SABAF®

2015 ANNUAL REPORT

SABAF®

ANNUAL
REPORT
2015

CREATIVE CONCEPT

With over 20 million burners and as many valves manufactured each year, the **Sabaf Group** was once again recognised as the global market leader in this sector in 2015. Our components for cooking appliances can be found in hobs and ovens throughout the world: a genuine touch of Made in Italy in the kitchen.

This idea led us to the creative design of our Annual Report this year: it provides a virtual tour of the world through the countries shown in the report, distinguished by the company's representative products in each region.

The photographic design marks a departure from previous Annual Reports, in which vector diagrams were the main graphic element. The materials and props used to design and create the sets result in bold yet complementary colours which dominate the scene: each country has its own reference colour, depicted in the image through the use of special Fedrigoni paper from the Sirio Colour series. Geometry and alignment are achieved using solid shapes with ad hoc designs in which iconographic elements and foods typical of the eight selected countries are carefully arranged, creating evocative settings which allow our minds to wander from Brazil to China and from Italy to Turkey.

It conveys a message of unity and collaboration, a tribute to the world and to the various cultures within it.

INDEX

CHIEF EXECUTIVE OFFICER'S

LETTER TO STAKEHOLDERS

"The future presents huge opportunities, but we must work hard to make our organisation stronger and more cohesive so that we can seize them."

Dear Shareholders and Stakeholders,

2015 was a moderately pleasing year for us. After an outstanding start to the year, there was a series of ups and downs. The fourth quarter saw a slight decline, so the year ended with a marginal increase in revenues but a more significant improvement in profit. This increase was aided by the appreciation of the dollar, but we have worked internally to ensure continuous improvement in our productivity and the quality of our products and related services. This important work will continue and even accelerate in 2016 – a year in which we have also planned significant organisational, production and logistical changes, as part of a move towards lean manufacturing, alongside a clear focus on all the innovations that could come with the Internet of Things. To make a further leap in quality, we need everyone at Sabaf to pull in the same direction: individual interests must be set aside in favour of cooperation. The future presents huge opportunities, but we must work hard to make our organisation stronger and more cohesive so that we can seize them.

Our foreign factories are, and will remain, a cornerstone of the effort to improve our results. Both Brazil (despite the profound crisis in the country) and Turkey (notwithstanding the geopolitical risks in the region) have made a crucial contribution to our profit and loss account and I want to reiterate that without the move we made towards internationalisation, our group would be smaller and more exposed to the risks of weak demand in our industry.

As I informed you a year ago, we have continued our path of international expansion by opening a small production site in China. Production began in June, and we are pleased with how things are progressing in this distant outpost. Of course, the level of sales is not yet satisfactory, but China is the biggest market in the world for gas cookers, so it is one of our priorities. Even though there are some signs of a slowdown in the Chinese economy, Sabaf's potential remains intact and is actually probably improving due to the increased cost of labour, which on one hand causes difficulties for our local competitors, and on the other raises the buying power of households and demand for higher quality products. Now we must redouble our sales push so that we can achieve revenues that are befitting of our strategic positioning.

In 2015, we also seriously considered a possible acquisition in the American market in order to accelerate our level of growth there as well. However, levels of quality among the local competition was frankly very far from our standards, so we decided not to make any acquisitions. Even so, our level of interest remains unchanged and we are looking at investing in a new production facility in Mexico or the United States. This facility would complete our international presence, meaning we could meet demand in every continent.

Even as we achieve a truly global reach, I think that the time has come for Sabaf to take a new direction. Our industry becomes more difficult every day: the concentration of our customers, significant price pressure, and a global situation in which the highest demand comes from areas of great instability means, to my mind, that we need to expand our range of products and services. Of course, the clear focus on our core business will remain, but inorganic growth is also an opportunity that we should explore. I am thinking especially of niches adjacent to our own, where we would exploit the technical expertise we have built up over decades and the business relationships developed with a great many contacts in every corner of the planet.

In contrast to 2015, the year 2016 has begun very slowly: demand is weak in all areas, with the exception of North America. Yet we will not stop investing, bringing down costs, launching new products, and winning new customers. All of this will bring fruit in due course, but by no means within a single quarter. For us, in any case, short-term results have always been secondary to results that will last and create sustainable growth.

We have added to our numerous certifications (ISO 9001, ISO 14001, SA 8000) in 2015 by achieving ISO 50001 energy certification. The quality of our products, the protection of the environment and the health and safety of our staff are now further improved by the best possible use of energy sources, in what is a virtuous and self-perpetuating cycle. Certifications are not trophies to be displayed, but tools to help us work better and with greater discipline. I would therefore like to thank my colleagues who worked so hard to achieve this important recognition.

Thank you.
Alberto Bartoli

INTRODUCTION TO THE ANNUAL REPORT

Sabaf's progress towards Integrated Reporting

The publication of Sabaf's Annual Report, in its eleventh 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 in this regard at an 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 be followed 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.

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 2015, prepared according to the G4 Sustainability Reporting Guidelines defined by the Global Reporting Initiative (GRI) in 2013, and include the indicators laid down for the option of "Core" reporting.
The Annual Report also refers to the AA 1000 (AccountAbility 1000) standards issued by AccountAbility, as regards the social reporting process and 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, comparability, accuracy, timeliness, reliability, clarity and balance).
The reporting scope of the annual report corresponds to that of the consolidated financial statements.
Any exceptions are indicated as appropriate in the document.
For 2015, the reporting scope was extended to Sabaf Appliance Components (Kunshan) Co. Ltd. China.

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 2015.

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 22 March 2016 and presented to shareholders at the Annual General Meeting held on 28 April 2016.

Sabaf's sustainability reporting: the expert view

This year Sabaf launched survey to gather opinions from academia about the sustainability section in the Annual Report. Feedback was collected through telephone interviews with lecturers in business economics and corporate social responsibility at the universities of Brescia, Verona and Ca' Foscari. The result was very positive overall. The document was seen as clear and comprehensive both in terms of presentation and content, above all thanks to its "concise but to the point" approach, which remains aligned with the GRI G4 Sustainability Reporting Guidelines and provides a good balance of qualitative and quantitative information.

It is an example of sustainability reporting used to teach students about best practices in the sector. The industry comparisons were much appreciated and made the sustainability report stand out from the others. In fact, the report's disclosures are more transparent than the average; they offer a comparison with industry indexes and previous years' results, indicators on intangible fixed assets, clear reporting on indicators on the remuneration of men and women and parental leave, and a detailed representation of information flows within the Governance unit.

Sabaf's efforts to comply with IIRC (International Integrated Reporting Council) standards were highlighted. The integrated representation of the business model and structure by capital – which were personalised and adapted to Sabaf's business – are hallmarks of the Group's move towards an Integrated Report.

The survey also highlighted a number of ways to improve for the future. For example, the importance of including a future outlook in reports – including both short- and medium-term objectives – was underlined. In addition, to complete the transition to an integrated report, it was suggested that we should examine and quantify how the different capital types interact in the value-creation process and transpose the results of this analysis into the report, increasing the connection between material aspects and the risks faced by Sabaf and reflecting this in the sustainability disclosures, thereby providing a comprehensive overview of Sabaf's economic, social and environmental impacts.

Analysis of materiality

The GRI-G4 guidelines stipulate that the contents of the Annual Report must be defined on the basis of a materiality analysis. In accordance with GRI-G4 requirements, in 2014 Sabaf began working with company management to identify material (significant) issues to include in the Annual Report. In other words, material issues are those:

- of significant financial, environmental or social impact for Sabaf's business;
- 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 material issues remained unchanged for 2015.

In the identification of material issues, the following aspects are considered to be preconditions for operation, 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.

For further details on the methodology used for the material analysis, see page 7 of the 2014 Annual Report.

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
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 longterm 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 adheres to the
CECED Code of Conduct

Sabaf has adopted 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 **equitable**. The Code aims to promote 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 implementing decent working conditions 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 2015 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 SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED 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 SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE 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)

SABAF

FINANCIAL CAPITAL

		2015	2014	2013
SALES REVENUES	€/000	138,003	136,337	130,967
EBITDA	€/000	26,172	25,952	24,572
OPERATING PROFIT (EBIT)	€/000	14,091	13,175	11,132
PRE-TAX PROFIT	€/000	13,474	12,157	9,811
NET PROFIT	€/000	8,998	8,338	8,104
WORKING CAPITAL	€/000	48,163	45,844	41,241
CAPITAL EMPLOYED	€/000	136,948	137,671	134,681
SHAREHOLDERS' EQUITY	€/000	111,040	110,738	117,955
NET FINANCIAL DEBT	€/000	25,908	26,933	16,726
ROCE (RETURN ON CAPITAL EMPLOYED)	%	10.3%	9.6%	8.3%
DIVIDENDS PAID OUT	€/000	4,613	16,146[1]	3,911

1 On 12 November 2014, shareholders were paid an ordinary dividend of €1.00 per share (total dividends of €11,533,000).

NET PROFIT €/000

HUMAN CAPITAL

AVERAGE AGE OF EMPLOYEES

(sum of age of employees/total employees at 31/12)

YEARS
37.7
37.2
36.6

LEVEL OF EDUCATION

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

%
55.7
54.4
54.5

STAFF TURNOVER

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

%	%
25.1	18.9
11.9	20
11.3	4.7

HOURS OF TRAINING PER EMPLOYEE

(hours of training/average no. of employees)

HOURS
17.5
14.4
18

INVESTMENT IN TRAINING/REVENUE

%
0.33
0.31
0.45

HOURS OF INDUSTRIAL ACTION FOR INTERNAL CAUSES

N°
0
0
0

TOTAL EMPLOYEE HEADCOUNT

N°	%	%
759	65.1	34.9
726	64.9	35.1
730	65.2	34.8

SICKNESS RATE

(sick leave hours/total workable hours)

%
2.93
2.88
2.88

ACCIDENT FREQUENCY INDEX

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

13.73
11.08
12.99

ACCIDENT SEVERITY INDEX

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

0.40
0.39
0.22

JOBS CREATED

(lost)

N°
33
(4)
5

RELATIONAL CAPITAL

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

€/000

4,010
4,284
4,519

10,000

VALUE OF OUTSOURCED GOODS & SERVICES
other processing

€/000

3,502
3,672
5,606

10,000

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

%

0.57[2]
0.07
0.04

1

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

€/000

416
464
445

500

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

%

1.24
1.02
0.33

2

% WEIGHTING OF TOP 10 CUSTOMERS

%

48
47
46

100

% WEIGHTING OF TOP 20 CUSTOMERS

%

68
70
70

100

CUSTOMER COMPLAINTS

N°

320
291
249

500

CERTIFIED SUPPLIER SALES
(certified supplier sales/sales)

%

50.1
54.7
53.9

100

NUMBER OF FINANCIAL ANALYSTS FOLLOWING SABAF STOCK ON AN ONGOING BASIS

N°

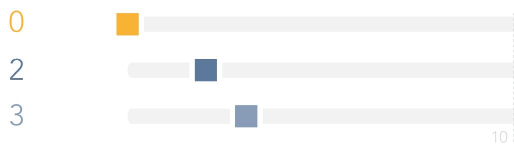
2
2
2

10

2 N 2015, the Group received a significant charge from a customer following the discontinuation of production resulting in a quality issue with the delivery of one of our components.

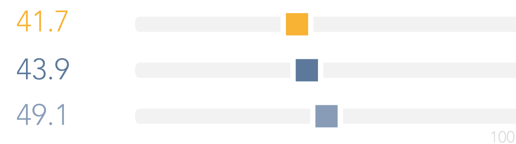
LAWSUITS ACTIONED AGAINST GROUP COMPANIES

N°



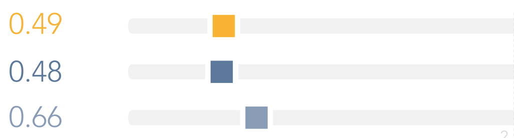
% OF SUPPLIER SALES IN PROVINCE OF BRESCIA

%



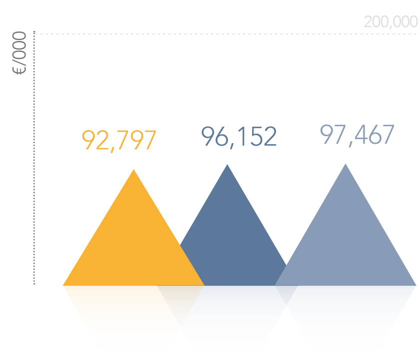
DONATIONS/NET PROFIT

%

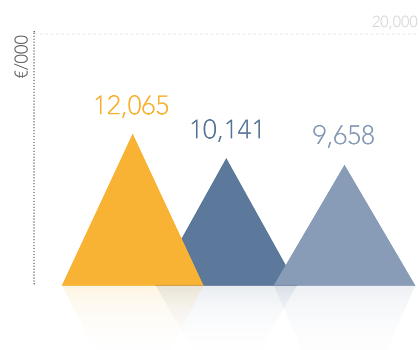


PRODUCTIVE CAPITAL

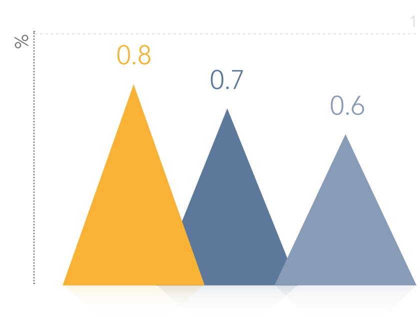
TIED-UP CAPITAL



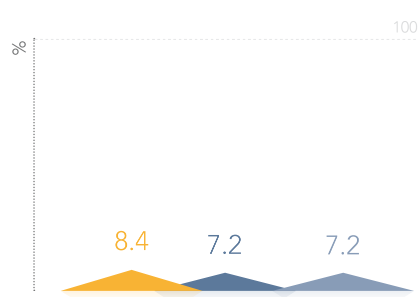
TOTAL NET INVESTMENTS



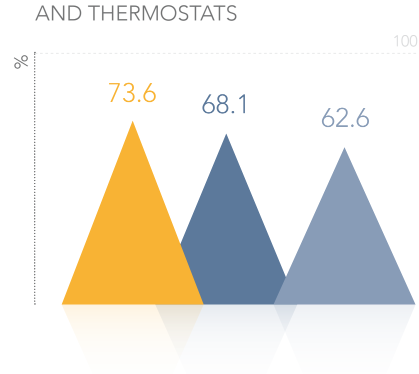
IT BUDGET (capital expenditure + current expenses) / SALES



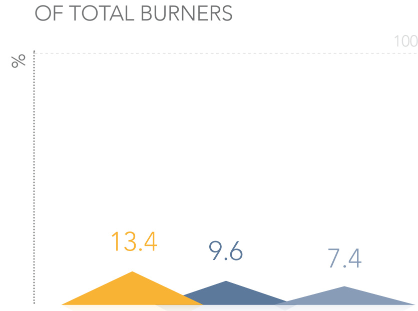
CAPITAL EXPENDITURE
ON TANGIBLE ASSETS/SALES



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



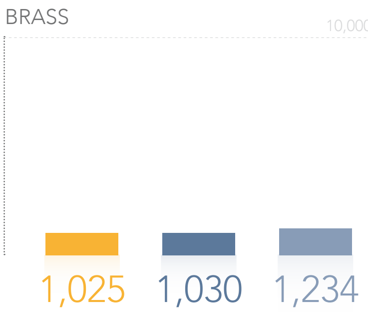
AMOUNT OF HIGH ENERGY
EFFICIENCY BURNERS SOLD OUT
OF TOTAL BURNERS

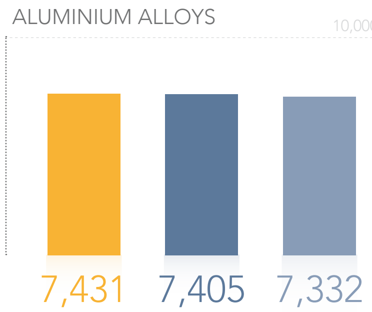


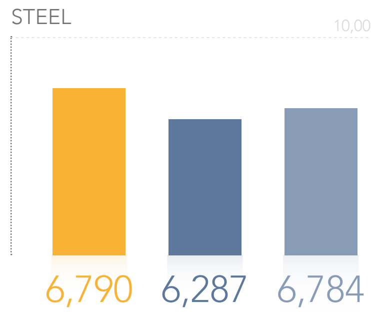
Key 2015 2014 2013 CHANGE

ENVIRONMENTAL CAPITAL

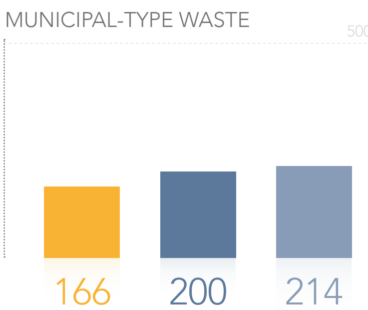
MATERIALS USED (t)

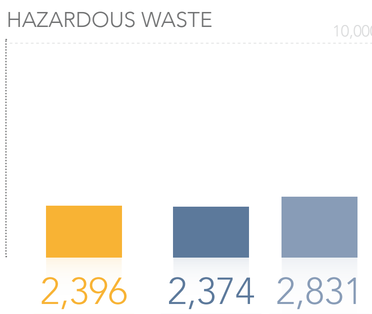


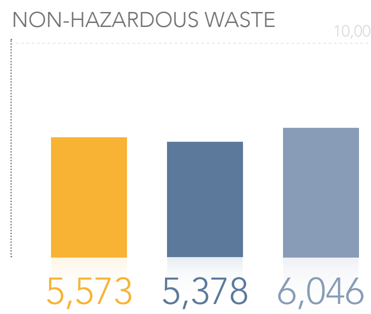


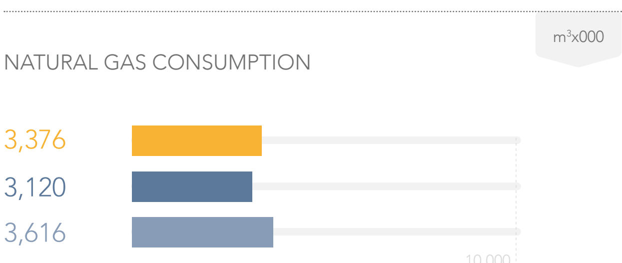


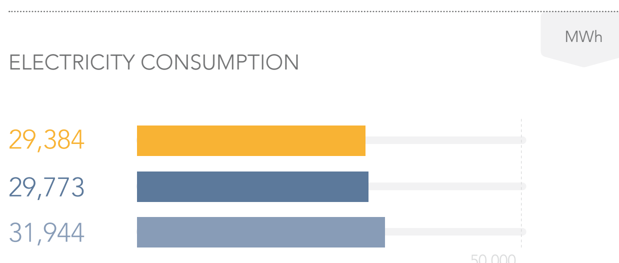
WASTE (t)

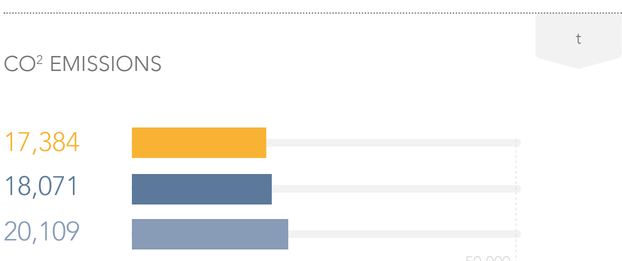


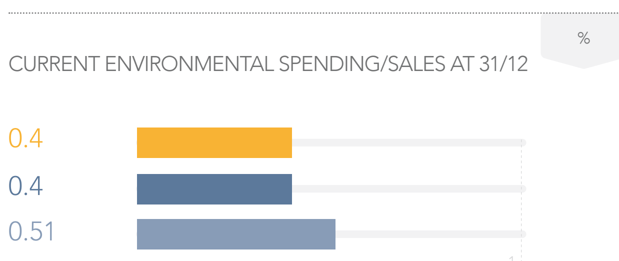


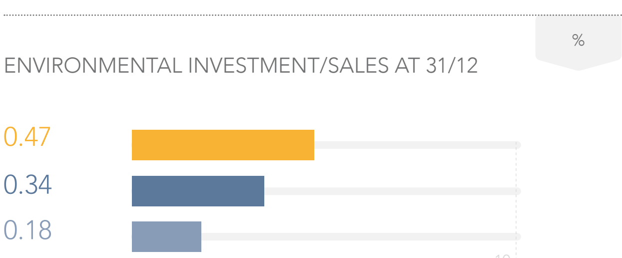


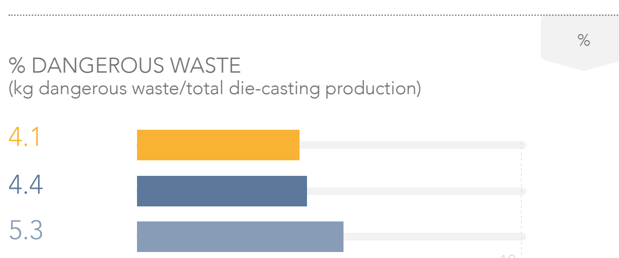












INTELLECTUAL CAPITAL

	Unit	2015	2014	2013
INVESTMENTS IN RESEARCH & DEVELOPMENT	€/000	297	341	368
HOURS SPENT ON NEW PRODUCT DEVELOPMENT/TOTAL HOURS WORKED	%	1.4	1.8	1.9
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)	%	3.0	2.0	2.0
CAPITAL EXPENDITURE ON INTANGIBLE ASSETS/SALES	%	0.6	0.5	0.4
CURRENT EXPENSES FOR QUALITY/SALES	%	0.19	0.11	0.14
CAPITAL EXPENDITURE FOR QUALITY/SALES	%	0.05	0.08	0.07
VALUE OF REJECTS/SALES (production rejects/sales)	%	1.22	1.25	1.13
% QUALITY COSTS/SALES (production rejects + customer charge-backs and returns/sales)	%	1.80[3]	1.31	1.18
NUMBER OF SAMPLES PRODUCED FOR CUSTOMERS	N°	1,069	1,143	1,109
NUMBER OF DIFFERENT PRODUCT SKUS (stock-keeping units) supplied to top 10 customers	N°	2,895	2,770	2,176

3 See note 2.

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, investors, shareholders, the public administration and the community (external donations).

IN THOUSANDS OF EURO	2015	2014	CHANGE
ECONOMIC VALUE GENERATED BY GROUP	**142,648**	**140,022**	**2,626**
Revenue	138,003	136,337	1,666
Other income	3,689	3,722	(33)
Financial income	67	61	6
Adjustments	1,230	989	241
Allowances for doubtful accounts	(356)	(115)	(241)
Foreign exchange loss (gain)	(89)	119	(208)
Income/expenses from sale of tangible and intangible fixed assets	104	63	41
Adjustments to tangible and intangible fixed assets	0	(548)	548
Gains/ losses from equity investments	0	(606)	606
ECONOMIC VALUE DISTRIBUTED BY THE GROUP	**126,098**	**123,907**	**2,191**
Remuneration of suppliers	83,844	82,663	1,181
of which environmental costs	*559*	*547*	*12*
Employee compensation	32,526	32,180	346
Remuneration of lenders	596	592	4
Shareholder earnings	4,613	4,613	0
Remuneration of public administration [4]	4,475	3,819	656
External donations	44	40	4
ECONOMIC VALUE RETAINED BY THE GROUP	**16,550**	**16,115**	**435**
Amortisation/depreciation	12,185	12,292	(107)
Provisions	49	124	(75)
Use of provisions	(69)	(26)	(43)
Reserves	4,385	3,725	660

Key 2015 2014 2013 CHANGE

4 Includes deferred taxes.

CHAPTER 1

BUSINESS MODEL AND STRATEGIC APPROACH

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.

SABAF

INPUT

FINANCIAL CAPITAL

- Net financial debt **€25,908,000**
- Shareholders' equity **€111,040,000**
- Market capitalisation at 31 December/shareholders' equity **1.19**
- Capital employed **€136,948,000**

HUMAN CAPITAL

- **759** employees
- Investment in training/sales **0.33%**
- Level of education: university and high school graduates **55.7%**
- Hours of training per employee **17.5**

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 **+1.2%**
- EBITDA as a percentage of sales **19%**

HUMAN CAPITAL

- No. of new-hires **209**
- Staff turnover **22.92%**
- Strike hours/working hours **0.05%**
- Accident frequency index **13.73**
- Accident gravity index **0.40**

INPUT

RELATIONAL CAPITAL

- Sales deriving from top 10 customers **48%**
- No. of customers **288**
- Purchases from suppliers in the province of Brescia **41.7%**

PRODUCTIVE CAPITAL

- Production sites **4**
- Capital expenditure/sales **8.4%**
- Value of tangible assets **€92,797,000**

ENVIRONMENTAL CAPITAL

- Brass **1,025t**
- Aluminium alloys **7,431t**
- Steel **6,790t**
- Electricity consumed **29,384MWh**
- Natural gas consumed **3,376,000m³**
- Water used **89,081m³**

INTELLECTUAL CAPITAL

- Hours spent on product development/total hours worked **1.4%**
- Hours spent on process engineering/total hours worked **3%**

DISTINGUISHING FACTORS

Internal and vertical production of:

components and products
+
machinery, tools and presses based on specific know-how

PRODUCTS

Valves and thermostats
Burners
+
Hinges
Accessories

OUTPUT

RELATIONAL CAPITAL

- Average sales per customer **€416,000**
- Customer complaints **320**
- Lawsuits actioned against Group companies **0**
- Donations/net profit **0.49%**
- No. of samples produced per client **1,069**

PRODUCTIVE CAPITAL

- Burners sold
  No. of pieces **33,936,738**
- High-efficiency burners **13.4%**
- Valves and thermostats sold
  No. of pieces **20,785,285**
- Valves and thermostats sold in light alloy **73.6%**

ENVIRONMENTAL CAPITAL

- Ton. dangerous waste/total die cast parts **4.1%**
- CO_2 emissions **17,384t**

INTELLECTUAL CAPITAL

- No. of patents **31**
- No. of codes supplied to top 10 customers **2,895**
- % of current spending on quality/sales **0.19%**

Strategic approach and value creation

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

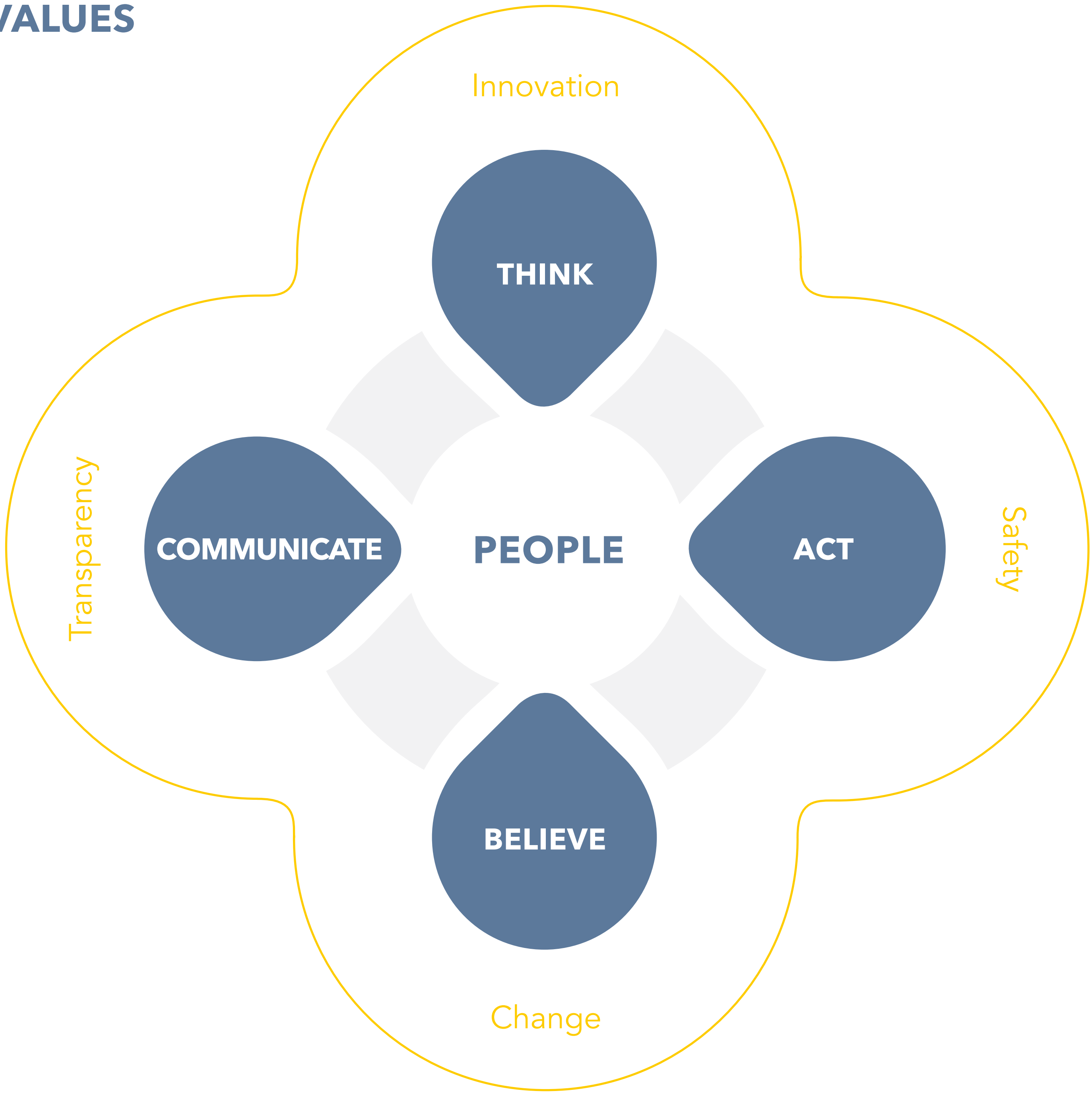
Values, vision and mission

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 ambit 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 in synergy with know-how in the development and production of our products.

Investments in innovation have enabled the Company to become a global leader in an extremely specialised niche market and, over time, to achieve high standards of technological advancement, specialisation and manufacturing flexibility. The manufacturing sites in Italy and abroad are designed to ensure that products are based on the highest technological standards available today. They are a cutting-edge model in terms of both environmental protection and worker safety.

Eco-efficiency

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

Safety

Safety has always been one of the indispensable features of Sabaf's business model.

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

Establishment in international markets

Sabaf is continuing to expand by becoming established in international markets, seeking to replicate its business model in emerging countries and adapting it to the local culture.

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

Expansion of the component product line and partnership with multinational groups

Ongoing expansion of our range is intended to further increase our customers' loyalty via greater satisfaction of their needs. Its ability to offer a complete range of components further distinguishes Sabaf from its competitors.

This expansion is mainly pursued via in-house research, although possible strategic alliances with other leading players in the sector or acquisitions, even in related sectors, are not ruled out.

The Group intends to further consolidate its collaborative relationships with customers and to strengthen its positioning as sole supplier of a complete product range in the cooking components market, thanks to its ability to tailor its production processes to customers' specific requirements.

Enhanced exploitation of intangible assets and intellectual capital

Enhanced exploitation of intangible assets is essential to be able to compete effectively in the international market.

Sabaf carefully monitors and enhances the value of its true "intangible assets", i.e. the great technical and professional skill of the 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. 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 "Governance, Risk Management, Compliance and Remuneration"**.

STAKEHOLDER ENGAGEMENT

Sabaf is committed to constantly strengthening the social value of its business activities through the careful management of its relations with stakeholders. The Company intends to establish an open and transparent dialogue, promoting opportunities for discussion in order to find out their legitimate expectations, increase their confidence in the Company, manage risks and identify new opportunities.
The identification of stakeholders is an essential starting point for the definition of socio-environmental reporting processes. The "stakeholder map" shows Sabaf's main stakeholders, identified according to their business features, typical market characteristics and the intensity of Sabaf's relations with them.

The Annual Report is the key communication tool for the presentation of economic, social and environmental performance over the year.

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

CHINA

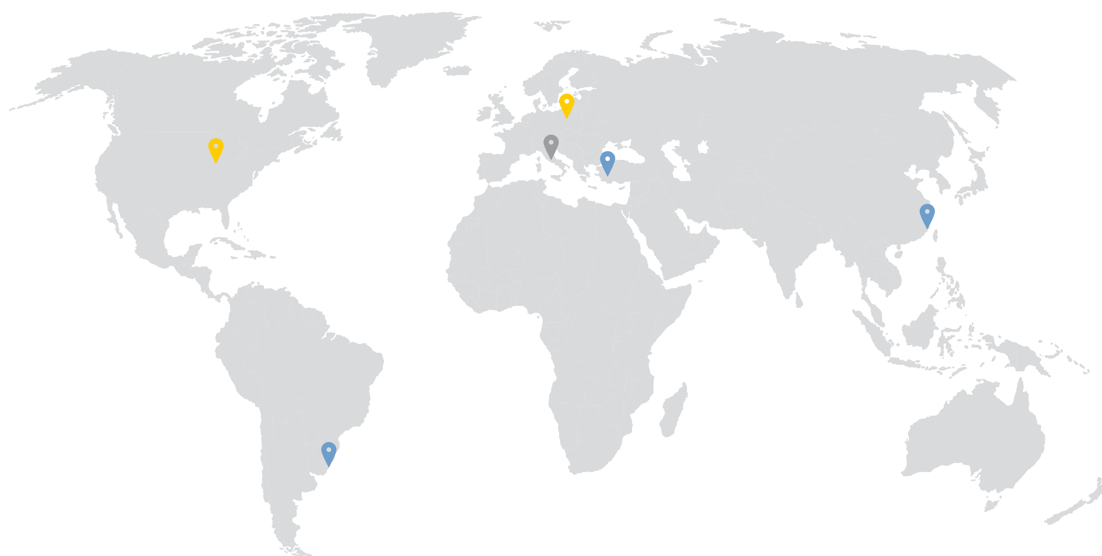
SABAF®

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

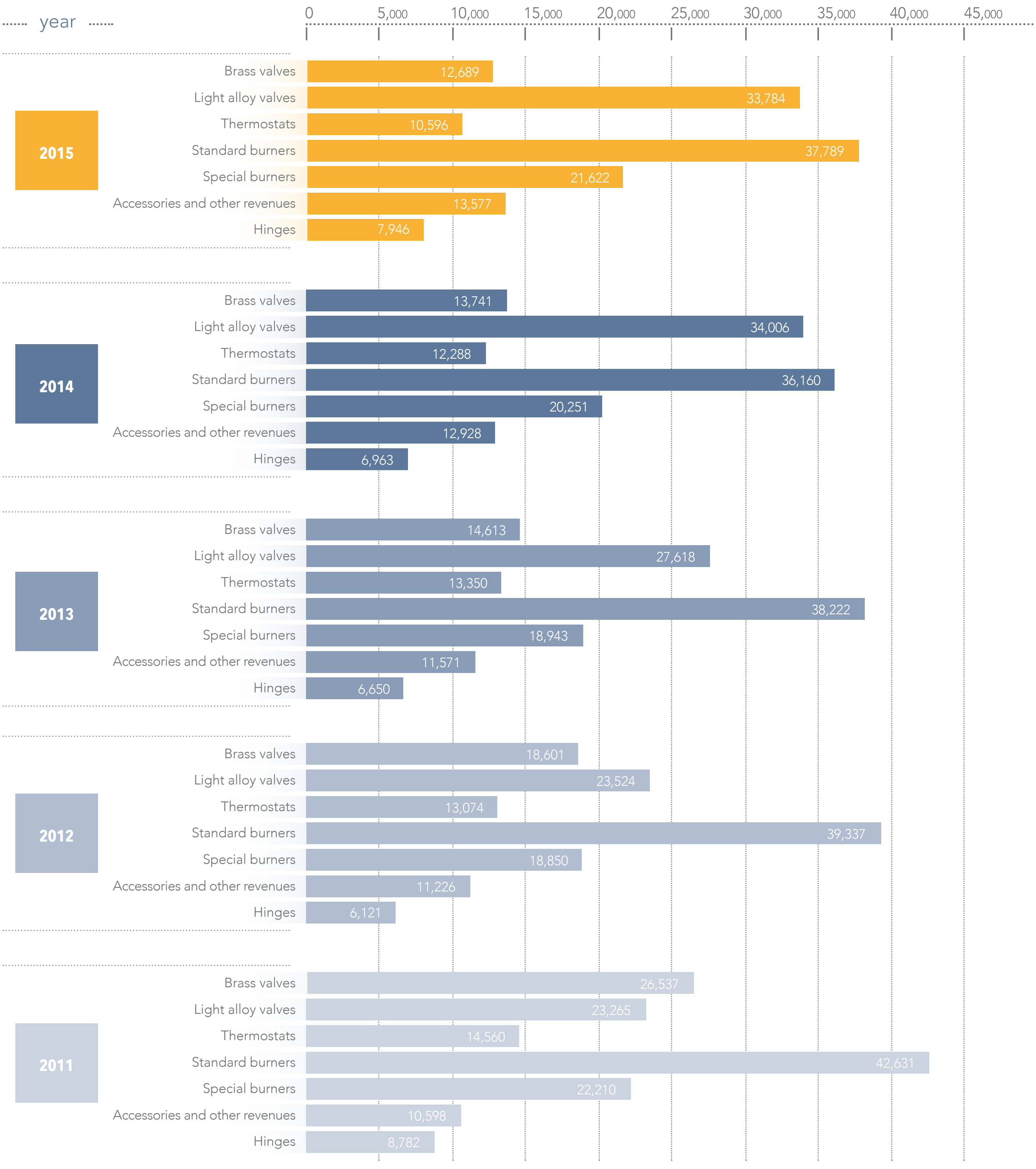
These are the components that allow a smooth and balanced movement of oven, washing-machine or dishwasher doors when they are opened or closed.

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

138,003 136,337 130,967 130,733 148,583

INTERNATIONAL DEVELOPMENT OF SABAF: CHALLENGES AND OPPORTUNITIES

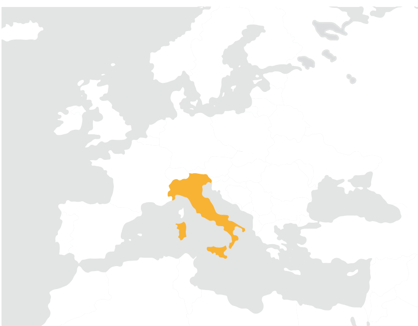
Sales by geographical area

€/000

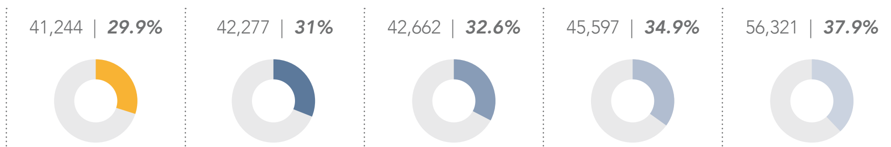
ANALYSIS OF SCENARIO

PERFORMANCE DATA

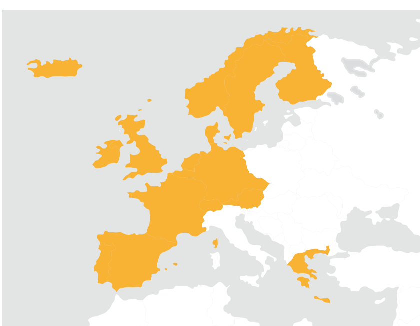
Italy



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.

