying value of the assets allocated to the Hinges CGU of €7.251 million; consequently, it was not necessary to carry out write-downs in these consolidated financial statements.

Sensitivity analysis

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

	Scenario 1 best estimate			Scenario 2 steady state			Scenario 3 intermediate		
MILLIONS OF EURO	*growth rate*			*growth rate*			*growth rate*		
discount rate	**1.25%**	**1.50%**	**1.75%**	**1.25%**	**1.50%**	**1.75%**	**1.25%**	**1.50%**	**1.75%**
7.62%	11.4	11.8	12.2	2.5	2.5	2.6	9.0	9.3	9.7
8.12%	10.4	10.8	11.1	2.3	2.4	2.4	8.2	8.5	8.8
8.62%	9.6	9.9	10.2	2.2	2.2	2.3	7.6	**7.8**	8.1
9.12%	8.9	9.1	9.4	2.1	2.1	2.2	7.0	7.2	7.4
9.62%	8.3	8.5	8.7	2.0	2.0	2.1	6.5	6.7	6.9

The table shows that the recoverable value is highly sensitive to changes in the discount rate, the growth rate and the success of initiatives undertaken to improve the product range and adapt the production process, which is also conditioned by factors that cannot be controlled by the Group. The Board of Directors cannot therefore rule out that, in the future, the final profitability figure may diverge from that set out in forward data, requiring further goodwill impairment. Given the uncertainty of any process estimating future events not dependent on variables that can be controlled, the directors will systematically monitor the actual balance sheet and income statement data of the CGU to assess the need to adjust forecasts and at the same time reflect any further losses in value.

Patents, software and know-how

Software investments relate to the extension of the application area and the companies covered by the Group's management system (SAP).

Development costs

The main investments in the year related to the development of new products, including high-efficiency dual burners (research and development activities conducted over the year are set out in the Report on Operations). Over the year, development costs were written down to the tune of €271,000, since they related to projects that have been abandoned (Note 29).

4. EQUITY INVESTMENTS

	31.12.2012	Purchases	Capital increases	Gains (losses) from equity investments	Forex differences	31.12.2013
Sabaf Appliance Components (Kunshan)	231	-	450	(498)	(4)	179
Sabaf Mexico	548	-	-	-	-	548
Sabaf US	139	-	-	-	-	139
Other shareholdings	33	6	-	-	-	39
TOTAL	**951**	**6**	**450**	**(498)**	**(4)**	**905**

The value of the equity investment in Sabaf Appliance Components (Kunshan) increased by €450,000 owing to capital increases made in the period, and was reduced by €498,000 following the valuation at equity of the stake. The loss relates to the operating costs sustained by the company pending the launch of production activity on the local market.

Sabaf Mexico and Sabaf U.S. were not consolidated since they are immaterial for the purposes of consolidation and are valued at cost. At 31 December 2013, the Group found no endogenous or exogenous indicators of impairment for these equity investments.

5. NON-CURRENT RECEIVABLES

	31.12.2013	31.12.2012	Variazione
Tax receivables	396	35	361
Guarantee deposits	28	42	(14)
Others	2	13	(11)
TOTAL	**426**	**90**	**336**

Tax receivables relate to indirect taxes expected to be recovered after 2014.

6. INVENTORIES

	31.12.2013	31.12.2012	Change
Raw materials	9,273	9,239	34
Semi-processed goods	11,276	9,534	1,742
Finished products	9,977	7,524	2,453
Obsolescence provision	(2,300)	(2,261)	(39)
TOTAL	**28,226**	**24,036**	**4,190**

The value of inventory at 31 December 2013 increased following the production plant in Turkey became fully operational, and on the back of greater demand for consignment stock from customers and a higher than expected drop in sales in the last few months of the year. The obsolescence provision, broadly unchanged versus the previous year, reflects the improved estimate of the obsolescence risk, based on specific analyses conducted at the end of the year on slow- and non-moving products.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2013	31.12.2012	Change
Italy	15,944	17,739	(1,795)
Western Europe	4,957	2,146	2,811
Eastern Europe and Turkey	5,522	9,649	(4,127)
Asia and Oceania	5,313	5,122	191
South America	4,364	3,202	1,162
Africa	675	832	(157)
US, Canada & Mexico	1,542	714	828
GROSS TOTAL	**38,317**	**39,404**	**(1,087)**
Provision for doubtful accounts	(1,875)	(1,436)	(439)
NET TOTAL	**36,442**	**37,968**	**(1,526)**

At 31 December 2013 the value of trade receivables was down against the previous year, following the significant decrease in sales in the last quarter. At 31 December 2013, trade receivables included balances of approximately USD 4.5 million, posted at the €/USD exchange rate as at 31 December 2013, i.e. 1.3791.

The amount of trade receivables recognised in the financial statements includes €8.8 million of receivables assigned on a no-recourse basis (€11.4 million at 31 December 2012). The doubtful account provision recognised at the start of the year was partially used (in the amount of €790,000) for the losses on receivables which the Company incurred during 2013; at 31 December 2013 the fund was adjusted to reflect the best estimate of credit risk.

	31.12.2013	31.12.2012	Change
Current receivables (not past due)	30,836	30,117	719
Outstanding up to 30 days	2,833	3,477	(644)
Outstanding from 30 to 60 days	1,087	678	409
Outstanding from 60 to 90 days	666	814	(148)
Outstanding over 90 days	2,895	4,318	(1,423)
TOTAL	**38,317**	**39,404**	**(1,087)**

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

8. TAX RECEIVABLES

	31.12.2013	31.12.2012	Change
From Giuseppe Saleri S.a.p.A. for IRES	1,287	1,694	(407)
From inland revenue for VAT	430	427	3
From inland revenue for IRAP	1	30	(29)
Other tax receivables	877	1,475	(598)
TOTAL	**2,595**	**3,626**	**(1,031)**

As from the financial year 2004, the Italian companies of the Group took part in the national tax consolidation scheme (Group taxation) pursuant to articles 117/129 of the Unified Income Tax Law. This option was renewed in 2013 for another three years. In this scheme, Giuseppe Saleri S.a.p.A., the parent company of Sabaf S.p.A., acts as the consolidating company.
At 31 December 2013, the receivable from Giuseppe Saleri S.a.p.A. includes, in the amount of €1,159,000, the receivable originating from the fact that the portion of Italian regional production tax (IRAP) paid on personnel costs and similar for the period 2006-2011 is fully deductible from corporate income tax (IRES). The consolidating company has presented a refund request for this receivable, which it will reimburse to the companies of the Sabaf Group for the portion relating to them as soon as it has received the refund.
Other tax receivables mainly refer to receivables in respect of indirect Brazilian and Turkish taxes.

9. OTHER CURRENT RECEIVABLES

	31.12.2013	31.12.2012	Change
Receivables from suppliers	169	35	134
Receivables from factoring companies	157	167	(10)
Advances to suppliers	70	62	8
Others	478	558	(80)
TOTAL	**874**	**822**	**52**

10. CURRENT FINANCIAL ASSETS

	31.12.2013	31.12.2012	Change
Derivative instruments on interest rates	22	-	22
TOTAL	**22**	**0**	**22**

This item includes the positive fair value of a USD 510,000 forward sale contract maturing on 30 June 2014 (Note 36).

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €5,111,000 at 31 December 2013 (€6,137,000 at 31 December 2012) consisted of bank current-account balances of approximately €4.5 million and sight deposits of €0.6 million.

12. SHARE CAPITAL

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

13. OWN SHARES

In 2013, Sabaf S.p.A. purchased 97,857 own shares at an average price of €9.092 per share (€890,000) and sold 358,000 own shares at a price of €11.10 (€3,974,000). In accordance with IFRS, the realised capital gain of €750,000 was recorded directly under shareholders' equity.
At 31 December 2013, Sabaf S.p.A. held 507 own shares (0.004% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €9.006.
There were 11,532,943 outstanding shares at 31 December 2013 (11,272,800 at 31 December 2012).

14. LOANS

	31.12.2013		31.12.2012	
	Current	*Non Current*	*Current*	*Non Current*
Property leasing	135	2,036	716	2,171
Property mortgages	911	1,859	900	2,771
Unsecured loans	317	-	2,422	317
Short-term bank loans	8,950	-	15,017	-
Advances on bank receipts or invoices	6,504	-	5,586	-
Advances from factoring companies	1,074	-	-	-
Interest payable	49	-	-	-
TOTAL	**17,940**	**3,895**	**24,641**	**5,259**

All outstanding bank loans are denominated in euro, at a floating rate linked to the Euribor, with the exception of a short-term loan of USD 2 million.
To meet the Company's financial requirements, at 31 December 2013 outstanding short-term loans totalled €8,950,000, advances on bank receipts and invoices totalling €6,504,000 and advances from factoring companies of €1,074,000 had been used (against receivables from factoring companies of approximately €8.8 million – Note 7).
The loans are not bound by contractual provisions (covenants).
Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2013	31.12.2012	Change
Derivative instruments on interest rates	2	33	(31)
TOTAL	**2**	**33**	**(31)**

This item includes the negative fair value of the derivative financial instruments at year-end that hedge interest rate risks (Note 36).

16. POST-EMPLOYMENT BENEFIT RESERVE AND RETIREMENT RESERVES

	31.12.2013	31.12.2012 *restated*	31.12.2012
Liabilities at 1 January	**2,928**	**2,719**	**2,509**
Financial expenses	69	108	108
Amounts paid out	(164)	(243)	(243)
Actuarial losses	12	344	-
Liabilities at 31 December	**2,845**	**2,928**	**2,374**

The revision of IAS 19 – Employee Benefits eliminated the option to defer the recognition of actuarial gains and losses with the corridor method applied by the Group until 31 December 2012, requiring that all gains or losses be immediately recognised under "Other comprehensive income" in the Income Statement with retroactive effect. For the situations as of 31 December 2012, presented for comparative purposes in these consolidated financial statements, the accumulated actuarial losses in the previous fiscal years were therefore reclassified with a shareholders' equity reserve created and named the post-employment benefit reserve, while the results for the year were booked under "actuarial gains and losses" on the comprehensive income statement. The change described above led to the booking, at 31 December 2012, of an increased post-employment benefit reserve in the amount of €554,000 under liabilities, a negative post-employment benefit evaluation reserve of €401,000 (net of deferred tax assets of €153,000) under shareholders' equity and actuarial losses of €250,000 in the comprehensive income statement.
This had no effect on the net profit figure for 2012; the income statement for 2012, presented for comparative purposes, does not therefore need to be restated.

The post-employment benefit reserve (TFR) is valued on the basis of the following assumptions:

Financial assumptions

	31.12. 2013	31.12.2012
Discount rate	2.70%	2.50%
Inflation	2.00%	2.00%

Demographic assumptions

	31.12. 2013	31.12.2012
Mortality rate	SIM 2010 M/F	ISTAT 2002 M/F
Disability rate	INPS 1998 M/F	INPS 1998 M/F
Staff turnover	6% per year on all ages	6% per year on all ages
Advance payouts	5% per year	5% per year
Retirement age	in agreement with the legislation in force at 31 December 2013	in agreement with the legislation in force at 31 December 2012

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 eurozone.

17. PROVISIONS FOR RISKS AND CONTINGENCIES

	31.12.2012	Allocations	Forex differences	Uses	Release of excess	31.12.2013
Reserve for agents' indemnities	359	10	-	-	(32)	337
Product warranty reserve	60	2	-	(2)	-	60
Reserve for legal risks	213	89	(27)	-	-	275
TOTAL	**632**	**101**	**(27)**	**(2)**	**(32)**	**672**

The reserve for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.
The product warranty reserve covers the risk of returns or charges by customers for products already sold. The fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.

The reserve for legal risks, allocated for disputes of a modest size, was adjusted at the end of the year following the development of existing disputes.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historic experience, have not been time-discounted because the effect is considered negligible.

18. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

	31.12.2013	31.12.2012	Change
Italy	16,348	16,104	244
Western Europe	1,922	1,433	489
Eastern Europe and Turkey	216	134	82
Asia	319	596	(277)
South America	148	151	(3)
US, Canada & Mexico	10	126	(116)
TOTAL	**18,963**	**18,544**	**419**

Average payment terms did not change versus the previous year. At 31 December 2013, there were no overdue payables of a significant amount, and the Group had not received any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2013	31.12.2012	Change
Withholding taxes	783	754	29
To Giuseppe Saleri S.a.p.A.	655	-	655
To inland revenue for IRAP	40	12	28
Other tax payables	16	40	(24)
TOTAL	**1,494**	**806**	**688**

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

20. OTHER CURRENT PAYABLES

	31.12.2013	31.12.2012	Change
Due to employees	3,961	3,450	511
Due to social security institutions	2,085	2,023	62
Due to agents	252	297	(45)
Payments to clients	68	165	(97)
Other current payables	73	82	(9)
TOTAL	**6,439**	**6,017**	**422**

The increase in payables due to employees was mainly due to the rise in premiums accrued in relation to the outstanding MBO plan, settlement of which has been deferred to 2014. At the beginning of 2014, payables due to employees and social security institutions were paid according to the scheduled expiry dates.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2013	31.12.2012 *restated*	31.12.2012
Deferred tax assets (prepaid taxes)	5,471	4,093	3,941
Deferred tax liabilities	(532)	(386)	(386)
Net position	**4,939**	**3,707**	**3,555**

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

	Tax losses	Depreciation, amortisation and leasing	Provisions and value adjustments	Fair value of derivatives	Goodwill	Tax incentives	Actuarial post-employment benefit reserve evaluation (Note 16)	Other temporary differences	Total
AT 31 DECEMBER 2011	**373**	**(96)**	**1,153**	**3**	**1,993**	**0**	**58**	**63**	**3,547**
To the income statement	(167)	81	86	-	-	-	-	117	117
To shareholders' equity	-	-	-	(3)	-	-	94	-	91
Forex differences	(26)	-	(16)	-	-	-	-	(6)	(48)
AT 31 DECEMBER 2012	**180**	**(15)**	**1,223**	**0**	**1,993**	**0**	**152**	**174**	**3,707**
To the income statement	(180)	(52)	262	-	-	1,156	-	81	1,267
To shareholders' equity	-	-	-	5	-	-	3	-	8
Forex differences	-	-	(32)	-	-	-	-	(11)	(43)
AT 31 DECEMBER 2013	**0**	**(67)**	**1,453**	**5**	**1,993**	**1,156**	**155**	**244**	**4,939**

Prepaid taxes related to goodwill of €1,993,000 refer to the percentage of the shareholding value in Faringosi Hinges S.r.l. in 2011. The future fiscal benefit can be reported in ten annual amounts as from the financial year 2018.

Deferred tax assets and tax incentives relate to investments made in Turkey, for which the Group benefited from tax breaks recognised on income generated in Turkey for up to 30% of the investments made.

22. NET FINANCIAL POSITION

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

		31.12.2013	31.12.2012	Change
A.	Cash (Note 9)	15	11	4
B.	Positive balances of unrestricted bank accounts (Note 9)	4,519	2,972	1,547
C.	Other liquidities	577	3,154	(2,577)
D.	**Cash and cash equivalents (A+B+C)**	**5,111**	**6,137**	**(1,026)**
E.	Current bank payables (Note 14)	15,503	20,602	(5,099)
F.	Current portion of non-current debt (Note 14)	1,363	4,039	(2,676)
G.	Other current financial payables (Notes 14-15)	1,076	33	1,043
H.	**Current financial debt (E+F+G)**	**17,942**	**24,674**	**(6,732)**
I.	**Current net financial debt (H-D)**	**12,831**	**18,537**	**(5,706)**
J.	Current bank payables (Note 14)	1,859	3,087	(1,228)
K.	Other non-current financial payables (Note 14)	2,036	2,172	(136)
L.	**Non-current financial debt (J+K)**	**3,895**	**5,259**	**(1,364)**
M.	**Net financial debt (I+L)**	**16,726**	**23,796**	**(7,070)**

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

Comments on key income statement items

23. REVENUE

Sales revenue totalled €130,967,000 in 2013, up by €234,000 (+0.2%) versus 2012.

Revenue by product family

	2013	%	2012	%	Change %
Brass valves	14,613	*11.1%*	18,601	*14.2%*	-21.4%
Light alloy valves	27,618	*21.1%*	23,524	*18.0%*	+17.4%
Thermostats	13,350	*10.2%*	13,074	*10.0%*	+2.1%
Standard burners	38,222	*29.2%*	39,337	*30.1%*	-2.8%
Special burners	18,943	*14.5%*	18,850	*14.4%*	+0.5%
Accessories	11,571	*8.8%*	11,226	*8.6%*	+3.1%
Total gas components	124,317	*94.9%*	124,612	*95.3%*	-0.2%
Hinges	6,650	*5.1%*	6,121	*4.7%*	+8.6%
TOTAL	**130,967**	***100%***	**130,733**	***100%***	**+0.2%**

Geographical breakdown of revenue

	2013	%	2012	%	Change %
Italy	42,662	*32.6%*	45,597	*34.9%*	-6.4%
Western Europe	7,465	*5.7%*	7,337	*5.6%*	+1.7%
Eastern Europe and Turkey	29,300	*22.4%*	33,236	*25.4%*	-11.8%
Asia and Oceania	11,864	*9.1%*	12,306	*9.4%*	-3.6%
Central and South America	24,375	*18.6%*	21,895	*16.8%*	+11.3%
Africa	10,410	*7.9%*	6,950	*5.3%*	+49.8%
US, Canada & Mexico	4,891	*3.7%*	3,412	*2.6%*	+43.3%
TOTAL	**130,967**	***100%***	**130,733**	***100%***	**+0.2%**

European markets showed further signs of weakness in 2013: Group sales in Europe fell overall by €6.7 million (-7.8%). This fall was offset by the growth registered on markets outside Europe, where the Group registered sales that were €7 million higher than in 2012 (+15.7%).

