

*INTERIM MANAGEMENT STATEMENT*

*AT 30 September 2015*



**SABAF S.p.A.**

**Via dei Carpini 1 – OSPITALETTO (BS), ITALY**

**Share capital: €1,533,450 fully paid in**

**[www.sabaf.it](http://www.sabaf.it)**

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***Summary***

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## Group structure

### *Parent company*

SABAF S.p.A.

### *Subsidiaries and equity interest owned by the Group*

#### Wholly consolidated companies

Faringosi- Hinges s.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited	100%
Sirteki (Sabaf Turkey)	
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. (in liquidation)	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%
Sabaf Immobiliare S.r.l.	100%

#### Unconsolidated companies

Sabaf Mexico S.A. de C.V. (in liquidation)	100%
Sabaf US Corp.	100%

### **Board of Directors**

Chairman	Giuseppe Saleri
Vice Chairman	Cinzia Saleri
Vice Chairman	Ettore Saleri
Vice Chairman	Roberta Forzanini
CEO	Alberto Bartoli
Director	Gianluca Beschi
Director (*)	Renato Camodeca
Director (*)	Giuseppe Cavalli
Director (*)	Fausto Gardoni
Director (*)	Anna Pendeli
Director (*)	Nicla Picchi
(*) independent directors	

### **Board of Auditors**

Chairman	Antonio Passantino
Statutory auditor	Luisa Anselmi
Statutory auditor	Enrico Broli

## Consolidated statement of financial position

(€000)	30.09.2015	31.12.2014	30.09.2014
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	73,320	74,483	74,188
Real estate investment	6,822	7,228	7,339
Intangible assets	7,524	7,359	7,377
Investments	204	974	821
Non-current receivables	239	529	546
Deferred tax assets	5,409	5,579	5,476
<b>Total non-current assets</b>	<b>93,518</b>	<b>96,152</b>	<b>95,747</b>
CURRENT ASSETS			
Inventories	31,911	30,774	33,306
Trade receivables	38,530	40,521	39,496
Tax receivables	2,438	2,390	2,778
Other current receivables	1,576	1,095	1,438
Cash and cash equivalents	5,686	2,958	2,637
<b>Total current assets</b>	<b>80,141</b>	<b>77,738</b>	<b>79,655</b>
ASSETS HELD FOR SALE	0	0	0
<b>TOTAL ASSETS</b>	<b>173,659</b>	<b>173,890</b>	<b>175,402</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	89,329	90,867	102,678
Profit (loss) for the period	7,747	8,338	6,260
<i>Total equity interest of the Parent Company</i>	<i>108,609</i>	<i>110,738</i>	<i>120,471</i>
<i>Minority interests</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total shareholders' equity</b>	<b>108,609</b>	<b>110,738</b>	<b>120,471</b>
NON-CURRENT LIABILITIES			
Loans	7,575	10,173	3,332
Post-employment benefit and retirement reserves	2,968	3,028	2,735
Reserves for risks and contingencies	510	605	544
Deferred tax	740	692	668
<b>Total non-current liabilities</b>	<b>11,793</b>	<b>14,498</b>	<b>7,279</b>
CURRENT LIABILITIES			
Loans	23,750	19,613	17,281
Other financial liabilities	7	105	70
Trade payables	19,564	19,328	19,978
Tax payables	2,294	2,453	2,559
Other liabilities	7,642	7,155	7,764
<b>Total current liabilities</b>	<b>53,257</b>	<b>48,654</b>	<b>47,652</b>
LIABILITIES HELD FOR SALE	0	0	0
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>173,659</b>	<b>173,890</b>	<b>175,402</b>

