SABAF S.p.A.

SEPARATE FINANCIAL STATEMENTS

AT 31 DECEMBER 2014

CORPORATE BODIES

Board of Directors

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

(*) Independent directors

Board of Statutory Auditors

Chairman	Alessandro Busi
Standing Auditor	Enrico Broli
Standing Auditor	Anna Domenighini

Independent Auditor

Deloitte & Touche S.p.A.

Balance sheet and financial position

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

Income statement

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

Comprehensive income statement

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

Statement of changes in shareholders' equity

(€'000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Cash flow hedge reserve	Actuarial post-employment benefit reserve evaluation	Other reserves	Earnings for the year	Total Shareholders' equity
Balance at 31 December 2012	**11,533**	**10,002**	**2,307**	**(2,339)**	**0**	**(344)**	**78,055**	**2,236**	**101,450**
Ordinary dividend							(1,675)	(2,236)	(3,911)
Purchase/sale treasury shares				2,334			750		3,084
Total profit at 31 December 2013					21	(15)	0	3,730	3,736
Balance at 31 December 2013	**11,533**	**10,002**	**2,307**	**(5)**	**21**	**(359)**	**77,130**	**3,730**	**104,359**
Ordinary dividend							(883)	(3,730)	(4,613)
Extraordinary dividend							(11,533)		(11,533)
Total profit at 31 December 2014					(21)	(176)	0	7,878	7,681
Balance at 31 December 2014	**11,533**	**10,002**	**2,307**	**(5)**	**0**	**(535)**	**64,714**	**7,878**	**95,894**

Cash flow statement

(€'000)	FY 2014	FY 2013
Cash and cash equivalents at beginning of year	**2,345**	**1,601**
Net profit for period	7,878	3,730
Adjustments for:		
- Depreciation and amortisation	9,043	9,864
- Realised gains (losses)	(148)	(51)
- Write-downs (write-backs) of non-current assets	(618)	1,708
- Net financial income and expenses	382	604
- Income tax	2,655	1,987
Change in post-employment benefit reserve	110	(131)
Change in risk provisions	96	20
Change in trade receivables	*(3,095)*	*3,763*
Change in inventories	*(1,202)*	*(3,095)*
Change in trade payables	*663*	*(170)*
Change in net working capital	(3,634)	498
Change in other receivables and payables, deferred tax	409	734
Payment of taxes	(1,702)	(1,318)
Payment of financial expenses	(431)	(627)
Collection of financial income	84	83
Cash flow from operations	**14,124**	**17,101**
Investments in non-current assets		
- intangible	(687)	(583)
- tangible	(7,952)	(6,432)
- financial	(1,150)	(3,436)
Disposal of non-current assets	760	1,234
Cash flow absorbed by investments	**(9,030)**	**(9,217)**
Repayment of loans	(4,503)	(12,521)
Raising of loans	14,784	6,144
Change in financial assets	(208)	64
Sale of treasury shares	0	3,084
Payment of dividends	(16,146)	(3,911)
Cash flow absorbed by financing activities	**(6,073)**	**(7,140)**
Total financial flows	**(979)**	**744**
Cash and cash equivalents at end of year (Note 10)	**1,366**	**2,345**
Current financial debt	18,438	15,497
Non-current financial debt	7,340	0
Net financial debt (Note 21)	**24,412**	**13,152**

EXPLANATORY NOTES

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

Sabaf S.p.A. individual year-end accounts for the financial year 2014 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Reference to IFRS also includes all current International Accounting Standards (IAS).
The separate financial statements are drawn up in euro, which is the currency in the economy in which the Company operates. The income statement, the comprehensive income statement and the statement of financial position schedules are prepared in euro, while the comprehensive income statement, the cash flow, and the changes in shareholders' equity schedules and the values reported in the explanatory notes are in thousands of euro.
The financial statements have been prepared on a historical-cost basis except for some revaluations of property, plant and equipment undertaken in previous years, and is considered a going concern. The Company found that, despite the difficult economic and business climate, there were no significant uncertainties (as defined by paragraphs 25 and 26 of IAS 1) on the continuity of the Company, including due to the strong competitive position, high profitability and solidity of the financial structure.
Sabaf S.p.A., as the Parent Company, also prepared the consolidated financial statements of the Sabaf Group at 31 December 2014.