The trend to replace brass valves with light alloy valves continued in 2013. Average sale prices in 2013 were down by around 1% versus 2012.
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

	31.12.2013	31.12.2012	Change
Sale of scraps	3,141	2,926	215
Contingent income	164	320	(156)
Rental income	119	114	5
Use of provisions for risks and contingencies	33	69	(36)
Other income	461	232	229
TOTAL	**3,918**	**3,661**	**257**

25. MATERIALS

	31.12.2013	31.12.2012	Change
Raw materials and purchases	47,856	44,279	3,577
Consumables	4,559	3,469	1,090
TOTAL	**52,415**	**47,748**	**4,667**

The actual cost of raw materials (brass, aluminium alloys and steel) fell by an average of 5% versus 2012. Savings were also made in the purchase of other components. Consumption (purchases plus change in inventory) as a percentage of sales was 36.3% in 2013, compared with 39% in 2012; this decrease was due to a different mix of products sold.

26. COSTS FOR SERVICES

	31.12.2013	31.12.2012	Change
Outsourced processing	11,161	11,407	(246)
Natural gas and power	5,727	5,469	258
Maintenance	3,760	4,394	(634)
Freight, carriage, transport	1,736	1,674	62
Advisory services	1,424	1,463	(39)
Directors' remuneration	878	1,067	(189)
Commissions	762	805	(43)
Travel expenses and allowances	544	572	(28)
Insurance	334	349	(15)
Canteen	367	336	31
Temporary agency workers	119	83	36
Other payroll costs	3,271	3,370	(99)
TOTAL	**30,083**	**30,989**	**(906)**

The fall in maintenance costs relates to the cyclical nature of upgrades and maintenance work on production equipment. Other costs for services did not vary significantly from the previous year.

In 2013, the cost per kwh of electricity and the cost per m3 of natural gas did not vary significantly from the previous year.

Costs for advisory services related to technical (€287,000), sales (€281,000) and legal, administrative and general (€856,000) services.

Commissions related to agency contracts for sales mainly on markets outside Europe.

27. PAYROLL COSTS

	31.12.2013	31.12.2012	Change
Salaries and wages	21,485	20,337	1,148
Social security costs	7,076	6,650	426
Temporary agency workers	848	769	79
Post-employment benefit reserve and other payroll costs	1,930	1,546	384
TOTAL	**31,339**	**29,302**	**2,037**

Average Group headcount in 2013 totalled 731 employees (584 blue-collars, 136 white-collars and supervisors, and 11 managers), compared with 710 in 2012 (565 blue-collars, 136 white-collars and supervisors, and 9 managers). The average number of temporary staff was 54 in 2013 (28 in 2012).

In the year, the Group made occasional use of the government's statutory redundancy pay scheme (*Cassa Integrazione Guadagni Ordinaria*) when production needs were low: this made possible savings of €339,000 in payroll costs (€531,000 in 2012).

28. OTHER OPERATING COSTS

	31.12.2013	31.12.2012	Change
Losses and write-downs of trade receivables	1,240	1,608	(368)
Other taxes	536	483	53
Other administration expenses	189	217	(28)
Contingent liabilities	109	82	27
Provisions for risks	91	21	70
Others provisions	10	13	(3)
TOTAL	**2,175**	**2,424**	**(249)**

In 2013 losses and write-downs of receivables were recognised in the amounts of €790,000 and €450,000 respectively, as a consequence of the financial difficulties suffered by some of the Company's major customers, including Fagor. Non-income taxes chiefly relate to property tax.
Receivables were written down to adjust the related reserve to the risk of insolvency by some clients, in view of the difficult environment on some markets and the existence of past due accounts. Provisions refer to the allocations to the reserves described in Note 17.

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

	31.12.2013	31.12.2012	Change
Write-down of investment property	384	-	384
Write-down of development costs	271	-	271
Goodwill impairment	-	1,028	(1.028)
TOTAL	**655**	**1,028**	**(373)**

The write-down of investment property conducted in 2013 adjusted the carrying value of residential investment property to market values (Note 2).
The write-down of development costs related to projects that have been abandoned or which failed to meet the commercial success originally expected (Note 3).
At 31 December 2012, the Group had booked an impairment on the goodwill allocated to the Hinges CGU of €1.028 million, following an impairment test conducted at the end of the previous year. As shown in Note 3, no impairment emerged from the tests conducted on 31 December 2013.

30. FINANCIAL EXPENSES

	31.12.2013	31.12.2012	Change
Interest paid to banks	416	631	(215)
Interest paid on finance lease contracts	39	75	(36)
IRS spreads payable	33	59	(26)
Banking expenses	208	295	(87)
Other finance expense	79	102	(23)
TOTAL	**775**	**1,162**	**(387)**

The fall in financial expenses relates to the lower average net financial debt and the reduction in interest rates compared with 2012.

31. FOREIGN EXCHANGE GAINS/LOSSES

In 2013, the Group reported net foreign exchange losses of €186,000, versus net losses of €293,000 in 2012. Foreign exchange losses mainly originated from the depreciation of the dollar, the Brazilian real and the Turkish lira against the euro.

32. INCOME TAX

	31.12.2013	31.12.2012	Change
Current tax	3,760	3,263	497
Deferred tax	(1,513)	(125)	(1,388)
Accounting of IRES credit, under Decree Law 16/2012	-	(1,103)	1,103
Balance of previous FY	(540)	(12)	(528)
TOTAL	**1,707**	**2,023**	**(316)**

Current income taxes include corporate income tax (IRES) of €1,978,000 and Italian regional production tax (IRAP) of €1,121,000, Brazilian income tax of €653,000 and income on Turkish revenue of €8,000 (respectively €1,651,000, €1,196,000, €416,000 and €0 in 2012).
Taxes relating to previous years originate from the recalculation of taxes carried out on the occasion of the submission of tax returns compared with that calculated on the date the previous consolidated financial statements were prepared, owing to various changes and more favourable interpretations of the applicable tax legislation.
In accordance with Legislative Decree 16 of 2 March 2012, at 31 December 2012 the Group booked the tax credit resulting from the non-deduction of IRAP for personnel costs and similar for the period 2007-2011. As a result, taxes booked in the 2012 income statement were lower by €1,103,000.

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

	31.12.2013	31.12.2012
Theoretical income tax	2,697	1,831
Tax effect on permanent differences	199	296
Taxes relating to previous years	(386)	(19)
Tax effect from different foreign tax rates	77	98
Use of tax losses	(469)	(535)
Accounting of IRES credit, under Decree Law 16/2012	-	(1,103)
Booking of tax incentives for investments in Turkey	(1,350)	-
Other differences	(29)	235
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**739**	**803**
IRAP (current and deferred)	968	1,220
TOTAL	**1,707**	**2,023**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. For the purposes of reconciliation, IRAP is not considered because its taxable base is different to that of pre-tax profit and inclusion of the tax would generate distortionary effects.
No significant tax disputes were pending at 31 December 2013.

33. EARNINGS PER SHARE

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

PROFIT

	2013	2012
	Euro '000	*Euro '000*
Net profit for period	8,104	4,196

NUMBER OF SHARES

	2013	2012
Weighted average number of ordinary shares for calculating basic EPS	11,330,356	11,443,242
Dilution effect arising from potential ordinary shares	-	-
Weighted average number of ordinary shares for calculating diluted EPS	11,330,356	11,443,242

EARNINGS PER SHARE (€)

	2013	2012
Basic earnings per share	0.715	0.367
Diluted earnings per share	0.715	0.367

Basic earnings per share is calculated on the average number of outstanding shares minus own shares, equal to 203,094 in 2013 (90,028 in 2012).
Diluted earnings per share is calculated taking into account any shares approved but not yet subscribed, of which there were none in 2012 and 2013.

34. DIVIDENDS

On 23 May 2013, shareholders were paid a dividend of €0.35 per share (total dividends of €3,911,000).
Directors have recommended payment of a dividend of €0.40 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities.
The dividend proposed for 2013 is scheduled for payment on 29 May 2014 (ex-date 26 May 2014 and record date 28 May 2014).

35. INFORMATION BY BUSINESS SEGMENT

Below is the information by business segment for 2013 and 2012.

	FY 2013			FY 2012		
	Gas components	Hinges	Total	Gas components	Hinges	Total
Sales	124,321	6,646	**130,967**	124,631	6,102	**130,733**
Operating income (loss)	11,526	(395)	**11,131**	8,005	(85)	**7,920**

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

	31.12.2013	31.12.2012
FINANCIAL ASSETS		
Amortised cost		
• Cash and cash equivalents	5,111	6,137
• Commercial receivables and other receivables	37,316	38,790
Income statement fair value		
• Derivative cash flow hedges	22	-

	31.12.2013	31.12.2012
FINANCIAL LIABILITIES		
Comprehensive income statement fair value		
• Derivative cash flow hedges	2	33
Amortised cost		
• Loans	21,835	29,900
• Trade payables	18,963	18,544

The Group is exposed to financial risks related to its operations, and mainly:

- to the risk of credit, with particular reference to the normal commercial relationships with customers;
- market risk, in relation to the volatility of the prices of commodities, exchange rates and rates;
- liquidity risk, which can be expressed with the inability to find financial resources necessary to ensure Group operations.

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

Credit risk management

The Company has trade receivables with domestic appliance manufacturers, multinational groups and smaller manufacturers present on a few or individual markets. It assesses the creditworthiness of all its customers at the start of the supply and systemically on at least an annual basis. After this assessment, each client is assigned a credit limit.

A significant amount of risk (approximately 25% of the maximum theoretical exposure) is transferred by assignment through no-recourse factoring transactions to primary financial institutions.

Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit, confirmed by key banks.

Forex risk management

The key currencies other than the euro which the Group is exposed to are the US dollar and the Brazilian real and the Turkish lira, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production units in Brazil and Turkey. Sales in US dollars represented approximately 12% of total revenue in 2013, while purchases in dollars represented about 2% of total revenue. Transactions in dollars were partially hedged by derivative financial instruments: at 31 December 2013, the Group had in place a forward sale contract of USD 510,000 at an exchange rate of 1.30, maturing on 30 June 2014.

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2013, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €362,000.

Interest rate risk management

The Group borrows money at a floating rate; to reach an optimal mix of floating and fixed rates in the structure of the loans, the Group uses derivative financial instruments designating them to cash flow hedges. In 2009, the Group entered into two IRS agreements to convert from 2010 two loans of equal amount from a floating to fixed interest rate, both falling due by the end of 2014. The chart below shows the salient characteristics of the IRS in effect at 31 December 2013 and 31 December 2012:

AT 31 DECEMBER 2013

	Average interest rates of the contracts	Notional value	Fair value
Within 1 year	2.20%	317	(2)
From 1 to 2 years	-	-	-
More than 2 years	-	-	-
TOTAL			**(2)**

AT 31 DECEMBER 2012

	Average interest rates of the contracts	Notional value	Fair value
Within 1 year	2.15%	1,680	(31)
From 1 to 2 years	2.20%	321	(2)
More than 2 years	-	-	-
TOTAL			**(33)**

Sensitivity analysis

With reference to financial assets and liabilities at floating rate at 31 December 2013 and 31 December 2012, 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:

	31.12.2013		31.12.2012	
	Financial charges	Cash flow hedge reserves	Financial charges	Cash flow hedge reserves
Increase of 100 base points	240	-	0.2	18
Decrease of 100 base points	(171)	-	(0.2)	(18)

Commodity price risk management

A significant portion of the Group's acquisitions are represented by brass, steel and aluminium alloys. Sale prices of products are generally renegotiated annually; as a result, the Group is unable to pass on to clients any changes in the prices of commodities during the year. The Group protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months or, alternatively, with derivative financial instruments. In 2013 and 2012, the Group did not use financial derivatives on commodities. To stabilise the rising costs of commodities, Sabaf preferred to execute transactions on the physical market, establishing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Group operates with a low debt ratio (net debt / shareholders' equity at 31 December 2013 equal to 0.14) and has unused short-term lines of credit of approximately €60 million. To minimise the risk of liquidity, the Administration and Finance Department:

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

Below is an analysis by expiration date of the financial payables at 31 December 2013 and 31 December 2012:

AT 31 DECEMBER 2013

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

AT 31 DECEMBER 2012

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	20,603	20,606	20,606	-	-	-
Unsecured loans	2,739	2,766	711	1,737	318	-
Property mortgages	3,671	3,775	-	944	2,831	-
Finance leases	2,887	3,351	347	431	754	1,819
Total financial payables	**29,900**	**30,498**	**21,664**	**3,112**	**3,903**	**1,819**
Trade payables	18,544	18,544	17,074	1,470	-	-
TOTAL	**48,444**	**49,042**	**38,738**	**4,582**	**3,903**	**1,819**

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 31 December 2010 and increased by the spread set forth in each contract.

Hierarchical levels of the fair value assessment

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

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

The following table shows the assets and liabilities that are valued at the fair value at 31 December 2013, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Current financial assets (derivatives on currency)	-	22	-	22
Total assets	**0**	**22**	**0**	**22**
Other financial liabilities (derivatives on rates)	-	2	-	2
Total liabilities	**0**	**2**	**0**	**2**

37. RELATED-PARTY TRANSACTIONS

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

Impact of related-party transactions on balance sheet accounts

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

	Total 2012	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	37,968	-	82	-	82	0.22%
Tax receivables	3,627	1,694	-	-	1,694	46.71%
Trade payables	18,544	-	151	-	151	0.81%

Impact of related-party transactions on income statement accounts

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

	Total 2012	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	3,661	33	-	-	33	0.90%
Services	(30,989)	-	(151)	-	(151)	0.49%
Profits and losses from equity investments	(465)	-	(465)	-	(465)	100%

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

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

Transactions are regulated by specific contracts regulated at arm's length conditions. Transactions with non-consolidated subsidiaries were solely of a commercial nature. Losses from equity investments relate to the valuation of Sabaf Appliance Components (Kunshan) at equity, as described in more detail in Note 4.

Remuneration to directors, statutory auditors and executives with strategic responsibilities

Please see the 2013 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

At 31 December 2013, there were no equity-based incentive plans for the Group's directors and employees.

39. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

	Shareholders' equity	Net profit	Net financial debt	Cash flow
Financial statement items (A)	**117,955**	**8,104**	**16,726**	**(1,026)**
Booking of tax incentives for investments in Turkey (Notes 21 and 32)	(1,156)	(1,350)	-	-
Figurative financial statement value (A+B)	**116,799**	**6,754**	**16,726**	**(1,026)**

The net result for 2012 included the recognition of tax credits resulting from the non-deduction of IRAP for personnel costs and similar for the period 2007-2011, and consequently lower income taxes of €1,103,000.

40. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob memorandum of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the Consob memorandum were executed during 2013.

41. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by banks to Group employees for a total of €6,598,000 (€7,075,000 at 31 December 2012).

42. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

Companies consolidated on a 100% line-by-line basis

Company name	Registered office	Share capital	Shareholders	% ownership
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%
Sabaf Immobiliare s.r.l.	Ospitaletto (BS)	EUR 25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaì (SP, Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRK 32,000,000	Sabaf S.p.A.	100%
Sabaf Appliance Components Trading Ltd.	Kunshan (China)	EUR 200,000	Sabaf S.p.A.	100%

Non-consolidated companies valued at equity

Company name	Registered office	Share capital	Shareholders	% ownership
Sabaf Appliance Components Ltd.	Kunshan (China)	EUR 2,250,000	Sabaf S.p.A.	100%

Non-consolidated companies valued at cost

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

Other significant equity investments: none

43. GENERAL INFORMATION ON THE PARENT COMPANY

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

Contacts:
Tel: +39 030 - 6843001
Fax: +39 030 - 6848249
E-mail: info@sabaf.it
Website: *www.sabaf.it*

Tax information:
R.E.A. Brescia: 347512
Tax code: 03244470179
VAT Reg. No.: 01786910982

APPENDIX

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

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

IN THOUSANDS OF EURO	Party that provides the service	Recipient	Considerations for the year 2013
Audit	Deloitte & Touche S.p.A.	Direct parent company	52
	Deloitte & Touche S.p.A.	Italian subsidiaries	20
	Deloitte network	Sabaf do Brasil	30
	Deloitte network	Sabaf Turkey	19
Certification services	Deloitte & Touche S.p.A.	Direct parent company	2 [1]
	Deloitte & Touche S.p.A.	Italian subsidiaries	1 [1]
Other services	Deloitte & Touche S.p.A.	Direct parent company	17 [2]
	Deloitte network	Sabaf do Brasil	4 [3]
TOTAL			**145**

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

TECHNOLOGY AND SAFETY

CERTIFICATION OF THE CONSOLIDATED ANNUAL REPORT AND ACCOUNTS

in accordance with 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, paragraph 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify

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

of the administrative and accounting principles for drafting the consolidated annual report and accounts in 2013.

They also certify that:

- the Consolidated Annual Report and Accounts :
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and Article 9 of Leg. Decree 38/2005;
  - correspond to the results of the accounting entries and ledgers;
  - are appropriate to provide a truthful and correct picture of the income statement, balance sheet, and cash flow of the issuer and the companies included in the consolidation;
- the interim report includes a credible analysis of the performance and results of operations, the situation at the issuer, and the companies included in the area of consolidation, along with a description of the key risks and uncertainties to which they are exposed.

Ospitaletto, 20 March 2014

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

Deloitte.

Deloitte & Touche S.p.A.
Via Cefalonia, 70
25124 Brescia
Italia

Tel: +39 02 83327030
Fax: +39 02 83327029
www.deloitte.it

AUDITORS' REPORT

ON CONSOLIDATED FINANCIAL STATEMENTS PURSUANT

TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SABAF S.p.A.

1. We have audited the consolidated financial statements of Sabaf S.p.A. and subsidiaries (the "Sabaf Group"), which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements present for comparative purposes prior year data. As explained in the explanatory notes to the consolidated financial statements, to take account of the adoption of the new amendment of IAS 19 – Employee Benefits, the Directors have adjusted certain comparative data related to the prior year's consolidated financial statements with respect to the data previously reported and audited by us, on which we issued auditors' report dated April 4, 2013. These modifications of comparative data and related disclosures included in the explanatory notes to the consolidated financial statements have been audited by us for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2013.