## Consolidated Income Statement

	Q3 2015		Q3 2014		9M 2015		9M 2014	
<i>(€ '000)</i>								
<b>CONTINUING OPERATIONS</b>								
OPERATING REVENUE AND INCOME								
Revenue	32,060	100.0%	30,681	100.0%	104,569	100.0%	101,966	100.0%
Other income	873	2.7%	840	2.7%	2,852	2.7%	2,853	2.8%
<b>Total operating revenue and income</b>	<b>32,933</b>	<b>102.7%</b>	<b>31,521</b>	<b>102.7%</b>	<b>107,421</b>	<b>102.7%</b>	<b>104,819</b>	<b>102.8%</b>
OPERATING COSTS								
Materials	(12,456)	-38.9%	(13,057)	-42.6%	(41,309)	-39.5%	(42,694)	-41.9%
Changes in inventories	205	0.6%	2,479	8.1%	2,082	2.0%	4,930	4.8%
Services	(6,925)	-21.6%	(7,431)	-24.2%	(22,888)	-21.9%	(22,631)	-22.2%
Payroll costs	(7,555)	-23.6%	(7,622)	-24.8%	(24,615)	-23.5%	(24,415)	-23.9%
Other operating costs	(364)	-1.1%	(167)	-0.5%	(1,116)	-1.1%	(862)	-0.8%
Costs for capitalised in-house work	311	1.0%	213	0.7%	938	0.9%	746	0.7%
<b>Total operating costs</b>	<b>(26,784)</b>	<b>-83.5%</b>	<b>(25,585)</b>	<b>-83.4%</b>	<b>(86,908)</b>	<b>-83.1%</b>	<b>(84,926)</b>	<b>-83.3%</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>								
	<b>6,149</b>	<b>19.2%</b>	<b>5,936</b>	<b>19.3%</b>	<b>20,513</b>	<b>19.6%</b>	<b>19,893</b>	<b>19.5%</b>
Depreciation and amortisation	(3,042)	-9.5%	(3,012)	-9.8%	(9,061)	-8.7%	(9,291)	-9.1%
Capital gains/(losses) on disposals of non-current assets	14	0.0%	38	0.1%	59	0.1%	62	0.1%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>EBIT</b>								
	<b>3,121</b>	<b>9.7%</b>	<b>2,962</b>	<b>9.7%</b>	<b>11,511</b>	<b>11.0%</b>	<b>10,664</b>	<b>10.5%</b>
Financial income	26	0.1%	5	0.0%	44	0.0%	49	0.0%
Financial expense	(157)	-0.5%	(153)	-0.5%	(462)	-0.4%	(462)	-0.5%
Exchange rate gains and losses	280	0.9%	117	0.4%	400	0.4%	130	0.1%
Profits and losses from equity investments	0	0.0%	(123)	-0.4%	0	0.0%	(387)	-0.4%
<b>PROFIT BEFORE TAXES</b>								
	<b>3,270</b>	<b>10.2%</b>	<b>2,808</b>	<b>9.2%</b>	<b>11,493</b>	<b>11.0%</b>	<b>9,994</b>	<b>9.8%</b>
Income tax	(978)	-3.1%	(1,014)	-3.3%	(3,746)	-3.6%	(3,734)	-3.7%
Minority interests	0	0.0%	0	0.0%	0	0.0%	0	0.0%
<b>NET PROFIT FOR THE PERIOD</b>								
	<b>2,292</b>	<b>7.1%</b>	<b>1,794</b>	<b>5.8%</b>	<b>7,747</b>	<b>7.4%</b>	<b>6,260</b>	<b>6.1%</b>

## Consolidated statement of comprehensive income

(€'000)	Q3 2015	Q3 2014	9M 2015	9M 2014
<b>NET PROFIT FOR THE PERIOD</b>	<b>2,292</b>	<b>1,794</b>	<b>7,747</b>	<b>6,260</b>
<i>Overall earnings/losses that will not be subsequently restated under profit (loss) for the period:</i>				
Actuarial post-employment benefit reserve evaluation	0	0	0	0
<i>Overall earnings/losses that will be subsequently restated under profit (loss) for the period:</i>				
Forex differences due to translation of financial statements in foreign currencies	(3,757)	(124)	(5,088)	890
Cash flow hedges	0	0	0	(26)
Net of tax	0	0	0	5
	0	0	0	(21)
<b>Total other profits/(losses) net of taxes for the year</b>	<b>(3,757)</b>	<b>(124)</b>	<b>(5,088)</b>	<b>869</b>
<b>TOTAL PROFIT</b>	<b>(1,465)</b>	<b>1,670</b>	<b>2,659</b>	<b>7,129</b>