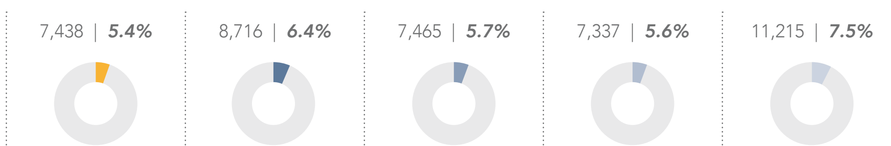


Western Europe



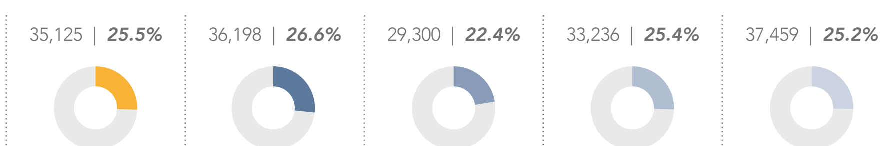
The production of household appliances has also been heavily cut in Western Europe in recent years: some manufacturers have closed down, others have re-located (in particular in Poland and Turkey).

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



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.



Key: 2015 | 2014 | 2013 | 2012 | 2011

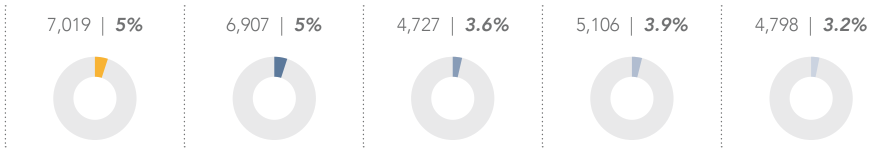
ANALYSIS OF SCENARIO

PERFORMANCE DATA

Asia and Oceania

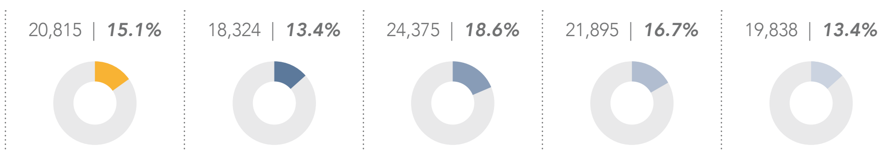
China produces around 26 million hobs per year, making it the biggest market in the world.
After many years of having just a commercial presence in China, in 2015 Sabaf began manufacturing a special burner that guarantees efficiency savings of 63% for built-in hobs and ovens.
The Group knows that it is making high-quality products that are more competitive than local competitors' offerings and is aiming to seal long-term partnerships with the main Chinese manufacturers of hobs.

Another high-potential market is India, where Sabaf has developed a dedicated range of burners and is seeing consistently rising sales, albeit still at modest levels overall.



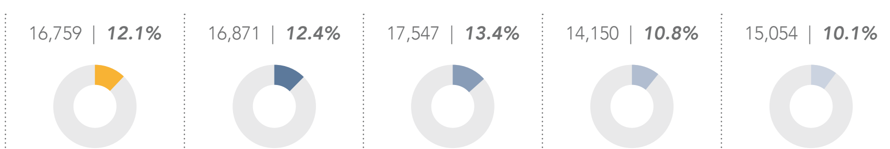
Central and South America

For its future development Sabaf can rely on its solid **presence, including production facilities**, (a plant in Brazil has been operational since 2001). Despite the difficulties in the Brazilian market over the last two years, the Sabaf Group believes that the potential for expansion in this area are still extremely attractive given the significant market size and demographic growth trends.



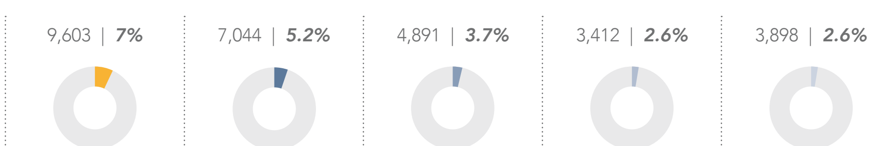
Middle East and Africa

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 the Middle East and North Africa represent the key to possible market opportunities, despite difficulties relating to the current political situation in some of the major countries.
The normalisation of commercial relations with Iran, following the lifting of sanctions from the start of 2016, opens the way to a strong sales recovery in a market where Sabaf has a historic presence and an excellent reputation.



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. The Group is assessing the opportunity of a direct production presence to serve all segments of the market competitively.



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

TURKEY

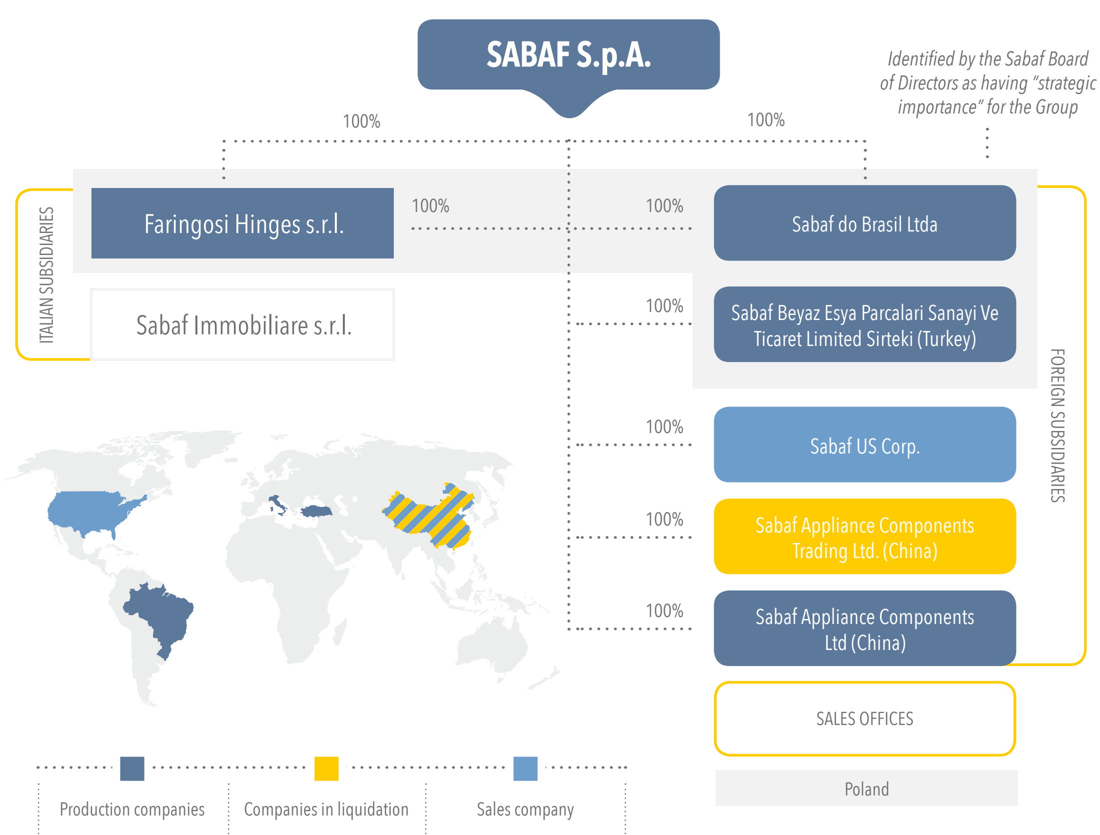
SABAF®

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 (with 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 create value for shareholders and other stakeholders.
As a further step along this path, Sabaf's management believes that ethics aimed at creating value and founded on the centrality of the individual and respect for common values can guide decision-making that is 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 the governance tool through which the Board of Directors clearly explains the Company's values, standards of conduct and commitments in respect of all stakeholders – shareholders, employees, customers, suppliers, investors, 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 highlights 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 November 2015 and based on the 2014 Corporate Governance reports (available on 15 July 2015) of 228 listed Italian companies, of which 93% (212 companies) have formally chosen to adhere to the Corporate Governance Code. The benchmark used below takes into account a panel of only "non-financial" companies, where available. A further comparison is provided of the composition and functioning of the Board of Directors, using data from the Italia Board Index Observatory 2015, published by Spencer Stuart, which analyses the characteristics and functioning of the Boards of Directors of the top 100 (industrial and financial) listed companies in Italy in order of capitalisation as at 16 March 2015, as well as a comparison with major European and non-European countries.
The information below is a summary and does not replace the "Report on Corporate Governance and Ownership Structures", prepared by the Issuer pursuant to article 123-bis of the Consolidated Law on Finance (TUF) for 2015 and available in the Investors/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:
- the 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 subsidiary Sabaf US is a sales branch.

c) The subsidiary Sabaf Appliance Components Trading (China) went into liquidation in 2015.

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 By-laws;

- ***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;

- ***Board of Directors***, in charge of company administration and management of Company operations;

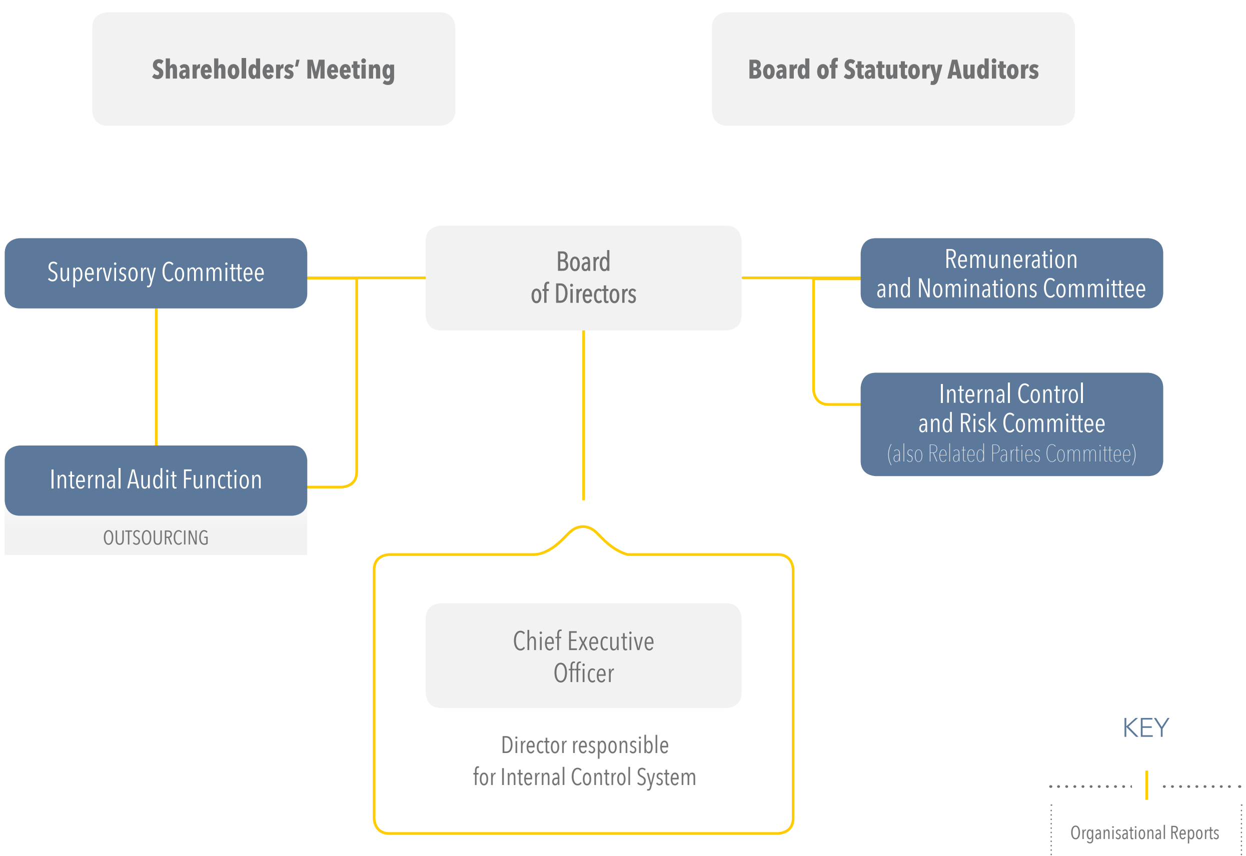
This model is supplemented, pursuant to the provisions of the Corporate Governance Code to which the Company adheres, by:

a) board-level committees established when the bodies are renewed by the Board of Directors, each with responsibility for making proposals or providing consultancy on specific topics and having no decision-making powers:
   - ***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 as well as those relating to the appointment and composition of the supervisory bodies indicated by the Code;

b) the ***Internal Audit Function***, 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 by Sabaf in 2006 of the Organisation, Operation and Control Model pursuant to Legislative Decree 231/2001.

The Governance structure



BOARD OF DIRECTORS

The Board of Directors currently has 11 members, 5 of whom are non-executive and independent, of whom one was chosen by the minority shareholders (consistent with 39% of the sample analysed by Assonime in 2015).

COMPOSITION OF THE BOARD OF DIRECTORS

Giuseppe Saleri
Chairman

Founder of Sabaf, of which he acquired full ownership in 1993.
Promoter of its listing on the stock exchange in 1998.

Ettore Saleri
Vice Chairman

Member of the Saleri family. Began his career at Sabaf in 1994. He later left the operational side of the business and helps manage the Group's interests through the Holding company.
Vice Chairman since 2009.

Cinzia Saleri
Vice Chairman

Member of the Saleri family. Helps manage the Group's interests through the Holding company. Appointed Vice Chairman of Sabaf S.p.A. in 2012.

Roberta Forzanini
Vice Chairman

Member of the Saleri family. Civil lawyer at the Court of Brescia, registered since 2000. Appointed Vice Chairman of Sabaf in May 2015.

Alberto Bartoli
Chief Executive Officer

Chartered accountant. Has roles of increasing responsibility in a number of industrial groups. At Sabaf since 1994 as Administration, Finance and Control Director. Appointed CEO in 2012.

Gianluca Beschi
Executive Director

Chartered accountant. Working at Sabaf since 1997 as Investor Relations Manager, Operational Control Manager and Head of Internal Control. Appointed Administration, Finance and Control Director in 2012.

Giuseppe Cavalli
Director

A mechanical engineer, he has held directorships at a number of Italian white goods manufacturing companies. Currently General Manager of the Alfa Acciai Group.

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. At Sabaf he is the Lead Independent Director.

Fausto Gardoni
Director

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

Nicla Picchi
Director

A graduate in Law, now Partner at Studio Picchi & Associati, where he practises as a lawyer. With Sabaf since 2006, he is also the Chairman of the Supervisory Committee (pursuant to Legislative Decree 231) of Sabaf S.p.A. and of the subsidiary Faringosi-Hinges. Since 2015, he has been Chairman of the Control and Risk Committee.

Anna Pendoli
Director

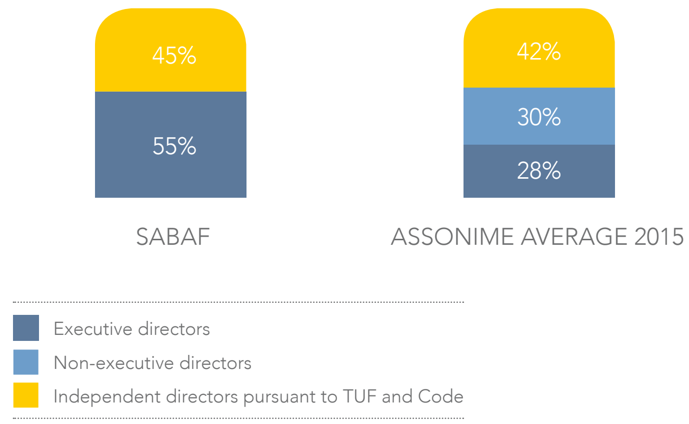
Real estate broker. Appointed from the minority lists as an Independent Director of Sabaf in May 2015.

The Board of Directors currently has 11 members, 5 of whom are non-executive and independent, of whom one was chosen by the minority shareholders (consistent with 39% of the sample analysed by Assonime in 2015).

ROLE	NAME
Chairman	Giuseppe Saleri
Vice Chairman	Ettore Saleri
Vice Chairman	Cinzia Saleri
Vice Chairman	Roberta Forzanini
Chief Executive Officer	Alberto Bartoli
Executive Director	Gianluca Beschi
Director	Giuseppe Cavalli
Director	Renato Camodeca *Lead Independent Director*
Director	Fausto Gardoni
Director	Nicla Picchi
Director	Anna Pendoli

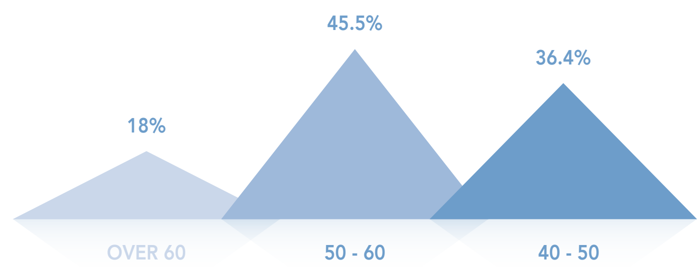
The curricula vitae of individual directors are available on the Company website.

Composition of the Board of Directors



Average age of Directors

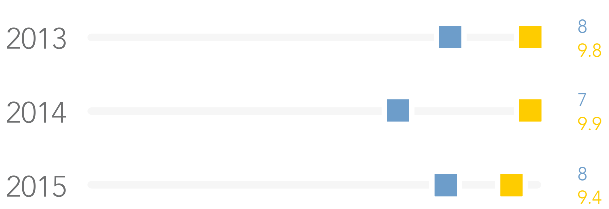
Average overall age: Sabaf 56 vs 57.5 Assonime



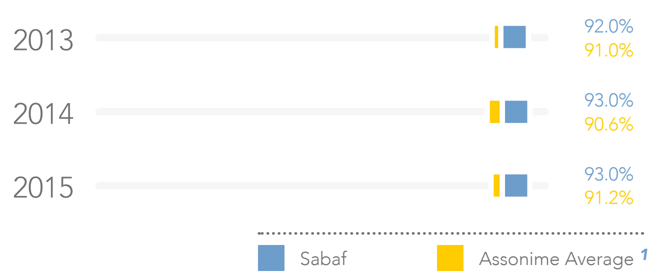
Observations

Around 45% of the serving Board members are aged between 50 and 60; the average age is in line with the average of the sample analysed by Assonime (56 vs. 57.5 years).
In the last three years the Board has met fewer times than the average of the sample analysed by Assonime (8 Sabaf BoD meetings in 2015) and with members' attendance always higher than 90%, which is in line with the other listed non-financial companies in the study (93% in 2015).
The meetings were attended by the Board of Statutory Auditors and – in turn – Sabaf executives, 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

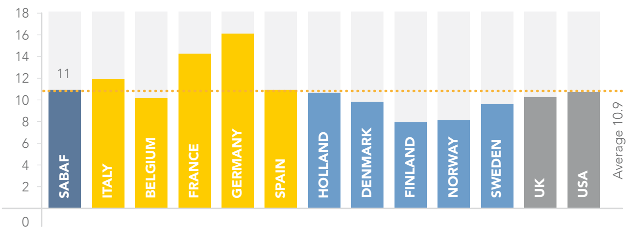


1 Assonime panel including financial companies.

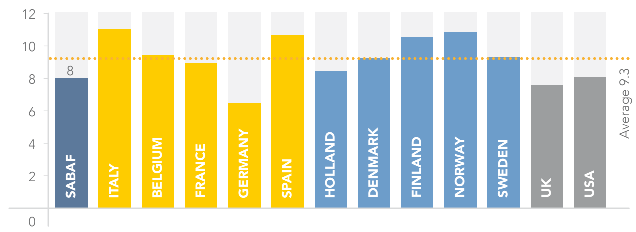
The comparison is made using data from the Italia Board Index Observatory 2015, published by Spencer Stuart, which analyses the characteristics and functioning of the Boards of Directors of the top 100 (industrial and financial) listed companies in Italy in order of capitalisation as at 16 March 2015, as well as a comparison with major European and non-European countries.

During the financial year, the Board of Directors carried out a review of the size, membership (including professional competences, managerial skills and seniority) and activities of the Board of Directors and its Committees, opting for self-assessment by individual directors, coordinated by the Lead Independent Director.
The results of the evaluation were generally positive and were discussed in the Board of Directors' meeting of 15 December 2015.

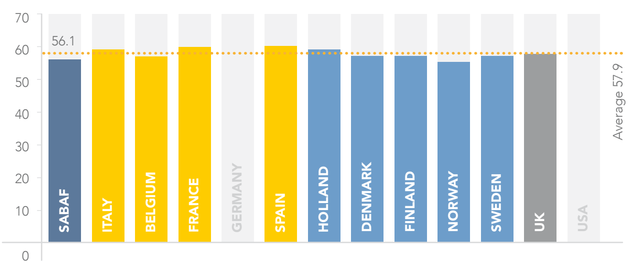
Average size of Boards of Directors



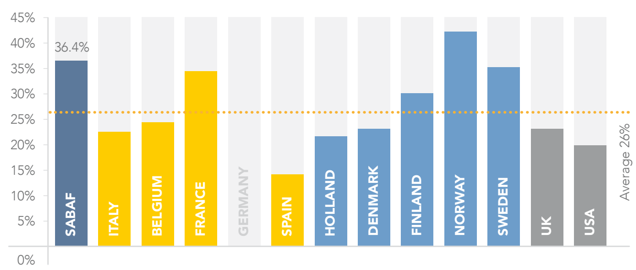
Average number of BoD meetings



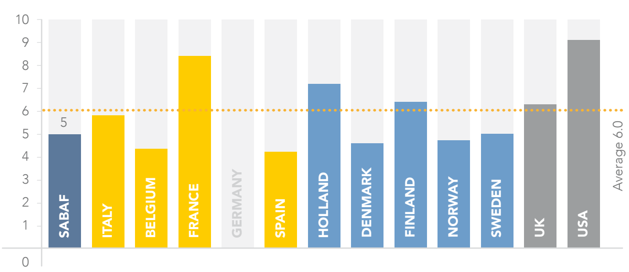
Average age of directors



% of women on BoD



Average number of independent directors



Sabaf
Southern Europe
Northern Europe
English-speaking countries

BOARD OF STATUTORY AUDITORS

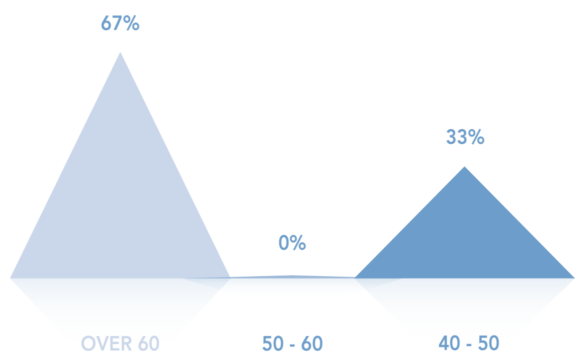
The Board of Statutory Auditors, appointed by the Shareholders' Meeting on 5 May 2015 for the period 2015-2017, has 3 members, with an average age of 64 (above the Assonime average of 57), and 2 alternate auditors. The Chairman of the Board of Statutory Auditors was chosen by the minority shareholders.

ROLE	NAME
Chairman	Antonio Passantino
Standing Auditor	Enrico Broli
Standing Auditor	Luisa Anselmi
Alternate Statutory Auditor	Paolo Guidetti
Alternate Statutory Auditor	Riccardo Rizza

The curricula vitae of individual auditors are available on the Company website.

Age of statutory auditors

Average overall age: **64 years**

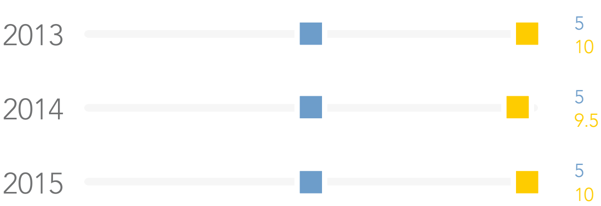


Observations

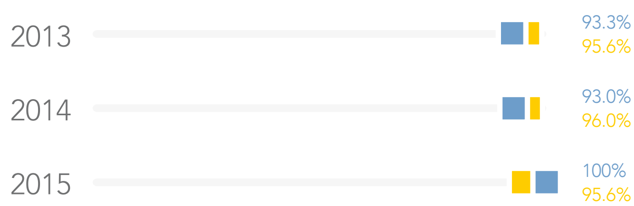
In the last three years, Sabaf's Board of Statutory Auditors has had fewer meetings than the average of the sample analysed by Assonime, which was affected by companies, other than Sabaf, experiencing difficulties and/or financial restructuring which therefore required greater involvement from the Statutory Auditors (10 meetings on average in 2015).

Members' attendance at the meetings was, on average, around 95% in the period 2013-2015 (100% in 2015), 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 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 [2]

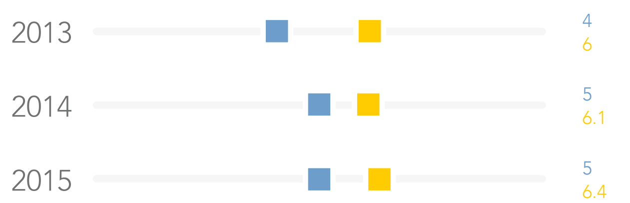
2 Assonime panel including financial companies.

CONTROL AND RISK COMMITTEE

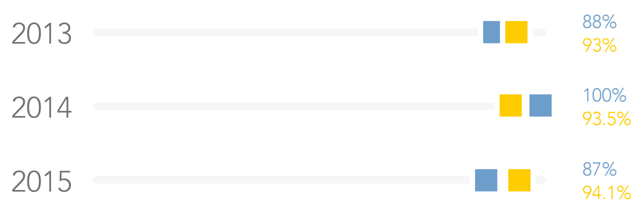
The serving Internal Control and Risk Committee, formed within the Board, is composed entirely of 3 non-executive and independent directors, in line with the Assonime average (3 members). The Committee has also been allocated the relevant functions of the Related Parties Committee.

ROLE	NAME
Chairman	Nicla Picchi
Member	Giuseppe Cavalli
Member	Renato Camodeca

Number of meetings



Average participation in meetings



Sabaf   Assonime Average [3]

Observations

The Committee met 5 times in 2015 (Assonime average: 6.4 meetings). In the last three years, the number of meetings was on average in line with the sample analysed by Assonime.

During the year the Committee updated the procedure on Related-Party Transactions, which was approved by the BoD at its meeting on 22 September 2015.

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.

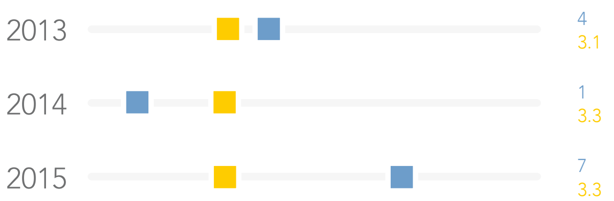
ROLE	NAME
Chairman	Fausto Gardoni
Member	Giuseppe Cavalli
Member	Renato Camodeca

Observations

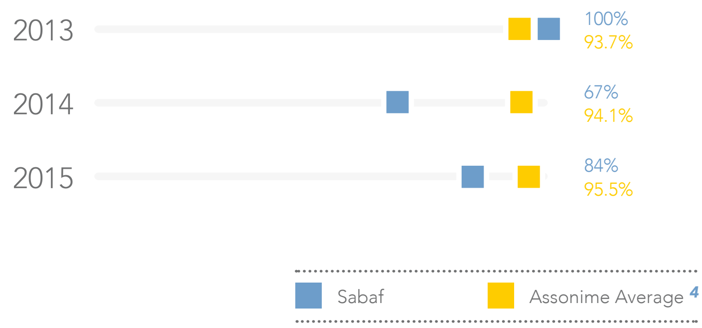
In the last three years the Committee has met more times than the Assonime average (except in 2014).
In particular, last year the Committee met 7 times, with the aim of updating the Remuneration Policy and drawing up the long-term incentive plan tied to the 2015-2017 Industrial Plan.

3 Assonime panel including financial companies.

Number of meetings



Average participation in meetings



INTERNAL AUDIT HEAD AND SUPERVISORY COMMITTEE

Internal Audit

On 5 May 2015, the Board of Directors, subject to the favourable opinion of the Control and Risk Committee and having heard the Board of Statutory Auditors, renewed the appointment of Protiviti S.r.l., an external company, to carry out the internal audit activity for the period 2015-2017, 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 on 8 May 2012 by the Board of Directors of Sabaf for the period 2012-2015), and subsequently renewed on 5 May 2015 for the period 2015-2017, comprises one non-executive and independent member and one external member.

ROLE	NAME
Chairman	Nicla Picchi
Member	Emma Marcandalli

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

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

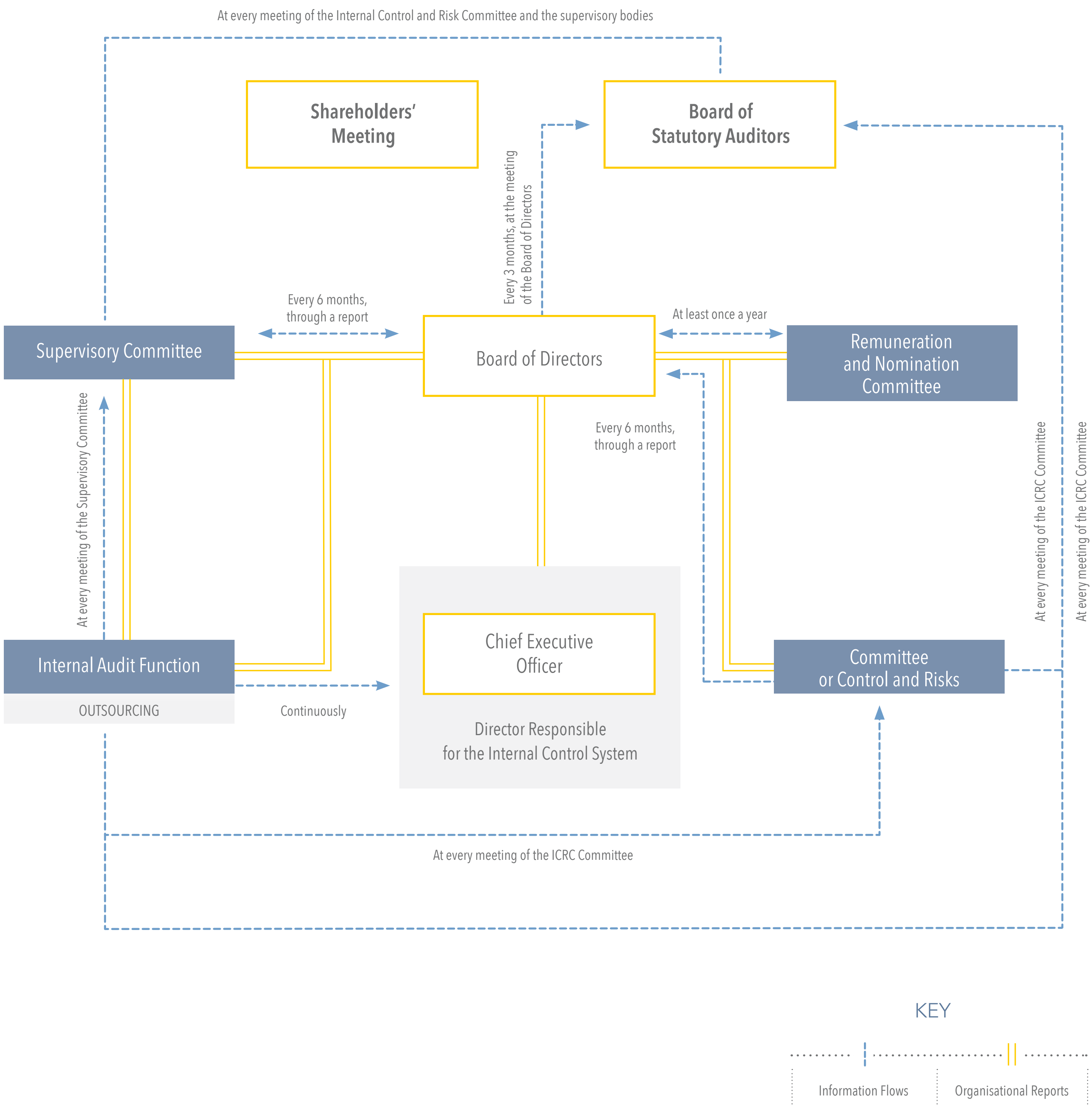
Sabaf's Supervisory Committee met 9 times in 2015, requesting the attendance of the Company's Management at the meetings in order to perform an in-depth review of specific topics.

4 Assonime panel including financial companies.

INFORMATION FLOWS

Sabaf's management and control model operates through a **network of information flows**, which are regular and systematic, between the various company bodies.
Each body, according to the time frames and procedures defined by the By-laws, 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

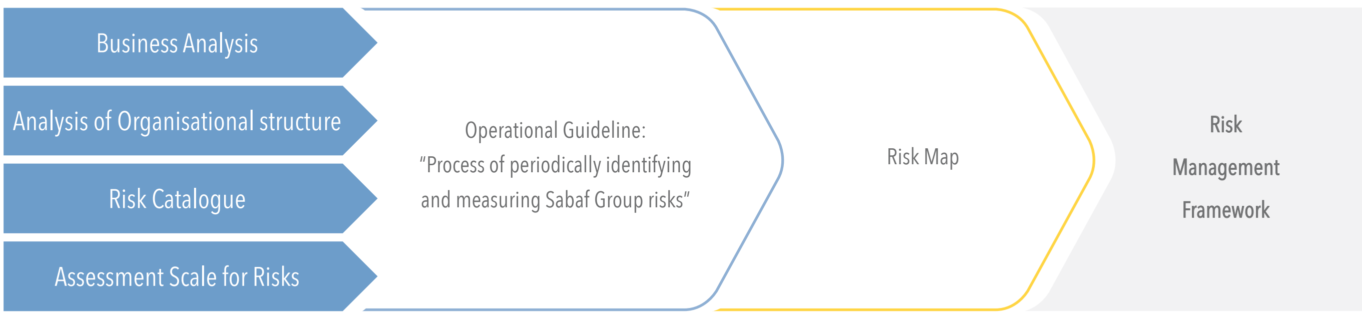


Risk Management

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		*Inadequate*	*To improve*	*Satisfactory (with limited room for improvement)*	*Excellent*

2015

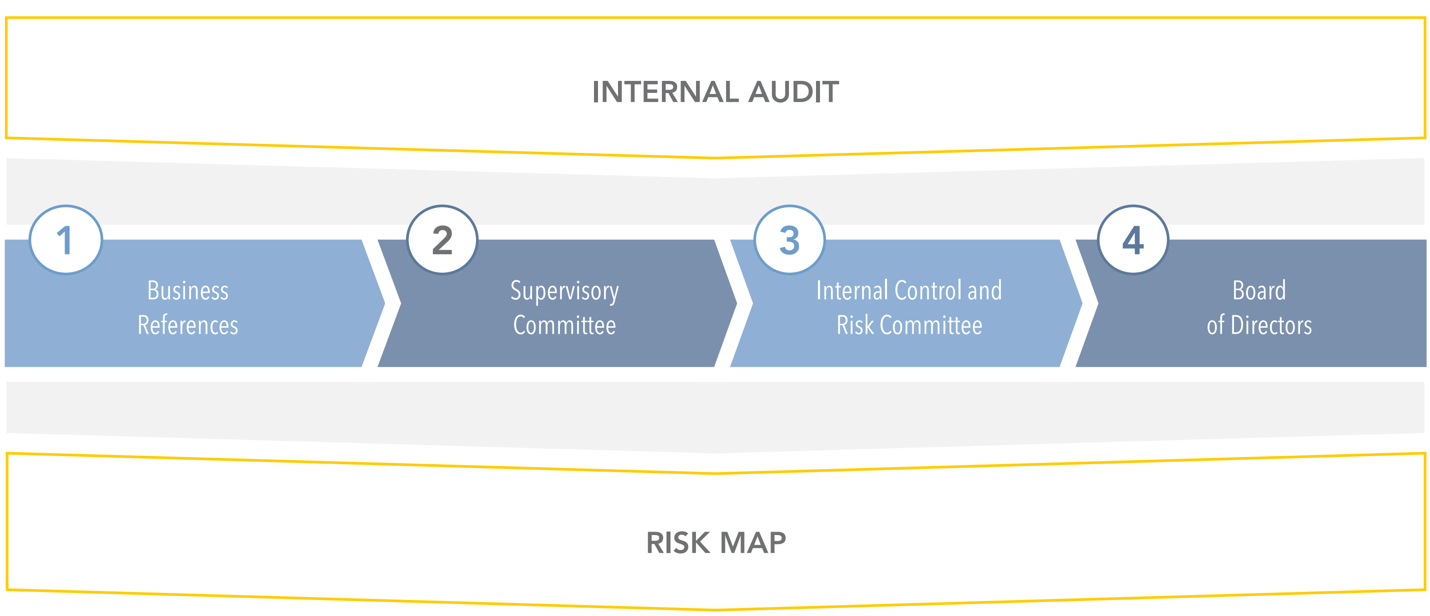
RESULTS

In the final quarter of 2015, the Internal Audit Function conducted the periodic risk assessment process to identify and assess Group risks, calling for the involvement of some Heads of Function at the Parent Company, according to their area of expertise:

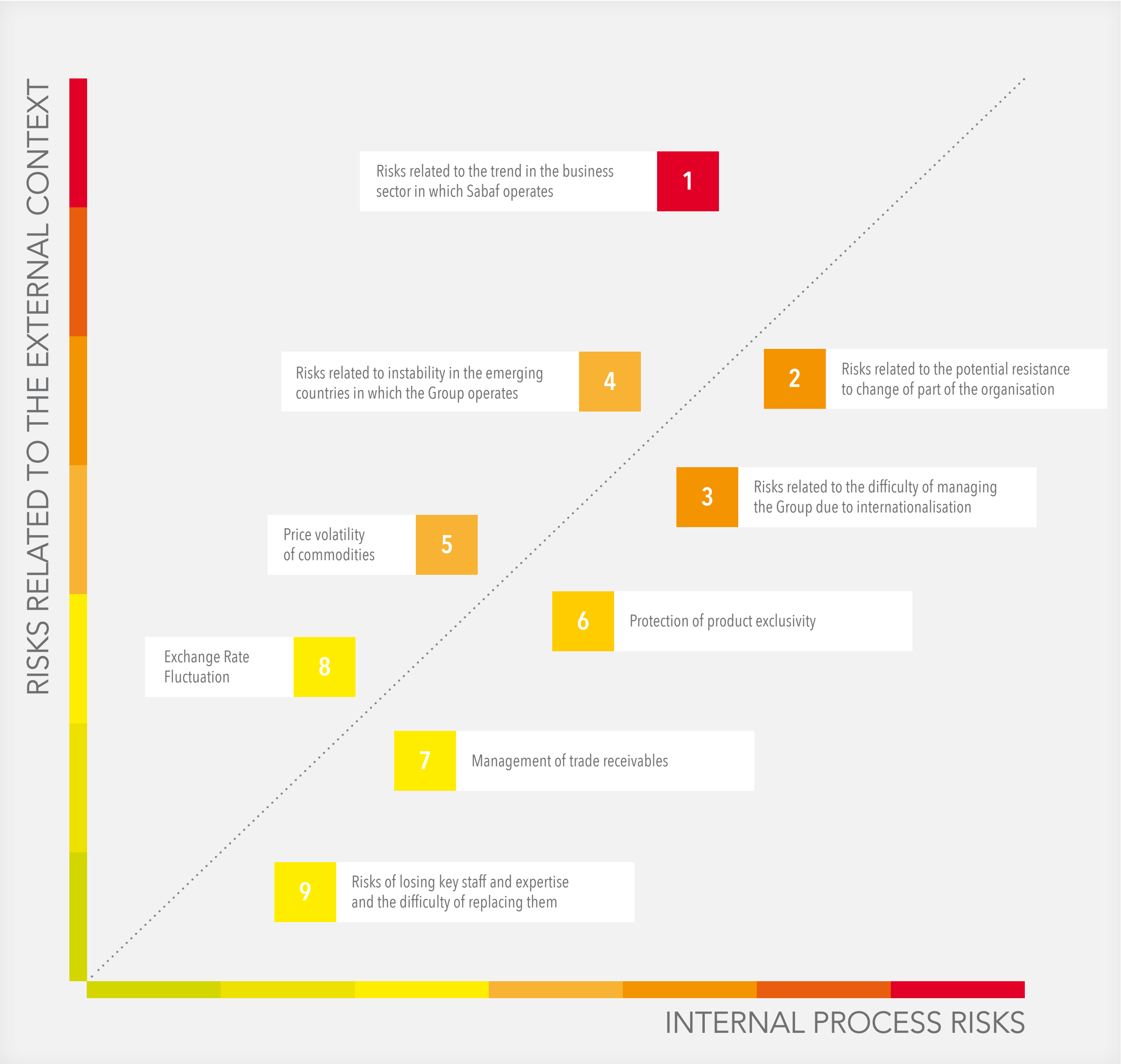
Chief Executive Officer	
Administration, Finance and Control Director	also in his capacity as Financial Reporting Officer
Production Director	also in his/her capacity as Employer for the purposes of Safety and Head of the Environment Department
Technical Director	
Director of Information Systems	
Procurement Manager	
Area Manager	
Supervisory Committee	

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

Risk Assessment Process



The results of Sabaf's 2015 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 PERFORMANCE OF THE INDUSTRY: CONTRACTION OF DEMAND IN MATURE COUNTRIES, CONCENTRATION OF DEMAND/SUPPLY

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 continuation of the European crisis, which over the years has become systemic, has affected the transformation of the white goods industry – a sector in which the Sabaf Group operates. Indeed, the continued contraction of demand on mature markets has been accompanied by a further concentration of end markets, a progressive increase in sales volumes in emerging countries and, lastly, tougher competition, phenomena that require aggressive sales pricing policies.