Financial statements

The Company has adopted the following formats:

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

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

Accounting policies

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

Property, plant and equipment

These are recorded at purchase or manufacturing cost. The cost includes directly chargeable ancillary costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers.

Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life, in years, is as follows:

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

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

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

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

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

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

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

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

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

Advance payments obtained with regard to the sale of trade receivables are recognised under current loans.

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

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

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

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

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

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

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

Derivative instruments and hedge accounting

The Company's business is exposed to financial risks relating to changes in exchange rates, commodity prices, and interest rates. The Company may decide to use derivative financial instruments to hedge these risks.

The Company does not use derivatives for trading purposes.

Derivatives are initially recognised at cost and are then adjusted to the fair value on subsequent closing dates.

Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the Company's contractual commitments and planned transactions are recognised directly in shareholders' equity, while the ineffective portion is immediately posted in the income statement. If the contractual commitments or planned transactions materialise in the recognition of assets or liabilities, when such assets or liabilities are recognised, the gains or losses on the derivative that were directly recognised in equity are factored back into the initial valuation of the cost of acquisition or carrying value of the asset or liability. For cash flow hedges that do not lead to recognition of assets or liabilities, the amounts that were directly recognised in equity are included in the income statement in the same period when the contractual commitment or planned transaction hedged impacts profit and loss – for example, when a planned sale actually takes place.

For effective hedges of exposure to changes in fair value, the item hedged is adjusted for the changes in the fair value attributable to the risk hedged and recognised in the income statement. Gains and losses stemming from the derivative's valuation are also posted in the income statement.

Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.

Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.

Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue recognition

Revenue is reported net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.

Sales revenue is reported when the company has transferred the significant risks and rewards associated with ownership of the goods and the amount of revenue can be reliably measured.

Revenues of a financial nature are recorded based on an accrual basis.

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

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

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

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

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

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

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

Provisions for credit risks
Credit is adjusted by the related provision for doubtful accounts to take into account its recoverable value. To determine the size of the write-downs, management must make subjective assessments based on the documentation and information available regarding, among other things, the customer's solvency, as well as experience and historical payment trends.
Provisions for inventory obsolescence
Warehouse inventories subject to obsolescence and slow turnover are systematically valued, and written down if their recoverable value is less than their carrying value. Write-downs are calculated based on management assumptions and estimates, resulting from experience and historical results.
Employee benefits
The current value of liabilities for employee benefits depends on a series of factors determined using actuarial techniques based on certain assumptions. Assumptions concern the discount rate, estimates of future salary increases, and mortality and resignation rates. Any change in the above-mentioned assumptions could have an effect on liabilities for pension benefits.
Income tax
Determining liabilities for Compnay taxes requires the use of management valuations in relation to transactions whose tax implications are not certain on the balance sheet date. Furthermore, the valuation of deferred taxes is based on income expectations for future years; the valuation of expected income depends on factors that could change over time and have a significant effect on the valuation of deferred tax assets.
Other provisions and reserves
In estimating the risk of potential liabilities from disputes, management relies on communications regarding the status of recovery procedures and disputes from the lawyers who represent the Company in litigation. These estimates are determined taking into account the gradual development of the disputes, considering existing exemptions.

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

New accounting standards

Accounting standards and amendments applicable from 1 January 2014

The IASB issue the standard **IFRS 10 – *Consolidated Financial Statements*** which will replace il SIC-12 *Consolidation – Special-purpose entities* and parts of IAS 27 – *Consolidated and separate financial statements,* which will be renamed Separate financial statements and will regulate the accounting treatment of equity investments in the separate financial statements. The main changes established by the new standard are as follows:
- According to IFRS 10, there is a single underlying principle regarding the consolidation of all types of entity, which is based on control. This change removes the inconsistency seen between the previous IAS 27 (based on control) and SIC 12 (based on the transfer of risks and benefits);
- A more solid definition of control has been introduced, based on three factors: (a) power over the acquired company; (b) exposure or rights to variable returns resulting from involvement therewith; (c) ability to affect the size of these returns by exercising power;
- IFRS 10 requires that, to assess if it has control over an acquired company, an investor is focused on the assets that significantly influence its returns;

- IFRS 10 requires that, in assessing the existence of control, only substantive rights are considered, i.e. those that are exercisable in practice when decisions relevant to the acquired company must be taken;
- IFRS 10 provides practical support guides to assess if control exists in complex situations, such as de facto control, potential voting rights, situations in which it is necessary to establish if those with decision-making power are acting as agent or principal, etc.