## Statement of changes in consolidated shareholders' equity

(€'000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Cash flow hedge reserve	Updated post-employment benefit reserve	Other reserves	Net profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders' equity
<b>Balance at 31 December 2013</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(5)</b>	<b>(4,465)</b>	<b>21</b>	<b>(411)</b>	<b>90,869</b>	<b>8,104</b>	<b>117,955</b>	<b>0</b>	<b>117,955</b>
Allocation of 2013 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,491	(3,491)	0		0
Extraordinary dividend payment								(11,533)		(11,533)		(11,533)
Total profit at 31 December 2014					817	(21)	(205)		8,338	8,929		8,929
<b>Balance at 31 December 2014</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(5)</b>	<b>(3,648)</b>	<b>0</b>	<b>(616)</b>	<b>82,827</b>	<b>8,338</b>	<b>110,738</b>	<b>0</b>	<b>110,738</b>
Allocation of 2014 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,725	(3,725)	0		0
Treasury share acquisition				(175)						(175)		(175)
Total profit at 30 September 2015					(5,088)				7,747	2,659		2,659
<b>Balance at 30 September 2015</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(180)</b>	<b>(8,736)</b>	<b>0</b>	<b>(616)</b>	<b>86,552</b>	<b>7,747</b>	<b>108,609</b>	<b>0</b>	<b>108,609</b>

## Consolidated statement of cash flows

(€'000)	Q3 2015	Q3 2014	9M 2015	9M 2014
<b>Cash and cash equivalents at beginning of period (*)</b>	<b>5,288</b>	<b>2,494</b>	<b>3,675</b>	<b>5,111</b>
Net profit/(loss) for the period	2,292	1,794	7,747	6,260
Adjustments for:				
- Depreciation for the period	3,042	3,012	9,061	9,291
- Realised gains/losses	(14)	(38)	(59)	(62)
- Write-downs / Write-backs of non-current assets	0	0	0	0
- Profits and losses from equity investments	0	123	0	387
- Financial income and expenses	131	148	418	413
- Income tax	978	1,014	3,746	3,734
Payment of post-employment benefit reserve	(8)	(56)	(92)	(155)
Change in risk provisions	(52)	(90)	(95)	(128)
<i>Change in trade receivables</i>	<i>5,680</i>	<i>7,061</i>	<i>2,002</i>	<i>(3,054)</i>
<i>Changes in inventories</i>	<i>386</i>	<i>(2,443)</i>	<i>(1,072)</i>	<i>(5,080)</i>
<i>Changes in trade payables</i>	<i>(4,127)</i>	<i>(4,842)</i>	<i>56</i>	<i>1,015</i>
Change in net working capital	1,939	(224)	986	(7,119)
Change in other receivables and payables, deferred tax	537	26	232	94
Payment of taxes	(3,008)	(1,595)	(3,777)	(2,172)
Payment of financial expenses	(121)	(138)	(402)	(417)
Collection of financial income	26	5	44	49
<b>Cash flow from operations</b>	<b>5,742</b>	<b>3,981</b>	<b>17,809</b>	<b>10,175</b>
<b>Net investments</b>	<b>(1,670)</b>	<b>(2,179)</b>	<b>(9,603)</b>	<b>(7,318)</b>
Repayment of loans	(5,727)	(4,985)	(15,228)	(11,542)
New loans	4,465	3,361	16,669	10,387
Short-term financial assets	0	0	0	0
Purchase/sale treasury shares	(175)	0	(175)	0
Payment of dividends	0	0	(4,613)	(4,613)
<b>Cash flow from financing activities</b>	<b>(1,437)</b>	<b>(1,624)</b>	<b>(3,347)</b>	<b>(5,768)</b>
Foreign exchange differences	(2,237)	(35)	(2,848)	437
<b>Net financial flows for the period</b>	<b>398</b>	<b>143</b>	<b>2,011</b>	<b>(2,474)</b>
<b>Cash and cash equivalents at end of period</b>	<b>5,686</b>	<b>2,637</b>	<b>5,686</b>	<b>2,637</b>
Current financial debt	23,757	17,351	23,757	17,351
Non-current financial debt	7,575	3,332	7,575	3,332
<b>Net financial debt</b>	<b>25,646</b>	<b>18,046</b>	<b>25,646</b>	<b>18,046</b>

(\*) the balance of cash and cash equivalents at 1 January 2015 differed by €17,000 compared with the balance at 31 December 2014 because of a change in the consolidation method of Sabaf Appliance Components (Kunshan)