RISK MANAGEMENT MEASURES

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

- *the launch of new products characterised by superior performance compared with market standards, 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 POTENTIAL RESISTANCE TO CHANGE OF PART OF THE ORGANISATION

Sabaf operates in a market scenario whose dynamic nature has repercussions for its organisation and processes. As such, Sabaf may be unable to seize market opportunities due to potential resistance to change within the organisation.

RISK MANAGEMENT MEASURES

To address this risk, the Group has launched initiatives to educate all levels of the organisation about critical success factors and to share targets and plans for improvement.

3 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, the implementation of management and coordination measures by the parent company, the definition of the areas of action and responsibilities of each function involved, and analysis of the legal context of the countries where the subsidiaries are based.

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.

In particular, the necessary governance actions have been taken in terms of company organisation, systems of responsibilities, control and coordination, and improved market competitiveness.

4 RISKS RELATED TO INSTABILITY IN THE EMERGING COUNTRIES IN WHICH THE GROUP MANUFACTURES OR SELLS

Most Sabaf Group sales are generated 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 the Middle East, North Africa and South America.

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.

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, including through a local network, in order to make strategic and investment decisions with full awareness of the exposure to associated risks.

5 RISKS RELATED TO THE PRICE VOLATILITY OF COMMODITIES

The Group uses metals and alloys in its production processes, chiefly brass, aluminium alloys and steel.
The trend in the price of the commodities used in the production process has been highly volatile in recent years due to the economic instability in the market. 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

Over the years the Group has developed various tools to monitor commodity prices and has adopted a number of management processes that call, among other things, for the definition of centralised commodity procurement strategies.
In particular, 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.

6 RISKS RELATED TO THE FAILURE TO PROTECT PRODUCT EXCLUSIVITY IN THE MARKETS WHERE THE GROUP OPERATES

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

RISK MANAGEMENT MEASURES

Sabaf has structured processes in place to manage innovation and protect intellectual property. In addition, the Group periodically monitors present/future patenting strategies on the basis of cost/opportunity assessments.

7 RISK RELATED TO THE MANAGEMENT OF TRADE RECEIVABLES

The high concentration of sales to a small number of customers 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 60% 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.

8 RISKS RELATED TO EXCHANGE RATE FLUCTUATION

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.
Given the rising internationalisation of the Group, there has been a progressive increase of transactions in foreign currency as a percentage of total Group revenues. This situation exposes the Group to the risk of economic losses due to deteriorations in exchange rates.
Specifically, since sales in US dollars accounted for around 12% of consolidated revenue, the gradual depreciation 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, Finance and Control Department constantly monitors forex exposure, the trend in exchange rates and the operational management of related activities.

During 2015, the Group entered into flexible forward contracts to sell $6.5 million in a number of tranches.

9 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.

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.

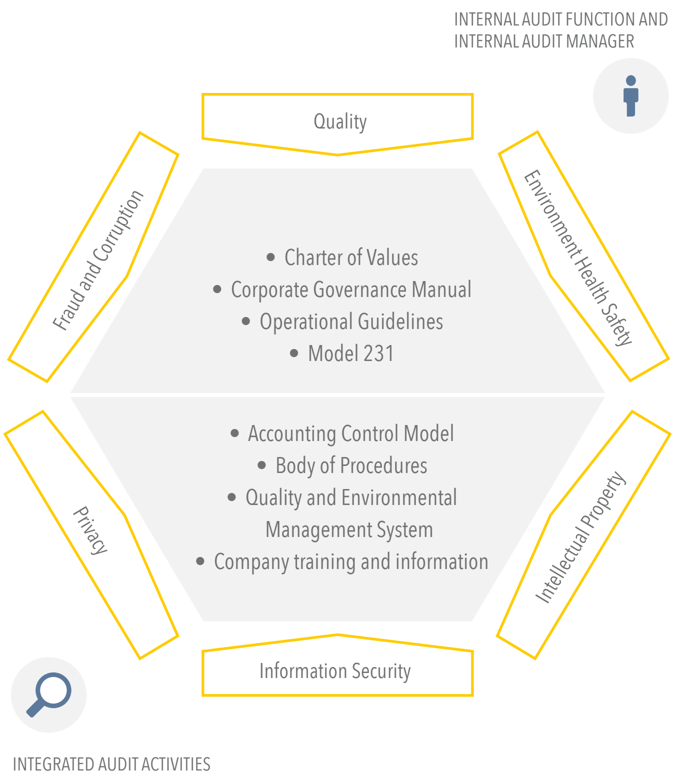
Key - Change compared to RA 2014

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 risk-based Audit Plan, which is set out according to specific control objectives (e.g. operational risks, compliance with Legislative Decree 262/2005 and Legislative Decree 231/2001, the security and profiling of corporate information systems, etc.).
The implementation of measures is outsourced to a single structure, Internal Audit, which is in turn responsible for reporting the results of the activities conducted to the delegated supervisory bodies.

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

INTEGRATED COMPLIANCE AND THE CORPORATE GOVERNANCE MANUAL

Following adherence to the Borsa Italiana Corporate Governance Code and in order to integrate the good governance practices set out in this sponsored document into its own processes, Sabaf 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

ISSUES DISCIPLINED

- Self-evaluation of Board of Directors
- Management, coordination and control of Group subsidiaries
- Means of compliance with disclosure obligations to unions, pursuant to Article 150 of the TUF
- Assessment of the Group internal control system
- Process of periodically identifying and measuring Group risks
- Management of significant transactions in which directors have an interest
- Assignment of professional mandates to the statutory auditing firm

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

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 231/2001

In 2006 Sabaf S.p.A. adopted the Organisational and Management Model pursuant to Legislative Decree 231/2001, designed to prevent the commission of criminal offences by employees and/or outside staff in the Company's interest.
Thereafter, the Company, through the supervision of the Supervisory Committee, has responded promptly to the need to adapt the Model and the control structure to changes in legislation that have occurred over time.
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.

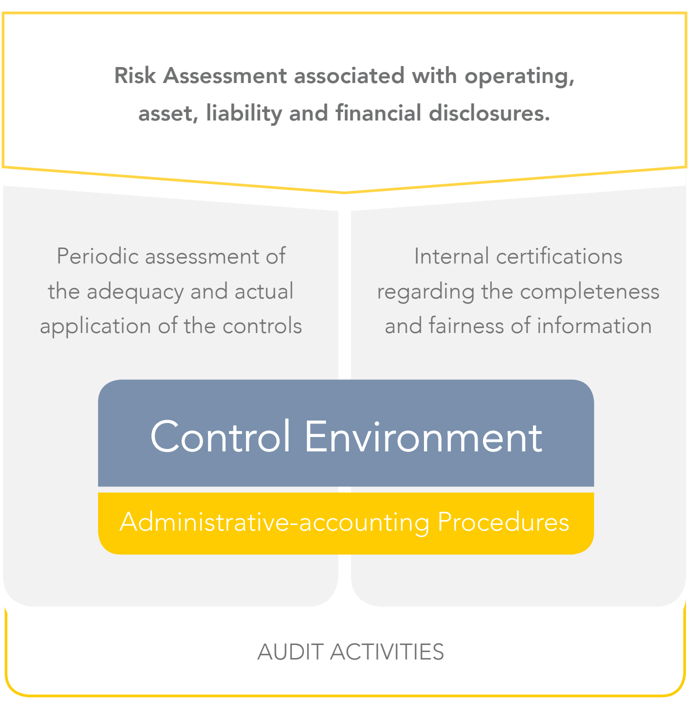
SUPERVISORY COMMITTEE

ACTIVITIES CARRIED OUT IN 2015

- **Systematic checks** of the **Model's effectiveness**, both through audits conducted by Internal Audit and interviews with staff assigned to sensitive activities.
- **Investigative activities** relating to the occupational health and safety management processes.
- **Information** and **training** of employees regarding the specific protocols regulated by the Model.
- **Training for Directors** of the company on all aspects of the Organisation, Operation and Control Model.
- **Preparatory analysis for revision of the risk assessment under Legislative Decree 231** to confirm/reassess the applicability of offences under Legislative Decree 231 to the current context in which the company operates, assessing the applicability of new offences, and subsequently updating the Model where necessary.
- **Analysis and comparison** of the company's current "231 Model" with the new version of the **Guidelines** for the preparation of Organisation, Operation and Control Models pursuant to Legislative Decree 231/2001 published by the national **Confindustria** organisation, in order to identify any areas to be updated.
- **Request for renewed subscription of the Group's Charter of Values***, also for the year 2015, to build upon the increasing attention paid by the Group to topics such as respect for the environment and management of transparent and proper relationships with all stakeholders.

INTEGRATED COMPLIANCE AND LEGISLATIVE DECREE 262/2005

FEATURES OF THE ACCOUNTING CONTROL MODEL



In 2015 the accounting control model did not require any updating.

Sabaf considers the internal control and risk 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 established an **Accounting Control Model**, approved by the Board of Directors for the first time on 12 February 2008, and subsequently revised and updated.

Finally, during 2015, by order of the Financial Reporting Officer, the Accounting Control Model has been extended to the Turkish subsidiary; in particular, with the support of the Internal Audit Function, its applicability has been verified and requirements for adaptation have been assessed.

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

General Remuneration Policy

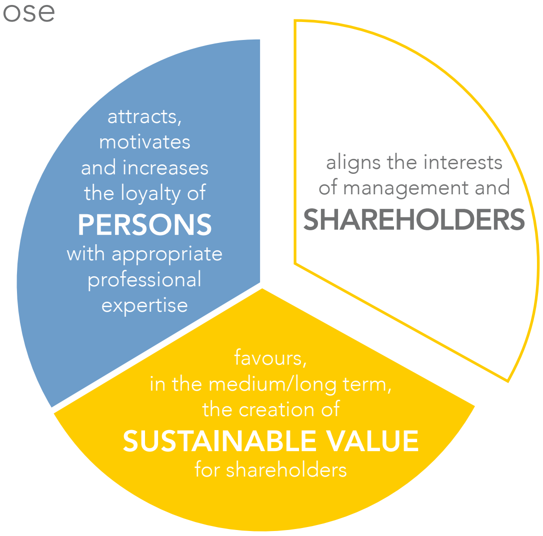
In accordance with regulation on remuneration, the Board of Directors approved the "General Remuneration Policy" on 22 December 2011, and subsequently updated it on 20 March 2013 and 4 August 2015.
This Policy, applied from the date of approval by the Board, was fully implemented from 2012 following 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) executives with strategic responsibilities.

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

See also the Remuneration Report for specific information on remuneration earned and paid out in 2015.

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*

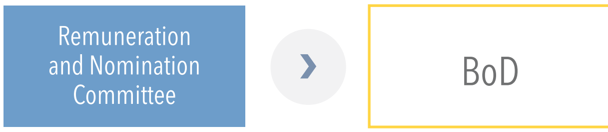
Key: Decision-making body | proposing body | advisory body

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:

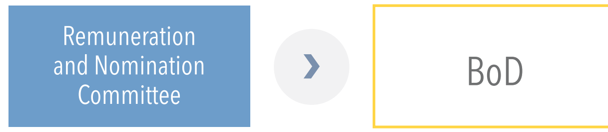
- *Executive directors (excluding the Chairman and Deputy Chairmen)*
- *Other executives with strategic responsibilities*
- *Other managers identified by the Chief Executive who report directly thereto or who report to the above-mentioned managers*



Long-term:

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

- *Executive directors (excluding the Chairman and Deputy Chairmen)*
- *Other executives with strategic responsibilities*



COMPONENTS OF REMUNERATION

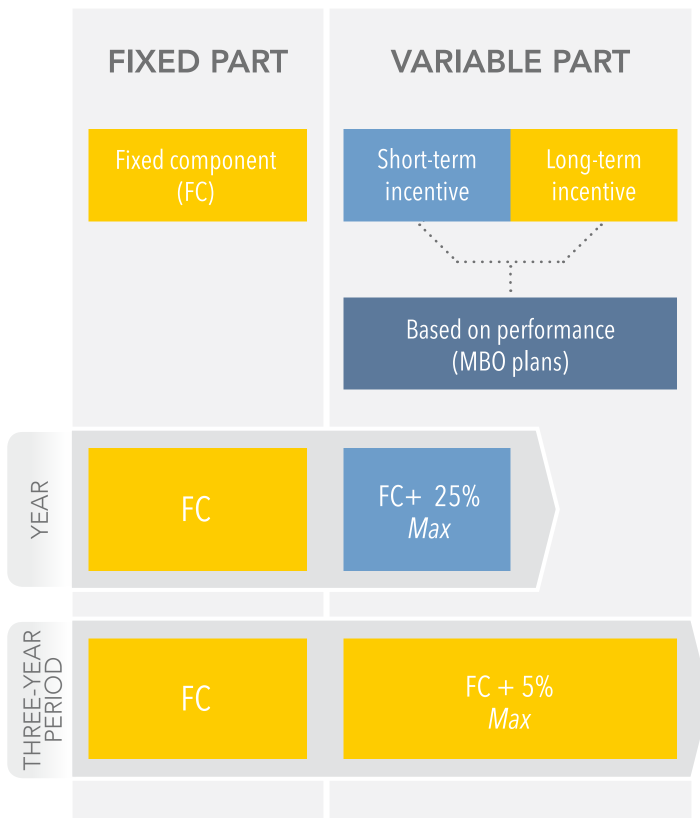
Fixed component

- **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 25% 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 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.

- **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.
  It is paid in full following the approval of the financial statements of the third year to which the incentive relates.
  The variable component is linked to a **three-year MBO**.
  This plan involves setting three **targets** (Group EBIT, Average Share Value and Group consolidated Free Cash Flow).
  In the event that 10% of the objectives assigned are met, an increase on 5% of the gross fixed annual salary and fees may be granted, weighted according to the target.



Non-monetary benefits

- **Third-party civil liability insurance policy:** in favour of directors, statutory auditors, and executives and covering liability resulting from any illegal act or violation of obligations they should commit in exercising their respective responsibilities.
- **Life insurance policy and cover for medical expenses:** 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.
- **Company cars:** company cars are assigned to executives.

COMPONENTS OF REMUNERATION		CORPORATE ROLE				
		EXECUTIVE DIRECTORS	NON-EXECUTIVE DIRECTORS	EXECUTIVES WITH STRATEGIC RESPONSIBILITIES	MEMBERS OF BOARD COMMITTEES	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 Board committees	> 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	N/A	> Board of Directors attendance fee	N/A	> Board committee attendance fee	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	BENEFICI NON MONETARI	> 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 > Assignment of company car	N/A	> Third party civil liability insurance policy

VARIABLE INCENTIVE PLANS

VARIABLE INCENTIVE PLANS

ANNUAL MBO

related to budget for the year

TARGET

EXECUTIVE DIRECTORS *

EXECUTIVES with strategic responsibilities

OTHER MANAGERS proposed by chief executive officer

Long Term Incentives THREE YEARS (2015 – 2017)

related to industrial plan

TARGET

CHIEF EXECUTIVE OFFICER

TECHNICAL DIRECTOR

EXECUTIVE DIRECTOR (DAFC)

N.B. Executives with strategic responsibilities

* Excluding the Chairman and Deputy Chairman.

GROUP EBIT 40%

> EBIT threshold on budget for year

INDIVIDUAL OBJECTIVES 60%

> business / financial

> echnical manufacturing

AVERAGE SHARE VALUE 25%

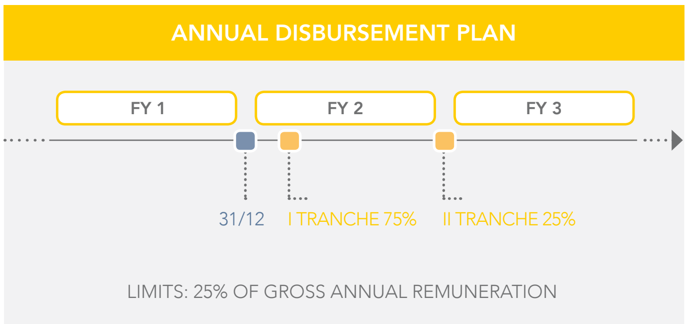
> share value at the end of the relevant industrial plan

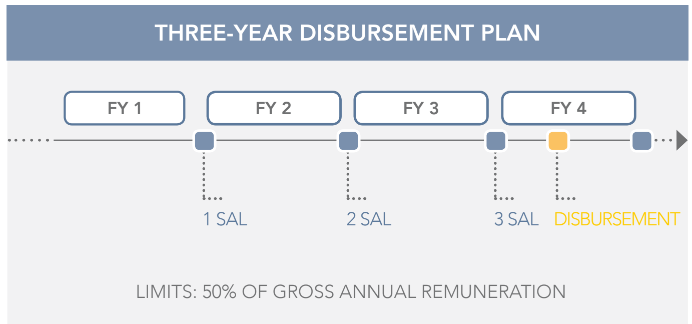
GROUP EBITDA 50%

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

FREE CASH FLOW 25%

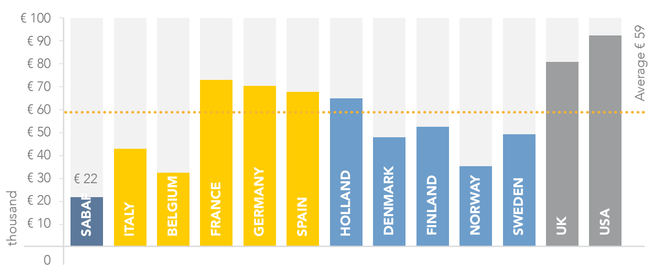
> consolidated group FCF (equal to sum of FCF for the relevant three years)





BENCHMARK

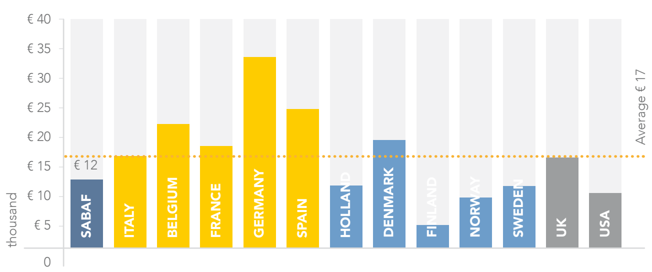
Average compensation of independent directors *



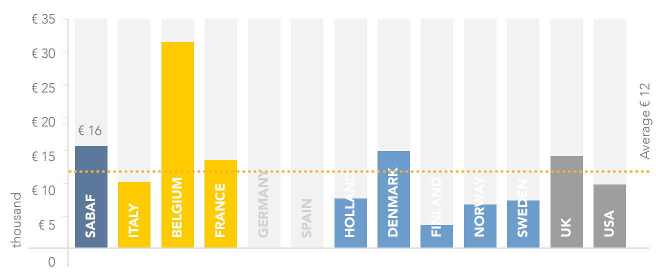
The comparison of remuneration is made using data from the Italia Board Index Observatory 2015, published by Spencer Stuart, which analyses the characteristics and functioning of the Boards of Directors of the top 100 (industrial and financial) listed companies in Italy in order of capitalisation as at 16 March 2015, as well as a comparison with major European and non-European countries.

Considering the size and characteristics of the issuer, Sabaf remuneration is within the average of the panel analysed.

Average compensation of members of the Control and Risk Committee *



Average compensation of members of the Remuneration Committee *



Sabaf | Northern Europe | Southern Europe | English-speaking countries

* Emoluments including Attendance Fees.

BRAZIL

CHAPTER 4

SOCIAL AND ENVIRONMENTAL SUSTAINABILITY

SABAF®

SABAF and its staff

THE SA8000 STANDARD

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

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

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 2015. 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

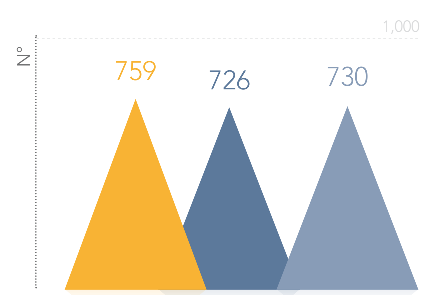
As at 31 December 2015, the Sabaf Group had 759 employees, compared with 726 at 2014 year-end (+4.5%).

	31/12/2015			31/12/2014			31/12/2013		
Sabaf S.p.A. (Ospitaletto, Brescia - Italy)	367	185	552	370	186	556	372	191	563
Faringosi Hinges (Bareggio, Milan - Italy)	20	23	43	22	24	46	23	26	49
Sabaf do Brasil (Jundiaì, San Paolo - Brazil)	45	14	59	47	17	64	63	26	89
Sabaf Beyaz Esya Parcalari San Tic Ltd. Manisa – Turkey	57	38	95	32	28	60	18	11	29
Sabaf Appliance Components (Kunshan) Co., Ltd	5	5	10	-	-	-	-	-	-
TOTAL	**494**	**265**	**759**	**471**	**255**	**726**	**476**	**254**	**730**

As regards basic types of employment contracts, 695 employees (91.6%) had permanent contracts and 64 (8.4%) had temporary, training and apprenticeship contracts.

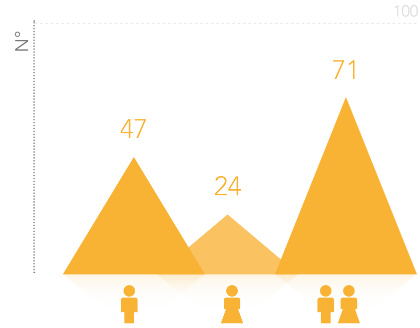
	31/12/2015			31/12/2014		
Permanent	459	236	695	449	240	689
Training or apprenticeship	4	0	4	1	0	1
Temporary	31	29	60	21	15	36
TOTAL	**494**	**265**	**759**	**471**	**255**	**726**

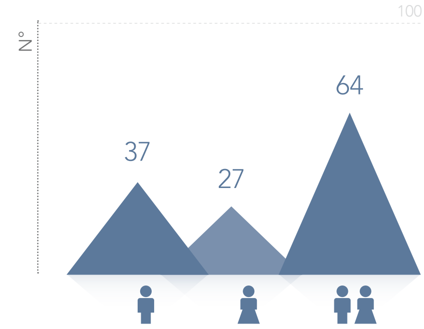
TOTAL



Temporary staff (on an employment agency or equivalent contract)

ANNUAL AVERAGE





During 2015 Sabaf group companies hired 12 ex-temporary workers on a permanent basis (1 in 2014).

In 2015 Sabaf offered work placements to 11 students (5 in 2014).

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 2015

SABAF S.p.A.

	31/12/14	NEW HIRES		DEPARTURES		CHANGE IN CATEGORY	31/12/15
Senior management	8	0	0	0	0	1	9
Clerical staff and middle management	110	7	2	6	1	0	112
Manual workers and similar	438	6	0	10	2	-1	431
TOTAL	**556**	**13**	**2**	**16**	**3**	**0**	**552**

FARINGOSI HINGES s.r.l.

	31/12/14	NEW HIRES		DEPARTURES		CHANGE IN CATEGORY	31/12/15
Senior management	1	0	0	0	0	0	1
Clerical staff and middle management	15	0	0	1	0	0	14
Manual workers and similar	30	0	0	1	1	0	28
TOTAL	**46**	**0**	**0**	**2**	**1**	**0**	**43**

SABAF DO BRASIL Ltda

	31/12/14	NEW HIRES		DEPARTURES		CHANGE IN CATEGORY	31/12/15
Senior management	0	0	0	0	0	0	0
Clerical staff and middle management	8	1	1	1	0	0	9
Manual workers and similar	56	16	1	18	5	0	50
TOTAL	**64**	**17**	**2**	**19**	**5**	**0**	**59**

SABAF BEYAZ ESYA PARCALARI SAN TIC Ltd

	31/12/14	NEW HIRES		DEPARTURES		CHANGE IN CATEGORY	31/12/15
Senior management	2	0	0	0	0	1	3
Clerical staff and middle management	6	5	5	0	2	-1	13
Manual workers and similar	52	108	48	88	41	0	79
TOTAL	**60**	**113**	**53**	**88**	**43**	**0**	**95**

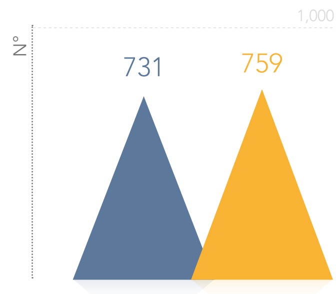
SABAF APPLIANCE COMPONENTS (KUNSHAN) CO., Ltd.

	31/12/14	NEW HIRES		DEPARTURES		CHANGE IN CATEGORY	31/12/15
Senior management	1	0	0	0	0	0	1
Clerical staff and middle management	4	3	0	1	0	0	6
Manual workers and similar	0	3	3	3	0	0	3
TOTAL	**5**	**6**	**3**	**4**	**0**	**0**	**10**

GROUP TOTAL [1]

	31/12/14	NEW HIRES		DEPARTURES		CHANGE IN CATEGORY	31/12/15
Senior management	12	0	0	0	0	2	14
Clerical staff and middle management	143	16	8	9	3	-1	154
Manual workers and similar	576	133	52	120	49	-1	591
TOTAL	**731**	**149**	**60**	**129**	**52**	**0**	**759**

GROUP TOTAL



New hires by age bracket and gender

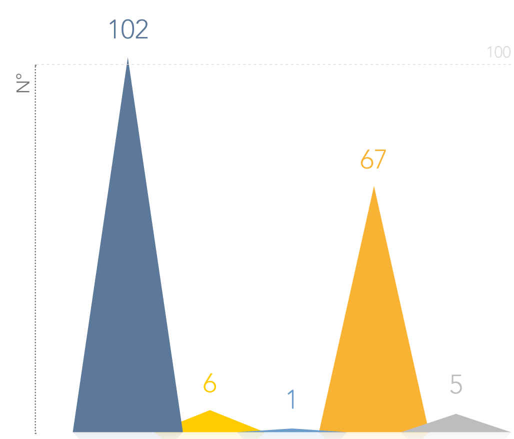
DESCRIPTION	2015			2014		
< 20 years	2	2	**4**	2	2	**4**
From 21 to 30 years	88	32	**120**	37	29	**66**
From 31 to 40 years	50	24	**74**	15	24	**39**
From 41 to 50 years	6	1	**7**	1	2	**3**
> 50 years	3	1	**4**	0	0	**0**
TOTAL	**149**	**60**	**209**	**55**	**57**	**112**

Redundancies by age bracket and gender

DESCRIPTION	2015			2014		
< 20 years	1	1	**2**	5	2	**7**
From 21 to 30 years	69	25	**94**	40	23	**63**
From 31 to 40 years	49	22	**71**	12	24	**36**
From 41 to 50 years	4	2	**6**	2	2	**4**
> 50 years	6	2	**8**	2	4	**6**
TOTAL	**129**	**52**	**181**	**61**	**55**	**116**

Reasons for termination of employment in 2015

DESCRIPTION	CLERICAL STAFF AND MIDDLE MANAGEMENT	MANUAL WORKERS	TOTAL
Resignation	9	93	**102**
Retirement	2	4	**6**
Expiry of contract	1	0	**1**
Dismissal	0	67	**67**
Failure to pass trial period	0	5	**5**
TOTAL	**12**	**169**	**181**



TOTAL

181

1 The data at 31/12/2014 have been revised to include employees of Sabaf Kunshan (China).

The significant increase in turnover in 2015 is associated with the difficulties in establishing stable working relationships at Sabaf Turkey. The Group operates in an area (Manisa) that is undergoing significant industrial development with a constant flow of new job opportunities. To address this situation the Group is creating retention policies that include monetary incentives, the offer of increased benefits and other loyalty systems.

Staff turnover by geographical area, age bracket and gender

Italy (Sabaf and Faringosi)

DESCRIPTION	2015			2014		
< 30 years	0.78%	0.00%	**0.50%**	0.51%	0.00%	**0.33%**
From 31 to 40 years	1.81%	0.00%	**1.18%**	0.26%	1.43%	**0.66%**
From 41 to 50 years	0.52%	0.96%	**0.67%**	0.51%	0.48%	**0.50%**
> 50 years	0.26%	0.00%	**0.17%**	0.26%	0.00%	**0.17%**
TOTAL	**3.36%**	**0.96%**	**2.52%**	**1.53%**	**1.90%**	**1.66%**

Brazil

DESCRIPTION	2015			2014		
< 30 years	28.89%	21.43%	**27.12%**	55.32%	47.06%	**53.13%**
From 31 to 40 years	11.11%	14.29%	**11.86%**	14.89%	52.94%	**25.00%**
From 41 to 50 years	2.22%	0.00%	**1.69%**	0.00%	5.88%	**1.56%**
> 50 years	0.00%	0.00%	**0.00%**	2.13%	0.00%	**1.56%**
TOTAL	**42.22%**	**35.71%**	**40.68%**	**72.34%**	**105.88%**	**81.25%**

Turkey

DESCRIPTION	2015			2014		
< 30 years	87.72%	60.53%	**76.84%**	43.75%	60.71%	**51.67%**
From 31 to 40 years	64.91%	52.63%	**60.00%**	6.25%	42.86%	**23.33%**
From 41 to 50 years	1.75%	0.00%	**1.05%**	0.00%	0.00%	**0.00%**
> 50 years	0.00%	0.00%	**0.00%**	0.00%	0.00%	**0.00%**
TOTAL	**154.39%**	**113.16%**	**137.89%**	**50.00%**	**103.57%**	**75.00%**

China

DESCRIPTION	2015			2014		
< 30 years	80.00%	0.00%	**40.00%**	-	-	-
From 31 to 40 years	0.00%	0.00%	**0.00%**	-	-	-
From 41 to 50 years	0.00%	0.00%	**0.00%**	-	-	-
> 50 years	0.00%	0.00%	**0.00%**	-	-	-
TOTAL	**80.00%**	**0.00%**	**40.00%**	-	-	-

Group

DESCRIPTION	2015			2014		
< 30 years	14.17%	9.81%	**12.65%**	8.92%	9.80%	**9.23%**
From 31 to 40 years	9.92%	8.30%	**9.35%**	2.12%	9.41%	**4.68%**
From 41 to 50 years	0.81%	0.75%	**0.79%**	0.42%	0.78%	**0.55%**
> 50 years	0.20%	0.00%	**0.13%**	0.42%	0.00%	**0.28%**
TOTAL	**25.10%**	**18.87%**	**22.92%**	**11.89%**	**20.00%**	**14.74%**

Breakdown of employees by age

	31.12.2015	31.12.2014
< 30 years	21.9%	22.4%
31 – 40 years	42.9%	40.5%
41 – 50 years	29.0%	27.0%
> 50 years	6.2%	10.1%
TOTAL	**100%**	**100%**

The average age of Group employees (37.7 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, Turkey and Brazil, and 25 in China.

Breakdown of employees by seniority

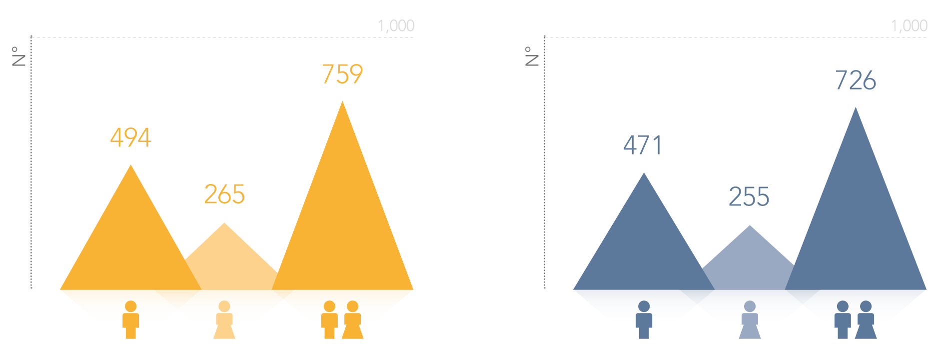
	31.12.2015	31.12.2014
< 5 years	24.6%	25.6%
6 – 10 years	29.12%	27.6%
11 – 20 years	37.2%	37.3%
> 20 years	9.1%	9.5%
TOTAL	**100.0%**	**100.0%**

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	2015			2014		
Production	304	176	**480**	294	172	**466**
Quality	42	33	**75**	41	32	**73**
Research & development	67	2	**69**	70	4	**74**
Logistics	20	1	**21**	21	0	**21**
Administration	9	23	**32**	8	21	**29**
Sales	10	14	**24**	6	12	**18**
Services	18	10	**28**	21	9	**30**
Purchases	6	4	**10**	5	4	**9**
Other	18	2	**20**	5	1	**6**
TOTAL	**494**	**265**	**759**	**471**	**255**	**726**

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	2015				2014			
University degree	65	26	91	12.0%	60	19	79	10.9%
High school diploma	231	101	332	43.7%	220	96	316	43.5%
Middle school diploma	196	136	332	43.7%	186	134	320	44.1%
Primary school certificate	2	2	4	0.5%	5	6	11	1.5%
TOTAL	**494**	**265**	**759**	**100%**	**471**	**255**	**726**	**100%**

TRAINING

At Sabaf Group, 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.

	2015			2014		
Training for new recruits, apprentices, initial employment contracts	5,728	727	6,455	1,720	238	1,958
Information systems	130	11	141	235	29	264
Technical training	636	13	649	655	31	686
Safety, environment and social responsibility	2,661	830	3,491	4,722	2,024	6,746
Administration & organisation	387	466	853	120	111	231
Foreign languages	1,172	300	1,472	474	268	742
Other	60	0	60	0	0	0
TOTAL HOURS OF TRAINING RECEIVED	**10,774**	**2,347**	**13,121**	**7,926**	**2,701**	**10,627**
of which: training hours provided by in-house trainers	3,511	465	3,976	3,462	489	3,951

The training hours provided by in-house trainers also include the training given to employment agency staff (1,128 hours in 2015).

Per capita hours of training received by job category

	2015			2014		
	♂	♀	♂♀	♂	♀	♂♀
Manual workers	21.6	5.7	15.9	13.7	9.4	12.1
Clerical staff and middle management	21.1	21.4	21.2	28.0	15.4	23.8
Senior management	37.9	82.8	41.1	28.6	47.5	30.3
TOTAL	**21.9**	**9.2**	**17.5**	**16.8**	**10.6**	**14.6**

In 2015 the total cost of training Group employees was about €429,000 (€352,000 in 2014).
In addition, training costs for temporary staff totalled around €23,000 in 2015 (about €67,000 in 2014).

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 2015, Sabaf S.p.A.'s Human Resources Department held 1,101 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 34.9% of the workforce (35.1% in 2014).

The Group – 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 2015, the Italian companies of the Group granted a total of 33 part-time contracts (two to female clerical staff, 29 to female manual workers and 2 to male manual workers), equivalent to 4.3% of the total (also 33 contracts in 2014).

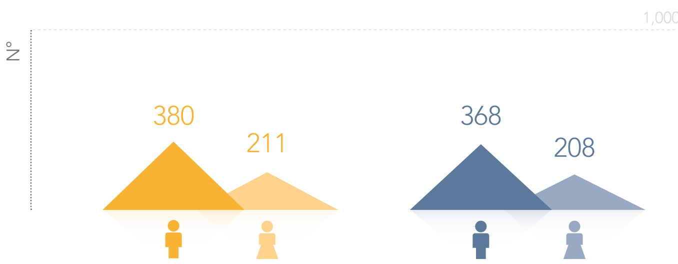
Twenty-four disabled people work in the Italian companies of the Group, of which 11 on a part-time basis. The Company recruits with the aim of favouring the integration of people with disabilities within the manufacturing process, and has an agreement with La Fiaccolata (a charity co-op based in Ospitaletto) regarding the hiring of people in protected categories.

Percentage distribution of employment by gender

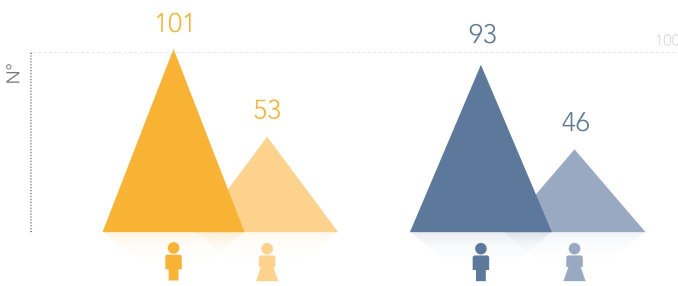
	2015		2014	
	NUMBER	%	NUMBER	%
♂	494	65.1	471	64.9
♀	265	34.9	255	35.1
TOTAL	**759**	**100**	**726**	**100**

Breakdown by category

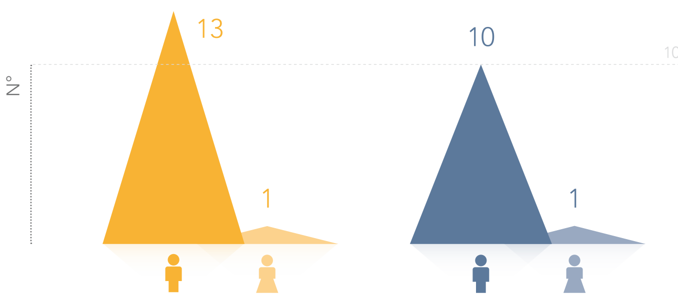
MANUAL WORKERS AND SIMILAR



CLERICAL STAFF and MIDDLE MANAGEMENT



SENIOR MANAGEMENT



TOTAL	759	726

At all Group sites, senior management is recruited from the local area, except the production manager at Sabaf China, who has however been resident in China for many years.