3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sabaf Group as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Sabaf S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure, published in the section "*Investor Relations*" of the internet website of Sabaf S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and ownership structure, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the report on corporate governance and ownership structure are consistent with the consolidated financial statements of the Sabaf Group as of December 31, 2013.

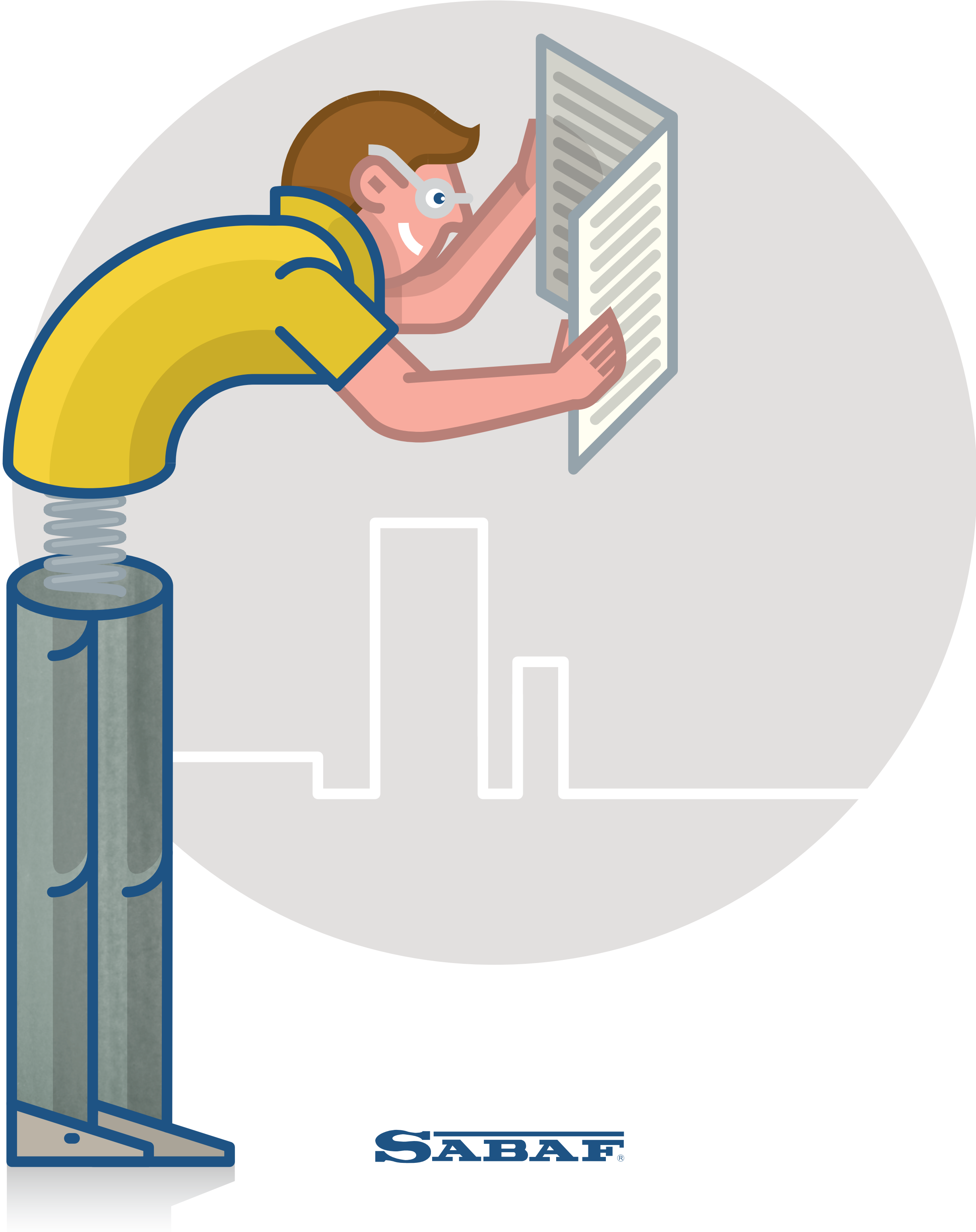
DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Brescia, Italy
April 4, 2014

This report has been translated into the English language solely for the convenience of international readers.

Be flexible



SABAF

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CHAPTER

Statutory Annual Report & accounts at 31 December 2013

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Corporate bodies

Board of Directors

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

Board of Statutory Auditors

Chairman	Alessandro Busi
Statutory Auditor	Enrico Broli
Statutory Auditor	Anna Domenighini

Independent Auditor

Deloitte & Touche S.p.A.

* independent directors

Statement of financial position

IN EURO	Notes	31.12.2013	31.12.2012 [1]
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	32,211,558	34,574,889
Investment property	2	2,221,746	2,416,055
Intangible assets	3	3,236,104	3,921,690
Equity investments	4	43,070,033	42,129,019
Non-current assets	5	1,451,345	1,515,841
of which from related parties	*36*	*1,451,345*	*1,515,841*
Non-current receivables		6,800	6,800
Deferred tax assets (prepaid taxes)	20	3,645,704	3,449,149
Total non-current assets		**85,843,290**	**88,013,443**
CURRENT ASSETS			
Inventories	6	23,874,989	20,779,835
Trade receivables	7	31,600,439	35,363,276
of which from related parties	*36*	*1,191,532*	*876,361*
Tax receivables	8	1,176,478	1,895,451
of which from related parties	*36*	*1,083,666*	*1,568,002*
Other current receivables	9	1,826,190	1,954,904
of which from related parties	*36*	*1,273,233*	*1,490,988*
Cash and cash equivalents	10	2,345,426	1,601,050
Total current assets		**60,823,522**	**61,594,516**
ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**146,666,812**	**149,607,959**

IN EURO	Notes	31.12.2013	31.12.2012 [1]
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11	11,533,450	11,533,450
Retained earnings, other reserves		89,096,059	87,681,297
Net profit for period		3,729,628	2,236,106
Total shareholders' equity		**104,359,137**	**101,450,853**
NON-CURRENT LIABILITIES			
Loans	13	0	317,003
Post-employment benefit reserve and retirement reserves	15	2,496,163	2,565,957
Provisions for risks and contingencies	16	418,576	398,930
Deferred tax	20	13,698	27,016
Total non-current liabilities		**2,928,437**	**3,308,906**
CURRENT LIABILITIES			
Loans	13	15,495,741	21,524,555
Other financial liabilities	14	1,542	32,522
Trade payables	17	16,909,247	17,079,138
Tax payables	18	1,023,569	668,603
of which from related parties	*36*	*317,076*	*0*
Other liabilities	19	5,949,139	5,543,382
Total current liabilities		**39,379,238**	**44,848,200**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**146,666,812**	**149,607,959**

1 The values were recalculated following the application of the IAS standard 19, revised, which involves, among other things, the change in the method to calculate the actuarial gains and losses for the post-employment benefit that are recognised in the consolidated comprehensive income statement without direct recognition on the consolidated in-come statement (Note 15). The change described above led to the restatement of the statement of financial position as at 31 December 2012, which was approved by the shareholders' meeting on 30 April 2013. This restatement involved recording an increase in the €473,944 post-employment benefit reserve under liabilities and a negative post-employment benefit evaluation reserve of €343,609 under shareholders' equity

Income statement

IN EURO	Notes	2013	2012 [2]
CONTINUING OPERATIONS			
OPERATING REVENUE AND INCOME			
Revenue	22	112,417,253	116,202,488
of which from related parties	*36*	*(3,783,304)*	*(1,739,878)*
Other income	23	3,270,760	3,239,249
Total operating revenue and income		**115,688,013**	**119,441,737**
OPERATING COSTS			
Materials	24	(44,271,029)	(42,329,552)
Change in inventories		3,095,154	(3,653,626)
Services	25	(29,811,877)	(30,753,060)
from related parties	*36*	*(4,128,330)*	*(4,043,254)*
Payroll costs	26	(27,054,549)	(25,934,244)
Other operating costs	27	(1,658,420)	(1,997,587)
Costs for capitalised in-house work		914,997	1,056,473
Total operating cost		**(98,785,724)**	**(103,611,596)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**16,902,289**	**15,830,141**
Depreciation & Amortisation	1,2,3	(9,863,693)	(10,389,323)
Capital gains/(losses) on disposal of non-current assets		51,424	374,882
Write-downs/write-backs of non-current assets	28	(1,707,930)	(2,050,638)
from related parties	*36*	*(1,436,656)*	*(2,050,638)*
OPERATING PROFIT		**5,382,090**	**3,765,062**
Financial income		83,256	40,918
Financial expenses	29	(687,420)	(828,160)
Foreign exchange gains/losses	30	(94,439)	(61,348)
Profits and losses from equity investments	31	1,034,076	792,079
from related parties	*36*	*1,034,076*	*792,079*
PRE-TAX PROFIT		**5,717,563**	**3,708,551**
Income tax	32	(1,987,935)	(1,472,445)
NET PROFIT FOR THE YEAR		**3,729,628**	**2,236,106**

2 As indicated in Note 15, the change in the method to calculate the actuarial gains and losses for the post-employment benefit in accordance with the revised IAS 19 standard did not have any effect on the income statement

Comprehensive income statement

IN EURO	2013	2012 [3]
NET PROFIT FOR THE YEAR	**3,729,628**	**2,236,106**
Overall earnings/losses that will not be subsequently restated under profit (loss) for the period:		
• Actuarial post-employment benefit reserve evaluation	(15,120)	(218,833)
Overall earnings/losses that will be subsequently re-stated under profit (loss) for the period:		
• Cash hedge flows	20,745	6,958
Total profits/(losses) net of taxes for the year	**5,625**	**(211,875)**
TOTAL PROFITS	**3,735,253**	**2,024,231**

Statement of changes in shareholders' equity

IN THOUSANDS OF EURO	Share capital	Share premium reserve	Legal reserve	Own shares	Cash flow hedge reserves	Actuarial post-employment benefit valuation reserve	Other reserves	Profit of the year	Total Shareholders' equity
BALANCE AT 31/12/ 2011 [4]	**11,533**	**10,002**	**2,307**	**(328)**	**(7)**	**(125)**	**73,834**	**11,122**	**108,338**
Allocation of 2011 earnings									
• dividends paid								(6,901)	(6,901)
• to reserves							4,221	(4,221)	0
Acquisition own shares				(2,011)					(2,011)
Total profit at 31/12/2012					7	(219)		2,236	2,024
BALANCE AT 31/12/ 2012 [3]	**11,533**	**10,002**	**2,307**	**(2,339)**	**0**	**(344)**	**78,055**	**2,236**	**101,450**
dividends paid							(1,675)	(2,236)	(3,911)
Purchase/sale own shares				2,334			750		3,084
Total profit at 31/12/2013					21	(15)		3,730	3,736
BALANCE AT 31/12/2013	**11,533**	**10,002**	**2,307**	**(5)**	**21**	**(359)**	**77,130**	**3,730**	**104,359**

3 The values were recalculated following the application of the IAS standard 19, revised, which involves, among other things, the change in the method to calculate the actuarial gains and losses for the post-employment benefit that are recognised in the consolidated comprehensive income statement without direct recognition on the consolidated in-come statement (Note 15). The change described above led to the restatement of the comprehensive income statement as at 31 December 2012, which was approved by the shareholders' meeting on 30 April 2013. This restatement led to the booking of actuarial losses totalling €218,833 on the comprehensive income statement

4 The values were recalculated following the application of the revised IAS standard 19, which involves, among other things, a change in the method of calculating the actuarial gains and losses for the post-employment benefit (Note 15); this change led to the restatement of the statement of financial position as at 31 December 2012, which was approved by the shareholders' meeting on 30 April 2013; this restatement involved recording a negative post-employment benefit evaluation reserve of €343,609 under shareholders' equity

Cash flow statement

IN THOUSANDS OF EURO	FY 2013	FY 2012
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,601**	**9,180**
Net profit for period	3,730	2,236
Adjustments for:		
• Depreciation and amortisation	9,864	10,389
• Realised gains/losses	(51)	(375)
• Write-downs of non-current assets	1,708	2,051
• Net financial income and expenses	604	787
• Income tax	1,987	1,472
Change in post-employment benefit reserve	(131)	(202)
Change in general provisions	20	(68)
Change in trade receivables	*3,763*	*4,198*
Change in inventories	*(3,095)*	*3,653*
Change in trade payables	*(170)*	*(7,849)*
Change in working capital	498	2
Change in other receivables and payables, deferred tax liabilities	734	(2,052)
Payment of taxes	(1,318)	(2,322)
Payment of financial expenses	(627)	(733)
Collection of financial income	83	41
Cash flow from operations	**17,101**	**11,226**
Investments in non-current assets		
• intangible	(583)	(1,030)
• tangible	(6,432)	(5,808)
• financial	(3,436)	(9,152)
Disposal of non-current assets	1,234	481
Net investments	**(9,217)**	**(15,509)**
Repayment of loans	(12,521)	(6,516)
New loans	6,144	12,102
New financial assets	64	30
Purchase/sale own shares	3,084	(2,011)
Payment of dividends	(3,911)	(6,901)
Cash flow from financing activities	**(7,140)**	**(3,296)**
Total financial flows	**744**	**(7,579)**
Cash and cash equivalents at end of year (Note 10)	**2,345**	**1,601**
Current net financial debt	15,497	21,557
Non-current financial debt	0	317
Net financial debt (Note 21)	**13,152**	**20,273**

Explanatory notes

Accounting standards

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Sabaf S.p.A. individual year-end accounts for the financial year 2013 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 statutory financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The 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 is 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) on the continuity of the Company, including 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 2013.

FINANCIAL STATEMENTS

The Company has adopted the following formats and policies for financial statements:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement that expresses revenue and expense items not recognised in profit 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 financial statements as at 31 December 2013, unchanged versus the previous year, with the exception of the effect of retrospectively applying the revised IAS19 standard described in Note 15, are as follows:

Property, plant and equipment

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

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

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

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 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

Intangible assets acquired or internally produced are recognised as assets, as established by IAS 38, when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. If development costs no longer have any future economic benefits, they are written down in the year in which this is determined.

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 see whether there are signs of impairment of the value of these assets. If such signs exist, the recoverable value is estimated in order to determine the write-down amount.
If it is not possible to estimate recoverable value individually, the Company estimates the recoverable value of the cashgenerating unit (CGU) to which the asset belongs. In particular, the recoverable value of the cash generating units (which generally coincide with the legal entity which the capitalised assets refer to) is verified by determining the value of use.
The recoverable amount is the higher between the net selling price and value in use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects fair market valuations of the present cost of money and specific asset risk.
The assumptions used for calculating the value of use concerns the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for calculation, during the period used for the calculation.
The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sale prices are based on past experience and on the expected future changes in the market.
The Company prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the subsidiaries, draws up three-year forecasts and determines the so-called "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 annual accounts 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 of the presumed realisable value for finished and semi-processed products – calculated taking into account any conversion costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Obsolete or slow-moving stocks are written down according to their possibility of use or realisation or recovery. 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, even though they have been transferred in legal terms, continue to be recognised among "Trade receivables" until the time of related cash-in. Advances received for the assignment of trade receivables are recorded under current loans.

Current and non-current financial assets

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

Reserves for risks and contingencies

Reserves for risks and contingencies are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the impact is major, provisions are calculated by discounting estimated future cash flows at an estimated pre-tax discount rate such as to reflect fair market valuations of the present cost of money and specific risks associated with the liability.

Reserve for post-employment benefit obligations

The reserve 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. Until 31 December 2006, post-employment benefits were considered to be a defined-benefit plan and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulation of this fund was changed by Law 296 of 27 December 2006 as amended by subsequent decrees and laws passed in early 2007. In light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at balance-sheet). Conversely, portions accruing after that date are treated as defined-contribution plans.
Until 31 December 2012, the actuarial gains and losses were recorded using the "corridor method"; following the revision of IAS 19, since 1 January 2013 the actuarial gains and losses have been immediately recognised under "Other comprehensive income", as described in the paragraph "New accounting standards" below and in Note 15.

Payables

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

Loans

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

Policy for conversion of foreign-currency items

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

Derivative instruments and hedge accounting

The 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 the fair value on subsequent closing dates.
Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the 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 the fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.
Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.
Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.
The coming into force of IFRS 13, applicable since 1 January 2013, did not have any effect on the determination of the fair value of current derivatives.

Revenue recognition

Revenue is reported net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.
Sales revenue is reported when the company has transferred the significant risks and rewards associated with ownership of the goods and the amount of revenue can be reliably measured.
Revenue of a financial nature is reported on an accrual-accounting 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 recognised in the income statement when it accrues, considering effective yield.

Financial expenses

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

Income taxes for the year

Income taxes include all taxes calculated on the 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 according to the global liability provisioning method. They are calculated on all temporary differences emerging between the taxable base of an asset and liability and the carrying 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.

Own shares

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

Use of estimates

Preparation of the 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 could differ from these estimates. Estimates are used to measure tangible assets, intangible assets and equity 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, and balancing payments for electricity charges.
Specifically:

Recoverable value of tangible assets, intangible assets and equity investments

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

Provisions for credit risks

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

Provisions for inventory obsolescence

Warehouse inventories subject to obsolescence and slow turnover are periodically 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, future salary increase estimates, and mortality and resignation rates. Any change in the abovementioned assumptions could 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 could change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions and reserves

In estimating the risk of potential liabilities from disputes, management relies on communications regarding the status of recovery procedures and disputes from the lawyers who represent the 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 2013

On 16 June 2011, the IASB issued an amendment to IAS 19 – Employee Benefits, which eliminates the option to defer the recognition of actuarial gains and losses with the corridor method, requiring that all actuarial gains or losses be immediately recognised under "Other comprehensive income" so that the whole net amount of defined-benefit funds (net of assets servicing the plan) be recognised in the consolidated financial statements. The amendments also require the change from one year to the next in the defined-benefit fund and the assets servicing the plan to be broken down into three components: cost components arising from employees providing service must be recognised in the income statement as "service costs"; net financial charges calculated applying the appropriate discount rate to the net balance of the defined-benefit fund, net of assets arising at the start of the year, must be recognised in the income statement as such, actuarial gains and losses resulting from the remeasurement of assets and liabilities must be recognised under "Other comprehensive income". Furthermore, the interest on assets included under net financial charges as indicated above must be calculated on the basis of the discount rate of liabilities and no longer on the expected return on the assets. Finally, the amendment introduced new information to be provided in the Explanatory Notes to the Financial Statements. The amendment is applicable retrospectively.