## Consolidated net financial position

<i>(€'000)</i>	30.09.2015	31.12.2014	30.09.2014
A. Cash	15	9	11
B. Positive balances of unrestricted bank accounts	5,376	2,691	2,354
C. Other cash equivalents	295	258	272
<b>D. Liquidity (A+B+C)</b>	<b>5,686</b>	<b>2,958</b>	<b>2,637</b>
E. Current bank overdrafts	19,985	15,890	16,226
F. Current portion of non-current debt	3,765	3,723	1,055
G. Other current financial payables	7	105	70
<b>H. Current financial debt (E+F+G)</b>	<b>23,757</b>	<b>19,718</b>	<b>17,351</b>
<b>I. Current net financial debt (H-D)</b>	<b>18,071</b>	<b>16,760</b>	<b>14,714</b>
J. Non-current bank payables	5,782	8,275	1,398
K. Other non-current financial payables	1,793	1,898	1,934
<b>L. Non-current financial debt (J+K)</b>	<b>7,575</b>	<b>10,173</b>	<b>3,332</b>
<b>M. Net financial debt (L+I)</b>	<b>25,646</b>	<b>26,933</b>	<b>18,046</b>

## Explanatory notes

### Accounting standards and area of consolidation

The Interim Management Statement of the Sabaf Group at 30 September 2015 was prepared in accordance with the requirements of Article 154-ter of Legislative Decree 58/98 (Consolidated Finance Act or "TUF"), which was introduced by Legislative Decree 195 of 6 November 2007 (known as the "Transparency Decree"). As such, it does not contain the information required by IAS 34. Accounting standards and policies are the same as those adopted for preparation of the consolidated financial statements at 31 December 2014, which should be consulted for reference. All the amounts contained in the statements included in this Interim Management Statement are expressed in thousands of euro.

We also draw attention to the following points:

- The Interim Management Statement was prepared according to the "separation-of-periods principle" whereby the quarter in question is treated as a separate financial period. This means that the quarterly income statement reflects the ordinary and non-recurring items pertaining to the period on an accruals basis;
- the financial statements used in the consolidation process are those prepared by the subsidiaries for the period ended 30 September 2015, adjusted to comply with Group accounting policies, where necessary;
- the parent company, Sabaf S.p.A., and the subsidiaries Faringosi-Hinges S.r.l., Sabaf Immobiliare S.r.l., Sabaf do Brasil Ltda, Sabaf Turchia, Sabaf Appliance Components Trading (Kunshan) Co. Ltd and Sabaf Appliance Components (Kunshan) Co. Ltd. have been consolidated on a 100% line-by-line basis;
- the subsidiaries Sabaf Mexico S.A. de C.V. (in liquidation) and Sabaf U.S. have not been consolidated as they are immaterial for the purposes of consolidation.
- from 1 January 2015 the Chinese subsidiary Sabaf Appliance Components (Kunshan) Co. Ltd. was consolidated on a line-by-line basis. This company began operating in 2015 (until 31 December 2014 it was consolidated using the equity method).
- compared with the previous financial year, information regarding sales by geographical area was changed, including sales in the Middle East under sales in Africa, rather than under sales in Asia and Oceania. This different breakdown enables a better representation of the performance of an area with more consistent characteristics (Middle East and Africa) and makes it possible to keep the performance of other Asia markets (mainly China and India) separate. As a result, the figures for 3Q 2014 and January-September 2014 were reclassified in order to make the comparison consistent.

The Interim Management Statement at 30 September 2015 has not been independently audited.

*Sales breakdown by geographical area (Euro x 1000)*

<i>(amounts in €'000)</i>	<b>Q3 2015</b>	<b>Q3 2014</b>	% change	<b>9M 2015</b>	<b>9M 2014</b>	% change	<b>FY 2014</b>
Italy	8,810	8,134	+8.3%	31,472	32,105	-2.0%	42,277
Western Europe	1,694	1,913	-11.4%	5,662	6,663	-15.0%	8,716
Eastern Europe	8,564	9,434	-9.2%	27,511	26,622	+3.3%	36,198
Middle East and Africa	3,326	3,878	-14.2%	12,328	13,470	-8.5%	16,871
Asia and Oceania	1,516	1,849	-18.0%	4,667	4,663	+0.1%	6,907
South America	5,372	3,576	+50.2%	15,793	13,326	+18.5%	18,324
North America and Mexico	2,778	1,897	+46.4%	7,136	5,117	+39.5%	7,044
<b>Total</b>	<b>32,060</b>	<b>30,681</b>	<b>+4.5%</b>	<b>104,569</b>	<b>101,966</b>	<b>+2.6%</b>	<b>136,337</b>