Non-EU workers [2]

	2015	2014	BENCHMARK [3]
Non-EU workers	48	53	-
% of total employees	8.1%	8.8%	3.70

At 31 December 2015, 14 different nationalities were represented on the workforce of the Group's Italian companies.

COMPENSATION, INCENTIVE AND PROMOTION SYSTEMS

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

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

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

Besides financial incentives – e.g. individual pay rises, mortgage guarantees issued by the Company for employees, 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 35 employees of the Group in 2015.

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.

2 Data refers only to the Italian companies of the Group.
3 FEDERMECCANICA, The metalworking industry in figures (June 2015) – Non-EU workers (2013) [L'industria metalmeccanica in cifre (giugno 2015) – Lavoratori extracomunitari (2013)], http://www.federmeccanica.it.

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

2014	MINIMUM SALARY AS PER NATIONAL COLLECTIVE AGREEMENT		MINIMUM SALARY PAID		% INCREASE OVER MINIMUM	
IN EURO [4]						
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	288.52	288.52	310.73	310.73	9%	9%
Brazil	318.56	318.56	358.62	358.62	13%	13%

2015	MINIMUM SALARY AS PER NATIONAL COLLECTIVE AGREEMENT		MINIMUM SALARY PAID		% INCREASE OVER MINIMUM	
IN EURO [4]						
Sabaf S.p.A.	1,588.63	1,588.63	1,811.84	2,116.79	14%	33%
Faringosi-Hinges	1,588.63	1,588.63	1,760.69	1,760.69	11%	11%
Turkey	286.61	286.61	314.81	314.81	10%	10%
Brazil	256.99	256.99	295.56	295.56	13%	13%
China	257.76	257.76	375.31	375.31	46%	46%

Ratio between maximum salary and the median salary for the companies of the Group

	2015	2014
Italy	4.7	4.9
Turkey	11.9	13.7
Brazil	9.3	9.4
China	10.52	-

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

	2015	2014
Clerical staff, middle management and senior management	64%	67%
Manual workers	83%	90%

These figures were determined as the ratio between the average gross annual salary 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.

4 Bank of Italy foreign exchange rate as at 31/12

WORKING HOURS AND HOURS OF ABSENCE

The ordinary working week is 40 hours for the Italian companies and Sabaf China, and 44 hours for Sabaf do Brasil, spread over five working days, from Monday to Friday. At Sabaf Turkey the working week consists of 45 hours spread over six working days.

Overtime

	2015		2014		BENCHMARK [5]	
	Clerical staff	Manual workers	Clerical staff	Manual workers	Clerical staff	Manual workers
Average number of workers per month who worked overtime	76	264	72	274	-	-
Number of hours of overtime	12,520	35,343	13,094	36,385	-	-
Annual per-capita overtime hours [6]	81	60	94	63	53	59

Total hours of absence

	2015			2014			BENCHMARK [7]
Total annual hours of absence	31,550	36,412	67,962	32,299	39,446	71,745	
Hours of absence as % of workable hours	3.1%	6.9%	4.4%	3.4%	7.9%	5.0%	
Average hours of absence per capita	63.7	136.8	89.2	68.5	153.2	98.4	110.5

Hours of sick leave

	2015			2014			BENCHMARK [8]
Total annual hours of sick leave	27,833	17,823	45,656	24,559	17,143	41,702	-
Hours of sick leave as % of workable hours	2.7%	3.4%	2.9%	2.6%	3.4%	2.9%	-
Per capita hours of sick leave	56.2	67.0	59.9	52.1	66.6	57.2	51.7

Hours of maternity/ paternity leave

	2015			2014			BENCHMARK [9]
Total annual hours of maternity/ paternity leave	481	17,403	17,884	103	20,315	20,418	-
Hours of maternity leave as % of workable hours	0.0%	3.3%	1.1%	0.0%	4.1%	1.4%	-
Per capita hours of maternity leave	1.0	65.4	23.5	0.2	78.9	28.0	18.5

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 2015) – Per capita overtime hours (2013) [L'industria metalmeccanica in cifre (giugno 2015) – Ore pro-capite lavoro straordinario (2013)], http://www.federmeccanica.it
6 In relation to the average number of employees.
7 Data from FEDERMECCANICA, The metalworking industry in figures (June 2015) – Per capita hours of absence from work (2013) [L'industria metalmeccanica in cifre (giugno 2015) – Ore pro-capite di assenza dal lavoro (2013)], http://www.federmeccanica.it
8-9 FEDERMECCANICA, The metalworking industry in figures (June 2015) – Per capita hours of absence from work (2013) [L'industria metalmeccanica in cifre (giugno 2015) – Ore pro-capite di assenza dal lavoro (2013)], http://www.federmeccanica.it

Parental leave [10]

TYPE OF LEAVE	2015			2014			
							% of workers in workforce after 12 months
Statutory maternity leave	0	10	10	0	9	9	100
Early maternity leave	0	8	8	0	9	9	100
Maternity/Paternity optional	1	17	18	1	17	18	94
Child-rearing leave	0	6	6	0	8	8	100
Assistance to families of persons with disabilities (Law 104)	27	10	37	17	11	28	97
OTHER LEAVE							
Blood donation	6	0	6	5	0	5	-
Leave of absence	3	1	4	2	1	3	100
Extraordinary parental leave	2	1	3	1	1	2	100

Recourse to cassa integrazione earnings [11]

	2015	2014
Number of hours of statutory redundancy pay	16,612	8,742
Annual average number of hours per capita	30.0	14.4

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 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. The most recent audit, carried out by the TUV NORD certifying authority in February 2016, certified that the system complies with standards, finding that the recommendations made in 2015 had been addressed and almost all resolved. No issues of non-compliance were found, only a few areas for improvement.

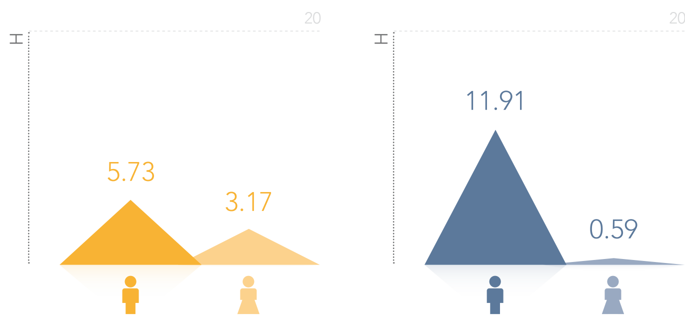
10 Data relating to Sabaf S.p.A.

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

Number and time period of accidents

	2015			2014			BENCHMARK [12]
							-
On-site accidents	12	5	17	13	2	15	-
Off-site accidents	2	0	2	4	1	5	-
Average absence due to on-site accidents (days)	33.17	23	30.18	33.54	12.00	30.67	-
Average absence due to off-site accidents (days)	33.5	0	33.5	105.00	2.00	84.40	-
Total days of absence due to accidents	2,840	844	3,684	5,611	152	5,763	-
Per capita hours of absence due to accidents [13]	5.73	3.17	4.84	11.91	0.59	7.91	11.9

TOTAL 4.84 | 7.91



Accident frequency index

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

	2015			2014		
Index	14.31	12.52	13.73	13.79	5.33	11.08

Accident gravity index

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

	2015			2014		
Index	0.47	0.29	0.40	0.55	0.06	0.39

No serious accidents occurred in 2015. Training and instruction on the use of protective and safety equipment continued at all Group sites.

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.
2,707 medical check-ups were performed in 2015 (2,925 in 2014).

12 FEDERMECCANICA, The metalworking industry in figures (June 2015) – Per capita hours of absence from work (2013) [L'industria metalmeccanica in cifre (giugno 2015) – Ore pro-capite di assenza dal lavoro (2013)], http://www.federmeccanica.it
13 The calculation is based on average annual headcount.

Current expenditure on worker safety

IN THOUSANDS OF EURO	2015	2014
Plant, equipment and materials	42	85
Personal protective equipment (PPE)	77	88
External training	27	49
Advisory services	134	68
Analyses of workplace environment	24	2
Medical check-ups (including pre-hire check-ups)	44	48
Software and databases	0	5
TOTAL	**348**	**345**

Investments in worker safety

IN THOUSANDS OF EURO	2015	2014
Plant, equipment and materials	62	169
TOTAL	**62**	**169**

Use of hazardous substances

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

LABOUR RELATIONS

Three trade unions are represented internally at Sabaf S.p.A.: FIOM, FIM and UILM.
As at December 2015, 142 Group employees were card-carrying members, i.e. 18.7% of total employees (in 2014, 142 employees were card-carrying members, 19.6% of the total).

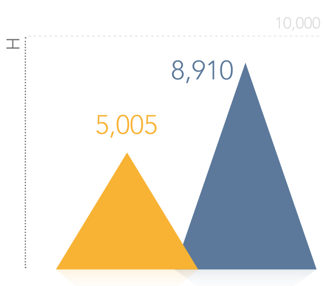
Relations between senior management and trade union representatives are based on mutual transparency and fairness. During the year, there were 15 meetings at Sabaf S.p.A. between management and trade union representatives. The main issues addressed were:

- 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;
- election of new trade union representatives.

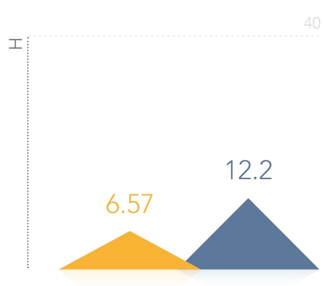
The hours spent taking part in trade union activities in 2015 were equivalent to 0.31% of workable hours.

PARTICIPATION IN TRADE UNION ACTIVITIES

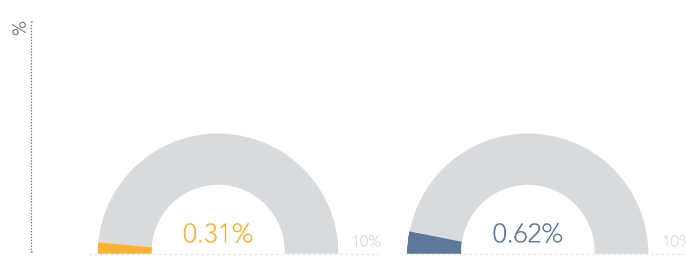
	2015	2014	BENCHMARK [14]
UNION MEETINGS			
Number of hours	2,708	2,919	-
As % of workable hours	0.17	0.20	-
Number of hours per capita	3.6	4.0	-
UNION LEAVE OF ABSENCE			
Number of hours	1,499	1,823	-
As % of workable hours	0.09	0.13	-
Number of hours per capita	2.0	2.5	-
INDUSTRIAL ACTION			
Number of hours	798	4,168	-
As % of workable hours	0.05	0.29	-
Number of hours per capita	1.0	5.7	-
TOTAL			
Number of hours	**5,005**	**8,910**	**-**
As % of workable hours	**0.31**	**0.62**	**-**
Number of hours per capita	**6.57**	**12.2**	**5.3**



TOTAL



TOTAL PER CAPITA



TOTAL %

In 2015, a total of 5 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 Kunshan.

14 FEDERMECCANICA, The metalworking industry in figures (June 2015) – Per capita hours of absence from work (2013) [L'industria metalmeccanica in cifre (giugno 2015) – Ore pro-capite di assenza dal lavoro (2013)], http://www.federmeccanica.it

COMPANY CLIMATE ANALYSIS

In 2015 the Group conducted research at its Italian sites (Sabaf S.p.A and Faringosi Hinges) into "organisational wellbeing", in the belief that the working environment affects the relationship between the individual and the business and can drive acceptance and a sense of belonging or, on the contrary, generate conflict, hostility and a lack of cooperation. The aim of the project was to find out all the invisible 'soft' variables that relate to informal aspects (e.g. emotional welfare, behaviour, values, identity, culture, relations) that define the level of wellbeing of people within the organisation.

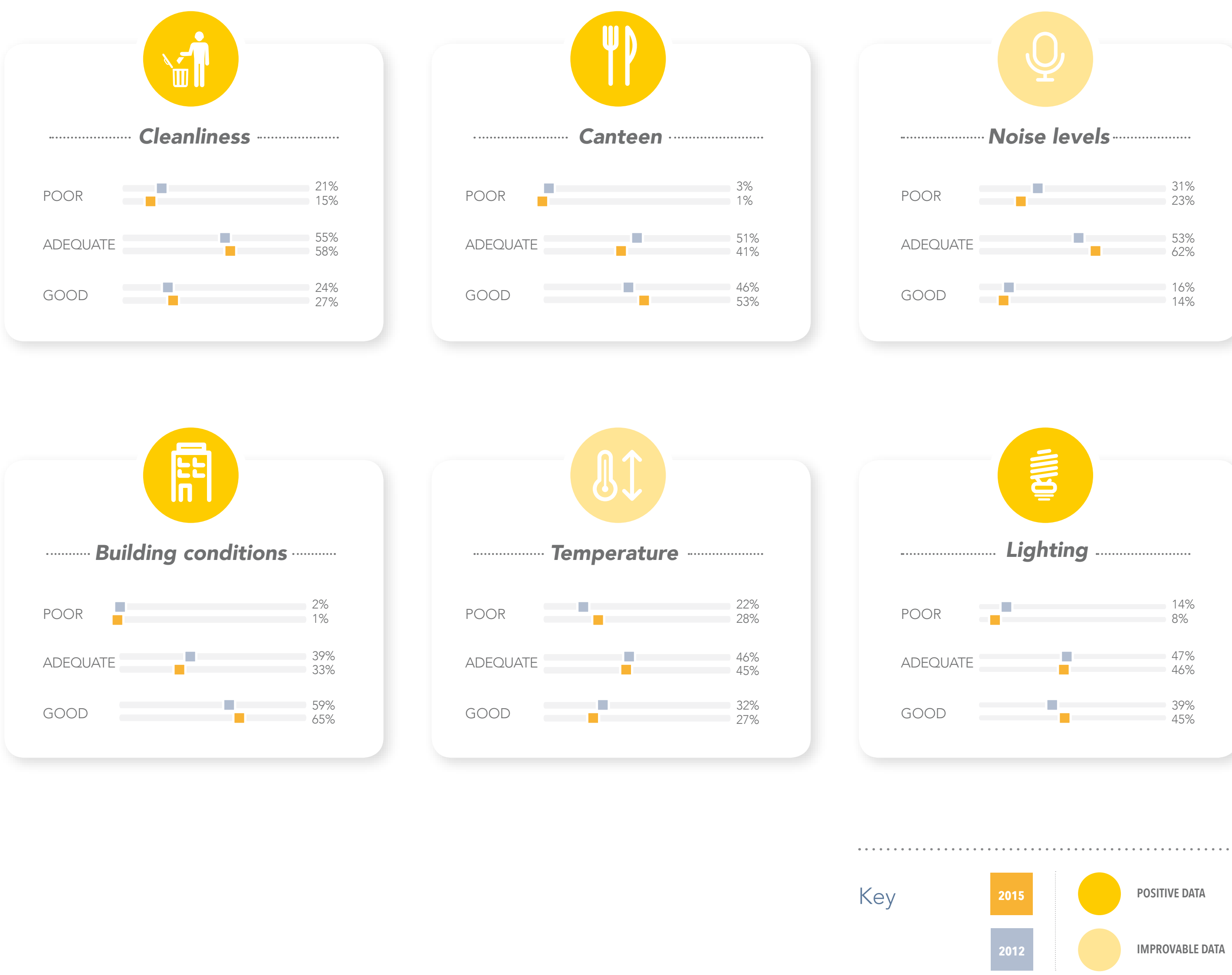
The analysis was conducted on a sample of 310 people at Sabaf (56% of the workforce) and 43 people at Faringosi Hinges (all of the workforce) through a questionnaire to be filled in on-site during dedicated sessions. The workers filled in the questionnaires anonymously, under the supervision of a specialist HR consultancy.
The results were shared with all employees in a dedicated issue of Sabaf Magazine published in December 2015.

A previous survey had been conducted at Sabaf in 2012. The results of 2015 show a general picture of improvement and of good or moderate satisfaction with the overall situation, despite a few areas for improvement, which management has noted and will assess possible initiatives for improvement.

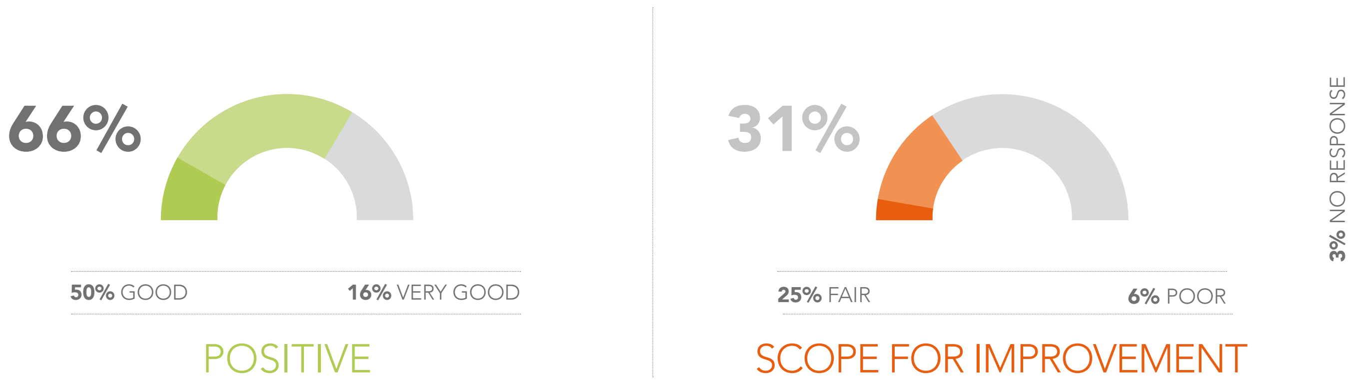
A summary of the survey results is provided below:

THE SURVEY AT SABAF

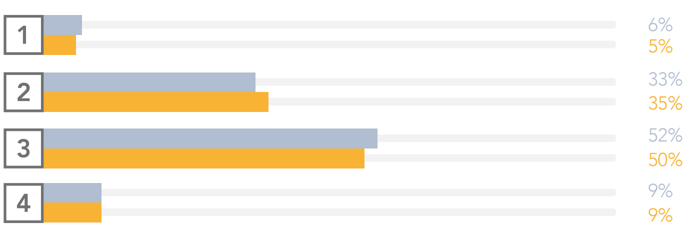
Characteristics of workplace environment



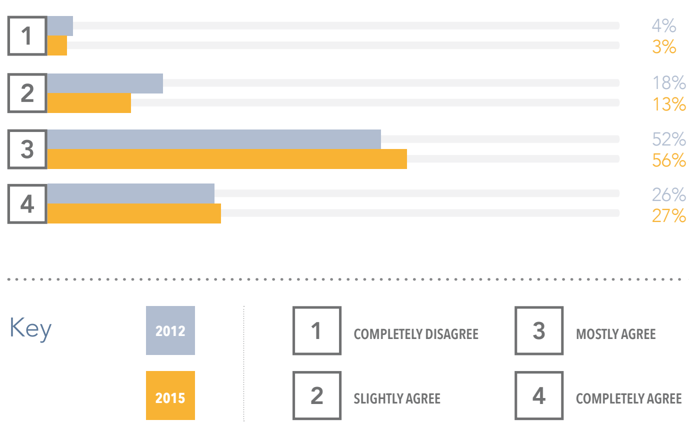
Job satisfaction



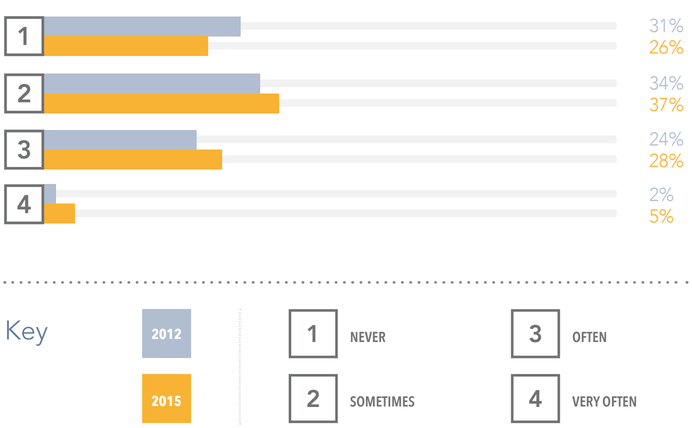
To what extent do you agree that organisational roles are well defined?



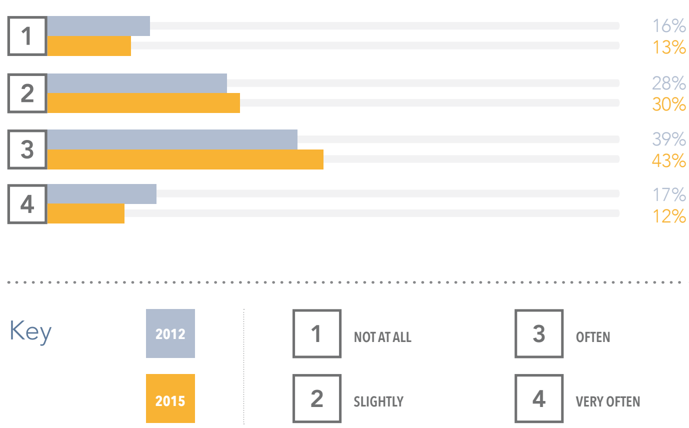
Do you agree that you have access to adequate resources to do your job?



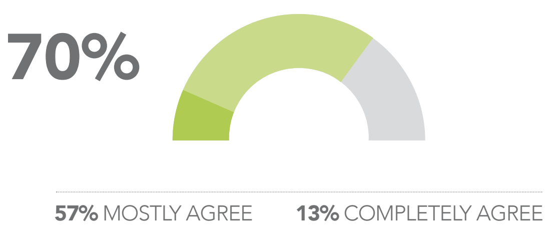
Have you ever considered changing job?



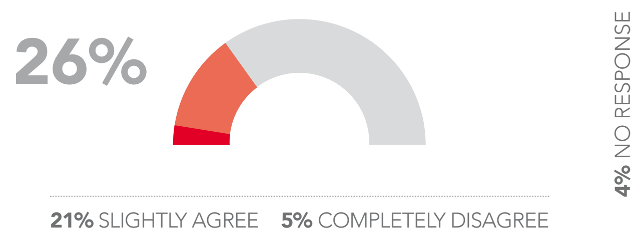
Do you feel part of a group?



Agreement with company values

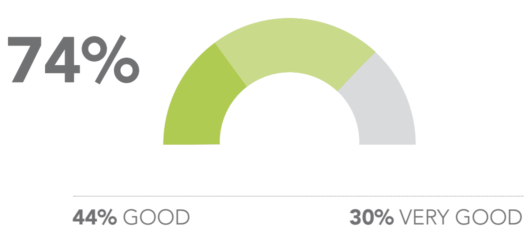


POSITIVE

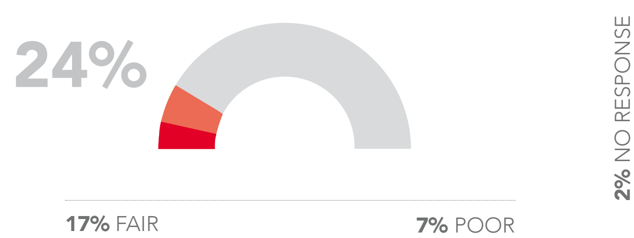


SCOPE FOR IMPROVEMENT

Relationship with superior

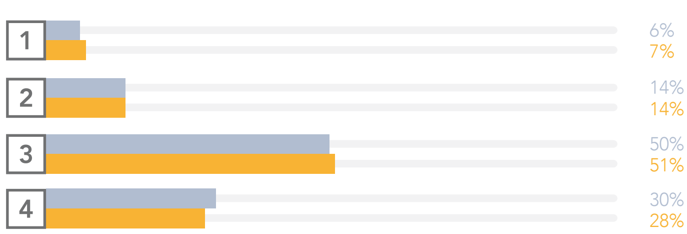


POSITIVE

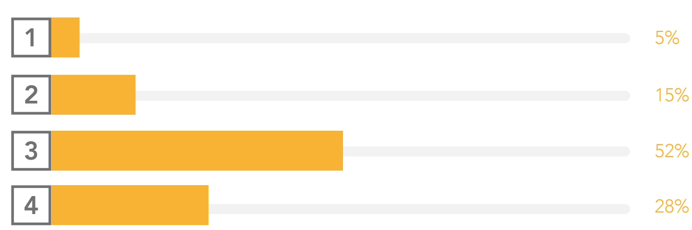


SCOPE FOR IMPROVEMENT

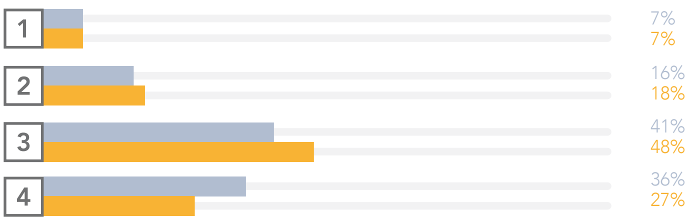
Does your boss treat you fairly?



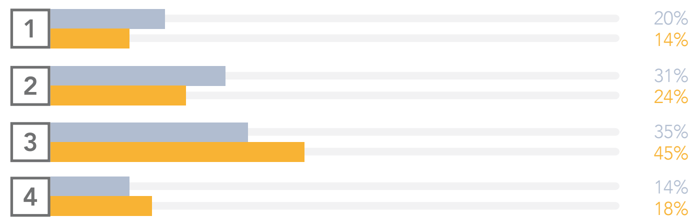
To what extent do you agree that your boss acts in accordance with Sabaf's stated values?



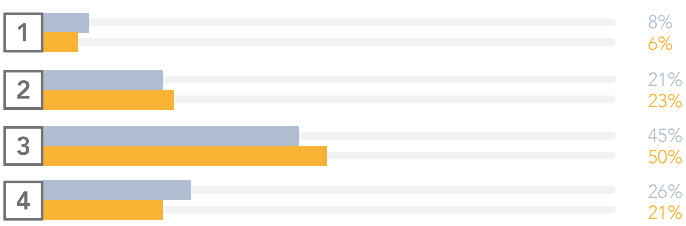
How much does your boss like to be informed of the problems and difficulties that you encounter in your work?



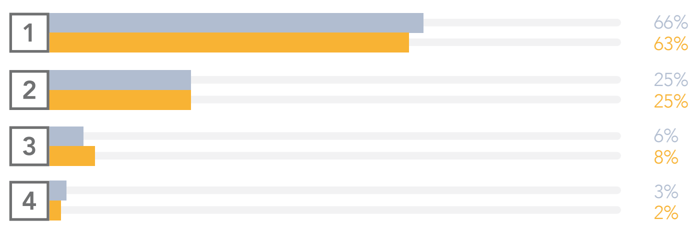
To what extent does your boss involve you in decisions that affect your work?



Do you feel that your boss listens to your requests?



Do you have any conflicts with your boss?

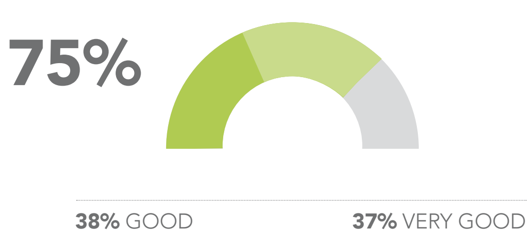


Key

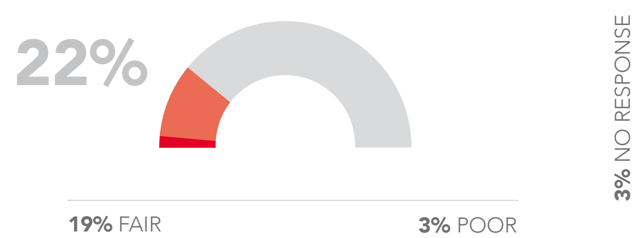
2012
2015

1 NOT AT ALL
2 SOMETIMES
3 OFTEN
4 VERY OFTEN

Collaboration and dialogue with colleagues



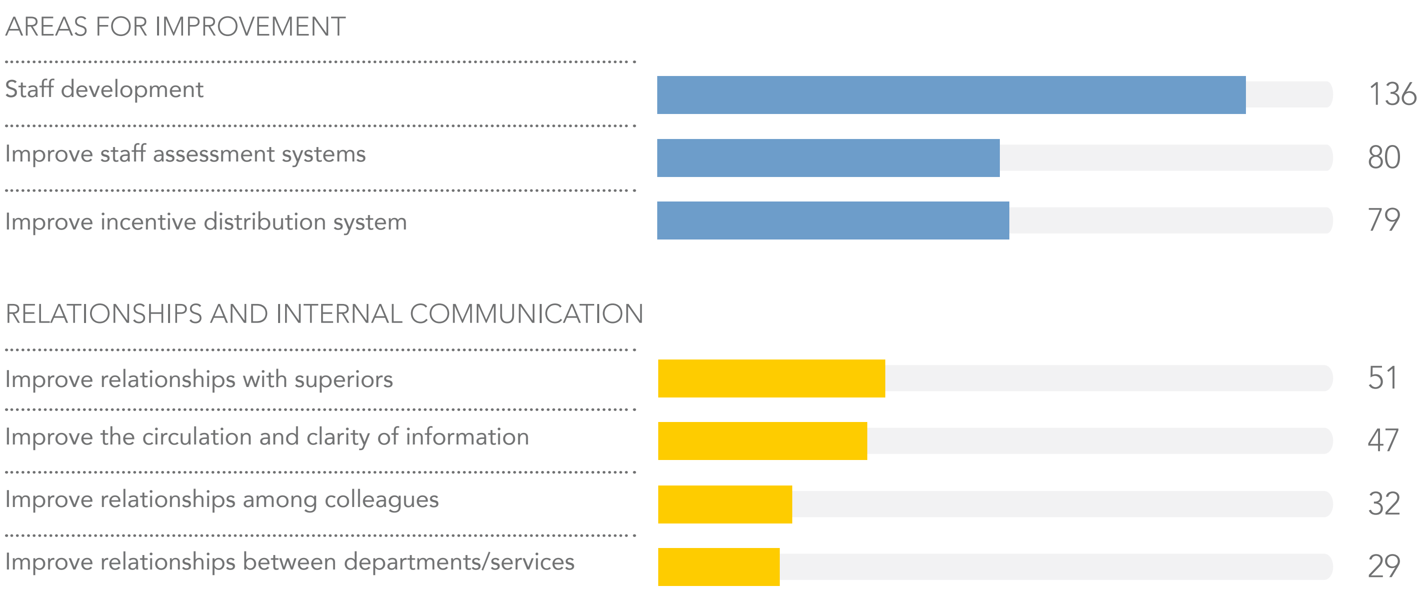
POSITIVE



SCOPE FOR IMPROVEMENT

Development and relationships

In your opinion, what are the most urgent changes that need to be made at the company?



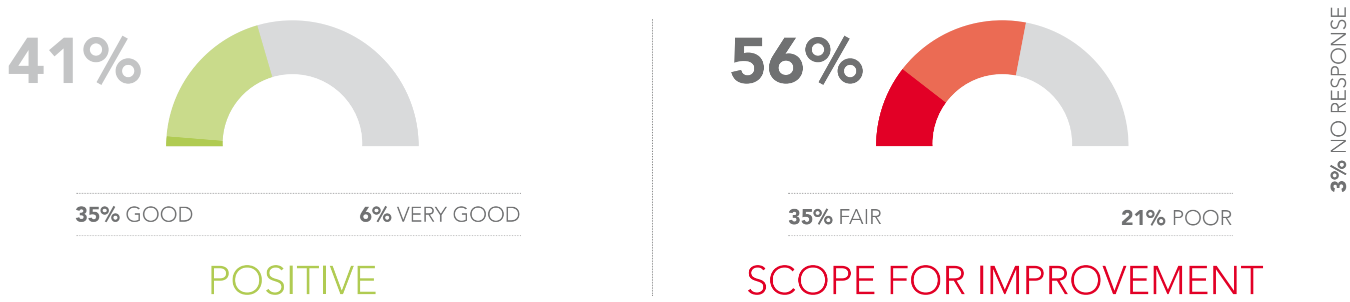
What benefits would you like to see introduced at your organisation?

129 ANNUAL LEAVE SCHEDULES ADAPTED TO REQUIREMENTS	83 REIMBURSEMENT OF COMMUTING COSTS	73 FUEL VOUCHERS	64 ADDITIONAL MEDICAL EXPENSES
64 FREE MEDICAL CHECK-UP	47 PART-TIME WORKING	45 SHOPPING VOUCHERS	33 EXTENDED MATERNITY LEAVE

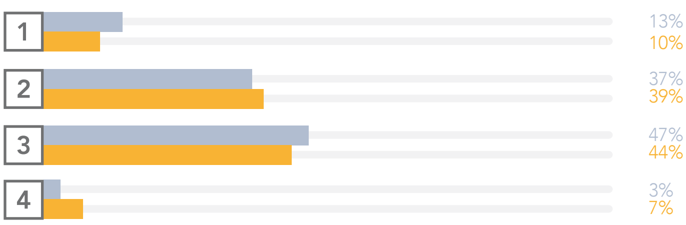
Would you define your organisation as:

152 SAFE	112 COMPETENT	107 ACTIVE	69 EXPERT
59 DECISIVE	59 CAPABLE	59 FAIR	54 HONEST

Development, assessment and incentives



How transparent are the criteria used to assess you?

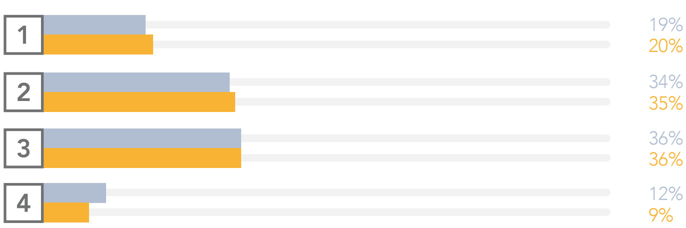


Key

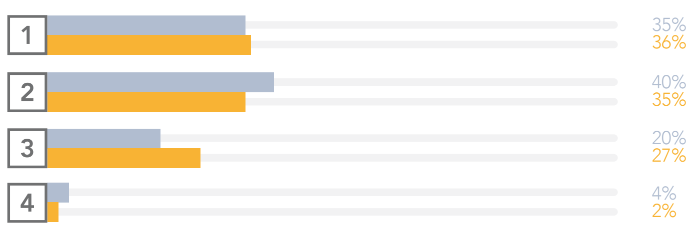
2012 · 2015

1 NOT AT ALL
2 SLIGHTLY
3 VERY
4 MOSTLY

Are there opportunities for training and professional growth?



To what extent do you agree that pay rises are distributed on the basis of quality of performance?



Key

2012 · 2015

1 COMPLETELY DISAGREE
2 SLIGHTLY AGREE
3 MOSTLY AGREE
4 COMPLETELY AGREE

THE FARINGOSI HINGES SURVEY

Characteristics of workplace environment

Cleanliness

POOR	11.6%
ADEQUATE	55.8%
GOOD	30.2%

2.3% NO RESPONSE

Canteen

POOR	7.0%
ADEQUATE	39.5%
GOOD	46.5%

7.0% NO RESPONSE

Noise levels

POOR	27.9%
ADEQUATE	53.5%
GOOD	16.3%

2.3% NO RESPONSE

Building conditions

POOR	2.3%
ADEQUATE	53.5%
GOOD	39.5%

4.7% NO RESPONSE

Temperature

POOR	16.3%
ADEQUATE	46.5%
GOOD	34.9%

2.3% NO RESPONSE

Lighting

POOR	4.7%
ADEQUATE	53.5%
GOOD	39.5%

2.3% NO RESPONSE

Key

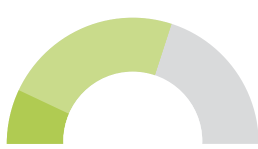
2015

POSITIVE DATA

IMPROVABLE DATA

Job satisfaction

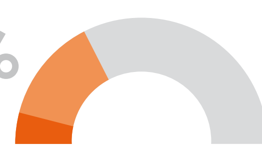
60%



46% GOOD **14%** VERY GOOD

POSITIVE

35%

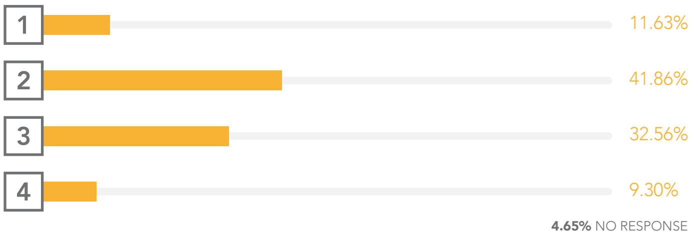


27% FAIR **8%** POOR

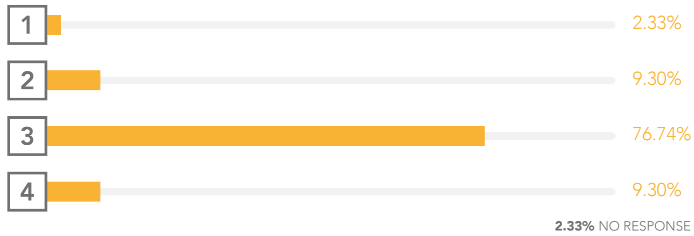
SCOPE FOR IMPROVEMENT

5% NO RESPONSE

To what extent do you agree that organisational roles are well defined?



Do you agree that you have access to adequate resources to do your job?

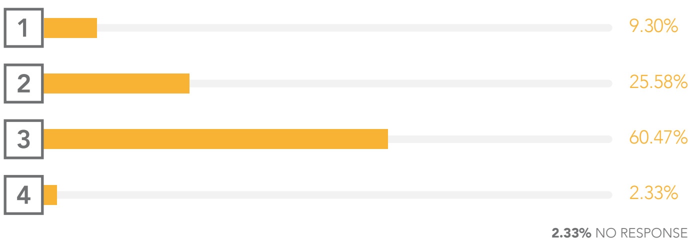


Key

2015

1 COMPLETELY DISAGREE
2 SLIGHTLY
3 MOSTLY AGREE
4 COMPLETELY AGREE

Are you able to take enough breaks?

