

INTERIM MANAGEMENT STATEMENT

AT 31 March 2015



SABAF S.p.A.

Via dei Carpini 1 – OSPITALETTO (BS), ITALY

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

www.sabaf.it

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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.	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%

Unconsolidated companies

Sabaf Mexico S.A. de C.V.	100%
Sabaf US Corp.	100%

Board of Directors

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

Board of Statutory Auditors

Chairman	Antonio Passantino
Standing Statutory Auditor	Luisa Anselmi
Standing Statutory Auditor	Enrico Broli

Consolidated statement of financial position

(€000)	31.03.2015	31.12.2014	31.03.2014
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	74,190	74,483	75,056
Real estate investment	7,048	7,228	7,562
Intangible assets	7,494	7,359	7,330
Investments	204	974	784
Non-current receivables	365	529	445
Deferred tax assets	5,647	5,579	5,368
Total non-current assets	94,948	96,152	96,545
CURRENT ASSETS			
Inventories	33,010	30,774	29,919
Trade receivables	41,939	40,521	39,493
Tax receivables	1,507	2,390	2,589
Other current receivables	1,581	1,095	1,292
Cash and cash equivalents	3,635	2,958	3,013
Total current assets	81,672	77,738	76,306
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	176,620	173,890	172,851
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	98,757	90,867	106,745
Net profit for the period	3,114	8,338	1,520
<i>Total equity interest of the Parent Company</i>	<i>113,404</i>	<i>110,738</i>	<i>119,798</i>
<i>Minority interests</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total shareholders' equity	113,404	110,738	119,798
NON-CURRENT LIABILITIES			
Loans	9,466	10,173	3,861
Post-employment benefit and retirement reserves	2,979	3,028	2,809
Reserves for risks and contingencies	588	605	614
Deferred tax	795	692	637
Total non-current liabilities	13,828	14,498	7,921
CURRENT LIABILITIES			
Loans	17,436	19,613	15,322
Other financial liabilities	180	105	0
Trade payables	22,027	19,328	20,721
Tax payables	2,725	2,453	2,178
Other liabilities	7,020	7,155	6,911
Total current liabilities	49,388	48,654	45,132
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	176,620	173,890	172,851

Consolidated income statement

	Q1 2015		Q1 2014		12M 2014	
<i>(€'000)</i>						
CONTINUING OPERATIONS						
OPERATING REVENUE AND INCOME						
Revenues	37,501	100.0%	33,124	100.0%	136,337	100.0%
Other income	1,063	2.8%	1,029	3.1%	3,748	2.7%
Total operating revenue and income	38,564	102.8%	34,153	103.1%	140,085	102.7%
OPERATING COSTS						
Materials	(15,262)	-40.7%	(14,346)	-43.3%	(54,472)	-40.0%
Change in inventories	2,012	5.4%	1,626	4.9%	2,447	1.8%
Services	(8,636)	-23.0%	(7,319)	-22.1%	(29,875)	-21.9%
Payroll costs	(8,655)	-23.1%	(8,017)	-24.2%	(32,180)	-23.6%
Other operating costs	(594)	-1.6%	(360)	-1.1%	(1,042)	-0.8%
Costs for capitalised in-house work	274	0.7%	270	0.8%	989	0.7%
Total operating costs	(30,861)	-82.3%	(28,146)	-85.0%	(114,133)	-83.7%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)						
	7,703	20.5%	6,007	18.1%	25,952	19.0%
Accumulated	(3,011)	-8.0%	(3,124)	-9.4%	(12,292)	-9.0%
Capital gains/(losses) on disposals of non-current assets	42	0.1%	20	0.1%	63	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	(548)	-0.4%
OPERATING PROFIT (EBIT)						
	4,734	12.6%	2,903	8.8%	13,175	9.7%
Financial income	8	0.0%	31	0.1%	61	0.0%
Financial expense	(151)	-0.4%	(151)	-0.5%	(592)	-0.4%
Exchange rate gains and losses	111	0.3%	(19)	-0.1%	119	0.1%
Profits and losses from equity investments	0	0.0%	(115)	-0.3%	(606)	-0.4%
PROFIT BEFORE TAXES						
	4,702	12.5%	2,649	8.0%	12,157	8.9%
Income tax	(1,588)	-4.2%	(1,129)	-3.4%	(3,819)	-2.8%
Minority interests	0	0.0%	0	0.0%	0	0.0%
NET PROFIT FOR THE PERIOD						
	3,114	8.3%	1,520	4.6%	8,338	6.1%

