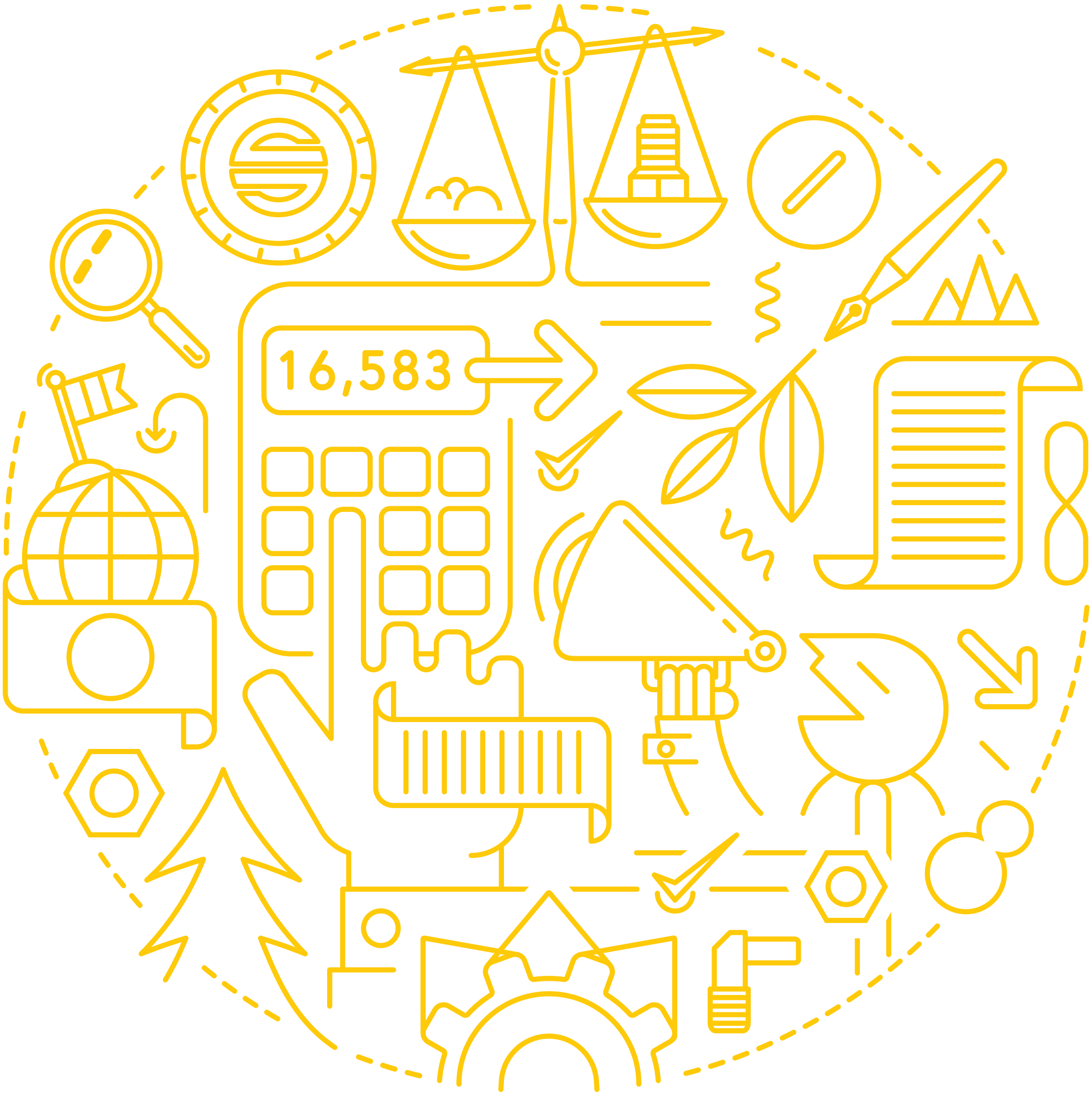


2014 ANNUAL REPORT

SABAF®

INDEX

Chief Executive Officer's

LETTER to STAKEHOLDERS

Alberto Bartoli

INTRODUCTION TO THE ANNUAL REPORT

Sabaf's progress towards Integrated Reporting

The publication of Sabaf's Annual Report, in its tenth 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 disclosure can benefit both companies themselves - through a better understanding of the various strategic strands and greater internal cohesion - and the investor community, which can thereby gain a clearer understanding of the link between strategy, governance and company performance.

Having won the 2013 *Oscar di Bilancio* in the Small and Medium-Sized Listed Company category, the jury also recognised Sabaf's commitment to integrated reporting in 2014 by shortlisting it for the prestigious financial communication award.

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 2014, prepared in accordance with the G4 *Sustainability Reporting Guidelines* defined by GRI *(Global Reporting Initiative)* in 2013, and include the indicators laid down for the "Core" option reporting. The Group has, in fact, promptly updated its reporting system so as to be able, from this Annual Report, to present its results in accordance with the most recent guidelines.
The Annual Report also refers to 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).
The reporting scope of the annual report corresponds to that of the consolidated financial statements.

Section **3 – Governance, risk management, compliance and remuneration** 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 2014.

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 23 March 2015 and presented to shareholders at the Annual General Meeting held on 5 May 2015.

Materiality Analysis

The *GRI-G4 guidelines* stipulate that the contents of the Annual Report must be defined on the basis of a materiality (significance) analysis. Sabaf has begun the process of identifying material issues (significant) to include in the 2014 Annual Report, in other words issues:

- of significant financial, environmental or social impact for the organisation;
- that could have a significant influence on the evaluations and decisions of stakeholders.

From this perspective, materiality takes into account not only the point of view of the organisation but also that of the stakeholders.

The process, which has involved various functions with responsibility for policy and responsibility for operations, provides for an initial identification of sustainability issues to take into consideration, followed by the evaluation and prioritisation of the aspects identified according to level of significance for Sabaf and for the stakeholders. The aim is to obtain approval for the priority aspects and to decide on a method for reporting the results achieved. In that sense, the assessment of the materiality of aspects with reference to Sabaf and to its stakeholders, for 2014, was carried out only on the basis of the perceptions of internal personnel.

The analysis, carried out during 2014, took into consideration strategy, the mission and values of Sabaf as set out in the *Charter of Values*, as well as the results of a document analysis focusing mainly on:

- the in-depth GRI document which identifies the issues that are potentially significant and specific to the industrial sector *("Sustainability Topics for Sectors: what do stakeholders want to know?");*
- Sector benchmark.

The issues that turned out to be most significant have therefore been grouped and represented graphically on a matrix that shows the significance of the item to the stakeholders on the vertical axis, while the horizontal axis shows the importance that the Company attributes to such aspects to the success of the business.

There now follows the results of the materiality analysis, set out in the form of a matrix, with particular emphasis on the items considered to be "most significant".

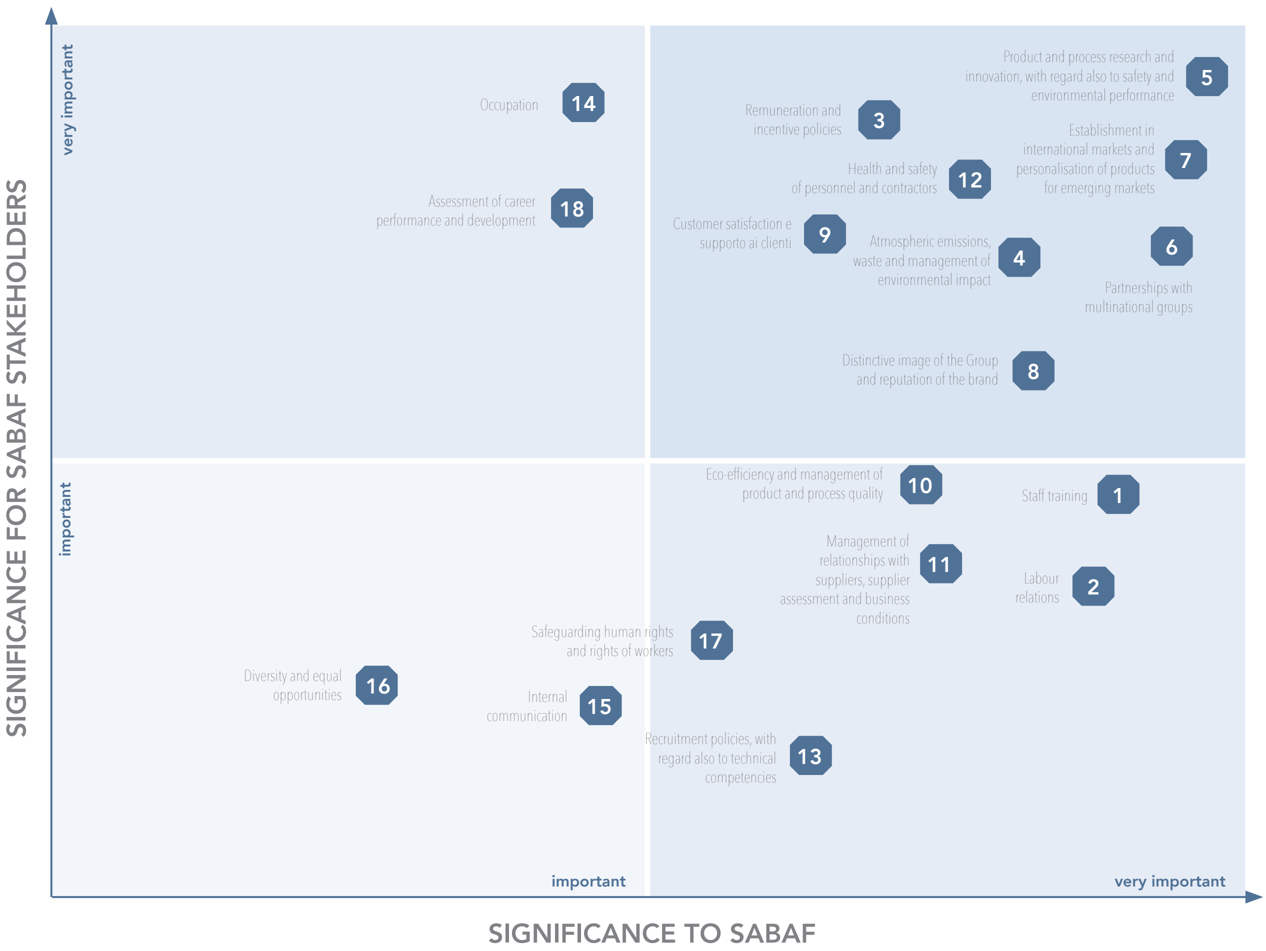
When material issues are identified, the following aspects are considered to be preconditions for operating, and are therefore assessed as "very significant" both for Sabaf and for the stakeholders:

a) the creation and diffusion of sustainable value over time;

b) a system of governance that is transparent and that supports the business effectively;

c) constant attention to respecting the law when Sabaf carries out its activities.

MATERIALITY MATRIX



Material issue

ID	MATERIAL ISSUE	IMPORTANCE OF THE ISSUE TO SABAF	LINK TO GRI-G4 ASPECTS	INTERNAL IMPACT	EXTERNAL IMPACT
1	Staff training	Training activities with the aim of ensuring the continued professional development of employees	Training and Education (G4-LA9)	Sabaf	
2	Labour relations	Relationship between Sabaf and internal trade union representatives, based on principles of transparency and mutual trust	Freedom of Association and Collective Bargaining (G4-HR4)	Sabaf	Trade unions
3	Remuneration and incentive policies	- Setting the fixed and variable components of employees' salaries - Incentive system based on the attainment of pre-set objectives, with the aim of achieving company targets	- Market Presence (G4-EC5) - Training and Education (G4-LA11) - Equal Remuneration for Men and Women (G4-LA13)	Sabaf	Trade unions
4	Atmospheric emissions, waste and management of environmental impact	Definition of monitoring activities and the reduction of the emission of polluting substances into the atmosphere and of waste generated by Sabaf's production processes	- Materials (G4-EN1, G4-EN2) - Energy (G4-EN3, G4-EN5) - Water (G4-EN8, G4-EN9, G4-EN10) - Emissions (G4-EN15, G4-EN16, G4-EN20, G4-EN21) - Effluents and Waste (G4-EN22, G4-EN23, G4-EN24) - Overall (G4-EN31)	Sabaf	Environment, community
5	Product and process research and innovation, with regard also to safety and environmental performance	Identification of new technological and production solutions (with specific focus on safety and environmental performance) that allow the Company to reinforce its leadership in the industrial sector to which it belongs	Product and Services (G4-EN27) Customer Health and Safety (G4-PR1)	Sabaf	Customers, community, environment
6	Partnerships with multinational groups	Openness of Sabaf to strategic partnerships with major players in the sector	-(*)	Sabaf	Customers
7	Establishment in international markets and personalisation of products for emerging markets	The replication of Sabaf's business model in emerging countries, adapting to local cultures	-(*)	Sabaf	Customers, community
8	Distinctive image of the Group and reputation of the brand	Operating while maintaining the distinctive image of the brand - synonymous with reliability, quality and innovation - that Sabaf has acquired in the market	-(*)	Sabaf	Customers, financial backers
9	Customer satisfaction and support	Ability to respond effectively to customer expectations at all stages of the relationship (from design to post-sales support)	Product and Service Labeling (G4-PR5)	Sabaf	Customers
10	Eco-efficiency and management of product and process quality	Research of the best product or process performance or solutions in terms of environmental impact Design of new eco-efficient products	See items 4 and 5	Sabaf	Customers, environment, community

ID	MATERIAL ISSUE	IMPORTANCE OF THE ISSUE TO SABAF	LINK TO GRI-G4 ASPECTS	INTERNAL IMPACT	EXTERNAL IMPACT
11	Management of relationships with suppliers, supplier assessment and business conditions	The commitment by Sabaf to create a relationship with the supplier chain based on principles of business integrity, propriety and contractual fairness The sharing of Sabaf values with suppliers. The definition, by Sabaf, of minimum criteria for the development of a long-term relationship with suppliers, based on principles of social responsibility	- Supplier Assessment for Labor Practices (G4-LA14) - Assessment (G4-HR9) - Supplier Human Rights Assessment (G4-HR10)	Sabaf	Customers, environment, community
12	Health and safety of personnel and contractors	Management, in compliance with regulations regarding health and safety at work, of matters relating to the health and safety of employees: training, prevention, monitoring, improvement objectives	Occupational Health and Safety (G4-LA6, G4-LA7, G4-LA8)	Sabaf	Suppliers
13	Recruitment policies, with regard also to technical competencies	Personnel recruitment policies aimed at ensuring equal opportunities for all candidates, avoiding any form of discrimination Assessment of candidates based on competencies, previous working experience and potential	Employment (G4-LA1)	Sabaf	Society
14	Occupation	Focus on maintaining stable relationships, with an awareness of the importance of human capital to the implementation of company strategy	Employment (G4-LA2, G4-LA3)	Sabaf	
15	Internal communication	Activities and projects aimed at developing a continuous dialogue between the company and its employees	-(*)	Sabaf	
16	Diversity and equal opportunities	Commitment to ensuring equal opportunities for women or for minorities	Diversity and equal opportunity (G4-LA12)	Sabaf	
17	Safeguarding human rights and rights of workers	Safeguarding human rights as prescribed by "The Universal Declaration of Human Rights" and the principles set out in the rules of the International Labour Organisation The socially responsible management of employment processes and working conditions in the supply chain, in accordance with the requirements of norm SA8000	- Non-discrimination (G4-HR3) - Child Labor (G4-HR5) - Forced or Compulsory Labor (G4-HR6) - Assessment (G4-HR9) - Supplier Human Rights Assessment (G4-HR10)	Sabaf	Suppliers
18	Assessment of career performance and development	- Internal development of favoured competencies instead of acquiring these externally - Development based on merit	- Training and Education (G4-LA11)	Sabaf	

(*) With regard to a particular issue (not directly linked to an aspect covered by the GRI-G4 guidelines), Sabaf sets out the management approach adopted in the document, along with the relative indicators.

Sabaf adopts the **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 appliances industry.

The **CECED Code of Conduct** confirms the commitment by the European domestic appliance industry to support behaviour that is **ethical** and **fair**. The Code aims at promoting ethical and sustainable standards as regards **working conditions** and **safeguarding the environment** in order to support **fair competition** in **global markets**.

The manufacturers that adhere to the code **voluntarily** commit to implement conditions of dignity at work, that respect shared standards relating to **minimum age**, **working hours**, **hygiene** and **safety conditions**, **freedom of association** and **collective bargaining**, as well as **environmental regulations**. The signatory companies also commit to making their **suppliers aware** of the principles of the Code of Conduct, and to encourage them to adhere to these principles. The signatory companies ask, through the suppliers, that the principles are recommended to the whole 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

The 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.

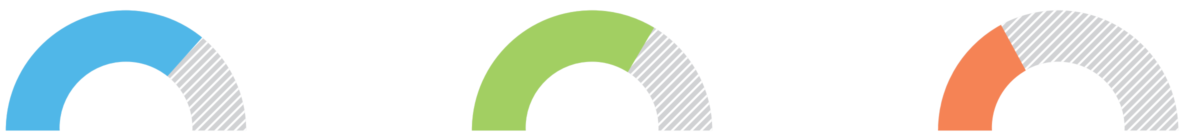
KEY PERFORMANCE INDICATORS (KPIS)

Key 2014 2013 2012 CHANGE

Financial capital

SALES REVENUES	€/000	136,337	130,967	130,733
EBITDA	€/000	25,952	24,572	21,813
OPERATING PROFIT (EBIT)	€/000	13,175	11,132	7,920
PRE-TAX PROFIT	€/000	12,157	9,811	6,219
NET PROFIT	€/000	8,338	8,104	4,196
WORKING CAPITAL	€/000	45,844	41,241	41,086
CAPITAL EMPLOYED	€/000	137,671	134,681	139,422
SHAREHOLDERS' EQUITY	€/000	110,738	117,955	115,626
NET FINANCIAL DEBT	€/000	26,933	16,726	23,796
ROCE (RETURN ON CAPITAL EMPLOYED)	%	9.60%	8.30%	5.70%
DIVIDENDS PAID OUT	€/000	16,146	3,911	6,901

NET PROFIT €/000



8,338 8,104 4,196

Human capital

AVERAGE AGE OF EMPLOYEES
(sum of age of employees/total employees at 31/12)

YEARS
37.2
36.6
36.2

LEVEL OF EDUCATION
(number of university and high school graduates/total employees at 31/12)

%
54.4
54.5
51.7

STAFF TURNOVER
(employees who resign or are dismissed/total employees at 31/12)

%	%
11.9	20
11.3	4.7
7.6	5.8

HOURS OF TRAINING PER EMPLOYEE
(hours of training/average no. of employees)

HOURS
14.4
18
16.1

INVESTMENT IN TRAINING/ REVENUE

%
0.31
0.45
0.42

HOURS OF INDUSTRIAL ACTION FOR INTERNAL CAUSES

N°
0
0
0

TOTAL EMPLOYEE HEADCOUNT

N°	%	%
726	64.9	35.1
730	65.2	34.8
702	65.4	34.6

SICKNESS RATE
(Sick leave hours/total workable hours)

%
2.88
2.88
2.75

ACCIDENT FREQUENCY INDEX
(no. of accidents - excluding accidents in transit - per 1 million hours worked)

11.08
12.99
12

ACCIDENT SEVERITY INDEX
(days of absence - excluding accidents in transit - per 1,000 hours worked)

0.39
0.22
0.15

JOBS CREATED
(lost)

N°
(4)
5
11

Relational capital

VALUE OF OUTSOURCED GOODS & SERVICES
brass pressing and die-casting

€/000

4,284
4,519
4,682
10,000

VALUE OF OUTSOURCED GOODS & SERVICES
other processing

€/000

3,672
5,606
6,734
10,000

CUSTOMER REJECTS
(customer charge-backs and credit notes for returned goods/sales)

%

0.07
0.04
0.06
0.1

AVERAGE SALES PER CUSTOMER
(total sales/number of customers)

€/000

464
445
424
500

PERCENTAGE OF SALES FROM NEW CUSTOMERS
(sales from new customers / sales)

%

1.02
0.33
0.34
2

% WEIGHTING OF TOP 10 CUSTOMERS

%

47
46
49
100

% WEIGHTING OF TOP 20 CUSTOMERS

%

70
70
70
100

CUSTOMER COMPLAINTS

N°

291
249
302
500

CERTIFIED SUPPLIER SALES
(certified supplier sales/sales)

%

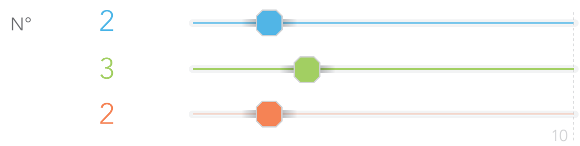
54.7
53.9
54.7
100

NUMBER OF FINANCIAL ANALYSTS FOLLOWING SABAF STOCK ON AN ONGOING BASIS

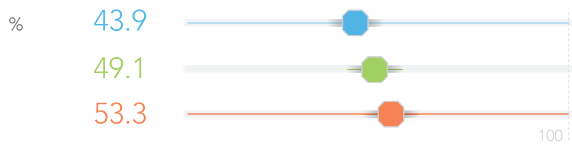
N°

2
2
2
10

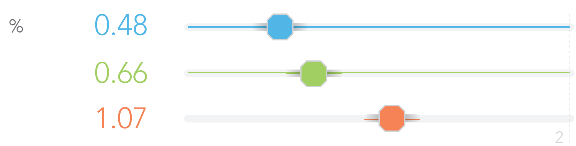
LAWSUITS ACTIONED AGAINST GROUP COMPANIES



% OF SUPPLIER SALES IN PROVINCE OF BRESCIA

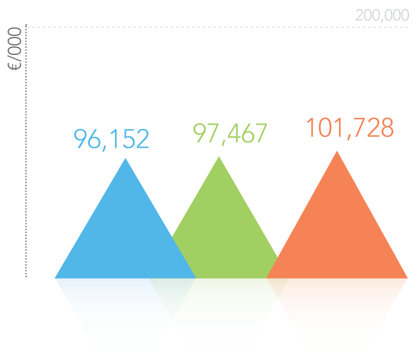


DONATIONS/NET PROFIT

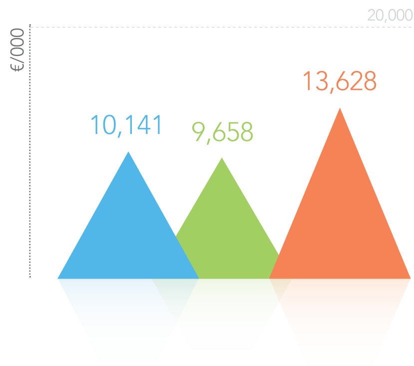


Productive capital

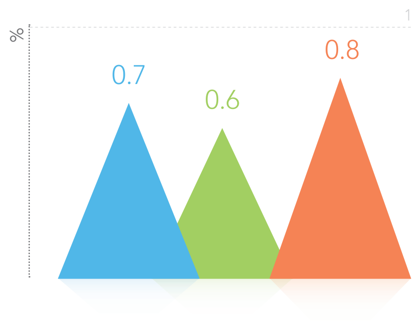
TIED-UP CAPITAL



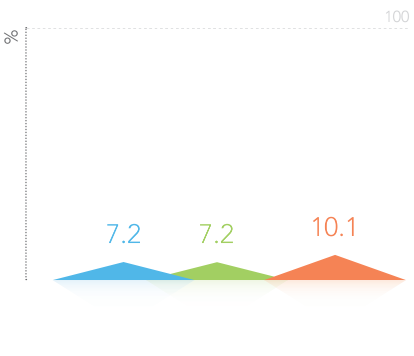
TOTAL NET INVESTMENTS



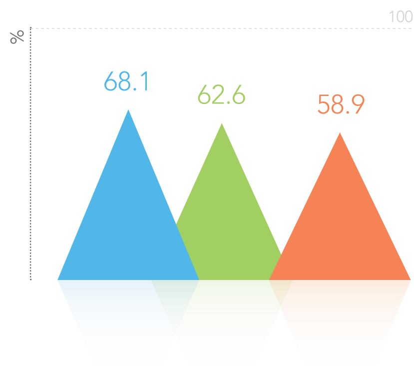
IT BUDGET
(capital expenditure + current expenses)/sales



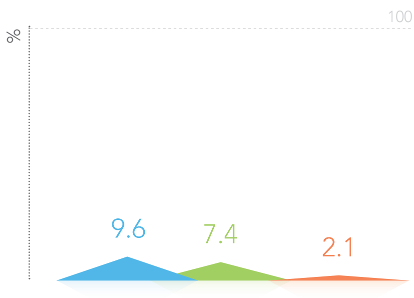
CAPITAL EXPENDITURE ON TANGIBLE ASSETS/SALES



AMOUNT OF LIGHT ALLOY VALVES SOLD OUT OF TOTAL FOR VALVES AND THERMOSTATS

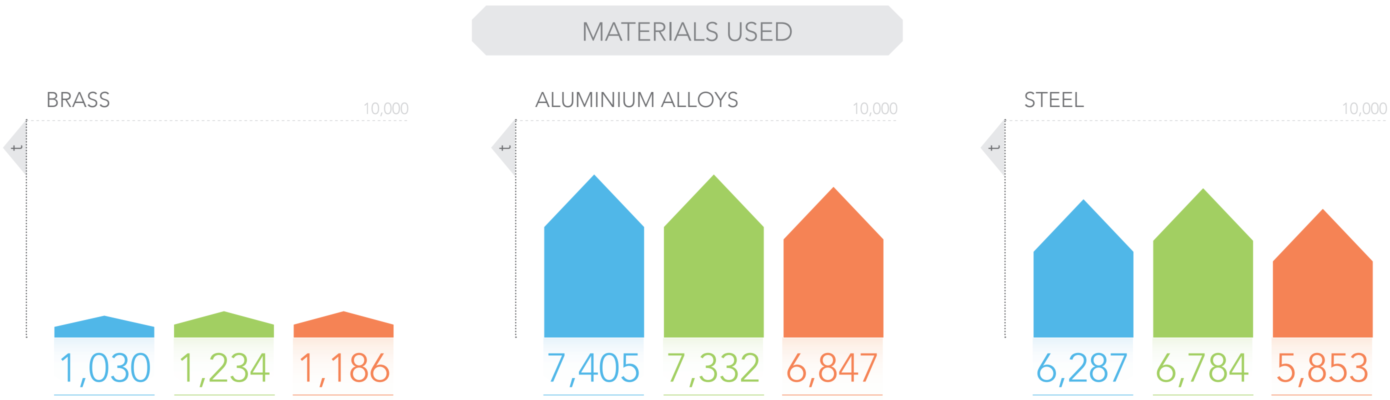


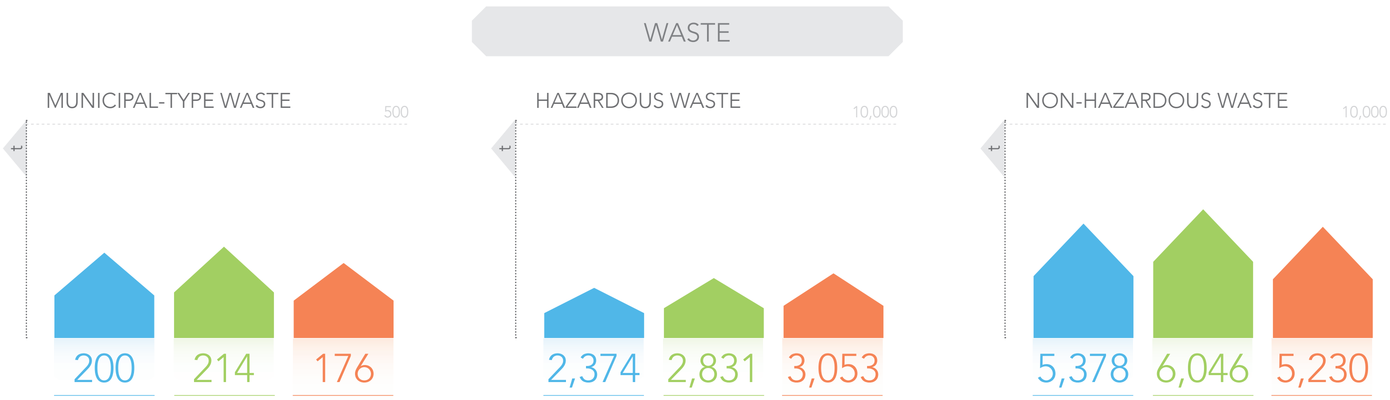
AMOUNT OF HIGH ENERGY EFFICIENCY BURNERS SOLD OUT OF TOTAL BURNERS

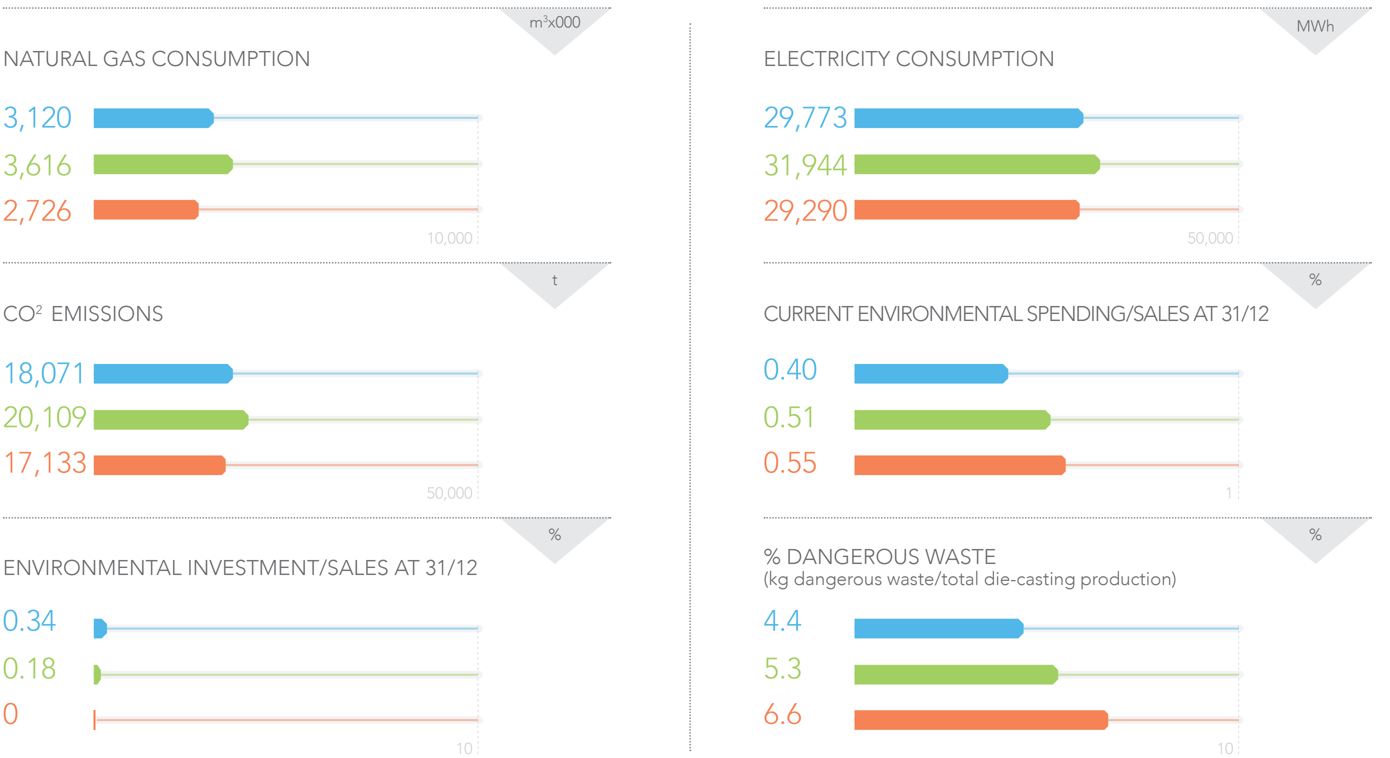


Key 2014 2013 2012 CHANGE

Environmental capital







Intellectual capital

		2014	2013	2012
INVESTMENTS IN RESEARCH & DEVELOPMENT CAPITALIZED	€/000	341	368	369
HOURS SPENT ON NEW PRODUCT DEVELOPMENT/TOTAL HOURS WORKED	%	1.8	1.9	2
HOURS SPENT ON PROCESS ENGINEERING/HOURS WORKED (hours spent on orders for construction of new machinery for new products or to increase production capacity/total hours worked)	%	2	2	2.7
CAPITAL EXPENDITURE ON INTANGIBLE ASSETS/SALES	%	0.5	0.4	0.6
CURRENT EXPENSES FOR QUALITY/SALES	%	0.11	0.14	0.09
CAPITAL EXPENDITURE FOR QUALITY/ SALES	%	0.08	0.07	0.02
VALUE OF REJECTS/SALES (production rejects/sales)	%	1.25	1.13	1.25
% QUALITY COSTS/SALES (production rejects + customer returns/sales)	%	1.31	1.18	1.31
NUMBER OF SAMPLES PRODUCED FOR CUSTOMERS	N°	1,143	1,109	1,178
NUMBER OF DIFFERENT PRODUCT SKUS (STOCK-KEEPING UNITS) SUPPLIED TO TOP 10 CUSTOMERS	N°	2,770	2,176	2,344

Key: 2014 | 2013 | 2012 | CHANGE

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 aggregate wealth generated by Sabaf, which is then allocated amongst the various stakeholders: suppliers (operating costs), staff, financiers, shareholders, the public administration and the community (external donations).