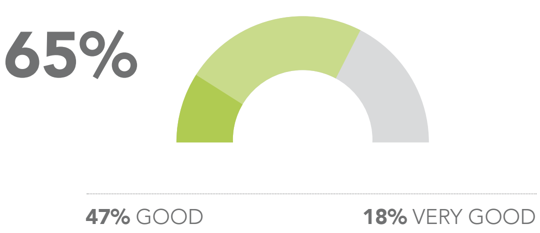


Key

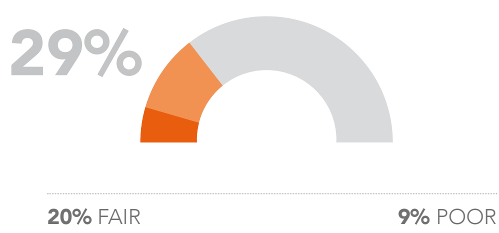
2015

1 NOT AT ALL
2 SOMETIMES
3 OFTEN
4 VERY OFTEN

Relationship with superior



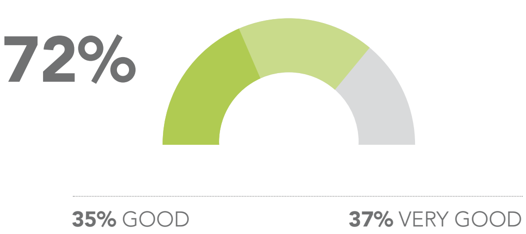
POSITIVE



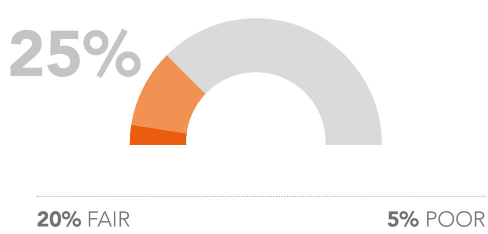
SCOPE FOR IMPROVEMENT

6% NO RESPONSE

Collaboration and dialogue with colleagues



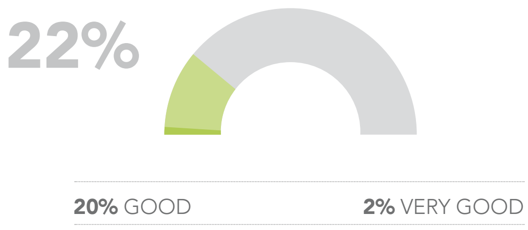
POSITIVE



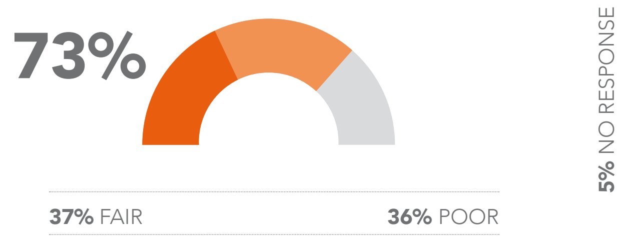
SCOPE FOR IMPROVEMENT

3% NO RESPONSE

Development, assessment and incentives

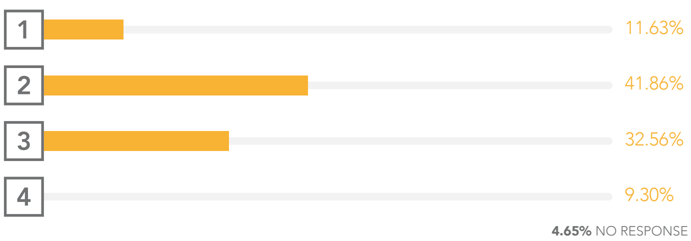


POSITIVE



SCOPE FOR IMPROVEMENT

To what extent do you agree that organisational roles are well defined?



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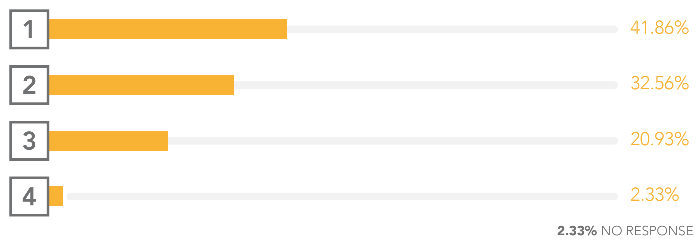
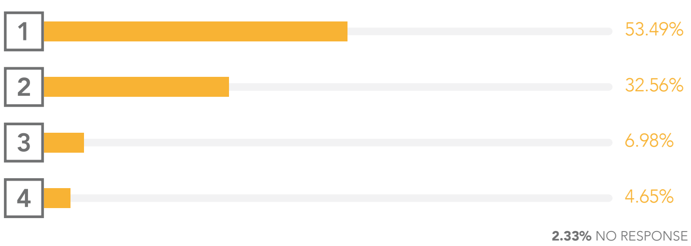


Are there opportunities for training and professional growth?



Key

2015

1 COMPLETELY DISAGREE

2 SLIGHTLY AGREE

3 MOSTLY AGREE

4 COMPLETELY AGREE

What benefits would you like to see introduced in your organisation?

23	17	14	9
EXTENDED MATERNITY LEAVE	PART-TIME WORKING	REIMBURSEMENT OF COMMUTING COSTS	ADDITIONAL MEDICAL EXPENSES
8	8	6	6
FREE MEDICAL CHECK-UP	SEASONAL PART-TIME WORKING	FUEL VOUCHERS	SPECIAL DEALS ON PURCHASES

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:63 employees had benefited from the agreement at 31.12.15.

The Company leased a number of 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 2015, 108 disciplinary measures were taken against Group employees. These break down as follows:

- 22 verbal warnings
- 8 reminders concerning the use of personal protective equipment
- 35 written warnings
- 27 fines
- 13 suspensions
- 3 dismissals

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

No disputes with staff were pending at 31 December 2015.

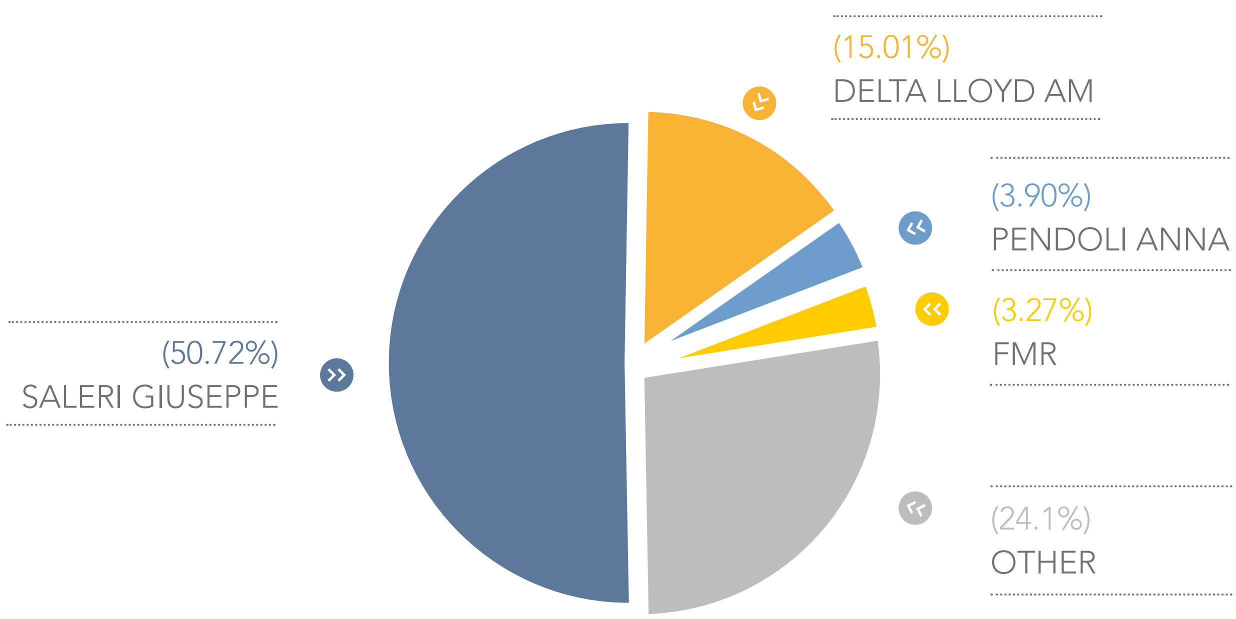
SABAF and its shareholders

SHAREHOLDER BASE

As at 31 December 2015, 2,182 shareholders were listed in the shareholders' register. Of these:

- 1,802 owned fewer than 1,000 shares
- 298 owned from 1,001 to 5,000 shares
- 32 owned from 5,001 to 10,000 shares
- 50 owned over 10,000 shares.

Shareholders residing outside Italy hold 26% 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

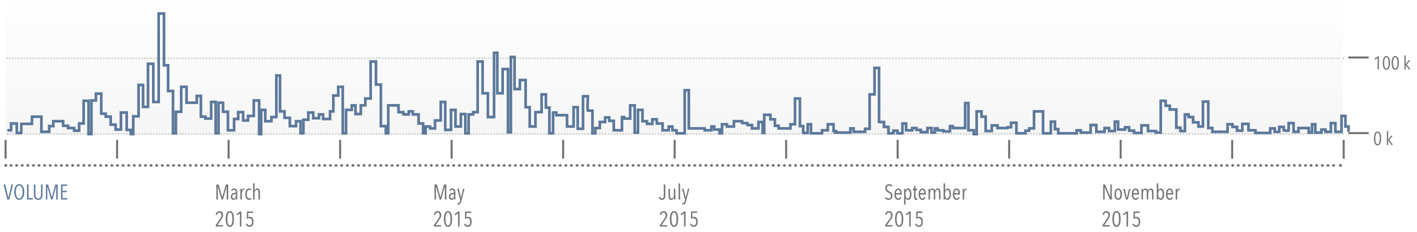
Right from the time when it went public (1998) the Company has considered financial communication to be of strategic importance. Sabaf's financial communication policy is based on the principles of integrity, transparency and continuity, in the belief that this approach enables investors to assess the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

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

In 2015, the Company met with institutional investors at roadshows organised in Milan, Venice, Rimini, London and Paris. In addition, some investors held meetings with management at the company headquarters in Ospitaletto, taking the opportunity to visit the production facilities.

SHAREHOLDER RETURN AND SHARE PERFORMANCE

During 2015, Sabaf shares reached their highest official price on 14 April (€13.177) and their lowest on 19 January (€10.855). Average daily trading volume was 10,624 shares, equivalent to an average daily total value of €133,000 (€159,000 in 2014).



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 in excess of 50% between dividends and profits.

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

	2015	2014
Countries	52	56
Customers [15]	288	264

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

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

Thirty-four customers had annual sales of over €1 million (32 in 2014). The breakdown by sales amount is as follows:

	2015	2014
< €1,000	43	30
€1,001-€50,000	174	163
€50,001-€100,000	26	23
€100,001-€500,000	43	33
€500,001-€1,000,000	11	13
€1,000,001-€5,000,000	26	25
> €5,000,000	8	7

In addition to the headquarters at Ospitaletto, the commercial network is based on the subsidiaries located in Brazil, Turkey, the United States and China, as well as a representative office in Poland. 11 agency relationships are active, mainly relating to the market 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;
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	2015	2014
Product certification	91	68
Certification and management of quality system	27	12
Purchase of measuring instruments and equipment	84	33
Calibration of measuring instruments and equipment	47	31
Technical regulations, software and publications	2	2
Training	0	0
Trials and tests by independent laboratories	6	7
TOTAL	**257**	**153**

Investments in quality

IN THOUSANDS OF EURO	2015	2014
Purchase of measuring instruments and equipment	74	105
TOTAL	**74**	**105**

15 With sales exceeding 1,000 euros.

Sites that have achieved quality certification in accordance with ISO9001:2008:

1993

Sabaf S.p.A

2008

Sabaf do Brasil

2001

Faringosi Hinges

2015

Sabaf Turkey

During 2015, Sabaf's quality system was constantly maintained and monitored to guarantee its correct implementation and compliance with the requirements of the standard UNI EN ISO 9001:2008. 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 (IMQ's certification body) conducted its annual audit at the headquarters at Ospitaletto in May and at the Brazil site in June 2015, confirming that the system is effectively applied.

In October 2015 the TUV NORD certifying authority conducted the periodic audit of the Faringosi Hinges S.r.l. quality management system. The audit confirmed that the system is effectively applied. No instances of non-compliance were found.

Late 2014 saw the start of the certification process for the production facility in Turkey. The system has been implemented following the standard at the Italian site and was certified after the CSQ audit on 7 - 9 July 2015.

During 2016 courses and training will be held to examine the new UNI EN ISO 9001:2015 standard in order to prepare the process of updating the system to reflect the change in the standard.

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.

The results of the survey, conducted by sending structured questionnaires to the Group's key customers, confirm the positive opinion they have of Sabaf as a result of the prompt, professional and skilful sales support it provides. The results of the latest survey, conducted in February 2015, are provided in the 2014 Annual Report.

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 2015, 19 audits (32 in 2014) 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 65.6% of the total, purchases made by Sabaf do Brazil from Brazilian suppliers account for 72.1% of the total, purchases made by Sabaf Beyaz from Turkish suppliers represent 39.5% of the total, and purchases by Sabaf Kunshan from Chinese suppliers represent 62.3% 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

	2015		2014	
IN THOUSANDS OF EURO	SALES	%	SALES	%
Province of Brescia	40,449	41.7%	41,648	43.9%
Italy	25,609	26.4%	26,534	28.0%
Rest of EU	11,000	11.3%	9,999	10.5%
Brazil	4,269	4.4%	4,804	5.1%
Turkey	5,339	5.5%	4,000	4.2%
China	6,908	7.1%	5,879	6.2%
Non EU - Others	3,437	3.5%	1,929	2.0%
TOTAL	**97,011**	**100%**	**94,793**	**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.

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 the values underpinning its business model with suppliers, Sabaf has widely distributed its Charter of Values.

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

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

In 2015 sales to Sabaf Group by suppliers with certified quality systems accounted for 61.9% of the total (vs. 54.7% in 2014).

Breakdown of purchases by category

	2015		2014	
IN THOUSANDS OF EURO	SALES	%	SALES	%
Commodities	26,056	26.9	24,959	26.3
Members	28,027	28.9	24,112	25.4
Machinery & equipment	11,581	11.9	9,843	10.4
Services and other purchases	31,347	32.3	35,879	37.9
TOTAL	**97,011**	**100**	**94,793**	**100**

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

LITIGATION

There are no disputes pending with suppliers.

SABAF and its lenders

Our commitment to lenders

BANKING RELATIONS

The Group operates with a low debt ratio (net indebtedness/shareholders' equity of 0.23 at 31 December 2015; net indebtedness/EBITDA of 0.99) and has ample unused short-term lines of credit.

At 31 December 2015, net financial debt was €25.9 million, versus €26.9 million at 31 December 2014.

The Group mainly deals with 11 Italian banks (Banco di Brescia, Banca Intesa, Unicredit, Monte dei Paschi di Siena, BNL, Banca Popolare di Vicenza, Banca Popolare dell'Emilia Romagna, Credito Lombardo Veneto, Banca Passadore, Cariparma, Banco Popoloare) and with five foreign banks (Banco Itau in Brazil, Halkbank and Isbank in Turkey, Bank of China and Industrial & Commercial Bank of China in China).

LITIGATION

No lawsuits are pending with lenders.

SABAF and its competitors

THE SABAF GROUP'S MAIN ITALIAN AND INTERNATIONAL COMPETITORS

In Italy and in Europe as a whole, Sabaf estimates that it has a market share of over 50% 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 group 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 is an Italian company acquired in 2013 from the German group EGO. It is mainly active in the production of burners in Italy, Brazil and Mexico.

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	

2013 and 2014 P&L highlights of the Sabaf Group's main Italian competitors[16]

	2014			2013		
IN THOUSANDS OF EURO	SALES	OPERATING PROFIT	NET INCOME	SALES	OPERATING PROFIT	NET INCOME
CMI	19,828	1,146	612	19,795	735	321
DEFENDI ITALY	54,694	2,930	2,257	55,916	4,050	2,742
NUOVA STAR	27,793	449	95	25,121	271	40
SOMIPRESS GROUP	40,072	3,160	1,720	41,411	4,636	2,656
SABAF GROUP	138,003	14,091	8,998	136,337	13,175	8,338

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.

16 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 2015 donations totalled around €44,000 (€40,000 in 2014), 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.

Since 2014 SABAF S.p.A has been an associate of the Brescia Industrial Association (AIB), which is part of the Confindustria federation.

LITIGATION

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

SABAF and the environment

HEALTH AND SAFETY, ENVIRONMENT AND ENERGY POLICY

Programme and objectives

Protecting workers' health and safety, the environment, and ensuring the efficient and rational use of natural and energy resources are part of Sabaf's strategic commitments. In terms of the processes for the production of gas cooker components, for our organisation it is now an ongoing challenge to achieve labour standards that ensure the health and utmost safety of our staff and those who work on our behalf. An integral part of this challenge is reducing environmental impacts and minimising the use of natural resources and energy, starting from the product design stage and through the different stages of production, with a view to the entire operational life cycle of the product.

For this reason, Sabaf has adopted and applies an Integrated System for the Management of Health, Safety, the Environment and Energy, which – in combination with the other Management Systems at the company – provides an effective way to reduce risks, environmental impacts and energy use via the following means:

- Ensuring continued full compliance with current laws and regulations and other voluntary standards, using these proactively for ongoing EHS&En process monitoring.
- Assessing EHS&En aspects before entering into the design phase, process changes and purchasing goods and services.
- Preparing, disseminating and continually applying this Policy in order to engage and ensure the participation of all employees and contractors in achieving our EHS&En performance goals.

Sabaf is committed to pursuing the following objectives:

- Preventing pollution and minimising energy use by continuously improving its processes and products, designing them to maximise the benefits deriving from minimising their impacts on the environment and energy consumption.
- Pursuing efficiencies in the use of natural and energy resources in the production phase, especially as regards water and energy consumption.
- Reducing the quantity of waste produced and improving its quality in terms of hazardousness and reusability.

The environmental management system in place at the Ospitaletto plant (which accounts for around 80% of total Group production) has been ISO 14001 certified since 2003.

During 2015, Sabaf's Environmental Management System was constantly maintained and monitored to guarantee its correct implementation and compliance with the requirements of the standard.

As regards the audit conducted by third parties on the system, CSQ conducted its renewal audit at the headquarters at Ospitaletto (May 2015), confirming that the system is effectively applied.

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.

In 2015 the Ospitaletto site was certified compliant with ISO 50001 as regards reducing environmental impacts and restricting the use of natural and energy resources.

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.

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 an investment of around €1,000,000, the replacement process resulted in the complete substitution of all of the Company's washing machinery.

The environmental impact and management costs have 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. In the last three years, with an investment of €250,000, all the ink-jet systems have been 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 values 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. The process to replace brass valves with light alloy valves continued in 2015. Light alloy valves now account for over 70% 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, from 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. The DCC range of specialist burners was recently 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. High-efficiency burners already account for 13% of all burners produced.

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 gas to generate heat offers far higher yields than those that can be obtained 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 2015 recycling made it possible to recover 81,370 kg of paper, cardboard and plastic packaging.

MATERIALS USED	2015 CONSUMPTION (t)	2014 CONSUMPTION (t)
Brass	1,025	1,030
Aluminium alloys	7,431	7,405
Zamak	77	83
Steel	6,790	6,287

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

Energy sources

ELECTRICITY	2015 CONSUMPTION (Mwh)	2014 CONSUMPTION (Mwh)
TOTAL	29,384	29,773

NATURAL GAS	2015 CONSUMPTION (m^3 X 1000)	2014 CONSUMPTION (m^3 X 1000)
TOTAL	3,376	3,120

Sabaf S.p.A. and Sabaf do Brasil use natural gas as an energy source for the die-casting of aluminium and for firing enamelled caps. Faringosi-Hinges does not use natural gas as an energy source in its production.

Indicator: Energy intensity

ENERGY INTENSITY	2015 CONSUMPTION	2014 CONSUMPTION
Kwh divided by revenue	0.470	0.459

The Energy Management System Audit

In 2015, Sabaf S.p.A. and Faringosi Hinges s.r.l. carried out an energy audit to gain in-depth knowledge of the energy profile of its activities and to identify and quantify opportunities for energy savings.

Several key parts of the energy audit of Sabaf S.p.A. are reproduced below.

MAIN ENERGY SOURCES USED

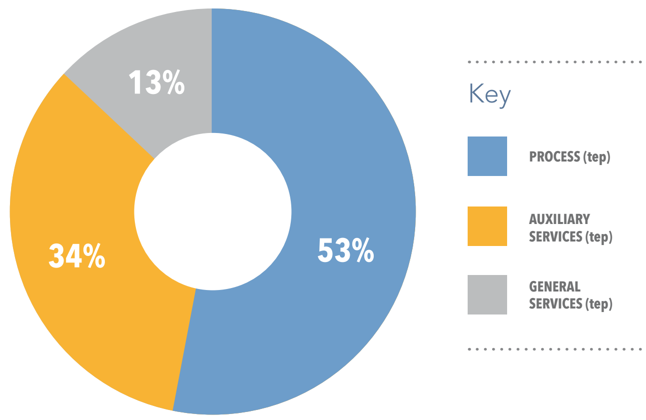
The main sources used are:
- electricity, for all electrically powered devices, whether or not used in the production process, accounts for 74% of the total energy requirement
- natural gas, linked to the operation of production facilities (foundry ovens, washing burners, enamelling furnaces) and utilities (heating), accounting for 26% of total energy requirements.

ANALYSIS OF ENERGY REQUIREMENT BY USE

The production processes that have the greatest energy requirements are the foundry (54% of the process total) and enamelling (15% of the process total).
The energy required for auxiliary services is mainly attributable to the production of compressed air (70% of total auxiliary services) and the treatment plants for waste from the foundry and enamelling (20% of the total auxiliary services).
The energy required for general services is largely attributable to heating and lighting.

IMPROVEMENT OBJECTIVES

The Energy Audit identified a series of measures that can result in lower usage or reduced expenditure on energy supplies, which Sabaf has made one of its improvement objectives starting from 2016:
1. finding and repairing leaks of compressed air
2. adjusting combustion parameters for hot air generators
3. upgrading the lighting systems



Water

WATER	CONSUMPTION 2015 (m^3)	CONSUMPTION 2014 (m^3)
Mains water	50,187	38,081
Groundwater	38,894	27,798
TOTAL	**89,081**	**65,879**

All water used in Group companies' manufacturing processes is channelled to disposal and therefore there are no industrial water discharges. The water used in die-casting and enamelling processes in Italy, recovered via an rainwater collection system or taken from groundwater, is treated in concentration plants that significantly reduce the quantities of water used and waste produced.
The increase in mains water usage is mainly attributable to higher production in Turkey. The increase in groundwater usage is a result of the lower rainfall in 2015 compared to 2014 and the consequent reduction in the amount of rainwater that could be used.

Waste

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

Waste for disposal and recycling is summarised below.

WASTE (METRIC TONS)	2015	2014
MUNICIPAL-TYPE WASTE	**166**	**200**
Non-hazardous (for disposal)	1,286	1,368
Non-hazardous (for recycling)	4,287	4,010
TOTAL NON-HAZARDOUS WASTE	**5,573**	**5,378**
Hazardous (for disposal)	1,531	1,478
Hazardous (for recycling)	865	896
TOTAL HAZARDOUS WASTE	**2,396**	**2,374**

No major spills occurred in 2015.

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. the 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. the 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. the 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 enamelling of burner caps is carried out at Sabaf Turkey. Analysis of the internal process did not identify any significant emissions.
- Sabaf China's operations consist of machining and assembly of burners. Emissions are entirely negligible.

The efficiency of purification systems is guaranteed through regular maintenance and periodic monitoring of all emissions. Monitoring carried out in 2014 and 2015 showed that all emissions were within the legal limits.

CO_2 EMISSIONS (t) [17]	2015	2014
Use of natural gas	6,600	6,102
Use of electricity	10,784	11,969
TOTAL CO_2 EMISSIONS	**17,384**	**18,071**

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 greenhouse gas emissions.

There are no emissions of the so-called greenhouse gases CH4 (methane), N2O (nitrogen dioxide), HFCs (hydrofluorocarbons), and SF6 (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	2015	2014
Waste disposal	449	492
Advisory services	75	27
Emissions analysis	17	12
Training	6	0
Plant, equipment and materials	12	16
TOTAL	**559**	**547**

Environmental investments

IN THOUSANDS OF EURO	2015	2014
Plant, equipment and materials	650	465
TOTAL	**650**	**465**

Environmental investments in 2015 refer to the installation of three new washing systems, as part of the plan described above to replace all the washing systems.

LITIGATION

No lawsuits are currently pending with regard to environmental matters.

17 Calculations based on the following emissions factors: 402 g/Kwh for electricity in 2014, 367 g/Kwh for electricity in 2015 (source: TERNA), 1.956 x 1000 m3 for methane in 2014, 1.955 x 1000m3 for methane in 2015 (source: MINISTRY OF THE ENVIRONMENT).

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

Independent auditors' report on the social report

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

We have carried out a limited assurance engagement of social report for the year ended 31 December 2015 of the SABAF Group (the "Group"), consisting of the following sections of the Group's annual report at the same date:

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

Our work was solely performed on the social report as defined above and did not cover the data and information included in section 3 "Corporate Governance, risk management, compliance and general remuneration", section 5 "Report on operations", or the consolidated and separate financial statements of SABAF S.p.A., which were audited by other auditors.

Directors' responsibility for the social report

The parent's directors are responsible for the preparation of the social report in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Methodology" section of the social report, as well as for that part of internal controls that they consider necessary for the preparation of a social report that is free from material misstatement, including due to fraud or unintentional conduct or events. They are also responsible for defining the Group's objectives regarding its sustainability performance, the reporting of the achieved results and the identification of the stakeholders and the significant matters to report.

Independent auditors' responsibility

Our responsibility is to issue this report based on our procedures. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement.

KPMG S.p.A. applies International Standard on Quality Control 1 (ISQC (Italia) 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

We have complied with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures we performed on the social report included inquiries, primarily of persons responsible for the preparation of information presented in the social report, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

These procedures were related to the compliance with the principle for defining report content and quality, as articulated in the "G4 Sustainability Reporting Guidelines" and may be summarised as follows:

- comparing the information and data presented in the "Generated and distributed economic value" paragraph of the "Introduction to the Annual Report" section of the annual report to the corresponding financial information and data included in the Group's consolidated financial statements as at and for the year ended 31 December 2015, on which other auditors issued their report dated 30 March 2016 pursuant to articles 14 and 16 of Legislative decree no. 39 of 27 January 2010;
- holding interviews aimed at analysing the governance system and the process for managing the sustainable development issues relating to the Group's strategy and activities;
- analysing the reporting of significant matters process, specifically how these matters are identified and prioritised for the each stakeholder category and how the process outcome is validated internally;
- analysing how the processes underlying the generation, recording and management of quantitative data included in the social report operate. In particular, we have performed the following:
  - interviews and discussions with management personnel of SABAF S.p.A. and personnel of Faringosi-Hinges S.r.l., to gather information on the IT, accounting and reporting systems used in preparing the social report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the social report;
  - sample-based analysis of documentation supporting the preparation of the social report to confirm the existence and adequacy of processes and that the internal controls correctly manage data and information in relation to the objectives described in the social report;
- analysing the compliance and overall consistency of the qualitative information included in the social report with the guidelines referred to herein in the "Directors' responsibility for the social report" paragraph;

- analysing the stakeholder involvement process, in terms of methods used, by reading the minutes of the meetings or any other information available about the salient features identified;
- obtaining the representation letter signed by the legal representative of SABAF S.p.A. on the compliance of the social report with the guidelines indicated in the "Directors' responsibility for the social report" paragraph and on the reliability and completeness of the information and data contained therein.

As required by the "G4 Sustainability Reporting Guidelines", the data and information covered by our procedures are set out in the "GRI Content Index" table of the social report.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 Revised, and, therefore, it does not offer assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the social report for the year ended 31 December 2015 of the SABAF Group has not been prepared, in all material respects, in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI – Global Reporting Initiative, that are detailed in the "Methodology" section of the social report.

Brescia, 12 April 2016

KPMG S.p.A.

(signed on the original)

Paolo Andreasi
Director of Audit

GRI Content Index

KPMG S.p.A. has carried out a "limited assurance engagement" on the Sabaf 2015 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 99-101.

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	7		✓
G4-2	Key impacts, risks and opportunities	10, 27, 34-36, 49-53		✓
ORGANIZATIONAL PROFILE				
G4-3	Name of the organization	Before the cover page		✓
G4-4	Primary brands, products and services	32-33		✓
G4-5	Location of the headquarter	32, 151		✓
G4-6	Countries where the organization operates	32, 34-35		✓
G4-7	Nature of ownership and legal form	40, 86		✓
G4-8	Markets served	32, 34-35		✓
G4-9	Scale of the organization	14-18, 33-35		✓
G4-10	Total number of employees by employment contract and gender, region and employment type	62-63	6	✓
G4-11	Percentage of total employees covered by collective bargaining agreements	69	3	✓
G4-12	Description of the organization's supply chain	90-91		✓
G4-13	Significant changes	7-8		✓
G4-14	Precautionary approach or principle application modes	49-53		✓
G4-15	Endorsement of externally developed economic, environmental and social charters and principles	12, 40		✓
G4-16	Memberships in industry associations	94		✓
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	8, 62		✓
G4-18	Process for defining the report content	8, 29		✓
G4-19	Material Aspects identified	10-11		✓
G4-20	For each material Aspect, report the Aspect Boundary within the organization	11		✓
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	11		✓
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	8		✓
G4-23	Significant changes from previous reporting periods	8		✓

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	29		✓
G4-25	Basis for identification and selection of stakeholders with whom to engage	29		✓
G4-26	Approach to stakeholder engagement	9, 29, 76, 89		✓
G4-27	Key topics and concerns that have been raised through stakeholder engagement and the related responses	9, 76-85, 89		✓
REPORT PROFILE				
G4-28	Reporting period	8		✓
G4-29	Date of most recent previous report	8		✓
G4-30	Reporting cycle	8		✓
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	8, 102		✓
G4-33	External Assurance	99-101		✓
GOVERNANCE				
G4-34	Governance structure of the organization, including committees of the highest governance body	41-48, 120, 110-117		✓
G4-38	Composition of the highest governance body	41-48		✓
G4-39	Report whether the Chair of the highest governance body is also an executive officer	57		✓
ETHICS AND INTEGRITY				
G4-56	Organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	12-13, 54	10	✓

SPECIFIC STANDARD DISCLOSURES Material Aspects, DMA and Indicators	Indicator Description	PAGE NUMBER (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
CATEGORY: ECONOMIC				
Material aspect: Economic Performance				
G4-DMA		19		✓
G4-EC1	Direct economic value created and distributed	19		✓
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 NUMBER (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		10-11, 97		✓
G4-EN8	Total water withdrawal by source	97	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	97	8	✓
Material aspect: Emissions				
G4-DMA		10-11, 98		✓
G4-EN15	Direct greenhouse gas emissions	98	7, 8	✓
G4-EN16	Indirect greenhouse gas emissions	98	7, 8	✓
G4-EN20	Emissions of ozone-depleting substances	98	7, 8	✓
G4-EN21	NOx, SOx and other significant air emissions	98	7, 8	✓
Material aspect: Effluents and Waste				
G4-DMA		10-11, 97		✓
G4-EN22	Water discharge	97	8	✓
G4-EN23	Weight of waste and disposal method	97	8	✓
G4-EN24	Total number and volume of significant spills	97	8	✓
Material aspect: Products and Services				
G4-DMA		10-11, 96		✓
G4-EN27	Initiatives aimed at mitigation of environmental impacts of products and services	96	7, 8, 9	✓
Material aspect: Overall				
G4-DMA		10-11		✓
G4-EN31	Environmental protection expenditures and investments	98	7, 8, 9	✓

SPECIFIC STANDARD DISCLOSURES Material Aspects, DMA and Indicators	Indicator Description	PAGE NUMBER (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
CATEGORY: LABOR PRACTICES AND DECENT WORK				
Material aspect: Employment				
G4-DMA		10-11, 62		✓
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	63-65	6	✓
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	69, 196-197		✓
G4-LA3	Return to work and retention rates after parental leave	72	6	✓
Material aspect: Occupational Health and Safety				
G4-DMA		10-11, 72-73		✓
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	15, 72-73		✓
G4-LA7	Workers with hight incidence or risk of diseases related to their occupation	73		✓
G4-LA8	Health and safety topics covered in formal agreements with trade unions	74		✓
Material aspect: Training and Education				
G4-DMA		10-11, 67		✓
G4-LA9	Empoloyees training	67	6	✓
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender	69	6	✓
Material aspect: Diversity and Equal Opportunity				
G4-DMA		10-11, 68		✓
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	43-44, 68	6	✓
Material aspect: Equal Remuneration for Women and Men				
G4-DMA		10-11, 70		✓
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category	70	6	✓
Material aspect: Supplier Assessment for Labor Practices				
G4-DMA		10-11, 90		✓
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	90		✓

SPECIFIC STANDARD DISCLOSURES Material Aspects, DMA and Indicators	Indicator Description	PAGE NUMBER (o direct reference)	Principle of Global Compact	EXTERNAL ASSURANCE
CATEGORY: HUMAN RIGHTS				
Material aspect: Non-discrimination				
G4-DMA		10-11, 62, 67		✓
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		10-11		✓
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be at significant risk	62, 90	3	✓
Material aspect: Child Labor				
G4-DMA		10-11		✓
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor	62, 90	5	✓
Material aspect: Forced or Compulsory Labor				
G4-DMA		10-11		✓
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor	62, 90	4	✓
Material aspect: Assessment				
G4-DMA		10-11		✓
G4-HR9	otal number and percentage of operations that have been subject to human rights reviews or impact assessments	62, 90	1	✓
Material aspect: Supplier Human Rights Assessment				
G4-DMA		10-11		✓
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	12, 90	2	✓
CATEGORY: PRODUCT RESPONSIBILITY				
Material aspect: Customer Health and Safety				
G4-DMA		10-11, 88		✓
G4-PR1	Health and safety impacts of products and services	88-89		✓
Material aspect: Product and Service Labeling				
G4-DMA		10-11, 89		✓
G4-PR5	Results of surveys measuring customer satisfaction	89		✓


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CHAPTER 5

REPORT ON OPERATIONS

UNITED STATES OF AMERICA

SABAF®

Report on operations

BUSINESS AND FINANCIAL SITUATION OF THE GROUP

IN THOUSANDS OF EURO	2015	%	2014	%	2015-2014 CHANGE	% CHANGE
Sales revenue	138,003	100%	136,337	100%	1,666	+1.2%
EBITDA	26,172	19.0%	25,952	19.0%	220	+0.8%
Operating profit (EBIT)	14,091	10.2%	13,175	9.7%	916	+7.0%
Pre-tax profit	13,473	9.8%	12,157	8.9%	1,316	+10.8%
Net profit	8,998	6.5%	8,338	6.1%	660	+7.9%
Basic earnings per share (in euro)	0.781	-	0.723	-	0.058	+8.0%
Diluted earnings per share (in euro)	0.781	-	0.723	-	0.058	+8.0%

In 2015 the Sabaf Group achieved a moderate increase in sales (+1.2%), accompanied by a profitability that is finally improving: EBITDA represented 19% of revenues (as in 2014) and EBIT 10.2% (9.7% in 2014). Net profit reached 6.5% of sales (6.1% in 2014).

The subdivision of sales revenues by product line is shown in the table below:

The increase in sales is attributable principally to the growth of burners: as regards standard burners the Group benefited from the strong competitiveness of its production processes (also thanks to increased production at the Turkish plant), while with special burners the introduction of new high energy efficiency models was a success. The sales performance of hinges was also very positive; several important supply relationships were consolidated and new special models were introduced. Conversely, the families of valves and thermostats recorded a downturn, due to greater competitive pressure.

The geographical breakdown of revenues is shown below:

Sales by product line

IN THOUSANDS OF EURO	2015	%	2014	%	% CHANGE
Brass valves	12,689	*9.2%*	13,741	*10.1%*	-7.7%
Light alloy valves	33,784	*24.5%*	34,006	*24.9%*	-0.7%
Thermostats	10,596	*7.7%*	12,288	*9.0%*	-13.8%
Standard burners	37,789	*27.4%*	36,160	*26.5%*	+4.5%
Special burners	21,622	*15.7%*	20,251	*14.9%*	+6.8%
Accessories and other revenues	13,577	*9.8%*	12,928	*9.5%*	+5.0%
TOTAL GAS PARTS	**130,057**	*94.3%*	**129,374**	*94.9%*	**+0.5%**
Hinges	7,946	*5.7%*	6,963	*5.1%*	+14.1%
TOTAL	**138,003**	*100.0%*	**136,337**	*100%*	**+1.2%**

Sales by geographical area

IN THOUSANDS OF EURO	2015	%	2014	%	% CHANGE
Italy	41,244	*29.9%*	42,277	*31.0%*	-2.4%
Western Europe	7,438	*5.4%*	8,716	*6.4%*	-14.7%
Eastern Europe	35,125	*25.5%*	36,198	*26.6%*	-3.0%
Middle East and Africa	16,759	*12.1%*	16,871	*12.4%*	-0.7%
Asia and Oceania	7,019	*5.0%*	6,907	*5.0%*	+1.6%
South America	20,815	*15.1%*	18,324	*13.4%*	+13.6%
North America and Mexico	9,603	*7.0%*	7,044	*5.2%*	+36.3%
TOTAL	**138,003**	*100%*	**136,337**	*100%*	**+1.2%**

In line with the strategy of greater internationalisation, the markets which increasingly contributed to sales in 2015 were the non-European markets: particularly significant are the increases achieved in South America (where sales represented more than 15% of the total), despite the weakness of the Brazilian market, and in North America (where sales increased by 36%, bringing their impact on the total revenues to 7%). Sales in Asia, the Middle East and Africa were essentially stable, while the European markets decreased compared with 2014.

Average sales prices in 2015 were around 1% lower compared with 2014.

The actual cost of the main raw materials (brass, aluminium alloys and steel) was approximately 5% higher than in 2014. Savings were also achieved in the purchase of other parts. Consumption (purchases plus change in inventory) as a percentage of sales was 38.7% in 2015, compared with 38.2% in 2014.

The impact of labour costs on sales remained unchanged at 23.6% of sales.

The impact of net financial charges on the revenues remains very low (0.4%, as in 2014), due to the low level of debt and low interest rates.
Operating cash flow (net profit plus depreciation & amortisation) stood at €21.2 million, equivalent to 15.3% of sales (€20.6 million and 15.1% respectively in 2014).

The 2015 tax rate was 33.2% (31.4% in 2014, when it included non-recurrent positive items totalling €0.9 million).

The Group's assets/liabilities situation, reclassified based on financial criteria, is illustrated below:

IN THOUSANDS OF EURO	31/12/2015	31/12/2014
Non-current assets	*92,797*	*96,152*
Short-term assets [1]	75,370	74,780
Short-term liabilities [2]	(27,207)	(28,936)
Working capital [3]	*48,163*	*45,844*
Short-term financial assets	*69*	*0*
Provision for risks and charges, employee severance pay reserve, deferred taxes	*(4,081)*	*(4,325)*
NET INVESTED CAPITAL	**136,948**	**137,671**
Short-term net financial position	(19,520)	(16,760)
Medium/long-term net financial position	(6,388)	(10,173)
NET FINANCIAL DEBT	**(25,908)**	**(26,933)**
SHAREHOLDERS' EQUITY	**111,040**	**110,738**

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

IN THOUSANDS OF EURO	2015	2014
Opening liquidity [4]	***3,675***	***5,111***
Operating cash flow	19,131	16,977
Cash flow from investments	(12,079)	(11,491)
Cash flow from financing activities	(5,392)	(8,092)
Foreign exchange differences	(1,344)	453
CASH FLOW FOR THE PERIOD	**316**	**(2,153)**
Final liquidity	***3,991***	***2,958***

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 CONSOB memorandum of 28 July 2006.

At 31 December 2015, working capital stood at €48.2 million compared with €45.8 million at the end of the previous year: its impact on sales was 34.9% (33.6% in 2014); the worsening is mainly related to the varying performances of the loans for income tax receivables and payables. The year-end values of the trade receivables, warehouse inventories and trade payables are in line with those of 31 December 2014.

The ratio between working capital and short-term loans is 2.5, for which the Group considers the liquidity risk to be minimal.