For the situations as of 31 December 2012, presented for comparative purposes in the financial statements, the accumulated actuarial losses in the previous fiscal years were therefore reclassified with a shareholders' equity reserve created and named the post-employment benefit reserve while the period's results was entered under the total income statement under "actuarial profits and losses." The accounting effects resulting from the abovementioned amendment are set out under Note 14. As the effect is considered immaterial, the column of restated figures to 1 January 2012 was not prepared, as permitted by the standard.

On 12 May 2011, the IASB issued the standard **IFRS 13** – ***Fair value measurement***, which defines a single framework for fair value measurements required or allowed by other standards and the related disclosures in the accounting statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date.

This standard must be applied prospectively. The Company has considered the effects re-sulting from the application of this standard and does not consider them to be significant.

On 16 December 2011, the IASB issued some amendments to **IFRS 7** – ***Financial in-struments: disclosures*** (par. 13A-13F). The amendment requires disclosure on the effects or potential effects of offsetting financial assets and liabilities on a company's statement of financial position in applying IAS 32. The information must be provided retrospectively. The application of these amendments has nt led to any effects in these financial statements.

On 16 June 2011, the IASB issued an amendment to **IAS 1** – ***Presentation of financial statements*** to require companies to group all the components presented under "Other comprehensive income" according to whether or not they can subsequently be reclassified to the income statement. The related taxes must be allocated on the same basis. The comprehensive income statement has been consequently adjusted.

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

On 12 May 2011, the IASB issued the standard **IFRS 10** – ***Consolidated Financial Statements***, which will replace SIC-12 *Consolidation – Special-purpose entities* and parts of IAS 27 – *Consolidated and separate financial statements*, which will be renamed *Separate financial statements*, and will regulate the accounting treatment of equity investments in the separate financial statements. The main changes established by the new standard are as follows:

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

In general terms, IFRS 10 requires a significant degree of judgement over a number of aspects relating to its application. The standard has been applied retrospectively since 1 January 2014. The adoption of this standard will have no effect on the scope of consolidation.

On 12 May 2011, the IASB issued standard **IFRS 11** – ***Joint arrangements***, which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Joint-controlled entities – Non-monetary contributions by Venturers.* Without prejudice to the criteria to identify the presence of joint control, the new standard provides the criteria for the accounting treatment of joint arrangements based on rights and obligations resulting from agreements rather than their legal form, and establishes the equity method as the only method of accounting for interests in joint ventures in consolidated financial statements. According to IFRS 11, the existence of a separate vehicle is not a sufficient condition to classify a joint arrangement as a joint venture. The new standard is to be applied retrospectively from 1 January 2014.

Following the issuing of the standard, IAS 28 – *Investments in Associates* has been amended to include interests in joint ventures in its scope from the date the standard becomes effective. Adoption of this principle will have no effect on the consolidated accounts.

On 12 May 2011, the IASB issued standard **IFRS 12** – ***Disclosure of interests in other entities***, a new and complete standard on the additional information to be provided in the consolidated financial statements for every type of interest, including those in subsidiaries, joint arrangements, affiliates, special purpose vehicles and other non-consolidated entities. The standard is to be applied retrospectively from 1 January 2014.

Comment 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 2011	**5,931**	**139,763**	**24,543**	**2,180**	**172,417**
Increases	65	2,471	1,738	1,533	5,807
Disposals	-	(671)	(295)	-	(966)
Reclassification	-	1,154	19	(1,183)	(10)
AT 31 DECEMBER 2012	**5,996**	**142,717**	**26,005**	**2,530**	**177,248**
Increases	167	3,725	1,960	580	6,432
Disposals	-	(1,540)	(292)	(13)	(1,845)
Reclassification	-	1,394	68	(1,462)	-
AT 31 DECEMBER 2013	**6,163**	**146,296**	**27,741**	**1,635**	**181,835**
ACCUMULATED DEPRECIATION & AMORTISATION					
AT 31 DECEMBER 2011	**2,029**	**111,920**	**20,407**	-	**134,356**
Depreciation of the year	168	7,136	1,872	-	9,176
Eliminations for disposals	-	(605)	(254)	-	(859)
AT 31 DECEMBER 2012	**2,197**	**118,451**	**22,025**	-	**142,673**
Depreciation of the year	165	6,505	2,003	-	8,673
Eliminations for disposals	-	(1,443)	(280)	-	(1,723)
Reclassification	-	(145)	-	145	-
AT 31 DECEMBER 2013	**2,362**	**123,368**	**23,748**	**145**	**149,478**
CARRYING VALUE					
AT 31 DECEMBER 2013	**3,801**	**22,928**	**3,993**	**1,490**	**32,212**
AT 31 DECEMBER 2012	**3,799**	**24,266**	**3,980**	**2,530**	**34,575**

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

	31.12.2013	31.12.2012	Change
Land	1,291	1,291	-
Industrial buildings	2,510	2,508	2
TOTAL	**3,801**	**3,799**	**2**

The main investment in the year concerned the industrialisation of new models of special burners and light alloy valves, which are expected to see a further increase in sales in the future. Investments were also made in maintenance and replacement, mainly in the diecasting division, to ensure plant, machinery and moulds remain efficient.
The decreases are mainly due to the disposal of equipment no longer in use.

Assets under construction include equipment under construction and advances to suppliers of operating assets.
At 31 December 2013, 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 2011	**6,675**
Increases	-
Disposals	-
AT 31 DECEMBER 2012	**6,675**
Increases	-
Disposals	-
AT 31 DECEMBER 2013	**6,675**
ACCUMULATED DEPRECIATION	
AT 31 DECEMBER 2011	**4,063**
Depreciation of the year	196
AT 31 DECEMBER 2012	**4,259**
Depreciation of the year	194
AT 31 DECEMBER 2013	**4,453**
CARRYING VALUE	
AT 31 DECEMBER 2013	**2,222**
AT 31 DECEMBER 2012	**2,416**

This entry includes non-instrumental property belonging to the Company. This item did not change during the year, except for depreciation charges pertaining to the year.

At 31 December 2013, 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 2011	**5,160**	**3,448**	**1,308**	**9,916**
Increases	223	531	276	1,030
Reclassifications	225	(214)	-	11
Decreases	(1)	-	-	(1)
AT 31 DECEMBER 2012	**5,607**	**3,765**	**1,584**	**10,956**
Increases	84	405	94	583
Reclassifications	64	(64)	-	-
Decreases	(2)	(272)	(2)	(276)
AT 31 DECEMBER 2013	**5,753**	**3,834**	**1,676**	**11,263**
AMORTISATION AND WRITE-DOWNS				
AT 31 DECEMBER 2011	**4,045**	**1,103**	**870**	**6,018**
Amortisation 2012	615	274	128	1,017
Decreases	(1)	-	-	(1)
AT 31 DECEMBER 2012	**4,659**	**1,377**	**998**	**7,034**
Amortisation 2013	559	291	145	995
Decreases	(2)	-	-	(2)
AT 31 DECEMBER 2013	**5,216**	**1,668**	**1,143**	**8,027**
CARRYING VALUE				
AT 31 DECEMBER 2013	**537**	**2,166**	**533**	**3,236**
AT 31 DECEMBER 2012	**948**	**2,388**	**586**	**3,922**

Intangible assets have a finite useful life and are consequently amortised based on this lifetime. The main investments in the year related to the development of new products, including various versions of specialist burners (research and development activities conducted over the year are set out in the Report on Operations). Software investments relate to the extension of the application area and the companies covered by the Group's management system (SAP).

The other intangible assets mainly consist in improvements to leased property. During the year development costs were written down by €271,000, since they relate to projects which have been abandoned (Note 28).

At 31 December 2013, the Company found no endogenous or exogenous indicators of possible further impairment of its intangible assets. As a result, the value of intangible assets was not submitted to impairment testing.

4. EQUITY INVESTMENTS

	31.12.2013	31.12.2012	Change
In subsidiary companies	43,031	42,096	935
Other shareholdings	39	33	6
TOTAL	**43,070**	**42,129**	**941**

Changes in equity investments in subsidiaries are shown in the following table:

	Sabaf Immobiliare	Faringosi Hinges	Sabaf do Brasil	Sabaf Mexico	Sabaf U.S	Sabaf Appliance Components (China)	Sabaf A.C. Trading (China)	Sabaf Turkey	Total
HISTORICAL COST									
AT 31 DECEMBER 2011	13,475	10,329	9,528	548	139	1,200	0	2,018	37,237
Capital increases/ reductions	-	-	-	-	-	600	70	8,483	9,153
AT 31 DECEMBER 2012	13,475	10,329	9,528	548	139	1,800	70	10,501	46,390
Capital increases/ reductions	-	-	(1,059)	-	-	450	130	2,850	2,371
AT 31 DECEMBER 2013	13,475	10,329	8,469	548	139	2,250	200	13,351	48,761
WRITE-DOWN RESERVE									
AT 31 DECEMBER 2011	0	1,128	0	0	0	1,115	0	0	2,243
Write-downs	-	1,586	-	-	-	465	-	-	2,051
AT 31 DECEMBER 2012	0	2,714	0	0	0	1,580	0	0	4,294
Write-downs (Note 28)	-	939	-	-	-	497	-	-	1,436
AT 31 DECEMBER 2013	0	3,653	0	0	0	2,077	0	0	5,730
CARRYING VALUE									
AT 31 DECEMBER 2013	13,475	6,676	8,469	548	139	173	200	13,351	43,031
AT 31 DECEMBER 2012	13,475	7,615	9,528	548	139	220	70	10,501	42,096
SHAREHOLDERS' EQUITY (DETERMINED IN ACCORDANCE WITH IAS/IFRS)									
AT 31 DECEMBER 2013	26,149	4,760	8,684	248	19	173	148	11,874	52,055
AT 31 DECEMBER 2012	24,710	5,082 [5]	10,995	287	57	220	68	9,755	51,201
DIFFERENCE BETWEEN SHAREHOLDERS' EQUITY AND BOOK VALUE									
AT 31 DECEMBER 2013	12,674	(1,916)	215	(300)	(120)	0	(52)	(1,477)	9,024
AT 31 DECEMBER 2012	11,235	(2,533)	1,467	(261)	(82)	0	(2)	(746)	9,105

5 Value recalculated following the application of the IAS standard 19 revised

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

Faringosi Hinges s.r.l

Despite the increased sales (€6.6 million, up 8.9% on 2012 and slightly higher than the budget), also in 2013 the subsidiary Faringosi Hinges recorded a negative net result (net loss of €328,000). Due to the introduction of new products, start-up costs were sustained and operating efficiency were attained only gradually during the year. Current production volumes are also still insufficient to cover the fixed costs. In order to relaunch the subsidiary, the Group believes it is essential to step up the sales of special high value-added products; to this end Faringosi Hinges recently developed products which provide better performance than those available on the market (such as damped hinges for the opening and closing of oven doors and hinges for particular heavy doors) and has begun talks with customers for the launch of these products. The 2014-2018 plan, drawn up at the end of 2013, projects a gradual recovery in sales and profitability, to which the new products will make an essential contribution.

At 31 December 2013, Sabaf S.p.A. tested the carrying value of its shareholding in Faringosi Hinges for impairment, determining its recoverable value, considered to be equal to its value in use, by discounting expected future cash flow. However, given that there are various elements of uncertainty implicit in realising this plan and in line with the assessments as at 31 December 2012, it was considered preferable to prepare a multiscenario analysis, which contemplates the following three hypotheses:

- a "best estimate" scenario, which coincides with the subsidiary's plan and considers 100% of flows arising from new products;
- a "steady state" scenario (or "worst case"), which completely excludes flows of new products and hypothesizes the continuation of the present state;
- an intermediate scenario, which incorporates the realisation risk and considers only 75% of flows related to new products. The 75% weighting was set by management based on the probability of success of the new products the Group intends to introduce, taking into account the extent of completion of the development projects (the majority of which are already concluded) and the level of progress of commercial negotiations (in the finalisation period for significant volumes of incremental sales). The impairment test was conducted considering this last scenario, inasmuch as it is prudently considered achievable based on the abovementioned considerations.

Cash flows for the period 2014-2018 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. Value in use was calculated based on a discount rate (WACC) of 8.52% (8.62% in the impairment test conducted for preparation of the financial statements at 31 December 2012) and a growth rate (g) of 1.50%, which is in line with historical data.

The recoverable value determined based on the assumptions and assessment techniques mentioned above is €6,676 million. The equity investment was therefore written down by €939,000 in the current financial statements (Note 28).

Sensitivity analysis

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

MILLIONS OF EURO	Scenario 1 best estimate			Scenario 2 steady state			Scenario 3 intermediate		
	growth rate			*growth rate*			*growth rate*		
discount rate	**1.25%**	**1.50%**	**1.75%**	**1.25%**	**1.50%**	**1.75%**	**1.25%**	**1.50%**	**1.75%**
7.62%	10.0	10.4	10.9	2.0	2.0	2.1	7.8	8.1	8.5
8.12%	9.1	9.4	9.8	1.8	1.9	1.9	7.1	7.3	7.6
8.62%	8.3	8.6	8.9	1.7	1.7	1.8	6.4	**6.7**	6.9
9.12%	7.6	7.8	8.1	1.6	1.6	1.6	5.9	6.1	6.3
9.62%	7.0	7.2	7.4	1.5	1.5	1.5	5.4	5.6	5.8

The table shows that the recoverable value is highly sensitive to changes in the discount rate, the growth rate and the success of initiatives undertaken to improve the product range and adapt the production process, which is also conditioned by factors that cannot be controlled by the Company. The Board of Directors cannot therefore rule out that, in the future, the final profitability figure may diverge from that set out in forward data, requiring further write-downs of the equity investment. Given the uncertainty of any process estimating future events not dependent on variables that can be controlled, the directors will systematically monitor the actual balance sheet and income statement data of the subsidiary to assess the need to adjust forecasts and at the same time reflect any further losses in value.

Sabaf do Brasil

In 2013, Sabaf do Brasil partially reapid Sabaf S.p.A. the capital paid in in previous years, since it was surplus to the subsidiary's operational requirements; the share capital was therefore reduced by 27 million reais to 24 million reais.

Sabaf Appliance Components

Sabaf Appliance Components (Kunshan) Co., Ltd., the Chinese company formed in 2009, has not yet launched purchase, production and sales operations. In 2013, the subsidiary's capital was increased by €450,000. The value of the investment was reduced by a further €497,000, in light of losses sustained by the subsidiary over the year and considered permanent.

Sabaf Appliance Components Trading

Sabaf Appliance Components Trading (Kunshan) Co., Ltd., was established in 2012 and acts as the distributor on the Chinese market of Sabaf products made in Italy. It is a wholly owned subsidiary of Sabaf S.p.A. In 2013, the subsidiary's capital was increased by €130,000.

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

2013 was the first full year of operation for Sabaf Turkey, the company set up with the objective of directly supplying burners for the Turkish market, which is the second largest market for the Company after Italy. Operating performance was immediately satisfactory and operating results are already positive. In Sabaf S.p.A., which wholly owns Sabaf Turkey, subscribed further capital increases to fund new investments aimed at increasing production capacity. On 31 December 2013 the increased carrying value of the investment compared to the shareholders' equity converted at the year-end exchange rate is solely due to the devaluation of the Turkish lira. There are therefore no indicators of other-than-temporary impairment.

With regard to the other investments in subsidiary companies (Sabaf Mexico and Sabaf US), the difference between their carrying value and the shareholders' equity is attributable to losses considered as not permanent, in light of the Group's expected increase in business on the North American market.

5. NON-CURRENT FINANCIAL ASSETS

	31.12.2013	31.12.2012	Change
Financial receivables from subsidiaries	1,451	1,516	(65)
TOTAL	**1,451**	**1,516**	**(65)**

At 31 December 2013 and at 31 December 2012 this item included an interest-bearing loan of USD 2 million maturing in March 2017 and granted to the subsidiary Sabaf do Brasil, in order to optimise the Group's exposure to exchange rate risk.

6. INVENTORIES

	31.12.2013	31.12.2012	Change
Raw materials	8,229	8,165	64
Semi-processed goods	10,279	8,736	1,543
Finished products	7,367	5,879	1,488
Obsolescence provision	(2,000)	(2,000)	-
TOTAL	**23,875**	**20,780**	**3,095**

The closing balance of stocks at 31 December 2013 increased as a result of a higher drop in sales than expected in the last few months of the year. The obsolescence provision amounted to €470,000 for raw materials, €670,000 for semi-processed goods and €860,000 for finished products and was remained unchanged from the previous year. It is based on the best estimate of the obsolescence risk, measured by analysing slow- and non-moving stock at the end of the year.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2013	31.12.2012	Change
Italy	15,721	17,036	(1,315)
Western Europe	4,288	1,934	2,354
Eastern Europe and Turkey	3,327	9,158	(5,831)
Asia and Oceania	5,301	5,281	20
South America	2,982	1,808	1,174
Africa	675	832	(157)
US, Canada & Mexico	846	514	332
GROSS TOTAL	**33,140**	**36,563**	**(3,423)**
Provision for doubtful accounts	(1,540)	(1,200)	(340)
NET TOTAL	**31,600**	**35,363**	**(3,763)**

At 31 December 2013 the value of trade receivables was down against the previous year, as a result of the sharp fall in sales in the last quarter. At 31 December 2013, trade receivables included balances of USD 1,765,000, posted at the EUR/USD exchange rate as at 31 December 2013, i.e. 1.3791. The amount of trade receivables recognised in accounts includes €8.8 million of receivables assigned on a no-recourse basis (€11.4 million at 31 December 2012). The doubtful account provision recognised at the start of the year was partially used (for an amount of €790,000) for the losses on receivables which the Company incurred during 2013; in 2013 €1,130,000 was set aside to the provision, which reflects the best estimate of the credit risk as at 31 December 2013.