Consolidated statement of comprehensive income

(€'000)	Q1 2015	Q1 2014	12M 2014
NET PROFIT FOR THE PERIOD	3,114	1,520	8,338
<i>Total profits/losses that will not later be reclassified under profit (loss) for the year:</i>			
Actuarial post-employment benefit reserve evaluation	0	0	(283)
Tax effect	0	0	87
	<u>0</u>	<u>0</u>	<u>(205)</u>
<i>Total profits/losses that will later be reclassified under profit (loss) for the year:</i>			
Forex differences due to translation of financial statements in foreign currencies	(448)	344	817
Cash flow hedges	0	(26)	(26)
Tax effect	0	5	5
	<u>0</u>	<u>(21)</u>	<u>(21)</u>
Total profits/(losses) net of taxes for the year	(448)	323	591
TOTAL PROFIT	2,666	1,843	8,929

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
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 payment								(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
Retained earnings FY 2014								8,338	(8,338)	(11,533)		(11,533)
Total profit at 31 March 2015					(448)				3,114	2,666		2,666
Balance at 31 March 2015	11,533	10,002	2,307	(5)	(4,096)	0	(616)	91,165	3,114	113,404	0	113,404

Consolidated statement of cash flows

(€'000)	Q1 2015	Q1 2014	12M 2014
<i>Cash and cash equivalents at beginning of period</i>	2,958	5,111	5,111
Net profit/(loss) for the period	3,114	1,520	8,338
Adjustments for:			
- Depreciation for the period	3,011	3,124	12,292
- Realised gains/losses	(42)	(20)	(63)
- Write-downs /Write-backs of non-current assets	0	0	548
- Profits and losses from equity investments	0	115	606
- Financial income and expenses	143	120	531
- Income tax	1,588	1,129	3,819
Payment of post-employment benefit reserve	(61)	(51)	(158)
Change in risk provisions	(17)	(58)	(67)
<i>Change in trade receivables</i>	<i>(1,418)</i>	<i>(3,051)</i>	<i>(4,079)</i>
<i>Change in inventories</i>	<i>(2,236)</i>	<i>(1,693)</i>	<i>(2,548)</i>
<i>Change in trade payables</i>	<i>2,699</i>	<i>1,758</i>	<i>365</i>
Change in net working capital	(955)	(2,986)	(6,262)
Change in other receivables and payables, deferred tax	(541)	(175)	210
Payment of taxes	(323)	(20)	(2,325)
Payment of financial expenses	(139)	(136)	(553)
Collection of financial income	8	31	61
Cash flow from operations	5,786	2,593	16,977
Net investments	(2,985)	(2,210)	(11,491)
Repayment of loans	(5,608)	(4,775)	(16,993)
New loans	2,799	2,121	25,047
Payment of dividends	0	0	(16,146)
Cash flow from financing activities	(2,809)	(2,654)	(8,092)
Change in scope of consolidation	796	0	0
Foreign exchange differences	(111)	173	453
Net financial flows for the period	677	(2,098)	(2,153)
<i>Cash and cash equivalents at end of period</i>	3,635	3,013	2,958
Current financial debt	17,616	15,322	19,718
Non-current financial debt	9,466	3,861	10,173
Net financial debt	23,447	16,170	26,933

Consolidated net financial position

<i>(€'000)</i>	31.03.2015	31.12.2014	31.03.2014
A. Cash	15	9	10
B. Positive balances of unrestricted bank accounts	3,483	2,691	2,633
C. Other cash equivalents	137	258	370
D. Liquidity (A+B+C)	3,635	2,958	3,013
E. Current bank overdrafts	13,702	16,029	14,275
F. Current portion of non-current debt	3,734	3,584	1,047
G. Other current financial payables	180	105	0
H. Current financial debt (E+F+G)	17,616	19,718	15,322
I. Current net financial debt (H-D)	13,981	16,760	12,309
J. Non-current bank payables	7,603	8,275	1,859
K. Other non-current financial payables	1,863	1,898	2,002
L. Non-current financial debt (J+K)	9,466	10,173	3,861
M. Net financial debt (L+I)	23,447	26,933	16,170

Explanatory notes

Accounting standards and area of consolidation

The Interim Management Statement of the Sabaf Group at 31 March 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 31 December 2014, 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 Turkey, 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. Corp. have not been consolidated in that they are immaterial for the purposes of consolidation.
- starting from this intermediate management statement, the scope of consolidation includes the Chinese subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd, which started operations and which, at 31 December 2014, was valued using the shareholders' equity method.
- starting from this intermediate management statement, the information relating to sales by geographical area has been changed, incorporating the sales in the Middle East with the sales in Africa rather than with the sales in Asia and Oceania. This different breakdown enables a better representation of the performance of an area with more standardised characteristics (Middle East and Africa) and makes it possible to keep the performance of the other Asian markets (mainly China and India) separate. As a result, the figures for 2014 and the first quarter of 2014 were reclassified to make the comparison consistent.