In 2015 the Sabaf Group made net investments of 12.1 million euro. The main investments in the year were aimed at increasing production capacity and the further automation of production of light alloy valves. The machinery necessary for the production launch in China was produced and production capacity at the Turkish plant was also further increased. Investments were also made to improve production processes - including the purchase of new alcohol washing facilities - and investments were made in maintenance and replacement, designed to keep the capital equipment constantly updated.
The free cash flow (operating cash flow less investments) was €7.1 million, versus €5.5 million in 2014.

During the financial year, the Group paid out dividends of €4.6 million and purchased treasury shares for €0.7 million; the net financial debt was €25.9 million, versus €26.9 million in 31 December 2014.

Shareholders' equity totalled €111 million at 31 December 2015; the debt/equity ratio was 0.23 versus 0.24 in 2014.

1 Sum of Inventories, Trade receivables, Tax receivables and Other current receivables.
2 Sum of Trade payables, Tax payables and Other liabilities.
3 Difference between short-term assets and short-term liabilities.
4 The opening liquidity in 2015 differs from the final liquidity in 2014 following the change in the consolidation method of Sabaf Appliance Components (Kunshan) Ltd.

Economic and financial indicators

	2015	2014
ROCE (return on capital employed)	10.3%	9.6%
Dividend per share (€)	0.48 [5]	0.40
Net debt/equity ratio	23%	24%
Market capitalisation (31.12) /equity ratio	1.19	1.17
Change in sales	+1.2%	+4.1%

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 protracted nature of the European crisis, which has become systematic over the years, has had an impact on the transformation of the white goods industry, the sector in which the Sabaf group operates. Indeed, the continuous contraction of demand on mature markets has been accompanied by a further concentration of end markets, a steady increase of sales volumes in emerging markets and, finally, 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, 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 in 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 sales 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 about 50% of its expected requirement for aluminium, steel and brass for 2016.
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. However, transactions also take place 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 about 12% of consolidated revenue, the possible depreciation against the euro and the real could lead to a loss in competitiveness on the markets in which sales are made in that currency (mainly South and North America).
At 31 December 2015 the Group had forward sales contracts for a total of 5.2 million dollars, maturing until 31 December 2016. 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 a 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; the opening up of trade in countries in which it is difficult to enforce industrial patent rights exposes the Group to a greater risk of protection of its own products. 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 structured processes in place to manage innovation and protect intellectual property. In addition, the Group periodically monitors the patent strategies adopted/to be adopted based on the assessments of cost/opportunity.

5 Proposed dividend.

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, described in the previous section, 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.
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 made 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, the Middle East 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.
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, also through a local network, in order to make strategic and investment decisions fully aware of the exposure to associated risks.

Risks relating to the difficulties of sufficiently managing the Group's 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, the definition of the areas of action and responsibilities of each function involved, and the analysis of the legal context of the countries in which the subsidiaries have their registered office.

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. In particular, the necessary governance actions have been undertaken with regard to company organisation and systems of liability, control and coordination.

Risks related to the potential resistance to change on the part of the organisation

The Group operates in a market context whose dynamism is reflected on the organisation and the processes. In this context, the Group may not be able to exploit the opportunities offered by the market due to the potential resistance to change of the organisation.
To counter this risk, the Group has commenced initiatives aimed at raising awareness at all levels of the organisation regarding the critical success criteria and sharing improvement objectives and plans.

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 has launched policies to strengthen the most critical 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 2015 were as follows:

Burners

- a specific solution was realised, characterised by an efficiency greater than 67%, of a DCC burner for the Chinese market;
- based on the DCC burner platform, versions dedicated to specific customers were produced;
- new versions of burners for the Indian market were studied;
- the industrialisation of a new high-efficiency, triple crown burner intended for the Brazilian market was completed;

Valves

- a new version of the light alloy safety valve for kitchens was industrialised;
- interventions in the process aimed at increasing productivity and automation continued, for both the processing and assembly stages;

Hinges

- a soft close system for oven doors with a damping unit fitted in the oven was industrialised;
- an electromechanical solution for the movements of the oven doors was developed; the production of a prototype is planned in 2016.

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 €414,000 were capitalised, as all the conditions set by international accounting standards were met; in other cases, they were charged to the income statement.

SAP IMPLEMENTATION

In order to align the subsidiaries' operating and management model to that of Sabaf S.p.A., the Group extended the implementation of the SAP IT system to all the production units; during 2015 the system was also launched at Sabaf Cina.

INTEGRATED SUSTAINABILITY AND REPORTING

Since 2005, Sabaf has drawn up a single report on its economic, social and environmental sustainability performance. 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

The Sabaf Group had 759 employees at 31 December 2015 (726 at 31 December 2014). In 2015, the Sabaf Group suffered no on-the-job deaths or serious accidents that led to serious or very serious injuries to staff for which the Group was definitively held responsible, nor was it held responsible for occupational illnesses of employees or former employees, or causes of mobbing.
For more information, see the "Sabaf and employees" section of the Annual Report.

ENVIRONMENT

In 2015 there was no:

- damage caused to the environment for which the Group was held definitively responsible;
- definitive fines or penalties imposed on the Group for environmental crimes or damage.

For more information, see the "Sabaf and employees" 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 described in detail 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 within the scope of this regulation and can regularly 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, together with information on the roles covered, and requires the systematic and centralised 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 course of 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 196 of 30 June 2003, in 2015 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.

ATYPICAL OR UNUSUAL TRANSACTIONS

Sabaf Group companies did not execute any unusual or atypical transactions in 2015.

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 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. It should also be noted 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 activities over its Italian subsidiaries, Faringosi Hinges s.r.l. and Sabaf Immobiliare s.r.l.

INFRAGROUP OPERATIONS AND OPERATIONS WITH RELATED PARTIES

The relationships between the Group companies, including those with the parent company, are regulated under market conditions, as well as the relationships with related parties, defined in accordance with the accounting standard IAS 24. The details of the infragroup operations and other operations with related parties are given in Note 37 of the consolidated financial statements and in Note 37 of the separate financial statements of Sabaf S.p.A.

TAX CONSOLIDATION SCHEME

During 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 the companies of the Sabaf Group membership of the tax consolidation scheme does not imply higher taxes as it makes no difference whether these are paid to the tax authorities or to the 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 YEAR-END AND BUSINESS OUTLOOK

The beginning of 2016 is characterised by a situation of great uncertainty, due to political, economic and financial tensions that have an impact on the main markets in which Sabaf operates. The sales of the first three-year period are expected to fall compared with 2015, which was characterised by a very positive start of the year.

However, the agreements reached with some major customers for 2016 envisage an increase of our supply share and the launch of the supplies for new important projects. If the macroeconomic context stabilises, the Group therefore considers that it will be able to achieve in the whole of the current year an improvement in sales and profitability compared with 2015. Should the economic situation instead undergo significant changes, the final values may deviate from the forecasts.

SABAF S.P.A. BUSINESS AND FINANCIAL STATUS

IN THOUSANDS OF EURO	2015	2014	CHANGE	% CHANGE
Sales revenue	113,962	115,919	(1,957)	-1.7%
EBITDA	16,123	17,984	(1,861)	-10.3%
Operating profit (EBIT)	8,847	9,708	(861)	-8.87%
Pre-tax profit (EBT)	8,159	10,533	(2,374)	-22.5%
NET PROFIT	**5,642**	**7,878**	**(2,236)**	**-28.4%**

The reclassification based on financial criteria is illustrated below:

IN THOUSANDS OF EURO	31/12/2015	31/12/2014
Non-current assets	*86,088*	*85,110*
Short-term assets [6]	60,493	62,583
Short-term liabilities [7]	(24,932)	(25,856)
Working capital [8]	*35,561*	*36,727*
Financial assets	*2,906*	*1,660*
Provision for risks and charges, employee severance pay reserve, deferred taxes	*(3,003)*	*(3,191)*
NET INVESTED CAPITAL	**121,552**	**120,306**
Short-term net financial position	(20,686)	(17,072)
Medium/long-term net financial position	(4,632)	(7,340)
NET FINANCIAL POSITION	**(25,318)**	**(24,412)**
SHAREHOLDERS' EQUITY	**96,234**	**95,894**

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

IN THOUSANDS OF EURO	2015	2014
Opening liquidity	***1,366***	***2,345***
Operating cash flow	14,531	14,124
Cash flow from investments	(9,035)	(9,030)
Cash flow from financing activities	(5,772)	(6,073)
CASH FLOW FOR THE PERIOD	**(276)**	**(979)**
Closing liquidity	***1,090***	***1,366***

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 23 of the statutory accounts, as required by the CONSOB memorandum of 28 July 2006.

The 2015 financial year ended with a decrease in sales of 1.7% compared with 2014. The product family of valves and thermostats was weaker, while sales of burners increased, thanks to the contribution of special burners. The lower sales and the reduction in sales prices (0.9% on average) had a negative impact on gross operating profitability: EBITDA was €16.1 million, or 14.1% of revenues (€18 million in 2014, or 15.5%).

EBIT in 2015 was €8.8 million, or 7.8% of revenues (€9.7 million in 2014, or 8.4%), and net profit was €5.6 million, or 5% of revenues (€7.9 million in 2014, or 6.8%).

The actual cost of the main raw materials (brass, aluminium alloys and steel) was on average 5.5% higher compared to 2014.

The impact of the labour costs on the sales is growth from 24.1% to 24.5%.
Net finance expense as a percentage of sales was minimal, at 0.4% (substantially unchanged), given the low level of financial debt and the low interest rates.

Operating cash flow (net profit plus depreciation & amortisation) decreased from €16.9 million to €14.4 million, with an impact on revenues of 12.6% (vs. 14.6% in 2014).

In 2015 Sabaf S.p.A. invested over €9 million. The main investments in the year aimed at increasing production capacity and the further automation of production of light alloy valves.

At 31 December 2015, working capital stood at €35.6 million compared with €36.7 million the previous year: its percentage impact on sales rose to 31.2% from 31.7% at the end of 2014.

Self-financing generated by operating cash flow was €14.5 million, compared with €14.1 million in 2014, due to a lower absorption of working capital.

The net financial debt was €25.3 million, compared with €24.4 million on 31 December 2014.

At the end of the year, the shareholders' equity amounted to €96.2 million, compared with €95.9 million in 2014. The net financial debt/shareholders' equity ratio is 0.26, substantially unchanged compared with 2014 (0.25).

6 Sum of Inventories, Trade receivables, Tax receivables and Other current receivables.
7 Sum of Trade payables, Tax payables and Other liabilities.
8 Difference between short-term assets and short-term liabilities.

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

Pursuant to the CONSOB memorandum of 28 July 2006, a reconciliation statement of the result of the 2015 financial year and Group shareholders' equity at 31 December 2015 with the same values of the parent company Sabaf S.p.A. is given below:

	31.12.2015		31.12.2014	
DESCRIPTION	Profit for the period	Shareholders'equity	Profit for the period	Shareholders'equity
Net profit and shareholders' equity of parent company Sabaf S.p.A.	**5,642**	**96,234**	**7,878**	**95,894**
Equity and consolidated company results	4,775	56,427	3,263	54,609
Elimination of consolidated equity investments; carrying value	(1,303)	(45,616)	(1,771)	(43,936)
Goodwill	0	4,445	0	4,445
Equity investments booked at net equity	0	0	0	73
Intercompany eliminations				
Dividends	0	0	(970)	0
Other intercompany eliminations	(116)	(450)	(62)	(347)
PROFIT AND SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP	**8,998**	**111,040**	**8,338**	**110,738**

Proposal for approval of the separate financial statements and proposed dividend

As we thank our employees, the Board of Statutory Auditors, the Independent Auditor and the supervisory authorities for their invaluable cooperation, we would kindly ask the shareholders to approve the financial statements as at 31 December 2015, with the recommendation to allocate the year's profits of € 5,642,123 as follows:

- the payment of a dividend of €0.48 per share to shareholders, with payment date on 25 May 2016 (ex-date: 23 May 2016). With regard to treasury shares, we recommend allocating an amount corresponding to the dividend of the company shares in the portfolio on the ex-date to the extraordinary reserve;
- the remainder to the extraordinary reserve.

Ospitaletto, 22 March 2016
The Board of Directors

CHAPTER 6

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2015

INDIA

SABAF®

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 US Corp.	100%
Sabaf Appliance Components (Kunshan) Co. Ltd.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turchia)	100%
Sabaf Appliance Components Trading (Kunshan) Co. Ltd. in liquidazione	100%

Board of Directors

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

Board of Statutory Auditors

Chairman	Antonio Passantino
Standing Auditor	Luisa Anselmi
Standing Auditor	Enrico Broli

Independent Auditor

Deloitte & Touche S.p.A.

* Independent directors.

Consolidated balance sheet and financial position

IN THOUSANDS OF EURO	NOTES	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	73,037	74,483
Real estate investments	2	6,712	7,228
Intangible assets	3	7,525	7,359
Investments	4	204	974
Non-current receivables	5	432	529
Deferred tax assets	21	4,887	5,579
TOTAL NON-CURRENT ASSETS		**92,797**	**96,152**
Current assets			
Inventories	6	31,009	30,774
Trade receivables	7	40,425	40,521
Tax receivables	8	2,489	2,390
Other current receivables	9	1,447	1,095
Current financial assets	10	69	0
Cash and cash equivalents	11	3,991	2,958
TOTAL CURRENT ASSETS		**79,430**	**77,738**
Assets held for sale		**0**	**0**
TOTAL ASSETS		**172,227**	**173,890**

SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533	11,533
Retained earnings, other reserves		90,509	90,867
Net profit for the year		8,998	8,338
Total equity interest of the Parent Company		*111,040*	*110,738*
Minority interests		*0*	*0*
TOTAL SHAREHOLDERS' EQUITY		**111,040**	**110,738**
Non-current liabilities			
Loans	14	6,388	10,173
Post-employment benefit and retirement reserves	16	2,914	3,028
Reserves for risks and contingencies	17	395	605
Deferred tax	21	772	692
TOTAL NON-CURRENT LIABILITIES		**10,469**	**14,498**
Current liabilities			
Loans	14	23,480	19,613
Other financial liabilities	15	31	105
Trade payables	18	19,450	19,328
Tax payables	19	1,219	2,453
Other liabilities	20	6,538	7,155
TOTAL CURRENT LIABILITIES		**50,718**	**48,654**
Liabilities held for sale		**0**	**0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**172,227**	**173,890**

Consolidated income statement

IN THOUSANDS OF EURO	NOTES	2015	2014
CONTINUING OPERATIONS			
Operating revenue and income			
Revenues	23	138,003	136,337
Other income	24	3,758	3,748
TOTAL OPERATING REVENUE AND INCOME		141,761	140,085
Operating costs			
Materials	25	(54,366)	(54,472)
Change in inventories		1,025	2,447
Services	26	(29,759)	(29,875)
Payroll costs	27	(32,526)	(32,180)
Other operating costs	28	(1,193)	(1,042)
Costs for capitalised in-house work		1,230	989
TOTAL OPERATING COSTS		(115,589)	(114,133)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		26,172	25,952
Depreciation and amortisation	1,2,3	(12,185)	(12,292)
Capital gains on disposals of non-current assets		104	63
Write-downs of non-current assets	4,29	0	(548)
OPERATING PROFIT		14,091	13,175
Financial income		67	61
Financial expenses	30	(596)	(592)
Exchange rate gains and losses	31	(89)	119
Profits and losses from equity investments	4	0	(606)
PROFIT BEFORE TAXES		13,473	12,157
Income tax	32	(4,475)	(3,819)
Minority interests		0	0
NET PROFIT FOR THE YEAR		8,998	8,338
EARNINGS PER SHARE (EPS)	33		
Base		0.781 euro	0.723 euro
Diluted		0.781 euro	0.723 euro

Consolidated comprehensive income statement

IN THOUSANDS OF EURO	2015	2014
NET PROFIT FOR THE YEAR	**8,998**	**8,338**
Total profits/losses that will not later be reclassified under profit (loss) for the year:		
Actuarial post-employment benefit reserve evaluation	49	(283)
Tax effect	(14)	78
	35	**(205)**
Total profits/losses that will later be reclassified under profit (loss) for the year:		
Forex differences due to translation of financial statements in foreign currencies	**(3,400)**	**817**
Cash flow hedges	0	(26)
Tax effect	0	5
	0	**(21)**
TOTAL PROFITS/(LOSSES) NET OF TAXES FOR THE YEAR	**(3,365)**	**591**
TOTAL PROFIT	**5,633**	**8,929**

Statement of changes in consolidated shareholders' equity

IN THOUSANDS OF EURO	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Cash flow hedge reserve	Post-employment benefit discounting reserve	Other reserves	Net profit for the year	Total Group share-holders' equity	Minority interest	Total share-holders' equity
BALANCE AT 31 DECEMBER 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 December 2014					817	(21)	(205)		8,338	8,929		8,929
BALANCE AT 31 DECEMBER 2014	**11,533**	**10,002**	**2,307**	**(5)**	**(3,648)**	**0**	**(616)**	**82,827**	**8,338**	**110,738**	**0**	**110,738**
Allocation of 2014 earnings												
• dividends paid out									(4,613)	(4,613)		(4,613)
• carried forward								3,725	(3,725)	0		0
Other movements												
Purchase of treasury shares				(718)						(718)		(718)
Total profit at 31 December 2015					(3,400)		35		8,998	5,633		5,633
BALANCE AT 31 DECEMBER 2015	**11,533**	**10,002**	**2,307**	**(723)**	**(7,048)**	**0**	**(581)**	**86,552**	**8,998**	**111,040**	**0**	**111,040**

Consolidated statement of cash flows

	12M 2015	12M 2014
Cash and cash equivalents at beginning of year *	*3,675*	*5,111*
Net profit for period	8,998	8,338
Adjustments for:		
• Depreciation and amortisation	12,185	12,292
• Realised gains	(104)	(63)
• Write-downs of non-current assets	0	548
• Losses from equity investments	0	606
• Net financial income and expenses	529	531
• Income tax	4,475	3,819
Change in post-employment benefit reserve	(129)	(158)
Change in risk provisions	(210)	(67)
Change in trade receivables	*107*	*(4,079)*
Change in inventories	*(170)*	*(2,548)*
Change in trade payables	*(58)*	*365*
Change in net working capital	**(121)**	**(6,262)**
Change in other receivables and payables, deferred tax	(72)	210
Payment of taxes	(5,931)	(2,325)
Payment of financial expenses	(556)	(553)
Collection of financial income	67	61
CASH FLOW FROM OPERATIONS	**19,131**	**16,977**
Investments in non-current assets		
• intangible	(781)	(639)
• tangible	(11,581)	(9,843)
• financial	(26)	(1,223)
Disposal of non-current assets	309	214
CASH FLOW ABSORBED BY INVESTMENTS	**(12,079)**	**(11,491)**
Repayment of loans	(19,480)	(16,993)
Raising of loans	19,488	25,047
Short-term financial assets	(69)	0
Purchase of treasury shares	(718)	0
Payment of dividends	(4,613)	(16,146)
CASH FLOW ABSORBED BY FINANCING ACTIVITIES	**(5,392)**	**(8,092)**
Foreign exchange differences	(1,344)	453
NET FINANCIAL FLOWS FOR THE YEAR	**316**	**(2,153)**
Cash and cash equivalents at end of year Note 10	***3,991***	***2,958***
Current financial debt	23,511	19,718
Non-current financial debt	6,388	10,173
NET FINANCIAL DEBT NOTE 22	**25,908**	**26,933**

* The cash balance at 1 January 2015 differs by 717,000 euros from the balance at 31 December 2014 following the change in the consolidation method of Sabaf Appliance Components (Kunshan).

Explanatory Notes

Accounting standards

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

The consolidated year-end accounts of the Sabaf Group for the financial year 2015 have been prepared in compliance with the International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**) and endorsed by the European Union. Reference to the 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 are considered a going concern. The Company found that, despite the difficult economic and business climate, there were no significant uncertainties (as defined by paragraphs 25 and 26 of **IAS 1**) regarding the continuity of the Company, also due to the strong competitive position, high profitability and solidity of the financial structure.

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 the financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement that expresses revenue and expense items not recognised in profit (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 2015 comprises the direct parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A.:

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

The participation in the controlled company Sabaf Appliance Components (Kunshan) Co., Ltd. was consolidated using the full line-by-line consolidation method for the first time in these financial statements, since the company commenced its operations in the course of 2015. In the preceding financial statements it was assessed using the net equity method.

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 therein; (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 U.S. is not consolidated since it is irrelevant for the purposes of the consolidation.

CONSOLIDATION CRITERIA

The data used for consolidation have been taken from the income statements and balance sheets prepared by the directors of the 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 the 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. Positive differences arising from elimination of equity investments against the carrying.

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 thereto 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.

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

DESCRIPTION OF CURRENCY	EXCHANGE RATE AS AT 31/12/15	AVERAGE EXCHANGE 2015	EXCHANGE RATE AS AT 31/12/14	AVERAGE EXCHANGE 2014
Brazilian real	4.3117	3.7004	3.2207	3.1211
Turkish lira	3.1765	3.0255	2.8320	2.9065
Chinese renminbi	7.0608	6.9714	7.5358	8.1857

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

	31.12.2015		31.12.2014	
DESCRIPTION	Profit for the period	Shareholders' equity	Profit for the period	Shareholders' equity
Net profit and shareholders' equity of parent company Sabaf S.p.A.	**5,642**	**96,234**	**7,878**	**95,894**
Equity and consolidated company results	4,775	56,427	3,263	54,609
Elimination of consolidated equity investments' carrying value	(1,303)	(45,616)	(1,771)	(43,936)
Goodwill	0	4,445	0	4,445
Equity investments booked at net equity	0	0	0	73
Intercompany Eliminations:				
Dividends	0	0	(970)	0
Other intercompany eliminations	(116)	(450)	(62)	(347)
PROFIT AND SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE GROUP	**8,998**	**111,040**	**8,338**	**110,738**

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 2015, unchanged versus the previous year, are shown below:

Property, plant and equipment

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

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

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

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, financial 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 (*impairment test*).

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. If it is considered that these future economic benefits will not be generated, the development costs are written down in the year in which this is ascertained.

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

Impairment of value

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

Investment properties

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

As from 1 January 2015 the Chinese subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd, which commenced its operations in the course of 2015, was consolidated using the full line-by-line consolidation method (until 31 December 2014 this company was consolidated using the net equity method).
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 by the presumed realisable value for finished and semi-processed products – calculated taking into account any manufacturing costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Inventories subject to obsolescence and low turnover are written down in relation to their possibility of use or realisation. Inventory write-downs are eliminated in subsequent years if the reasons for such write-downs cease to exist.

Receivables

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

Current financial assets

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

Reserves for risks and contingencies

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

Post-employment benefit reserve

The reserve for Italian post-employment benefit obligations is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the balance sheet date). Conversely, portions accruing after that date are treated as defined-contribution plans. Actuarial gains or losses are recorded immediately under "Other total profits/(losses)".

Payables

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

Loans

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

Policy for conversion of foreign currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on the transaction date.
At year-end, assets and liabilities expressed in foreign currencies, 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 planned future transactions.
The Group does not use derivatives for trading purposes.
Derivatives are initially recognised at cost and are then adjusted to *fair value* on subsequent closing dates.
Changes in the *fair value* of derivatives designated and recognised as effective for hedging future cash flows relating to the 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 fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.
Changes in the *fair value* of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.
Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue reporting

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

Financial income

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

Financial expenses

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

Income taxes for the year

Income taxes include all taxes calculated on the 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 in accordance with 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

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

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 a dilutive effect.

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

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

Provisions for inventory obsolescence

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

Employee benefits

The current value of liabilities for employee benefits depends on a series of factors determined using actuarial techniques based on certain assumptions. Assumptions concern the discount rate, estimates of future salary increases, and mortality and resignation rates. Any change in the above-mentioned assumptions might have 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 might change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions and reserves

When estimating the risk of potential liabilities from disputes, management relies on communications regarding the status of recovery procedures and disputes from the lawyers who represent the 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 2015

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

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

On 12 December 2013, the **IASB** published the document ***"Annual Improvements to IFRSs: 2011-2013 Cycle"***, which includes the changes to some principles within the scope of the annual improvement process of same. The main changes involve: **IFRS 3 Business Combinations – *Scope exception for joint ventures;* IFRS 13 Fair Value Measurement – *Scope of portfolio exception*** (par. 52); **IAS 40 Investment Properties – *Interrelationship between IFRS 3 and IAS 40***. The changes apply starting from the financial years which began on 1 January 2015 or a later date. The adoption of these amendments did not have any effect on the Group's consolidated financial statements.

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

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

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

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

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

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

IFRS 7 – Financial instruments: Disclosure.

IAS 19 – Employee Benefits

IAS 34 – Interim Financial Reporting.

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

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

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

The changes introduced by the document apply starting from the financial years which begin on 1 January 2016 or a later date. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these changes.

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

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

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

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

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

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

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

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

The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset in order to distinguish the leasing contracts from the service contracts, identifying the discriminatory ones: the identification of the asset, the right of replacement of the same, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.

The standard applies from 1 January 2019, but early application is permitted, only for the companies that have applied **IFRS 15** - ***Revenue from Contracts with Customers at an early date.*** The directors do not expect that the application of **IFRS 16** can have a significant impact on the accounting of the leasing contracts and on the related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effect as long as the Group has not completed a detailed analysis of the related contract.

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

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

	PROPERTY	PLANT AND EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
COST					
AT 31 DECEMBER 2013	**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**
Increases	119	8,574	1,753	1,135	11,581
Disposals	-	(1,173)	(93)	(14)	(1,280)
Var. areas of consolidation	-	112	160	-	272
Reclassifications	-	2,750	105	(2,899)	(44)
Forex differences	(1,071)	(1,912)	(667)	(13)	(3,663)
AT 31 DECEMBER 2015	**51,225**	**176,529**	**37,149**	**2,059**	**266,962**
ACCUMULATED DEPRECIATION AND AMORTISATION					
AT 31 DECEMBER 2013	**12,703**	**134,603**	**28,052**	**-**	**175,358**
Depreciation for 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**
Depreciation for the year	1,450	7,277	2,421	-	11,148
Eliminations for disposals	-	(1,101)	(108)	-	(1,209)
Var. areas of consolidation	-	1	20	-	21
Reclassifications	5	35	20	-	60
Forex differences	(163)	(1,085)	(460)	-	(1,708)
AT 31 DECEMBER 2015	**15,470**	**146,059**	**32,396**	**-**	**193,925**
NET CARRYING VALUE					
AT 31 DECEMBER 2015	**35,755**	**30,470**	**4,753**	**2,059**	**73,037**
AT 31 DECEMBER 2014	**37,999**	**27,246**	**5,388**	**3,850**	**74,483**

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

	31.12.2015	31.12.2014	CHANGE
Land	6,624	6,900	(276)
Industrial buildings	29,131	31,099	(1,968)
TOTAL	**35,755**	**37,999**	**(2,244)**

The net carrying value of industrial property includes an amount of €2,297,000 (€2,382,000 at 31 December 2014) relating to industrial buildings held under finance leases.

The main investments in the year aimed at increasing production capacity and the further automation of production of light alloy valves. The machinery necessary for the production launch in China was produced and production capacity at the Turkish plant was also further increased. 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 2015, 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 2013	**13,257**
Increases	-
Disposals	-
AT 31 DECEMBER 2014	**13,257**
Increases	-
Disposals	(121)
AT 31 DECEMBER 2015	**13,136**

ACCUMULATED DEPRECIATION AND AMORTISATION	
AT 31 DECEMBER 2013	**5,583**
Depreciation for the year	446
Eliminations for disposals	-
AT 31 DECEMBER 2014	**6,029**
Depreciation for the year	442
Eliminations for disposals	(47)
AT 31 DECEMBER 2015	**6,424**

NET CARRYING VALUE	
AT 31 DECEMBER 2015	**6,712**
AT 31 DECEMBER 2014	**7,228**

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 2015, 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 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**
Increases	-	193	414	155	762
Reclassifications	-	66	(47)	-	19
Decreases	-	-	-	-	-
Forex differences	-	(8)	-	-	(8)
AT 31 DECEMBER 2015	**9,008**	**6,231**	**4,685**	**799**	**20,723**
AMORTISATIONS/WRITE-DOWNS					
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**
Amortisation 2015	-	209	336	67	612
Decreases	-	-	-	-	-
Forex differences	-	(5)	-	-	(5)
AT 31 DECEMBER 2015	**4,563**	**5,732**	**2,347**	**556**	**13,198**
NET CARRYING VALUE					
AT 31 DECEMBER 2015	**4,445**	**499**	**2,338**	**243**	**7,525**
AT 31 DECEMBER 2014	**4,445**	**452**	**2,307**	**155**	**7,359**

Goodwill

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

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

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

The recoverable value calculated on the basis of the above-mentioned valuation assumptions and techniques is €11,764 million, compared with a carrying value of the assets allocated to the CGU Hinges of €7,203 million; consequently, the value recorded for goodwill at 31 December 2015 was deemed recoverable.

The performance of sales, profitability and orders in the first months of 2016 confirms the positive trend on which the development of the plan is 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%
7.45%	12,921	13,337	13,788	14,279	14,815
7.95%	11,969	12,320	12,698	13,106	13,549
8.45%	11,144	11,443	11,764	12,108	12,480
8.95%	10,424	10,681	10,956	11,249	11,564
9.45%	9,788	10,012	10,249	10,501	10,771

Patents, software and know-how

Software investments include the extension of the application area and the companies covered by the Group's management system (SAP) and the realisation of the new website.

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 for the Brazilian market (research and development activities conducted over the year are set out in the Report on Operations).

4. INVESTMENTS

	31.12.2014	PURCHASES OF PARTICIPATIONS	CHANGES IN THE CONSOLIDATION METHOD	31.12.2015
Sabaf Appliance Components (Kunshan)	796	-	(796)	-
Sabaf US	139	-	-	139
Other shareholdings	39	26	-	65
TOTAL	**974**	**26**	**(796)**	**204**

At the start of these consolidated financial statements the subsidiary Sabaf Appliance Component Kunshan is consolidated using the full line-by-line consolidation method rather than the net equity method.

The subsidiary Sabaf U.S. 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.

In the course of the year, a participation corresponding to 4.25% of the share capital in the public-private limited liability consortium CSMT GESTIONE s.c.a.r.l. in the amount of 25,000 euros was acquired. The participation in the CSMT permits the Sabaf Group to have access to a pool of technical competences that derive from the collaboration between universities, research centres and companies and to participate in technological innovation projects.

5. NON-CURRENT RECEIVABLES

	31.12.2015	31.12.2014	CHANGE
Tax receivables	395	518	(123)
Guarantee deposits	35	9	26
Other	2	2	-
TOTAL	**432**	**529**	**(97)**

Tax receivables relate to indirect taxes expected to be recovered after 2016.

6. INVENTORIES

	31.12.2015	31.12.2014	CHANGE
Commodities	10,407	10,497	(90)
Semi-processed goods	10,564	10,355	209
Finished products	12,155	12,141	14
Obsolescence provision	(2,117)	(2,219)	102
TOTAL	**31,009**	**30,774**	**235**

The value of final inventories at 31 December 2015 remained substantially unchanged compared with the end of the previous year. The obsolescence provision reflects the improved estimate of the obsolescence risk, based on specific analyses conducted at the end of the year on slow-moving and non-moving products.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2015	31.12.2014	CHANGE
Italy	16,591	17,214	(623)
Western Europe	1,746	3,106	(1,360)
Eastern Europe and Turkey	9,668	8,595	1,073
Asia and Oceania	1,875	2,560	(685)
South America	4,481	3,247	1,234
Middle East and Africa	4,412	4,685	(273)
North America and Mexico	2,666	1,783	883
GROSS TOTAL	**41,439**	**41,190**	**249**
Provision for doubtful accounts	(1,014)	(669)	(345)
NET TOTAL	**40,425**	**40,521**	**(96)**

At 31 December 2015, trade receivables included balances totalling approximately USD 5,023,000, booked at the EUR/USD exchange rate in effect on 31 December 2015, i.e. 1.0887. The amount of trade receivables recognised in accounts includes €2.3 million of receivables assigned on a no-recourse basis (€6.3 million at 31 December 2014) and approximately €23.5 million in insured credits (€13 million at 31 December 2014). The provision for doubtful accounts was increased during the financial year (by €345,000), mainly following the deterioration of the situation of an Italian customer.

	31.12.2015	31.12.2014	CHANGE
Current receivables (not past due)	35,497	35,285	212
Outstanding up to 30 days	2,498	2,200	298
Outstanding from 31 to 60 days	570	932	(362)
Outstanding from 61 to 90 days	812	507	305
Outstanding for more than 90 days	2,062	2,266	(204)
TOTAL	**41,439**	**41,190**	**249**

8. TAX RECEIVABLES

	31.12.2015	31.12.2014	CHANGE
From Giuseppe Saleri SapA for IRES	1,204	1,262	(58)
From inland revenue for VAT	70	464	(394)
From inland revenue for IRAP	614	-	614
Other tax receivables	601	664	(63)
TOTAL	**2,489**	**2,390**	**99**

Since 2004, the 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 2015 the receivable from Giuseppe Saleri S.a.p.A. includes, at €1,159,000, the receivable from the full deductibility of IRAP from IRES relating to the expenses incurred for employees for the period 2006-2011 (Legislative Decree 201/2011), for which the consolidating company has presented an application for a refund and which will revert to 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

	31.12.2015	31.12.2014	CHANGE
Credits to be received from suppliers	865	311	554
Advances to suppliers	170	93	77
Other	412	691	(279)
TOTAL	**1,447**	**1,095**	**352**

At 31 December 2015 Credits to be received from suppliers included €411,000 related to the relief due to the parent company as an energy-intensive business (so-called "energy-intensive bonuses") for the years 2014 and 2015.

10. CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014	CHANGE
Derivative instruments on interest rates	69	-	69
TOTAL	**69**	**0**	**69**

At 31 December 2015 this item includes the positive fair value of a USD 4,384,000 forward sale contract maturing at 31 December 2015.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €3,991,000 at 31 December 2015 (€2,958,000 at 31 December 2014) consisted of bank current account balances of approximately €3.8 million and sight deposits of approximately €0.2 million.

12. SHARE CAPITAL

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

13. TREASURY SHARES

During the financial year Sabaf S.p.A. acquired 61,571 treasury shares at an average unit price of €11.675; there have been no sales.
At 31 December 2015, the parent company Sabaf S.p.A. held 62,078 treasury shares, equal to 0.538% of share capital (507 treasury shares at 31 December 2014), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €11.653 (the market value at year-end was €11.419).
There were 11,471,372 outstanding shares at 31 December 2015 (11,532,943 at 31 December 2014).

14. LOANS

	31.12.2015		31.12.2014	
	CURRENT	NON CURRENT	CURRENT	NON CURRENT
Property leasing	142	1,756	138	1,898
Property mortgages	934	-	924	935
Unsecured loans	2,707	4,632	2,660	7,340
Short-term bank loans	13,666	-	9,647	-
Advances on bank receipts or invoices	5,988	-	6,203	-
Interest payable	43	-	41	-
TOTAL	**23,480**	**6,388**	**19,613**	**10,173**

All outstanding bank loans are denominated in euro, at a floating rate linked to the Euribor, with the exception of a short-term loan of USD 1.3 million and a short-term loan of 1.5 million Turkish lira.
The loans are not bound by contractual provisions (*covenants*).
Note 36 provides information on financial risks, pursuant to ***IFRS 7.***

15. OTHER FINANCIAL LIABILITIES

	31.12.2015	31.12.2014	CHANGE
Derivative instruments on foreign exchange rates	17	105	(88)
Derivative instruments on interest rates	14	-	14
TOTAL	**31**	**105**	**(74)**

At 31 December 2015, this item included:

- the negative fair value of a term sales contract for USD 0.825 million at an exchange rate of 1.12 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;
- the negative fair value of an IRS hedging rate risks of an unsecured loan pending, maturing at 30 September 2019. Exchange rate losses in the same amount were recognised in the income statement.

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT RESERVES

	31.12.2015	31.12.2014
LIABILITIES AT 1 JANUARY	**3,028**	**2,845**
Financial expenses	40	58
Amounts paid out	(105)	(158)
Actuarial gains and losses	(49)	283
LIABILITIES AT 31 DECEMBER	**2,914**	**3,028**

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

Post-employment benefits are calculated as follows:

FINANCIAL ASSUMPTIONS	31.12. 2015	31.12.2014
Discount rate	1.60%	1.40%
Inflation	2.00%	2.00%

DEMOGRAPHIC THEORY	31.12. 2015	31.12.2014
Mortality rate	ISTAT 2010 M/F	ISTAT 2010 M/F
Disability rate	INPS 1998 M/F	INPS 1998 M/F
Staff turnover	6% per year of all ages	6% per year of all ages
Advance payouts	5% per year	5% per year
Retirement age	pursuant to legislation in force on 31 December 2015	pursuant to legislation in force on 31 December 2014

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

17. RESERVES FOR RISKS AND CONTINGENCIES

	31.12.2014	PROVISIONS	UTILIZATION	RELEASE OF EXCESS	EXCHANGE RATE DIFFERENCES	31.12.2015
Reserve for agents' indemnities	335	31	-	(69)	-	297
Product guarantee fund	160	8	(108)	-	-	60
Reserve for legal risks	111	10	(1)	(70)	(12)	38
TOTAL	**606**	**49**	**(109)**	**(139)**	**(12)**	**385**

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 utilized 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 historical experience, have not been time-discounted because the effect is considered negligible.

18. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

	31.12.2015	31.12.2014	CHANGE
Italy	15,249	15,223	26
Western Europe	2,895	2,897	(2)
Eastern Europe and Turkey	651	360	291
Asia	459	502	(43)
South America	184	255	(71)
Middle East and Africa	11	-	11
North America and Mexico	1	91	(90)
TOTAL	**19,450**	**19,328**	**122**

Average payment terms did not change versus the previous year. At 31 December 2015, there were no overdue payables of a significant amount, and the Group had not received any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2015	31.12.2014	CHANGE
To Giuseppe Saleri SapA for income tax	157	1,575	(1,418)
Withholding taxes	844	712	132
From inland revenue for IRAP	-	47	(47)
Other tax payables	218	119	99
TOTAL	**1,219**	**2,453**	**(1,234)**

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. The other tax payables mainly refer to loans for income tax payables of the Group's foreign companies.

20. OTHER CURRENT PAYABLES

	31.12.2015	31.12.2014	CHANGE
Due to employees	4,032	4,160	(128)
To social security institutions	2,022	2,290	(268)
Due to agents	317	342	(25)
Prepayments from customers	103	279	(176)
Other current payables	63	84	(21)
TOTAL	**6,538**	**7,155**	**(617)**

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

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2015	31.12.2014
Deferred tax assets	4,887	5,579
Deferred tax liabilities	772	(692)
NET POSITION	**4,115**	**4,887**

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

	Depreciation and amortisations and leasing	Provisions and value adjustments	Fair value of derivative instruments	Good will	Tax incentives	Actuarial post-employment benefit reserve evaluation	Other temporary differences	TOTAL
AT 31 DECEMBER 2013	**(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	**(58)**	**1,169**	**29**	**1,993**	**1,285**	**233**	**236**	**4,887**
Income statement	28	(135)	(43)	(222)	(318)	(33)	112	(611)
Shareholders' equity	-	-	-	-	-	-	-	-
Forex differences	4	(20)	-	-	(124)	-	(21)	(161)
AT 31 DECEMBER 2015	**(26)**	**1,014**	**(14)**	**(1,771)**	**843**	**200**	**327**	**4,115**

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 and for which a tax advantage is recognised.

