

INTERIM MANAGEMENT STATEMENT

AT 31 MARCH 2016



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

Unconsolidated companies

Sabaf US Corp.	100%
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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	Alessandro Potestà
Director (*)	Anna Pendoli
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)	31.03.2016	31.12.2015	31.03.2015
ASSETS			
NON-CURRENT ASSETS			
Tangible assets (property, plant, and equipment)	74,234	73,037	74,190
Investment property	6,601	6,712	7,048
Intangible assets	7,565	7,525	7,494
Equity investments	204	204	204
Non-current receivables	558	432	365
Deferred tax assets	4,841	4,887	5,647
Total non-current assets	94,003	92,797	94,948
CURRENT ASSETS			
Inventories	31,722	31,009	33,010
Trade receivables	37,750	40,425	41,939
Tax receivables	2,836	2,489	1,507
Other current receivables	1,620	1,447	1,581
Current financial assets	190	69	0
Cash and cash equivalents	3,530	3,991	3,635
Total current assets	77,648	79,430	81,672
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	171,651	172,227	176,620
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	99,073	90,509	98,757
Net profit for the period	1,557	8,998	3,114
<i>Total equity interest of the Parent Company</i>	<i>112,163</i>	<i>111,040</i>	<i>113,404</i>
<i>Minority interests</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total shareholders' equity	112,163	111,040	113,404
NON-CURRENT LIABILITIES			
Loans	5,669	6,388	9,466
Post-employment benefits and retirement reserves	2,908	2,914	2,979
Reserves for risks and contingencies	347	395	588
Deferred taxes	755	772	795
Total non-current liabilities	9,679	10,469	13,828
CURRENT LIABILITIES			
Loans	22,642	23,480	17,436
Other financial liabilities	24	31	180
Trade payables	19,189	19,450	22,027
Tax payables	1,509	1,219	2,725
Other liabilities	6,445	6,538	7,020
Total current liabilities	49,809	50,718	49,388
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	171,651	172,227	176,620

Consolidated income statement

	Q1 2016		Q1 2015		12M 2015	
<i>(€/000)</i>						
CONTINUING OPERATIONS						
OPERATING REVENUE AND INCOME						
Revenue	30,860	100.0%	37,501	100.0%	138,003	100.0%
Other income	611	2.0%	1,063	2.8%	3,758	2.7%
Total operating revenue and income	31,471	102.0%	38,564	102.8%	141,761	102.7%
OPERATING COSTS						
Materials	(11,448)	-37.1%	(15,262)	-40.7%	(54,366)	-39.4%
Change in inventories	622	2.0%	2,012	5.4%	1,025	0.7%
Services	(6,948)	-22.5%	(8,636)	-23.0%	(29,759)	-21.6%
Payroll costs	(8,117)	-26.3%	(8,655)	-23.1%	(32,526)	-23.6%
Other operating costs	(217)	-0.7%	(594)	-1.6%	(1,193)	-0.9%
Costs for capitalised in-house work	220	0.7%	274	0.7%	1,230	0.9%
Total operating costs	(25,888)	-83.9%	(30,861)	-82.3%	(115,589)	-83.8%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)						
	5,583	18.1%	7,703	20.5%	26,172	19.0%
Depreciation & amortisation	(3,133)	-10.2%	(3,011)	-8.0%	(12,185)	-8.8%
Capital gains/(losses) on disposals of non-current assets	10	0.0%	42	0.1%	104	0.1%
Write-downs of non-current assets	0	0.0%	0	0.0%	0	0.0%
OPERATING PROFIT (EBIT)						
	2,460	8.0%	4,734	12.6%	14,091	10.2%
Financial income	22	0.1%	8	0.0%	67	0.0%
Financial expenses	(135)	-0.4%	(151)	-0.4%	(596)	-0.4%
Exchange rate gains and losses	(3)	0.0%	111	0.3%	(89)	-0.1%
Profits and losses from equity investments	0	0.0%	0	0.0%	0	0.0%
PROFIT BEFORE TAXES						
	2,344	7.6%	4,702	12.5%	13,473	9.8%
Income taxes	(787)	-2.6%	(1,588)	-4.2%	(4,475)	-3.2%
Minority interests	0	0.0%	0	0.0%	0	0.0%
NET PROFIT FOR THE PERIOD						
	1,557	5.0%	3,114	8.3%	8,998	6.5%