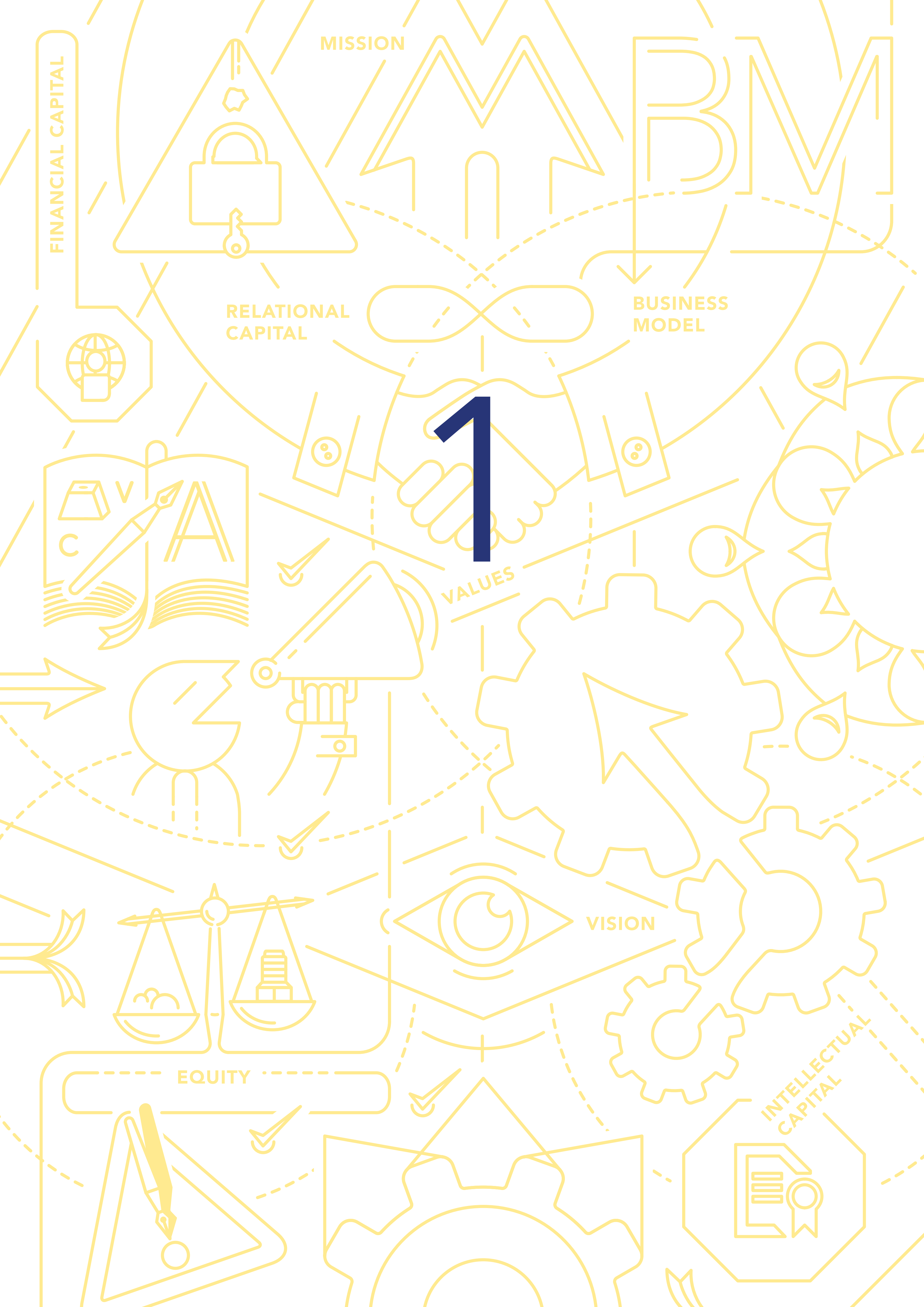
IN THOUSANDS OF EURO	2014	2013	CHANGE
Economic value generated by Group	**140,022**	**133,397**	**6,625**
Revenues	136,337	130,967	5,370
Other income	3,722	3,885	(163)
Financial income	61	138	(77)
Adjustments	989	915	74
Allowances for doubtful accounts	(115)	(1,240)	1,125
Foreign exchange loss (gain)	119	(186)	305
Income/expenses from sale of tangible and intangible fixed assets	63	71	(8)
Adjustments to tangible and intangible fixed assets	(548)	(655)	107
Gains/ losses from equity investments	(606)	(498)	(108)
Economic value distributed by Group	**123,907**	**116,992**	**6,915**
Remuneration of suppliers	82,663	78,504	4,159
of which environmental costs	*547*	*670*	*(123)*
Employee compensation	32,180	31,339	841
Remuneration of lenders	592	775	(183)
Shareholder earnings [1]	4,613	4,613	0
Remuneration of public administration [2]	3,819	1,707	2,112
External donations	40	54	(14)
Economic value retained by Group	**16,115**	**16,405**	**(290)**
Depreciation and amortization	12,292	12,856	(564)
Provisions	124	91	33
Use of provisions	(26)	(33)	7
Reserves	3,725	3,491	234

1 For 2013 the amount is estimated on the basis of the dividend proposed
2 Includes deferred taxes

CHAPTER 1

Business model and strategic approach

1


MISSION
FINANCIAL CAPITAL
RELATIONAL CAPITAL
BUSINESS MODEL
VALUES
VISION
EQUITY
INTELLECTUAL CAPITAL

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.

INPUT

FINANCIAL CAPITAL

- Net financial debt **€26,933,000**
- Shareholders' equity **€110,738,000**
- Market capitalisation at 31 December/shareholders' equity **1.15**
- Capital employed **€137,671,000**

HUMAN CAPITAL

- **726** employees
- Investment in training/sales **0.31%**
- Level of education: university and high school graduates **54.4%**
- Hours of training per employee **14.4**

BUSINESS APPROACH

Innovation, enhancing the value of internal resources with continuous learning	Quality, safety - both internally and externally - eco-compatibility
Internationalisation	Sustainability

OUTPUT

FINANCIAL CAPITAL

- Sales revenue **+4.1%**
- EBITDA as a percentage of sales **19%**

HUMAN CAPITAL

- No. of new-hires **112**
- Staff turnover **14.74%**
- Strike hours/working hours **0.29%**
- Accident frequency index **11.08**
- Accident gravity index **0.39**

RELATIONAL CAPITAL

- Sales deriving from top 10 customers **47%**
- No. of customers **264**
- Purchases from suppliers in the province of Brescia **43.9%**

PRODUCTIVE CAPITAL

- Production sites **4**
- Capital expenditure/sales **7.2%**
- Value of tangible assets **€96,152,000**

DISTINGUISHING FACTORS

Internal and vertical production of:

components and products

machinery, tools and presses based on specific know-how

RELATIONAL CAPITAL

- Average sales per customer **€464,000**
- Customer complaints **291**
- Lawsuits actioned against Group companies **2**
- Donations/net profit **0.48%**

PRODUCTIVE CAPITAL

- Burners sold
  No. of pieces **29,841,754**
- High-efficiency burners **9.6%**
- Valves and thermostats sold
  No. of pieces **21,765,977**
- Valves and thermostats sold in light alloy **68.1%**

INPUT

ENVIRONMENTAL CAPITAL

- Brass **1,030t**
- Aluminium alloys **7,405t**
- Steel **6,287t**
- Electricity consumed **29,773 MWh**
- Natural gas consumed **3,120,000m³**
- Water used **65,879m³**

INTELLECTUAL CAPITAL

- Hours spent on product development/ total hours worked **1.8%**
- Hours spent on process engineering/ total hours worked **2%**

PRODUCTS

Valves and thermostats	Burners
Hinges	Accessories

OUTPUT

ENVIRONMENTAL CAPITAL

- Ton. dangerous waste/total die cast parts **4.4%**
- CO_2 emissions **18,103t**

INTELLECTUAL CAPITAL

- No. of patents **42**
- No. of codes supplied to top 10 customers **2,770**
- % of current spending on quality/ sales **0.11%**
- No. of samples produced per client **1,143**

VISION

MISSION

STRATEGIC FOCUS

- Innovation
- Eco-efficiency
- Safety
- Establishment in international markets
- Widening of components range and international partnerships
- Enhanced exploitation of intangible assets and intellectual capital

SCOPE OF ACTION

1. Integration of R&D for products and manufacturing processes
2. Intense vertical integration of production, in which high-value phases are performed using exclusive technologies
3. Ability to combine major automation with flexibility and large production runs with customisation
4. Constant flow of capital expenditure aimed at strengthening competitive advantage

CREATION OF SUSTAINABLE VALUE

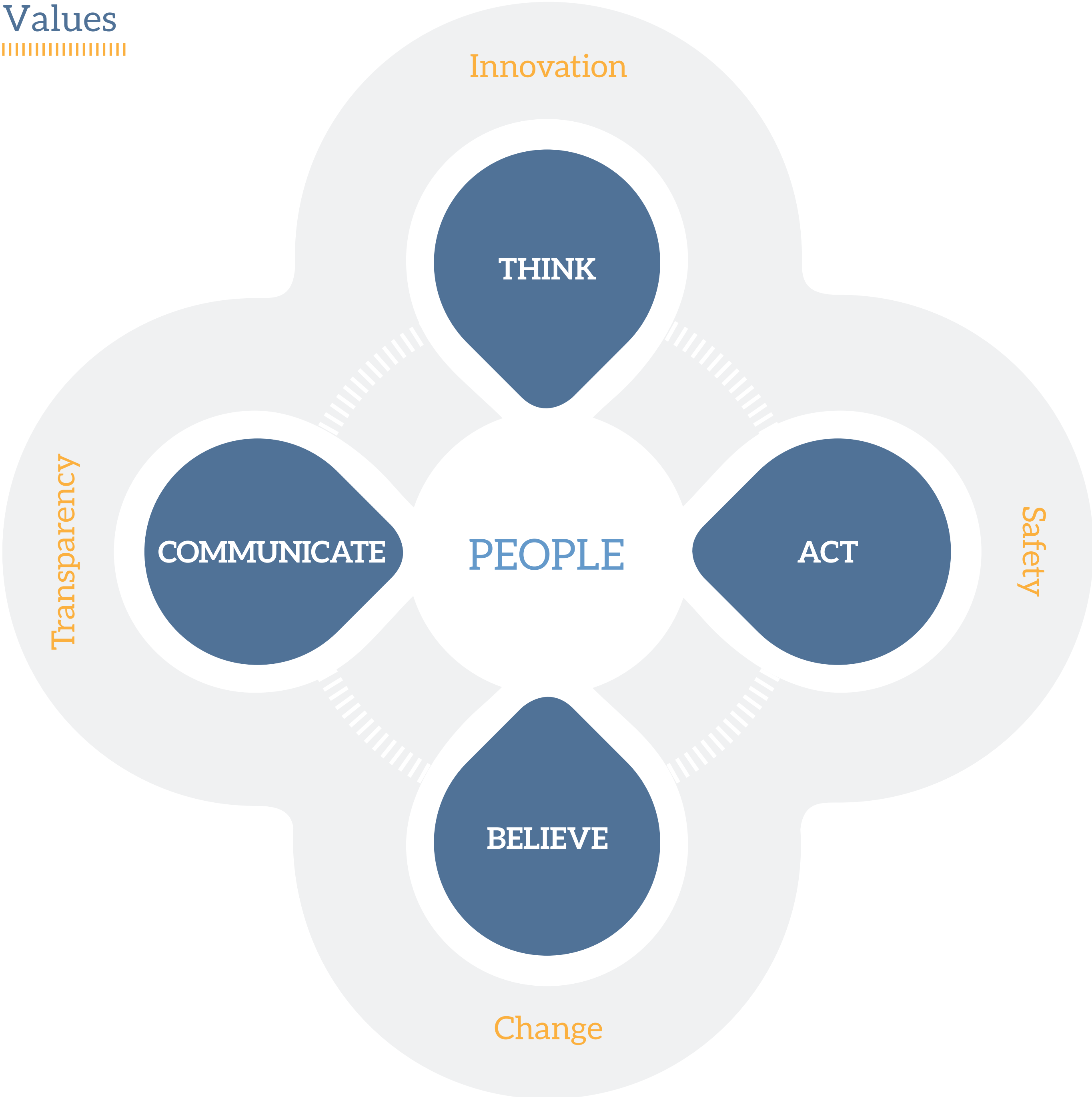
Values, vision and mission

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 in the range of the Organisation, Operation and Control Model pursuant to Legislative Decree 231/2001 and, as such, it has also been modified to set out a series of general rules of conduct with which Group employees and independent contractors must comply.

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 essential 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 true "intangible assets" – i.e. the great technical and professional skill of people working in the company; its image now synonymous with quality and reliability; and its reputation as a company attentive to social and environmental problems and to the needs of its counterparts. 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). From 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.

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(KPI), 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

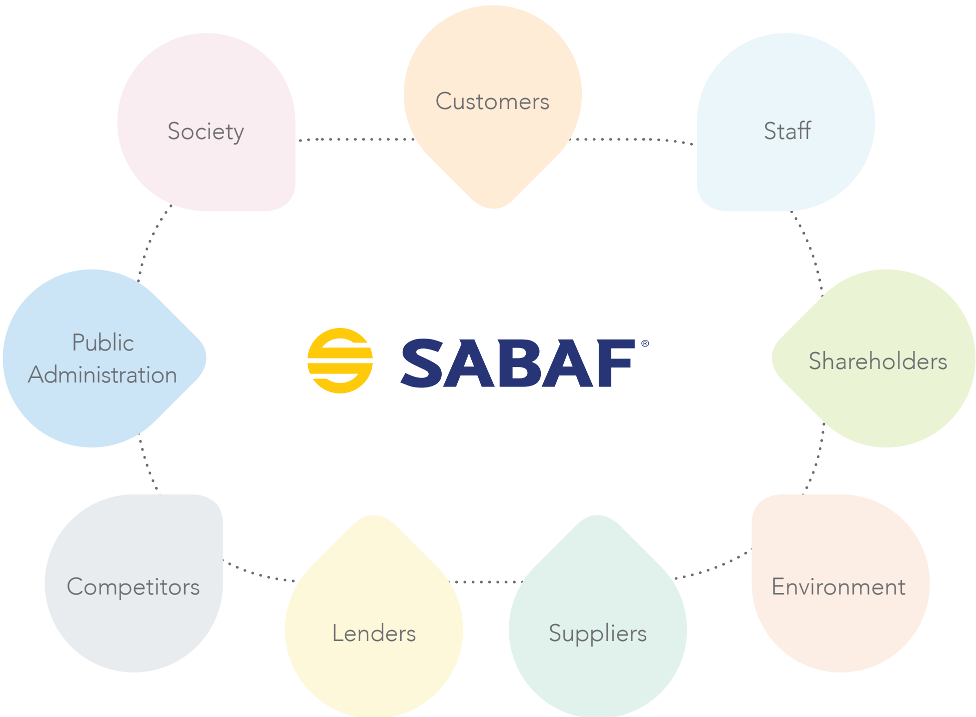
Awareness of the social and environmental implications of Group activities, together with consideration both of the importance of a cooperative approach with stakeholders and the Group's own reputation, has led Sabaf to adopt a **prudent approach** to the management of the economic, social and environmental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

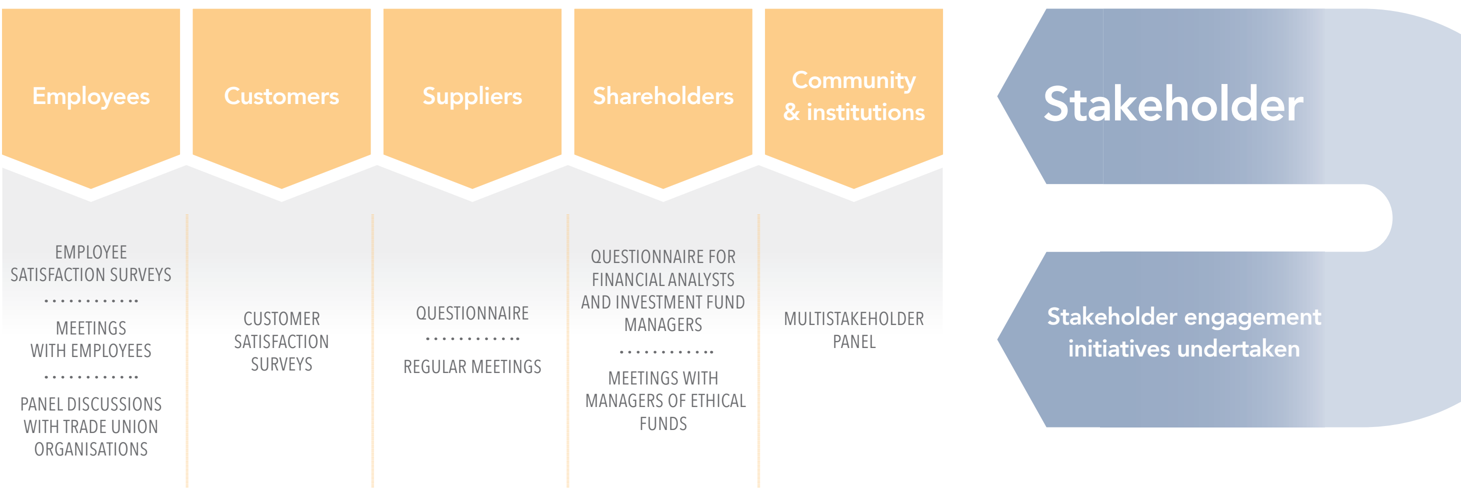
STAKEHOLDER ENGAGEMENT

Sabaf is committed to constantly strenghtening the social value of its business activities through the careful management of its relations with stakeholders. The Company intends to establish an open and transprent 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.

Engagement initiatives relating to each category of stakeholder are shown below. These initiatives are undertaken periodically (generally every two or three years). The significant issues emerging from these activities are shown in the section "Social and environmental sustainability".





CHAPTER 2

International operations and Core Markets

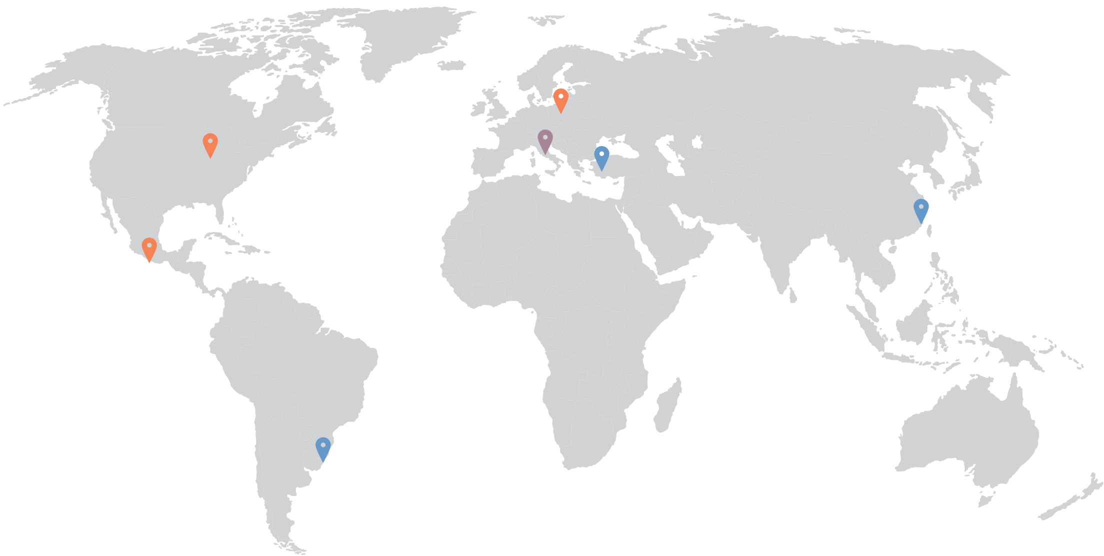
2
INTERNATIONAL OPERATIONS

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%



MANAGEMENT | SALES NETWORK | SALES OFFICES

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

Hinges

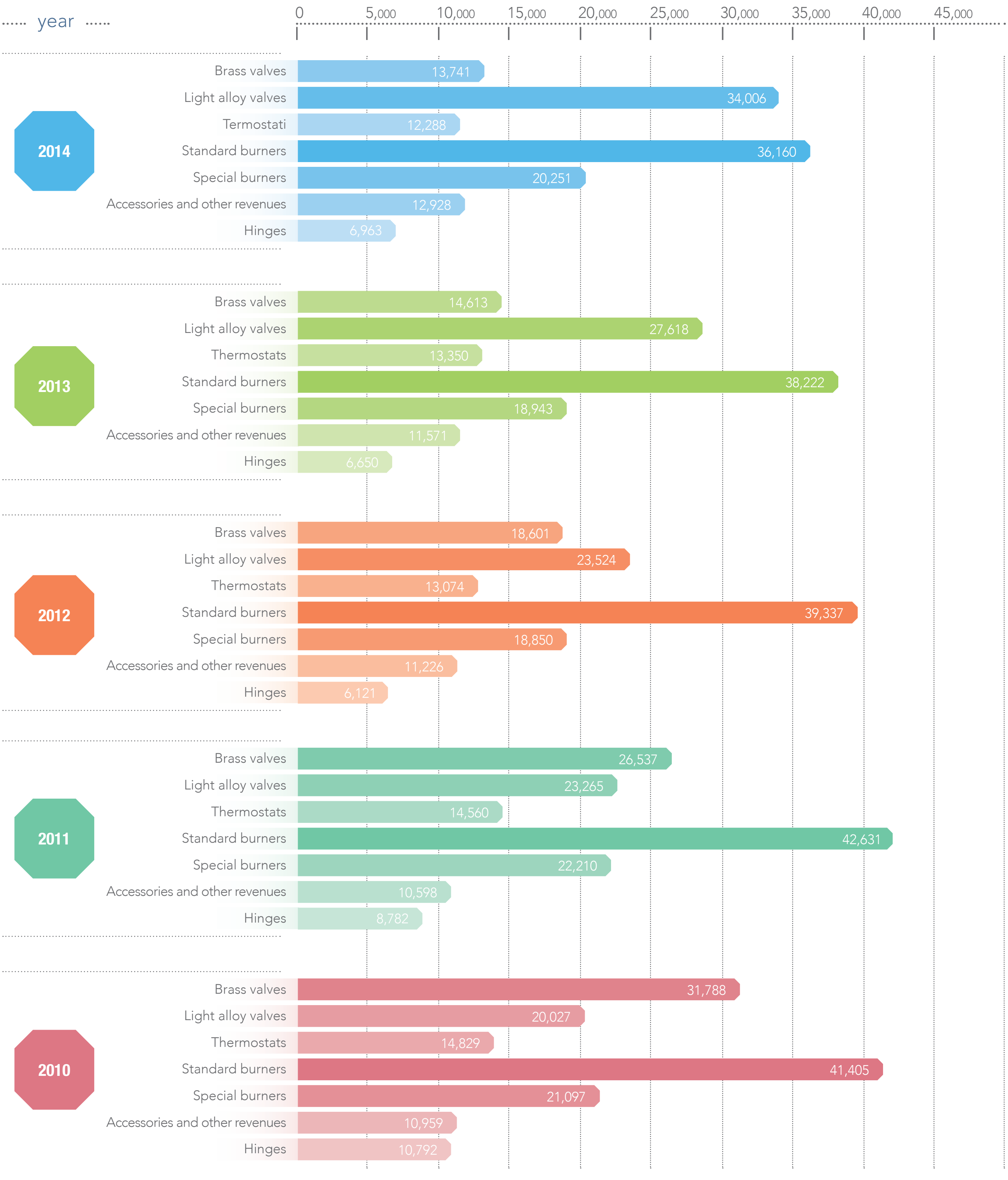
These are the components that allow a smooth and balanced movement of oven, washing-machine or dishwasher doors when they are opened or closed.

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

€/000



TOTAL

136,337 130,967 130,733 148,583 150,897

INTERNATIONAL DEVELOPMENT OF SABAF: CHALLENGES AND OPPORTUNITIES

Sales by geographical area

€/000

ANALYSIS OF SCENARIO

PERFORMANCE DATA

Italy

The crisis of recent years has significantly transformed the household appliances sector in Italy. Today, the major Italian manufacturers of cooking appliances focus on the high-end segment of the market or on special products. With a strong emphasis on exports, they continue to achieve excellent results. Sabaf offers its Italian customers extremely high quality and a differentiated range of components that allow customers to promote "Made in Italy" in international markets.

The great majority (estimated to be around 80%) of Sabaf's sales in Italy are, in fact, destined for our customers' household appliances exports.

Only a small proportion is destined for the Italian consumer market, which continues to be affected by the slump in the property market as well as negative demographic trends.

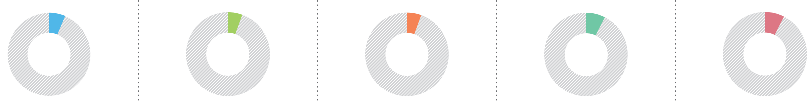
42,277 | ***31.0%***	42,662 | ***32.6%***	45,597 | ***34.9%***	56,321 | ***37.9%***	61,648 | ***40.8%***

Western Europe

The production of household appliances has also been heavily cut in Western Europe in recent years: some manufacturers have closed down, others have re-located (in particular in Poland and Turkey).

Production for the high-end segment remains in Western Europe, where Sabaf's objective is to increase its market share significantly.

8,716 | ***6.4%***	7,465 | ***5.7%***	7,337 | ***5.6%***	11,215 | ***7.5%***	11,561 | ***7.6%***



Eastern Europe and Turkey

Turkey is today the European country that produces the greatest number of household appliances. In this regard, the opening of a production facility in Turkey and the development of new trade relations are key to supporting the growth strategy. The Turkish domestic market is potentially of greater and greater importance: the average age of the population, the number of new families and the increase in incomes are converging indicators that point towards growing demand for consumer goods. The Group's strategy includes further development in activities in Turkey in the coming years.

36,198 | ***26.6%***	29,300 | ***22.4%***	33,236 | ***25.4%***	37,459 | ***25.2%***	32,553 | ***21.6%***

Key: 2014 | 2013 | 2012 | 2011 | 2010

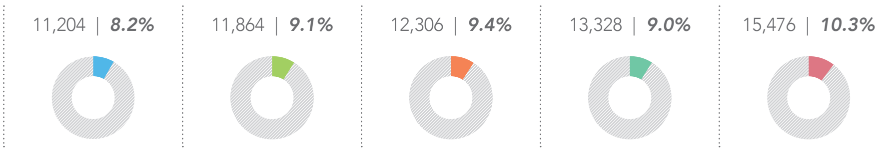
ANALYSIS OF SCENARIO

PERFORMANCE DATA

Asia and Oceania

In China, new standards come into force on 1 April 2015 in relation to gas hobs. The new standards introduce three different classes of energy efficiency, and only 10-15% of gas hobs currently on the market are able to satisfy the highest level of efficiency. Sabaf has developed a burner especially for the Chinese market, that guarantees the highest classification to built-in hobs and ovens. Production of this burner is expected to begin at the start of 2015.

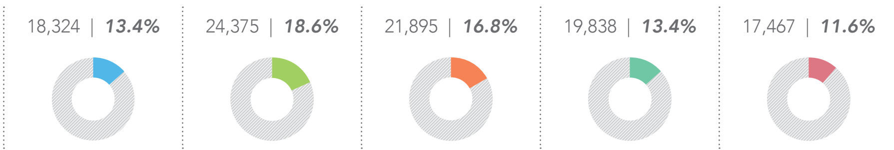
Sabaf has also developed a dedicated burner for the Indian market, which it successfully began to supply in 2014. The potential is huge, even if the time horizons are long, considering how underdeveloped the market is.
In the Middle East, Sabaf enjoys a solid presence and an excellent reputation. Access to these markets continues to depend on the political situation in the major markets of the region.



Central and South America

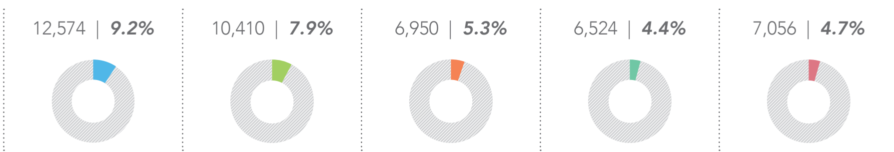
For its future development Sabaf can rely on its **solid presence, including production facilities**, (a plant in Brazil has been operational since 2001).

A major project is under consideration to start production in Brazil of special burners. The launch is expected in 2016.



Africa

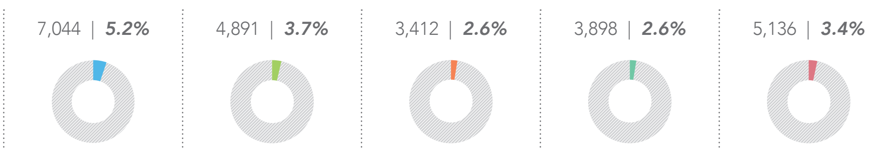
Capitalising on the solid reputation of its brand, its geographical closeness and its long-term presence, Sabaf is increasing its presence in the region.
The **urban growth** plans in northern Africa represent the key to possible market opportunities, despite difficulties relating to the current political situation in some of the major countries.



North America and 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 growing steadily 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 that, 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 internationalise 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 is leading to pressure from competition and is bringing about greater concentration in the sector. However, this trend is less pronounced for kitchen ranges than for other household appliances: in the cooking segment, design and aesthetics on the one hand and less intensive investment on the other hand also permit the success of small, highly innovative producers.

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, the household appliances sector has, for many years, been experiencing a situation where demand is stagnant, most notably 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 are creating huge opportunities for groups such as Sabaf that are able to work both with multinational household appliance manufacturers and with local manufacturers.

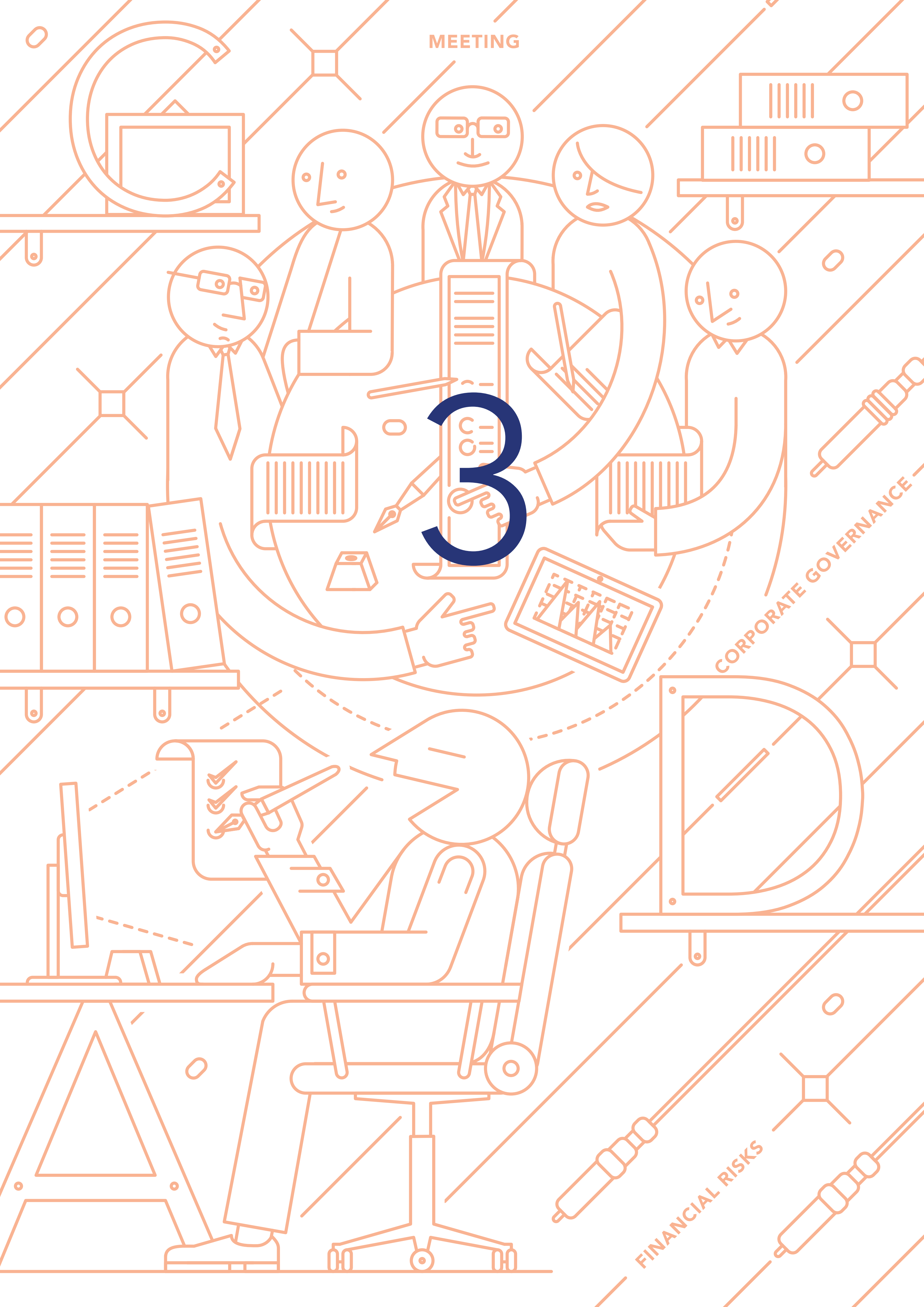
A varied picture

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 (built-in hobs and ovens, free-standing cookers, for example).

CHAPTER 3

Corporate governance, Risk management, Compliance and General Remuneration Policy


MEETING
3
CORPORATE GOVERNANCE
FINANCIAL RISKS

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.

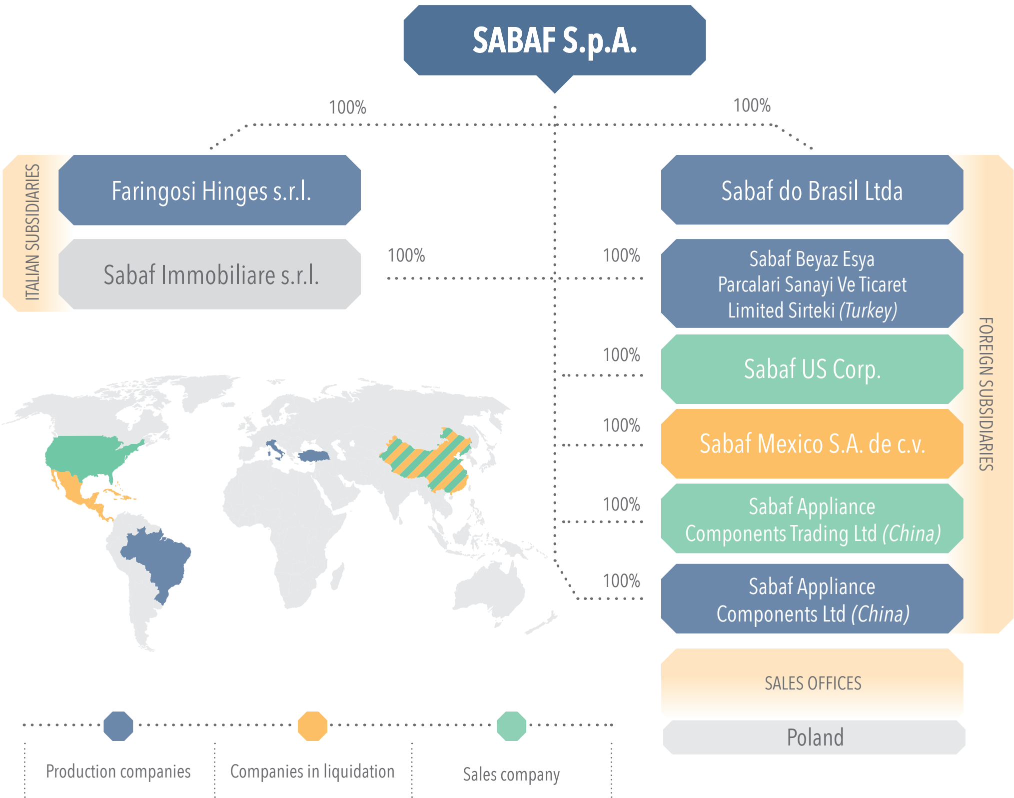
Expansion of the shareholder base following listing on the stock exchange, admission to the STAR segment (and the voluntary acceptance of stricter transparency and disclosure rules), and the desire to comply consistently with best practice in relation to corporate governance, represent the subsequent steps taken by Sabaf towards compliance of its corporate governance system with a model whose benchmark is that directors act in the Company's interests 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 for common values, set at the head of the creation of value, are able to help take decisions that are in line with the corporate culture and significantly contribute to assuring the Company's sustainable long-term growth. For this purpose, Sabaf has prepared and published a Charter of Values, in accordance with the existing national and international regulatory principles, guidelines and documents with regard to human rights, corporate social responsibility and corporate governance.

The document is considered to be the governance tool through which the Board of Directors clearly explains the Company's values, standards of conduct, and commitments in respect of all the stakeholders – shareholders, employees, customers, suppliers, landers, the public administration, the community and the environment.
The Charter of Values was approved by the Board of Directors on 11 February 2014 and is available on the website **www.sabaf.it** under the section *"Sustainability"*.

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. 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 December 2014 and based on the Corporate Governance reports for the year 2013, available on 15 July 2014, of 230 listed Italian companies which have formally chosen to adhere to the Corporate Governance Code (corresponding to a large proportion of the total of listed companies at 31 December 2013). The benchmark used below takes into account, where available, a panel of only "non-financial" companies.