The Interim Management Statement at 31 March 2015 has not been independently audited.

Sales breakdown by geographical area (Euro thousands)

	Q1 2015	%	Q1 2014	%	% change		12M 2014	%
Italy	11,510	30.7%	11,139	33.6%	+3.3%		42,277	31.0%
Western Europe	2,325	6.2%	2,508	7.6%	-7.3%		8,716	6.4%
Eastern Europe	9,427	25.1%	7,496	22.6%	+25.8%		36,198	26.6%
Middle East and Africa	4,796	12.8%	4,301	13.0%	+11.5%		16,871	12.4%
Asia and Oceania	1,723	4.6%	845	2.6%	+103.9%		6,907	5.0%
South America	5,587	14.9%	5,179	15.6%	+7.9%		18,324	13.4%
North America and Mexico	2,133	5.7%	1,656	5.0%	+28.8%		7,044	5.2%
Total	37,501	100.0%	33,124	100%	+13.2%		136,337	100%

Sales breakdown by product (Euro thousands)

	Q1 2015	%	Q1 2014	%	% change		12M 2014	%
Brass valves	3,641	9.7%	3,600	10.9%	+1.1%		13,741	10.1%
Light alloy valves	9,392	25.1%	7,714	23.3%	+21.8%		34,006	24.9%
Thermostats	3,111	8.3%	3,461	10.4%	-10.1%		12,288	9.0%
Standard burners	9,894	26.4%	8,961	27.1%	+10.4%		36,160	26.5%
Special burners	5,783	15.4%	4,598	13.9%	+25.8%		20,251	14.9%
Accessories	3,715	9.9%	2,954	8.9%	+25.8%		12,928	9.5%
<i>Total gas parts</i>	<i>35,536</i>	<i>94.8%</i>	<i>31,288</i>	<i>94.5%</i>	<i>+13.6%</i>		<i>129,374</i>	<i>94.9%</i>
<i>Hinges</i>	<i>1,965</i>	<i>5.2%</i>	<i>1,836</i>	<i>5.5%</i>	<i>+7.0%</i>		<i>6,963</i>	<i>5.1%</i>
Total	37,501	100.0%	33,124	100%	+13.2%		136,337	100%

Management Statement

The Sabaf Group recorded sales revenue of €37.5 million in the first quarter of 2015, up 13.2% from €33.1 million in the same quarter of the previous year. Revenue growth was 11% at constant exchange rates.

The analysis of sales by geographical area confirms the increasing contribution of Eastern Europe (thanks to the vital contribution of Turkey), a market where the Group makes 25% of its sales, and of non-European markets, which represented 38% of sales in the period. In addition to the confirmation of the positive trends in Africa, Asia and North America, there was also a recovery in the first quarter of 2015 in South America (sales of €5.6 million, up 7.9%).

All product families contributed to the growth, with peaks above 20% for light alloy valves and special burners.

The increase in volumes of activity and the favourable euro/dollar exchange rate enabled an improvement in profitability which was more than proportional with regard to the increase in sales: EBITDA for the period stood at €7.7 million, equal to 20.5% of sales, up 28.2% compared with the figure of €6 million (18.1% of sales) for the first quarter of 2014. EBIT for the quarter was €4.7 million, or 12.6% of sales, an increase of 63.1% compared to €2.9 million in the same period of 2014 (8.8% of sales).

Average sales prices fell by 0.6%, while average purchase prices of raw materials did not change substantially.

Net profit for the period was €3.1 million, up 105% on the figure of €1.5 million for the first quarter of 2014.

Net investments for the quarter came to €3 million (€2.2 million in Q1 2014 and €1.5 million for the whole of 2014).

At 31 March 2015 net indebtedness was €23.4 million, as compared with €26.9 million at 31 December 2014.

Significant non-recurring, atypical and/or unusual transactions

During the first 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

Sales maintained their positive trend in April, but slowed somewhat in May. In light of the lack of visibility for the next few months, the Company cautiously confirms its forecast of moderate growth in sales and profitability for the whole of 2015. 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.

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 31 March 2015 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

Ospitaletto (BS), 12 May 2015

Financial Reporting Officer
Gianluca Beschi