Consolidated statement of comprehensive income

(€/000)	Q1 2016	Q1 2015	12M 2015
NET PROFIT FOR THE PERIOD	1,557	3,114	8,998
<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	49
Tax effect	0	0	(14)
	0	0	35
<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	153	(448)	(3,400)
Cash flow hedges	0	0	0
Tax effect	0	0	0
	0	0	0
Total profits/(losses) net of taxes for the year	153	(448)	(3,365)
TOTAL PROFIT	1,710	2,666	5,633

Statement of changes in consolidated shareholders' equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Own shares	Translation 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 2014	11,533	10,002	2,307	(5)	(3,648)	(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
Purchase of own shares				(718)					(718)		(718)
Total profit at 31 December 2015					(3,400)	35		8,998	5,633		5,633
Balance at 31.12.15	11,533	10,002	2,307	(723)	(7,048)	(581)	86,552	8,998	111,040	0	111,040
Allocation of 2015 earnings							8,998	(8,998)	0		0
Purchase of own shares				(587)					(587)		(587)
Total profit at 31.03.16					153			1,557	1,710		1,710
Balance at 31.03.16	11,533	10,002	2,307	(1,310)	(6,895)	(581)	95,550	1,557	112,163	0	112,163

Consolidated statement of cash flows

(€/000)	Q1 2016	Q1 2015	12M 2015
<i>Cash and cash equivalents at beginning of period</i>	3,991	3,675	3,675
Net profit/(loss) for the period	1,557	3,114	8,998
Adjustments for:			
- Depreciation for the period	3,133	3,011	12,185
- Realised gains/losses	(10)	(42)	(104)
- Financial income and expenses	113	143	529
- Income taxes	787	1,588	4,475
Payment of post-employment benefit reserve	(6)	(61)	(129)
Change in risk provisions	(48)	(17)	(210)
<i>Change in trade receivables</i>	<i>2,675</i>	<i>(1,407)</i>	<i>107</i>
<i>Change in inventories</i>	<i>(713)</i>	<i>(2,171)</i>	<i>(170)</i>
<i>Change in trade payables</i>	<i>(261)</i>	<i>2,519</i>	<i>(58)</i>
Change in net working capital	1,701	(1,059)	(121)
Change in other receivables and payables, deferred tax	(1,049)	(628)	(72)
Payment of taxes	(167)	(323)	(5,931)
Payment of financial expenses	(126)	(139)	(556)
Collection of financial income	22	8	67
Cash flow from operations	5,907	5,595	19,131
Net investments	(4,165)	(2,715)	(12,079)
Repayment of loans	(6,324)	(5,608)	(19,480)
New loans	4,760	2,799	19,488
Change in current financial assets	(121)	0	(69)
Purchase of own shares	(587)	0	(718)
Payment of dividends	0	0	(4,613)
Cash flow from financing activities	(2,272)	(2,809)	(5,392)
Foreign exchange differences	69	(111)	(1,344)
Net financial flows for the period	(461)	(40)	316
<i>Cash and cash equivalents at end of period</i>	3,530	3,635	3,991
Current financial debt	22,666	17,616	23,511
Non-current financial debt	5,669	9,466	6,388
Net financial debt	24,805	23,447	25,908

Consolidated net financial position

<i>(€/000)</i>	31.03.2016	31.12.2015	31.03.2015
A. Cash	14	11	15
B. Positive balances of unrestricted bank accounts	2,887	3,822	3,483
C. Other cash equivalents	629	158	137
D. Liquidity (A+B+C)	3,530	3,991	3,635
E. Current bank overdrafts	18,847	19,697	13,702
F. Current portion of non-current debt	3,795	3,783	3,734
G. Other current financial payables	24	31	180
H. Current financial debt (E+F+G)	22,666	23,511	17,616
I. Current net financial debt (H-D)	19,136	19,520	13,981
J. Non-current bank payables	3,948	4,632	7,603
K. Other non-current financial payables	1,721	1,756	1,863
L. Non-current financial debt (J+K)	5,669	6,388	9,466
M. Net financial debt (L+I)	24,805	25,908	23,447

Explanatory notes

Accounting standards and area of consolidation

The Interim Management Statement of the Sabaf Group at 31 March 2016 was prepared in accordance with Italian Stock Exchange Regulations that lists the publication of quarterly management statements among the requirements for maintaining listing in the STAR segment of the MTA. This statement, drafted in continuity with the past, does not contain the information required by IAS 34.