*Sales breakdown by geographical area (Euro x 1000)*

<i>(amounts in €'000)</i>	<b>Q3 2015</b>	<b>Q3 2014</b>	% change	<b>9M 2015</b>	<b>9M 2014</b>	% change	<b>FY 2014</b>
Brass valves	2,820	3,166	-10.9%	9,858	10,858	-9.2%	13,741
Light alloy valves	7,650	7,855	-2.6%	25,765	24,880	+3.6%	34,006
Thermostats	2,221	2,258	-1.6%	8,092	9,542	-15.2%	12,288
Standard burners	9,273	8,332	+11.3%	28,502	26,667	+6.9%	36,160
Special burners	4,982	4,245	+17.4%	16,107	14,940	+7.8%	20,251
Accessories	3,012	3,371	-10.6%	10,186	9,640	+5.7%	12,928
<i>Total gas parts</i>	<i>29,958</i>	<i>29,227</i>	<i>+2.5%</i>	<i>98,510</i>	<i>96,527</i>	<i>+2.1%</i>	<i>129,374</i>
<i>Hinges</i>	<i>2,102</i>	<i>1,454</i>	<i>+44.6%</i>	<i>6,059</i>	<i>5,439</i>	<i>+11.4%</i>	<i>6,963</i>
<b>Total</b>	<b>32,060</b>	<b>30,681</b>	<b>+4.5%</b>	<b>104,569</b>	<b>101,966</b>	<b>+2.6%</b>	<b>136,337</b>

## **Management Statement**

### *Earnings*

In 3Q 2015, the Sabaf Group booked sales revenue of €32.1 million, an increase of 4.5% compared with the figure of €30.7 million registered in 3Q 2014. The performance of European markets was essentially unchanged compared with the same period of 2014; the increase in sales is entirely due to the growth recorded in South America (where all markets with the exception of Brazil improved considerably) and in North America, an area which confirmed the positive trend recorded for several quarters.

While average sales prices were down by around 1% and higher costs of raw materials impacted by 0.9% of sales, the Group benefited from a positive effect from exchange rates equal to 1.6% of sales. EBITDA for 3Q 2015 amounted to €6.1 million, with a 19.2% margin on sales, up by 3.6% vs. €5.9 million (19.3% margin on sales) in 3Q 2014. EBIT was €3.1 million, equivalent to 9.7% of sales, and 5.4% higher than the €3 million of the same quarter in 2014 (9.7% of sales). The result before tax, which benefited from the recording of positive exchange rate differences of €0.3 million, was 3.3 million, a 16.5% increase compared with €2.8 million in 3Q 2014. The net result for the period was €2.3 million, up 27.8% on the figure of €1.8 million for 3Q 2014.

In the first nine months of 2015, revenue came to €104.6 million, an increase of 2.6% compared to the same period of 2014; EBITDA was €20.5 million (accounting for 19.6% of sales, an improvement of 3.1%), EBIT came in at €11.5 million (accounting for 11% of sales, up by 7.9%) and net profit was €7.7 million (up 23.8% versus the first nine months of 2014).

### *Equity and cash flow*

Quarter investments were €1.7 million, bringing total investments since the start of the year to €9.6 million (€7.3 million in the first nine months of 2014).

As at 30 September 2015, net financial debt was €25.6 million (€27.3 million as at 30 June 2015), while shareholders' equity amounted to €108.6 million.

### *Significant non-recurring, atypical and/or unusual transactions*

During the third quarter of 2015, the Group did not engage in significant transactions qualifying as non-recurring, atypical and/or unusual, as envisaged by the CONSOB communication of 28 July 2006.

### *Outlook*

Group sales in the fourth quarter are expected to be slightly down compared with the same period of 2014, which was very buoyant. The Group believes it can achieve marginal growth in sales for the whole of 2015, accompanied by a more significant improvement in profitability. These targets assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from forecasts.

The Group is currently negotiating with its main customers for 2016; at this time, it is not possible to make forecasts regarding volumes for next year.

## **Statement of the Financial Reporting Officer pursuant to Article 154-bis (2) TUF**

The Financial Reporting Officer, Gianluca Beschi, hereby declares, pursuant to paragraph 2, Article 154-bis of Legislative Decree 58/1998 (Consolidated Finance Act) that the accounting information contained in the Interim Management Statement at 30 September 2015 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

*Ospitaletto (BS), 10 November 2015*

Financial Reporting Officer  
Gianluca Beschi