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 2014 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;
- the subsidiary Sabaf Appliance Components in China, burners (start of production 2015).

b) The subsidiaries Sabaf US and Sabaf Appliance Components Trading (China) are sales companies.

c) The subsidiary in Mexico went into liquidation during 2014.

d) 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; *(ii)* the adequacy of the Company's organisational structure, internal control and risk management system, and administrative/accounting system; *(iii)* the procedures for effective implementation of the corporate governance rules envisaged in the Code; *(iv)* risk management; *(v)* the statutory review of the accounts and the independence of the auditing firm;

- ***the Board of Directors***, responsible for the 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 were 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:

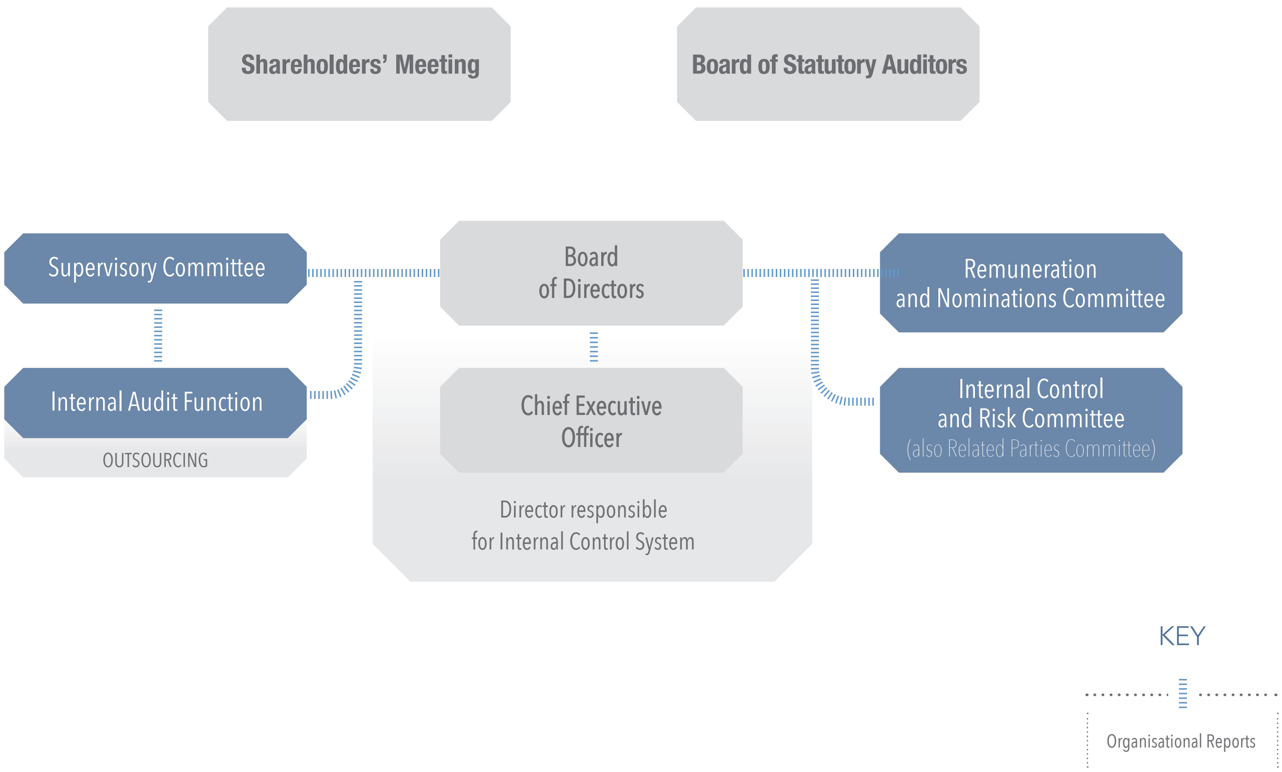
- Internal Control and Risk Committee which also assumes the functions of the Related Parties Committee;

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

b) the ***Internal Audit Function*** is responsible for verifying that the internal control and risk management system is adequate and operates properly.

Finally, 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 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 (consistent with 72% of the sample analysed by Assonime in 2012).

Giuseppe Saleri
Chairman

Founder of Sabaf, in which he has acontrolling interest. Promoter of the corporate management of the Company and its listing on the stock exchange in 1998.

Gianbattista Saleri
Vice Chairman

Member of the family that controls the Company. Member of the Board of Directors of Sabaf since 1994.

Ettore Saleri
Vice Chairman

Member of the family that controls the Company. Member of the Board of Directors of Sabaf since 2009.

Giuseppe Cavalli
Director

A mechanical engineer, has held director positions relating to production in a number of Italian white goods manufacturing companies. Currently General Manager of the Alfa Acciai Group.

Leonardo Cossu
Director

Chartered accountant and member of AIAF. Has held position of director and statutory auditor in various companies. In Sabaf is Chairman of the Internal Control and Risk Committee.

Renato Camodeca
Director

University lecturer in Economics, former member of the Boards of Statutory Auditors and the Supervisory Committees of listed and non-listed companies, in Sabaf holds the position of Lead Independent Director.

Cinzia Saleri

Vice Chairman

Member of the family that controls the Company. Member of the Board of Directors of Sabaf since 2012.

Alberto Bartoli

Chief Director

Has had roles of increasing responsibility in a number of industrial groups. Joined Sabaf in 1994 as Finance Director. Chief Executive Officer since 2012.

Salvatore Bragantini

Director

Economist and former commissioner of Consob, held director positions in numerous financial and manufacturing organisations, listed and non-listed. Former advisor to Borsa Italiana, columnist for Corriere della Sera.

Riccardo Rizza

Director

Accountant and auditor, expert in company law, tax and tax litigation. Held positions on the boards of statutory auditors of various companies, with Sabaf since 2009.

Fausto Gardoni

Director

Has held director positions at leading industrial organisations. Has held the position of Chairman of the Remuneration Committee at Sabaf since 2009.

Maria Chiara Franceschetti

Director

A mechanical engineer, is CEO of Gefran S.p.A., a listed company, and of numerous organisations in the Gefran Group. With Sabaf since 2013.

Nicla Picchi

Director

Partner of Studio Picchi & Ass. where she practises as a lawyer. With Sabaf since 2006, is also Chairman of the Supervisory Committee (pursuant to Legislative Decree 231) of Sabaf S.p.A. and of the subsidiary Faringosi Hinges.

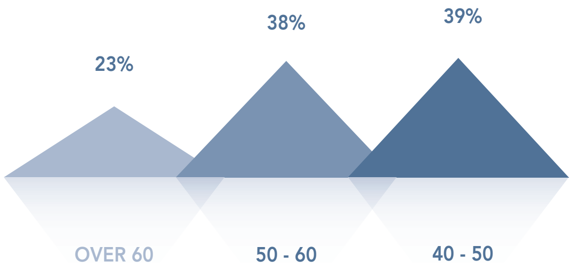
Composition of the Board of Directors

SABAF   ASSONIME AVERAGE 2014

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

Average age of directors

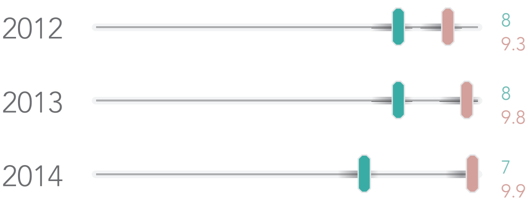
Average age: Sabaf 57 vs Assonime 58



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 (57 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 (7 meetings in 2014) and with members' attendance always higher than 90%, in line with the other listed non-financial companies in the study (93% in 2014).
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.

Number of meetings of the Board of Directors



Average participation in meetings of the Board of Directors

Sabaf   Assonime Average [1]

[1] Assonime panel including financial companies.

BOARD OF STATUTORY AUDITORS

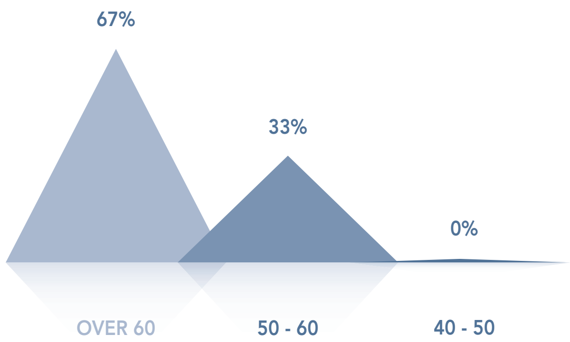
The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 8 May 2012 for the period 2012-2015, has 3 members, with an average age of 64 (above the Assonime average of 57), and 2 alternate auditors. The Chairman of the Board of Statutory Auditors was chosen by the minority shareholders.

ROLE	NAME
Chairman	Alessandro Busi
Standing Auditor	Enrico Broli
Standing Statutory Auditor	Anna Domenighini
Alternate Statutory Auditor	Maurizio Fioretti
Alternate Statutory Auditor	Paolo Guidetti

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

Average age of directors

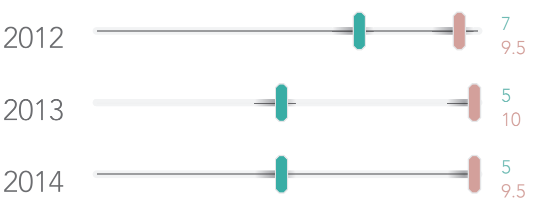
Average age: **64**



Observations

In the last three years Sabaf's Board of Statutory Auditors has had fewer meetings than the average of the sample analysed by Assonime, which was affected by companies, different from Sabaf, experiencing difficulties and/or financial restructuring which therefore required greater involvement from the Statutory Auditors (9.5 meetings on average in 2014).
Members' attendance at the meetings was, on average, around 92% in the period 2012-2014 (93% in 2014), and in line with the other companies assessed 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 participation in meetings of the Board of Statutory Auditors

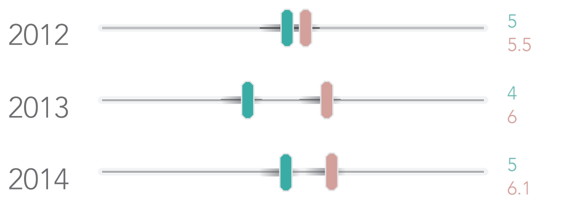
Sabaf   Assonime Average

INTERNAL CONTROL AND RISK COMMITTEE

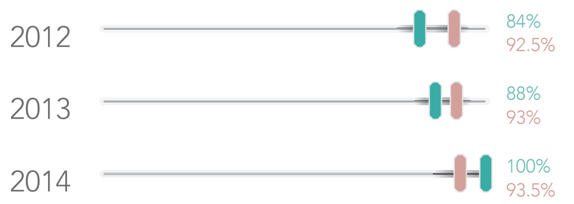
The Internal Control and Risk Committee currently in office, formed within the Board, is composed entirely of 4 non-executive and independent directors (Assonime average: 3 members).
The Committee has also been allocated the relevant functions of the Related Parties Committee.

ROLE	NAME
Chairman	Leonardo Cossu
Member	Salvatore Bragantini
Member	Renato Camodeca
Member	Nicla Picchi

Number of meetings of the ICRC



Average participation in meetings of the ICRC



Sabaf   Assonime Average

Observations

The Committee met 5 times in 2014 (Assonime average: 6 meetings); one of these meetings dealt with related party transactions of minor significance. 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 100% in 2014.

REMUNERATION AND NOMINATION COMMITTEE

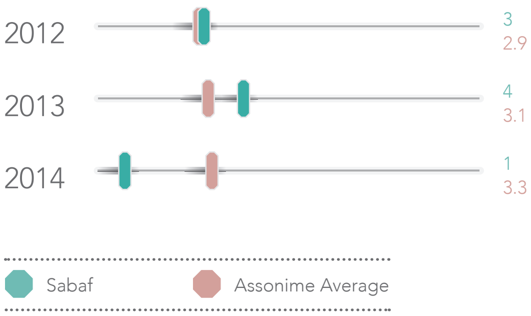
The Remuneration and Nomination Committee, set up within the Board, has 3 non-executive and independent members (Assonime average: 3 members), with knowledge and experience of accounting, finance and remuneration policies, as confirmed by the Board.

ROLE	NAME
Chairman	Fausto Gardoni
Member	Giuseppe Cavalli
Member	Leonardo Cossu

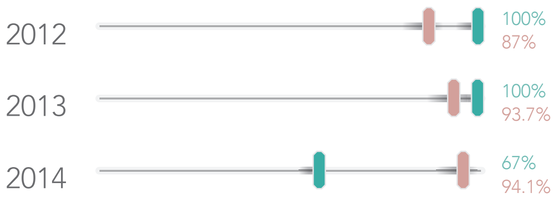
Observations

In the last three years the Committee has met more frequently than the Assonime average (4 times in 2013) and with full attendance from each member. The exception was 2014, when the Committee met only once in order to define the MBO 2014. In fact, during the year no out-of-the-ordinary events took place, and it was not considered necessary to adjust remuneration policy.

Number of meetings of the RNC
previously RC



Average participation in meetings of the RNC
previously RC



INTERNAL AUDIT 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 period 2012-2015, 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, also taking into account the size of the Sabaf Group.

The Internal Audit Manager is responsible for verifying that the internal control and risk management system is adequate and operates properly. He/she reports to the Board of Directors, is not responsible for any operating area and remains in office for the entire term of the Board that appointed him/her.

SUPERVISORY COMMITTEE

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

ROLE	NAME
Chairman	Nicla Picchi
Member	Emma Marcandalli

Also member of the Board of Directors as **independent director**

Also **Head of Internal Audit**. Representative of the external company to which management of Internal Audit activities has been outsourced

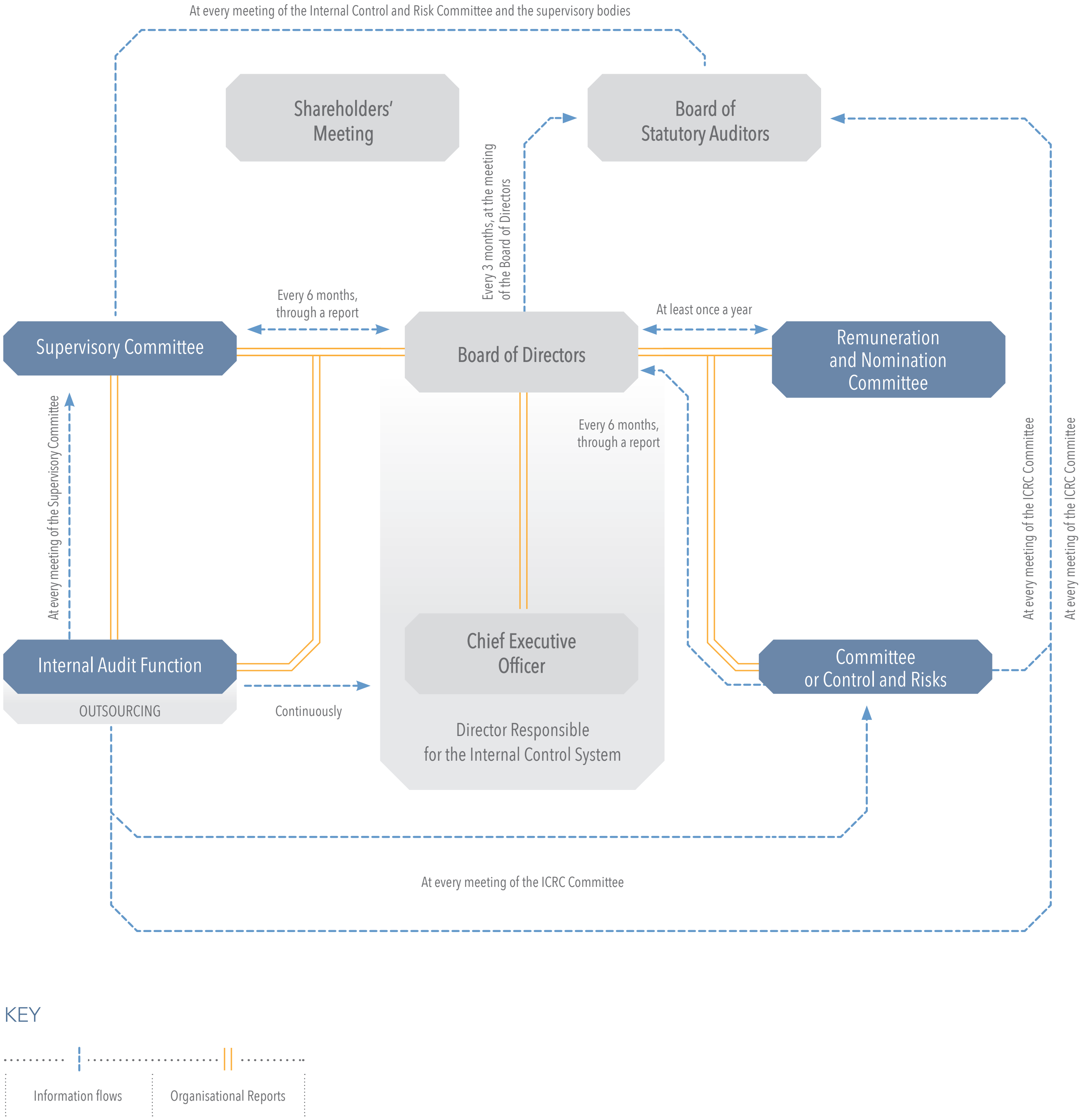
Sabaf's Supervisory Committee met 7 times in 2014, requesting the attendance at the meetings of the Company's Management, in order to consult with it on specific topics.

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 time frames and procedures defined by the Bylaws, the Governance Model and other internal documents, reports to the functionally superior body regarding the activities conducted during the time period in question and those planned for the subsequent period, noting any observations and suggested actions.

Information flows within the Corporate Governance structure



Risk Management

Framework

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

In recent years Sabaf has progressively explored the concepts of *risk assessment* and *risk management*, in order to develop a 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 time frame;
- estimation of the greatest *impacts* in terms of the financial position, damage to persons and damage to image, over the time frame subject to assessment;
- level of *risk management and control* .

	ASSESSMENT SCALE	1	2	3	4
IMPACT	**Financial impact**	*approx 1% Ebit*	*approx 1%-2.5% Ebit*	*approx 2.5% -10% Ebit*	*approx 10% Ebit*
	Damage to persons	Limited impact on health	General impact on health	Serious risks to health	Irreversible effects
	Damage to image	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 every year	More than once a year
	Qualitative assessment	Very unlikely/Remote	Fairly unlikely	Likely	Very likely
LEVEL OF RISK MANAGEMENT		*Excellent*	*Satisfactory (with limited room for improvement)*	*To improve*	*Inadequate*

2014

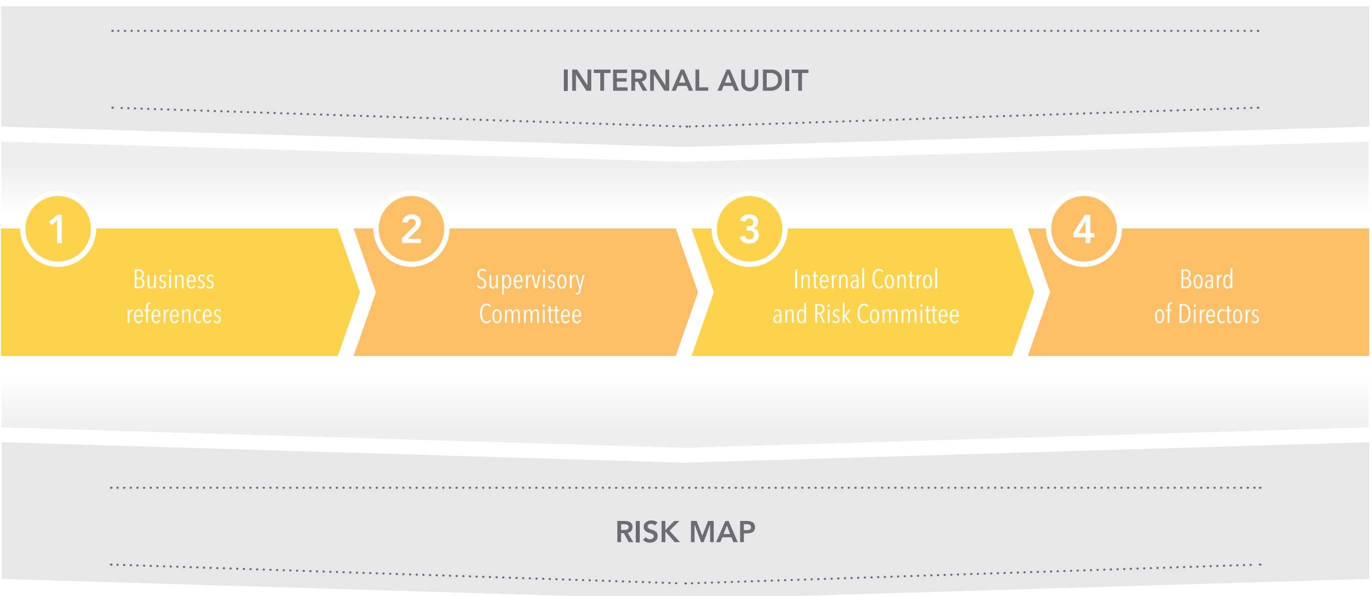
RESULTS

In the final months of 2014, 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:

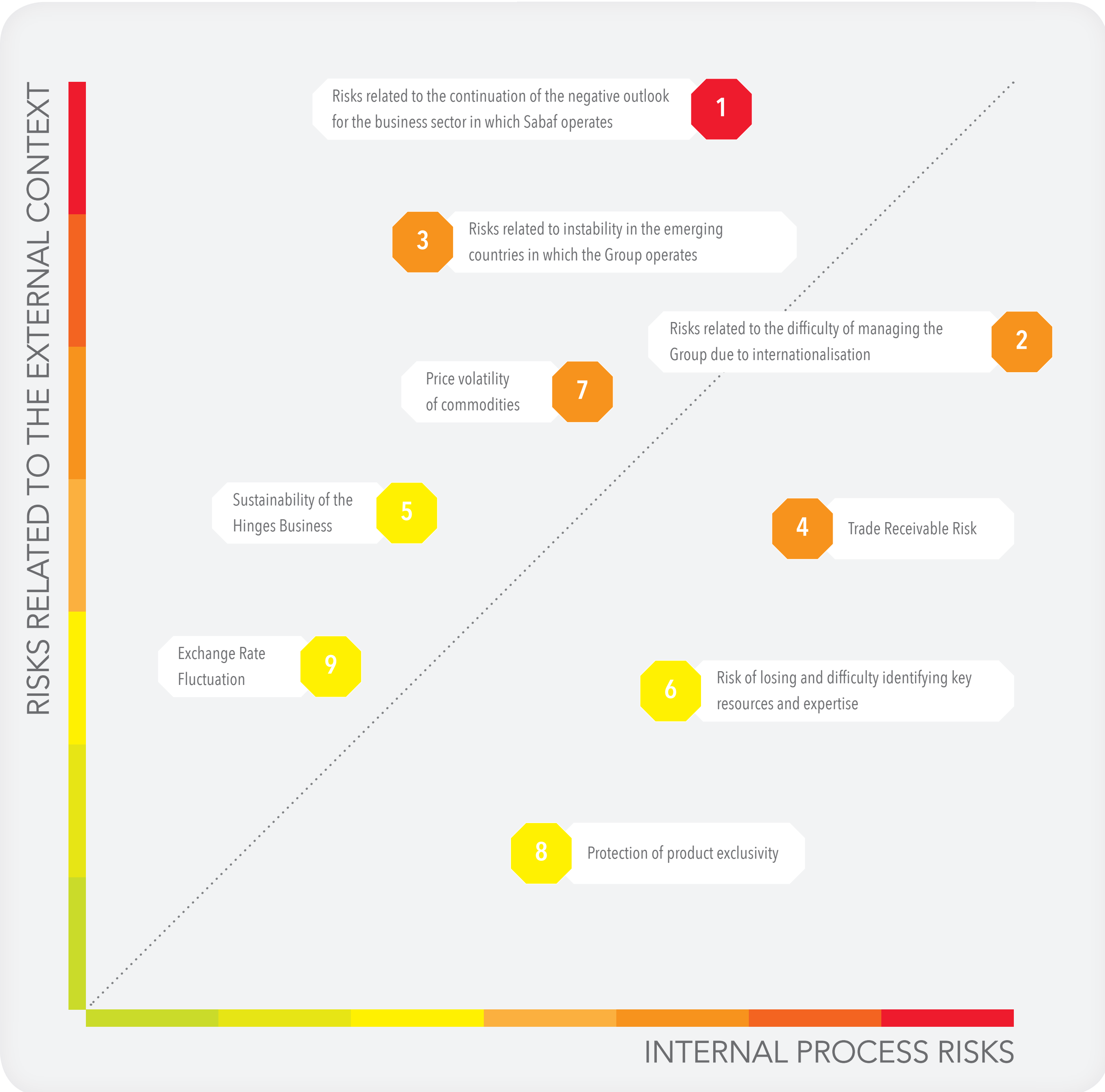
- Chief Executive Officer
- Administration, Finance and Control Director — also in his capacity as Financial Reporting Officer
- Production Director — also in his/her capacity as Employer and Environmental and Safety Manager
- Technical Director
- Director of Information Systems
- Procurement Manager
- Sales Manager/Directors
- Human Resources Director
- Manager of the Quality Department
- 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 2014 risk assessment highlight, among other things, the following 9 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 FOR THE GROUP

1 RISKS RELATED TO THE CONTINUATION OF THE NEGATIVE OUTLOOK FOR THE BUSINESS SECTOR IN WHICH SABAF OPERATES

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 protracted nature of the European crisis has had an impact on the progressive transformation of the household appliances sector, the Group's core market, which is cyclical and generally linked to the performance of the real estate market.
The contraction of demand on mature markets has been accompanied by a further concentration of end markets and tougher competition, phenomena that require aggressive policies in setting sales prices.

RISK MANAGEMENT MEASURES

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

- *Ithe launch of new products characterised by superior performance compared with market standards, and tailored to the needs of the customer;*
- *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;*
- *the improvement of the efficiency of production processes.*

2 RISKS RELATED TO THE DIFFICULTY OF MANAGING THE GROUP DUE TO INTERNATIONALISATION

The Sabaf Group is continuing with its policy of expansion abroad, and is undergoing 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.

RISK MANAGEMENT MEASURES

In order to support this expansion process, the Sabaf Group is committed to defining suitable measures, which include the appropriate definition and formalisation 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.

3 RISKS RELATED TO INSTABILITY IN THE EMERGING COUNTRIES IN WHICH THE GROUP OPERATES

Most Sabaf Group sales are registered in 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 North Africa and South America. Any embargoes or major political or economic instability, 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 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.
In addition, the Group monitors the economic and social performance of the target countries, through a local network as well, in order to make strategic and investment decisions fully aware of the exposure to associated risks.

4 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 a customer. In particular, given the structural difficulties of the household appliance sector in mature markets, it is possible that situations of financial difficulty and insolvency among customers could arise.

RISK MANAGEMENT MEASURES

The risk is constantly monitored through the preliminary assessment of customers and checks that agreed payment terms are met. From November 2014, a credit insurance policy was taken out which covers approximately 67% of the credit risk. A further portion is partly guaranteed through letters of credit issued by major banks in favour of customers. The remainder of the receivable risk is covered by a doubtful account provision considered appropriate.

5 SUSTAINABILITY OF THE HINGES BUSINESS

In 2014, the results of the hinges business showed an improvement over the previous year, both in terms of sales performance and as far as profitability was concerned. This, however, remained slightly negative because production volumes were not yet sufficient to support fixed costs.

RISK MANAGEMENT MEASURES

Measures were taken aimed at improving operating efficiency and special products were developed (soft-closing hinges for oven doors), which should start being sold in 2015. The 2015-2019 business plan of the Hinges CGU projects a significant recovery in sales and profitability, to which the new products should make a substantial contribution.

6 RISKS RELATED TO LOSING AND DIFFICULTY IN IDENTIFYING KEY RESOURCES AND EXPERTISE

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 some years, policies to strengthen the most critical internal organisational structures and loyalty schemes, including the signing of non-competition agreements with key figures.

7 RISK OF VOLATILITY OF 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, which has an impact on profitability.

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 hedging instruments on the physical market.
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 2015. Any further increase in the price of commodities not hedged could have negative effects on expected profits.

8 PROTECTION OF EXCLUSIVITY OF PRODUCT

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 in place structured processes to manage innovation and protect intellectual property.

9 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 10% 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

The Administration and Finance Department constantly monitors forex exposure, the trend in exchange rates and the operational management of related activities. At 31 December 2014, the Group had in place a forward sale contract of USD 1.2 million at a euro/dollar exchange rate of 1.36, maturing on 30 June 2015.

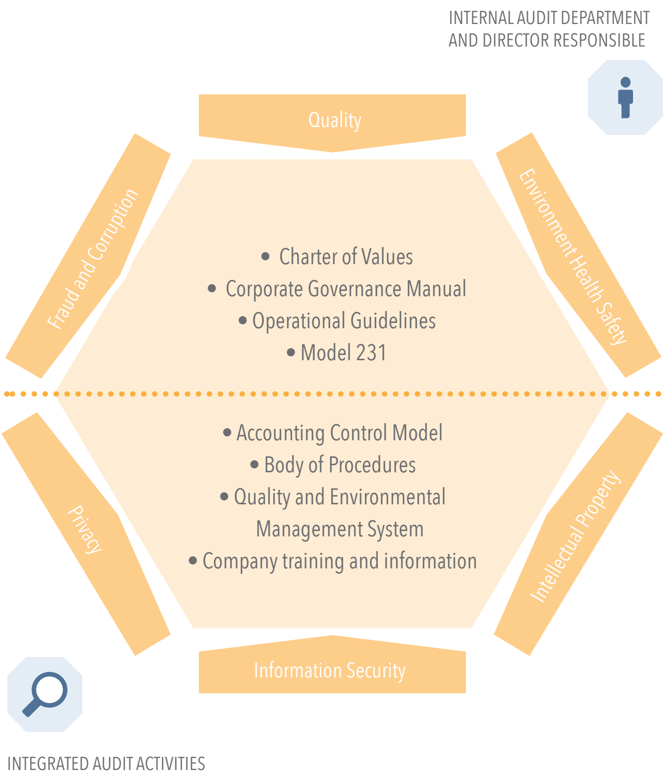
Key – Risk Trend compared with 2013:

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 compliance requirements into account.
The internal control system governing this activity is based on the following elements:

- the organisation of the **internal control** and **risk management system**;
- procedures and mechanisms for the concrete implementation 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 is set out according to specific control objectives (e.g. operational, risks, compliance with Legislative Decree 262/2005 and with 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.

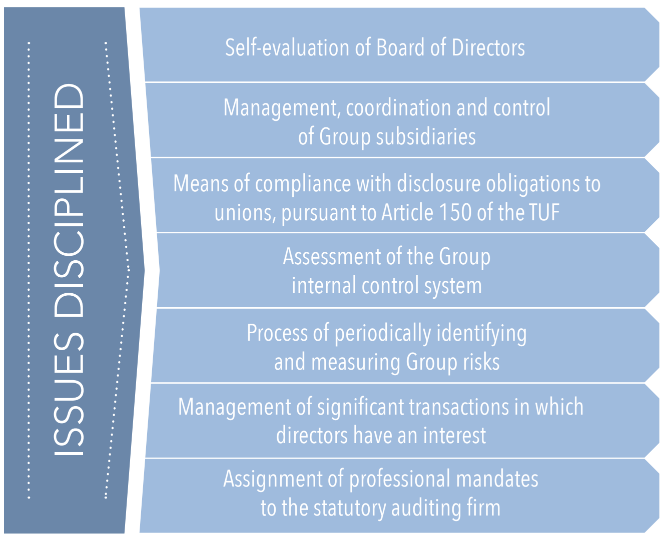
All this translates into a culture and tools based on *integrated compliance*

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 practices adopted by the Company.

The Manual contains certain operating guidelines, which were approved by the Board of Directors and updated most recently 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 text, in its most recent version updated with the provisions of the Code of Conduct of Borsa Italiana, approved by the Board of Directors on 25 September 2012, is available on the website www.sabaf.it in the section Corporate Governance.

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 231/2001

In 2006 Sabaf S.p.A. adopted the Organisational and Management Model, as suggested by Legislative Decree 231/2001, designed to prevent the committing of criminal offences by employees and/or outside staff in the Company's interest.

In the years that followed the Company, through the supervision of the Supervisory Committee, Sabaf responded promptly to the need to adjust the Model and the control structure to the changed in legislation that have occurred over time.

In 2014 Sabaf adopted the eighth revision of Model 231. The update included the integration of the contents of Model 231 with those of the ISO 14001 certified Environmental Management System and the consequent specific information flows.
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.

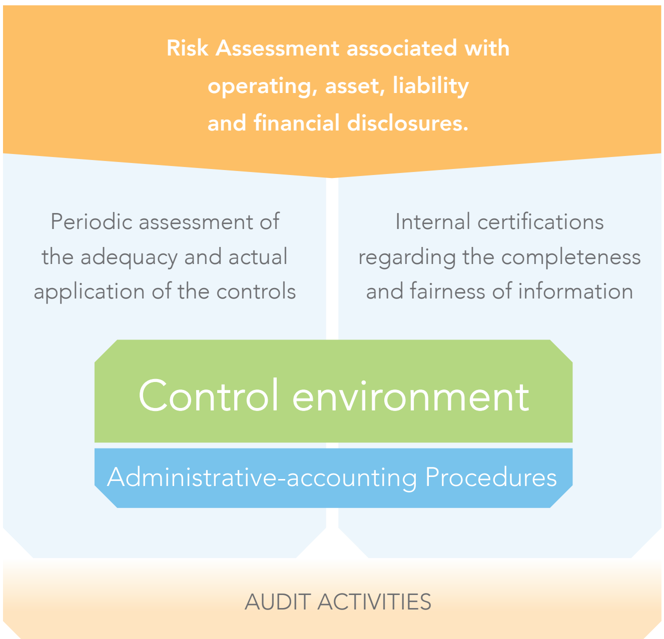
SUPERVISORY COMMITTEE

ACTIVITIES CONDUCTED IN 2014

- **Systematic checks** on the **Model's effectiveness**, both through audits conducted by Internal Audit, and through interviews with staff assigned to sensitive activities.
- **Updating the Model** through:
  - the integration of the contents of Model 231 with those of the ISO 14001 certified Environmental Management System and the consequent specific information flows;
  - other minor changes and updates;
- **Information and training** of employees regarding the specific protocols regulated by the Model.
- **Update of the Group's Charter of Values***, in order to guarantee greater consistency with the current strategic guidelines, the existing governance model, as well as to focus the growing attention of the Group on subjects such as respecting the environment and the management of transparent and correct relations with all stakeholders.

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 262/2005

FEATURES OF THE ACCOUNTING CONTROL MODEL



In 2014 the accounting control model did not require any updating.

Sabaf considers the internal control and risks management system for financial information an integral part of its 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 recent version, approved by the Board of Directors on 25 September 2012, is available on the website **www.sabaf.it** in the section Sustainability.

General Remuneration Policy

In accordance with regulation on remuneration, the Board of Directors approved the "General Remuneration Policy" on 22 December 2011, and updated it on 20 March 2013.

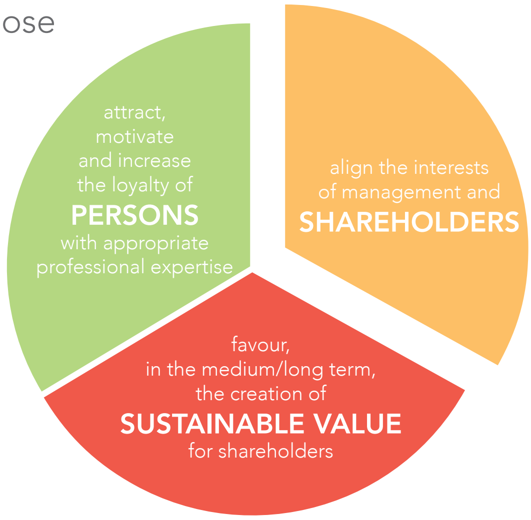
This Policy, applied from the date of approval by the Board, was fully implemented from 2012 following the appointment of the new management bodies.