At 31 December 2015 the Group's Italian companies accounted for the adjustment of the deferred taxation (reduction of the IRES rate from 27.5% to 24% from 2017 provided by the Stability Law [Legge di Stabilità] 2016), recognising overall a negative effect in the income statement of € 425,000 (Note 32).

22. NET FINANCIAL POSITION

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

		31.12.2015	31.12.2014	CHANGE
A.	Cash (Note 9)	11	9	2
B.	Positive balances of unrestricted bank accounts (Note 9)	3,822	2,691	1,131
C.	Other cash equivalents	158	258	(100)
D.	**LIQUIDITY (A+B+C)**	**3,991**	**2,958**	**1,033**
E.	Current bank payables (Note 14)	19,697	15,890	3,807
F.	Current portion of non-current debt (Note 14)	3,783	3,723	60
G.	Other non-current financial payables (Note 15)	31	105	(74)
H.	**CURRENT FINANCIAL DEBT (E+F+G)**	**23,511**	**19,718**	**3,793**
I.	**CURRENT NET FINANCIAL DEBT (H-D)**	**19,520**	**16,760**	**2,760**
J.	Non-current bank payables (Note 14)	4,632	8,275	(3,643)
K.	Other non-current financial payables (Note 14)	1,756	1,898	(142)
L.	**NON-CURRENT FINANCIAL DEBT (J+K)**	**6,388**	**10,173**	**(3,785)**
M.	**NET FINANCIAL DEBT (I+L)**	**25,908**	**26,933**	**(1,025)**

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

Comments on key income statement items

23. REVENUES

In 2015, sales revenues totalled €138,003,000, up by €1,666,000 (+1.2%) compared with 2014.

Revenue by product family

	2015	%	2014	%	% CHANGE
Brass valves	12,689	*9.2%*	13,741	*10.1%*	-7.7%
Light alloy valves	33,784	*24.5%*	34,006	*24.9%*	-0.7%
Thermostats	10,596	*7.7%*	12,288	*9.0%*	-13.8%
Standard burners	37,789	*27.4%*	36,160	*26.5%*	+4.5%
Special burners	21,622	*15.7%*	20,251	*14.9%*	+6.8%
Accessories	13,577	*9.8%*	12,928	*9.5%*	+5.0%
TOTAL GAS PARTS	**130,057**	***94.3%***	**129,374**	***94.9%***	**+0.5%**
Hinges	7,946	*5.7%*	6,963	*5.1%*	+14.1%
TOTAL	**138,003**	***100%***	**136,337**	***100%***	**+1.2%**

Revenues by geographical area

	2015	%	2014	%	% CHANGE
Italy	41,244	*29.9%*	42,277	*31.0%*	-2.4%
Western Europe	7,438	*5.4%*	8,716	*6.4%*	-14.7%
Eastern Europe	35,125	*25.5%*	36,198	*26.6%*	-3.0%
Middle East and Africa	16,759	*12.1%*	16,871	*12.4%*	-0.7%
Asia and Oceania	7,019	*5.0%*	6,907	*5.0%*	+1.6%
South America	20,815	*15.1%*	18,324	*13.4%*	+13.6%
North America and Mexico	9,603	*7.0%*	7,044	*5.2%*	+36.3%
TOTAL	**138,003**	***100%***	**136,337**	***100%***	**+1.2%**

During 2015 there was a decrease in sales on the European markets, more marked in Western Europe also due to a further shift in production of household appliances towards countries with lower labour costs. Better results were obtained on the non-European markets, with a sizable increase in sales on the American continent, also favoured by the strong dollar.

The analysis per product family shows a rather marked decrease for valves and thermostats (more significant for brass products), a substantial stability of sales of standard burners and a good increase of sales of special burners, also thanks to the introduction of new high energy efficiency models. Particularly significant is the increase in sales of hinges, subsequent to the launch of supplies of special new models and favoured by the revaluation of the dollar compared with the euro.

Average sales prices in 2015 were around 1% lower compared with 2014.

Refer to the Report on Operations for more detailed comments on the trends that marked the Group's market over the year.

24. OTHER INCOME

	2015	2014	CHANGE
Sale of trimmings	2,822	2,922	(100)
Contingent income	263	218	45
Rental income	117	132	(15)
Use of provisions for risks and contingencies	69	26	43
Other income	487	450	37
TOTAL	3,758	3,748	10

26. COSTS FOR SERVICES

	2015	2014	CHANGE
Outsourced processing	9,823	10,662	(839)
Natural gas and power	4,902	5,201	(299)
Maintenance	3,556	3,999	(443)
Freight, carriage, transport	2,059	2,032	27
Advisory services	1,670	1,440	230
Directors' remuneration	1,101	868	233
Travel expenses and allowances	884	687	197
Commissions	651	881	(230)
Insurance	506	385	121
Canteen	430	400	30
Temporary agency workers	164	184	(20)
Other costs	4,013	3,136	877
TOTAL	29,759	29,875	(116)

The fall in outsourced processing costs was due to the partial insourcing of some phases of burner production. The reduction in energy costs results from the reduction in the price of electrical energy and gas; consumption has remained substantially unchanged. The reduction in maintenance costs is linked to the normal cyclicality of maintenance operations; the maintenance policies, aimed at guaranteeing constant efficiency of all the production plants, did not register any changes. The increase in insurance costs is attributable to the introduction of a commercial insurance cover policy (simultaneously no-recourse factoring commissions, previously the prevalent form of credit guarantee, were reduced). Costs for advisory services related to technical (€461,000), sales (€396,000) and legal, administrative and general (€813,000) services.

Other costs included charges by customers, expenses for the registration of patents, leasing third-party assets, cleaning costs, waste disposal costs and other minor charges.

25. MATERIALS

	2015	2014	CHANGE
Commodities and outsourced components	49,431	49,782	(351)
Consumables	4,935	4,690	245
TOTAL	54,366	54,472	(106)

The effective purchase prices of the principal raw materials (brass, aluminium and steel alloys) increased on average by around 5% versus 2014. Consumption (purchases plus change in inventory) as a percentage of sales was 38.7% in 2015, compared with 38.2% in 2014.

27. PERSONNEL COSTS

	2015	2014	CHANGE
Salaries and wages	21,974	21,812	162
Social security costs	7,110	7,113	(3)
Temporary agency workers	1,340	1,406	(66)
Post-employment benefit reserve and other payroll costs	2,102	1,849	253
TOTAL	32,526	32,180	346

Average Group headcount in 2015 totalled 748 employees (590 blue-collars, 145 white-collars and supervisors, 13 managers), compared with 730 in 2014 (578 blue-collars, 141 white-collars and supervisors, 11 managers). The average number of temporary staff, with supply contract, was 72 in 2015 (64 in 2014).
During the year the Group made occasional use of the temporary unemployment fund in periods characterized by low production requirements: this allowed savings in personnel costs of €333,000 (€160,000 in 2014).

28. OTHER OPERATING COSTS

	2015	2014	CHANGE
Other non-income taxes	498	510	(12)
Other administrative expenses	127	152	(25)
Contingent liabilities	163	141	22
Losses and write-downs of trade receivables	356	115	241
Reserves for risks	18	102	(84)
Other provisions	31	22	9
TOTAL	**1,193**	**1,042**	**151**

Non-income taxes chiefly relate to property tax.
Provisions refer to the allocations to the reserves described in Note 17.

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

	2015	2014	CHANGE
Investment write-down	0	548	(548)
TOTAL	**0**	**548**	**(548)**

The write-down of investments reported in 2014 refers entirely to the zeroing of the carrying value of Sabaf Mexico, whose liquidation was concluded during 2015.

30. FINANCIAL EXPENSES

	2015	2014	CHANGE
Interest paid to banks	260	247	13
Interest paid on finance lease contracts	29	36	(7)
IRS spreads payable	14	2	12
Bank charges	237	239	(2)
Other financial expenses	55	68	(13)
TOTAL	**595**	**592**	**3**

31. EXCHANGE RATE GAINS AND LOSSES

In 2015, the Group reported net foreign exchange losses of €89,000, versus net gains of €119,000 in 2014.
In the financial year, the subsidiary Sabaf Turkey partially reimbursed the share capital in the amount of 4 million Turkish lira to the parent company Sabaf S.p.A. This operation determined the recognition in the consolidated income statement of an exchange rate loss of €458,000, from the difference between the average exchange rate at which the capital was paid in and the exchange rate on the reimbursement date.

32. INCOME TAX

	2015	2014	CHANGE
Current tax	3,935	3,832	103
Deferred tax	611	273	338
Balance of previous FY	(71)	(286)	215
TOTAL	**4,475**	**3,819**	**656**

The current income taxes include the IRES of €2,616,000, the IRAP of €538,000 and foreign income taxes of €781,000 (€2,440,000, €1,177,000 and €215,000 respectively in 2014).

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

	2015	2014
Theoretical income tax	3,705	3,343
Permanent tax differences	51	90
Previous years' tax	(44)	(279)
Tax effect from different foreign tax rates	(114)	(101)
Effect of non-recoverable tax losses	149	-
Booking of tax incentives for investments in Turkey	(165)	(352)
Adjustment of the deferred taxation for a change in the IRES rate (Note 21)	425	-
Other differences	(55)	(47)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**3,952**	**2,654**
IRAP (current and deferred)	523	1,165
TOTAL	**4,475**	**3,819**

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 2015.

33. EARNINGS PER SHARE

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

EARNINGS	2015	2014
	Euro '000	Euro '000
Net profit for period	8,998	8,338

NUMBER OF SHARES	2015	2014
Weighted average number of ordinary shares for determining basic earnings per share	11,523,219	11,532,943
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,523,219	11,532,943

EARNINGS PER SHARE (€)	2015	2014
Basic earnings per share	0.781	0.723
Diluted earnings per share	0.781	0.723

Basic earnings per share are calculated on the average number of outstanding shares minus treasury shares, equal to 10,231 in 2015 (507 in 2014).

Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed, of which there were none in 2015 and 2014.

34. DIVIDENDS

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

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

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

35. INFORMATION BY BUSINESS SEGMENT

Below is the information by business segment for 2015 and 2014.

	FY 2015			FY 2014		
	GAS PARTS	HINGES	TOTAL	GAS PARTS	HINGES	TOTAL
Sales	130,048	7,955	**138,003**	129,355	6,982	**136,337**
Operating result	13,493	598	**14,091**	13,377	(202)	**13,175**

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

FINANCIAL ASSETS	31.12.2015	31.12.2014
Amortised cost		
• Cash and cash equivalents	3,991	2,958
• Trade receivables and other receivables	41,872	41,616
Income statement fair value		
• Derivative cash flow hedges	69	0

FINANCIAL LIABILITIES	31.12.2015	31.12.2014
Amortised cost		
• Loans	29,868	29,786
• Trade payables	19,450	19,328
Income statement fair value		
• Derivative cash flow hedges	31	105

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

- credit risk, with special reference to normal trade relations with customers;
- market risk, relating to the volatility of prices of commodities, foreign exchange and interest rates;
- liquidity risk, which can be expressed by the inability to find financial resources necessary to ensure 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 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 60% of trade receivables.

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

Forex risk management

The key currencies other than the euro to which the Group is exposed 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 12% of total revenue in 2015, while purchases in dollars represented 3% of total revenue. Transactions in dollars were partly hedged by these derivative financial instruments: at 31 December 2015 the Group had in place forward sales contracts for a total of 5,209,000 dollars, maturing on 31 December 2016.

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2015, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €417,000, without considering the pending forward sale contracts.

Interest rate risk management

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

Sensitivity analysis

With reference to financial assets and liabilities at variable rate at 31 December 2015 and 31 December 2014, a hypothetical increase (decrease) in the interest rate of 100 base points versus the interest rates in effect at the same date – all other variables being equal - would lead to the following effects:

	31.12.2015		31.12.2014	
	FINANCIAL EXPENSES	CASH FLOW HEDGE RESERVE	FINANCIAL EXPENSES	CASH FLOW HEDGE RESERVE
Increase of 100 base points	116	-	140	-
Decrease of 100 base points	(116)	-	(61)	-

Commodity price risk management

A significant portion of the Group's acquisitions is represented by brass, steel and aluminium alloys. Sales prices of products are generally renegotiated annually; as a result, the Group is unable to immediately 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 2015 and 2014, 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, fixing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Group operates with a low debt ratio (net financial debt / shareholders' equity at 31 December 2015 of 23%, net financial debt / EBITDA of 0.99) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

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

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

AT 31 DECEMBER 2015	CARRYING VALUE	CONTRACTUAL FINANCIAL FLOWS	WITHIN 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS
Short-term bank loans	19,697	19,697	17,697	2,000	-	-
Unsecured loans	7,339	7,506	700	2,099	4,707	-
Property mortgages	934	942	-	942	-	-
Finance leases	1,898	2,195	47	141	754	1,253
TOTAL FINANCIAL PAYABLES	**29,868**	**30,340**	**18,444**	**5,182**	**5,461**	**1,253**
Trade payables	19,450	19,450	18,350	1,100	-	-
TOTAL	**49,318**	**49,790**	**36,794**	**6,282**	**5,461**	**1,253**

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**

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

Hierarchical levels of the fair value assessment

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

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

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

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Current financial assets (derivatives on currency)	-	69	-	69
TOTAL ASSETS	**0**	**69**	**0**	**69**
Other financial liabilities (derivatives on currency)	-	17	-	17
Other financial liabilities (derivatives on interest rates)	-	14	-	14
TOTAL LIABILITIES	**0**	**31**	**0**	**31**

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 2015	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	OTHER RELATED PARTIES	TOTAL RELATED PARTIES	IMPACT ON THE TOTAL
Trade receivables	40,425	-	39	-	39	0.10%
Tax receivables	2,489	1,204	-	-	1,204	48.37%
Tax payables	1,219	157	-	-	157	12.88%

	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%

Impact of related-party transactions on income statement accounts

	TOTAL 2015	PARENT COMPANY	UNCONSOLIDATED SUBSIDIARIES	OTHER RELATED PARTIES	TOTAL RELATED PARTIES	IMPACT ON THE TOTAL
Other income	3,758	10	-	-	10	0.27%
Services	(29,759)	-	(180)	(34)	(214)	0.72%

	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%

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.

Remuneration to directors, statutory auditors and executives with strategic responsibilities

Please see the 2015 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

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

39. 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 2015.

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 2015.

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 €6,010,000 (€6,249,000 at 31 December 2014).

42. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

Companies consolidated using the full line-by-line consolidation method

COMPANY NAME	REGISTERED OFFICES	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	Sabaf S.p.A.	100%
Sabaf Immobiliare s.r.l.	Ospitaletto (BS)	EUR 25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaì (SP, Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRK 28,000,000	Sabaf S.p.A.	100%
Sabaf Appliance Components Trading Ltd.	Kunshan (China)	EUR 200,000	Sabaf S.p.A.	100%
Sabaf Appliance Components Ltd.	Kunshan (China)	EUR 4,400,000	Sabaf S.p.A.	100%

Non-consolidated companies valued at cost

COMPANY NAME	REGISTERED OFFICES	SHARE CAPITAL	SHAREHOLDERS	% OWNERSHIP
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 identification number: 03244470179
VAT number: IT01786910982

APPENDIX

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

The following table, prepared pursuant to Article 149/12 of the CONSOB Issuers' Regulation, shows fees relating to 2015 for the independent auditor and for services other than auditing provided by the same auditing firm and its network.

IN THOUSANDS OF EURO	PARTY PROVIDING THE SERVICE	RECIPIENT	PAYMENTS PERTAINING TO THE PERIOD 2015
Audit	Deloitte & Touche S.p.A.	Direct parent company	52
	Deloitte & Touche S.p.A.	Italian subsidiaries	20
	Deloitte network	Sabaf do Brasil	23
	Deloitte network	Sabaf Turkey	25
Certification services	Deloitte & Touche S.p.A.	Direct parent company	2 [1]
	Deloitte & Touche S.p.A.	Italian subsidiaries	1 [1]
Other services	Deloitte & Touche S.p.A.	Direct parent company	15 [2]
	Deloitte network	Sabaf do Brasil	2 [3]
TOTALE			**140**

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.
3 Tax assistance regarding transfer pricing.

SABAF®

CERTIFICATION OF THE CONSOLIDATED ANNUAL REPORT AND ACCOUNTS

in accordance with Article 154 bis of Legislative Decree 58/98

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

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

of the administrative and accounting principles for drafting the consolidated annual report and accounts in the course of the financial year 2015.

- 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 Legislative 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 and the situation of 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, 22 March 2016

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 83322000
Fax: +39 02 83327029
www.deloitte.it

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SABAF S.p.A.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Sabaf Group, which comprise the consolidated balance sheet and financial position as at December 31, 2015, and the consolidated income statement, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity and the consolidated statement of cash flows for the year then ended, and the related explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

2

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sabaf Group as at December 31, 2015, and of its financial performance and 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.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the consolidated financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Sabaf S.p.A., with the consolidated financial statements of the Sabaf Group as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the consolidated financial statements of the Sabaf Group as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Brescia, Italy
March 30, 2016

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

CHAPTER 7

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2015

EGYPT

SABAF®

Corporate bodies

Board of Directors

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

Board of Statutory Auditors

Chairman	Antonio Passantino
Standing Auditor	Luisa Anselmi
Standing Auditor	Enrico Broli

Independent Auditor

Deloitte & Touche S.p.A.

* Indipendent directors.

Balance sheet and financial position

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

Income statement

IN EURO	NOTES	31.12.2015	31.12.2014
CONTINUING OPERATIONS			
Operating revenue and income			
Revenues	23	113,962,039	115,919,460
of which from related parties	37	*7,274,762*	*4,728,669*
Other income	24	2,733,344	2,974,909
TOTAL OPERATING REVENUE AND INCOME		**116,695,383**	**118,894,369**
Operating costs			
Materials	25	(43,860,895)	(44,818,617)
Change in inventories		(402,180)	1,202,031
Services	26	(28,750,556)	(29,795,239)
of which by related parties	37	*(4,162,137)*	*(4,000,697)*
Payroll costs	27	(27,967,750)	(27,937,849)
Other operating costs	28	(821,303)	(549,664)
Costs for capitalised in-house work		1,230,058	989,372
TOTAL OPERATING COSTS		**(100,572,626)**	**(100,909,966)**
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/ LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**16,122,757**	**17,984,403**
Depreciation and amortisation	1,2,3	(8,736,191)	(9,042,940)
Capital gains/(losses) on disposal of non-current assets		157,965	148,465
Write-downs/write-backs of non-current assets	29	1,302,841	617,597
of which by related parties	37	*1,302,841*	*617,597*
OPERATING PROFIT		**8,847,372**	**9,707,525**
Financial income		73,091	84,467
Financial expenses	30	(500,483)	(466,068)
Exchange rate gains and losses	31	(260,920)	236,630
Profits and losses from equity investments	32	0	970,196
of which by related parties	37	*0*	*970,196*
PROFIT BEFORE TAXES		**8,159,060**	**10,532,750**
Income tax	33	(2,516,937)	(2,654,882)
NET PROFIT FOR THE YEAR		**5,642,123**	**7,877,868**

Comprehensive income statement

IN EURO	31.12.2015	31.12.2014
NET PROFIT FOR THE YEAR	5,642,123	7,877,868
Total profits/losses that will not later be reclassified under profit (loss) for the year:		
• Actuarial post-employment benefit reserve evaluation	37,619	(242,646)
• Tax effect	(8,114)	66,728
	29,505	(175,918)
Total profits/losses that will later be reclassified under profit (loss) for the year:		
• Cash flow hedges	0	(26,227)
• Tax effect	0	5,482
	0	(20,745)
Total profits/(losses) net of taxes for the year	29,505	(196,663)
TOTAL PROFIT	5,671,628	7,681,205

Statement of changes in shareholders' equity

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	Net income for the year	TOTAL shareholders' equity
BALANCE AT 31 DECEMBER 2013	11,533	10,002	2,307	(5)	21	(359)	77,130	3,730	104,359
Ordinary dividend							(883)	(3,730)	(4,613)
Extraordinary dividend							(11,533)		(11,533)
Total profit at 31 December 2014					(21)	(176)	0	7,878	7,681
BALANCE AT 31 DECEMBER 2014	11,533	10,002	2,307	(5)	0	(535)	64,714	7,878	95,894
Allocation of 2014 earnings									
• dividends paid out								(4,613)	(4,613)
• to reserve							3,265	(3,265)	
Purchase of treasury shares				(718)					(718)
Total profit at 31 December 2015						29	0	5,642	5,671
BALANCE AT 31 DECEMBER 2015	11,533	10,002	2,307	(723)	0	(506)	67,979	5,642	96,234

Cash flow statement

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

Explanatory notes

Accounting Standards

STATEMENT OF COMPLIANCE AND BASIS OF PRESENTATION

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

The financial statements have been prepared on a historical cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and are considered a going concern. The Company found that, despite the difficult economic and business climate, there were no significant uncertainties (as defined by paragraphs 25 and 26 of IAS 1) regarding the continuity of the Company, also due to the strong competitive position, high profitability and solidity of the financial structure.
Sabaf S.p.A., as the Parent Company, also prepared the consolidated financial statements of the Sabaf Group at 31 December 2015.

FINANCIAL STATEMENTS

The Company has adopted the following formats:

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

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

ACCOUNTING POLICIES

The accounting standards and policies applied for the preparation of the separate financial statements as at 31 December 2015, unchanged versus the previous year, are shown below:

Property, plant and equipment

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

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

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

Investment properties

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

Intangible assets

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

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

Equity investments and non-current receivables

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

Impairment of value

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

Inventories

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

Receivables

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

Current and non-current financial assets

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

Reserves for risks and contingencies

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

Post-employment benefit reserve

The reserve for Italian post-employment benefit obligations is provisioned to cover the entire liability accruing vis-à-vis employees in compliance with current legislation and with national and supplementary company collective labour contracts. This liability is subject to revaluation via application of indices fixed by current regulations. Up to 31 December 2006, post-employment benefits were considered defined-benefit plans and accounted for in compliance with IAS 19, using the projected unit-credit method. In the light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at the balance sheet date). Conversely, portions accruing after that date are treated as defined-contribution plans. Actuarial gains or losses are recorded immediately under "Other total profits/(losses)".

Payables

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

Loans

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

Policy for conversion of foreign currency items

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

Derivative instruments and hedge accounting

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

Revenue reporting

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

Financial income

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

Financial expenses

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

Income taxes for the year

Income taxes include all taxes calculated on the Company's taxable income. Income taxes are directly recognised in the income statement, with the exception of those concerning items directly debited or credited to shareholders' equity, in which case the tax effect is recognised directly in shareholders' equity. Other taxes not relating to income, such as property taxes, are included among operating expenses. Deferred taxes are provisioned in accordance with the global liability provisioning method. They are calculated on all temporary differences that emerge from the taxable base of an asset or liability and its book value. Current and deferred tax assets and liabilities are offset when income taxes are levied by the same tax authority and when there is a legal right to settle on a net basis. Deferred tax assets and liabilities are measured using the tax rates that are expected to be applicable in the years when temporary differences will be realised or settled.

Dividends

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

Treasury shares

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

Use of estimates

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

Recoverability of value of tangible and intangible assets and investments

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

Provisions for credit risks

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

Provisions for inventory obsolescence

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

Employee benefits

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

Income tax

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

Other provisions and reserves

When estimating the risk of potential liabilities from disputes, management relies on communications regarding the status of recovery procedures and disputes from the lawyers who represent the Company in litigation. These estimates are determined taking into account the gradual development of the disputes, considering existing exemptions. Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

New accounting standards

Accounting standards and amendments applicable from 1 January 2015

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

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

On 12 December 2013, the IASB published the document ***"Annual Improvements to IFRSs: 2011-2013 Cycle"***, which includes the changes to some principles within the scope of the annual improvement process of same. The main changes involve: **IFRS 3** *Business Combinations – Scope exception for joint ventures*; **IFRS 13** *Fair Value Measurement – Scope of portfolio exception (par. 52)*; **IAS 40** *Investment Properties – Interrelationship between* **IFRS 3 and IAS 40**. The changes apply starting from the financial years which began on 1 January 2015 or a later date. The adoption of these amendments did not have any effect on the Company's separate financial statements.

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

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

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

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

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

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

IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*.
IFRS 7 – *Financial instruments: Disclosure*.
IAS 19 – *Employee Benefits*.
IAS 34 – *Interim Financial Reporting.*

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

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

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

The changes introduced by the document apply starting from the financial years which begin on 1 January 2016 or a later date. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

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

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

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

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

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

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

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

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

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

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

The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset in order to distinguish the leasing contracts from the service contracts, identifying the discriminatory ones: the identification of the asset, the right of replacement of the same, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.

The standard applies from 1 January 2019, but early application is permitted, only for the companies that have applied **IFRS 15 - Revenue from Contracts with Customers at an early date**. The directors do not expect that the application of **IFRS 16** can have a significant impact on the accounting of the leasing contracts and on the related disclosures in the Company's separate financial statements. However, it is not possible to provide a reasonable estimate of the effect as long as the Group has not completed a detailed analysis of the related contract.

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

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

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

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

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

The main investments in the year aimed at increasing production capacity and the further automation of production of light alloy valves. Investments were also made to improve production processes - including the purchase of new alcohol washing facilities - and investments were made in maintenance and replacement, designed to keep the capital equipment constantly updated.
The decreases are mainly related to the disposal of machinery to the Group's foreign companies. Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2015, the Company found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

COST	
AT 31 DECEMBER 2013	6,675
Increases	-
Disposals	-
AT 31 DECEMBER 2014	6,675
Increases	-
Disposals	-
AT 31 DECEMBER 2015	6,675

ACCUMULATED DEPRECIATION AND AMORTISATION	
AT 31 DECEMBER 2013	4,453
Depreciation for the year	193
AT 31 DECEMBER 2014	4,646
Depreciation for the year	192
AT 31 DECEMBER 2015	4,838

NET CARRYING VALUE	
AT 31 DECEMBER 2015	1,837
AT 31 DECEMBER 2014	2,029

This item includes non-operating buildings owned by the Group. During the year this item did not undergo any changes except for depreciation and amortisation for the year. At 31 December 2015, the Company found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of property, plant and equipment was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	PATENTS, KNOW-HOW AND SOFTWARE	DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL
COST				
AT 31 DECEMBER 2013	5,753	3,834	1,676	11,263
Increases	102	474	110	686
Reclassifications	-	-	-	-
Decreases	-	-	-	-
AT 31 DECEMBER 2014	5,855	4,308	1,786	11,949
Increases	192	414	21	627
Reclassifications	66	(46)	-	20
Decreases	-	-	-	-
AT 31 DECEMBER 2015	6,113	4,676	1,807	12,596
DEPRECIATION, AMORTISATION AND WRITE-DOWNS				
AT 31 DECEMBER 2013	5,216	1,668	1,143	8,027
Amortisation 2014	200	343	147	690
Decreases	-	-	-	-
AT 31 DECEMBER 2014	5,416	2,011	1,290	8,717
Amortisation 2015	203	336	142	681
Decreases	-	-	-	-
AT 31 DECEMBER 2015	5,619	2,347	1,432	9,398
NET CARRYING VALUE				
AT 31 DECEMBER 2015	494	2,329	375	3,198
AT 31 DECEMBER 2014	439	2,297	496	3,232

Intangible assets have a finite useful life and, as a result, are amortised throughout their life. The main investments in the year relate to the development of new products, including various versions of special burners for several clients and a new model of light-alloy kitchen valves (research and development activities conducted over the year are set out in the Report on Operations). Software investments include the extension of the application area and the companies covered by the Group's management system (SAP) and the realisation of the new website. Other intangible assets refer, in the main, to improvements to third-party leased assets.

At 31 December 2015, the Company found no endogenous or exogenous indicators of impairment of its intangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

4. INVESTMENTS

	31.12.2015	31.12.2014	CHANGE
In subsidiaries	45,760	44,798	962
Other shareholdings	59	40	19
TOTAL	45,819	44,838	981

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

	Sabaf Immobiliare	Faringosi Hinges	Sabaf do Brasil	Sabaf Mexico	Sabaf U.S.	Sabaf Appliance Components (Cina)	Sabaf A.C. Trading (Cina)	Sabaf Turkey	TOTAL
HISTORICAL COST									
AT 31 DECEMBER 2013	13,475	10,329	8,469	548	139	2,250	200	13,351	48,761
Increases/reductions of capital	-	-	-	-	-	1,150	-	-	1,150
AT 31 DECEMBER 2014	13,475	10,329	8,469	548	139	3,400	200	13,351	49,911
Increases/reductions of capital	-	-	-	-	-	1,000	-	(1,346)	(346)
Liquidation investment	-	-	-	(548)	-	-	-	-	(548)
AT 31 DECEMBER 2015	13,475	10,329	8,469	0	139	4,400	200	12,005	49,017
PROVISION FOR WRITE-DOWNS									
AT 31 DECEMBER 2013	0	3,653	0	0	0	2,077	0	0	5,730
Write-downs (write-backs)	-	(1,771)	-	548	-	606	-	-	(617)
AT 31 DECEMBER 2014	0	1,882	0	548	0	2,683	0	0	5,113
Write-downs (write-backs) (Note 28)	-	(1,882)	-	-	-	574	-	-	(1,308)
Liquidation investment	-	-	-	(548)	-	-	-	-	(548)
AT 31 DECEMBER 2015	0	0	0	0	0	3,257	0	0	3,257
NET CARRYING VALUE									
AT 31 DECEMBER 2015	13,475	10,329	8,469	0	139	1,143	200	12,005	45,760
AT 31 DECEMBER 2014	13,475	8,447	8,469	0	139	717	200	13,351	44,798
NET EQUITY (CALCULATED IN CONFORMITY WITH IAS/IFRS)									
AT 31 DECEMBER 2015	28,679	4,922	7,145	0	(32)	1,302	293	14,085	56,394
AT 31 DECEMBER 2014	27,309	4,549	8,333	28	(36)	717	255	14,163	55,318
DIFFERENCE BETWEEN NET EQUITY AND CARRYING VALUE									
AT 31 DECEMBER 2015	15,204	(5,407)	(1,324)	0	(171)	159	93	2,080	10,634
AT 31 DECEMBER 2014	13,834	(3,898)	(136)	28	(175)	0	55	812	10,520

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

Faringosi Hinges s.r.l.

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

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

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

The performance of sales, profitability and orders in the first months of 2016 confirms the positive trend on which the development of the plan was based.

Sensitivity analysis

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

IN THOUSANDS OF EURO	GROWTH RATE				
DISCOUNT RATE	1.00%	1.25%	1.50%	1.75%	2.00%
7.45%	12,206	12,622	13,074	13,564	14,100
7.95%	11,260	11,611	11,989	12,397	12,840
8.45%	10,441	10,740	11,061	11,405	11,776
8.95%	9,726	9,983	10,258	10,551	10,866
9.45%	9,096	9,319	9,556	9,809	10,079

Sabaf do Brasil

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

Sabaf Mexico S.A. de c.v.

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

Sabaf U.S.

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

Sabaf Appliance Components

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

Sabaf Appliance Components Trading

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

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

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

5. NON-CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014	CHANGE
Financial receivables from subsidiaries	1,837	1,660	177
TOTAL	**1,837**	**1,660**	**177**

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

6. INVENTORIES

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

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

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

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

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

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

8. TAX RECEIVABLES

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

Sabaf S.p.A. has been part of the national tax consolidation scheme pursuant to Articles 117/129 of the Unified Income Tax Law. This option was renewed in 2013 for three years. In this scheme, the parent company Giuseppe Saleri S.a.p.A. acts as the consolidating company. At 31 December 2015 the receivable from Giuseppe Saleri S.a.p.A. includes, at €1,083,000, the receivable from the full deductibility of IRAP from IRES relating to the expenses incurred for employees for the period 2006-2011 (Legislative Decree 201/2011), for which the consolidating company has presented an application for a refund and which will revert to Sabaf S.p.A. for the share pertaining to it as soon as it is refunded.
The tax receivable for IRAP is generated by the higher tax payments on account paid in during the year compared with the tax due.

9. OTHER CURRENT RECEIVABLES

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

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

10. CURRENT FINANCIAL ASSETS

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

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

11. CASH AND CASH EQUIVALENTS

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

12. SHARE CAPITAL

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

13. TREASURY SHARES

During the financial year Sabaf S.p.A. acquired 61,571 treasury shares at an average unit price of €11.675; there have been no sales.
At 31 December 2015, the parent company Sabaf S.p.A. held 62,078 treasury shares, equal to 0.538% of share capital (507 treasury shares at 31 December 2014), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €11.653 (the market value at year-end was €11.419).
There were 11,471,372 outstanding shares at 31 December 2015 (11,532,943 at 31 December 2014).

14. LOANS

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

All outstanding bank loans are denominated in euro, at a floating rate linked to the Euribor, with the exception of a short-term loan of USD 1.3 million.
The loans are not bound by contractual provisions (covenants).
Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2015	31.12.2014	CHANGE
Derivative instruments on interest rates	14	-	14
TOTALE	**14**	**0**	**14**

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

16. EMPLOYEE SEVERANCE PAY RESERVE

	31.12.2015	31.12.2014
LIABILITIES AT 1 JANUARY	**2,641**	**2,496**
Financial expenses	35	52
Amounts paid out	(111)	(150)
Actuarial gains and losses	(38)	243
LIABILITIES AT 31 DECEMBER	**2,527**	**2,641**

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

Post-employment benefits are calculated as follows:

Financial assumptions

	31.12. 2015	31.12.2014
Discount rate	1.60%	1.40%
Inflation	2.00%	2.00%

Demographic theory

	31.12. 2015	31.12.2014
Mortality rate	ISTAT 2010 M/F	ISTAT 2010 M/F
Disability rate	INPS 1998 M/F	INPS 1998 M/F
Staff turnover	6% per year of all ages	6% per year of all ages
Advance payouts	5% per year	5% per year
Retirement age	pursuant to legislation in force on 31 December 2015	pursuant to legislation in force on 31 December 2014

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

17. RESERVES FOR RISKS AND CONTINGENCIES

	31.12.2014	PROVISIONS	UTILIZATION	RELEASE OF EXCESS PORTION	31.12.2015
Reserve for agents' indemnities	285	31	-	(50)	266
Product guarantee fund	160	8	(108)	-	60
Reserve for legal risks	70	-	-	(70)	-
TOTAL	**515**	**39**	**(108)**	**(120)**	**326**

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

18. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

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

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

19. TAX PAYABLES

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

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

20. OTHER CURRENT PAYABLES

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

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

21. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

Tax assets relating to goodwill refer to the redemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011. The future tax benefit can be made in ten annual portions starting in 2018.
At 31 December 2015 the Group's Italian companies accounted for the adjustment of the deferred taxation (reduction of the IRES rate from 27.5% to 24% from 2017 provided by the Stability Law [Legge di Stabilità] 2016), recognising overall a negative effect in the income statement of € 390,000 (Note 33).

22. NET FINANCIAL POSITION

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

		31.12.2015	31.12.2014	CHANGE
A.	Cash (Note 11)	6	8	(2)
B.	Positive balances of unrestricted bank accounts (Note 11)	1,084	1,358	(274)
C.	Other cash equivalents	0	0	0
D.	**LIQUIDITY (A+B+C)**	**1,090**	**1,366**	**(276)**
E.	Current bank payables (Note 14)	19,055	15,778	3.277
F.	Current portion of non-current debt (Note 14)	2,707	2,660	47
G.	Other non-current financial payables (Note 15)	14	0	14
H.	**CURRENT FINANCIAL DEBT (E+F+G)**	**21,776**	**18,438**	**3,338**
I.	**NET CURRENT FINANCIAL POSITION (H-D)**	**20,686**	**17,072**	**3,614**
J.	Non-current bank payables (Note 14)	4,632	7,340	(2,708)
K.	Other non-current financial liabilities	0	0	0
L.	**NON-CURRENT FINANCIAL DEBT (J+K)**	**4,632**	**7,340**	**(2,708)**
M.	**NET FINANCIAL DEBT (I+L)**	**25,318**	**24,412**	**906**

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

Comments on key income statement items

23. REVENUES

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

Revenues by geographical area

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

Revenue by product family

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

During 2015 there was a decrease in sales on the European markets, more marked in Western Europe also due to a further shift in production of household appliances towards countries with lower labour costs. Better results were obtained on the non-European markets, with a sizable increase in sales on the American continent, also favoured by the strong dollar.

The analysis per product family shows a rather marked decrease for valves and thermostats (more significant for brass products), a substantial stability of sales of standard burners and a good increase of sales of special burners, also thanks to the introduction of new high energy efficiency models.

Average sales prices in 2015 were around 0.9% lower compared with 2014.

Refer to the Report on Operations for more detailed comments on the trends that marked the Group's market over the year.

24. OTHER INCOME

	31.12.2015	31.12.2014	CHANGE
Sale of trimmings	1,403	1,782	(379)
Services to subsidiaries	280	211	69
Contingent income	260	201	59
Rental income	116	132	(16)
Use of provisions for risks and contingencies	158	26	132
Services to parent companies	10	10	0
Other	506	613	(107)
TOTAL	**2,733**	**2,975**	**(242)**

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

25. PURCHASES OF MATERIALS

	31.12.2015	31.12.2014	CHANGE
Commoditie and outsourced components	40,279	41,323	(1,044)
Consumables	3,582	3,496	86
TOTAL	**43,861**	**44,819**	**(958)**

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

26. COSTS FOR SERVICES

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

The fall in outsourced processing costs was due to the partial insourcing of certain phases of burner production. The reduction in energy costs results from the reduction in the price of electrical energy and gas (on average -6.8% compared with 2014) and from reduced consumption. The increase in maintenance costs is linked to the normal cyclicality of maintenance operations; the maintenance policies, aimed at guaranteeing constant efficiency of all the production plants, did not register any changes. The increase in insurance costs is attributable to the introduction of a commercial insurance cover policy (simultaneously no-recourse factoring commissions, previously the prevalent form of credit guarantee, were reduced).

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

27. PAYROLL COSTS

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

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

28. OTHER OPERATING COSTS

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

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

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

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

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

30. FINANCIAL EXPENSES

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

31. EXCHANGE RATE GAINS AND LOSSES

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

32. EARNINGS FROM INVESTMENTS

	2015	2014	CHANGE
Sabaf do Brasil dividends	-	970	(970)
TOTAL	**0**	**970**	**(970)**

33. INCOME TAX

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

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

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

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

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. The permanent differences mainly include benefits pertaining to the company resulting from membership of the national tax consolidation scheme (Note 8) for €194,000 and the tax effect of adjustments in value of investments in subsidiaries of €360,000.
IRAP is not taken into account for the purpose of reconciliation because, as it is a tax with a different assessment basis from pre-tax profit, it would generate distortive effects.

Tax position

No significant tax disputes were pending at 31 December 2015.

34. DIVIDENDS

On 27 May 2015, shareholders were paid an ordinary dividend of €0.40 per share (total dividends of €4,613,000).
The Directors have recommended payment of a dividend of €0.48 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting and was not included under liabilities in these financial statements.
The dividend proposed is scheduled for payment on 25 May 2016 (ex-date 23 May and record date 24 May).

35. SEGMENT REPORTING

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

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

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

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

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

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

Credit risk management

Trade receivables involve producers of domestic appliances, multinational groups and smaller manufacturers in a few or single markets. The Company assesses the creditworthiness of all its customers at the start of supply and systemically on at least an annual basis. After this assessment, each client is assigned a credit limit.
A credit insurance policy is in place, which guarantees cover for approximately 60% of trade receivables.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit.