	31.12.2013	31.12.2012	Change
Current receivables (not past due)	26,690	27,910	(1,220)
Outstanding up to 30 days	2,241	3,143	(902)
Outstanding from 31 to 60 days	879	573	306
Outstanding from 61 to 90 days	629	814	(185)
Outstanding over 90 days	2,701	4,123	(1,422)
TOTAL	**33,140**	**36,563**	**(3,423)**

€8.5 million of receivables assigned on a no-recourse basic fall under the category of “current receivables” and €0.3 million under the category “outstanding up to 30 days”.

8. TAX RECEIVABLES

	31.12.2013	31.12.2012	Change
From Giuseppe Saleri SapA for IRES	1,083	1,568	(485)
From inland revenue for VAT	93	296	(203)
From inland revenue for IRAP	-	27	(27)
Other tax receivables	-	4	(4)
TOTAL	**1,176**	**1,895**	**(719)**

Sabaf S.p.A. was part of domestic tax consolidation pursuant to articles 117/129 of the Unified Income Tax Law. This option was renewed in 2013 for another three years. In this scheme, the ultimate parent company Giuseppe Saleri S.a.p.A. acts as the consolidating company. As at 31 December 2013 the amount due from Giuseppe Saleri S.a.p.A. arose as a result of full deductibility from IRES of IRAP for personnel costs and similar for the period 2006-2011 (Law Decree no. 201/2011). The consolidating company has submitted a refund claim for this amount and will repaid Sabaf S.p.A. for the amount it is due as soon as it receives the reimbursement.

9. OTHER CURRENT RECEIVABLES

	31.12.2013	31.12.2012	Change
Advances to suppliers	650	1,532	(882)
Group VAT	647	-	647
Receivables from factoring companies	158	158	0
Receivables from INAIL	48	85	(37)
Receivables from suppliers	167	31	136
Others	156	149	7
TOTAL	**1,826**	**1,955**	**(129)**

At 31 December 2013 advances to suppliers included €626,000 from Sabaf Immobiliare s.r.l. (€1,491,000 at 31 December 2012), paid as an advance on 2014 rent for the proper-ties owned by the subsidiary.
The group VAT credit arose from the joint VAT settlement with Sabaf Immobiliare s.r.l.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €2,345,000 at 31 December 2013 (€1,601,000 at 31 December 2012) refer almost exclusively to bank account balances.

11. SHARE CAPITAL

At 31 December 2013, the company’s share capital consisted of 11,533,450 shares with a par value of €1.00 each. Subscribed and paid-in share capital did not change during the year.

12. OWN SHARES

In 2013 Sabaf S.p.A purchased 97,857 own shares at the average price of €9.092 per share (€890,000) and sold €358,000 at the price of €11.10 (€3,974,000). In accordance with IFRS, the capital gain of €750,000 realised was recorded directly under shareholders’ equity.
At 31 December 2013 Sabaf S.p.A. held 507 own shares (0.004% of the share capital), reported in the financial statements as an adjustment to shareholders’ equity at a unit value of €9.006.
There were 11,532,943 outstanding shares at 31 December 2013 (11,272,800 at 31 December 2012).

13. LOANS

	31.12.2013		31.12.2012	
	Current	Non Current	Current	Non Current
Unsecured loans	317	-	2,422	317
Short-term bank loans	7,951	-	13,517	-
Subject to collection advances on bank receipt or invoices	6,105	-	5,586	-
Advances from factoring companies	1,074	-	-	-
Interest payable	49	-	-	-
TOTAL	**15,496**	**0**	**21,525**	**317**

All outstanding bank loans are denominated in euro, at a floating rate linked to the Euribor, with the exception of a short-term loan of USD 2 million.

To meet the Company's financial requirements, at 31 December 2013 outstanding short-term loans totalled €7,951,000 and advances from banks on receipts and invoices totalling €6,105,000 and from factoring companies totalling €1,074,000 had been used (for receivables assigned to factoring companies amounting to around €8.8 million – Note 7).

The loans are not bound by contractual provisions (covenants).

Note 35 provides information on financial risks, pursuant to IFRS 7.

14. OTHER FINANCIAL LIABILITIES

	31.12.2013	31.12.2012	Change
Derivative instruments on interest rates	2	33	(31)
TOTAL	**2**	**33**	**(31)**

This item includes the negative fair value of the derivative financial instruments at year-end that hedge interest rate risks (Note 35).

15. POST-EMPLOYMENT BENEFITS

	31.12.2013	31.12.2012 *restated*	31.12.2012
Liabilities at 1 January	**2,566**	**2,372**	**2,199**
Financial expenses	61	95	95
Amounts paid out	(152)	(203)	(203)
Actuarial losses	21	302	-
Liabilities at 31 December	**2,496**	**2,566**	**2,092**

The revision of IAS 19 – Employee Benefits eliminated the option to defer the recognition of actuarial gains and losses with the corridor method applied by the Company until 31 December 2012, requiring that all gains or losses be immediately recognized under "Other comprehensive income" in the Income Statement with retroactive effect. For the situations as of 31 December 2012, presented for comparative purposes in the financial statements, the accumulated actuarial losses in the previous fiscal years were therefore reclassified with a shareholders' equity reserve created and named the post-employment benefit reserve while the year's results was entered under the total income statement under "actuarial profits and losses." As a result of the aforementioned change, as at 31 December 2012 an increased post-employment benefit reserve in the amount of €473,944 was recorded under liabilities, a negative post-employment benefit evaluation reserve of €342,609 (net of prepaid taxes of €130,335) was recorded under shareholders' equity and actuarial losses of €218,833 were recorded in the comprehensive income statement.

The post-employment benefit reserve (TFR) is valued on the basis of the following assumptions:

Financial assumptions

	31.12. 2013	31.12.2012
Discount rate	2.70%	2.50%
Inflation	2.00%	2.00%

Demographic assumptions

	31.12. 2013	31.12.2012
Mortality rate	SIM 2010 M/F	ISTAT 2002 M/F
Disability rate	INPS 1998 M/F	INPS 1998 M/F
Staff turnover	6% per year on all ages	6% per year on all ages
Advance payouts	5% per year	5% per year
Retirement age	in agreement with the legislation in force at 31 December 2013	in agreement with the legislation in force at 31 December 2012

Article 83 of IAS19, on the definition of actuarial assumptions and, in particular, the discount rate, states that reference should be made to the market returns of high-quality corporate bonds or to returns of securities with a low credit risk profile. Referring to the definition of investment grade securities, i.e. securities with a rating equal or higher than BBB of S&P or Baa2 of Moodys, only securities issued by corporate issuers included with a "AA" class rating were considered, on the basis that this class indicates a high rating level among all investment grade securities and thereby excluding the more riskier securities. Since IAS19 does not make explicit reference to a specific product market, a composite market curve was chosen, which therefore summarises the market conditions on the evaluation date for securities issued by companies belonging to different sectors, including the utility, telephone, financial, bank and industrial sectors. With regard to the geographic area, reference was made to the Euro area.

16. PROVISIONS FOR RISKS AND CONTINGENCIES

	31.12.2012	Provisions	Use	Release of excess	31.12.2013
Reserve for agents' indemnities	299	10	-	(20)	289
Product warranty reserve	60	2	(2)	-	60
Reserve for legal risks	40	30	-	-	70
TOTAL	**399**	**42**	**(2)**	**(20)**	**419**

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 fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.

The reserve for legal risks, set aside for disputes of a modest size, was adjusted at the end of the year following the development of existing disputes.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historic experience, have not been time-discounted because the effect is considered negligible.

17. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

	31.12.2013	31.12.2012	Change
Italy	14,645	14,933	(288)
Western Europe	1,906	1,401	505
Eastern Europe and Turkey	38	32	6
Asia	319	587	(268)
US, Canada & Mexico	1	126	(125)
TOTAL	**16,909**	**17,079**	**170**

The amount of trade payables in currencies other than the euro was insignificant. At 31 December 2013, there were no overdue payables of a significant amount, and the Com-pany had not received any injunctions for overdue payables.

18. TAX PAYABLES

	31.12.2013	31.12.2012	Change
From Giuseppe Saleri S.a.p.A. for IRES	317	-	317
From inland revenue for IRAP	27	-	27
From inland revenue for IRPEF withholdings	680	669	11
TOTAL	**1,024**	**669**	**355**

The amount due to Giuseppe Saleri SapA relates to the balance for income taxes transferred to the parent company, in accordance with the existing tax consolidation agreement.

19. OTHER CURRENT PAYABLES

	31.12.2013	31.12.2012	Change
Due to employees	3,656	3,195	461
Due to social security institutions	1,932	1,913	19
Payments to clients	63	147	(84)
Due to agents	233	231	2
Other current payables	65	57	8
TOTAL	**5,949**	**5,543**	**406**

The increase in amounts due to employees is mainly due to the increase in bonuses for the MBO plan, the payment of which is deferred to 2014. At the start of 2014 the amounts due to employees and to social security institutions were settled by their due dates.

20. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2013	31.12.2012 *restated*	31.12.2012
Deferred tax assets (prepaid taxes)	3,646	3,449	3,319
Deferred tax liabilities	(14)	(27)	(27)
NET POSITION	**3,632**	**3,422**	**3,292**

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

	Amortisation and leasing	Adjustments and value adjustments	Fair value of derivatives	Goodwill	Post-employ-ment benefit actuarial evaluation (Note 15)	Other temporary differences	**Total**
AT 31 DECEMBER 2011	**148**	**955**	**3**	**1,993**	**47**	**6**	**3,152**
To the income statement	94	70	-	-	-	26	190
To shareholders' equity	-	-	(3)	-	83	-	80
AT 31 DECEMBER 2012	**242**	**1,025**	**0**	**1,993**	**130**	**32**	**3,422**
To the income statement	3	73	-	-	-	123	199
To shareholders' equity	-	-	5	-	6	-	11
AT 31 DECEMBER 2013	**245**	**1,098**	**5**	**1,993**	**136**	**155**	**3,632**

Prepaid taxes related to goodwill of €1,993,000 refer to the percentage of the sharehold-ing value in Faringosi Hinges s.r.l. in 2011. The future fiscal benefit can be reported in ten annual amounts as from the financial year 2018.

21. NET FINANCIAL POSITION

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

		31.12.2013	31.12.2012	Change
A.	Cash (Note 10)	9	6	3
B.	Positive balances of unrestricted bank accounts (Note 10)	2,336	1,595	741
C.	Other liquidities	0	0	0
D.	**Cash and cash equivalents (A+B+C)**	**2,345**	**1,601**	**744**
E.	Current bank payables (Note 13)	14,104	19,102	(4,998)
F.	Current portion of non-current debt (Note 13)	317	2,422	(2,105)
G.	Other current financial payables (Notes 13, 14)	1,076	33	1,043
H.	**Current financial debt (E+F+G)**	**15,497**	**21,557**	**(6,060)**
I.	**Current net financial debt (H-D)**	**13,152**	**19,956**	**(6,804)**
J.	Current bank payables (Note 13)	0	317	(317)
K.	Other non-current financial payables	0	0	0
L.	**Non-current financial debt (J+K)**	**0**	**317**	**(317)**
M.	**Net financial debt (I+L)**	**13,152**	**20,273**	**(7,121)**

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

Comments on key income statement items

22. REVENUE

Sales revenue totalled €112,417,000 in 2013, down by €3,785,000. (-3.3%) vs. 2012.

Geographical breakdown of revenue

	2013	%	2012	%	Change %
Italy	40,255	35.8%	43,310	37.3%	-7.1%
Western Europe	6,482	5.8%	6,038	5.2%	7.4%
Eastern Europe and Turkey	25,379	22.6%	32,592	28.0%	-22.1%
Asia and Oceania	12,091	10.7%	12,418	10.7%	-2.6%
Central and South America	14,921	13.3%	12,695	10.9%	+17.5%
Africa	10,320	9.2%	6,814	5.9%	+51.5%
US, Canada & Mexico	2,969	2.6%	2,335	2.0%	+27.2%
TOTAL	**112,417**	**100%**	**116,202**	**100%**	**-3.3%**

Revenue by product family

	2013	2012	Change	Change %
Brass valves	14,615	18,602	(3,987)	-21.4%
Light alloy valves	27,556	23,610	3,946	+16.7%
Thermostats	13,340	13,085	255	+1.9%
Total valves and thermostats	*55,511*	*55,297*	*214*	*+0.4%*
Standard burners	26,184	30,793	(4,609)	-15.0%
Special burners	19,195	18,875	320	+1.7%
Burners	*45,379*	*49,668*	*(4,289)*	*-8.6%*
Accessories and other revenues	*11,527*	*11,237*	*290*	*+2.6%*
TOTAL	**112,417**	**116,202**	**(3,785)**	**-3.3%**

Faced with a European market still in decline, the Company was able to increase its sales on international markets and was therefore able to limit decrease drop in turnover to 3.3% compared to 2012. The loss of turnover is entirely attributable to standard burners, following the decision to supply the Turkish market directly by the subsidiary Sabaf Turkey.

Also in 2013 the trend to replace brass valves with light alloy valves continued. Average sale prices in 2013 were down by around 1% versus 2012.
Reference should be made to the Report on Operations for detailed information on the trends of the target market during the year.

23. OTHER INCOME

	31.12.2013	31.12.2012	Change
Sale of scraps	2,155	2,245	(90)
Services to subsidiary companies	206	113	93
Contingent income	157	248	(91)
Rental income	119	114	5
Use of provisions for risks and contingencies	22	59	(37)
Services to the subsidiary companies	11	33	(22)
Others	601	427	174
TOTAL	**3,271**	**3,239**	**32**

Services to subsidiary companies and the parent company refer to administrative, commercial, and technical services provided in the Group.

24. PURCHASES

	31.12.2013	31.12.2012	Change
Raw materials and purchases	40,574	39,168	1,406
Consumables	3,697	3,162	535
TOTAL	**44,271**	**42,330**	**1,941**

The actual prices of the main raw materials (brass, aluminium alloys and steel) decreased by an average 5% compared to 2012. Savings were also made in the purchase of other components. Consumption (purchases plus change in inventory) as a percentage of sales was 36.6% in 2013, compared with 39.6% in 2012; this decrease was due to a different mix of products sold.

25. COSTS FOR SERVICES

	31.12.2013	31.12.2012	Change
Outsourced processing	10,449	10,996	(547)
Electricity and natural gas	4,903	4,848	55
Lease payments	3,959	3,898	61
Maintenance	2,975	3,231	(256)
Transport and export costs	1,220	1,313	(93)
Advisory services	1,212	1,056	156
Directors' remuneration	826	993	(167)
Commissions	663	706	(43)
Waste disposal	485	497	(12)
Travel expenses and allowances	448	480	(32)
Canteen	300	305	(5)
Insurance	274	305	(31)
Factoring commissions	134	192	(58)
Temporary agency workers	107	83	24
Other payroll costs	1,857	1,850	7
TOTAL	**29,812**	**30,753**	**(941)**

The decrease in outsourced processing costs is linked to the reduced production of burners. The decrease in maintenance costs is linked to the cyclical nature of the production equipment servicing and maintenance work. There were no significant changes in other service costs.
In 2013 the cost per kWh of electricity and the cost per m2 of natural gas did not change significantly from the previous year.
Costs for consultancy relate to technical consultancy equal to €264,000, sales consultancy equal to €277,000 and legal, administrative and general consultancy equal to €741,000.
Commission is related to agency contracts for sales mainly on non-European markets.

26. PAYROLL COSTS

	31.12.2013	31.12.2012	Change
Salaries and wages	18,437	18,020	417
Social security costs	6,153	5,918	235
Temporary agency workers	753	632	121
Post-employment benefit reserve and Other payroll costs	1,712	1,364	348
TOTAL	**27,055**	**25,934**	**1,121**

Average group headcount in 2013 totalled 571 employees (455 blue-collars, 108 white-collars and supervisors, and 8 managers) as opposed to 587 in 2012 (468 blue-collars, 111 white-collars and supervisors, and 8 managers). The average number of temporary staff was 25 in 2013 (23 in 2012).
During the year the Company occasionally made use of government subsidised tempo-rary lay-off benefits during periods when production requirements were low: this option allowed the Group to save €306,000 in personnel costs (€330,000 in 2012).

27. OTHER OPERATING COSTS

	31.12.2013	31.12.2012	Change
Losses and write-downs of trade receivables	1,130	1,608	(478)
Duties and taxes other than income taxes	253	205	48
Other administration expenses	139	79	60
Contingent liabilities	94	72	22
Provisions for risks	32	21	11
Others provisions	10	13	(3)
TOTAL	**1,658**	**1,998**	**(340)**

In 2013 losses on receivables totalling €790,000 and write-downs of receivables totalling €430,000 were recognised, as a consequence of the financial difficulties suffered by some of the Company's major Italian customers, including the Fagor group. Non-income taxes chiefly include the single municipal tax (IMU) and the tax on the disposal of municipal solid waste. Provisions for liabilities refer to the allocations to the risk reserve described in Note 16.

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

	31.12.2013	31.12.2012	Change
Write-down of Faringosi Hinges	939	1,586	(647)
Write-down of Sabaf Appliance Components	498	465	33
Write-down of development costs	271	-	271
TOTAL	**1,708**	**2,051**	**(343)**

For more details on the write-downs, see Note 4.
The write-down of development costs relates to projects which were abandoned or which did not achieve the commercial success originally anticipated (Note 3).

29. FINANCIAL EXPENSES

	31.12.2013	31.12.2012	Change
Interest paid to banks	403	452	(49)
Banking expenses	217	276	(59)
Other finance expense	67	100	(33)
TOTAL	**687**	**828**	**(141)**

The reduction in financial charges is a result of the lower level of average financial debt and the decrease in interest rates compared to 2012.