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 2014.

Purpose



BODIES INVOLVED IN THE APPROVAL PROCESS

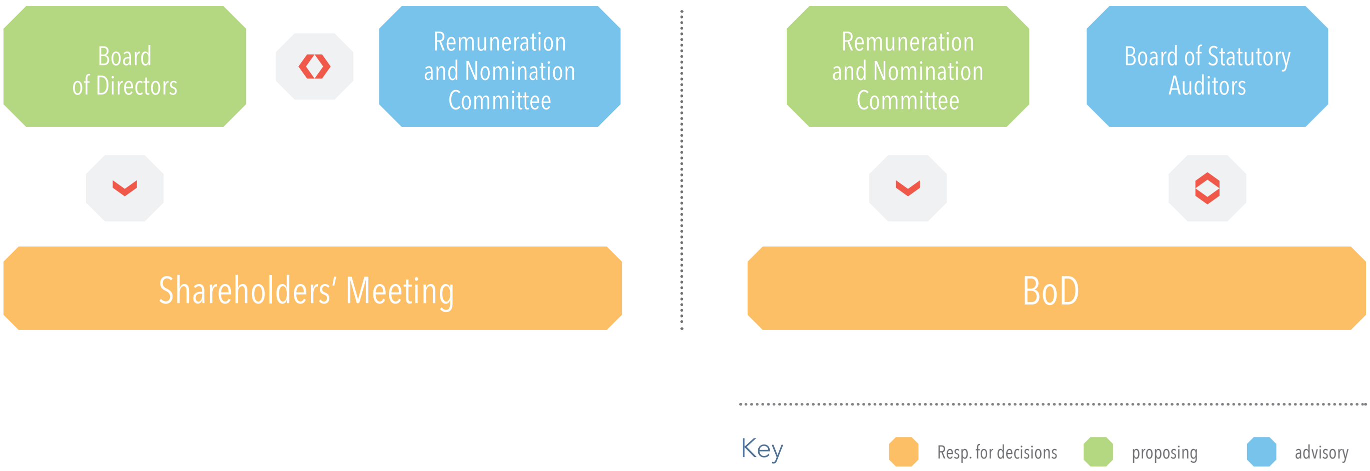
Fixed component

On the proposal of the Board of Directors and having heard the opinion of the Remuneration and Nomination Committee, the Shareholders' Meeting determines a total maximum 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 above-mentioned 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

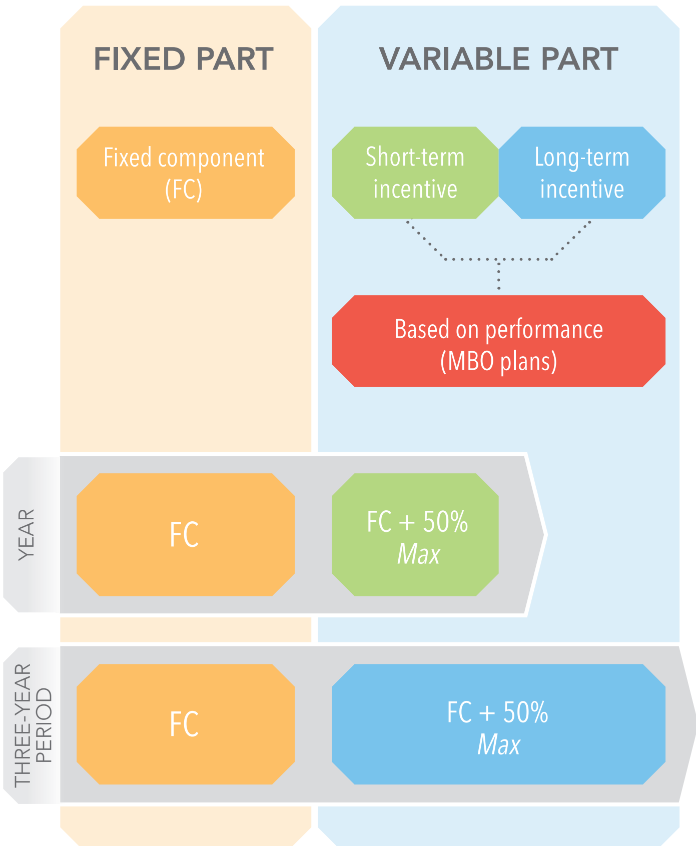
- **Directors:** the total amount for the remuneration of the members of the Board includes a fixed amount and attendance fees.
- **Statutory Auditors:** remuneration for Statutory Auditors is set by the Shareholders' Meeting, which establishes a fixed amount.
- **Other executives with strategic responsibilities:** 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 the 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.
  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 **individual objectives**, quantifiable and measurable, 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 for covering liability resulting from any illegal act or violation of obligations they may commit in exercising their respective responsibilities.
- **Life insurance policy and cover for medical expenses:** 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.

COMPONENTS OF REMUNERATION		CORPORATE ROLE				
		Executive Directors	Non-Executive Directors	Executives with strategic responsibilities	Members of the committees formed within the BoD	Statutory Auditors
FIXED COMPONENTS	FIXED ANNUAL REMUNERATION	> Fixed remuneration for role of Director > Fixed remuneration for Director with specific role	> Fixed remuneration for role of Director > Fixed remuneration for Director with specific role	> CCNL (national collective bargaining agreement) for Industrial Managers	> Fixed remuneration for Directors with positions on committees within the BoD	> Fixed emoluments
	POSITIONS IN SUBSIDIARIES	> Fixed remuneration for positions in subsidiaries	N/A	> Fixed remuneration for positions in subsidiaries	N/A	N/A
VARIABLE COMPONENTS	ATTENDANCE FEE	> Attendance fee Board of Directors	> Attendance fee Board of Directors	N/A	> Attendance fees for presence at internal committees within the Board	N/A
	VARIABLE ANNUAL REMUNERATION	> Annual variable remuneration relating to MBO *	N/A	> Annual variable remuneration relating to MBO	N/A	N/A
	LONG-TERM INCENTIVES	> three-year MBO*	N/A	> three-year MBO	N/A	N/A
OTHER BENEFITS	NON-MONETARY BENEFITS	> Third party civil liability insurance policy	> Third party civil liability insurance policy	> Third party civil liability insurance policy > Life insurance policy > Policy covering medical expenses (FASI) > Additional policy to cover medical expenses	N/A	> Third party civil liability insurance policy

* Excluding the Chairman and Deputy Chairman

VARIABLE INCENTIVE PLANS

VARIABLE INCENTIVE PLAN

MBO ANNUAL

related to budget for the year

TARGET

- EXECUTIVE DIRECTORS *
- EXECUTIVES with strategic resonsibilities
- OTHER MANAGERS proposed by chief executive officer

Long Term Incentives THREE YEARS (2012 – 2014)

related to industrial plan

TARGET

- CHIEF EXECUTIVE OFFICER
- TECHNICAL DIRECTOR
- ADMINISTRATION finance and control director

N.B. Executives with strategic responsibilities

GROUP EBIT 40%

> EBIT threshold on budget for year

INDIVIDUAL OBJECTIVES 60%

> business / financial

> technical manufacturing

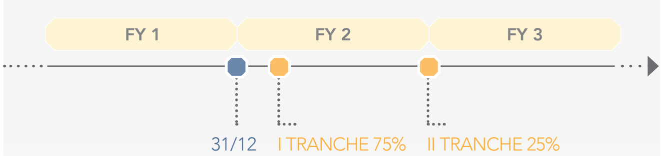
AVERAGE SHARE VALUE 50%

> share value at the end of the relevant industrial plan

GROUP EBITDA 50%

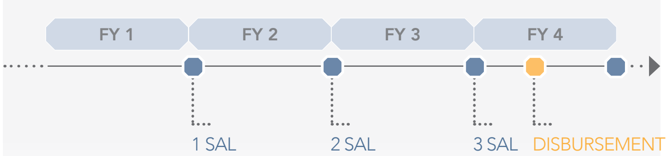
> consolidated group EBITDA as the sum for the relevant three years

ANNUAL DISBURSEMENT PLAN



LIMITS: 50% OF GROSS ANNUAL REMUNERATION

THREE-YEAR DISBURSEMENT PLAN



LIMITS: 50% OF GROSS ANNUAL REMUNERATION

* Excluding the Chairman and the Deputy Chairmen.

CHAPTER 4

Social and environmental Sustainability

4 environment

Social and Environmental Sustainability

SABAF and its staff

THE SA8000 STANDARD

Sabaf SpA's social accountability system complies with the requirements of the SA8000 standard, for which the company obtained certification in 2005, and which was last renewed in March 2015 for a further five years. The decision to certify the system was a consequence of total belief in the importance of the company's "human assets". The intention is to make management, suppliers, employees and outside staff aware of the need to assure full observance of the social accountability principles established in the SA8000 standard.

In implementing SA8000, Sabaf SpA 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.
During the year dialogue was maintained between management representatives and workers' representatives concerning the concrete application of the SA8000 standard.

The social accountability management system was audited twice by IMQ / IQ NET in 2014. During the audit the auditors collected evidence of the company's commitment to supporting the Social Accountability System, and no evidence of non-compliance emerged.

HIRING POLICY, COMPOSITION OF AND CHANGES TO PERSONNEL

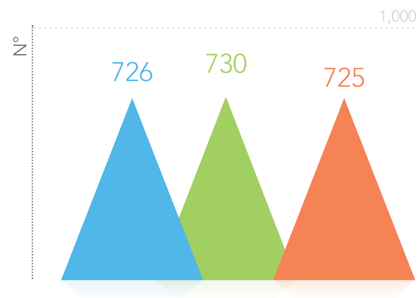
As at 31 December 2014, the Sabaf Group had 726 employees, compared with 730 at 2013 year-end (-0.5%).

	31/12/2014			31/12/2013			31/12/2012		
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	370	186	556	372	191	563	385	195	580
Faringosi Hinges (Bareggio, Milan - Italy)	22	24	46	23	26	49	23	26	49
Sabaf do Brasil (Jundiaì, San Paolo - Brazil)	47	17	64	63	26	89	51	22	73
Sabaf Beyaz Esya Parcalari San Tic Ltd. (Manisa – Turkey)	32	28	60	18	11	29	16	7	23
TOTAL	**471**	**255**	**726**	**476**	**254**	**730**	**475**	**250**	**725**

As regards basic types of employment contracts, 689 employees (94.9%) had permanent contracts and 37 (5.1%) had temporary contracts.

	31/12/2014			31/12/2013		
Permanent	449	240	689	464	248	712
Training or apprenticeship	1	0	1	0	0	0
Temporary	21	15	36	12	6	18
TOTAL	**471**	**255**	**726**	**476**	**254**	**730**

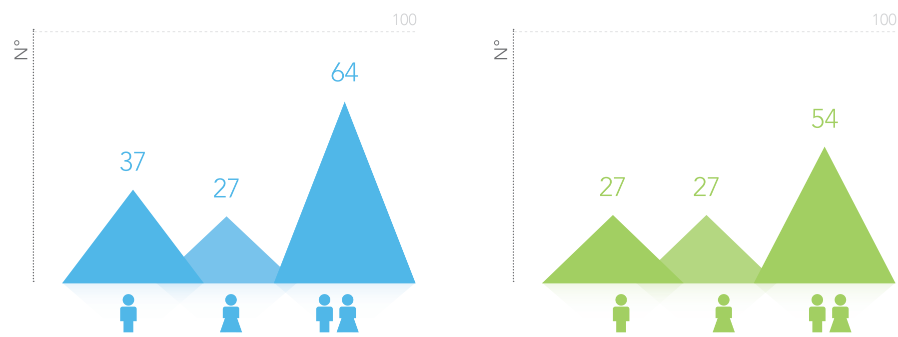
TOTAL



Temporary staff (on an employment agency contract)

	2014			2013		
TEMPORARY STAFF	Men	Women	Total	Men	Women	Total
January	13	11	24	17	16	33
February	20	12	32	25	19	44
March	26	19	45	25	23	48
April	34	26	60	25	24	49
May	35	31	66	37	32	69
June	50	34	84	30	35	65
July	50	41	91	36	43	79
August	53	39	92	34	41	75
September	51	31	82	33	36	69
October	45	27	72	25	29	54
November	36	19	55	19	19	38
December	36	30	66	15	7	22
ANNUAL AVERAGE	**37**	**27**	**64**	**27**	**27**	**54**

ANNUAL AVERAGE



The Sabaf Group uses employment agency staff for the purposes allowed under the applicable laws and regulations. In 2014 the number of temporary employees once again varied significantly, due to sudden fluctuations in demand that required production levels to be raised quickly, or to fill in for absent personnel.

During 2014 Sabaf Group companies hired one previously temporary worker on a permanent basis (47 in 2013, of whom 46 were in Sabaf do Brazil).

During 2014 Sabaf hosted five high-school students for work-experience placements (11 in 2013).
In this way, Sabaf offers, for a week, to some students from schools in the province of Brescia with a bias towards industry, their 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 2014

Sabaf S.p.A.

	31/12/13	New hires		Departures		Change in category	31/12/14
Senior management	8	0	0	0	0	0	8
Clerical staff and middle management	104	4	1	1	1	3	110
Manual workers	451	0	0	5	5	(3)	438
TOTAL	**563**	**4**	**1**	**6**	**6**	**0**	**556**

Faringosi Hinges s.r.l.

	31/12/13	New hires		Departures		Change in category	31/12/14
Senior management	1	0	0	0	0	0	1
Clerical staff and middle management	17	0	0	1	1	0	15
Manual workers	31	0	0	0	1	0	30
TOTAL	**49**	**0**	**0**	**1**	**2**	**0**	**46**

Sabaf Do Brasil Ltda

	31/12/13	New hires		Departures		Change in category	31/12/14
Senior management	0	0	0	0	0	0	0
Clerical staff and middle management	10	0	3	0	5	0	8
Manual workers	79	18	6	34	13	0	56
TOTAL	**89**	**18**	**9**	**34**	**18**	**0**	**64**

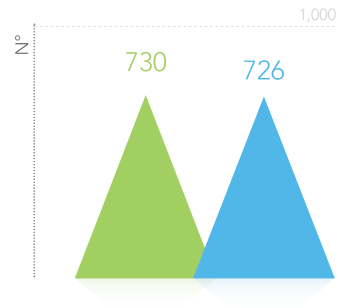
Sabaf Beyaz Esya Parcalari San Tic Ltd

	31/12/13	New hires		Departures		Change in category	31/12/14
Senior management	2	0	0	0	0	0	2
Clerical staff and middle management	4	1	2	1	0	0	6
Manual workers	23	32	45	19	29	0	52
TOTAL	**29**	**33**	**47**	**20**	**29**	**0**	**60**

GROUP TOTAL

	31/12/13	New hires		Departures		Change in category	31/12/14
Senior management	11	0	0	0	0	0	11
Clerical staff and middle management	135	5	6	3	7	3	139
Manual workers	584	50	51	58	48	(3)	576
TOTAL	**730**	**55**	**57**	**61**	**55**	**0**	**726**

GROUP TOTAL



New hires by age bracket and gender

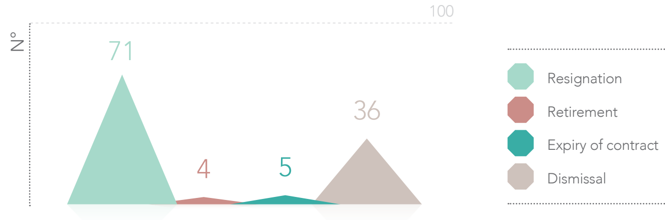
Description	2014			2013		
< 20 years	2	2	**4**	5	0	**5**
21 - 30 years	37	29	**66**	25	7	**32**
31 - 40 years	15	24	**39**	25	6	**31**
41 - 50 years	1	2	**3**	3	0	**3**
> 50 years	0	0	**0**	0	0	**0**
TOTAL	**55**	**57**	**112**	**58**	**13**	**71**

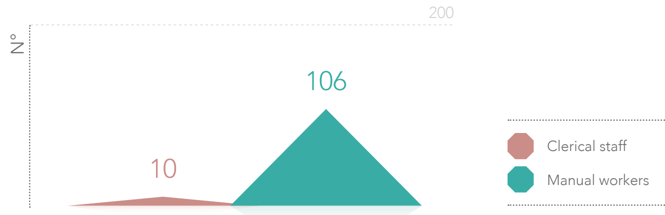
Redundancies by age bracket and gender

Description	2014			2013		
< 20 years	5	2	**7**	1	0	**1**
21 - 30 years	40	23	**63**	18	6	**24**
31 - 40 years	12	24	**36**	24	3	**27**
41 - 50 years	2	2	**4**	6	0	**6**
> 50 years	2	4	**6**	5	3	**8**
TOTAL	**61**	**55**	**116**	**54**	**12**	**66**

Reasons for termination of employment in 2014

Description	Clerical staff	Manual workers	TOTAL
Resignation	7	64	71
Retirement	1	3	4
Expiry of contract	1	4	5
Dismissal	1	35	36
TOTAL	10	106	116





Staff turnover by geographical area, age bracket and gender

Italy (Sabaf and Faringosi)

Description	2014			2013		
< 30 years	0.51%	0.00%	0.33%	0.51%	0.00%	0.33%
31 - 40 years	0.26%	1.43%	0.66%	2.28%	0.46%	1.63%
41 - 50 years	0.51%	0.48%	0.50%	0.51%	0.00%	0.33%
> 50 years	0.26%	0.00%	0.17%	1.27%	1.38%	1.31%
TOTAL	1.53%	1.90%	1.66%	4.56%	1.84%	3.59%

Brazil

Description	2014			2013		
< 30 years	55.32%	47.06%	53.13%	17.46%	3.85%	13.48%
31 - 40 years	14.89%	52.94%	25.00%	20.63%	3.85%	15.73%
41 - 50 years	0.00%	5.88%	1.56%	6.35%	0.00%	4.49%
> 50 years	2.13%	0.00%	1.56%	0.00%	0.00%	00.00%
TOTAL	72.34%	105.88%	81.25%	44.44%	7.69%	33.71%

Turkey

Description	2014			2013		
< 30 years	43.75%	60.71%	51.67%	33.33%	45.45%	37.93%
31 - 40 years	6.25%	42.86%	23.33%	11.11%	9.09%	10.34%
41 - 50 years	0.00%	0.00%	0.00%	0.00%	0.00%	00.00%
> 50 years	0.00%	0.00%	0.00%	0.00%	0.00%	00.00%
TOTAL	50.00%	103.57%	75.00%	44.44%	54.55%	48.28%

Group

Description	2014			2013		
< 30 years	8.92%	9.80%	9.23%	3.99%	2.36%	3.42%
31 - 40 years	2.12%	9.41%	4.68%	5.04%	1.18%	3.70%
41 - 50 years	0.42%	0.78%	0.55%	1.26%	0.00%	0.82%
> 50 years	0.42%	0.00%	0.28%	1.05%	1.18%	1.10%
TOTAL	11.89%	20.00%	14.74%	11.34%	4.72%	9.04%

Turnover was much higher than average at the Group's operations abroad: this was mainly due to employees joining and leaving after a short period of time.

Breakdown of employees by age

	31/12/14	31/12/13
< 30 years	22.4%	28.5%
31 - 40 years	40.5%	37.4%
41 - 50 years	27.0%	24.7%
> 50 years	10.1%	9.4%
TOTAL	**100.0%**	**100.0%**

The average age of Group employees (37.2 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

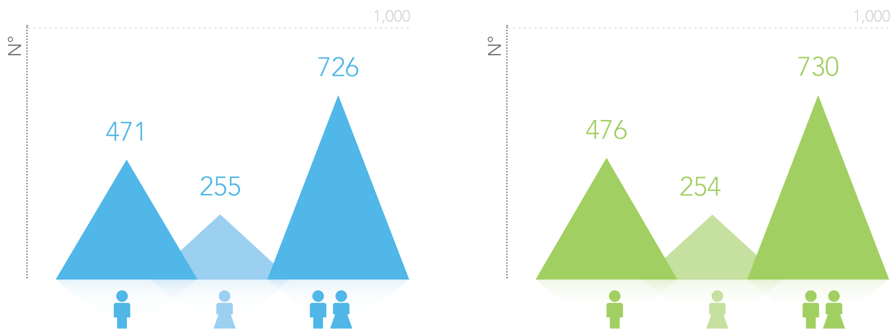
	31/12/14	31/12/13
< 5 years	25.6%	26.8%
6 - 10 years	27.6%	28.5%
11 - 20 years	37.3%	35.5%
> 20 years	9.5%	9.2%
TOTAL	**100.0%**	**100.0%**

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	2014			2013		
Production	294	172	466	302	172	474
Quality	42	32	74	40	32	72
Research & development	74	4	78	72	4	76
Logistics	21	0	21	20	0	20
Administration	8	21	29	9	20	29
Sales	6	12	18	6	11	17
Services	20	10	30	21	10	31
Purchases	6	4	10	6	5	11
TOTAL	**471**	**255**	**726**	**476**	**254**	**730**

TOTAL



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, among other things:

- 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.

At Sabaf S.p.A. 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	2014				2013			
University degree	60	19	79	10.9%	55	21	76	10.4%
High school diploma	220	96	316	43.5%	229	93	322	44.1%
Middle school diploma	186	134	320	44.1%	186	130	316	43.3%
Primary school certificate	5	6	11	1.5%	6	10	16	2.2%
TOTAL	**471**	**255**	**726**	**100%**	**476**	**254**	**730**	**100%**

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.

	2014			2013		
Training for new recruits, apprentices, initial employment contracts	1,720	238	1,958	2,471	783	3,254
Information systems	235	29	264	148	20	168
Technical training	655	31	686	782	361	1,143
Safety, environment and social responsibility	4,722	2,024	6,746	5,245	2,428	7,673
Administration & organisation	120	111	231	398	222	620
Foreign languages	474	268	742	195	90	285
Total hours of training received	**7,926**	**2,701**	**10,627**	**9,238**	**3,904**	**13,141**
Of which: training hours provided by in-house trainers	3,462	489	3,951	4,413	1,350	5,763
TOTAL	**11,388**	**3,190**	**14,578**	**13,651**	**5,254**	**18,904**

The training hours provided by in-house trainers also include the training given to employment agency staff (3,112 hours in 2014).

Once again in 2014 the Group's greatest commitment was to safety at work training, after Sabaf's compulsory training courses in 2013 (of at least 12 hours per employee) had all been completed.

Per capita hours of training received by job category

	2014			2013		
Manual workers	13.7	9.4	12.1	17.9	14.2	16.6
Clerical staff and middle management	28.0	15.4	23.8	23.9	18.7	22.1
Senior management	28.6	47.5	30.3	36.2	107	42.6
TOTAL	**16.8**	**10.6**	**14.6**	**19.4**	**15.4**	**18.0**

In 2014 the total cost of training Group employees was €352,000 (€515,000 in 2013).
In addition, training costs for temporary staff totalled €67,000 in 2014 (€77,000 in 2013).

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 2014, Sabaf's Human Resources Department held 1,387 appointments with employees regarding employment relationships or personal matters.

Sabaf S.p.A. uses a software program called HR PORTAL which allows all employees to log in and consult information published by the company relating to their payslips, tax data and social security contributions. Collective communication and company agreements are also available.

DIVERSITY AND EQUAL OPPORTUNITIES

Sabaf is permanently committed to assuring equal opportunities for female staff, who today account for 35.1% of the workforce (34.8% in 2013).

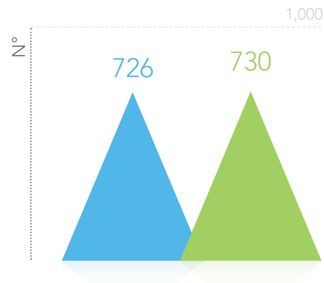
The Company – subject to organisational and production requirements – is mindful of staff family commitments. To date, the majority of requests to reduce working hours made by workers have been satisfied. In 2014, the Italian companies of the Group granted a total of 33 part-time contracts (two to female clerical staff, 28 to female manual workers and three to male manual workers), equivalent to 4.5% of the total (36 contracts in 2013).

17 disabled people work in the Italian companies of the Group, of which 5 on a part-time basis. The Company recruits with the aim of favouring the integration of people with disabilities within the manufacturing process, and has an agreement with Gruppo Fraternità (a consortium of social cooperatives based in Ospitaletto) regarding the hiring of people in protected categories.

Percentage distribution of employment by gender

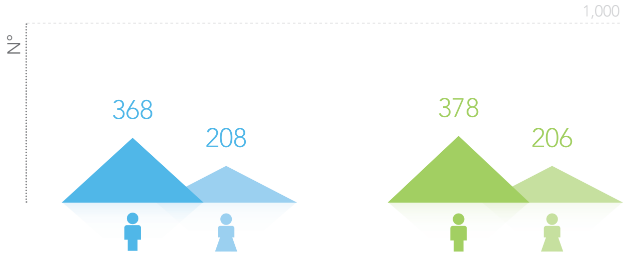
	2014		2013	
	Number	**%**	**Number**	**%**
	471	64.9	476	65.2
	255	35.1	254	34.8
TOTAL	**726**	**100**	**730**	**100**

TOTAL

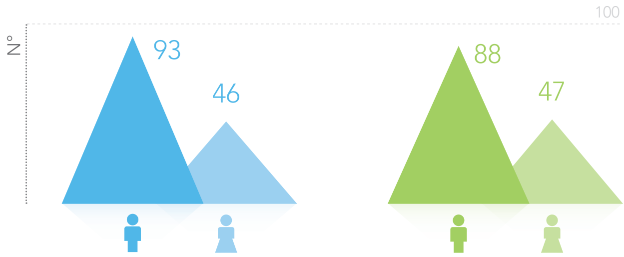


Breakdown by category

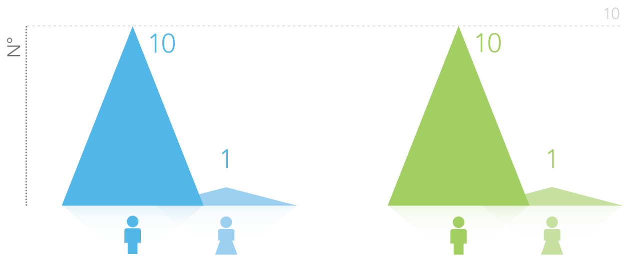
MANUAL WORKERS and SIMILAR



CLERICAL STAFF and MIDDLE MANAGEMENT



SENIOR MANAGEMENT



TOTAL 726 | 730

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

Non-EU workers [3]

	2014	2013	BENCHMARK [4]
Non-EU workers	53	58	
% of total employees	8.80%	9.48%	3.60%

At 31 December 2014, 13 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 based on merit, mortgage guarantees issued by the Company for employees, the 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.

An incentive system is also in place linked to collective and individual objectives. This involved 32 employees of the Group in 2014.

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.

3 The data refers only to the Italian companies of the Group.
4 FEDERMECCANICA, *The metalworking industry in figures (June 2014) – Non-EU workers (2012)* [L'industria metalmeccanica in cifre (giugno 2014) – Lavoratori extracomunitari (2012)], http://www.federmeccanica.it

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

2013	Minimum salary as per national collective agreement		Minimum salary paid		% increase over minimum	
Sabaf S.p.A.	1,520.5	1,520.5	1,994.2	1,994.2	31%	31%
Faringosi Hinges	1,520.5	1,520.5	1,692.6	1,667.5	11%	10%
Turkey (TRY)	736.5	736.5	840.0	840.0	14%	14%
Brazil (BRL)	950.0	950.0	1,069.2	1,069.2	13%	13%

2014	Minimum salary as per national collective agreement		Minimum salary paid		% increase over minimum	
Sabaf S.p.A.	1,559.3	1,559.3	2,043.98	2,069.03	31%	33%
Faringosi Hinges	1,559.3	1,559.3	1,731.36	1,706.31	11%	9%
Turkey (TRY)	810.71	810.71	880.0	880.0	9%	9%
Brazil (BRL)	1,026.0	1,026.0	1,155.0	1,155.0	13%	13%

Ratio between maximum compensation and the median remuneration for the companies of the Group

	2014	2013
Sabaf Spa	4.87	4.58
Faringosi Hinges	4.42	4.48
Sabaf Beyaz	13.75	10.93
Sabaf do Brasil	9.43	10.49

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

	2014	2013
Clerical staff, middle management and senior management	67%	64%
Manual workers	90%	90%

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. At Sabaf Beyaz the working week consists of 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

	2014		2013		BENCHMARK [5]	
	Clerical staff	Manual workers	Clerical staff	Manual workers	Clerical staff	Manual workers
Average number of workers per month who worked overtime	72	274	68	275	-	-
Number of hours of overtime	13,094	36,385	11,590	39,079	-	-
Annual per-capita overtime hours [6]	94	63	86	67	53	58

Total hours of absence

	2014			2013			BENCHMARK [7]
Total annual hours of absence	32,299	39,446	71,745	27,903	50,221	78,124	-
Hours of absence as % of workable hours	3.4%	7.9%	5.0%	2.9%	10.1%	5.3%	-
Average hours of absence per capita	68.5	153.2	98.4	57.9	196.4	105.9	116.4

Hours of sick leave

	2014			2013			BENCHMARK [8]
Total annual hours of sick leave	24,559	17,143	41,702	23,892	18,386	42,278	-
Hours of sick leave as % of workable hours	2.6%	3.4%	2.9%	2.5%	3.7%	2.9%	-
Per capita hours of sick leave	52.1	66.6	57.2	49.6	71.9	57.3	50.8

Hours of maternity/ paternity leave

	2014			2013			BENCHMARK [9]
Total annual hours of maternity/paternity leave	103	20,315	20,418	575	30,865	31,440	-
Hours of maternity leave as % of workable hours	0.0%	4.1%	1.4%	0.1%	6.2%	2.1%	-
Per capita hours of maternity leave	0.2	78.9	28.0	1.2	120.7	42.6	21.2

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

5 FEDERMECCANICA, *The metalworking industry in figures (June 2014) – Per capita overtime hours (2012)* [L'industria metalmeccanica in cifre (giugno 2014) – Ore pro-capite lavoro straordinario (2012)], http://www.federmeccanica.it
6 In relation to the average number of employees.
7 Data from FEDERMECCANICA, *The metalworking industry in figures (June 2014) – Per capita hours of absence from work (2012)* [L'industria metalmeccanica in cifre (giugno 2014) – Ore pro-capite di assenza dal lavoro (2012)], http://www.federmeccanica.it
8 - 9 FEDERMECCANICA, *The metalworking industry in figures (June 2014) – Per capita hours of absence from work (2012)* [L'industria metalmeccanica in cifre (giugno 2014) – Ore pro-capite di assenza dal lavoro (2012)], http://www.federmeccanica.it.

Parental leave [10]

Type of leave	2014			2013			
							% of workers in workforce after 12 months [11]
Statutory maternity leave	0	9	9	0	18	18	94%
Early maternity leave	0	9	9	0	12	12	92%
Maternity/Paternity optional	1	17	18	2	19	21	95%
Child-rearing leave	0	8	8	0	11	11	100%
Blood donation	5	0	5	5	0	5	100%
Assistance to families of persons with disabilities (Law 104)	17	11	28	16	11	27	100%
Leave of absence	2	1	3	1	1	2	50%
Extraordinary parental leave	1	1	2	1	0	1	100%

Recourse to the government's statutory temporary lay-off benefits scheme (Cassa Integrazione Guadagni Ordinaria) [12]

	2014	2013
Number of hours of statutory redundancy pay	8,742	18,507
Annual average number of hours per capita	14.44	30.04

During the year the Italian companies of the Group made limited use of government subsidised temporary lay-off benefits during periods when production requirements were low.

OCCUPATIONAL HEALTH AND SAFETY

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

Since February 2012, the occupational health and safety system of Faringosi Hinges has been certified according to the OHSAS 18001 standard.

The most recent audit, carried out 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. The system underwent a re-certification audit by the TUV NORD certifying authority in February 2015. The result of this was positive, with a few recommendations for improvement.

10 Data relating to Sabaf S.p.A.

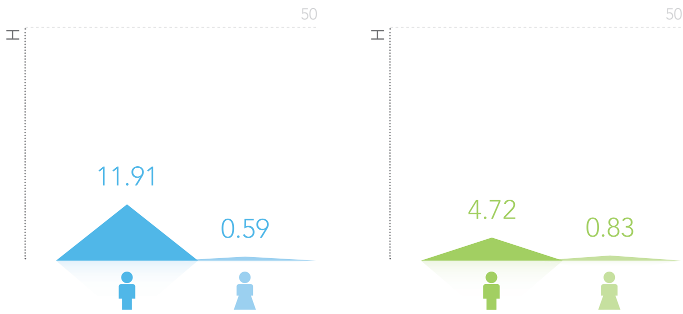
11 The percentage expresses the ratio between the number of employees that took leave in 2013 and who returned to work during the 12 months following the end of the period of leave, and the total number of employees who took leave in 2013.

12 Institution operating in accordance with Italian legislation, the data relates only to the Italian companies of the Group.

Number and time period of accidents

	2014			2013			BENCHMARK [13]
							-
On-site accidents	13	2	15	12	3	15	-
Off-site accidents	4	1	5	3	0	3	-
Average absence due to on-site accidents (days)	33.54	12.00	30.67	18.08	11.67	16.80	-
Average absence due to off-site accidents (days)	105.00	2.00	84.40	51.67	0	51.67	-
Total days of absence due to accidents	5,611	152	5,763	2,273	213	2,486	-
Per capita hours of absence due to accidents	**11.91**	**0.59**	**7.91**	**4.72**	**0.83**	**3.37**	**7.2**

TOTAL 7.91 3.37



Accident frequency index

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

	2014			2013		
Index	13.79	5.33	11.08	15.09	8.35	12.99

Accident gravity index

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

	2014			2013		
Index	0.55	0.06	0.39	0.27	0.10	0.22

No serious accidents occurred in 2014. 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.
2,925 medical check-ups were performed in 2014 (2,536 in 2013).

13 FEDERMECCANICA, *The metalworking industry in figures (June 2014) – Per capita hours of absence from work (2012)* [L'industria metalmeccanica in cifre (giugno 2014) – Ore pro-capite di assenza dal lavoro (2012)], http://www.federmeccanica.it

Current expenditure on worker safety

IN THOUSANDS OF EURO	2014	2013
Plant, equipment and materials	85	59
Personal protective equipment (PPE)	88	51
External training	49	30
Advisory services	68	134
Analyses of workplace environment	2	2
Medical check-ups (including pre-hire check-ups)	48	44
Software and databases	5	0
TOTAL	**345**	**320**

Investments in worker safety

IN THOUSANDS OF EURO	2014	2013
Plant, equipment and materials	100	120
TOTAL	**100**	**120**

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 SpA: FIOM, FIM and UILM. As at December 2014, 142 employees were card-carrying members, i.e. 19.6% of total employees (in 2013, 144 employees were card-carrying members, 19.7% of the total).

Relations between senior management and trade union representatives are based on mutual transparency and fairness. During the year, there were 10 meetings at Sabaf SpA between management and trade union representatives. The main issues addressed were:

- amendments to the national labour contract;
- announcements regarding changes in permanent staff and employment agency contracts, monitoring temporary and training contracts and planning recruitment and training;
- the presentation of the business plan and the financial results;
- health and safety training for employees;
- recourse to cassa integrazione earnings.

Renewal of the supplemental company agreement

On 7 February 2014 Sabaf S.p.A. signed 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:

- a new bonus related to variable performance, based on productivity and quality indicators;
- the consolidation of part of the previous 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.