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

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

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

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

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

On 12 December 2013, the IASB published the document ***Annual Improvements to IFRSs: 2010-2012 Cycle***, which includes the changes to the principles under the scope of the annual improvement process of same. The main changes involve: IFRS 2 Share Based Payments – Definition of vesting condition. IFRS 3 Business Combination – Accounting for contingent consideration, IFRS 8 Operating segments – Aggregation of operating segments, IFRS 8 Op-

erating segments – Reconciliation of total of the reportable segments' assets to the entity's assets, IFRS 13 Fair Value Measurement – Short-term receivables and payables, IAS 16 Property, plant and equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortization, IAS 24 Related Parties Disclosures – Key management personnel.
The changes apply starting from the financial years which began on 1 February 2015 or a later date. The directors do not expect a significant effect on the Company's separate financial statements through the adoption of these changes.

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

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

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

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

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

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

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

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

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

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

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31 December 2012	**5,996**	**142,717**	**26,005**	**2,530**	**177,248**
Increases	167	3,725	1,960	580	6,432
Disposals	-	(1,540)	(292)	(13)	(1,845)
Reclassification	-	1,394	68	(1,462)	-
At 31 December 2013	**6,163**	**146,296**	**27,741**	**1,635**	**181,835**
Increases	39	3,315	1,894	2,704	7,952
Disposals	-	(2,282)	(65)	(145)	(2,492)
Reclassification	6	456	9	(485)	(14)
At 31 December 2014	**6,208**	**147,785**	**29,579**	**3,709**	**187,281**
Accumulated depreciation and amortisation					
At 31 December 2012	**2,197**	**118,451**	**22,025**	**-**	**142,673**
Depreciation of the year	165	6,505	2,003	-	8,673
Eliminations for disposals	-	(1,443)	(280)	-	(1,723)
Reclassification	-	(145)	-	145	-
At 31 December 2013	**2,362**	**123,368**	**23,748**	**145**	**149,623**
Depreciation of the year	173	6,096	1,891	-	8,160
Eliminations for disposals	-	(1,690)	(60)	(145)	(1,895)
At 31 December 2014	**2,535**	**127,774**	**25,579**	**-**	**155,888**
Net carrying value					
At 31 December 2014	3,673	20,011	4,000	3,709	31,393
At 31 December 2013	3,801	22,928	3,993	1,490	32,212

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

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

The main investments in the year related to the industrialisation of new models of special burners and light alloy valves, sales of which are expected to increase further in the future. Investments were also made to improve production processes - including the purchase of new alcohol washing facilities - and investments were made in maintenance and replacement, designed to keep the capital equipment constantly updated.
Decreases mainly relate to the disposal of machinery no longer in use.
Assets under construction include machinery under construction and advance payments to suppliers of capital equipment.
At 31 December 2014, the Company found no endogenous or exogenous indicators of impairment of its tangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2012	**6,675**
Increases	-
Disposals	-
At 31 December 2013	**6,675**
Increases	-
Disposals	-
At 31 December 2014	**6,675**

Cumulative amortisation	
At 31 December 2012	**4,259**
Depreciation of the year	194
At 31 December 2013	**4,453**
Depreciation of the year	193
At 31 December 2014	**4,646**
Net carrying value	
At 31 December 2014	2,029
At 31 December 2013	2,222

Non-operating property owned by the Company are recorded under this item. During the year this item did not undergo any changes except for depreciation and amortisation for the year. At 31 December 2014, the Company found no endogenous or exogenous indicators of impairment of its investment property. As a result, the value of property, plant and equipment was not submitted to impairment testing.