30. FOREIGN EXCHANGE GAINS/LOSSES

In 2013, the Company reported net foreign exchange gains of €94,000 (net losses of €61,000 in 2012). The exchange rate differences are mainly attributable to changes in the euro/dollar rate during the year.

31. GAINS FROM EQUITY INVESTMENTS

	31.12.2013	31.12.2012	Change
Dividends Sabaf do Brasil	1,034	792	242
TOTAL	**1,034**	**792**	**242**

32. INCOME TAX

	31.12.2013	31.12.2012	Change
Current tax	2,691	2,707	(16)
Accounting of IRES credit, under Decree Law 16/2012	-	(1,033)	1,033
Deferred tax assets and liabilities	(199)	(190)	(9)
Taxes relating to previous years	(504)	(12)	(492)
TOTAL	**1,988**	**1,472**	**516**

Current taxes include IRES for € 1,712,000 and IRAP for € 979,000 (respectively € 1,651,000 and € 1,056,000 in 2012).
The taxes for previous years are a result of the recalculation of taxes when the tax return was filed, compared to the amount recorded on the reporting date of the previous year, also as a result of unexpected, more favourable interpretations of the applicable tax rules.
In accordance with Legislative Decree 16 of 2 March 2012, at 31 December 2012 the Group had booked the tax credit resulting from the non-deduction of IRAP for personnel costs and similar for the period 2007-2011. As a result, taxes booked in the 2012 income statement had been lower by €1,033,000.

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

	31.12.2013	31.12.2012
Theoretical income tax	1,572	1,020
Tax effect on permanent differences	287	458
Effect of dividends from subsidiaries not subject to taxation	(284)	-
Taxes relating to previous years	(377)	(12)
Other differences	(64)	(7)
IRES (current and deferred)	**1,134**	**1,459**
IRAP (current and deferred)	854	1,046
Accounting of IRES credit, under Decree Law 16/2012	-	(1,033)
TOTAL	**1,988**	**1,472**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. For the purposes of reconciliation, IRAP is not considered because its taxable base is different to that of pre-tax profit and inclusion of the tax would generate distortionary effects.

Tax Status

No tax disputes were pending at 31 December 2013.

33. DIVIDENDS

On 23 May 2013, shareholders were paid a dividend of €0.35 per share (total dividends of €3,911,000).
Directors have recommended payment of a dividend of €0.40 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities.
The dividend proposed for 2013 is scheduled for payment on 29 May 2014 (coupon date 26 May, record date 28 May).

34. SEGMENT DISCLOSURE

Sabaf works exclusively in the gas components segment in the Sabaf Group. The consolidated financial statements provide the disclosure on the various segments in which the Group operates.

35. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, below is breakdown of the financial instruments according to the categories set out by IAS 39.

	31.12.2013	31.12.2012
Financial assets		
Amortised cost		
• Cash and cash equivalents	2,345	1,601
• Commercial receivables and other receivables	33,427	37,318
• Non-current loans	1,451	1,516
Financial liabilities		
Comprehensive income statement fair value		
• Derivative cash flow hedges	2	33
Amortised cost		
• Loans	15,496	21,841
• Payables to suppliers	16,909	17,079

The Company is exposed to financial risks related to its operations, and mainly:
- to the risk of credit, with particular reference to the normal commercial relationships with customers;
- market risk, in relation to the volatility of the prices of commodities, exchange rates and rates;
- liquidity risk, which can be expressed with the inability to find financial resources nec-essary to ensure Company operations.

Sabaf policy is to hedge exposure to changes in prices and in exchange and interest rates using 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

The Company has trade receivables with domestic appliance manufacturers, multinational groups and smaller manufacturers present on a few or individual markets. The Company assesses the creditworthiness of all its customers at the start of the supply and systemically on at least an annual basis. After this assessment, each client is assigned a credit limit.
A significant amount of risk (approximately 30% of the maximum theoretical exposure) is transferred by assignment through no-recourse factoring transactions to primary financial institutions.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit, confirmed by key banks.

Forex risk management

The key currencies other than the euro which the Company is exposed to are the US dollar in relation to sales conducted in dollars (chiefly on some Asian and North American markets), and to a lesser extent to some purchases (chiefly from Asian producers). Sales in US dollars represented approximately 7% of total revenue in 2013, while purchases in dollars represented about 1.5% of total revenue. Transactions in dollars were not hedged by derivative financial instruments.

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2013, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €183,000.

Interest rate risk management

The Company borrows money at a floating rate; to reach an optimal mix of floating and fixed rates in the structure of the loans, the Company uses derivative financial instruments designating them to cash flow hedges. In 2009, the Company entered into two IRS agreements to convert from 2010 two loans of equal amount from a floating to fixed interest rate, both falling due by the end of 2014. The chart below shows the salient characteristics of the IRS in effect at 31 December 2013 and 31 December 2012:

AT 31 DECEMBER 2013

	Average interest rates of the contracts	Notional value	Fair value
Within 1 year	2.20%	317	(2)
From 1 to 2 years	-	-	-
More than 2 years	-	-	-
TOTAL			**(2)**

AT 31 DECEMBER 2012

	Average interest rates of the contracts	Notional value	Fair value
Within 1 year	2.15%	1,680	(31)
From 1 to 2 years	2.20%	321	(2)
More than 2 years	-	-	-
TOTAL			**(33)**

Sensitivity analysis

Since there were no variable-rate financial assets or liabilities falling due after 12 months, no analysis was carried out on the sensitivity of the financial income and charges to changes in interest rates.

Commodity price risk management

A significant portion of the company's acquisitions are represented by brass, steel and aluminium alloys. The sale prices of products are generally renegotiated annually; as a result, the Group is unable to pass on to clients changes in the prices of commodities that occur 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 financial years 2013 and 2012, 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, establishing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Company operates with a low debt ratio (net debt / shareholders' equity at 31 December 2013 equal to 12.6%) and has unused short-term lines of credit of approximately €60 million. To minimise the risk of liquidity, the Administration and Finance Department:

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

Below is an analysis by expiration date of the financial payables at 31 December 2013 and 31 December 2012:

AT 31 DECEMBER 2013

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans	317	318	318	-	-	-
Short-term bank loans	15,178	15,178	15,178	-	-	-
Total financial payables	**15,495**	**15,496**	**15,496**	**0**	**0**	**0**
Trade payables	16,909	16,909	15,840	1,069	-	-
TOTAL	**32,404**	**32,405**	**31,336**	**1,069**	**0**	**0**

AT 31 DECEMBER 2012

	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	2,739	2,766	711	1,737	318	-
Short-term bank loans	19,102	19,102	19,102	-	-	-
Total financial payables	**21,841**	**21,868**	**19,813**	**1,737**	**318**	**0**
Trade payables	17,079	17,079	15,609	1,470	-	-
TOTAL	**38,920**	**38,947**	**35,422**	**3,207**	**318**	**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 reporting date and increased by the spread set forth in each contract.

Hierarchical levels of the fair value assessment

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

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

The following table shows the assets and liabilities that are valued at the fair value at 31 December 2013, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Other financial liabilities (derivatives on interest rates)	-	2	-	2
Total liabilities	**0**	**2**	**0**	**2**

36. RELATED-PARTY AND INFRAGROUP TRANSACTIONS

The table below illustrates the impact of all transactions between Sabaf S.p.A. and related parties on the balance sheet and income statement, with the exception of remuneration paid to directors, statutory auditors and executives with strategic responsibilities, which are shown in the Report on Remuneration.

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

	Total 2013	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Non-current assets	1,451	1,451	-	-	1,451	100.00%
Trade receivables	31,600	1,192	-	-	1,192	3.77%
Tax receivables	1,176	-	1,084	-	1,084	92.18%
Other current receivables	1,826	1,273	-	-	1,273	69.72%
Trade payables	16,909	84	-	-	84	0.50%
Tax payables	1,024	-	317	-	317	30.96%
	Total 2012	**Subsidiaries**	**Parent company**	**Other related parties**	**Total related parties**	**Impact on the total**
Non-current assets	1,516	1,516	-	-	1,516	100.00%
Trade receivables	35,363	876	-	-	876	2.48%
Tax receivables	1,895	-	1,568	-	1,568	82.74%
Other current receivables	1,955	1,491	-	-	1,491	76.27%
Trade payables	17,079	313	-	-	313	1.83%

Impact of related-party transactions on income statement accounts

	Total 2013	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenue	112,417	3,783	-	-	3,783	3.37%
Other income	3,271	314	10	-	324	9.91%
Materials	44,271	94	-	-	94	0.21%
Services	29,812	4,128	-	-	4,128	13.85%
Capital gains on non-current assets	51	51	-	-	51	100.00%
Write-downs/write-backs of non-current assets	1,708	1,437	-	-	1,437	84.13%
Financial income	83	60	-	-	60	72.29%
Financial expenses	687	31	-	-	31	4.51%
Profits and losses from equity investments	1,034	1,034	-	-	1,034	100.00%
	Total 2012	**Subsidiaries**	**Parent company**	**Other related parties**	**Total related parties**	**Impact on the total**
Revenue	116,202	1,740	-	-	1,740	1.50%
Other income	3,239	282	33	-	315	9.73%
Materials	(42,330)	(376)	-	-	(376)	0.89%
Services	(30,753)	(4,043)	-	-	(4,043)	13.15%
Capital gains on non-current assets	375	287	-	-	287	76.53%
Write-downs/write-backs of non-current assets	(2,051)	(2,051)	-	-	(2,051)	100.00%
Financial income	40	34	-	-	34	85.00%
Profits and losses from equity investments	792	792	-	-	792	100.00%

Transactions with the subsidiaries consist mainly of:

- business relationships with Sabaf do Brazil, Faringosi Hinges, Sabaf Turkey and Sabaf Kunshan Trading pertaining to purchases and sales of finished products or intermediate products;
- sales of machinery to Sabaf Turkey, which generated the capital gains reported;
- rents for premises from Sabaf Immobiliare;
- infragroup loans;
- Group VAT settlement.

Transactions with the ultimate parent company, Giuseppe Saleri S.a.p.A., which does not perform activities of direction and co-ordination pursuant to article 2497 of the Italian Civil Code, consist of:

- providing administrative services;
- transactions as part of the domestic tax consolidation scheme, which generated the payables and receivables shown in the tables.

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

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Also pursuant to the CONSOB memorandum of 28 July 2006, the Company declares that during 2013 there were no significant non-recurring events or transactions.

The 2012 operating result included the tax credit resulting from the non-deduction of IRAP for personnel costs and similar for the period 2007-2011 and from the consequent decrease in income tax by €1,033,000.

38. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to the CONSOB memorandum of 28 July 2006, the Company declares that during 2013 it did not execute any abnormal and/or unusual transactions as defined by the CONSOB memorandum.

39. COMMITMENTS

Guarantees issued

Sabaf S.p.A. provided guarantees against mortgage loans to subsidiaries. Related residual debt at 31 December 2013 was €2,770,000 (€3,671,000 as at 31 December 2012).
Sabaf S.p.A. has also issued sureties to guarantee consumer and mortgage loans granted by Banco di Brescia to its employees for a total of €6,598,000 (€7,075,000 as at 31 December 2012).

40. REMUNERATION TO DIRECTORS, STATUTORY AUDITORS AND EX-ECUTIVES WITH STRATEGIC RESPONSIBILITIES

The remuneration paid to directors, statutory auditors and executives with strategic responsibilities is shown in the Report on Remuneration, which will be presented to the shareholders' meeting convened to approve these financial statements.

41. SHARE-BASED PAYMENTS

At 31 December 2013, there were no equity-based incentive plans for the Company's directors and employees.

List of equity investments with additional information requested by (Memorandum DEM76064293 of 28 July 2006)

IN SUBSIDIARIES [6]

Company name	Registered office	Share capital at 31.12.13	Shareholders	% of ownership	Equity at 31.12.13	Results of the year 2013
Faringosi Hinges S.r.l.	Jundiaì (Brazil)	EUR 90,000	Sabaf S.p.A.	100%	EUR 4,760,355	EUR -328,190
Sabaf Immobiliare S.r.l.	San Luis Potosì (Mexico)	EUR 25,000	Sabaf S.p.A.	100%	EUR 18,968,403	EUR 1,146,018
Sabaf do Brasil Ltda	Plainfield (USA)	BRL 24,000,000	Sabaf S.p.A.	100%	BRL 28,288,685	BRL 4,274,062
Sabaf Mexico S.A. de c.v.	Kunshan (China)	MXN 8,247,580	Sabaf S.p.A.	100%	MXN 4,104,861	MXN -419,804
Sabaf US Corp.	Manisa (Turkey)	USD 100,000	Sabaf S.p.A.	100%	USD 26,580	USD -48,891
Sabaf Appliance Components (Kunshan) Co. Ltd.	Kunshan (China)	EUR 2,250,000	Sabaf S.p.A.	100%	CNY 19,422,587	CNY 0
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turchia)	TRL 32,000,000	Sabaf S.p.A.	100%	TRL 31,188,612	TRL 2,121,047
Sabaf Appliance Components Trading (Kunshan) Co. Ltd.	Kunshan (Cina)	EUR 200,000	Sabaf S.p.A.	100%	CNY 1,237,541	CNY -412,596

Other significant equity investments: None

Origin, possibility of use, and availability of reserves

Description	Amount	Possibility of use	Amount available	Amount subject to taxation against the company in the event of distribution
CAPITAL RESERVES:				
Share premium reserve	10,002	A, B, C	10,002	0
Reserve for revaluation, law 413/91	42	A, B, C	42	42
Reserve for revaluation, law 342/00	1,592	A, B, C	1,592	1,592
REVENUE RESERVES:				
Legal reserve	2,307	B	0	0
Other retained earnings	75,491	A, B, C	75,491	0
EVALUATION RESERVES:				
Cash flow hedge reserves	21		0	0
Actuarial post-employment benefit valuation reserve	(359)		0	0
TOTAL	**89,096**		**87,127**	**1,634**

KEY
A: for capital increases
B: for coverage of losses
C: for distribution to shareholders

6 Amounts taken from the annual financial statements of the subsidiaries, prepared in accordance with the accounting standards applicable in the country

Statement of revaluations of assets still held at 31 December 2013

		Gross value	Accumulated depreciation	Net value
Investment property	Law 72/1983	137	(137)	0
	Merger 1989	516	(386)	130
	Law 413/1991	47	(35)	12
	Merger 1994	1,483	(866)	617
	Law 342/2000	2,870	(2,024)	846
		5,053	**(3,448)**	**1,605**
Plant and equipment	Law 576/75	205	(205)	0
	Law 72/1983	2,299	(2,299)	0
	Merger 1989	6,249	(6,249)	0
	Merger 1994	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**	**(19,492)**	**1,605**

GENERAL INFORMATION

Sabaf S.p.A. is a company incorporated according to Italian law.

Registered and administrative office:
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25035 Ospitaletto (Brescia)

Contacts:
Tel: +39 030 - 6843001
Fax: +39 030 - 6848249
E-mail: info@sabaf.it
Website: *www.sabaf.it*

Tax information:
R.E.A. Brescia: 347512
Tax code: 03244470179
VAT Reg. No.: 01786911082

APPENDIX

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

The following table, prepared pursuant to Article 149/12 of the CONSOB Issuers' Regulation, shows fees relating to 2013 for the independent auditor and for services other than independent auditing provided by the same auditing firm. There were no services rendered by entities belonging to the firm's network.

IN THOUSANDS OF EURO	Party that provides the service	Considerations for the year 2013
Audit	Deloitte & Touche S.p.A.	52
Certification services	Deloitte & Touche S.p.A.	2 [1]
Other services	Deloitte & Touche S.p.A.	17 [2]
TOTAL		**71**

1 Signing of Unico, IRAP and 770 forms
2 Audit procedures relating to interim management reports; audit of training statements

SABAF® TECHNOLOGY AND SAFETY

CERTIFICATION OF THE ANNUAL REPORT AND ACCOUNTS,

under article 154 bis of Leg. 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, paragraph 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify:

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

of the administrative and accounting principles for drafting the annual report and accounts in 2013.

They also certify that:

- the annual report and accounts
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and Article 9 of Leg. Decree 38/2005;
  - correspond to the results of the accounting entries and ledgers;
  - provides a true and correct representation of the business, capital and financial situation of the issuer;

- the Report on Operations includes a credible analysis of the performance and results of operations, the situation at the issuer, and a description of the key risks and uncertainties to which it is exposed.

Ospitaletto, 20 March 2014

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

Deloitte.

Deloitte & Touche S.p.A.
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Italia

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AUDITORS' REPORT

ON THE STATUTORY FINANCIAL STATEMENTS PURSUANT TO

ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SABAF S.p.A.

1. We have audited the financial statements of Sabaf S.p.A., which comprise the statement of financial position as of December 31, 2013, and the income statement, comprehensive income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005 are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements present for comparative purposes prior year data. As explained in the explanatory notes to the financial statements, to take account of the adoption of the new amendment of IAS 19 – Employee Benefits, the Directors have adjusted certain comparative data related to the prior year's financial statements with respect to the data previously reported and audited by us, on which we issued auditors' report dated April 4, 2013. These modifications of comparative data and related disclosures included in the explanatory notes to the financial statements have been audited by us for the purpose of expressing our opinion on the financial statements as of December 31, 2013.

3. In our opinion, the financial statements give a true and fair view of the financial position of Sabaf S.p.A. as of December 31, 2013, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova
Palermo Parma Roma Torino Treviso Verona

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Partita IVA: IT 03049560166

Member of Deloitte Touche Tohmatsu Limited

4. The Directors of Sabaf S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure, published in the section "*Investor Relations*" of the internet website of Sabaf S.p.A., in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the report on corporate governance and ownership structure, with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the report on corporate governance and ownership structure are consistent with the financial statements of Sabaf S.p.A. as of December 31, 2013.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Brescia, Italy
April 4, 2014

This report has been translated into the English language solely for the convenience of international readers.