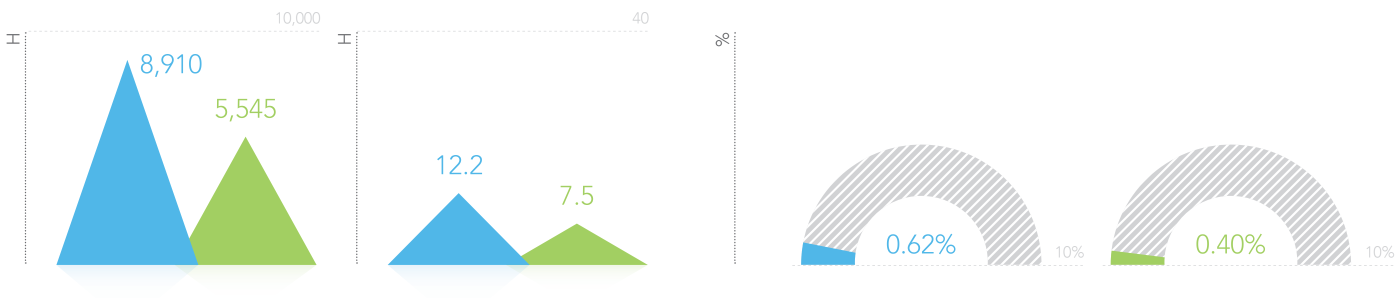
Amendments to the national labour contract;

After affiliating itself with Associazione Industriali Bresciana (Confindustria), with effect from October 2014 S.p.A. and Faringosi Hinges S.r.l. adopted the national labour contract for the metalworking industry and for the installation of Federmeccanica plants, replacing the previous Unionmeccanica-Confapi contract.

The hours spent taking part in trade union activities in 2014 were equivalent to 0.62% of workable hours.

PARTICIPATION IN TRADE UNION ACTIVITIES

	2014	2013	BENCHMARK [14]
UNION MEETINGS			
Number of hours	2,919	1,983	-
As % of workable hours	0.20%	0.14%	-
Number of hours per capita	4.0	2.7	-
UNION LEAVE OF ABSENCE			
Number of hours	1,823	1,683	-
As % of workable hours	0.13%	0.12%	-
Number of hours per capita	2.5	2.3	-
INDUSTRIAL ACTION			
Number of hours	4,168	1,879	-
As % of workable hours	0.29%	0.13%	-
Number of hours per capita	5.7	2.5	-
TOTAL			
Number of hours	8,910	5,545	-
As % of workable hours	0.62%	0.40%	-
Number of hours per capita	12.2	7.5	6.7



TOTAL

TOTAL PER CAPITA

TOTAL %

In 2014, a total of 24 hours of strike were called at Sabaf S.p.A. as a result of national claims. However, no strikes were called at Faringosi Hinges, Sabaf do Brasil or Sabaf Beyaz.

14 FEDERMECCANICA, *The metalworking industry in figures (June 2014) – Per capita hours of absence from work (2012)* [L'industria metalmeccanica in cifre (giugno 2014) – Ore pro-capite di assenza dal lavoro (2012)], http://www.federmeccanica.it

Company climate survey

The Group intends to facilitate a positive working environment through listening to the needs of its employees. For this reason the second company climate survey was carried out in October 2012, with the aim of reporting employee perceptions regarding working conditions and of identifying areas for improvement. A summary of the results obtained is shown in the 2012 Annual Report.

As a result of the climate survey a "cascading" training initiative was launched, with the aim of reinforcing and developing a number of specific communication, listening and relationship handling competencies, as a necessary pre-condition for the effective management of manager/employee relationships. The training initially involved top management (10 people) and was subsequently extended to include managers of various work teams (29 people). It mixes a deepening of theoretical knowledge with practical activities. These training activities continued through 2014.

A new climate analysis is planned for 2015.

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: 64 employees had benefited from the agreement at 31 December 2013.

The Company leased five 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 bought 29 units.

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

LITIGATION AND DISCIPLINARY MEASURES

During 2014, 81 disciplinary measures were taken against Group employees. These break down as follows:

- 15 verbal warnings
- 8 reminders concerning the use of personal protective equipment
- 32 written warnings
- 17 fines
- 8 suspensions
- 1 dismissal

The main reasons for disciplinary procedures include: unauthorised absence, failure to observe working hours and failure to comply with the rules concerning sick leave.

At 31 December 2014, two lawsuits were pending with former employees.

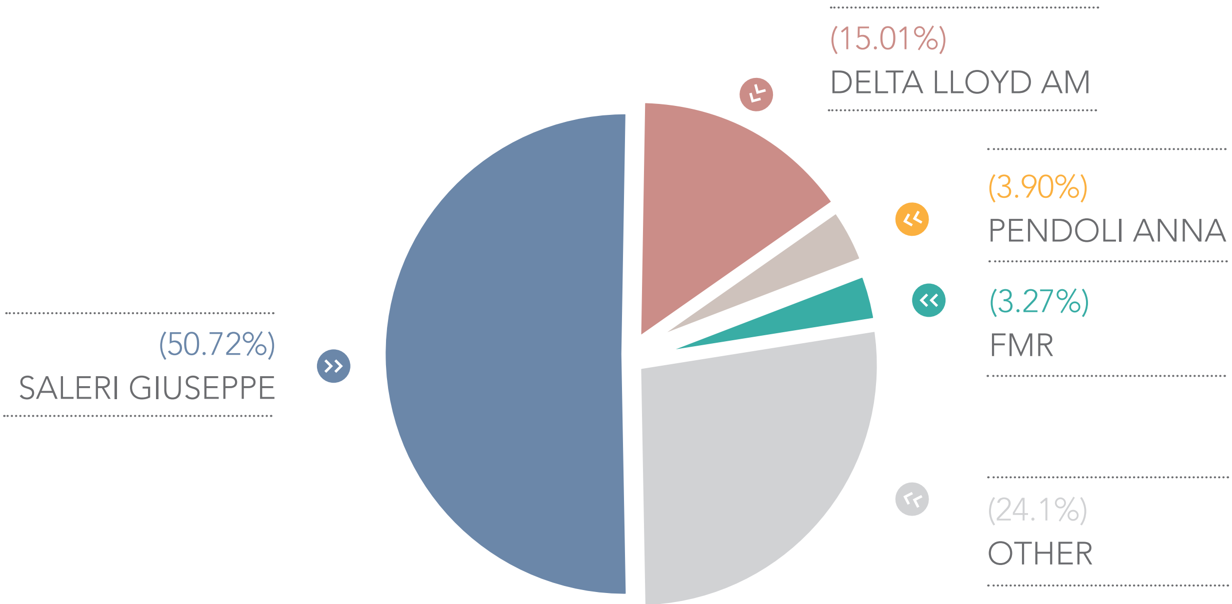
SABAF and its shareholders

SHAREHOLDER BASE

As at 31 December 2014, 2,296 shareholders were listed in the shareholders' register. Of these:

- 1,742 owned fewer than 1,000 shares
- 476 owned from 1,001 to 5,000 shares
- 33 owned from 5,001 to 10,000 shares
- 45 owned over 10,000 shares.

Shareholders residing outside Italy hold 25% of the share capital.
Institutional investors are very strongly present in share capital, and are estimated to account for approximately 90% of the free float.



RELATIONS WITH INVESTORS AND FINANCIAL ANALYSTS

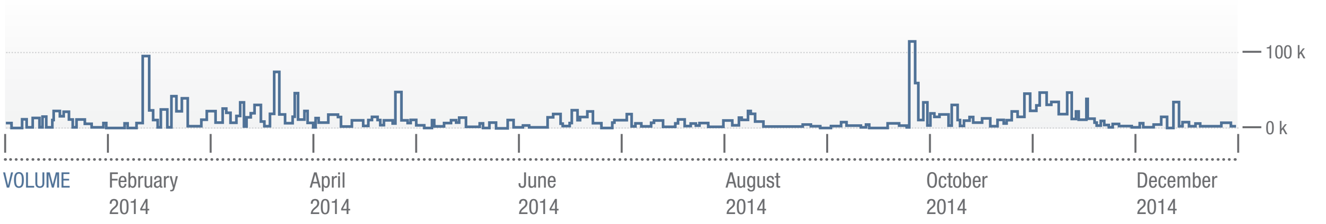
Right from the time when it went public (1998) the Company has considered financial communication to be of strategic importance. Sabaf's financial communication policy is based on the principles of integrity, transparency and continuity, in the belief that this approach enables investors to assess the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

The only broker that currently carries out studies and produces research documents on Sabaf on an ongoing basis is Equita SIM.

In 2014 the Company met with institutional investors at roadshows organised in Milan, Venice, Bologna, London, Frankfurt and Stockholm.

SHAREHOLDER RETURN AND SHARE PERFORMANCE

During 2014, Sabaf shares reached their highest official price on 2 May (€15.496) and their lowest on 16 December (€10.948). Average daily trading volume was 11,775 shares, equivalent to an average daily total value of €159,600 (€67,500 in 2013).



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.

In November 2014, following a resolution of the Shareholders' Meeting of 28 October 2014, the Company paid out an extraordinary dividend of €1 per share. This extraordinary dividend made possible a partial rebalancing of the financial structure in order to reduce the average cost of capital, thereby contributing to increasing the Company's value.

SOCIALLY RESPONSIBLE INVESTMENTS

Sabaf shares have also been the subject of frequent analysis by the analysts and fund managers of SRI funds, which have invested in Sabaf on many occasions.

LITIGATION

No lawsuits are pending with shareholders.

SABAF and its customers

SALES ANALYSIS

Countries and customers

	2014	2013
Countries	56	58
Customers [15]	264	268

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.

32 customers generated annual sales of over €1 million (32 also in 2013). The breakdown by sales amount is as follows:

	2014	2013
up to €1,000	30	26
€1,001-€50,000	163	171
€50,001-€100,000	23	17
€100,001-€500,000	33	36
€500,001-€1,000,000	13	12
€1,000,001-€5,000,000	25	25
above €5,000.000	7	7

In addition to the headquarters at Ospitaletto, the commercial network is based on the subsidiaries located in Brazil, Turkey, the United States, Mexico and China, as well as a representative office in Poland. 13 agency relationships are active, mainly relating to the 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 "co-makership" approach;
d. develop the potential of our human resources;
e. improve business performance.

Current spending on quality

IN THOUSANDS OF EURO	2014	2013
Product certification	68	100
Certification and management of quality system	12	4
Purchase of measuring instruments and equipment	33	41
Calibration of measuring instruments and equipment	31	38
Technical regulations, software and publications	2	2
Training	0	0
Trials and tests by independent laboratories	7	1
TOTAL	**153**	**186**

Investments in quality

IN THOUSANDS OF EURO	2014	2013
Purchase of measuring instruments and equipment	105	95
TOTAL	**105**	**95**

15 With sales over €1,000

The plant at Ospitaletto and the production facility in Brazil received quality certification in accordance with ISO9001:2008. The quality system of Sabaf S.p.A. has been ISO 9001 certified since 1993; Faringosi-Hinges since 2001 and Sabaf do Brazil since 2011.

During 2014, Sabaf's quality system was constantly maintained and monitored to guarantee its correct implementation and compliance with the requirements of the standard.
The internal audit plan that was defined for both the headquarters at Ospitaletto and the production facility in Brazil was executed. The results show no critical issues regarding the system which, therefore, fully complies with the standard.
As regards the audit conducted by third parties on the quality management system, CSQ conducted its annual audit at the headquarters at Ospitaletto (May 2014), confirming that the system is effectively applied. The audit was carried out on the Italian headquarters as a sample, the characteristics of which also confirmed the adequacy of the quality system in Brazil. No instances of non-compliance were found during the visit.
The final quarter of 2014 saw the start of the certification process for the production facility in Turkey, and the system is expected to receive certification during the first six months of 2015. Reaching this objective will allow SABAF to widen the area of application of the quality management system with a view to continuous improvement.

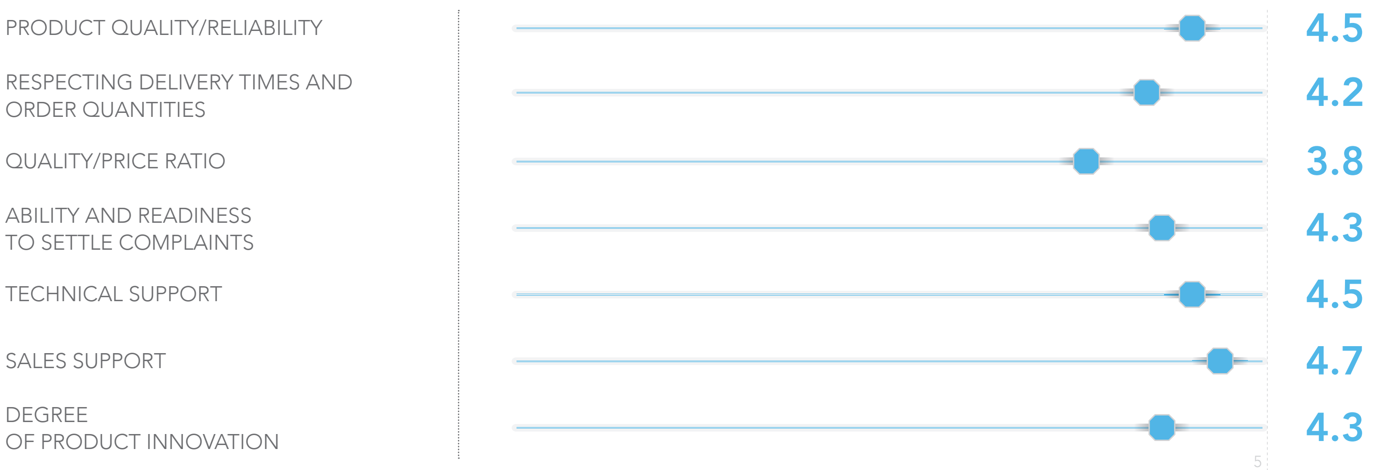
In November 2014 the TUV NORD certifying authority conducted its periodic audit of the Faringosi-Hinges S.r.l quality management system. The audit confirmed that the system is effectively applied.

No instances of non-compliance were found.

CUSTOMER SATISFACTION

The customer satisfaction survey , conducted every two years, is a part of the activities of stakeholder engagement that Sabaf undertakes with the aim of constantly improving the quality of the services it provides and of responding to the needs of its customers.

There now follows a summary of the most recent analysis, conducted at the beginning of 2015



Assessment	EXCELLENT	GOOD	SATISFACTORY	POOR	VERY POOR
Grading	5	4	3	2	1

The survey, conducted by sending questionnaires to the Group's customers, confirmed broadly positive opinions, with excellent ratings for product quality as well as technical and sales support.

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.

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. The supply contracts include an ethics clause, based on the SA8000 standard. that obligates suppliers to assure respect of human and social rights. More specifically, suppliers undertake to avoid using in their production processes persons below the legal minimum age set by law, to guarantee their workers a safe workplace, to protect trade-union freedom, to comply with legislation on working hours, and to ensure that workers are paid the legal minimum wage.

Failure to comply with or accept the principles of the SA8000 standard could lead to the supply relationship being terminated. In 2014, 32 audits (29 in 2013) 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 in which it operates, and therefore gives preference to local firms when choosing suppliers.

Purchases made in Lombardy by the Group's Italian companies represent 66.1% of the total, purchases made by Sabaf do Brazil from Brazilian suppliers account for 88.9% of the total, while purchases made by Sabaf Beyez from Turkish suppliers represent 76.6% of the total.

Sales generated outside the European Union mainly come from suppliers in China. Chinese suppliers have signed a clause to comply with the principles set out in the SA8000 standard.

Geographical distribution of suppliers [16]

	2014		2013	
IN THOUSANDS OF EURO	Sales	%	Sales	%
Province of Brescia	41,648	43.9%	44,099	49.1%
Italy	26,534	28.0%	25,958	28.9%
Rest of EU	9,999	10.5%	7,641	8.5%
Brazil	4,804	5.1%	4,689	5.2%
Turkey	4,000	4.2%	2,578	2.9%
China	5,879	6.2%	3,823	4.3%
Non EU - Others	1,929	2.0%	1,046	1.22%
TOTAL	**94,793**	**100%**	**89,834**	**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 Figures for Group The 2013 figures have been recalculated to include the non-Italian companies, as these were not included in the previous financial statements.

SUPPLIER RELATIONS AND CONTRACTUAL TERMS

Our relations with suppliers aim at 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 suppliers 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 2014 sales to Sabaf Group by suppliers with certified quality systems accounted for 54.7% of the total (vs. 53.9% in 2013).

Breakdown of purchases by category

	2014		2013	
IN THOUSANDS OF EURO	Sales	%	Sales	%
Commodities	24,959	26.3	23,727	26.4
Members	24,112	25.4	25,248	28.1
Machinery & equipment	9,843	10.4	9,491	10.6
Services and other purchases	35,879	37.9	31,368	34.9
TOTAL	**94,793**	**100**	**89,834**	**100**

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

LITIGATION

At end-2014 a dispute was pending with a supplier, initiated by Sabaf S.p.A. and concerning a quality issue, and regarding which a settlement was reached at the start of 2015.

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 2014) and has ample unused short-term lines of credit.

At 31 December 2014 net financial debt was €26.9 million - versus €16.7 million at 31 December 2013 - after the payment of an extraordinary dividend of €11.5 million in November 2014. Two unsecured loans were taken out during the year, for a total of €10 million, maintaining the correct ratio between medium/long-term debt (€10.2 million at 31 December 2014) and short-term debt (€16.8 million).

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, Credito Lombardo Veneto, Banca Passadore, Cariparma) and with five forein 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, 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 long-standing competitor of Sabaf, and of Harper Wyman, the biggest manufacturer of gas cooking components for the North American market.

Defendi Italy is an Italian manufacturer that also has a presence in Brazil and Mexico, and is mainly active in the production of burners. In 2013 it was bought by the German group E.G.O.

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	

2012 and 2013 P&L highlights of the Sabaf Group's main Italian competitors [17]

	2013			2012		
IN THOUSANDS OF EURO	Sales	Operating profit	Net income	Sales	Operating profit	Net income
CMI	19,795	735	321	20,615	680	447
DEFENDI ITALY	55,916	4,050	2,742	52,931	3,019	2,308
NUOVA STAR	25,121	271	40	23,559	(12)	97
SOMIPRESS	41,411	4,636	2,656	40,240	3,123	1,788

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.

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 2014 donations totalled around €40,000 (€54,000 in 2013), 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 are 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 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

The Group has long promoted the dissemination of information about the lower environmental impact resulting from the use of gas in cooking instead of electricity. The use of gas to generate heat offers far higher yields than those that can be obtained 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 59 of 18 February 2005.

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

PROCESS 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 involves inserting machinery into the production process; this machinery uses a washing system based on a modified alcohol, a solvent which can be re-distilled (and hence recycled).
With a planned investment of around €1,000,000, the replacement process began at the end of 2013. It 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 pre-set 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 offers several advantages over the production of brass valves: elimination of the hot moulding step required by brass, reduced lead content in the product, lower weight and consequently lower consumption for packaging and transport. 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 2014 recycling made it possible to recover 116,500 kg of paper, cardboard and plastic packaging.

MATERIALS USED	2014 CONSUMPTION (t)	2013 CONSUMPTION (t)
Brass	1,030	1,234
Aluminium alloys	7,405	7,332
Zamak	83	57
Steel	6,287	6,784

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 products fully meet the requirements of the 2003/95/EC directive **(the 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 products are fully compliant with **Directive 2000/53/EC** *(End of Life Vehicles)*, i.e. their heavy-metal content (lead, mercury, cadmium, and chromium 6) is lower than the limits set by the directive.

In terms of **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	2014 CONSUMPTION (MWh)	2013 CONSUMPTION (MWh)
TOTAL	29,773	31,944

NATURAL GAS	2014 CONSUMPTION (m^3 x 1000)	2013 CONSUMPTION (m^3 x 1000)
TOTAL	3,120	3,616

Sabaf S.p.A., Sabaf do Brasil and Sabaf Turkey 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.

Indicator: Energy intensity

The indicator expresses the relationship between energy consumption and sales revenue:

ENERGY INTENSITY	2014	2013
Kwh divided by revenue	0.459	0.534

Water

WATER	CONSUMPTION 2014 (m^3)	CONSUMPTION 2013 (m^3)
Mains water	38,081	36,347
Groundwater	27,798	27,760
TOTAL	65,879	64,107

All water used in Group companies' manufacturing processes is channelled to disposal and therefore there are no industrial water discharges. 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)	2014	2013
Municipal-type waste	200	214
Non-hazardous (for disposal)	1,368	1,892
Non-hazardous (for recycling)	4,010	4,154
Total non-hazardous waste	**5,378**	**6,046**
Hazardous (for disposal)	1,478	1,309
Hazardous (for recycling)	896	1,522
Total hazardous waste	**2,374**	**2,831**

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 pressed bars and bodies with removal of materials, *(b)* washing of semi-processed products and components so obtained, *(c)* finishing of the body/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 the coining and enamelling of 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 carried out in 2013 and 2014 showed that all emissions were within the legal limits.

CO_2 EMISSIONS [18]

TONNES	2014	2013
Use of natural gas	6,102	7,108
Use of electricity	11,969	13,001
Total CO_2 emissions	**18,071**	**20,109**

The use of methane 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 so-called greenhouse gases CH_4 (methane), N_2O (nitrogen dioxide), HFCs (hydrofluorocarbons), and SF_6 (sulphur hexafluoride). 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

IN THOUSANDS OF EURO	2014	2013
Waste disposal	492	595
Advisory services	27	44
Emissions analysis	12	22
Training	0	0
Plant, equipment and materials	16	9
TOTAL	**547**	**670**

Environmental investments

IN THOUSANDS OF EURO	2014	2013
Plant, equipment and materials	465	241
TOTAL	**465**	**241**

LITIGATION

No lawsuits are currently pending with regard to environmental matters.

18 Calculations based on the following emission factors: 402 g/Kwh for electricity (source: TERNA), 1.956 1000 m^3 (source: MINISTRY OF THE ENVIRONMENT).

KPMG S.p.A.
Revisione e organizzazione contabile
Via Camozzi, 5
24121 BERGAMO BG

Telefono +39 035 240218
Telefax +39 035 240220
e-mail it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

Relazione della società di revisione indipendente sul bilancio sociale

Al Consiglio di Amministrazione di
SABAF S.p.A.

Abbiamo svolto un esame limitato ("*limited assurance engagement*") del bilancio sociale del Gruppo SABAF (di seguito il "Gruppo") per l'esercizio chiuso al 31 dicembre 2014, costituito dalle seguenti sezioni del Rapporto Annuale del Gruppo alla medesima data:

- "Introduzione al Rapporto Annuale"
- Sezione 1 "Business model e approccio strategico"
- Sezione 2 "Dimensione internazionale e mercati di riferimento"
- Sezione 4 "Sostenibilità sociale e ambientale"

Il nostro lavoro ha riguardato unicamente il bilancio sociale come sopra identificato e non è stato esteso agli altri dati ed informazioni riportati nella sezione 3 "Corporate Governance, Risk management, Compliance e Remunerazione", nella sezione 5 "Relazione sulla gestione", né ai bilanci d'esercizio e consolidato di SABAF S.p.A. che sono stati assoggettati a revisione contabile da parte di altro revisore.

Responsabilità degli Amministratori per il bilancio sociale

Gli Amministratori di SABAF S.p.A. sono responsabili per la redazione del bilancio sociale in conformità alle linee guida "*G4 Sustainability Reporting Guidelines*" definite nel 2013 dal GRI - *Global Reporting Initiative*, indicate nel paragrafo "Nota metodologica" del bilancio sociale, e per quella parte del controllo interno che essi ritengono necessaria al fine di consentire la redazione di un bilancio sociale che non contenga errori significativi, anche dovuti a frodi o a comportamenti o eventi non intenzionali. Gli Amministratori sono altresì responsabili per la definizione degli obiettivi del Gruppo SABAF in relazione alla performance di sostenibilità e alla rendicontazione dei risultati conseguiti, nonché per l'identificazione degli *stakeholder* e degli aspetti significativi da rendicontare.

Responsabilità del revisore

E' nostra la responsabilità della redazione della presente relazione sulla base delle procedure svolte. Il nostro lavoro è stato svolto secondo i criteri indicati nel principio "*International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information*" ("*ISAE 3000*"), emanato dall'*International Auditing and Assurance Standards Board* per gli incarichi che consistono in un esame limitato. Tale principio richiede il rispetto dei principi etici applicabili, compresi quelli in materia di indipendenza, nonché la pianificazione e lo svolgimento del nostro lavoro al fine di acquisire una sicurezza limitata che il bilancio sociale non contenga errori significativi.

Tali procedure hanno compreso colloqui, prevalentemente con il personale della società responsabile per la predisposizione delle informazioni presentate nel bilancio sociale, analisi di documenti, ricalcoli ed altre procedure volte all'acquisizione di evidenze ritenute utili.

Le procedure svolte sul bilancio sociale hanno riguardato il rispetto dei principi per la definizione del contenuto e della qualità del bilancio sociale, nei quali si articolano le "*G4 Sustainability Reporting Guidelines*", e sono riepilogate di seguito:

- comparazione tra i dati e le informazioni di carattere economico-finanziario riportati nel paragrafo "Valore economico generato e distribuito" incluso nella sezione "Introduzione al Rapporto Annuale" del bilancio sociale e i dati e le informazioni inclusi nel bilancio consolidato del Gruppo al 31 dicembre 2014, sul quale altro revisore ha emesso la relazione ai sensi degli artt. 14 e 16 del D.Lgs. 27 gennaio 2010, n. 39, in data 8 aprile 2015;
- analisi, tramite interviste, del sistema di governo e del processo di gestione dei temi connessi allo sviluppo sostenibile inerenti la strategia e l'operatività del Gruppo;
- analisi del processo di definizione degli aspetti significativi rendicontati nel bilancio sociale, con riferimento alle modalità di identificazione in termini di loro priorità per le diverse categorie di *stakeholder* e alla validazione interna delle risultanze del processo;
- analisi delle modalità di funzionamento dei processi che sottendono alla generazione, rilevazione e gestione dei dati quantitativi inclusi nel bilancio sociale. In particolare, abbiamo svolto:
  - interviste e discussioni con il personale della Direzione di SABAF S.p.A. e con il personale di Faringosi-Hinges S.r.l., al fine di raccogliere informazioni circa il sistema informativo, contabile e di reporting in essere per la predisposizione del bilancio sociale, nonché circa i processi e le procedure di controllo interno che supportano la raccolta, l'aggregazione, l'elaborazione e la trasmissione dei dati e delle informazioni alla funzione responsabile della predisposizione del bilancio sociale;
  - analisi a campione della documentazione di supporto alla predisposizione del bilancio sociale, al fine di ottenere evidenza dei processi in atto, della loro adeguatezza e del funzionamento del sistema di controllo interno per il corretto trattamento dei dati e delle informazioni in relazione agli obiettivi descritti nel bilancio sociale;
- analisi della conformità e della coerenza interna delle informazioni qualitative riportate nel bilancio sociale rispetto alle linee guida identificate nel paragrafo "Responsabilità degli Amministratori per il bilancio sociale" della presente relazione;
- analisi del processo di coinvolgimento degli *stakeholder*, con riferimento alle modalità utilizzate, mediante l'analisi dei verbali riassuntivi o dell'eventuale altra documentazione esistente circa gli aspetti salienti emersi dal confronto con gli stessi;
- ottenimento della lettera di attestazione, sottoscritta dal legale rappresentante di SABAF S.p.A., sulla conformità del bilancio sociale alle linee guida indicate nel paragrafo "Responsabilità degli Amministratori per il bilancio sociale", nonché sull'attendibilità e completezza delle informazioni e dei dati in esso contenuti.

KPMG

Gruppo SABAF
Relazione della società di revisione indipendente
sul bilancio sociale
31 dicembre 2014

I dati e le informazioni oggetto dell'esame limitato sono riportati, come previsto dalle "*G4 Sustainability Reporting Guidelines*", nella tabella del "*GRI Content Index*" del bilancio sociale.

Il nostro esame ha comportato un'estensione di lavoro inferiore a quello da svolgere per un esame completo secondo l'ISAE 3000 ("*reasonable assurance engagement*") e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti e le circostanze significativi che potrebbero essere identificati con lo svolgimento di tale esame.

Conclusione

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il bilancio sociale del Gruppo SABAF al 31 dicembre 2014 non sia stato redatto, in tutti gli aspetti significativi, in conformità alle linee guida "*G4 Sustainability Reporting Guidelines*" definite nel 2013 dal GRI - *Global Reporting Initiative* come descritto nel paragrafo "Nota metodologica" del bilancio sociale.

Bergamo, 16 aprile 2015

KPMG S.p.A.

Stefano Azzolari
Socio

GRI Content Index

KPMG S.p.A. has carried out a "limited assurance engagement" on the Sabaf 2014 Social Report and provides its overall conclusions therein. As far as the scope of activities and procedures are concerned, please refer to the Statement released by the independent auditor on pages 85-87.

GENERAL STANDARD DISCLOSURE	Indicator description	PAGE (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
STRATEGY AND ANALYSIS				
G4-1	Statement from the CEO and Board President	4-5		✓
G4-2	Key impacts, risks and opportunities	6, 25, 32-33, 45-49		✓
ORGANIZATIONAL PROFILE				
G4-3	Name of the organization	Before the cover page		✓
G4-4	Primary brands, products and services	30		✓
G4-5	Location of the headquarter	30, 135		✓
G4-6	Countries where the organization operates	30, 32-33		✓
G4-7	Nature of ownership and legal form	36, 73		✓
G4-8	Markets served	30, 32-33		✓
G4-9	Scale of the organization	12-17, 30		✓
G4-10	Total number of employees by employment contract and gender, region and employment type	58-59	6	✓
G4-11	Percentage of total employees covered by collective bargaining agreements	65	3	✓
G4-12	Description of the organization's supply chain	77		✓
G4-13	Significant changes	6, 73		✓
G4-14	Precautionary approach or principle application modes	26		✓
G4-15	Endorsement of externally developed economic, environmental and social charters and principles	6, 10-11		✓
G4-16	Memberships in industry associations	81		✓
IDENTIFIED MATERAIL ASEPCTS AND BOUNDARIES				
G4-17	List of entities included in the organization's consolidated financial statements and those non included in the sustainability report	6		✓
G4-18	Process for defining the report content	6-7, 27		✓
G4-19	Material Aspects identified	7-9		✓
G4-20	For each material Aspect, report the Aspect Boundary within the organization	8-9		✓
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	8-9		✓
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	6		✓
G4-23	Significant changes from previous reporting periods	6, 7-9		✓

GENERAL STANDARD DISCLOSURE	Indicator description	PAGE (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
STAKEHOLDER ENGAGEMENT				
G4-24	List of stakeholder groups engaged by the organization	27		✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	27		✓
G4-26	Approach to stakeholder engagement	27, 72-74, 76		✓
G4-27	Key topics and concerns that have been raised through stakeholder engagement and the related responses	27, 72-74, 76		✓
REPORT PROFILE				
G4-28	Reporting period	6		✓
G4-29	Date of most recent previous report	6		✓
G4-30	Reporting cycle	6		✓
G4-31	Contact point for questions regarding the report or its contents	135		✓
G4-32	GRI content index and the ‘in accordance’ option the organization has chosen	6, 88		✓
G4-33	External Assurance	85-87		✓
GOVERNANCE				
G4-34	Governance structure of the organization, including committees of the highest governance body	37-44, 104, RCG: 94-101		✓
G4-38	Composition of the highest governance body	37-44		✓
G4-39	Report whether the Chair of the highest governance body is also an executive officer	37-42, 104		✓
ETHICS AND INTEGRITY				
G4-56	Organization’s values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	10-11, 50	10	✓

SPECIFIC STANDARD DISCLOSURES Material Aspects, DMA and Indicators	Indicator description	PAGE (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC				
Material aspect: Market Presence				
G4-DMA		7-9, 30-34		✓
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	66	6	✓

SPECIFIC STANDARD DISCLOSURES Material Aspects, DMA and Indicators	**Indicator description**	**PAGE (o direct reference)**	**Principle of Global Compact**	**EXTERNAL ASSURANCE**
CATEGORY: ENVIRONMENTAL				
Material aspect: Materials				
G4-DMA		7-9, 83		✓
G4-EN1	Materials used	83	7, 8	✓
G4-EN2	Recycled input materials	83	8	✓
Material aspect: Energy				
G4-DMA		7-9		✓
G4-EN3	Energy consumption within the organization	83	7, 8	✓
G4-EN5	Energy intensity	83	8	✓
Material aspect: Water				
G4-DMA		7-9, 83		✓
G4-EN8	Total water withdrawal by source	83	7, 8	✓
G4-EN9	Water sources significantly affected by withdrawal of water	Group business processes do not imply such water withdrawals which could significantly affect water sources balance	8	✓
G4-EN10	Percentage and total volume of water recycled and reused	83	8	✓
Material aspect: Emissions				
G4-DMA		7-9, 84		✓
G4-EN15	Direct greenhouse gas emissions	84	7, 8	✓
G4-EN16	Indirect greenhouse gas emissions	84	7, 8	✓
G4-EN20	Emissions of ozone-depleting substances	84	7, 8	✓
G4-EN21	NOx, SOx and other significant air emissions	84	7, 8	✓
Material aspect: Effluents and Waste				
G4-DMA		7-9, 83		✓
G4-EN22	Water discharge	83	8	✓
G4-EN23	Weight of waste and disposal method	83-84	8	✓
G4-EN24	Total number and volume of significant spills	84	8	✓
Material aspect: Products and Services				
G4-DMA		7-9, 83		✓
G4-EN27	Initiatives aimed at mitigation of environmental impacts of products and services	82-83	7, 8, 9	✓
Material aspect: Overall				
G4-DMA		7-9		✓
G4-EN31	Environmental protection expenditures and investments	84	7, 8, 9	✓

SPECIFIC STANDARD DISCLOSURES Material Aspects, DMA and Indicators	Indicator description	PAGE (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
CATEGORY: LABOR PRACTICES AND DECENT WORK				
Material aspect: Employment				
G4-DMA		7-9, 63		✓
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	60-61	6	✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	65, 180		✓
G4-LA3	Return to work and retention rates after parental leave	68	6	✓
Material aspect: Occupational Health and Safety				
G4-DMA		7-9, 58		✓
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	13, 69		✓
G4-LA7	Workers with hight incidence or risk of diseases related to their occupation	68		✓
G4-LA8	Health and safety topics covered in formal agreements with trade unions	70		✓
Material aspect: Training and Education				
G4-DMA		7-9		✓
G4-LA9	Employees training	63-64	6	✓
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender	65	6	✓
Material aspect: Diversity and Equal Opportunity				
G4-DMA		7-9, 64		✓
G4-LA12	Composition of governance bodies and bre-akdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	38-39, 64-65	6	✓
Material aspect: Equal Remuneration for Women and Men				
G4-DMA		7-9, 66		✓
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	66	6	✓
Material aspect: Supplier Assessment for Labor Practices				
G4-DMA		7-9		✓
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	77		✓

SPECIFIC STANDARD DISCLOSURES Material Aspects, DMA and Indicators	Indicator description	PAGE (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
CATEGORY: HUMAN RIGHTS				
Material aspect: Non-discrimination				
G4-DMA		7-9		✓
G4-HR3	Number of incidents of discrimination and corrective actions taken	No incidents of discrimination have been detected	6	✓
Material aspect: Freedom of Association and Collective Bargaining				
G4-DMA		7-9		✓
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	58, 77	3	✓
Material aspect: Child Labor				
G4-DMA		7-9		✓
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor	58, 77	5	✓
Material aspect: Forced or Compulsory Labor				
G4-DMA		7-9		✓
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	58, 77	4	✓
Material aspect: Assessment				
G4-DMA		7-9		✓
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments	58, 77	1	✓
Material aspect: Supplier Human Rights Assessment				
G4-DMA		7-10		✓
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	10, 77	2	✓
CATEGORY: PRODUCT RESPONSIBILITY				
Material aspect: Customer Health and Safety				
G4-DMA		7-9, 75		✓
G4-PR1	Health and safety impacts of products and services	75-76		✓
Material aspect: Product and Service Labeling				
G4-DMA		7-9, 75		✓
G4-PR5	Results of surveys measuring customer satisfaction	76		✓

CHAPTER 5

Report on operations


AMERICAS
AFRICA
ASIA and OCEANIA
WESTERN/EAST. EUROPE
5
PERSONAL
DATA PROTECTION

Report on operations

FINANCIAL SITUATION OF THE GROUP

IN THOUSANDS OF EURO	2014	%	2013	%	2014-2013 CHANGE	% CHANGE
Sales revenue	136,337	100%	130,967	100%	5,370	+4.1%
EBITDA	25,952	19.0%	24,572	18.8%	1,380	+5.6%
Operating profit (EBIT)	13,175	9.7%	11,132	8.5%	2,043	+18.4%
Pre-tax profit	12,157	8.9%	9,811	7.5%	2,346	+23.9%
Net Profit	8,338	6.1%	8,104	6.2%	234	+2.9%
Basic earnings per share (in Euro)	0.723	-	0.715	-	0.008	+1.1%
Diluted earnings per share (in Euro)	0.723	-	0.715	-	0.008	+1.1%

In 2014 the Sabaf Group's results were satisfactory: an appreciable increase in sales (+4.1%) accompanied a more than proportional improvement in profitability, made possible by further increases in productivity, a lower impact of fixed costs and the growing contribution from operations in Turkey.
EBITDA in 2014 represented 19% of sales (18.8% in 2013), while EBIT represented 9.7% of sales (8.5% in 2013). Net profit stood at 6.1% of sales (6.2% in 2013).