The accounting standards and policies are the same as those adopted for preparation of the consolidated financial statements at 31 December 2015, 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 March 2016, 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 (in liquidation) and Sabaf Appliance Components (Kunshan) Co. Ltd have been consolidated on a 100% line-by-line basis;
- the company Sabaf US Corp. has not been consolidated as its contribution is considered immaterial for the purposes of consolidation;
- the consolidation area has not changed compared to 31 December 2015.

The Interim Management Statement at 31 March 2016 has not been independently audited.

Breakdown of Sales Revenues by geographical area (€/000)

	1Q 2016	%	1Q 2015	%	% change		12M 2015	%
Italy	10,843	35.1%	11,510	30.7%	-5.8%		41,244	29.9%
Western Europe	1,686	5.5%	2,325	6.2%	-27.5%		7,438	5.4%
Eastern Europe	7,784	25.2%	9,427	25.1%	-17.4%		35,125	25.5%
Middle East and Africa	2,138	6.9%	4,796	12.8%	-55.4%		16,759	12.1%
Asia and Oceania	1,437	4.7%	1,723	4.6%	-16.6%		7,019	5.0%
South America	4,486	14.5%	5,587	14.9%	-19.7%		20,815	15.1%
North America and Mexico	2,486	8.1%	2,133	5.7%	16.5%		9,603	7.0%
Total	30,860	100%	37,501	100%	-17.7%		138,003	100%

Breakdown of Sales Revenues by product (€/000)

	1Q 2016	%	1Q 2015	%	% change		12M 2015	%
Brass valves	2,031	6.6%	3,641	9.7%	-44.2%		12,689	9.2%
Light alloy valves	8,153	26.4%	9,392	25.1%	-13.2%		33,784	24.5%
Thermostats	1,940	6.3%	3,111	8.3%	-37.6%		10,596	7.7%
Standard burners	8,791	28.5%	9,894	26.4%	-11.1%		37,789	27.4%
Special burners	4,777	15.5%	5,783	15.4%	-17.4%		21,622	15.7%
Accessories	3,136	10.1%	3,715	9.9%	-15.6%		13,577	9.8%
<i>Total gas parts</i>	<i>28,828</i>	<i>93.4%</i>	<i>35,536</i>	<i>94.8%</i>	<i>-18.9%</i>		<i>130,057</i>	<i>94.3%</i>
<i>Hinges</i>	<i>2,032</i>	<i>6.6%</i>	<i>1,965</i>	<i>5.2%</i>	<i>+3.4%</i>		<i>7,946</i>	<i>5.7%</i>
Total	30,860	100%	37,501	100%	-17.7%		138,003	100%

Management Statement

In the first quarter of 2016, the revenues of the Sabaf Group amounted to €30.9 million, down by 17.7% from €37.5 million in the same period of the previous year, which had been a particularly good quarter.

In a context in which the Sabaf Group is maintaining its market share unchanged, the negative figure is to be attributed to the difficult economic situation of some important markets in which the Group operates, such as Egypt, Brazil and Turkey. The only area that has confirmed a very positive trend in sales is the North American market.

The decline in business volumes negatively affected profitability, which also maintained a good level: EBITDA for the period was €5.6 million, equal to 18.1% of sales, down 27.5% compared to €7.7 million (20.5% of sales) for the first quarter 2015. EBIT was €2.5 million, equivalent to 8% of sales, and down by 48% than the €4.7 million of the same quarter in 2015 (12.6% of sales). Net profit for the period was €1.6 million, down by 50% from €3.1 million in the first quarter 2015.

Investments for the quarter totalled €4.2 million, mainly allocated to the expansion of the plants in Turkey and Brazil (€2.7 million in the first quarter 2015, and €12.1 million for the full year 2015). At 31 March 2016, net financial debt was €24.8 million, versus €25.9 million at 31 December 2015.

Significant non-recurring, atypical and/or unusual transactions

During the first quarter of 2016 the Group engaged in no significant transactions qualifying as non-recurring, atypical and/or unusual, as envisaged by the CONSOB communication of 28 July 2006.

Outlook

Also in April, sales have maintained a downward trend, while in May there is a decent recovery of business. In the second half of 2016, the Group expects an increase in sales due to the increase in supplies to some major customers and a possible recovery in some markets. However, based on the poor performance of the first part of the year, the Group expects a modest decline in sales and profitability for the full year 2016. These targets assume a macroeconomic situation that is not affected by unpredictable events. If the economic situation were to change significantly, the actual figures might diverge from the forecasts.

Statement of the Financial Reporting Officer pursuant to Article 154-bis (2) CFA

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 2016 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

Ospitaletto (BS), 10 May 2016

Financial Reporting Officer
Gianluca Beschi