BOARD OF STATUTORY AUDITOR'S REPORT TO THE SABAF S.P.A. SHAREHOLDERS' MEETING

pursuant to article 153 of Legislative Decree 58/1998 and article 2429, paragraph 2 of the Civil Code

Shareholders,

The Board of Statutory Auditors of Sabaf S.p.A. ("Sabaf" or "the Company" or "the Parent Company") hereby reports to you on the supervision carried out and the results thereof, pursuant to article 2429 of the Italian Civil Code and article 153 of Legislative Decree 58/1998 (the "Consolidated Law on Finance" or "TUF"), and taking into account Consob recommendations for companies listed on regulated markets.

This report is divided into the following sections:
1. supervision in fiscal year 2013;
2. significant business, financial and capital transactions, atypical and/or unusual transactions, and related party transactions;
3. organisational structure, administrative and accounting system and internal control system;
4. corporate governance;
5. conclusions and financial statements for the year ended 31 December 2013.

1. Supervision in fiscal year 2013

During the year ended 31 December 2013, the Board of Statutory Auditors performed the supervision required by law, taking into account Consob recommendations on corporate governance and based on the codes of conduct for boards of statutory auditors recommended by the Italian Association of Chartered Accountants.

In terms of the work carried out, the Board of Statutory Auditors reports that:

a) it held six board meetings, each attended by all members in office except for one justified absence of a member at the 5 November 2013 meeting;

b) it attended the eight meetings of the Board of Directors;

c) it attended the four meetings of the Internal Control and Risks Committee;

d) it attended two meetings between supervisory bodies (Independent Auditor, Internal Control and Risks Committee, Supervisory Body), in the presence of the financial reporting officer and chief internal auditor;

e) it took part in the Shareholders' Meeting held on 30 April 2013;

f) it remained in constant communication with the corresponding bodies of the subsidiary companies; no anomalies were reported during the meetings;

g) it remained in constant communication with the Independent Auditor, with a view to the timely exchange of data and information relating to the performance of their respective tasks; it met regularly both with staff from Protiviti S.r.l. ("Protiviti"), to which the internal audit has been outsourced, and the chief internal auditor;

h) it requested and obtained the documents and information considered relevant by executive directors and managers from other company departments where necessary.

During meetings of the Board of Directors, the Board of Statutory Auditors was informed of the management activities carried out and, where relevant, the most significant business, financial and capital transactions performed by the Company or its subsidiaries in 2013.

In terms of supervision, the Board of Statutory Auditors observes that in the areas within its purview, the principles of sound management and compliance with the law and Bylaws have been applied by the Company.

Within the context of its supervision activities, and during meetings and discussions with managers from Deloitte & Touche S.p.A. (the "Independent Auditor"), the Board of Statutory Auditors confirms that no reprehensible actions were detected, nor any actions otherwise worthy of mention.

With specific reference to the work of the Independent Auditor, the Board of Statutory Auditors examined the review procedures adopted, or being adopted, in connection with the work plan it presented. The Board of Statutory Auditors also received the technical information requested concerning the accounting standards adopted, in addition to the reporting criteria for the most significant business, financial and capital transactions.

The Board of Statutory Auditors checked the procedure adopted by the Board of Directors regarding the impairment test conducted on the shareholding in Faringosi Hinges S.r.l., noting that the Company commissioned an external expert, belonging to the Association of Chartered Accountants of Brescia, to check the value of the goodwill recorded in the consolidated financial statements and of the controlling interest recorded in the separate financial statements. This check methodologically analysed the documents provided by Sabaf and Faringosi. The test showed an impairment of the controlling share in Faringosi-Hinges S.r.l.; however, in relation to the value of the asset and the goodwill allocated to the Hunges CGU, no impairment was detected.

Finally, in terms of supervision, the Board reports that no reports or complaints were received or submitted within the meaning of article 2408 of the Italian Civil Code.

The Board also reports that, in 2013, pursuant to article 2386 of the Italian Civil Code, it issued a positive opinion regarding the cooptation of Maria Chiara Franceschetti to the Board of Directors, replacing Gregorio Gitti.
Sabaf S.p.A. manages and coordinates the following companies:

- **Faringosi Hinges S.r.l.;**
- **Sabaf Immobiliare S.r.l.;**

Both companies have duly satisfied the obligations prescribed by the Italian Civil Code concerning management and coordination.

Sabaf S.p.A. is controlled by Giuseppe Saleri S.a.p.A., which is not responsible for management and coordination, as mentioned and explained in the Report on Operations approved by the Board of Directors at its meeting on 20 March 2014.

2. Significant business, financial and capital transactions, atypical and/or unusual transactions, and related party transactions

In relation to the most significant business, financial and capital transactions carried out by the Company and the Group over the year, the Board of Statutory Auditors reports that:

a) 358,000 treasury shares were sold, through a mandate to the Group's broker based on previous resolutions, at a price of €11.10 per share, generating a capital gain of €749,780 booked at equity;

b) deferred tax assets of €1.1 million were booked, as a result of tax breaks relating to investments made in Turkey.

In general, based on the supervision carried out, the Board of Statutory Auditors considers that, in the performance of the aforementioned transactions, the law, the articles of association and the principles of sound management were followed in the areas within its purview.

The Board of Statutory Auditors also found that the aforementioned transactions were not manifestly imprudent or risky, potentially causing a conflict of interests, contrary to the resolutions adopted by the Shareholders' Meeting or otherwise liable to compromise the Company's integrity; finally, based on the information received, the Board has found that said transactions were consistent with the principles of economic rationality, without this constituting any opinion on the merits of directors' management decisions.

The Board of Statutory Auditors has not identified nor received information from the Independent Auditor or the chief internal auditor about atypical and/or unusual transactions as defined in the Consob Communication of 6 April 2001, carried out with third parties, related parties or within the Group. In the Report on Operations, approved by the Board of Directors at its meeting on 20 March 2014, the directors indicated that Group companies did not engage in any atypical and/or unusual transactions in 2013.

In their Report on Operations at 31 December 2013, the directors also gave an account of related party transactions. Details of the nature and amount of these transactions can be found in the notes to the annual financial statements and consolidated financial statements.
Related party transactions are of minor importance compared with Group activity as a whole; they also seem consistent with and beneficial to the interests of the Company.
Taking this into account, the information supplied on related-party transactions seems adequate.

3. Organisational structure, administrative and accounting system and internal control system

The Board of Statutory Auditors verified the existence of an adequate organisational structure in relation to the size and structure of the business and the objectives pursued, in compliance with the legislation in force.
In particular, the Board of Statutory Auditors identified the existence of adequate procedures, as well as the presence of a system of delegated powers and proxies consistent with the responsibilities assigned.

The Company has adopted an organisational model in accordance with the provisions of legislative decree 231/2001. This model is periodically updated.

The Company has also adopted a Code of Ethics, and has demonstrated its commitment to health, safety and the environment.

The Board of Statutory Auditors verified the suitability of the internal control system and the administrative and accounting system, in addition to its ability to give a true and fair view of the business, through: ***a)*** examining the chief internal auditor's report on Sabaf's internal control system; ***b)*** examining the periodic internal audit reports, outsourced to Protiviti; ***c)*** obtaining information from the heads of the various corporate functions; ***d)*** examining company documents; ***e)*** analysing the results of the work conducted by the Independent Auditor; ***f)*** liaising with the supervisory bodies of subsidiaries; ***g)*** attending all Internal Control and Risk Committee meetings; ***h)*** exchanging information with the Remuneration Committee.

Specifically, the Board of Statutory Auditors acknowledges that the chief internal auditor is actively and constantly involved in monitoring the internal control system, reporting to the Board of Directors and submitting frequent and regular reports to the Internal Control and Risk Committee and Board of Statutory Auditors, to which he also submits the annual work programme.

By taking part in the work of the Internal Control and Risk Committee, the Board of Statutory Auditors has been able to coordinate the adoption of new requirements following the entry into force of article 19 of legislative decree 39/2010, which states that, for listed companies, the Board of Statutory Auditors acts as the internal control and audit committee.

Based on the work carried out, the Board believes Sabaf's internal control system to be adequate and, in its capacity as the Internal Control and Audit Committee, acknowledges that it has no observations to make to the Shareholders' Meeting.

The annual Report on Corporate Governance and Ownership Structure contains, in accordance with article 123-bis of the Italian consolidated law on finance, detailed information about the features of the risk management and internal control system in relation to the financial reporting process.

The main risk factors to which the Group is exposed, together with the measures adopted by the Company in order to address them, are suitably classified and described in detail in the notes to the financial statements and in the Report on Operations.

With reference to the administrative and accounting system, the Company has complied with the provisions introduced by law 262/2005 by appointing a financial reporting officer.

The administrative and accounting system as a whole is found to be comprehensive, integrated (including the information procedures) and consistent with the size and organisational structure of the Company and the Group.

Finally, special administrative and accounting procedures have been adopted relating to the periodic closing of the accounts, the preparation of the financial statements and the preparation of reporting packages by subsidiaries.

The financial reporting officer has performed an administrative and accounting assessment of the internal control system, with testing carried out independently by the Internal Audit division.

With reference to the continuous reporting obligations referred to in article 114(1) of the Consolidated Law on Finance, the Company has issued special instructions to its subsidiaries to comply with the reporting obligations laid down in article 114(2) of that law, within the scope of internal regulations on privileged information.

The annual and consolidated financial statements for the year ended 31 December 2013 contain the information required by article 149-*duodecies* of the Issuers' Regulation.

Having established that the Independent Auditor satisfied independence requirements at the time of its appointment, the Board of Statutory Auditors confirms that during the year and until today's date, no critical issues emerged concerning the independence of the Independent Auditor.

The Board of Statutory Auditors acknowledges that on 4 April 2014, Deloitte & Touche S.p.A. submitted the document pursuant to article 19(3) of Legislative Decree 39/2010, indicating that no fundamental issues had emerged during the audit, nor were there any material deficiencies in terms of financial reporting within the internal control system.

4. Corporate Governance

Detailed information about the procedures used to implement the corporate governance principles approved by Borsa Italiana, as contained in the relative Corporate Governance Code for listed companies, is provided by the directors in the annual Report on Corporate Governance and Ownership Structure.

The Company has signed up to the Corporate Governance Code of listed companies approved by the Corporate Governance Committee and recommended by Borsa Italiana S.p.A.

The Board of Statutory Auditors acknowledges that the Company has verified the independence of directors classed as "independent"; in this regard, the Board confirms that the criteria and procedures used to determine the independence of directors pursuant to the Corporate Governance Code are correctly applied. The Board of Statutory Auditors has also confirmed that its members continue to satisfy the independence criteria, as required by the Corporate Governance Code.

5. Conclusions and financial statements for the year ended 31 December 2013

Sabaf's consolidated financial statements at 31 December 2013 show a consolidated net profit of €8.1 million; the annual financial statements of the Parent Company for the year ended 31 December 2013 show a net profit of €3.7 million.
The draft financial statements, with the accompanying notes and directors' Report on Operations, were approved within the statutory time limit and were prepared in accordance with International Financial Reporting Standards (IFRS) approved by the European Union, which are mandatory for listed companies.

The consolidated statement of financial position at 31 December 2013 shows a negative net financial position of €16.7 million, while the parent company closed its financial statements at 31 December 2013 with a negative net financial position of €13.2 million.

Consolidated shareholders' equity at 31 December 2013 was €118 million, compared with €115.2 million in the consolidated financial statements at 31 December 2012; the annual financial statements of the Parent Company report shareholders' equity of €104.4 million, compared with €101.4 million for the year ended 31 December 2012. The values at 31 December 2012 were recalculated following the revision of IAS 19.

Based on these factors, in view of the general position of the Company and the Group, in addition to the directors' forecasts, the Board does not detect the presence of any events or circumstances that might raise doubts over the going-concern assumption applied.

The Independent Auditor, in the report issued on 4 April 2014, expressed an unqualified opinion without requesting additional information on the annual and consolidated financial statements for the year ended 31 December 2013. Furthermore, in its reports, the Independent Auditor also concludes that the Report on Operations, in addition to the information referred to in sections 1(c), (d), (f), (l), and (m) and section 2(b) of article 123-bis of Legislative Decree 58/1998, contained in the Report on Corporate Governance and Ownership Structure, is consistent with Sabaf's financial statements at 31 December 2013.

The annual and consolidated financial statements are accompanied by the declarations of the financial reporting officer and Chief Executive Officer required by article 154-*bis* of the Italian Consolidated Law on Finance.

Based on the work carried out during the year, the Board of Statutory Auditors found no impediment to the approval of the annual financial statements for the year ended 31 December 2013 or to the recommendations made by the Board of Directors, also with regard to distribution of the dividend.

Ospitaletto, 4 April 2014

The Statutory Auditors

Mr. Alessandro Busi
Mr. Enrico Broli
Ms. Anna Domenighini

Be multiskilled

SABAF®

CHAPTER 8

Report on Remuneration

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Report on remuneration

pursuant to article 123-ter of the TUF and Article 84-quater of the Issuers' Regulation

Section I - REMUNERATION POLICY

Sabaf S.p.A.'s General Remuneration Policy (hereinafter also "remuneration policy"), approved by the Board of Directors on 22 December 2011 and updated on 20 March 2013, defines the criteria and guidelines for the remuneration of members of the Board of Directors, executives with strategic responsibilities and members of the Board of Statutory Auditors.
The remuneration policy was prepared:

- pursuant to article 6 of the Corporate Governance Code for listed companies, approved in March 2010 and subsequently amended in December 2011;
- in line with Recommendations 2004/913/EC and 2009/385, which were incorporated into law with article 123-ter of the Consolidated Law on Finance (TUF).

This Policy, applied from the date of approval by the Board of Directors, was fully implemented from 2012 following the appointment of the new management bodies. With the introduction of the Policy, the remuneration system was extended to include a long-term incentive component, which was previously not provided for.

Corporate bodies and persons involved in preparing, approving and implementing the remuneration policy

The General Remuneration Policy was approved by the Board of Directors on 22 December 2011 and updated on 20 March 2013, on the recommendation of the Remuneration Committee, as explained in the sections below.
No independent experts or advisors contributed to the preparation of the policy, nor were the remuneration policies of other companies used for reference purposes.
Specifically, it is the responsibility:

- of the Remuneration and Appointments Committee:
  - to make proposals to the Board of Directors, in the absence of the persons directly concerned, for remuneration of the CEO and directors holding specific positions;
  - to make suggestions concerning the setting of targets to which the annual variable component and long-term incentives should be linked, in order to ensure shareholders' long-term interests are in line with the Company's strategy;
  - to evaluate the criteria for the remuneration of executives with strategic responsibilities and make appropriate recommendations to the Board;
  - to monitor the application of decisions adopted by the Board.
- of the Board of Directors to correctly implement the remuneration policy.
- of the Human Resources Department to implement operationally the decisions made by the Board.

The Remuneration and Appointments Committee comprises three non-executive and independent members (Fausto Gardoni, Leonardo Cossu and Giuseppe Cavalli), with the knowledge and experience in accounting, finance and remuneration policies that is required of a Board of Directors.

Purposes of the remuneration policy

The Company's intention is that the General Remuneration Policy:

- attracts, motivates and increases the loyalty of persons with appropriate professional expertise;
- brings the interests of the management into line with those of the shareholders;
- favours the creation of sustainable value for shareholders in the medium to long term, and maintains an appropriate level of competitiveness for the company in the sector in which it operates.

The variable component of the remuneration policy was revised in 2013, with the maximum threshold raised from 25% of fixed annual gross salary set for 2012 to 50% from 2013. No change was made to the fixed component.
This change, approved by the Board of Directors on 20 March 2013 on the recommendation of the Remuneration and Appointments Committee, is intended to highlight the importance of the objectives that the Board considers to be of strategic importance, and to enhance the value of the results achieved.

Fixed annual component

Directors
On the proposal of the Board of Directors, having heard the opinion of the Remuneration and Appointments Committee, the shareholders determine a maximum total for the remuneration of all members of the Board, including a fixed amount and attendance fees.
In accordance with this maximum total, on the proposal of the Remuneration and Appointments Committee and subject to the opinion of the Board of Statutory Auditors, the Board of Directors determines additional remuneration for directors vested with special powers.
The fixed component is such that it is able to attract and motivate individuals with appropriate expertise for the roles entrusted to them within the Board, and is set with reference to the remuneration awarded for the same positions by other listed Italian industrial groups of a similar size.
It is Sabaf S.p.A.'s practice to appoint to the roles of Chairman and Deputy Chairmen members of the Saleri family, the controlling shareholder of the Company through Giuseppe Saleri S.a.p.A. Though executive directors, these directors are not granted any variable remuneration, but only remuneration additional to that of directors vested with special powers.
Directors who sit on committees formed within the Board (Control and Risks Committee, Remuneration and Appointments Committee) are granted remuneration that includes a fixed salary and attendance fees intended to reward the commitment required of them.

Other executives with strategic responsibilities

Employment relationships with other executives with strategic responsibilities are governed by the Collective National Contract for Industrial Managers. In this regard, fixed remuneration is determined so that it is sufficient in itself to guarantee an appropriate basic salary level, even in the event that the variable components are not paid owing to a failure to reach objectives.

Board of Statutory Auditors

The amount of remuneration for Auditors is set by the Shareholders' Meeting, which establishes a fixed amount for the Chairman and the other Statutory Auditors.

Annual variable component

The Chief Executive Officer and other executives with strategic responsibilities are granted annual variable remuneration related to an MBO plan.
This plan sets a common objective (Group EBIT, which is considered to be the Group's main indicator of financial performance) and quantifiable and measurable individual objectives, both economic-financial and technical-productive in nature. All objectives are set by the Board of Directors, on the proposal of the Remuneration and Appointments Committee, in accordance with the budget.
The variable component may not exceed 50% of the fixed annual gross salary; it may be only partially granted in the event that the objectives are not completely met.
75% of the variable component is paid out in the April of the following year, and 25% in the January of the second subsequent year.
The MBO plan also extends to other managers identified by the Chief Executive who report directly thereto or who report to the abovementioned managers.
Non-executive directors are not granted any variable remuneration.