The division of sales revenues by product line is broken down in the table below:

The increase in sales is mainly due to the growth in light alloy valves, the extremely innovative product family in which the Group has invested a lot in over the last decade; in 2014, the Group won major new contracts and increased its supply share to several major customers. Sales of brass valves, on the other hand, continue to have an ever decreasing weighting. As far as burners are concerned, note the good increase in sales of special burners, also thanks to the introduction of new models, available in versions for all markets. Sales of burners registered moderate growth. Finally, sales of hinges recovered further.

As far as the geographical breakdown of revenues is concerned, see below:

Sales by product line

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

Sales by geographical area

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

In 2014, the Italian market was unfortunately still not showing signs of recovery and sales were expected to be at similar levels to 2013. Improved results were achieved in Western Europe, thanks to the launch of new supplies, and especially in Easter Europe, through the vital contribution of the Turkish market. Performance in international markets has been very different; strong sales were recorded in Africa and North America, while results in South America were disappointing. As far as Asia is concerned, the overall change in revenues was negative as a result of the poor contribution of the Middle East, while sales in China and India recorded good growth rates.

Average sales prices in 2014 were lower by around 2% compared with 2013; the excess supply featured in the market continues to cause strong competitive pressures.

The actual cost of the main raw materials (brass, aluminium alloys and steel) was approximately 5% lower than in 2013. Savings were also made in the purchase of other components. Consumption (purchases plus change in inventory) as a percentage of sales was 38.2% in 2014, compared with 36.3% in 2013.

The impact of the cost of labour on sales rose from 23.9% in 2013 to 23.6% in 2014.

The impact of net financial charges on sales remains very low (0.4% in 2014, versus 0.5% in 2013), owing to the low level of debt and low interest rates.

Operating cash flow (net profit plus depreciation & amortisation) stood at €20.6 million, equivalent to 15.1% of sales (compared with €21 million and 16% in 2013).

The 2014 tax rate, equal to 31.4%, includes non-recurrent positive items totalling €0.9 million (tax incentives of €0.4 million relating to investments made in Turkey during 2014, €0.3 million deriving from adherence to the tax consolidation agreement and €0.2 million for lower taxes for previous years).

Balance sheet and financial position

The reclassification based on financial criteria is illustrated below:

IN THOUSANDS OF EURO	31/12/2014	31/12/2013
Non-current assets	*96,152*	*97,467*
Short-term assets [1]	74,780	68,137
Short-term liabilities [2]	(28,936)	(26,896)
Working capital [3]	*45,844*	*41,241*
Short-term financial assets	*0*	*22*
Provision for risks and charges, employee severance pay reserve, deferred taxes	*(4,325)*	*(4,049)*
NET INVESTED CAPITAL	**137,671**	**134,681**
Short-term net financial position	(16,760)	(12,831)
Medium/long-term net financial position	(10,173)	(3,895)
NET FINANCIAL DEBT	**(26,933)**	**(16,726)**
SHAREHOLDERS' EQUITY	**110,738**	**117,955**

Cash flows for the period are summarised in the table below:

IN THOUSANDS OF EURO	2014	2013
Cash and cash equivalents – opening balance	***5,111***	***6,137***
Operating cash flow	16,977	20,288
Cash flow from investments	(11,491)	(10,240)
Cash flow from financing activities	(8,092)	(8,945)
Foreign exchange differences	453	(2,129)
Cash flow for the period	**(2,153)**	**(1,026)**
Cash and cash equivalents – closing balance	***2,958***	***5,111***

1 Sum of inventories, trade receivables, tax credits, and other current receivables
2 Sum of trade payables, tax payables, and other payables
3 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.

At 31 December 2014, working capital stood at €45.8 million, compared with €41.2 million at the end of 2013; the impact on sales was equal to 33.6% (31.5% in 2013); the worsening is related to the increase in sales in the last quarter (which caused greater receivables from customers) and the increase in the value of inventories, attributable to the increase in supplies in consignment stock to customers, for which products are only invoiced when taken by customers for production.
Self-financing generated by operating cash flow stood at €17 million, compared with €20.2 million in 2013 and was affected by the increase in working capital mentioned above.

In 2014, the Sabaf Group invested more than €11.5 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. The production capacity at the Turkish plant also increased and investments were also made to improve production processes - including the purchase of new alcohol washing facilities - and investments were made in maintenance and replacement, designed to keep the capital equipment constantly updated.

Net financial debt stood at €26.9 million compared with €16.7 million at 31 December 2013; an extraordinary dividend of €1.00 per share was distributed during the period (total financial outflow of €11.5 million). The payment of the extraordinary dividend, approved by the extraordinary shareholders' meeting of 28 October 2014, allowed the rebalancing of the financial structure to reduce the average cost of capital, thereby contributing to the development of the Group. Two unsecured loans were taken out during the year, for a total of €10 million, maintaining the correct ration between medium/long-term debt (€10.2 million at 31 December 2014) and short-term debt (€16.8 million).
The ratio between working capital and short-term loans is 2.7 for which the Group considers the liquidity risk to be minimal.

Shareholders' equity totalled €110.7 million at 31 December 2014; the debt/equity ratio was 0.24 versus 0.14 in 2013.

Economic and financial indicators

	2014	2013
ROCE (return on capital employed)	9.6%	8.3%
Dividend per share (€)	0.40[4]	1.40[5]
Net debt/equity ratio	24%	14%
Market capitalisation (31.12)/ equity ratio	1.17	1.27
Change in sales	+4.1%	+0.2%

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;
- the improvement of the efficiency of production processes.

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 in advance 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 2015.
Any further increase in the price of commodities not hedged could have negative effects on expected profits.
For more information, 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. There are, however, transactions in other currencies, such as the U.S. dollar, the Brazilian real, the Turkish lira and the Chinese renminbi.
Since sales in US dollars accounted for 10% of consolidated revenue, the possible depreciation against the euro and the real could lead to a loss in competitiveness on the markets where sales are made in that currency (mainly

4 Proposed dividend.
5 Of which €0.40 is the ordinary dividend and €1.00 the extraordinary dividend.

South and North America).
At 31 December 2014, the Group had in place a forward sale contract of USD 1.2 million at a euro/dollar exchange rate of 1.36, maturing on 30 June 2015. The Administration and Finance Department constantly monitors forex exposure, the trend in exchange rates and the operational management of related activities.
For more information, see Note 36 of the consolidated financial statements, as regards disclosure for the purposes of IFRS 7.

Risks associated with product responsibility

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.

Sales concentration risks

The Group is characterised by a strong concentration in its revenue, with 50% arising from sales to its ten biggest customers. Relations with customers are usually stable and over long periods, albeit usually regulated by agreements of less than one year, which can be renewed and with no guaranteed minimum levels.
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 situations of financial difficulty and insolvency among customers could arise.
The risk is constantly monitored through the preliminary assessment of customers and checks that agreed payment terms are met. From November 2014, a credit insurance policy was taken out which covers approximately 70% of the credit risk. A further portion is partly guaranteed through letters of credit issued by major banks in favour of 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 North Africa and the Middle East (which accounted for 9% and 3% respectively of direct Group sales in 2014, as well as indirect sales registered by our customers, which are difficult to quantify). Any embargoes 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. In addition, the Group monitors the economic and social performance of the target countries, through a local network as well, in order to make strategic and investment decisions fully aware of the exposure to associated risks.

Sustainability of the hinges business

In 2014, the results of the hinges business showed an improvement over the previous year, both in terms of sales performance and as far as profitability was concerned. This, however, remained slightly negative because production volumes were not yet sufficient to support fixed costs. Measures were taken aimed at improving operating efficiency and special products were developed (soft-closing hinges for oven doors), which should start being sold in 2015. The 2015-2019 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 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. To mitigate this risk, the Group launched policies to strengthen the most crital internal organisational structures and loyalty schemes, including the signing of non-competition agreements with key figures.

RESEARCH AND DEVELOPMENT

The most important research and development projects conducted in 2014 were as follows:

Burners
- prototypes of a new high-efficiency, triple crown burner were designed and manufactured, destined first of all for the Brazilian market, where industrialisation is expected in 2015 with the launch of production in 2016;
- nine solutions of the DCC burner have been developed to respond to the technical requirements of Chinese customers;
- based on the DCC burner platform, versions dedicated to specific customers have been produced;

Valves
- a new version of the light alloy safety valve for kitchens has been designed;
- interventions in the process aimed at increasing productivity have continued, with special emphasis on the assembly stages;

Hinges
- a soft close system for oven doors has been developed with a damping unit fitted in the oven, with industrialisation planned for 2015;
- a magnetic linear motor suitable for moving oven doors has been designed, with the prototype planned for production in 2015.

The improvement in production processes continued throughout the Group, accompanied by the development and internal production of machinery, tools and presses.

Development costs to the tune of €484,000 were capitalised, as all the conditions set by the international accounting standards were met; in other cases, they were charged to the income statement.

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; following the planned launch of production in China, in 2015 the system will also be launched at Sabaf China.

INTEGRATED SUSTAINABILITY AND REPORTING

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.

PERSONNEL

At 31 December 2014, there were 726 Sabaf Group employees (730 at 31 December 2013). In 2014, 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

Note that in 2014 there was no:
- damaged caused to the environment for which the Group was held definitively responsible for;
- definitive fines or penalties imposed on the Group for environmental crimes or damage.

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 reference to Legislative Decree of 30 June 2003, in 2014 the Group continued its work to ensure compliance with current regulations.

DERIVATIVE FINANCIAL INSTRUMENTS

For the comments on this item, please see Note 36 of the consolidated financial statements.

ABNORMAL OR UNUSUAL TRANSACTIONS

Sabaf Group companies did not execute any unusual or abnormal transactions in 2014.

SECONDARY OFFICES

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

MANAGEMENT AND COORDINATION

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 separate financial statements and, obviously, in the event of violation of the law and/or the Bylaws. Also note that the Bylaws of the parent company explain that it does not exercise management and coordination activities with regard to Sabaf S.p.A.
Sabaf S.p.A. exercises management and coordination activity over its Italian subsidiaries, Faringosi Hinges s.r.l. and Sabaf Immobiliare s.r.l.

INFRAGROUP AND RELATED-PARTY TRANSACTIONS

Relations between Group companies, including those with the parent company are regulated by market conditions, in the same way as related-party transactions, defined in accordance with IAS 24. The details of infragroup translations and related-party transactions are exposed in Note 37 of the consolidated financial statements and in Note 36 of the separate financial statements of Sabaf S.p.A.

TAX CONSOLIDATION

In 2013 Sabaf S.p.A. approved the renewal for the three-year period 2013-2015 of the tax consolidation agreement with the parent company Giuseppe Saleri S.a.p.A. and with the subsidiaries Faringosi Hinges s.r.l. and Sabaf Immobiliare s.r.l. For Sabaf Group companies membership of the tax consolidation scheme 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 due dates. Having made the necessary offsets and adjustments, the parent company will handle the payment and be liable for any damages the subsidiaries may incur for the former's failure to comply. Conversely, membership of the tax consolidation scheme could result in tax benefits for the Sabaf Group because the tax advantages resulting from consolidation are shared among the companies that belong to it.

SIGNIFICANT EVENTS AFTER THE YEAR-END AND BUSINESS 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.
In this first part of the year, the performance of sales and orders shows decisive signs of recovery compared with trends in recent years, which should, however, be confirmed in coming months.
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 2014. 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	2014	2013	2014-2013 CHANGE	% CHANGE
Sales revenue	115,919	112,417	3,502	+3.1%
EBITDA	17,984	16,902	1,082	+6.4%
Operating profit (EBIT)	9,708	5,382	4,326	+80.4%
Pre-tax profit	10,533	5,718	4,815	+84.2%
Net Profit	**7,878**	**3,730**	**4,148**	**+111.2%**

Balance sheet and financial position

The reclassification based on financial criteria is illustrated below:

IN THOUSANDS OF EURO	31/12/2014	31/12/2013
Non-current assets	*85,110*	*84,392*
Short-term assets[6]	62,583	58,478
Short-term liabilities[7]	(25,856)	(23,882)
Working capital [8]	*36,727*	*34,596*
Financial assets	*1,660*	*1,451*
Provision for risks and charges, employee severance pay reserve, deferred taxes	*(3,191)*	*(2,928)*
NET INVESTED CAPITAL	**120,306**	**117,511**
Short-term net financial position	(17,072)	(13,152)
Medium/long-term net financial position	(7,340)	0
NET FINANCIAL POSITION	**(24,412)**	**(13,152)**
SHAREHOLDERS' EQUITY	**95,894**	**104,359**

Cash flows for the period are summarised in the table below:

IN THOUSANDS OF EURO	2014	2013
Cash and cash equivalents – opening balance	***2,345***	***1,601***
Operating cash flow	14,124	17,101
Cash flow from investments	(9,030)	(9,217)
Cash flow from financing activities	(6,073)	(7,140)
Cash flow for the period	**(979)**	**744**
Cash and cash equivalents – closing balance	***1,366***	***2,345***

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.

The financial year 2014 ended with a 3.1% increase in sales over 2013, supported by greater sales of light alloy valves. Further improvements in productivity made it possible to deal with the fall in average sales prices and to improve EBIT more than proportionally; EBITDA stood at €18 million, 15.5% of sales (€16.9 in 2013, 15%).
As described in more detail in the Notes to the separate financial statements, the value of the investment in Faringosi Hinges, which fell by €3.7 million in previous years, was restored by €1.8 million in 2014 following the results of the impairment test, based on the business plan which forecasts a significant increase in sales and profitability for the subsidiary.

EBITDA came in at €9.7 million, equivalent to 8.4% of sales (€5.4 million in 2013, 4.8% of sales), net profit was €7.9 million, or 6.8% of sales (vs. €3.7 million in 2013, 3.3%).

The actual cost of the main raw materials (brass, aluminium alloys and steel) was on average 5.7% lower compared to 2014.
The impact of labour costs on sales remained essentially stable at 24%.
Net finance expense as a percentage of sales was minimal, at 0.33% (0.61% in 2013), given the low level of financial debt and the low interest rates.

Operating cash flow (net profit plus depreciation & amortisation) increased from €13.6 million to €16.9 million, equivalent to 14.6% of sales (vs. 12.1% in 2013).

In 2014 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.

At 31 December 2014, working capital stood at €36.7 million compared with €34.6 million the previous year: its percentage impact on sales rose to 31.7% from 30.8% at the end of 2013.

6 Sum of inventories, trade receivables, tax credits, and other current receivables
7 Sum of trade payables, tax payables, and other payables
8 Difference between current assets and current liabilities

Self-financing generated by operating cash flow totalled €14.1 million vs. €17.1 million in the previous year, because of the unfavourable performance of working capital.

Net financial debt stood at €24.4 million, compared with €13.2 million at 31 December 2013, affected by the distribution of extraordinary dividends of €11.5 million, as commented on in the first part of this report. Two unsecured loans of €5 million each were taken out in the period, one expiring in three years and the other in five years, repayable at constant rates.

Net equity at the end of the year amounted to € 95.9 million vs. € 104.4 million in 2013. The ratio between net financial debt and net equity was 0.25 compared with 0.13 in 2013.

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 2014 financial year and Group shareholders' equity at 31 December 2014 with the same values of parent company Sabaf S.p.A.:

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

USE OF THE LONGER DEADLINE TO CALL THE SHAREHOLDERS' MEETING

Pursuant to paragraph 2 of Article 2364 of the Italian Civil Code, in light of the need to consolidate the financial statements of Group companies and to prepare all the supporting documentation, the directors intend to make use of the longer deadline granted to companies obliged to prepare consolidated financial statements relating to the calling of the Ordinary Shareholders' Meeting to approve the 2014 Annual Financial Report.

The same meeting will also be called to elect the members of the board of directors and board of statutory auditors, and must therefore be called at least 40 days previously pursuant to Article 125-bis of the TUF. The meeting is convened (single call) for 5 May 2015.

Proposal for approval of the separte financial statements and proposed dividend

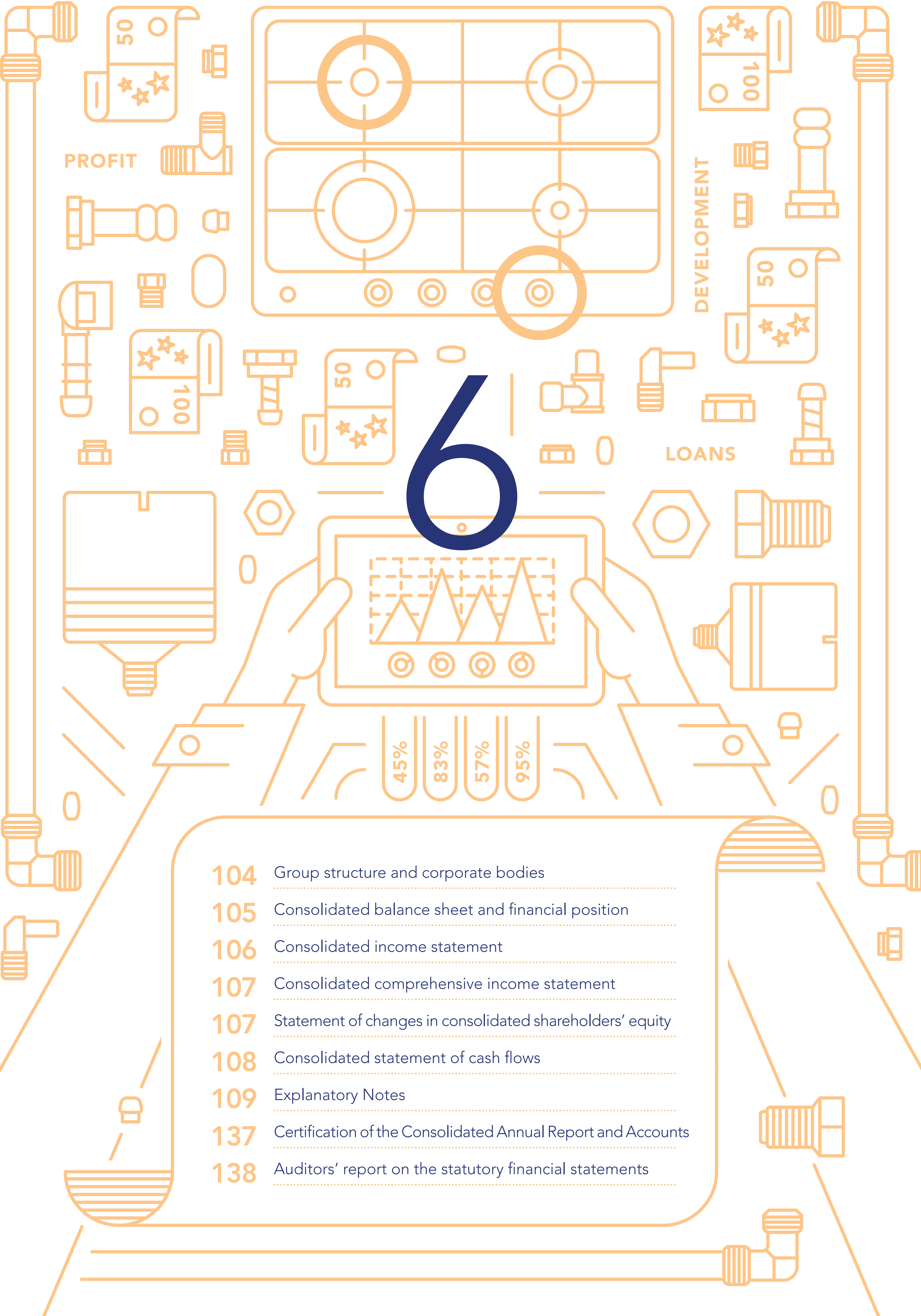
First and foremost, we would like to thank our employees, the Board of Statutory Auditors, the independent auditors and the supervisory authorities for their invaluable cooperation. We would ask shareholders to approve the financial statements for the year ended 31 December 2014, with the recommendation to allocate the year's profits of €7,877,868 as follows:

- the payment of a dividend of €0.40 per share to shareholders, with payment date on 27 May 2015 (ex-date: 25 May 2015). With regard to treasury shares, we recommend allocating an amount corresponding to the dividend of company shares in the portfolio on the ex-date to the extraordinary reserve;
- the remainder to the extraordinary reserve.

Ospitaletto, 23 March 2015
Board of Directors

CHAPTER 6

Consolidated financial statements at 31 december 2014



6

Group structure and corporate bodies

Group structure

Direct parent company

SABAF S.p.A.

Subsidiaries and equity interest owned by the Group

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

CORPORATE BODIES

Board of Directors

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

Board of Statutory Auditors

Chairman	Alessandro Busi
Standing Auditor	Enrico Broli
Standing Auditor	Anna Domenighini

Independent Auditor

Deloitte & Touche S.p.A.

* Independent directors.

Consolidated balance sheet and financial position

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

Consolidated income statement

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

Consolidated comprehensive income statement

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

Statement of changes in consolidated shareholders' equity

IN THOUSANDS OF EURO	Share capital	Share premium reserve	Legal reserve	Investment in own shares	Translation reserve	Cash flow hedge reserve	Post-employment benefit discounting reserve	Other reserve	Net profit for the year	Total Group shareholders' equity	Minority interest	Total shareholders' equity
BALANCE AT 31/12/2012	**11,533**	**10,002**	**2,307**	**(2,339)**	**93**	**0**	**(402)**	**89,834**	**4,196**	**115,224**	**0**	**115,224**
Allocation of 2012 earnings												
• dividends paid out									(3,911)	(3,911)		(3,911)
• carried forward								285	(285)	0		0
Purchase/sale treasury shares				2,334				750		3,084		3,084
Total profit at 31/12/2013					(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**
Allocation of 2013 earnings												
• dividends paid out									(4,613)	(4,613)		(4,613)
• carried forward								3,491	(3,491)	0		0
Extraordinary dividend								(11,533)		(11,533)		(11,533)
Total profit at 31/12/2014					817	(21)	(205)		8,338	8,929		8,929
BALANCE AT 31/12/2014	**11,533**	**10,002**	**2,307**	**(5)**	**(3,648)**	**0**	**(616)**	**82,827**	**8,338**	**110,738**	**0**	**110,738**

Consolidated statement of cash flows

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

Explanatory Notes

Accounting Standards

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

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

FINANCIAL STATEMENTS

The Group has adopted the following formats:

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

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

SCOPE OF CONSOLIDATION

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

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

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

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

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

CONSOLIDATION CRITERIA

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

The policies applied for consolidation are as follows:

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

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

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

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

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

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

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

Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" in shareholders' equity.

Exchange rates used for conversion into euro of the company's foreign subsidiaries, prepared in local currency, are in the following table:

DESCRIPTION OF THE CURRENCY	Exchange rate as at 31.12.14	Average exchange rate 2014	Exchange rate as at 31.12.13	Average exchange rate 2013
Brazilian real	3.2207	3.1211	3.2576	2.8687
Turkish lira	2.8320	2.9065	2.9605	2.5335
Chinese renminbi	7.5358	8.1857	8.3491	8.1650

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

DESCRIPTION	31.12.2014		31.12.2013	
	Profit for the period	Shareholders' equity	Profit for the period	Shareholders' equity
NET PROFIT AND SHAREHOLDERS' EQUITY OF PARENT COMPANY SABAF S.P.A.	**7,878**	**95,894**	**3,730**	**104,359**
Equity and consolidated company results	3,263	54,609	4,669	51,614
Elimination of consolidated equity investments' carrying value	(1,771)	(43,936)	939	(42,165)
Goodwill	0	4,445	0	4,445
Equity investments booked at net equity	0	73	0	5
Intercompany Eliminations:				
• Dividends	(970)	0	(1,034)	0
• Other intercompany eliminations	(62)	(347)	(200)	(303)
Profit and Shareholders' Equity attributable to the Group	**8,338**	**110,738**	**8,104**	**117,955**

SEGMENT REPORTING

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

The Group operating segments are the following:

- gas components;
- hinges.

ACCOUNTING POLICIES

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

Property, plant and equipment

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

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

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

Leased assets

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

Goodwill

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

Other intangible assets

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

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

Impairment of value

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

Real estate investment

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

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

Equity investments and non-current receivables

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

Inventories

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

Receivables

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

Current financial assets

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

Reserves for risks and contingencies

Reserves for risks and contingencies are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the effect is significant, the provisions are calculated by actualising future financial flows estimated at an actualisation rate estimated including taxes that reflect current market valuations of the current value of the cash and specific risks associated with the liability.

Post-employment benefit reserve

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

Payables

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

Loans

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

Policy for conversion of foreign-currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on transaction date.

At year-end, assets and liabilities expressed in foreign currencies, with the exception of non-current items, are posted at the spot exchange rate in force at year-end and related foreign exchange gains and losses are posted in the income statement. If conversion generates a net gain, this value constitutes a non-distributable reserve until it is effectively realised.

Derivative instruments and hedge accounting

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

Revenue recognition

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

Financial income

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

Financial charges

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

Income taxes for the year

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

Dividends

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

Treasury shares

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

Earnings per share

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

Use of estimates

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

Recoverable value of tangible and intangible assets

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

Provisions for credit risks

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

Provisions for inventory obsolescence

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

Employee benefits

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

Income tax

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

Other provisions and reserves

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

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

New accounting standards

Accounting standards and amendments applicable from 1 January 2014

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

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

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

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

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

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

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

On 12 December 2013, the IASB published the document **"Annual Improvements to IFRSs: 2010-2012 Cycle"**, which includes the changes to the principles under the scope of the annual improvement process of same. The main changes involve: IFRS 2 Share Based Payments – Definition of vesting condition. IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments, IFRS 8 Operating segments – Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables, IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization, IAS 24 Related Parties Disclosures – Key management personnel.

The changes apply starting from the financial years which began on 1 February 2015 or a later date. Although the systematic analysis of the various cases is not yet completed, the Directors do not expect there to be a significant effect on the Group's consolidated financial statements from the adoption of these changes.

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

- the identification of the contract with the customer;
- the identification of the contract's performance obligations;
- the determining of the price;
- the allocation of the price to the contract's performance obligations;
- the recognition of revenue when the entity satisfies a performance obligation.

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

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

On 25 September 2014, the IASB published the document "**Annual Improvements to IFRSs: 2012-2014 Cycle"**. The changes introduced by the document apply starting from the financial years which begin on 1 January 2016 or a later date.

The document introduces changes to the following standards:

IFRS 5 – ***Non-current Assets Held for Sale and Discontinued Operations***.

IFRS 7 – ***Financial instruments: Disclosure***.

IAS 19 – ***Employee Benefits***.

IAS 34 – ***Interim Financial Reporting***.

On 18 December 2014, the IASB issued an amendment to **IAS 1** – ***Disclosure Initiatives***. The objective of the changes is to provide clarification with regard to elements of information which could be perceived as impediments to a clear and intelligible preparation of the financial statements. The following changes were made:

- Materiality and aggregation: it was clarified that a company should not obscure information by adding to it or subtracting from it and that considerations relating to materiality apply to financial statements, notes to financial statements and specific IFRS information requirements. The disclosures specifically required by the IFRSs should only be provided if the information is material;
- Statement of financial position and comprehensive income statement: it was clarified that the list of items specified by IAS 1 can be disaggregate or aggregate depending on the case. A guideline is also provided on the use of sub-totals within the tables;
- Presentation of elements of Other Comprehensive Income ("OCI"): it is clarified that the share of OCI of associate companies and joint ventures consolidated using the net equity method should be presented in aggregate in a single item, in turn divided between components susceptible or not to future income statement reclassifications;
- Notes to the financial statements: it is clarified that the entities enjoy flexibility in defining the structure of the notes to the financial statements and guidelines are provided on how to systematically order these notes.

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

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

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

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

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

The net carrying value of industrial property includes an amount of €2,382,000 (€7,457,000 at 31 December 2013) relating to industrial buildings held under finance leases.

The main investments in the year related to the industrialisation of new models of special burners and light alloy valves, sales of which are expected to increase further in the future. The production capacity at the Turkish plant also increased and investments were also made to improve production processes - including the purchase of new alcohol washing facilities - and investments were made in maintenance and replacement, designed to keep the capital equipment constantly updated. Decreases mainly relate to the disposal of machinery no longer in use. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.

At 31 December 2014, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
AT 31 DECEMBER 2012	**12,257**
Increases	1,000
Disposals	-
AT 31 DECEMBER 2013	**13,257**
Increases	-
Disposals	-
AT 31 DECEMBER 2014	**13,257**
CUMULATIVE AMORTISATION	
AT 31 DECEMBER 2012	**4,864**
Depreciation of the year	335
Write-downs for impairment	384
Eliminations for disposals	-
AT 31 DECEMBER 2013	**5,583**
Depreciation of the year	446
Write-downs for impairment	-
Eliminations for disposals	-
AT 31 DECEMBER 2014	**6,029**
NET CARRYING VALUE	
AT 31 DECEMBER 2014	**7,228**
AT 31 DECEMBER 2013	**7,674**

This item includes non-operating buildings owned by the Group: these are mainly properties for residential use held for rental or sale.

At 31 December 2014, the Group found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of property, plant and equipment was not submitted to impairment testing.

3. INTANGIBLE ASSETS

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

Goodwill

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

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

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

This plan was actually prepared incorporating the risk of realisability through the 75% weighting of the expected contribution of the new products, and represents a scenario which is comparable with the interim scenario considered for the impairment test at 31 December 2013.

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

The recoverable value determined based on the assumptions and assessment techniques mentioned above is €9.213 million, compared with a carrying value of the assets allocated to the Hinges CGU of €7.092 million; consequently, the value recorded for goodwill at 31 December 2014 was deemed recoverable.

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

Sensitivity analysis

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

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

Patents, software and know-how

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

Development costs

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

4. INVESTMENTS

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

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

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

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

5. NON-CURRENT RECEIVABLES

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

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

6. INVENTORIES

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

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

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

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

At 31 December 2014 the value of trade receivables was up against the previous year, following the significant increase in sales in the last quarter. At 31 December 2014, trade receivables included balances totalling approximately USD 4,095,000, booked at the EUR/USD exchange rate in effect on 31 December 2014, i.e. 1.2141. The amount of trade receivables recognised in accounts includes €6.3 million of receivables assigned on a no-recourse basis (€8.8 million at 31 December 2013) and approximately €13 million in insured credits.

The provision for doubtful accounts at the beginning of the year was partly used to recognise losses on receivables which became definite during 2014, including the most significant one resulting from the bankruptcy of Fagor; at the end of the year the provision was adequate to reflect the best estimate of credit risk updated at 31 December 2014.

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

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

8. TAX RECEIVABLES

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

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

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

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

9. OTHER CURRENT RECEIVABLES

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

10. CURRENT FINANCIAL ASSETS

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

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

11. CASH AND CASH EQUIVALENTS

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

12. SHARE CAPITAL

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

13. TREASURY SHARES

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

14. LOANS

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

Two unsecured loans of €5 million each were taken out in the year, repayable at constant instalments, one expiring in three years and the other in five years.
All outstanding bank loans are denominated in euro, at a floating rate linked to the Euribor, with the exception of a short-term loan of USD 2 million.
The loans are not bound by contractual provisions (covenants).
Note 36 provides information on financial risks, pursuant to **IFRS 7**.

15. OTHER FINANCIAL LIABILITIES

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

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

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT RESERVES

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

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

Post-employment benefits are calculated as follows:

FINANCIAL ASSUMPTIONS	31.12. 2014	31.12.2013
Discount rate	1.40%	2.70%
Inflation	2.00%	2.00%

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

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

17. RESERVES FOR RISKS AND CONTINGENCIES

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

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

The reserve for legal risks, set aside for moderate disputes, was partly utilised during the year for payments made to settle several outstanding disputes.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historic experience, have not been time-discounted because the effect is considered negligible.

18. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

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

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

19. TAX PAYABLES

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

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

20. OTHER CURRENT PAYABLES

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

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

21. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

Tax assets relating to goodwill, equal to €1,993,000, refer to the redemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011. The future tax benefit can be made in ten annual portions starting in 2018.

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

22. NET FINANCIAL POSITION

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

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

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

Comments on key income statement items

23. REVENUES

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

Revenue by product family

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

Revenues by geographical area

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

The Italian market remained stagnant in 2014, while other European markets produced excellent results following the increase in the share of major customers and the launch of new supplies. Of major importance, note the increase in sales in Africa and North America, while revenues in Asia (with the Middle East suffering) and South America were lower than in 2013.
In line with the strategic decisions made in recent years, the trend to replace brass valves with light alloy valves, which are more competitive, continued in 2014.

As far as burners are concerned, there was a movement away from the mix of standard burners towards special burners, also thanks to the launch of supplies of new models.
Average sale prices in 2014 were down, on average, by around 2% versus 2013.
Refer to the Report on Operations for more detailed comments on the trends that marked the Group's market over the year.

24. OTHER INCOME

	2014	2013	Change
Sale of trimmings	2,922	3,141	(219)
Contingent income	218	164	54
Rental income	132	119	13
Use of provisions for risks and contingencies	26	33	(7)
Other income	450	461	(11)
TOTAL	**3,748**	**3,918**	**(170)**

26. COSTS FOR SERVICES

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

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

Costs for advisory services related to technical (€301,000), sales (€213,000) and legal, administrative and general (€926,000) services.

Other costs included expenses for the registration of patents, leasing third-party assets, cleaning costs and other minor items.

25. PURCHASES OF MATERIALS

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

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

27. PERSONNEL COSTS

	2014	2013	Change
Salaries and wages	21,812	21,485	327
Social security costs	7,113	7,076	37
Temporary agency workers	1,406	848	558
Post-employment benefit reserve and Other payroll costs	1,849	1,930	(81)
TOTAL	**32,180**	**31,339**	**841**

Average Group headcount in 2014 totalled 730 employees (578 blue-collars, 141 white-collars and supervisors, and 11 managers), compared with 731 in 2013 (584 blue-collars, 136 white-collars and supervisors, and 11 managers). The average number of temporary staff was 64 in 2014 (54 in 2013).

During the year the Group made occasional use of the temporary unemployment fund in periods featuring low production requirements: this allowed savings in personnel costs of €160,000 (€339,000 in 2013).

28. OTHER OPERATING COSTS

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

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

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

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

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

30. FINANCIAL CHARGES

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

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

31. EXCHANGE RATE GAINS AND LOSSES

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

32. INCOME TAX

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

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

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

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

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

No significant tax disputes were pending at 31 December 2014.