3. INTANGIBLE ASSETS

	Patents, know-how and software	Development costs	Other intangible assets	Total
Cost				
At 31 December 2012	**5,607**	**3,765**	**1,584**	**10,956**
Increases	84	405	94	583
Reclassifications	64	(64)	-	-
Decreases	(2)	(272)	(2)	(276)
At 31 December 2013	**5,753**	**3,834**	**1,676**	**11,263**
Increases	102	474	110	686
Reclassifications	-	-	-	-
Decreases	-	-	-	-
At 31 December 2014	**5,855**	**4,308**	**1,786**	**11,949**
Depreciation, amortisation and write-downs				
At 31 December 2012	**4,659**	**1,377**	**998**	**7,034**
Amortisation 2013	559	291	145	995
Decreases	(2)	-	-	(2)
At 31 December 2013	**5,216**	**1,668**	**1,143**	**8,027**
Amortisation 2014	200	343	147	690
Decreases	-	-	-	-
At 31 December 2014	**5,416**	**2,011**	**1,290**	**8,717**
Net carrying value				
At 31 December 2014	**439**	**2,297**	**496**	**3,232**
At 31 December 2013	**537**	**2,166**	**533**	**3,236**

Intangible assets have a finite useful life and, as a result, are amortised throughout their life. The main investments in the year related to the development of new products, including various versions of special burners and a new model of light-alloy kitchen valves (research and development activities conducted over the year are set out in the Report on Operations). Software investments relate to the extension of the application area and the companies covered by the Group's management system (SAP). Other intangible assets refer, in the main, to improvements to third-party leased assets.
At 31 December 2014, the Company found no endogenous or exogenous indicators of impairment of its intangible assets. As a result, the value of property, plant and equipment was not submitted to impairment testing.

4. INVESTMENTS

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

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

	Sabaf Immobiliare	Faringosi Hinges	Sabaf do Brasil	Sabaf Mexico	Sabaf U.S.	Sabaf Appliance Components (China)	Sabaf A.C. Trading (China)	Sabaf Turkey	Total
Historical cost									
At 31 December 2012	**13,475**	**10,329**	**9,528**	**548**	**139**	**1,800**	**70**	**10,501**	**46,390**
Capital increases/ reductions	-	-	(1,059)	-	-	450	130	2,850	2,371
At 31 December 2013	**13,475**	**10,329**	**8,469**	**548**	**139**	**2,250**	**200**	**13,351**	**48,761**
Capital increases/ reductions	-	-	-	-	-	1,150	-	-	1,150
At 31 December 2014	**13,475**	**10,329**	**8,469**	**548**	**139**	**3,400**	**200**	**13,351**	**49,911**
Allowance for impairment									
At 31 December 2012	**0**	**2,714**	**0**	**0**	**0**	**1,580**	**0**	**0**	**4,294**
Write-downs	-	939	-	-	-	497	-	-	1,436
At 31 December 2013	**0**	**3,653**	**0**	**0**	**0**	**2,077**	**0**	**0**	**5,730**
Write-downs (Write-backs) (Note 28)	-	(1,771)	-	548	-	606	-	-	(617)
At 31 December 2014	**0**	**1,882**	**0**	**548**	**0**	**2,683**	**0**		**5,113**
Net carrying value									
At 31 December 2014	**13,475**	**8,447**	**8,469**	**0**	**139**	**717**	**200**	**13,351**	**44,798**
At 31 December 2013	**13,475**	**6,676**	**8,469**	**548**	**139**	**173**	**200**	**13,351**	**43,031**
Net equity (calculated in conformity with IAS/IFRS)									
At 31 December 2014	**27,309**	**4,549**	**8,333**	**28**	**(36)**	**717**	**255**	**14,163**	**55,590**
At 31 December 2013	**26,149**	**4,760**	**8,684**	**248**	**19**	**173**	**148**	**11,874**	**52,055**
Difference between net equity and carrying value									
At 31 December 2014	**13,834**	**(3,898)**	**136**	**28**	**(175)**	**0**	**55**	**812**	**10,792**
At 31 December 2013	**12,674**	**(1,916)**	**215**	**(300)**	**(120)**	**0**	**(52)**	**(1,477)**	**9,024**

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

Faringosi Hinges s.r.l.