Long-term incentives

A long-term financial incentive dependent on measurable and predetermined performance targets relating to the creation of value for shareholders over the long term has been established.
The incentive extends over three years (2012-2014) and is exclusively aimed at the Chief Executive Officer and executives with strategic responsibilities.
The performance targets, set in accordance with the three-year business plan, are proposed by the Remuneration and Appointments Committee to the Board of Directors, as the body responsible for approving the long-term financial incentive.
The targets that set the parameters for the long-term incentive (consolidated Group EBITDA and share value) were defined by the Board of Directors on 25 September 2012, on the recommendation of the Remuneration and Appointments Committee.
The total long-term variable component for three years may not exceed 50% of the fixed annual gross salary; it may be only partially granted in the event that the objectives are not completely met. In the event that 100% of the objectives assigned are met, an increase on 50% of the gross fixed annual salary may be granted.
The variable component is paid in full following the approval of the financial statements of the third year to which the incentive relates (2014).

Incentives based on financial instruments

The remuneration policy in force does not provide for the use of incentives based on financial instruments (stock options, stock grants, phantom stocks or others).

Remuneration for offices in subsidiaries

Directors and other executives with strategic responsibilities may be granted remuneration – exclusively as a fixed amount – for offices held in subsidiaries. As well as the approval of the subsidiaries' corporate bodies, this remuneration is subject to the favourable opinion of the Remuneration and Appointments Committee.

Non-monetary benefits

The Company has taken out a third-party civil liability insurance policy in favour of directors, statutory auditors and executives for unlawful acts committed in the exercise of their respective duties, in violation of obligations established by law and the Bylaws, with the sole exclusion of deliberate intent. The stipulation of this policy was passed by the Shareholders' Meeting.

The Company also provides for executives a life insurance policy and cover for medical expenses (FASI), as established by the Collective National Contract for Industrial Managers; moreover, it has stipulated an additional policy to cover medical expenses not covered by FASI repayments.

No director or executive with strategic responsibilities has a company car.

Indemnity against the early termination of employment

There are no agreements for directors or other executives with strategic responsibilities governing *ex ante* financial settlements following the early termination of the employment relationship.

For the end of the relationship for reasons other than just cause or justified reasons provided by the employer, it is the Company's policy to pursue consensual agreements to end the employment relationship, in accordance with legal and contractual obligations.

The Company does not provide directors with benefits subsequent to the end of their mandate.

Moreover, on the proposal of the Remuneration and Appointments Committee, the Board of Directors assessed the introduction, possibly for 2014, of a non-competition agreements for some employees of the Company in the event that the employment relationship comes to an end, defining its terms and conditions.

Section II - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES IN 2013

This section, which details remuneration paid to directors and statutory auditors:

- adequately describes each of the items that make up the remuneration, showing their consistency with the Company's remuneration policy approved the previous year;
- analytically illustrates the remuneration paid in the financial year under review (2013), for any reason and in any form, by the Company or by subsidiaries or affiliates, identifying any components of this remuneration that relates to activities undertaken in previous years to the year under review.

The components of the remuneration paid to directors for 2013

The remuneration granted to directors for 2013, in accordance with the Policy described in Section I, consisted of the following components:

- fixed remuneration, approved by the Shareholders' Meeting of 8 May 2012, totalling €265,000, of which €15,000 is to be allocated indiscriminately to every director, and €10,000 to every non-executive member of the Internal Control and Risk Committee and/or the Remuneration and Appointments Committee;
- additional remuneration, approved by the Shareholders' Meeting of 8 May 2012, totalling €466,500 divided among directors vested with special powers (Chairman, Vice-chairmen and Chief Executive Officer) as detailed in the table below;
- an attendance fee of €1,000, due to non-executive directors only, for every occasion on which they attend Board of Directors' meetings and the meetings of committees formed within the Board.

Director Gregorio Gitti resigned on 30 April 2013; in accordance with the provisions of the Company Bylaws, on 7 May 2013, the Board appointed by cooptation Maria Chiara Franceschetti as director.

In relation to the 2012 variable incentive plan, the Chief Executive Officer Alberto Bartoli (the only recipient director of the plan) voluntarily gave up the portion that accrued over the year. With reference to the 2013 MBO plan, variable remuneration of €38,475 was accrued over the year for the partial achievement of the objectives set.

There are no incentive plans based on financial instruments outstanding.

No indemnities for the termination of the employment relationship were provided for or paid out.

Remuneration of Statutory Auditors for 2013

The remuneration granted to the Statutory Auditors for 2013 consists of a fixed payment determined by the Shareholders' Meeting of 8 May 2012.

Remuneration of executives with strategic responsibilities for 2013

The remuneration of two executives with strategic responsibilities consists of fixed employee compensation totalling €245,673 and variable remuneration of €3,096 paid in 2013 in relation to the 2012 variable incentive plan (MBO). Other payments of €70,500 were also paid by subsidiary companies.

In 2013, variable remuneration of €40,722 was accrued for the achievement of some of the objectives of the 2013 MBO plan. Its payment is deferred and dependent upon the continuation of the employment relationship.

There are no incentive plans based on financial instruments outstanding.

For details on the remuneration paid in 2013, see the tables below (Table 1 and Table 2), which shows the remuneration paid to directors, statutory auditors and, at aggregate level, other executives with strategic responsibilities currently in office, taking into account any positions held for a part of the year only. Remuneration received from subsidiaries and/or affiliates, with the exception of that waived or paid back to the Company, is also indicated separately.

With particular reference to Table 1, the column:

- "Fixed remuneration" shows, for the portion relating to 2013, the fixed remuneration approved by the Board of Directors on 8 May 2012; meeting attendance fees as approved by the Board of Directors on 8 May 2012; employee compensation due for the year gross of social security contributions and income taxes owed by the employee. Any reimbursements of lump-sum expenses are excluded;
- "Remuneration for attendance at Committee meetings", shows, for the portion relating to 2013, the remuneration due to directors who attended the meetings of the Committees set up within the Board and the related attendance fees as approved by the Board of Directors on 8 May 2012;
- "Bonus and other incentives" includes the remuneration paid in 2013 to executives with strategic responsibilities for objectives met in the year, set out in the 2012 MBO plan. This value corresponds to the sum of the amounts provided in Table 2 under the "Bonus for the year – payable/paid", "Bonus of previous years - payable/paid" and "Other bonuses" columns;
- "Non-monetary benefits" shows, according to competence and tax liability criteria, the value of outstanding insurance policies;
- "Other remuneration" shows, for the portion attributable to 2013, any other remuneration resulting from other services provided;
- "Total" shows the sum of the amounts provided under the previous items.

For a breakdown of other items, see attachment 3A, statement 7-*bis* and 7-*ter* of Consob Regulation 11971 of 14 May 1999.

Finally, pursuant to article 84-quater, paragraph four of the Consob Issuer Regulations, Table 3 shows shareholdings in Sabaf S.p.A. held by directors and executives with strategic responsibilities, as well as their non-separated spouses and dependent children, directly or through subsidiaries, trust companies or third parties, as shown in the shareholder register, communications received and other information acquired by the same parties. This includes all persons, who, during the year, held office even only for part of the year. The number of shares held is shown by individual director and in aggregate form for executives with strategic responsibilities.

TABLE 1 - Remuneration paid to members of the Board of Directors and Board of Statutory Auditors and other executives with strategic responsibilities (figures in euro)

Full name	Position	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	**Total**	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonuses and other incentives	Profit sharing					
						Board of Directors						
Giuseppe Saleri	**Chairman**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				120,000 [(a)]	0	0	0	0	0	120,000	0	0
(II) Remuneration from subsidiaries and affiliates				8,000	0	0	0	0	0	8,000	0	0
(III) Total				128,000	0	0	0	0	0	128,000	0	0
Gianbattista Saleri	**Deputy Chairman**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				100,000 [(a)]	0	0	0	0	0	100,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				100,000	0	0	0	0	0	100,000	0	0
Ettore Saleri	**Deputy Chairman**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				100,000 [(a)]	0	0	0	0	0	100,000	0	0
(II) Remuneration from subsidiaries and affiliates				8,000	0	0	0	0	0	8,000	0	0
(III) Total				108,000	0	0	0	0	0	108,000	0	0

Giuseppe Saleri: *(a)* of which €15,000 as director and €105,000 as chairman

Gianbattista Saleri: *(a)* of which €15,000 as director and €85,000 as vice-chairman

Ettore Saleri: *(a)* of which €15,000 as director and €85,000 as vice-chairman

Full name	Position	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	**Total**	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonuses and other incentives	Profit sharing					
Cinzia Saleri	**Deputy Chairman**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				100,000 [(a)]	0	0	0	0	0	100,000 [(a)]	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				100,000	0	0	0	0	0	100,000	0	0

(a) of which €15,000 as director and €85,000 as vice-chairman

Alberto Bartoli	**Chief Executive Officer**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				135,000 [(a)]	0	0	0	2,800	0	137,800	0	0
(II) Remuneration from subsidiaries and affiliates				11,000	0	0	0	0	0	11,000	0	0
(III) Total				146,000	0	0	0	2,800	0	148,800	0	0

(a) of which €15,000 as director and €120,000 as Chief Executive Officer

Salvatore Bragantini	**Director**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000 [(a)]	13,000 [(b)]	0	0	0	0	35,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	13,000	0	0	0	0	35,000	0	0

(a) of which €15,000 as director and €7,000 in board meeting attendance fees
(b) of which €10,000 as a member of the Control and Risk Committee and € 3,000 in Committee meeting attendance fees

Renato Camodeca	**Director**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000 [(a)]	13,000 [(b)]	0	0	0	0	35,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	13,000	0	0	0	0	35,000	0	0

(a) di cui euro 15.000 quale compenso di amministratore ed euro 7.000 quali gettoni di presenza al CdA
(b) di cui euro 10.000 quale membro del Comitato Controllo e Rischi ed euro 3.000 quali gettoni di presenza per la partecipazione al Comitato

Giuseppe Cavalli	**Director**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000 [(a)]	14,000 [(b)]	0	0	0	0	36,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	14,000	0	0	0	0	36,000	0	0

(a) of which €15,000 as director and €7,000 in board meeting attendance fees
(b) of which €10,000 as a member of the Remuneration and Appointments Committee and €4,000 in Committee meeting attendance fees

Full name	Position	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	**Total**	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonuses and other incentives	Profit sharing					
Leonardo Cossu	**Director**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000 [a]	28,000 [b]	0	0	0	0	50,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	28,000	0	0	0	0	50,000	0	0

(a) of which €15,000 as director and €7,000 in board meeting attendance fees

(b) of which €20,000 as a member of the Control and Risk Committee (€10,000) and of the Remuneration and Appointments Committee (€10,000) and €8,000 in meeting attendance fees for the Control and Risk Committee (€4,000) and for the Remuneration and Appointments Committee (€4,000)

Maria Chiara Franceschetti	**Director**	**1 May - 31 Dec 2013**	**Approval of 2013 financial statements**									
(I) Remuneration at Sabaf S.p.A.				20,000 [a]	0	0	0	0	0	20,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				20,000	0	0	0	0	0	20,000	0	0

(a) of which €15,000 as director on a pro-rate basis from her date of appointment and €5,000 in board meeting attendance fees

Fausto Gardoni	**Director**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				23,000 [a]	14,000 [b]	0	0	0	0	37,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				23,000	14,000	0	0	0	0	37,000	0	0

(a) of which €15,000 as director and €8,000 in board meeting attendance fees
(b) of which €10,000 as a member of the Remuneration and Appointments Committee and €4,000 in Committee meeting attendance fees

Nicla Picchi	**Director**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000 [a]	14,000 [b]	0	0	0	15,000 [c]	51,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	5,000 [c]	5,000	0	0
(III) Total				22,000	14,000	0	0	0	20,000	56,000	0	0

(a) of which €15,000 as director and €7,000 in board meeting attendance fees
(b) of which €10,000 as a member of the Control and Risk Committee and €4,000 in Committee meeting attendance fees
(c) as member of the Supervisory Committee of Sabaf S.p.A. and subsidiary Faringosi Hinges S.r.l.

Riccardo Rizza	**Director**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000 [a]	0	0	0	0	0	22,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	0	0	0	0	0	22,000	0	0

(a) of which €15,000 as director and €7,000 in board meeting attendance fees

Full name	Position	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	**Total**	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonuses and other incentives	Profit sharing					

Board of Statutory Auditors

Alessandro Busi	**Chairman**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				24,000	0	0	0	0	0	24,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				24,000	0	0	0	0	0	24,000	0	0
Enrico Broli	**Statutory Auditor**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				16,000	0	0	0	0	0	16,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				16,000	0	0	0	0	0	16,000	0	0
Anna Domenighini	**Statutory Auditor**	**1 Jan - 31 Dec 2013**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				16,000	0	0	0	0	0	16,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				16,000	0	0	0	0	0	16,000	0	0

Full name	Position	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	**Total**	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonuses and other incentives	Profit sharing					

Other executives with strategic responsibilities

Other executives with strategic responsibilities (2)		**1 Jan - 31 Dec 2013**	**n/a**									
(I) Remuneration at Sabaf S.p.A.				245,673	0	3,096	0	5,280	0	254,049	0	0
(II) Remuneration from subsidiaries and affiliates				70,500	0	0	0	0	0	70,500	0	0
(III) Total				316,173	0	3,096	0	5,280	0	324,549	0	0

TABLE 2 - Monetary incentive plans for members of the Board of Directors and Board of Statutory Auditors and other executives with strategic responsibilities (figures in euro)

			Bonus for the year			Bonus of previous years			
Full name	Position	Plan	Payable/Paid	Deferred	Deferment period	No longer payable	Payable/Paid	Still deferred	Other bonuses
Alberto Bartoli	Chief Executive Officer								
Remuneration at Sabaf S.p.A.		2012 MBO Plan (March 2012)	0	0	-	0	0	0	0
Remuneration at Sabaf S.p.A.		2013 MBO Plan (March 2013)	0	38,475	75% Mar 2014 25% Dec 2014	0	0	0	0
TOTAL			**0**	**38,475**	**-**	**0**	**0**	**0**	**0**
Other executives with strategic responsibilities (2)									
Remuneration at Sabaf S.p.A.		2012 MBO Plan (March 2012)	0	0	-	0	3,096	0	0
Remuneration at Sabaf S.p.A.		2013 MBO Plan (March 2013)	0	40,722	75% Mar 2014 25% Dec 2014	0	0	0	0
TOTAL			**0**	**40,722**	**-**	**0**	**3,096**	**0**	**0**

TABLE 3 – Shareholdings of members of the Board of Directors and Board of Statutory Auditors and other executives with strategic responsibilities

Full name	Position	Type of ownership	Investor company	No. of shares held at 31 Dec 2012	No. of shares purchased	No. of shares sold	No. of shares held at 31 Dec 2013
Saleri Giuseppe	Chairman	Indirect, through the subsidiary Giuseppe Saleri S.a.p.A.	Sabaf S.p.A.	6,425,003	-	575,000	5,850,003
Saleri Gianbattista	Deputy Chairman	Direct	Sabaf S.p.A.	2,980	-	1,230	1,750
Saleri Gianbattista	Deputy Chairman	Indirect through spouse	Sabaf S.p.A.	4,051	-	-	4,051
Saleri Cinzia	Deputy Chairman	Direct	Sabaf S.p.A.	17,074	-	7,031	10,043
Bartoli Alberto	Chief Executive Officer	Direct	Sabaf S.p.A.	7,500	-	-	7,500
Bartoli Alberto	Chief Executive Officer	Indirect through spouse	Sabaf S.p.A.	1,000	-	-	1,000
Bragantini Salvatore	Independent director	Direct	Sabaf S.p.A.	5,000	-	-	5,000
Cavalli Giuseppe	Independent director	Indirect through spouse	Sabaf S.p.A.	2,680	-	-	2,680
Executives with strategic responsibilities (2)	-	Direct	Sabaf S.p.A.	3,300	-	-	3,300

Be dynamic

1

Be ready to change

2

Be knowledgeable

5

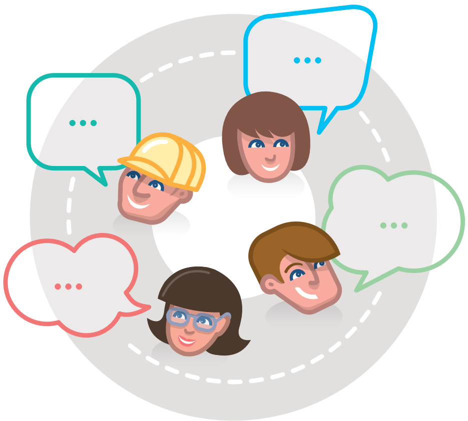
Be grounded

6

Be organized

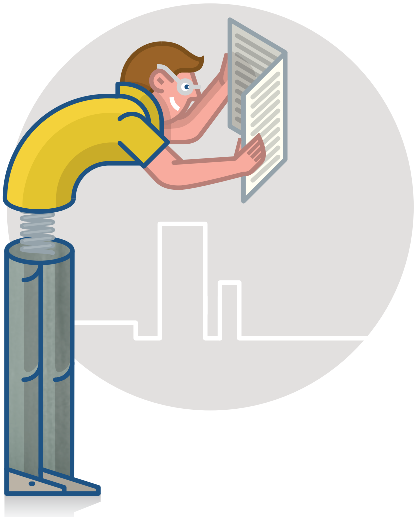
3

Be socially skilled



4

Be flexible



7

Be multiskilled

8

CONCEPT AND GRAPHIC DESIGN:
ALL-ADVISORS

DIGITAL ILLUSTRATION:
ALESSANDRO VAIRO

PRINT:
GRAPHIC CENTER

Printed on paper *Fedrigoni Freelife Vellum*

MISTO
Carta da fonti gestite
in maniera responsabile
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