33. EARNINGS PER SHARE

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

EARNINGS

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

NUMBER OF SHARES

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

EARNINGS PER SHARE (€)

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

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

34. DIVIDENDS

On 29 May 2014, shareholders were paid an ordinary dividend of €0.40 per share (total dividends of €4,613,000).
On 12 November 2014, shareholders were paid an extraordinary dividend of €1.00 per share (total dividends of €11,533,000), following the resolution of the Shareholders' Meeting on 28 October 2014.
Directors have recommended payment of a dividend of €0.40 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities.
The dividend proposed is scheduled for payment on 27 May 2015 (ex-date 25 May 2014 and record date 26 May 2014).

35. INFORMATION BY BUSINESS SEGMENT

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

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

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

	31.12.2014	31.12.2013
FINANCIAL ASSETS		
Amortised cost		
• Cash and cash equivalents	2,958	5,111
• Trade receivables and other receivables	41,616	37,316
Income statement fair value		
• Derivative cash flow hedges	0	22

	31.12.2014	31.12.2013
FINANCIAL LIABILITIES		
Amortised cost		
• Loans	29,786	21,835
• Trade payables	19,328	18,963
Income statement fair value		
• *Derivative cash flow hedges*	105	0
Comprehensive income statement fair value		
• *Derivative cash flow hedges*	0	2

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

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

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

Credit risk management

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

Forex risk management

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

Sensitivity analysis

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

Interest rate risk management

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

Sensitivity analysis

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

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

Commodity price risk management

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

Liquidity risk management

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

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

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

At 31 December 2014	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	15,891	15,891	15,891	-	-	-
Unsecured loans	10,000	10,336	702	2,105	7,529	-
Property mortgages	1,858	1,884	-	942	942	-
Finance leases	2,037	2,384	47	141	754	1,442
Total financial payables	**29,786**	**30,495**	**16,640**	**3,188**	**9,225**	**1,442**
Trade payables	19,328	19,328	18,234	1,094	-	-
TOTAL	**49,114**	**49,823**	**34,874**	**4,282**	**9,225**	**1,442**

At 31 December 2013	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Short-term bank loans	16,578	16,578	16,578	-	-	-
Unsecured loans	317	318	318	-	-	-
Property mortgages	2,770	2,834	-	945	1,889	-
Finance leases	2,171	2,573	47	142	754	1,630
Total financial payables	**21,836**	**22,303**	**16,943**	**1,087**	**2,643**	**1,630**
Trade payables	18,971	18,971	17,855	1,116	-	-
TOTAL	**40,807**	**41,274**	**34,798**	**2,203**	**2,643**	**1,630**

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

Hierarchical levels of the fair value assessment

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

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

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

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

37. RELATED-PARTY TRANSACTIONS

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

Impact of related-party transactions on balance sheet accounts

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

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

Impact of related-party transactions on income statement accounts

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

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

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

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

Transactions are regulated by specific contracts regulated at arm's length conditions.
Transactions with non-consolidated subsidiaries were solely of a commercial nature. Write-downs and losses on investments refer, respectively, to Sabaf Mexico and Sabaf Appliance Components (Kunshan), as illustrated more clearly in *Note 4*.

Remuneration to directors, statutory auditors and executives with strategic responsibilities

Please see the 2014 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

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

39. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

	Shareholders' equity	Net Profit	Net financial debt	Cash flows
Financial statement values (A)	**110,738**	**8,338**	**26,933**	**(2,153)**
Booking of tax incentives for investments in Turkey (*Notes 21 and 32*)	(1.518)	(352)	-	-
Financial statement notional value (A+B)	**109,220**	**7,986**	**26,933**	**(2,153)**

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

40. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

41. COMMITMENTS

Guarantees issued

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

42. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

Companies consolidated using the straight line method

Company name	Registered offices	Share capital	Shareholders	% ownership
Faringosi Hinges s.r.l.	Ospitaletto (BS)	€90,000	Sabaf S.p.A.	100%
Sabaf Immobiliare S.r.l.	Ospitaletto (BS)	€25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaì (SP, Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRK 30,885,081	Sabaf S.p.A.	100%
Sabaf Appliance Components Trading Ltd.	Kunshan (China)	€200,000	Sabaf S.p.A.	100%

Non-consolidated companies valued at equity

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

Non-consolidated companies valued at cost

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

Other significant equity investments: none

43. GENERAL INFORMATION ON THE PARENT COMPANY

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

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

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

APPENDIX

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

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

IN THOUSANDS OF EURO	Party providing the service	Recipient	Payments pertaining to the period
Audit	Deloitte & Touche S.p.A.	Parent company	52
	Deloitte & Touche S.p.A.	Italian subsidiaries	20
	Rete Deloitte	Sabaf do Brasil	26
	Rete Deloitte	Sabaf Turkey	21
Certification services	Deloitte & Touche S.p.A.	Parent company	2 [1]
	Deloitte & Touche S.p.A.	Italian subsidiaries	1 [1]
Other services	Deloitte & Touche S.p.A.	Parent company	16 [2]
	Rete Deloitte	Sabaf do Brasil	3 [3]
TOTAL			**141**

1 Signing of Unifed Tax Return, IRAP and 770 forms
2 Audit procedures relating to interim management reports, revising statements of training activities
3 Tax assistance regarding transfer pricing

SABAF®

CERTIFICATION OF THE CONSOLIDATED ANNUAL REPORT AND ACCOUNTS

in accordance with Article 154 bis of Leg. Decree 58/98 58/98

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

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

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

They also certify that:

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

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

Ospitaletto, 23 March 2015

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

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 balance sheet and financial position as of December 31, 2014, 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.

   For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 4, 2014.

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, 2014, 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, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Brescia, Italy
April 8, 2015

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

CHAPTER 7

Separate financial statements at 31 december 2014

7

ECONOMIC REPORTS

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
Standing Auditor	Enrico Broli
Standing Auditor	Anna Domenighini

Independent Auditor

Deloitte & Touche S.p.A.

* Independent directors.

Balance sheet and financial position

IN EUROS	Notes	31.12.2014	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	31,393,333	32,211,558
Real estate investment	2	2,029,304	2,221,746
Intangible assets	3	3,232,240	3,236,104
Investments	4	44,837,629	43,070,033
Non-current financial assets	5	1,659,556	1,451,345
of which from related parties	*36*	*1,659,556*	*1,451,345*
Non-current receivables		6,800	6,800
Deferred tax assets	20	3,611,023	3,645,704
Total non-current assets		**86,769,885**	**85,843,290**
CURRENT ASSETS			
Inventories	6	25,077,020	23,874,989
Trade receivables	7	34,695,488	31,600,439
of which from related parties	*36*	*1,142,546*	*1,191,532*
Tax receivables	8	1,526,943	1,176,478
of which from related parties	*36*	*1,083,666*	*1,083,666*
Other current receivables	9	1,283,256	1,826,190
of which from related parties	*36*	*521,328*	*1,273,233*
Cash and cash equivalents	10	1,366,374	2,345,426
Total current assets		**63,949,081**	**60,823,522**
ASSETS HELD FOR SALE		**0**	**0**
TOTAL ASSETS		**150,718,966**	**146,666,812**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11	11,533,450	11,533,450
Retained earnings, other reserves		76,482,904	89,096,059
Net profit for the year		7,877,868	3,729,628
Total shareholders' equity		**95,894,222**	**104,359,137**
NON-CURRENT LIABILITIES			
Loans	13	7,339,849	0
Post-employment benefit and retirement reserves	15	2,640,850	2,496,163
Reserves for risks and contingencies	16	514,744	418,576
Deferred tax	20	35,394	13,698
Total non-current liabilities		**10,530,837**	**2,928,437**
CURRENT LIABILITIES			
Loans	13	18,438,481	15,495,741
Other financial liabilities	14	0	1,542
Trade payables	17	17,572,698	16,909,247
Tax payables	18	1,724,829	1,023,569
of which from related parties	*36*	*1,091,582*	*317,076*
Other liabilities	19	6,557,899	5,949,139
Total current liabilities		**44,293,907**	**39,379,238**
LIABILITIES HELD FOR SALE		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**150,718,966**	**146,666,812**

Income statement

IN EUROS	Notes	2014	2013
CONTINUING OPERATIONS			
OPERATING REVENUE AND INCOME			
Revenues	22	115,919,460	112,417,253
of which from related parties	*36*	*4,728,669*	*3,783,304*
Other income	23	2,974,909	3,270,760
Total operating revenue and income		**118,894,369**	**115,688,013**
OPERATING COSTS			
Materials	24	(44,818,617)	(44,271,029)
Change in inventories		1,202,031	3,095,154
Services	25	(29,795,239)	(29,811,877)
of which from related parties	*36*	*(4,000,697)*	*(4,128,330)*
Payroll costs	26	(27,937,849)	(27,054,549)
Other operating costs	27	(549,664)	(1,658,420)
Costs for capitalised in-house work		989,372	914,997
Total operating costs		**(100,909,966)**	**(98,785,724)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**17,984,403**	**16,902,289**
Depreciation and amortization	1,2,3	(9,042,940)	(9,863,693)
Capital gains/(losses) on disposal of non-current assets		148,465	51,424
Write-downs/write-backs of non-current assets	28	617,597	(1,707,930)
of which from related parties	*36*	*617,597*	*(1,436,656)*
OPERATING PROFIT		**9,707,525**	**5,382,090**
Financial income		84,467	83,256
Financial expense	29	(466,068)	(687,420)
Exchange rate gains and losses	30	236,630	(94,439)
Profits and losses from equity investments	31	970,196	1,034,076
of which from related parties	*36*	*970,196*	*1,034,076*
PROFIT BEFORE TAXES		**10,532,750**	**5,717,563**
Income tax	32	(2,654,882)	(1,987,935)
NET PROFIT FOR THE YEAR		**7,877,868**	**3,729,628**

Comprehensive income statement

IN EUROS	2014	2013
NET PROFIT FOR THE YEAR	**7,877,868**	**3,729,628**
Total profits/losses that will not later be reclassified under profit (loss) for the year:		
• Actuarial post-employment benefit reserve evaluation	(242,646)	(20,857)
• Tax effect	66,728	5,737
	(175,918)	*(15,120)*
Total profits/losses that will later be reclassified under profit (loss) for the year:		
• Cash flow hedges	(26,227)	26,227
• Tax effect	5,482	(5,482)
	(20,745)	*20,745*
Total profits/(losses) net of taxes for the year	**(196,663)**	**5,625**
TOTAL PROFIT	**7,681,205**	**3,735,253**

Statement of changes in shareholders' equity

IN THOUSANDS OF EURO	Share capital	Share premium reserve	Legal reserve	Treasury shares	Cash flow hedge reserve	Actuarial post-employment benefit reserve evaluation	Other reserves	Earnings for the year	Total Shareholders' equity
BALANCE AT 31 DECEMBER 2012	**11,533**	**10,002**	**2,307**	**(2,339)**	**0**	**(344)**	**78,055**	**2,236**	**101,450**
Ordinary dividend							(1,675)	(2,236)	(3,911)
Purchase/sale treasury shares				2,334			750		3,084
Total profit at 31 December 2013					21	(15)	0	3,730	3,736
BALANCE AT 31 DECEMBER 2013	**11,533**	**10,002**	**2,307**	**(5)**	**21**	**(359)**	**77,130**	**3,730**	**104,359**
Ordinary dividend							(883)	(3,730)	(4,613)
Extraordinary dividend							(11,533)		(11,533)
Total profit at 31 December 2014					(21)	(176)	0	7,878	7,681
BALANCE AT 31 DECEMBER 2014	**11,533**	**10,002**	**2,307**	**(5)**	**0**	**(535)**	**64,714**	**7,878**	**95,894**

Cash flow statement

IN THOUSANDS OF EURO	FY 2014	FY 2013
Cash and cash equivalents at beginning of year	**2,345**	**1,601**
Net profit for period	7,878	3,730
Adjustments for:		
• Depreciation and amortisation	9,043	9,864
• Realised gains (losses)	(148)	(51)
• Write-downs (write-backs) of non-current assets	(618)	1,708
• Net financial income and expenses	382	604
• Income tax	2,655	1,987
Change in post-employment benefit reserve	110	(131)
Change in risk provisions	96	20
Change in trade receivables	*(3,095)*	*3,763*
Change in inventories	*(1,202)*	*(3,095)*
Change in trade payables	*663*	*(170)*
Change in net working capital	(3,634)	498
Change in other receivables and payables, deferred tax	409	734
Payment of taxes	(1,702)	(1,318)
Payment of financial expenses	(431)	(627)
Collection of financial income	84	83
Cash flow from operations	**14,124**	**17,101**
Investments in non-current assets		
• intangible	(687)	(583)
• tangible	(7,952)	(6,432)
• financial	(1,150)	(3,436)
Disposal of non-current assets	760	1,234
Cash flow absorbed by investments	**(9,030)**	**(9,217)**
Repayment of loans	(4,503)	(12,521)
Raising of loans	14,784	6,144
Change in financial assets	(208)	64
Sale of treasury shares	0	3,084
Payment of dividends	(16,146)	(3,911)
Cash flow absorbed by financing activities	**(6,073)**	**(7,140)**
Total financial flows	**(979)**	**744**
Cash and cash equivalents at end of year (Note 10)	**1,366**	**2,345**
Current financial debt	18,438	15,497
Non-current financial debt	7,340	0
Net financial debt (Note 21)	**24,412**	**13,152**

Explanatory notes

Accounting standards

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

Sabaf S.p.A. individual year-end accounts for the financial year 2014 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS).
The separate financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The income statement, the comprehensive income statement and the statement of financial position schedules are prepared in euro, while the 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 2014.

FINANCIAL STATEMENTS

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

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

ACCOUNTING POLICIES

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

Property, plant and equipment

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

Buildings	33
Light constructions	10
General plant	10
Plant and machinery	6 - 10
Equipment	4
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.

Real estate investment

Investment property is valued at cost, including revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.
The depreciation is calculated based on the estimated useful life, considered to be 33 years.
If the recoverable amount of investment property – determined based on the market value of the real estate – is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or CGU) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment of value. Reversal of impairment loss is recognised as income in the income statement.

Intangible assets

As established by IAS 38, intangible assets acquired or internally produced are recognised as assets when it is probable that use of the asset will generate future economic benefits and when asset cost can be measured reliably. 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.

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 there is any indication in this sense, the recoverable amount of said assets is estimated so as to determine the total of the write-down. If it is not possible to estimate recoverable value individually, the Company estimates the recoverable value of the cash-generating unit (CGU) to which the asset belongs. In particular, the recoverable value of the cash generating units (which generally coincide with the legal entity 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 four-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 separate financial statements are prepared.
If the recoverable amount of an asset (or CGU) is estimated to be lower than its carrying value, the asset's carrying value is reduced to the lower recoverable amount, recognising impairment of value in the income statement.
When there is no longer any reason for a write-down to be maintained, the carrying value of the asset (or CGU) is increased to the new value stemming from the estimate of its recoverable amount – but not beyond the net carrying value that the asset would have had if it had not been written down for impairment of value. Reversal of impairment loss is recognised as income in the income statement.

Inventories

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

Receivables

Receivables are recognised at their presumed realisable value. Their face value is adjusted to a lower realisable value via specific provisioning directly reducing the item based on in-depth analysis of individual positions. Trade receivables assigned on a no-recourse basis, despite being transferred legally, continue to be stated with "Trade receivables" until they are collected. Advance payments obtained with regard to the sale of trade receivables are recognised under current loans.

Current and non-current financial assets

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

Reserves for risks and contingencies

Reserves for risks and contingencies are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the effect is significant, the provisions are calculated by actualising future financial flows estimated at an actualisation rate estimated including taxes that reflect current market valuations of the current value of the cash and specific risks associated with the liability.

Post-employment benefit reserve

The reserve for Italian post-employment benefit obligations is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. The rules for such provisions were changed by Italian Law no. 296 of 27 December 2006 and the subse-

quent decrees and regulations issued in the early months of 2007. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at balance-sheet). Conversely, portions accruing after that date are treated as defined-contribution plans.
Actuarial gains or losses are recorded immediately under "Other total profits/ (losses)".

Payables

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

Loans

Loans are initially recognised at cost, net of related costs of acquisition. This value is subsequently adjusted to allow for any difference between initial cost and repayment value over the loan's duration using the effective interest-rate method.
Loans are classified among current liabilities unless the 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 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.

Revenue recognition

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

Financial income

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

Financial expense

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 that emerge from the assessment basis of an asset or 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.

Treasury shares

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

Recoverability of value of tangible and intangible assets and investments

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

Provisions for credit risks

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

Provisions for inventory obsolescence

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

Employee benefits

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

Income tax

Determining liabilities for Compnay 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 2014

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

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

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

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

The IASB issued standard **IFRS 12 – *Disclosure of interests in other entities*** a new and complete standard on the additional information to be provided in the consolidated financial statements for every type of interest, including those in subsidiaries, joint arrangements, affiliates, special purpose vehicles and other non-consolidated entities. The standard is to be applied retrospectively from 1 January 2014. The application of this standard did not have any effect on the Company's separate financial statements as at December 31 2014.

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

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

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

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

- the identification of the contract with the customer;
- the identification of the contract's performance obligations;
- the determining of the price;
- the allocation of the price to the contract's performance obligations;
- the recognition of revenue when the entity satisfies a performance obligation.

The principle applies from 1 January 2016 but early application is permitted.

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

On 12 August 2014, the IASB issued an amendment to **IAS 27 – *Equity Method in Separate Financial Statements***. The document introduces the option of using the shareholders' equity method for valuing investments in subsidiaries, companies under joint control and associate companies in the separate financial statements of an entity. As a result, following the introduction of the amendment, an entity can record these investments in their separate financial statements, alternatively:

- at cost, or
- in accordance with the provisions of IFRS 9 (or IAS 39); or
- using the net equity method.

The changes apply from 1 January 2016 but early application is permitted. The directors do not expect a significant effect on the Company's financial statements through the adoption of these changes.

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

On 18 December 2014, the IASB issued an amendment to **IAS 1 – *Disclosure Initiatives***. The objective of the changes is to provide clarification with regard to elements of information which could be perceived as impediments to a clear and intelligible preparation of the financial statements. The following changes were made:
- Materiality and aggregation: it was clarified that a company should not obscure information by adding to it or subtracting from it and that considerations relating to materiality apply to financial statements, notes to financial statements and specific IFRS information requirements. The disclosures specifically required by the IFRSs should only be provided if the information is material;
- Statement of financial position and comprehensive income statement: it was clarified that the list of items specified by IAS 1 can be disaggregate or aggregate depending on the case. A guideline is also provided on the use of sub-totals within the tables;
- Presentation of elements of Other Comprehensive Income ("OCI"): it is clarified that the share of OCI of associate companies and joint ventures consolidated using the net equity method should be presented in aggregate in a single item, in turn divided between components susceptible or not to future income statement reclassifications;
- Notes to the financial statements: it is clarified that the entities enjoy flexibility in defining the structure of the notes to the financial statements and guidelines are provided on how to systematically order these notes.
The changes introduced by the document apply starting from the financial years which begin on 1 January 2016 or a later date. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

COST	Property	Plant and equipment	Other assets	Assets under construction	Total
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**
Increases	39	3,315	1,894	2,704	7,952
Disposals	-	(2,282)	(65)	(145)	(2,492)
Reclassification	6	456	9	(485)	(14)
AT 31 DECEMBER 2014	**6,208**	**147,785**	**29,579**	**3,709**	**187,281**
ACCUMULATED DEPRECIATION AND AMORTISATION					
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**	**149,623**
Depreciation of the year	173	6,096	1,891	-	8,160
Eliminations for disposals	-	(1,690)	(60)	(145)	(1,895)
AT 31 DECEMBER 2014	**2,535**	**127,774**	**25,579**	**-**	**155,888**
NET CARRYING VALUE					
AT 31 DECEMBER 2014	**3,673**	**20,011**	**4,000**	**3,709**	**31,393**
AT 31 DECEMBER 2013	**3,801**	**22,928**	**3,993**	**1,490**	**32,212**

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

	31.12.2014	31.12.2013	Change
Land	1,291	1,291	-
Industrial buildings	2,382	2,510	(128)
TOTAL	**3,673**	**3,801**	**(128)**

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. Investments were also made to improve production processes - including the purchase of new alcohol washing facilities - and investments were made in maintenance and replacement, designed to keep the capital equipment constantly updated.

Decreases mainly relate to the disposal of machinery no longer in use.

Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.

At 31 December 2014, the Company found no endogenous or exogenous indicators of impairment of its tangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
AT 31 DECEMBER 2012	**6,675**
Increases	-
Disposals	-
AT 31 DECEMBER 2013	**6,675**
Increases	-
Disposals	-
AT 31 DECEMBER 2014	**6,675**

CUMULATIVE AMORTISATION	
AT 31 DECEMBER 2012	**4,259**
Depreciation of the year	194
AT 31 DECEMBER 2013	**4,453**
Depreciation of the year	193
AT 31 DECEMBER 2014	**4,646**

NET CARRYING VALUE	
AT 31 DECEMBER 2014	**2,029**
AT 31 DECEMBER 2013	**2,222**

Non-operating property owned by the Company are recorded under this item. During the year this item did not undergo any changes except for depreciation and amortisation for the year. At 31 December 2014, 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

COST	Patents, know-how and software	Development costs	Other intangible assets	Total
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**
Increases	102	474	110	686
Reclassifications	-	-	-	-
Decreases	-	-	-	-
AT 31 DECEMBER 2014	**5,855**	**4,308**	**1,786**	**11,949**
DEPRECIATION, AMORTISATION AND WRITE-DOWNS				
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**
Amortisation 2014	200	343	147	690
Decreases	-	-	-	-
AT 31 DECEMBER 2014	**5,416**	**2,011**	**1,290**	**8,717**
NET CARRYING VALUE				
AT 31 DECEMBER 2014	**439**	**2,297**	**496**	**3,232**
AT 31 DECEMBER 2013	**537**	**2,166**	**533**	**3,236**

Intangible assets have a finite useful life and, as a result, are amortised throughout their life. The main investments in the year related to the development of new products, including various versions of special burners and a new model of light-alloy kitchen valves (research and development activities conducted over the year are set out in the Report on Operations).

Software investments relate to the extension of the application area and the companies covered by the Group's management system (SAP). Other intangible assets refer, in the main, to improvements to third-party leased assets.
At 31 December 2014, the Company found no endogenous or exogenous indicators of impairment of its intangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

4. INVESTMENTS

	31.12.2014	31.12.2013	Change
In subsidiaries	44,798	43,031	1,767
Other shareholdings	40	39	1
TOTAL	**44,838**	**43,070**	**1,768**

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

HISTORICAL COST	Sabaf Immobiliare	Faringosi Hinges	Sabaf do Brasil	Sabaf Mexico	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf A.C. Trading (China)	Sabaf Turkey	Total
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
Capital increases/ reductions	-	-	-	-	-	1,150	-	-	1,150
AT 31 DECEMBER 2014	13,475	10,329	8,469	548	139	3,400	200	13,351	49,911
ALLOWANCE FOR IMPAIRMENT									
AT 31 DECEMBER 2012	0	2,714	0	0	0	1,580	0	0	4,294
Write-downs	-	939	-	-	-	497	-	-	1,436
AT 31 DECEMBER 2013	0	3,653	0	0	0	2,077	0	0	5,730
Write-downs (Write-backs) (Note 28)	-	(1,771)	-	548	-	606	-	-	(617)
AT 31 DECEMBER 2014	0	1,882	0	548	0	2,683	0	0	5,113
NET CARRYING VALUE									
AT 31 DECEMBER 2014	13,475	8,447	8,469	0	139	717	200	13,351	44,798
AT 31 DECEMBER 2013	13,475	6,676	8,469	548	139	173	200	13,351	43,031
NET EQUITY (CALCULATED IN CONFORMITY WITH IAS/IFRS)									
AT 31 DECEMBER 2014	27,309	4,549	8,333	28	(36)	717	255	14,163	55,590
AT 31 DECEMBER 2013	26,149	4,760	8,684	248	19	173	148	11,874	52,055
DIFFERENCE BETWEEN NET EQUITY AND CARRYING VALUE									
AT 31 DECEMBER 2014	13,834	(3,898)	136	28	(175)	0	55	812	10,792
AT 31 DECEMBER 2013	12,674	(1,916)	215	(300)	(120)	0	(52)	(1.477)	9,024

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

Faringosi Hinges s.r.l

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

The 2015-2019 plan, drawn up at the end of 2014, projects a gradual recovery in sales and profitability, to which the new products will also make a contribution. At 31 December 2014, Saba S.p.A. tested the carrying value of the investment in Faringosi Hinges for impairment, determining its recoverable value, considered to be equivalent to its usable value plus available liquidity, by discounting expected future cash flow. Following the fact that the elements of uncertainty were significantly reduced compared with the plans prepared in previous years, it was deemed preferable not to carry out a multi-scenario analysis (like in 2013), but to carry out an evaluation based exclusively on the plan developed by management.

This plan was actually prepared incorporating the risk of realisability through the 75% weighting of the expected contribution of the new products, and represents a scenario which is comparable with the interim scenario considered for the impairment test at 31 December 2013.

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

The recoverable value calculated on the basis of the above-mentioned valuation assumptions and techniques was €8.447 million, the value of the investment, which in previous years was reduced by €3.653 million, with €1.771 million restored in these separate financial statements (Note 28).

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

Sensitivity analysis

The table below shows the changes in recoverable value depending on changes in the WACC discount rate and growth factor g:

IN THOUSANDS OF EURO	GROWTH RATE				
DISCOUNT RATE	1.00%	1.25%	1.50%	1.75%	2.00%
7.76%	9,311	9,619	9,952	10,313	10,705
8.26%	8,601	8,862	9,144	9,446	9,773
8.76%	7,983	8,207	8,447	8,704	8,980
9.26%	7,440	7,634	7,841	8,061	8,297
9.76%	6,960	7,130	7,309	7,500	7,702

Sabaf do Brasil

In 2014 Sabaf do Brasil continued to achieve positive results, although these were lower than in 2013. The reduction in net equity, which although it remains higher than the carrying value of the investment, is due to the distribution of dividends to Sabaf S.p.A. of €970,000 (Note 31).

Sabaf Mexico S.A. de c.v.

In 2014, the Mexican subsidiary, which has never actually been fully operational, was placed in liquidation as it was deemed no longer functional for the strategic goals of the group, which intends to concentrate activities in North America through Sabaf U.S. Since only a negligible recovery of the capital paid in is expected from the liquidation, the investment was totally written down by €547,000 (Note 28).

Sabaf U.S.

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

Sabaf Appliance Components

Sabaf Appliance Components (Kunshan) Co., Ltd., the Chinese company formed in 2009, has not yet launched purchase, production and sales operations. At the end of 2014 the first investments were made for the start of the production of special burners for the Chinese market, expected in the first half of 2015. To support these investments and start-up costs, Sabaf S.p.A. has made capital increases of €1,150,000 during the year.

Sabaf Appliance Components Trading

Sabaf Appliance Components Trading (Kunshan) Co., Ltd., was established in 2012 and acts as a distributor in China of Sabaf products manufactured in Italy. It is wholly-owned by Sabaf S.p.A. During the year no capital operations were conducted for the investment.

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

In 2014 as well, Sabaf Turchia, achieved very satisfactory results and strong growth following the gradual expansion of production capacity and expansion of production of covers for burners. During the year no capital operations were conducted for the investment.

5. NON-CURRENT FINANCIAL ASSETS

	31.12.2014	31.12.2013	Change
Financial receivables from subsidiaries	1,660	1,451	209
TOTAL	**1,660**	**1,451**	**209**

At 31 December 2014 and at 31 December 2013, an interest-bearing loan of USD 2 million was recorded under this item, maturing in March 2017, granted to the subsidiary Sabaf do Brasil with the aim of optimising the Group's exposure to foreign exchange rate risk.

6. INVENTORIES

	31.12.2014	31.12.2013	Change
Commodities	8,851	8,229	622
Semi-processed goods	9,166	10,279	(1,113)
Finished products	9,060	7,367	1,693
Provision for inventory write-downs	(2,000)	(2,000)	-
TOTAL	**25,077**	**23,875**	**1,202**

The value of final inventories at 31 December 2014 increased following the ever growing request of customers to operate on consignment stock (method through which the product remains our property until the moment it is used for production by the customer) and the opportunity of buying commodities at lower prices than expected for 2015 supplies. The provision for obsolete inventories, which refers €440,000 to commodities, €700,000 to semi-processed goods and €860,000 to finished products, unchanged overall compared to the previous year, reflects the best estimate of the risk of obsolescence, based on specific analyses conducted at the end of the year on slow-moving and non-moving articles.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2014	31.12.2013	Change
Italy	14,967	15,721	(754)
Western Europe	2,855	4,288	(1,433)
Eastern Europe and Turkey	6,024	3,327	2,697
Asia and Oceania	6,251	5,301	950
South America	2,363	2,982	(619)
Africa	1,406	675	731
North America and Mexico	1,429	846	583
GROSS TOTAL	**35,295**	**33,140**	**2,155**
Provision for doubtful accounts	(600)	(1,540)	940
NET TOTAL	**34,695**	**31,600**	**3,095**

At 31 December 2014 the value of trade receivables was up against the previous year, following the significant increase in sales in the last quarter. At 31 December 2014, trade receivables included balances totalling approximately USD 2,156,000, booked at the EUR/USD exchange rate in effect on 31 December 2014, i.e. 1.2141. The amount of trade receivables recognised in accounts includes €6.3 million of receivables assigned on a no-recourse basis (€8.8 million at 31 December 2013) and approximately €10.7 million in insured credits. The provision for doubtful accounts at the beginning of the year was partly used (for €984,000) to recognise losses on receivables which became definite during 2014, including the most significant one resulting from the bankruptcy of Fagor; during 2014 the provision of €44,000 was made which reflects the best estimate of credit risk updated at 31 December 2014.

	31.12.2014	31.12.2013	Change
Current receivables (not past due)	29,991	26,690	3,301
Outstanding up to 30 days	1,939	2,241	(302)
Outstanding from 31 to 60 days	827	879	(52)
Outstanding from 61 to 90 days	487	629	(142)
Outstanding for more than 90 days	2,051	2,701	(650)
TOTAL	**35,295**	**33,140**	**2,155**

Of the receivables assigned on a non-recourse basis, €5.9 million are booked under “current receivables” and €0.4 million under “outstanding up to 30 days”.

8. TAX RECEIVABLES

	31.12.2014	31.12.2013	Change
From Giuseppe Saleri SapA for IRES	1,083	1,083	-
From inland revenue for VAT	444	93	351
TOTAL	**1,527**	**1,176**	**351**

Sabaf S.p.A. has been part of the national tax consolidation scheme pursuant to articles 117/129 of the Unified Income Tax Law. This option was renewed in 2013 for three years. In this scheme, the parent company Giuseppe Saleri S.a.p.A., acts as the consolidating company. At 31 December 2014 the receivable from Giuseppe Saleri S.a.p.A. originates from the full deductibility of IRAP from IRES relating to the expenses incurred for employees for the period 2006-2011 (Legislative Decree 201/2011), for which the consolidating company has presented an application for a refund and which will revert to Sabaf S.p.A. for the share pertaining to it as soon as it is refunded.

9. OTHER CURRENT RECEIVABLES

	31.12.2014	31.12.2013	Change
Advances to suppliers	544	650	(106)
Group VAT	-	647	(647)
Due from INAIL	62	48	14
Credits to be received from suppliers	306	167	139
Other	371	314	57
TOTAL	**1,283**	**1,826**	**(543)**

At 31 December 2014, advance payments to suppliers included €521,000 to Sabaf Immobiliare s.r.l. (€626,000 at 31 December 2013), paid on account for the 2015 rent of the properties owned by the subsidiary.

10. CASH AND CASH EQUIVALENTS

The item Cash and cash equivalents, equal to €1,366,000 at 31 December 2014 (€2,345,000 at 31 December 2013) refers almost exclusively to bank current account balances.

11. SHARE CAPITAL

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

12. TREASURY SHARES

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

13. LOANS

	31.12.2014		31.12.2013	
	Current	*Non Current*	*Current*	*Non Current*
Unsecured loans	2,660	7,340	317	-
Short-term bank loans	9,647	-	7,951	-
Advances on bank receipts or invoices	6,091	-	6,105	-
Advances from factoring companies	-	-	1,074	-
Interest payable	40	-	49	-
TOTAL	**18,438**	**7,340**	**15,496**	**0**

Two unsecured loans of €5 million each were taken out in the year, repayable at constant instalments, one expiring in three years and the other in five years.
All outstanding bank loans are denominated in euro, at a floating rate linked to the Euribor, with the exception of a short-term loan of USD 2 million.
The loans are not bound by contractual provisions (covenants).
Note 35 provides information on financial risks, pursuant to IFRS 7.

14. OTHER FINANCIAL LIABILITIES

	31.12.2014	31.12.2013	Change
Derivative instruments on interest rates	-	2	(2)
TOTAL	**0**	**2**	**(2)**

At 31 December 2013 the negative fair value of the outstanding derivative financial instruments hedging rate risks was recorded under this item (Note 35), maturing in 2014.

15. EMPLOYEE SEVERANCE PAY RESERVE

	31.12.2014	31.12.2013
Liabilities at 1 January	**2,496**	**2,566**
Financial expense	52	61
Amounts paid out	(150)	(152)
Actuarial losses	243	21
Liabilities at 31 December	**2,641**	**2,496**

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

Post-employment benefits are calculated as follows:

Financial assumptions

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

Demographic theory

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

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

16. RESERVES FOR RISKS AND CONTINGENCIES

	31.12.2013	Provisions	Utilisation	Release of excess portion	31.12.2014
Reserve for agents' indemnities	289	22	-	(26)	285
Product guarantee fund	60	102	(2)	-	160
Reserve for legal risks	70	-	-	-	70
TOTAL	**419**	**124**	**(2)**	**(26)**	**515**

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 legal reserve, set aside to deal with moderate disputes, remained unchanged at the end of the year as it was deemed adequate.
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:

	31.12.2014	31.12.2013	Change
Italy	14,064	14,645	(581)
Western Europe	2,870	1,906	964
Eastern Europe and Turkey	32	38	(6)
Asia and Oceania	495	319	176
South America	25	-	25
North America and Mexico	87	1	86
TOTAL	**17,573**	**16,909**	**664**

The amount of trade payables in currencies other than the euro is not significant. At 31 December 2014, there were no overdue payables of a significant amount, and the Company had not received any injunctions for overdue payables.

18. TAX PAYABLES

	31.12.2014	31.12.2013	Change
To Giuseppe Saleri SapA for IRES	1,092	317	775
To inland revenue for IRAP	16	27	(11)
To inland revenue for IRPEF withholding	617	680	(63)
TOTAL	**1,725**	**1,024**	**701**

The payable to Giuseppe Saleri SapA relates to the balance of income tax transferred by the Company to the parent company as part of the tax consolidation agreement in place.

19. OTHER CURRENT PAYABLES

	31.12.2014	31.12.2013	Change
Due to employees	3,815	3,656	159
To social security institutions	2,148	1,932	216
Prepayments from customers	246	63	183
Due to agents	295	233	62
Other current payables	54	65	(11)
TOTAL	**6,558**	**5,949**	**609**

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

20. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2014	31.12.2013
Deferred tax assets	3,611	3,646
Deferred tax liabilities	(35)	(14)
Net position	**3,576**	**3,632**

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.