Forex risk management

The main exchange rate to which the Company is exposed is the euro/USD in relation to sales made in dollars (mainly in North America) and, to a lesser extent, to some purchases (mainly from Asian manufacturers). Sales in US dollars represented 7.7% of total revenue in 2015, while purchases in dollars represented 3.7% of total revenue. The operations in dollars were partially hedged through forward sales contracts. At 31 December 2015 there were forward sales of dollars, maturing on 31 December 2016, for a total of USD 4.384 million.

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

Interest rate risk management

The Company borrows money at a floating rate; to reach an optimum mix of floating and fixed rates in the structure of the loans, the Company assesses whether to use derivative financial instruments. During the financial year, the Group concluded an interest rate swap (IRS) contract for amounts and maturities coinciding with an unsecured loan in the course of being amortised, whose residual value at 31 December 2015 is € 3.977 million. The contract was not designated as a cash flow hedge and is therefore recognised using the "fair value in the income statement" method.

Sensitivity analysis
With reference to financial assets and liabilities at variable rate at 31 December 2015 and 31 December 2014, a hypothetical increase (decrease) in the interest rate of 100 base points versus the interest rates in effect at the same date – all other variables being equal - would lead to the following effects:

	31.12.2015		31.12.2014	
	FINANCIAL EXPENSES	CASH FLOW HEDGE RESERVE	FINANCIAL EXPENSES	CASH FLOW HEDGE RESERVE
Increase of 100 base points	80	-	100	-
Decrease of 100 base points	(80)	-	(26)	-

Commodity price risk management

A significant portion of the Company's acquisitions is represented by brass, steel and aluminium alloys. Sales prices of products are generally renegotiated annually; as a result, the Company is unable to immediately pass on to clients any changes in the prices of commodities during the year. The Company protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments. In 2015 and 2014, the Company did not use financial derivatives on commodities. To stabilise the rising costs of commodities, Sabaf preferred to execute transactions on the physical market, fixing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Group operates with a low debt ratio (net financial debt / shareholders' equity at 31 December 2015 of 26.3%, net financial debt / EBITDA of 1.57) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

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

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

AT 31 DECEMBER 2015	CARRYING VALUE	CONTRACTUAL FINANCIAL FLOWS	WITHIN 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS
Unsecured loans	7,339	7,506	700	2,099	4,707	-
Short-term bank loans	19,055	19,055	17,055	2,000	-	-
TOTAL FINANCIAL PAYABLES	**26,394**	**26,561**	**17,755**	**4,099**	**4,707**	**0**
Trade payables	18,203	18,203	17,232	971	-	-
TOTAL	**44,597**	**44,764**	**34,987**	**5,070**	**4,707**	**0**

AT 31 DECEMBER 2014	CARRYING VALUE	CONTRACTUAL FINANCIAL FLOWS	WITHIN 3 MONTHS	FROM 3 MONTHS TO 1 YEAR	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS
Unsecured loans	10,000	10,336	702	2,105	7,529	-
Short-term bank loans	15,778	15,778	15,778	-	-	-
TOTAL FINANCIAL PAYABLES	**25,778**	**26,114**	**16,480**	**2,105**	**7,529**	**0**
Trade payables	17,573	17,573	16,217	1,356	-	-
TOTAL	**43,351**	**43,687**	**32,697**	**3,461**	**7,529**	**0**

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

Hierarchical levels of the fair value assessment

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

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

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

	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
Current financial assets (derivatives on currency)	-	69	-	69
TOTAL ASSETS	**0**	**69**	**0**	**69**
Other financial liabilities (derivatives on nterest rates)	-	14	-	14
TOTAL LIABILITIES	**0**	**14**	**0**	**14**

37. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

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

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

	TOTAL 2015	SUBSIDIARIES	PARENT COMPANY	OTHER RELATED PARTIES	TOTAL RELATED PARTIES	IMPACT ON THE TOTAL
Non-current financial assets	1,837	1,837	-	-	1,837	100.00%
Trade receivables	32,871	2,008	-	-	2,008	6.11%
Tax receivables	1,749	-	1,114	-	1,114	63.69%
Current financial assets	1,069	1,000	-	-	1,000	93.55%
Trade payables	18,203	853	-	-	853	4.69%

	TOTAL 2014	SUBSIDIARIES	PARENT COMPANY	OTHER RELATED PARTIES	TOTAL RELATED PARTIES	IMPACT ON THE TOTAL
Non-current financial assets	1,660	1,660	-	-	1,660	100.00%
Trade receivables	34,695	1,143	-	-	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%

Impact of related-party transactions on income statement accounts

	TOTAL 2015	SUBSIDIARIES	PARENT COMPANY	OTHER RELATED PARTIES	TOTAL RELATED PARTIES	IMPACT ON THE TOTAL
Revenues	113,962	7,275	-	-	7,276	6.38%
Other income	2,733	400	10	-	410	15.00%
Materials	43,861	727	-	-	727	1.66%
Services	28,751	4,162	-	34	4,196	14.59%
Capital gains on non-current assets	158	100	-	-	100	63.29%
Write-downs of non-current assets	1,303	1,303	-	-	1,303	100.00%
Financial income	73	73	-	-	73	100.00%

	TOTAL 2014	SUBSIDIARIES	PARENT COMPANY	OTHER RELATED PARTIES	TOTAL RELATED PARTIES	IMPACT ON THE TOTAL
Revenues	115,919	4,729	-	-	4,729	4.08%
Other income	2,975	298	10	-	308	10.35%
Materials	44,819	231	-	-	231	0.52%
Services	29,795	4,001	-	-	4,001	13.43%
Capital gains on non-current assets	148	82	-	-	82	55.41%
Write-downs of non-current assets	618	618	-	-	618	100.00%
Financial income	84	66	-	-	66	78.57%
Profits and losses from equity investments	970	970	-	-	970	100.00%

Relations with subsidiaries mainly consist of:

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

Relations with the parent company Giuseppe Saleri S.a.p.A., which does not exercise management or coordination activities pursuant to Article 2497 of the Italian Civil Code, consist of:

- provision of administrative services;
- transactions as part of the domestic tax consolidation scheme, which generated the payables and receivables shown in the tables.

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

38. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

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

39. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

40. COMMITMENTS

Guarantees issued

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

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

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

42. SHARE-BASED PAYMENTS

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

List of investments with add itional information required by consob
(Communication dem76064293 of 28 July 2006)

IN SUBSIDIARIES [1]

COMPANY NAME	REGISTERED OFFICES	SHARE CAPITAL AT 31 DECEMBER 2015	SHAREHOLDERS	% OF INVESTMENT	NET EQUITY AT 31 DECEMBER 2015	2015 NET INCOME
Faringosi Hinges S.r.l.	Ospitaletto (BS)	EUR 90,000	SABAF S.p.A.	100%	EUR 4,921,666	EUR 367,242
Sabaf Immobiliare S.r.l.	Ospitaletto (BS)	EUR 25,000	SABAF S.p.A.	100%	EUR 21,891,849	EUR 1,494,202
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 24,000,000	SABAF S.p.A.	100%	BRL 30,808,676	BRL 3,972,038
Sabaf US Corp.	Plainfield (USA)	USD 100,000	SABAF S.p.A.	100%	USD -34,951	USD 9,014
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	EUR 4,400,000	SABAF S.p.A.	100%	CNY 9,351,338	CNY -26,059,573
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 28,000,000	SABAF S.p.A.	100%	TRY 46,872,970	TRY 8,659,268
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. in liquidation	Kunshan (China)	EUR 200,000	SABAF S.p.A.	100%	CNY 2,070,067	CNY 146,212

Other significant equity investments: None

Origin, possibility of utilization and availability of reserves

DESCRIPTION	AMOUNT	POSSIBILITY OF UTILIZATION	AVAILABLE SHARE	AMOUNT SUBJECT TO TAXATION FOR COMPANY IN THE CASE OF DISTRIBUTION
CAPITAL RESERVE:				
Share premium reserve	10,002	A, B, C	10,002	0
Revaluation reserve, Law 413/91	42	A, B, C	42	42
Revaluation reserve, Law 342/91	1,592	A, B, C	1,592	1,592
SURPLUS RESERVES:				
Legal reserve	2,307	B.	0	0
Other surplus reserves:	65,621	A, B, C	65,170	0
VALUATION RESERVE:				
Post-employment benefit actuarial reserve	(505)		0	0
TOTAL	**79,059**		**76,806**	**1,634**

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

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 2015

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

GENERAL INFORMATION

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

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

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

Tax information:
R.E.A. Brescia: 347512
Tax identification number: 03244470179
VAT number: IT01786911082

APPENDIX

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

The following table, prepared pursuant to Article 149/12 of the CONSOB Issuers' Regulation, shows fees relating to 2015 for the independent auditor and for services other than independent auditing provided by the same auditing firm. No services were provided by entities belonging to the network.

IN THOUSANDS OF EURO	PARTY PROVIDING THE SERVICE	PAYMENTS PERTAINING TO THE FINANCIAL YEAR 2015
Audit	Deloitte & Touche S.p.A.	52
Certification services	Deloitte & Touche S.p.A.	2 [1]
Other services	Deloitte & Touche S.p.A.	14 [2]
TOTAL		68

1 Signing of Unified Tax Return, IRAP and 770 forms.
2 Auditing procedures agreement relating to interim management reports, auditing of statements and training activities.

CERTIFICATION OF SEPARATE FINANCIAL STATEMENTS

Pursuant to article 154 bis of legislative decree 58/98

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

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

of the administrative and accounting principles for drafting the separate annual report and accounts in the course of the financial year 2015.

They also certify that:

- the separate financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and Article 9 of Legislative Decree 38/2005;
  - correspond to the results of the accounting entries and ledgers;
  - are appropriate to provide a true and correct representation of the issuer's operating results, financial position and cash flows;

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

Ospitaletto, 22 March 2016

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

Deloitte.

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Via Cefalonia, 70
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INDEPENDENT AUDITORS' REPORT
PURSUANT TO ART. 14 AND 16 OF
LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
SABAF S.p.A.

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Sabaf S.p.A., which comprise the balance sheet and financial position as at December 31, 2015, and the income statement, comprehensive income statement, statement of changes in shareholders' equity and the cash flows statement for the year then ended, and the related explanatory notes.

Management's Responsibility for the Separate Financial Statements

The Company's Directors are responsible for the preparation of these separate financial statements that give a true and fair view 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to art. 11, n° 3, of Italian Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation that give a true and fair view of separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

[illegible]

Sede Legale: Via Tortona, 25 - 20144 Milano [illegible]
[illegible]

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Sabaf S.p.A. as at December 31, 2015, and of its financial performance and 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.

Report on Other Legal and Regulatory Requirements

Opinion on the consistency of the report on operations and of certain information included in the report on corporate governance with the separate financial statements

We have performed the procedures indicated in the Auditing Standard (SA Italia) n° 720B in order to express, as required by law, an opinion on the consistency of the report on operations and of certain information included in the report on corporate governance required by art. 123-bis, n° 4, of Italian Legislative Decree n° 58/98, which are the responsibility of the Directors of Sabaf S.p.A., with the separate financial statements of Sabaf S.p.A as at December 31, 2015. In our opinion the report on operations and the information included in the report on corporate governance referred to above are consistent with the separate financial statements of Sabaf S.p.A as at December 31, 2015.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Brescia, Italy
March 30, 2016

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

SABAF S.P.A.

BOARD OF STATUTORY AUDITORS' REPORT TO THE SABAF S.P.A. SHAREHOLDERS' MEETING

pursuant to article 2429, paragraph 2, of the Civil Code and article 153 of Legislative Decree 58/1998

Shareholders,

We hereby report to you on the supervisory activities carried out during 2015.
This report is prepared pursuant to article 2429, paragraph 2, of the Civil Code and article 153 of Legislative Decree 58/1998, taking into account Consob recommendations, the codes of conduct for boards of statutory auditors issued by the Italian Association of Chartered Accountants and the guidelines contained in the Corporate Governance Code of Borsa Italiana S.p.A., to which your Company adheres. We recall that the current Board of Statutory Auditors was nominated at the Shareholders' Meeting held on 5 May 2015 and that, therefore, it began its supervisory activities as of that date. The activities performed are reported below.

1. Supervision of compliance with the law and Articles of Incorporation and adherence to principles of proper management

Since its nomination on 31 December 2015, the Board of Statutory Auditors has met four times, with all members attending on each occasion. The Board has also attended six meetings of the Board of Directors, three meetings of the Control and Risks Committee and one meeting between the Company's Control Bodies (Board of Statutory Auditors, Control and Risks Committee, Supervisory Body, Financial Reporting Officer, Chief Internal Auditor, Independent Auditor),
In turn, during the period between 1 January 2015 and 5 May 2015, the preceding Board of Statutory Auditors attended two meetings of the Board of Directors, one meeting of the Control and Risks Committee, one meeting between the Company's Control Bodies, and the Shareholders' Meeting held on 5 May 2015.
During the meetings of the Board of Directors, the Board of Statutory Auditors received information on general performance, the business outlook, and the most significant business, financial and equity transactions performed by the Company and its subsidiaries.
In this regard we note that in 2015:

- we did not identify or receive information of atypical and/or unusual transactions with third parties, related parties or within the group. This was also confirmed by the Directors in their Report on Operations;
- no significant transactions have been carried out that would require mention in this report;
- intragroup and other related-party transactions were ordinary in nature and of minor importance compared with Group activity as a whole, as described in note 37 of the Separate Financial Statements and the corresponding note in the Consolidated Financial Statements, to which the reader is referred. The Board of Statutory Auditors believes that the conditions under which these transactions were carried out are legitimate and aligned with the Company's interests.

The Board of Statutory Auditors has expressed its favourable opinion, in the following cases:

- division among the Directors of the fees decided by the Shareholders' Meeting;
- allocation of special fees to certain Executive Directors;
- appointment of the Financial Reporting Officer;
- appointment of the Internal Audit Manager, allocation of adequate resources to perform his/her duties and determination of remuneration in accordance with company policies;
- work plan prepared by the Internal Audit Manager,

In conclusion, on the basis of the activity performed, no violations of the law and/or Articles of Incorporation were found, or any manifestly imprudent or risky transactions, or transactions with potential conflicts of interest or such that could compromise the company's assets.

2. Supervisory activities on the adequacy of the organisational structure and internal control system

The Board of Statutory Auditors ensured the existence of an adequate **organisational structure** in relation to the size of the business.
In this regard we recall that the Company has for a long time adopted an Organisational Model in accordance with the provisions of Legislative Decree 231/2001. In the event of organisational and/or regulatory changes, this model is periodically updated. The model is currently being adapted to recent regulatory changes introduced by lawmakers.
During the year, the Board of Statutory Auditors has maintained a constant exchange of information with the Supervisory Body.
The information obtained does not show any critical issues with regard to the proper implementation of the organisational model that would require mention in this report.
The Board of Statutory Auditors considers the **internal control system** to be adequate and acknowledges that it has no observations to make to the Shareholders' Meeting.
The information sources on which the Board of Statutory Auditors has based its assessment are:

- periodic meetings with the Company appointed to perform the Internal Audit function and with the representative of said function. During these meetings, the Board of Statutory Auditors has been able to assess the activities undertaken and their results. In this regard, we note that the said Company also performs the Internal Audit function for key subsidiaries;
- periodic meetings with the Independent Auditor;
- the report of the Internal Audit Manager on the control system, which was examined during the meeting of the Control and Risks Committee held on 2 February 2016;
- attendance at the meetings of the Control and Risks Committee;
- the Control and Risks Committee's report to the Board of Directors on the adequacy and effective functioning of the organisation of the internal control and risk management system;
- meetings with the Financial Reporting Officer;
- examination of corporate procedures, including those under the scope of the Organisational Model adopted by Sabaf (and by the subsidiary Faringosi Hinges S.r.l.) under Legislative Decree 231/2001 and those established by the Financial Reporting Officer, pursuant to Law 262/2005.

3. Supervisory activities on the suitability of the administrative and accounting system and the audit process

The Board of Statutory Auditors has monitored the suitability of the **administrative and accounting system** and its ability to give a true and fair view of the business, by:

- obtaining information from the Financial Reporting Officer.
- examining administrative procedures;
- holding periodic meetings with the Company appointed to perform the Internal Audit function and with the representative of said function;
- holding meetings with the Independent Auditor and examining its reports.

On the basis of the information collected, no significant issues were detected.
We also note that the Board of Directors, with the approval of the Board of Statutory Auditors, appointed the Financial Reporting Officer subject to checks that he/she meets the professional requirements.
The Chief Executive Officer and Financial Reporting Officer have attested to the following in a specific report annexed to the 2015 Financial Statements:

- the suitability and effective application of the administrative and accounting procedures for drafting the financial statements;
- its compliance with international accounting standards and true reflection of accounting ledgers and records, and its suitability to provide a true and correct representation of the Company's operating results, financial position and cash flows.

An equivalent declaration was also made in reference to the consolidated financial statements.

As regards **statutory auditing**, we note that this task was assigned by decision of the shareholders' meeting of 28 April 2009 to Deloitte & Touche S.p.A. for the period 2009/2017.
During the year, the Board of Statutory Auditors held periodic meetings with the Independent Auditor, in which no significant information was received that needs to be reported herein.
The audit procedures adopted in relation to the work plan submitted by the Independent Auditor were examined.
We have also received the required technical information in relation to the accounting standards applied, as well as the criteria used for the representation in the accounts of the transactions with the biggest impact on income, equity and financial position.
We also note that, on 30 March 2016, the Independent Auditor submitted the report referred to in article 19, paragraph 3, of Legislative Decree 39/2010. The report does not show any significant issues found during the audit process, or any significant shortcomings in the internal control system in relation to the financial reporting process.
Pursuant to article 17, paragraph 9, of Legislative Decree 39/2010, the Independent Auditor has confirmed its independence to the Board of Statutory Auditors and notified the total fees for audit and other services performed by it and by other parties within its network for the Company and its subsidiaries, as reported in the annexes to the separate and consolidated financial statements.
The Board of Statutory Auditors confirms that in the year to date no critical issues have been found in relation to the independence of the Independent Auditor.
Finally, it is noted that the supervisory activities described in this paragraph and the previous paragraph have enabled the Board of Statutory Auditors to perform its duties as the Committee for Internal Control and Statutory Auditing pursuant to article 19 of
Legislative Decree 39/2010, in which regard it has no observations to report.

4. Proposals on the separate and consolidated financial statements, their approval and matters within the remit of the Board of Statutory Auditors

The Company has prepared the 2015 financial statements in accordance with international accounting standards (IAS/IFRS). These financial statements have been audited by Deloitte & Touche SpA, which issued its report on 30 March 2016 without any remarks or requests for specific disclosures. The financial statement, including the report on operations, was made available to us by the deadline set by law and we have no particular observations to report.
The Company has also prepared the 2015 consolidated financial statements of the Sabaf SpA group. These financial statements have also been audited by Deloitte & Touche SpA, which issued its report on 30 March 2016 without any remarks or requests for specific disclosures.
We also note that, in the reports referenced above, the Independent Auditor expressed a positive judgement of the consistency of the information contained in the Report On Operations and the information referred to in article 123-bis, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Legislative Decree 58/98, as included in the Report on Corporate Governance and Ownership Structures, for both the separate and consolidated financial statements.
Within the limits of the Board of Statutory Auditors' remit, we have checked the general format of the separate and consolidated financial statements, verifying their conformity with the law and relevant standards.
In particular, we have assessed the results of the impairment test conducted on the value of the equity investment in the subsidiary Faringosi Hinges S.r.l., as described in the separate financial statements, and the amount of goodwill recorded in relation to this equity investment in the consolidated financial statements.
The test, conducted by external professionals specifically appointed on the basis of plans drawn up by the Board of Directors of the subsidiary, led to the recognition of a recoverable value of the investment equal to €11,061 million, which is above its carrying value of €8,447 million.
Based on these measurements, the Board of Directors fully restored the book value of the investment to its initial historic cost (equal to €10,329 million), posting a writeback of €1,882 million in the income statement of the separate financial statements, corresponding to the residual amount of the impairment losses recognised in previous years.
The Board of Statutory Auditors has no remarks in this regard.
Finally, we note that some derogations have been made with respect to the accounting standards adopted.

5. 5. Procedures for effective implementation of the corporate governance rules

Your Company has complied with the Corporate Governance Code approved by the Corporate Governance Committee for Listed Companies.
In the Annual Report on Corporate Governance and Ownership Structures, prepared in accordance with article 123-bis of Legislative Decree 58/1998, the Board Of Directors acknowledged the Company's adherence to the Corporate Governance Code and noted the methods used in practice to implement the corporate governance rules, in accordance with art. 123-bis, paragraph 2, letter a).
During the year the Board of Statutory Auditors supervised the practical implementation of the corporate governance rules adopted by the Company, and in this regard, considers that they have been effectively and properly applied.
To the extent of our remit, we note as follows:

- The Board of Directors has checked that directors categorised as independent upon their appointment continue to meet the requirements to be considered as such. The Board of Statutory Auditors has checked the proper implementation of the criteria and assessment procedures adopted by the Board;
- we have also checked that the members of the Board of Statutory Auditors meet the independence requirements, as required by the Corporate Governance Code, both initially (upon appointment) and subsequently (during the meeting held on 22 February 2016), using the same methods as those used by the directors;
- we have complied with the regulations on the management and handling of confidential and sensitive company information.

6. Supervision of relations with subsidiaries and parents

The Board of Statutory Auditors has checked the adequacy of the instructions given by the Company to its subsidiaries, pursuant to article 114, paragraph 2, of Legislative Decree 58/1998.
In this regard we note that the Company – via the CEO, as well as the Administration, Finance and Control Director, and the other executives with strategic responsibilities – continuously monitors the operations of subsidiaries, including by using a shared accounting and management system (SAP) that is accessible at all times to management of the parent company.
The periodic meetings between management and the company appointed to perform the internal audit did not result in any critical issues worthy of mention in this report.
Finally, we note that as of today's date no communications have been received by the Control Bodies of the subsidiaries and/or parents containing observations that must be mentioned in this report.

7. Supervision of related-party transactions

In reference to article 2391-bis of the Italian Civil Code, we acknowledge that the Board of Directors has adopted a procedure governing related-party transactions. The main aim of this procedure is to set out guidelines and rules for identifying related-party transactions and to establish roles, responsibilities and operational procedures to ensure that these transactions are disclosed with adequate transparency, appropriate procedures and suitable information.
The said procedure was prepared in accordance with the Consob Regulation on Related Parties (no. 17221 of 12 March 2010, as amended) and has recently been updated.
The Board of Statutory Auditors has overseen the effective application of these rules by the Company and has no remarks to report.

8. Conclusions

During the supervisory activities conducted during the year, we did not find any omissions, facts worthy of censure, irregularities or situations that would need to be reported to the Supervisory Authority or mentioned in this report.
We also note that the Board of Statutory Auditors has not received any whistleblowing reports pursuant to article 2408 of the Italian Civil Code, and has not been aware of any facts and/or remarks that should be included in this report.
As regards the annual financial statements, the Board of Statutory Auditors has no objections to the resolution proposals presented by the Board of Directors with reference to the approval of the financial statements or the allocation of profit for the year, and in particular as regards the proposal on the distribution of dividends.

Ospitaletto, 31 March 2016

Chairman of the Board of Statutory Auditors
Mr Antonio Passantino

Statutory Auditor
Mr. Enrico Broli

Statutory Auditor
Ms. Luisa Anselmi

CHAPTER 8

REPORT ON REMUNERATION

MIDDLE EAST

SABAF

Report on remuneration

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 and 4 August 2015, 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, approved in March 2010 and subsequent amendments and supplements;
- in line with Recommendations 2004/913/EC and 2009/385, which were incorporated into law with Article 123-ter of the Consolidated Law on Finance (TUF).

This Policy, applied from the date of approval by the Board of Directors, was fully implemented as of 2012 following the appointment of the corporate 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 and 4 August 2015, at the proposal of the Remuneration Committee, as explained in the paragraphs below.
No independent experts or advisors contributed to the preparation of the policy, nor were the remuneration policies of other companies used for reference purposes.
Specifically, it is the responsibility:

- of the Remuneration and Nomination 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 alignment with shareholders' long-term interests and 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 properly implement the remuneration policy;
- of the Human Resources Department, to actually enact what is decided upon by the Board.

The Remuneration and Nomination Committee currently in office comprises three non-executive and independent members (Fausto Gardoni, Giuseppe Cavalli and Renato Camodeca), with the knowledge and experience in accounting, finance and remuneration policies that is deemed adequate by the 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.

The remuneration policy was reviewed in 2015, involving the introduction:

- of a Non-Competition Agreement (NCA) with the CEO;
- of company cars as one of the non-monetary benefits assigned to executives;
- beginning in 2016, a maximum limit of 25% of the variable component with respect to the fixed annual gross salary and the remuneration from subsidiaries.

No changes were made in the fixed component. This amendment was approved by the Board of Directors on 4 August 2015 on the recommendation of the Remuneration and Nomination Committee.

Fixed annual component

Directors

At the proposal of the Board of Directors, having obtained the opinion of the Remuneration and Nomination 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, at the proposal of the Remuneration and Nomination 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 (Internal Control and Risk Committee, Remuneration and Nomination 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, other executives with strategic responsibilities and other managers identified by the CEO from amongst managers who report directly to him or who report to the above-mentioned managers, 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, at the proposal of the Remuneration and Nomination Committee, in accordance with the budget.

The variable component may not exceed 25% 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.

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 (2015-2017) 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 Nomination 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, share value and consolidated Group free cash flow) were defined by the Board of Directors on 4 August 2015, on the recommendation of the Remuneration and Nomination 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 the objectives assigned are exceeded by more than 10%, an increase of 5% of the fixed annual gross salary and remuneration is granted, weighted based on the weight of the objective.

The variable component is paid in full following the approval of the financial statements of the third year to which the incentive relates (2017).

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 Nomination 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 approved by the Shareholders' Meeting.

The Company also provides a life insurance policy and cover for medical expenses (FASI) for executives, 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 reimbursements.

Lastly, at the proposal of the Remuneration and Nomination Committee, and having consulted with the CEO, the Board of Directors also assigns company cars to executives.

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.

The Company has entered into a non-competition agreement with the CEO and with certain executives who report to him, the terms of which were approved by the Board of Directors, after obtaining the opinion of the Remuneration and Nomination Committee.

Claw Back clauses

The Company has decided not to establish mechanisms for the ex-post adjustment of the variable remuneration component or claw back clauses to demand the return of all or part of the variable components of remuneration paid out (or to withhold deferred sums), which were determined on the basis of data subsequently found to be clearly incorrect.
This decision was made as the variable incentive plans are based on pre-established, quantifiable and measurable performance data, both economic-financial and technical-productive in nature, the achievement of which is verified in advance.
The company reserves the unilateral right to include claw back clauses in future annual and/or long-term variable incentive plans.

SECTION II – REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BOARD OF STATUTORY AUDITORS AND OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES IN 2015

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 (2015), for any reason and in any form, by the Company or by subsidiaries or affiliates, identifying any components of this remuneration that relate to activities undertaken in previous years to the year under review.

The components of the remuneration paid to directors for 2015

The remuneration granted to directors for 2015, in accordance with the Policy described in Section I, consisted of the following components:

- fixed remuneration, approved by the Shareholders' Meeting of 5 May 2015, totalling €225,000, 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 Nomination Committee;
- additional remuneration, approved by the Shareholders' Meeting of 5 May 2015, totalling €775,000 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 2014, the remuneration that accrued and paid out during the year with regard to the CEO, Alberto Bartoli, was €18,900.

With reference to the 2015 MBO plan, remuneration of €54,000 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 after consulting with the Remuneration and Nomination Committee were not reached; therefore, no remuneration accrued and none was paid out.

There are no incentive plans based on financial instruments, or compensation for termination of employment.

The Company has entered into a non-competition agreement with the CEO and with certain executives who report to him, the terms of which were approved by the Board of Directors, after obtaining the opinion of the Remuneration and Nomination Committee.

Remuneration of Statutory Auditors for 2015

The remuneration granted to the Statutory Auditors for 2015 consists of a fixed payment determined by the Shareholders' Meeting of 5 May 2015.

Remuneration of executives with strategic responsibilities for 2015

The executive with strategic responsibilities receives a fixed remuneration component for employment totalling €127,250 and a variable component totalling €15,641, disbursed in 2015 in relation to the 2014 variable incentive plan (MBO).

Other remuneration totalling €48,500 was also disbursed by subsidiaries.

In 2015, variable remuneration of €18,877 was accrued for the achievement of some of the objectives of the 2015 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 breakdown of the remuneration paid in 2015, 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, taking into account any roles held for less than the entire year. 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 2015, the fixed remuneration approved by the Board of Directors on 5 May 2015; meeting attendance fees as approved by the Board of Directors on 8 May 2012 for terms until May 2015 and on 5 May 2015 for terms under way; employee compensation due for the year gross of social security contributions and income taxes owed by the employee. Fixed remuneration due (prorated) from the previous term is excluded, as it was disbursed in full in December 2014, as well as any lump-sum expense reimbursements.
- "Remuneration for attendance at Committee meetings", shows, for the portion relating to 2015, 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 for terms until May 2015 and on 5 May 2015 for those under way.
- "Bonus and other incentives" includes the remuneration paid in 2015 to executives with strategic responsibilities for objectives met in the year, set out in the 2014 MBO plan. This value corresponds to the sum of the amounts provided in Table 2 in the "Bonus for the year – payable/paid", "Bonus of previous years - payable/paid" and "Other bonuses" columns.
- "Non-monetary benefits" shows, according to accrual and tax liability criteria, the value of outstanding insurance policies and the company cars assigned.
- "Other remuneration" shows, for the portion attributable to 2015, any other remuneration resulting from other services provided.
- "Indemnity for end of office or termination of employment relationship" records the portions for the year relating to payments accrued under the scope of the Non-Competition Agreement signed by the CEO and 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 Issuers' 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 from the same parties. This includes all persons who held office during the year, even for only 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 2015

FIGURES IN EURO

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit sharing					
BOARD OF DIRECTORS												
Giuseppe Saleri	**Chairman**	**5 May - 31 Dec 2015**	**Approval of 2017 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.

Ettore Saleri	**Vice Chairman**	**5 May - 31 Dec 2015**	**Approval of 2017 financial statements**									
(I) Remuneration at Sabaf S.p.A.				140,000 [(a)]	0	0	0	0	0	140,000	0	0
(II) Remuneration from subsidiaries and affiliates				8,000	0	0	0	0	0	8,000	0	0
(III) TOTAL				**148,000**	**0**	**0**	**0**	**0**	**0**	**148,000**	**0**	**0**

(a) Of which €15,000 as director and €125,000 as vice chairman.

Cinzia Saleri	**Vice Chairman**	**5 May - 31 Dec 2015**	**Approval of 2017 financial statements**									
(I) Remuneration at Sabaf S.p.A.				140,000 [(a)]	0	0	0	0	0	140,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**140,000**	**0**	**0**	**0**	**0**	**0**	**140,000**	**0**	**0**

(a) Of which €15,000 as director and €125,000 as vice chairman.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit sharing					
Roberta Forzanini	Vice Chairman	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				140,000 [a]	0	0	0	0	0	140,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**140,000**	**0**	**0**	**0**	**0**	**0**	**140,000**	**0**	**0**

(a) Of which €15,000 as director and €125,000 as vice chairman.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
Alberto Bartoli	Chief Executive Officer	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				290,000 [a]	0	18,900	0	0	0	308,900	0	0
(II) Remuneration from subsidiaries and affiliates				11,000	0	0	0	0	0	11,000	0	0
(III) TOTAL				**301,000**	**0**	**18,900**	**0**	**0**	**0**	**319,900**	**0**	**0**

(a) Of which €15,000 as director and €275,000 as Chief Executive Officer.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
Gianluca Beschi	Director	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				156,265 [a]	0	8,270	0	14,371	0	178,906	0	0
(II) Remuneration from subsidiaries and affiliates				37,000	0	0	0	0	0	37,000	0	0
(III) TOTAL				**193,265**	**0**	**8,270**	**0**	**14,371**	**0**	**215,906**	**0**	**0**

(a) Of which €15,000 as director and €141,265 as Administration, Finance and Control Director.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
Renato Camodeca	Director	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				22,000 [a]	28,000 [b]	0	0	0	0	50,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**22,000**	**28,000**	**0**	**0**	**0**	**0**	**50,000**	**0**	**0**

(a) Of which €15,000 as director and €7,000 in board meeting attendance fees.
(b) Of which €20,000 as a member of the Internal Control and Risk Committee and the Remuneration and Nomination Committee (i.e., €10,000 each) and €8,000 in Committee meeting attendance fees.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
Giuseppe Cavalli	Director	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				22,000 [a]	28,000 [b]	0	0	0	0	50,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**22,000**	**28,000**	**0**	**0**	**0**	**0**	**50,000**	**0**	**0**

(a) Of which €15,000 as director and €7,000 in board meeting attendance fees.
(b) Of which €20,000 as a member of the Internal Control and Risk Committee and the Remuneration and Nomination Committee (i.e., €10,000 each) and €8,000 in Committee meeting attendance fees

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit sharing					
Fausto Gardoni	Director	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				22,000 [(a)]	17,000 [(b)]	0	0	0	0	39,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**22,000**	**17,000**	**0**	**0**	**0**	**0**	**39,000**	**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 Remuneration and Nomination Committee and €7,000 in Committee meeting attendance fees.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
Nicla Picchi	Director	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				21,000 [(a)]	12,000 [(b)]	0	0	0	15,000	48,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	5,000	5,000	0	0
(III) TOTAL				**21,000**	**12,000**	**0**	**0**	**0**	**25,000** [(c)]	**53,000**	**0**	**0**

(a) Of which €15,000 as director and €6,000 in board meeting attendance fees.
(b) Of which €10,000 as a member of the Internal Control and Risk Committee and €2,000 in Committee meeting attendance fees.
(c) Of which €15,000 as member of the Sabaf S.p.A. Supervisory Body and €5,000 as member of the Supervisory Body of the subsidiary Faringosi Hinges S.r.l..

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
Anna Pendoli	Director	5 May - 31 Dec 2015	Approval of 2017 financial statements									
(I) Remuneration at Sabaf S.p.A.				21,000 [(a)]	0	0	0	0	0	21,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**21,000**	**0**	**0**	**0**	**0**	**0**	**21,000**	**0**	**0**

(a) Of which €15,000 as director and €6,000 in board meeting attendance fees.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Bonus and other incentives	Profit sharing	Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
Salvatore Bragantini	Director	1 Jan - 5 May 2015	Approval of 2014 financial statements									
(I) Remuneration at Sabaf S.p.A.				2,000 [(a)]	1,000 [(b)]	0	0	0	0	3,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**2,000**	**1,000**	**0**	**0**	**0**	**0**	**3,000**	**0**	**0**

(a) As board meeting attendance fees.
(b) As attendance fees for participation in Internal Control and Risk Committee meetings.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit sharing					
Leonardo Cossu	Director	1 Jan - 5 May 2015	Approval of 2014 financial statements									
(I) Remuneration at Sabaf S.p.A.				2,000 (a)	2,000 (b)	0	0	0	0	4,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**2,000**	**2,000**	**0**	**0**	**0**	**0**	**4,000**	**0**	**0**

(a) As board meeting attendance fees.
(b) Of which €1,000 in attendance fees for participation in Internal Control and Risk Committee meetings, and €1,000 in attendance fees for participation in the Remuneration and Nomination Committeee Nomine.

Maria Chiara Franceschetti	Director	1 Jan - 5 May 2015	Approval of 2014 financial statements									
(I) Remuneration at Sabaf S.p.A.				2,000 (a)	0	0	0	0	0	2,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**2,000**	**0**	**0**	**0**	**0**	**0**	**2,000**	**0**	**0**

(a) As board meeting attendance fees.

Riccardo Rizza	Director	1 Jan - 5 May 2015	Approval of 2014 financial statements									
(I) Remuneration at Sabaf S.p.A.				2,000 (a)	0	0	0	0	0	2,000	0	0
(II) Remuneration from subsidiaries and affiliates				0	0	0	0	0	0	0	0	0
(III) TOTAL				**2,000**	**0**	**0**	**0**	**0**	**0**	**2,000**	**0**	**0**

(a) As board meeting attendance fees.

Name and surname	Office	Period of office	Expiry of office	Fixed remuneration	Remuneration for attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit sharing					
BOARD OF STATUTORY AUDITORS												
Antonio Passantino	Chairman	5 May - 31 Dec 2015	Approval of 2017 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**
Luisa Anselmi	Standing Statutory Auditor	5 May - 31 Dec 2015	Approval of 2017 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**
Enrico Broli	Standing Statutory Auditor	5 May - 31 Dec 2015	Approval of 2017 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 attendance at Committee meetings	Variable remuneration (non equity)		Non-monetary benefits	Other remuneration	Total	Fair Value of equity remuneration	Indemnity for end of office or termination of employment relationship
						Bonus and other incentives	Profit sharing					
OTHER EXECUTIVES WITH STRATEGIC RESPONSIBILITIES												
Other executives with strategic esponsibilities (1)		1 Jan - 31 Dec 2015	n/a									
(I) Remuneration at Sabaf S.p.A.				127,250	0	15,641	0	16,312	0	159,203	0	15,226
(II) Remuneration from subsidiaries and affiliates				48,500	0	0	0	0	0	48,500	0	0
(III) TOTAL				**175,750**	**0**	**15,641**	**0**	**16,312**	**0**	**207,703**	**0**	**15,226**

TABLE 2 - Monetary incentive plans for members of the administration body 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.		2014 MBO Plan (March 2014)	18,900	0	-	0	0	0	0
Remuneration at Sabaf S.p.A.		2015 MBO Plan (March 2015)	0	54,000	75% 2016 March 25% 2016 December	0	0	0	0
TOTAL			**18,900**	**54,000**	**-**	**0**	**0**	**0**	**0**
Gianluca Beschi	Executive Director								
Remuneration at Sabaf S.p.A.		2014 MBO Plan (March 2014)	8,270	0	-	0	0	0	0
Remuneration at Sabaf S.p.A.		2015 MBO Plan (March 2015)	0	25,993	75% 2016 March 25% 2016 December	0	0	0	0
TOTAL			**8,270**	**25,993**	**-**	**0**	**0**	**0**	**0**
Other executives with strategic responsibilities (1)									
Remuneration at Sabaf S.p.A.		2014 MBO Plan (March 2014)	15,641	0	-	0	0	0	0
Remuneration at Sabaf S.p.A.		2015 MBO Plan (March 2015)	0	18,877	75% 2016 March 25% 2016 December	0	0	0	0
TOTAL			**15,641**	**18,877**	**-**	**0**	**0**	**0**	**0**

TABLE 3 - Shareholdings of members of the administration and control bodies and other executives with strategic responsibilities

Surname and name	Office	Type of ownership	Investee company	No. shares held at 31 Dec 2014	No. shares acquired	No. shares sold	No. shares held at 31 Dec 2015
Saleri Giuseppe	Chairman	Indirect through the subsidiary Giuseppe Saleri S.a.p.A.	Sabaf S.p.A.	5,850,003	-	-	5,850,003
Roberta Forzanini	Vice Chairman	Direct	Sabaf S.p.A.	4,051	-		-
Bartoli Alberto	Chief Executive Officer	Direct	Sabaf S.p.A.	7,500	-	-	7,500
		Indirect through spouse		1,000			1,000
Cavalli Giuseppe	Independent Director	Indirect through spouse	Sabaf S.p.A.	2,680	2,320		5,000
Anna Pendoli	Director	Direct	Sabaf S.p.A.	450,000	-	-	450,000
Executives with strategic responsibilities (1)	-	Direct	Sabaf S.p.	3,300	-	-	3,300

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