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

The 2015-2019 plan, drawn up at the end of 2014, projects a gradual recovery in sales and profitability, to which the new products will also make a contribution. At 31 December 2014, Saba S.p.A. tested the carrying value of the investment in Faringosi Hinges for impairment, determining its recoverable value, considered to be equivalent to its usable value plus available liquidity, by discounting expected future cash flow. Following the fact that the elements of uncertainty were significantly reduced compared with the plans prepared in previous years, it was deemed preferable not to carry out a multi-scenario analysis (like in 2013), but to carry out an evaluation based exclusively on the plan developed by management. This plan was actually prepared incorporating the risk of realisability through the 75% weighting of the expected contribution of the new products, and represents a scenario which is comparable with the interim scenario considered for the impairment test at 31 December 2013.

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

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

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

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

(€'000)					
			growth rate		
discount rate	**1.00%**	**1.25%**	**1.50%**	**1.75%**	**2.00%**
7.76%	9,311	9,619	9,952	10,313	10,705
8.26%	8,601	8,862	9,144	9,446	9,773
8.76%	7,983	8,207	8,447	8,704	8,980
9.26%	7,440	7,634	7,841	8,061	8,297
9.76%	6,960	7,130	7,309	7,500	7,702

Sabaf do Brasil

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

Sabaf Mexico S.A. de c.v.

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

Sabaf U.S.

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

Sabaf Appliance Components

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

Sabaf Appliance Components Trading

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

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

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

5. NON-CURRENT FINANCIAL ASSETS

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

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

6. INVENTORIES

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

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

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

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

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

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

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

8. TAX RECEIVABLES

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

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

9. OTHER CURRENT RECEIVABLES

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

At 31 December 2014, advance payments to suppliers included €521,000 to Sabaf Immobiliare s.r.l. (€626.000 at 31 December 2013), paid on account for the 2015 rent of the properties owned by the subsidiary.

10. CASH AND CASH EQUIVALENTS

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

11. SHARE CAPITAL

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

12. TREASURY SHARES

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

13. LOANS

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

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

14. OTHER FINANCIAL LIABILITIES

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

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

15. Employee severance pay reserve

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

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

Post-employment benefits are calculated as follows:

Financial assumptions

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

Demographic theory

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

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

16. RESERVES FOR RISKS AND CONTINGENCIES

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

The reserve for agents' indemnities covers amounts payable to agents if the Company terminates the agency relationship.
The product warranty reserve covers the risk of returns or charges by customers for products already sold. The fund was adjusted at the end of the year, on the basis of analyses conducted and past experience.
The legal reserve, set aside to deal with moderate disputes, remained unchanged at the end of the year as it was deemed adequate.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historic experience, have not been time-discounted because the effect is considered negligible.

17. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

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

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

18. TAX PAYABLES

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

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

19. OTHER CURRENT PAYABLES

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

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

20. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

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

21. NET FINANCIAL POSITION

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

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

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

Comments on key income statement items

22. REVENUES

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

Revenues by geographical area

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

Revenue by product family

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

The Italian market remained stagnant in 2014, while other European markets produced excellent results following the increase in the share of major customers and the launch of new supplies. Of major importance, note the increase in sales in Africa and North America, while revenues in Asia (with the Middle East suffering) and South America were lower than in 2013.
In line with the strategic decisions made in recent years, the trend to replace brass valves with light alloy valves, which are more competitive, continued in 2014. The fall in sales of standard burners results from the decision to supply the Turkish market directly from the subsidiary Sabaf Turchia,which during 2014 significantly increased levels of activity. As far as special burners are concerned, whose production takes place entirely in Italy, note a reasonable increase in sales, also courtesy of the launch of the supply of new models.
Average sale prices in 2014 were down, on average, by around 2% versus 2013:
Refer to the Report on Operations for more detailed comments on the trends that marked the Group’s market over the year.

23. OTHER INCOME

	2014	2013	Change
Sale of trimmings	1,782	2,155	(373)
Services to subsidiaries	211	206	5
Contingent income	201	157	44
Rental income	132	119	13
Use of provisions for risks and contingencies	26	22	4
Services to parent companies	10	11	(1)
Other	613	601	12
Total	**2,974**	**3,271**	**(297)**

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

24. ACQUISITIONS

	2014	2013	Change
Commodities and outsourced components	41,323	40,574	749
Consumables	3,496	3,697	(201)
Total	**44,819**	**44,271**	**548**