	Depreciation, amortisation and leasing	Provisions and adjustments in value	Fair value of derivative instruments	Goodwill	Actuarial post-employment benefit reserve evaluation	Other temporary differences	Total
AT 31 DECEMBER 2012	**242**	**1,025**	**0**	**1,993**	**130**	**32**	**3,422**
Income statement	3	73	-	-	-	123	199
Shareholders' equity	-	-	5	-	6	-	11
AT 31 DECEMBER 2013	**245**	**1,098**	**5**	**1,993**	**136**	**155**	**3,632**
Income statement	108	(165)	-	-	-	(61)	(118)
Shareholders' equity	-	-	(5)	-	67	-	62
AT 31 DECEMBER 2014	**353**	**933**	**0**	**1,993**	**203**	**94**	**3,576**

Tax assets relating to goodwill, equal to €1,993,000, refer to the redemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011. The future tax benefit can be made in ten annual portions starting in 2018.

21. NET FINANCIAL POSITION

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

		31.12.2014	31.12.2013	Change
A.	Cash (Note 10)	8	9	(1)
B.	Positive balances of unrestricted bank accounts (Note 10)	1,358	2,336	(978)
C.	Other cash equivalents	0	0	0
D.	**Liquidity (A+B+C)**	**1,366**	**2,345**	**(979)**
E.	Current bank payables (Note 13)	15,778	14,104	1,674
F.	Current portion of non-current debt (Note 13)	2,660	317	2,343
G.	Other current financial payables (Notes 13, 14)	0	1,076	(1,076)
H.	**Current financial debt (E+F+G)**	**18,438**	**15,497**	**2,941**
I.	**Net current financial position (H-D)**	**17,072**	**13,152**	**3,920**
J.	Non-current bank payables (Note 13)	7,340	0	7,340
K.	Other non-current financial liabilities	0	0	0
L.	**Non-current financial debt (J+K)**	**7,340**	**0**	**7,340**
M.	**Net financial debt (I+L)**	**24,412**	**13,152**	**11,260**

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

Comments on key income statement items

22. REVENUES

In 2014, sales revenue totalled €115,919,000, up by €3,502,000 (+3.1%) compared with 2013.

Revenues by geographical area

	2014	%	2013	%	% CHANGE
Italy	39,770	34.3%	40,255	35.8%	-1.2%
Western Europe	7,880	6.8%	6,482	5.8%	+21.6%
Eastern Europe and Turkey	30,287	26.1%	25,379	22.6%	+19.3%
Asia and Oceania	10,812	9.3%	12,091	10.7%	-10.6%
Central and South America	10,582	9.2%	14,921	13.3%	-29.1%
Africa	12,277	10.6%	10,320	9.2%	+19.0%
North America and Mexico	4,311	3.7%	2,969	2.6%	+45.2%
TOTAL	**115,919**	**100%**	**112,417**	**100%**	**+3.1%**

Revenue by product family

	2014	%	2013	%	% CHANGE
Brass valves	13,738	11.9%	14,615	13.0%	-6.0%
Light alloy valves	33,758	29.1%	27,556	24.5%	+22.5%
Thermostats	12,268	10.6%	13,340	11.9%	-8.0%
Valves and thermostats total	*59,764*	*51.6%*	*55,511*	*49.4%*	*+7.7%*
Standard burners	23,261	20.1%	26,184	23.3%	-11.2%
Special burners	19,975	17.2%	19,195	17.1%	+4.1%
Burners total	*43,236*	*37.3%*	*45,379*	*40.4%*	*-4.7%*
Accessories and other revenues	*12,919*	*11.1%*	*11,527*	*10.2%*	*+12.1%*
TOTAL	**115,919**	**100%**	**112,417**	**100%**	**+3.1%**

The Italian market remained stagnant in 2014, while other European markets produced excellent results following the increase in the share of major customers and the launch of new supplies. Of major importance, note the increase in sales in Africa and North America, while revenues in Asia (with the Middle East suffering) and South America were lower than in 2013.
In line with the strategic decisions made in recent years, the trend to replace brass valves with light alloy valves, which are more competitive, continued in 2014.

The fall in sales of standard burners results from the decision to supply the Turkish market directly from the subsidiary Sabaf Turchia,which during 2014 significantly increased levels of activity. As far as special burners are concerned, whose production takes place entirely in Italy, note a reasonable increase in sales, also courtesy of the launch of the supply of new models.
Average sale prices in 2014 were down, on average, by around 2% versus 2013: Refer to the Report on Operations for more detailed comments on the trends that marked the Group's market over the year.

23. OTHER INCOME

	31.12.2014	31.12.2013	Change
Sale of trimmings	1,782	2,155	(373)
Services to subsidiaries	211	206	5
Contingent income	201	157	44
Rental income	132	119	13
Use of provisions for risks and contingencies	26	22	4
Services to parent companies	10	11	(1)
Other	613	601	12
TOTAL	**2,974**	**3,271**	**(297)**

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

24. ACQUISITIONS

	31.12.2014	31.12.2013	Change
Commodities and outsourced components	41,323	40,574	749
Consumables	3,496	3,697	(201)
TOTAL	**44,819**	**44,271**	**548**

The increase in purchase costs is entirely due to the greater volumes; the effective purchase price of the main commodities (brass, aluminium and steel alloys) fell, on average, by 5.9% compared with 2013. Savings were also made in the purchase of other components. Consumption (purchases plus change in inventory) as a percentage of sales was 37.6% in 2014, compared with 36.6% in 2013.

25. COSTS FOR SERVICES

	2014	2013	Change
Outsourced processing	10,156	10,449	(293)
Electricity and methane	4,350	4,903	(553)
Property rental	4,000	3,959	41
Maintenance	3,163	2,975	188
Transport and export expenses	1,545	1,220	325
Advisory services	1,210	1,212	(2)
Directors' remuneration	816	826	(10)
Commissions	778	663	115
Travel expenses and allowances	592	448	144
Waste disposal	400	485	(85)
Canteen	317	300	17
Insurance	315	274	41
Temporary agency workers	173	107	66
Factoring fees	116	134	(18)
Other costs	1,864	1,857	7
TOTAL	**27,938**	**29,812**	**(17)**

The reduction in costs for outsourced processing, energy and methane is related to lower production of burners. The increase in commissions was due to the increase in sales in markets serviced by agents, such as North Africa. The increase in transport costs was due, in the main, to greater purchases from abroad. Other costs for services did not vary significantly from the previous year. In 2014 the cost per kwh of electricity and the cost per cubic metre of methane remained essentially unchanged compared with the previous year.
Costs for advisory services related to technical (€247,000), sales (€233,000) and legal, administrative and general (€730,000) services.
Other costs included expenses for the registration of patents, leasing third-party assets, cleaning costs and other minor items.

26. PAYROLL COSTS

	2014	2013	Change
Salaries and wages	18,757	18,437	320
Social security costs	6,156	6,153	3
Temporary agency workers	1,365	753	612
Post-employment benefit reserve and Other payroll costs	1,660	1,712	(52)
TOTAL	**27,938**	**27,055**	**883**

Average Company headcount in 2014 totalled 558 employees (441 blue-collars, 109 white-collars and supervisors, and 8 managers), compared with 571 in 2013 (455 blue-collars, 108 white-collars and supervisors, and 8 managers). The average number of temporary staff was 41 in 2014 (25 in 2013).
During the year the Company made sporadic use of the temporary unemployment fund in periods featuring low production requirements: this allowed savings in personnel costs of €124,000 (€306,000 in 2013).

27. OTHER OPERATING COSTS

	2014	2013	Change
Losses and write-downs of trade receivables	44	1,130	(1,086)
Duties and other non-income taxes	173	253	(80)
Other administration expenses	122	139	(17)
Contingent liabilities	87	94	(7)
Reserves for risks	102	32	70
Others provisions	22	10	12
TOTAL	**550**	**1,658**	**(1,108)**

Non-income taxes mainly include IMU, TASI and the tax for the disposal of urban solid waste. Provisions for risks and other provisions relate to sums set aside for the risks described in Note 16.

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

	2014	2013	Change
Write-back of Faringosi Hinges	1,771	-	1,771
Write-down of Faringosi Hinges	-	(939)	939
Write-down of Sabaf Appliance Components	(606)	(498)	(108)
Write-down of Sabaf Mexico	(547)	-	(547)
Write-down of development costs	-	(271)	271
TOTAL	**618**	**(1,708)**	**2,326**

The write-downs and write-backs in investments are commened on in Note 4 which should be referred to.

29. FINANCIAL EXPENSE

	2014	2013	Change
Interest paid to banks	211	403	(192)
Banking expenses	214	217	(3)
Other financial expenses	41	67	(26)
TOTAL	**466**	**687**	**(221)**

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

30. EXCHANGE RATE GAINS AND LOSSES

In 2014 the Company realised net earnings on exchange rates of €237,000 (net losses of €94,000 in 2013) thanks to the favourable euro/dollar exchange rate in the last months of the year.

31. EARNINGS FROM INVESTMENTS

	2014	2013	Change
Sabaf do Brasil dividends	970	1.034	(64)
TOTAL	**970**	**1.034**	**(64)**

32. INCOME TAX

	2014	2013	Change
Current tax	2,800	2,691	109
Deferred tax assets and liabilities	118	(199)	317
Previous years' tax	(263)	(504)	241
TOTAL	**2,655**	**1,988**	**667**

Current taxes include IRES of €1,797,000 and IRAP of €1,003,000 (respectively €1,712,000 and €979,000 in 2013).
In 2014 tax relating to previous years referred, in the main, to tax refunds obtained during the year with regard to appeals submitted in previous years and not recognised as there was no certainty of recoverability.

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

	2014	2013
Theoretical income tax	2,897	1,572
Permanent tax differences	(712)	287
Effect of dividends from subsidiaries not subject to taxation	(267)	(284)
Previous years' tax	(256)	(377)
Other differences	-	(64)
IRES (current and deferred)	**1,662**	**1,134**
IRAP (current and deferred)	993	854
TOTAL	**2,655**	**1,988**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. The permanent differences mainly include benefits pertaining to the company resulting from membership of the national tax consolidation scheme (Note 8) for €350,000, the deductibility of IRAP for €193,000 and the tax effect of adjustments in value of investments in subsidiaries of €170,000.
IRAP is not taken into account for the purpose of reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distortive effects.

Tax position

No tax disputes were pending at 31 December 2014.

33. DIVIDENDS

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

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

34. SEGMENT REPORTING

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

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.

	31.12.2014	31.12.2013
Financial assets		
Amortised cost		
• Cash and cash equivalents	1,366	2,345
• Trade receivables and other receivables	35,979	33,427
• Non-current loans	1,660	1,451
Financial liabilities		
Comprehensive income statement fair value		
• Derivative cash flow hedges	0	2
Amortised cost		
• Loans	25,778	15,496
• Payables to suppliers	17,573	16,909

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

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

Credit risk management

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

Forex risk management

The main exchange rate to which the Company is exposed is the euro/USD in relation to sales made in dollars (mainly in certain Asian markets and in North America) and, to a lesser extent, to some purchases (mainly from Asian manufacturers). Sales in US dollars represented approximately 7% of total revenue in 2014, while purchases in dollars represented about 1.5% of total revenue. Transactions in dollars are not hedged using derivative financial instruments.

Sensitivity analysis
With reference to financial assets and liabilities in US dollars at 31 December 2014, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €191,000.

Interest rate risk management

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

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

	31.12.2014		31.12.2013	
	Financial charges	Cash flow hedge reserve	Financial charges	Cash flow hedge reserve
Increase of 100 base points	100	-	-	-
Decrease of 100 base points	(26)	-	-	-

Commodity price risk management

A significant portion of the Company's acquisitions are represented by brass, steel and aluminium alloys. Sale prices of products are generally renegotiated annually; as a result, the Company is unable to pass on to clients any changes in the prices of commodities during the year. The Company protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2014 and 2013, 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 Compnay operates with a low debt ratio (net financial debt / shareholders' equity at 31 December 2014 of 25.5%, net financial debt / EBITDA of 1.36) and has unused short-term lines of credit of approximately €50 million. To minimise the risk of liquidity, the Administration and Finance Department:

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

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

AT 31 DECEMBER 2014

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans	10,000	10,336	702	2,105	7,529	-
Short-term bank loans	15,778	15,778	15,778	-	-	-
TOTAL FINANCIAL PAYABLES	**25,778**	**26,114**	**16,480**	**2,105**	**7,529**	**0**
Trade payables	17,573	17,573	16,217	1,356	-	-
TOTAL	**43,351**	**43,687**	**32,697**	**3,461**	**7,529**	**0**

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**

The various due dates are based on the period between the balance sheet date and the contractual expiration date of the commitments, the values indicated in the chart correspond to non-discounted cash flows.

Cash flows include the shares of principal and interest; for floating rate liabilities, the shares of interest are determined based on the value of the reference parameter at the financial year-end and increased by the spread set forth in each contract.

Hierarchical levels of the fair value assessment

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

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

At 31 December 214 there were not financial instruments measured at fair value.

36. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

The effect of transactions between Sabaf S.p.A. and related parties on the statement of financial position and income statement, with the exception of the compensation of directors, auditors and key management personnel are exposed in the Remuneration Report.

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

	Total 2014	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Non-current financial assets	1,660	1,660	-	-	1,660	100.00%
Trade receivables	34,695	1,143	-	-	1,143	3.29%
Tax receivables	1,527	-	1,084	-	1,084	70.99%
Other current receivables	1,283	521	-	-	521	40.61%
Trade payables	17,573	41	-	-	41	0.23%
Tax payables	1,725	-	1,092	-	1,092	63.30%
	Total 2013	**Subsidiaries**	**Parent company**	**Other related parties**	**Total related parties**	**Impact on the total**
Non-current financial 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%

Impact of related-party transactions on income statement accounts

	Total 2014	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenues	115,919	4,729	-	-	4,729	4.08%
Other income	2,975	298	10	-	308	10.35%
Materials	44,819	231	-	-	231	0.52%
Services	29,795	4,001	-	-	4,001	13.43%
Capital gains on non-current assets	148	82	-	-	82	55.41%
Write-downs of non-current assets	618	618	-	-	618	100.00%
Financial income	84	66	-	-	66	78.57%
Profits and losses from equity investments	970	970	-	-	970	100.00%
	Total 2013	**Subsidiaries**	**Parent company**	**Other related parties**	**Total related parties**	**Impact on the total**
Revenues	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 of non-current assets	1,708	1,437	-	-	1,437	84.13%
Financial income	83	60	-	-	60	72.29%
Financial expense	687	31	-	-	31	4.51%
Profits and losses from equity investments	1,034	1,034	-	-	1,034	100.00%

Relations with subsidiaries mainly consist of:

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

Relations with the parent company Giuseppe Saleri S.a.p.A., which does not exercise management or coordination activities pursuant to Article 2497 of the Italian Civil Code, consist of:

- provision of administrative services;
- transactions as part of the domestic tax consolidation scheme, which generated the payables and receivables shown in the tables.

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

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that it did not execute any significant non-recurring transactions during 2014.

38. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

39. COMMITMENTS

Guarantees issued

Sabaf S.p.A. issued sureties to guarantee bank loans raised by subsidiaries, with the residual debt at 31 December 2014 equal to €1,859,000 (€2,770,000 at 31 December 2013).
Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €6,249,000 (€6,598,000 at 31 December 2013).

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

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

41. SHARE-BASED PAYMENTS

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

List of investments with additional information required by Consob
(Communication Dem76064293 of 28 July 2006)

IN SUBSIDIARIES [1]

Company name	Registered offices	Share capital at 31/12/2014	Shareholders	% equity investment	Net equity at 31/12/2014	2014 net income
Faringosi Hinges S.r.l.	Ospitaletto (BS)	€90,000	Sabaf S.p.A.	100%	€4,549,209	€182,068
Sabaf Immobiliare S.r.l.	Ospitaletto (BS)	€25,000	Sabaf S.p.A.	100%	€20,397,647	€1,429,245
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%	BRL 26,836,638	BRL 1,547,953
Sabaf Mexico S.A. de C.V.	San Luis Potosì (Mexico)	MXN 8,247,580	Sabaf S.p.A.	100%	MXN 503,886	MXN -3,600,974
Sabaf US Corp.	Plainfield (USA)	USD 100,000	Sabaf S.p.A.	100%	USD -43,865	USD -70,445
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	€3,400,000	Sabaf S.p.A.	100%	CNY 28,431,912	CNY 0
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRL 30,885,081	Sabaf S.p.A.	100%	TRL 35,908,535	TRL 4,719,923
Sabaf Appliance Components Trading (Kunshan) Co., Ltd.	Kunshan (China)	€200,000	Sabaf S.p.A.	100%	CNY 1,923,855	CNY 686,314

Other significant equity investments: None

Origin, possibility of utilisation and availability of reserves

Description	Amount	Possible use	Available portion	Amount subject to taxation pertaining to the company in the case of distribution
CAPITAL RESERVE:				
Share premium reserve	10,002	A, B, C	10,002	0
Revaluation reserve, Law 413/91	42	A, B, C	42	42
Revaluation reserve, Law 342/00	1,592	A, B, C	1,592	1,592
SURPLUS RESERVES:				
Legal reserve	2,307	B	0	0
Other surplus reserves:	63,075	A, B, C	62,946	0
VALUATION RESERVE:				
Post-employment benefit actuarial reserve	(535)		0	0
TOTAL	**76,483**		**74,582**	**1,634**

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

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

Revaluations of equity assets at 31 december 2014

		Gross value	Cumulative amortisation	Net carrying amount
Investments property	Law 72/1983	137	(137)	0
	1989 merger	516	(401)	115
	Law 413/1991	47	(39)	8
	1994 merger	1,483	(911)	572
	Law 342/2000	2,870	(2,110)	760
		5,053	**(3,598)**	**1,455**
Plant and machinery	Law 576/75	205	(205)	0
	Law 72/1983	2,299	(2,299)	0
	1989 merger	6,249	(6,249)	0
	1994 merger	7,080	(7,080)	0
		15,833	**(15,833)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
TOTAL		**21,097**	**(19,642)**	**1,455**

GENERAL INFORMATION

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

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 identification number: 03244470179
VAT Registration: 01786911082

APPENDIX

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

The following table, prepared pursuant to Article 149-duodecies of the CONSOB Issuers' Regulation, shows fees relating to 2014 for the independent auditor and for services other than independent auditing provided by the same auditing firm. No services were provided by entitites belonging to the network.

IN THOUSANDS OF EURO	Party providing the service	Payments pertaining to the period
Audit	Deloitte & Touche S.p.A.	52
Certification services	Deloitte & Touche S.p.A.	2 [1]
Other services	Deloitte & Touche S.p.A.	16 [2]
TOTAL		**70**

1 signing of Unifed Tax Return, IRAP and 770 forms.
2 auditing procedures agreement relating to interim management reports, auditing of statements and training activities..

SABAF®

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

pursuant to Article 154 bis of Legislative Decree 58/98

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

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

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

They also certify that:

- the separate financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and Article 9 of Leg. Decree 38/2005;
  - correspond to the results of the accounting entries and ledgers;
  - are suitable to provide a true and correct representation of the Issuer's operating results, financial position and cash flows;
- the interim report includes a credible analysis of the performance and results of operations, and the situation at the issuer, along with a description of the key risks and uncertainties to which it is exposed.

Ospitaletto, 23 March 2015

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

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 THE SEPARATE 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 separate financial statements of Sabaf S.p.A., which comprise the balance sheet and financial position as of December 31, 2014, 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 separate 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 separate 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 separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate 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.

   For the opinion on the prior year's separate financial statements, whose data are presented for comparative purposes, reference should be made to our auditors' report issued on April 4, 2014.

3. In our opinion, the separate financial statements give a true and fair view of the financial position of Sabaf S.p.A. as of December 31, 2014, 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 separate 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 separate financial statements of Sabaf S.p.A. as of December 31, 2014.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Brescia, Italy
April 8, 2015

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 – article 2429, paragraph 2 of the Italian Civil Code.

Dear 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 2014;
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 relating to the supervision conducted and to the financial statements for the year ended 31 December 2014.

1. Supervision in fiscal year 2014

During the year ended 31 December 2014, the Board of Statutory Auditors performed the supervision required by law, taking into account Consob recommendations on controls relating to listed companies 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 five board meetings, each attended by all members in office, except for one justified absence of a member at the 5 May 2014 meeting;
- **b)** it also conducted supervision activities at meetings of the Board of Directors, which in the year in question held seven meetings, all attended by the Board of Statutory Auditors;
- **c)** it attended the four meetings of the Control and Risks Committee;
- **d)** it attended two meetings between supervisory bodies (Independent Auditor, Control and Risks Committee, Supervisory Body), in the presence of the financial reporting officer and chief internal auditor;
- **e)** it attended the Shareholders' Meeting held on 29 April 2014, where it reported on its activities;
- **f)** it remained in constant communication with the corresponding bodies of the subsidiary companies; no anomalies were reported during the meetings;
- **g)** in 2014, the Board of Statutory Auditors conducted an in-depth exchange of information and data with the Independent Auditor relating to the performance of their respective duties;
- **h)** over the year, the Board of Statutory Auditors held regular meetings with both the staff of Protiviti S.r.l. ("Protiviti"), the company to which the internal audit function is outsourced, and the chief internal auditor;
- **i)** 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 2014.

The Board of Statutory Auditors attended Board of Directors meetings, at which, in relation to the transactions decided upon, based on the information acquired, it did not note any violations of the law or the articles of association, nor any manifestly risky or imprudent transactions, potentially causing a conflict of interests, or liable to jeopardise the Company's assets.

As part 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 relation to 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 did not reveal any impairment in the controlling interest in Faringosi Hinges S.r.l.. This was likewise the case for the value of goodwill allocated to the Hinges CGU.

The Board reports that no reports or complaints were received or submitted within the meaning of article 2408 of the Italian Civil Code.

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 3 March 2015.

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 the following:

a) Distribution of company reserves in the form of an extraordinary dividend. On 23 September 2014, the Board of Directors proposed the distribution of company reserves in the form of an extraordinary dividend. The aim of this proposal was to partially rebalance the financial structure to reduce the average cost of capital. The proposed operation does not affect the Company's financial balance, since the Company and the Group have access to significant means of self-financing. Available reserves total €84,026,585.00. The Shareholders' Meeting held on 28 October 2014 approved the Board of Directors' proposal to distribute an extraordinary dividend of €1.00 for every share held.

b) On 13 May 2014, the Board of Directors gave Chief Executive Officer Bartoli a mandate to buy and sell own shares under the following terms: maximum quantity that may be purchased: 2% of the share capital; maximum purchase price: €13.00. The Board of Statutory Auditors reports that as of 31 December 2014, no shares had been purchased.

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 jeopardise the Company's assets; 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 23 March 2015, the directors indicated that Group companies did not engage in any atypical and/or unusual transactions in 2014.

In their Report on Operations at 31 December 2014, 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. In 2014, the Company updated its model in relation to environmental offences. 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 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 Control and Risk Committee and Board of Statutory Auditors, to which he also submits the annual work programme.
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 TUF, 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 TUF, 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 2014 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 corresponding code of corporate governance 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. Report of the Board of Statutory Auditors on the Group consolidated financial statements for the year ended 31 December 2014 and conclusions

Sabaf's consolidated financial statements at 31 December 2014 show a consolidated net profit of €8.3 million; the annual financial statements of the Parent Company for the year ended 31 December 2014 show a net profit of €7.9 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 2014 shows a negative net financial position of €26.9 million, while the Parent Company closed its financial statements at 31 December 2014 with a negative net financial position of €24.4 million.

Consolidated shareholders' equity at 31 December 2014 was €110.7 million, compared with €118 million in the consolidated financial statements at 31 December 2013; the annual financial statements of the Parent Company report shareholders' equity of €95.9 million, compared with €104.4 million for the year ended 31 December 2013. The values were recalculated following the updating 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 8 April 2015, expressed an unqualified opinion without requesting additional information on the annual and consolidated financial statements for the year ended 31 December 2014. 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 for the year ended 31 December 2014.

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 TUF.
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 2014 or to the recommendations made by the Board of Directors, also with regard to distribution of the dividend.

Ospitaletto, 13 April 2015

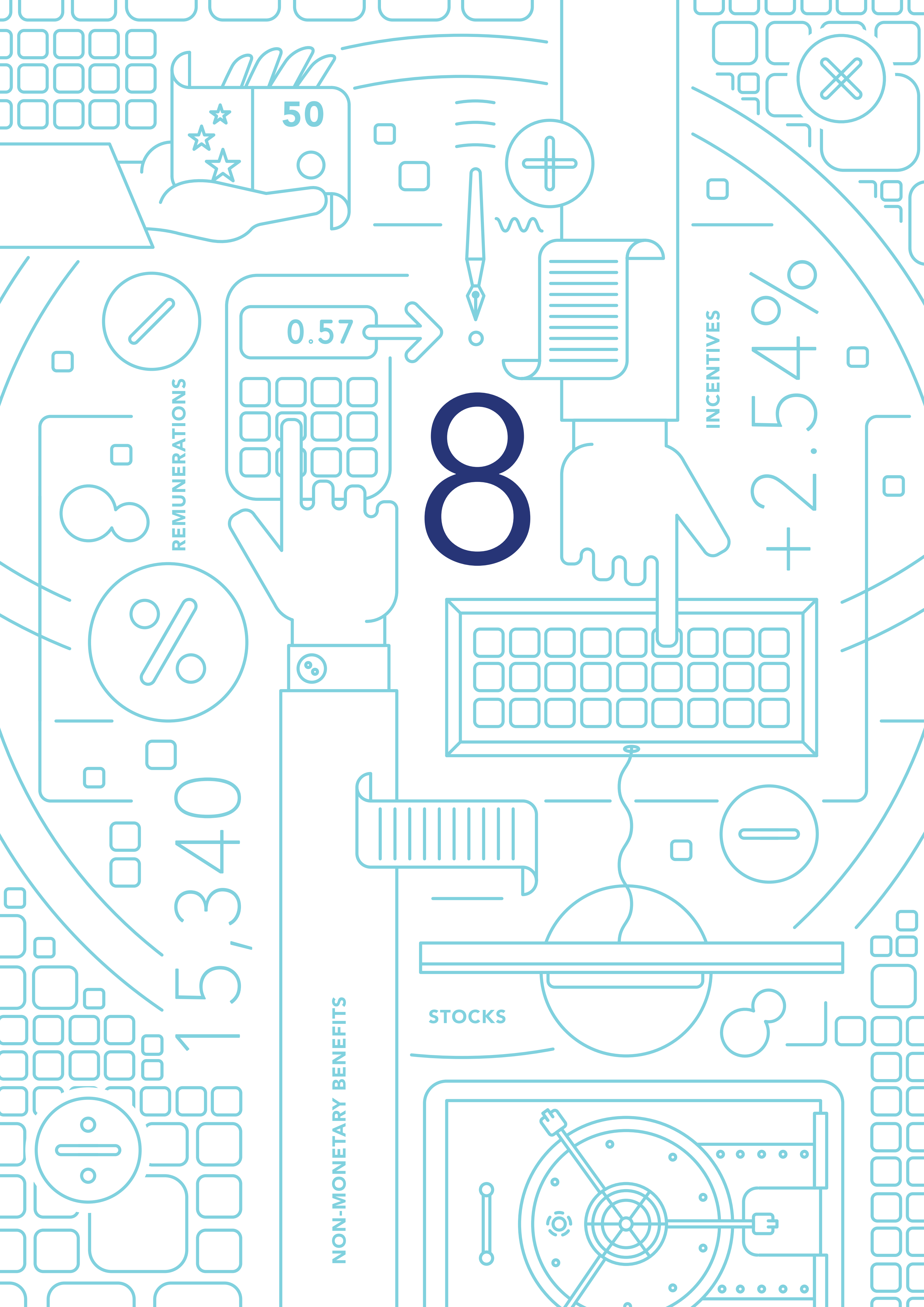
The Statutory Auditors

Mr. Alessandro Busi
Mr. Enrico Broli
Mrs. Anna Domenighini

CHAPTER 8

Report on remuneration

8


50
0.57
REMUNERATIONS
INCENTIVES
+2.54%
15,340
NON-MONETARY BENEFITS
STOCKS

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 of listed companies;
- 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 was fully implemented in 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.
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 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.

Purpose 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.

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 the practice of Sabaf S.p.A. to appoint members of the Saleri family to the posts of Chairman and Vice-Chairmen. The family is the controlling shareholder of the company through Giuseppe Saleri S.a.p.A. Although they are executive directors, they do not receive variable remuneration, but only additional remuneration to that of the directors for the specific offices held.
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 above-mentioned 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 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.

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.

Section II – REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES IN 2014

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 (2014), 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 2014

The remuneration granted to directors for 2014, 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 €480,000 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.

With regard to the variable incentive plan established for 2013, the remuneration that accrued during the year with regard to the CEO, Alberto Bartoli, was €38,475.

With reference to the 2014 MBO plan, remuneration of €18,900 was accrued over the year for the partial achievement of the objectives set.

As far as the long-term incentive plan is concerned, at the end of the three-year period 2012-2014, the targets set by the Board of Directors were not reached, therefore no remuneration accrued and none was paid out.

The next Board of Directors (appointed by the Shareholders' Meeting on 5 May 2015) will be responsible for defining the characteristics and objectives of the long-term incentive plans for the CEO and Executives with strategic responsibilities for 2015-2017.

There are no incentive plans based on financial instruments, nor compensation for termination of employment.

Remuneration of Statutory Auditors for 2014

The remuneration granted to the Statutory Auditors for 2014 consists of a fixed payment determined by the Shareholders' Meeting of 8 May 2012.

Remuneration of executives with strategic responsibilities for 2014

The remuneration of two executives with strategic responsibilities consists of fixed employee compensation totalling €258,515 and variable remuneration of €40,722 paid in 2014 in relation to the 2013 variable incentive plan (MBO). Other payments of €80,500 were also paid by subsidiary companies.

In 2014, variable remuneration of €23,911 was accrued for the achievement of some of the objectives of the 2014 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 the break down of the remuneration paid in 2014, refer to the tables below (Table 1 and Table 2), which contain remuneration paid to directors and statutory auditors, listed by name, and, at aggregate level, other executives with strategic responsibilities currently in office. 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 2014, 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 2014, 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 2014 to executives with strategic responsibilities for objectives met in the year, set out in the 2013 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 2014, any other remuneration resulting from other services provided.

- “Indemnity for end of office of termination of employment relationship” records the portions for the year relating to payments accrued under the scope of the Non-Competition Agreement signed by Executives with strategic responsibilities.
- “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 in 2014

(figures in euro)

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonus and other incentives	Profit sharing					
						Board of Directors						
Giuseppe Saleri	**Chairman**	**1 Jan - 31 Dec 2014**	**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
(a) of which €15,000 as director and €105,000 as chairman												
Gianbattista Saleri	**Vice Chairman**	**1 Jan - 31 Dec 2014**	**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
(a) of which €15,000 as director and €85,000 as vice-chairman												
Ettore Saleri	**Vice Chairman**	**1 Jan - 31 Dec 2014**	**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
(a) of which €15,000 as director and €85,000 as vice-chairman												

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonus and other incentives	Profit sharing					
Cinzia Saleri	**Vice Chairman**	**1 Jan - 31 Dec 2014**	**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

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
Alberto Bartoli	**Chief Executive Officer**	**1 Jan - 31 Dec 2014**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				135,000[(a)]	0	0	0	0	0	135,000	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	0	0	146,000	0	0

(a) of which €15,000 as director and €120,000 as Chief Executive Officer

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
Salvatore Bragantini	**Director**	**1 Jan - 31 Dec 2014**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				20,000[(a)]	14,000[(b)]	0	0	0	0	34,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				20,000	14,000	0	0	0	0	34,000	0	0

(a) of which €15,000 as director and €5,000 in board meeting attendance fees
(b) of which €10,000 as director and €4,000 in board meeting attendance fees

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
Renato Camodeca	**Director**	**1 Jan - 31 Dec 2014**	**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 Control and Risk Committee and € 4,000 in Committee meeting attendance fees

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
Giuseppe Cavalli	**Director**	**1 Jan - 31 Dec 2014**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[(a)]	10,000[(b)]	0	0	0	0	32,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	10,000	0	0	0	0	32,000	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

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonus and other incentives	Profit sharing					
Leonardo Cossu	**Director**	**1 Jan - 31 Dec 2014**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	25,000[b]	0	0	0	0	47,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	25,000	0	0	0	0	47,000	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 €5,000 in meeting attendance fees for the Control and Risk Committee (€4,000) and for the Remuneration and Appointments Committee (€1,000)

Maria Chiara Franceschetti	**Director**	**1 May - 31 Dec 2014**	**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

Fausto Gardoni	**Director**	**1 Jan - 31 Dec 2014**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				22,000[a]	11,000[b]	0	0	0	0	33,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) Total				22,000	11,000	0	0	0	0	33,000	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 €1,000 in Committee meeting attendance fees

Nicla Picchi	**Director**	**1 Jan - 31 Dec 2014**	**Approval of 2014 financial statements**									
(I) Remuneration at Sabaf S.p.A.				20,000[a]	14,000[b]	0	0	0	15,000[c]	49,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	5,000[c]	5,000	0	0
(III) Total				20,000	14,000	0	0	0	20,000	54,000	0	0

(a) of which €15,000 as director and €5,000 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 2014**	**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

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonus and other incentives	Profit sharing					
Board of Statutory Auditors												
Alessandro Busi	**Chairman**	**1 Jan - 31 Dec 2014**	**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	**Standing Auditor**	**1 Jan - 31 Dec 2014**	**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	**Standing Auditor**	**1 Jan - 31 Dec 2014**	**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

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for sitting on committees	Variable remuneration (non equity)		Non-monetary benefits	Other payments	Total	Fair Value of equity remuneration	Indemnity for end of office or employment relationship
						Bonus and other incentives	Profit sharing					
Other executives with strategic responsibilities												
Other executives with strategic responsibilities (2)		**1 Jan - 31 Dec 2014**	**n/a**									
(I) Remuneration at Sabaf S.p.A.				258,515	0	40,722	0	5,615	0	304,853	0	29,500
(II) Remuneration from subsidiaries and affiliates				80,500	0	0	0	0	0	80,500	0	0
(III) Total				339,015	0	40,722	0	5,615	0	385,353	0	29,500

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)

Name and surname	Office	Plan	Payable/Paid	Deferred	Deferment period	No longer payable	Payable/Paid	Still deferred	Other bonuses
			Bonus for the year			Bonus of previous years			
Alberto Bartoli	**Chief Executive Officer**								
Remuneration at Sabaf S.p.A.		2013 MBO Plan (March 2013)	38,475	0	-	0	0	0	0
Remuneration at Sabaf S.p.A.		2014 MBO Plan (March 2014)	0	18,900	75% March 15 25% December 15	0	0	0	0
Total			**38,475**	**18,900**	**-**	**0**	**0**	**0**	**0**
Other executives with strategic responsibilities (2)									
Remuneration at Sabaf S.p.A.		2013 MBO Plan (March 2013)	40,722	0	-	0	0	0	0
Remuneration at Sabaf S.p.A.		2014 MBO Plan (March 2014)	0	23,911	75% March 15 25% December 15	0	0	0	0
Total			**40,722**	**23,911**	**-**	**0**	**0**	**0**	**0**

TABLE 3 - Shareholdings of members of the Board of Directors and Board of Statutory Auditors and other executives with strategic responsibilities

Surname and Name	Office	Type of ownership	Investor company	No. of shares owned at 31 Dec 2013	No. of shares purchased	No. of shares sold	No. of shares owned at 31 Dec 2014
Saleri Giuseppe	Chairman	Indirect through the subsidiary Giuseppe Saleri S.a.p.A	Sabaf S.p.A.	5,850,003	-	-	5,850,003
Saleri Gianbattista	Vice Chairman	Direct	Sabaf S.p.A.	1,750	-	1,750	-
Saleri Gianbattista	Vice Chairman	Indirect through spouse	Sabaf S.p.A.	4,051	-	-	4,051
Saleri Cinzia	Vice Chairman	Direct	Sabaf S.p.A.	10,043	-	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

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