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

25. COSTS FOR SERVICES

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

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

26. PAYROLL COSTS

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

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

27. OTHER OPERATING COSTS

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

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

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

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

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

29. FINANCIAL EXPENSE

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

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

30. EXCHANGE RATE GAINS AND LOSSES

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

31. EARNINGS FROM INVESTMENTS

	2014	2013	Change
Sabaf do Brasil dividends	970	1,034	(64)
Total	**970**	**1,034**	**(64)**

32. INCOME TAX

	2014	2013	Change
Current tax	2,800	2.691	109
Deferred tax assets and liabilities	118	(199)	317
Previous years' tax	(263)	(504)	241
Total	**2,655**	**1,988**	**667**

Current taxes include IRES of €1,797,000 and IRAP of €1,003,000 (respectively €1,712,000 and €979,000 in 2013).

In 2014 tax relating to previous years referred, in the main, to tax refunds obtained during the year with regard to appeals submitted in previous years and not recognised as there was no certainty of recoverability.

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

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

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

TAX POSITION

No tax disputes were pending at 31 December 2014.

33. DIVIDENDS

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

34. SEGMENT REPORTING

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

35. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, below is breakdown of the financial instruments according to the categories set out by IAS 39.

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

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

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

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

Credit risk management

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

Forex risk management

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

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

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

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

	31.12.2014		31.12.2013	
	Financial charges	Cash flow hedge reserve	Financial charges	Cash flow hedge reserve
Increase of 100 base points	100	-	-	-
Decrease of 100 base points	(26)	-	-	-

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

Liquidity risk management
The Compnay operates with a low debt ratio (net financial debt / shareholders' equity at 31 December 2014 of 25.5%, net financial debt / EBITDA of 1.36) and has unused short-term lines of credit of approximately €50 million. To minimise the risk of liquidity, the Administration and Finance Department:
- regularly assesses expected financial needs in order to make the best decisions;
- maintains correct balance of net financial debt, financing investments with capital and with medium- to long-term debt.

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

At 31 December 2014

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans	10,000	10,336	702	2,105	7,529	-
Short-term bank loans	15,778	15,778	15,778	-	-	-
Total financial payables	**25,778**	**26,114**	**16,480**	**2,105**	**7,529**	**0**
Trade payables	17,573	17,573	16,217	1,356	-	-
Total	**43,351**	**43,687**	**32,697**	**3,461**	**7,529**	**0**

At 31 December 2013

	Carrying value	Contractual financial flows	Within 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years
Unsecured loans	317	318	318	-	-	-
Short-term bank loans	15,178	15,178	15,178	-	-	-
Total financial payables	**15,495**	**15,496**	**15,496**	**0**	**0**	**0**
Trade payables	16,909	16,909	15,840	1,069	-	-
Total	**32.404**	**32,405**	**31,336**	**1,069**	**0**	**0**

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

Hierarchical levels of the fair value assessment

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

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

At 31 December 214 there were not financial instruments measured at fair value.

36. RELATIONS BETWEEN GROUP COMPANIES AND WITH RELATED PARTIES

The effect of transactions between Sabaf S.p.A. and related parties on the statement of financial position and income statement, with the exception of the compensation of directors, auditors and key management personnel are exposed in the Remuneration Report.

Impact of related-party transactions or positions on statement of financial position items

	Total 2014	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Non-current financial assets	1,660	1,660	-	-	1,660	100.00%
Trade receivables	34,695	1,143	-	-	1143	3.29%
Tax receivables	1,527	-	1,084	-	1084	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	-	1092	63.30%

	Total 2013	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Non-current financial assets	1,451	1,451	-	-	1.451	100.00%
Trade receivables	31,600	1,192	-	-	1,192	3.77%
Tax receivables	1,176	-	1,084	-	1,084	92.18%
Other current receivables	1,826	1,273	-	-	1,273	69.72%
Trade payables	16,909	84	-	-	84	0.50%
Tax payables	1,024	-	317	-	317	30.96%

Impact of related-party transactions on income statement accounts

	Total 2014	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenues	115,919	4,729			4,729	4.08%
Other income	2,975	298	10		308	10.35%
Materials	44,819	231			231	0.52%
Services	29,795	4,001			4,001	13.43%
Capital gains on non-current assets	148	82			82	55.41%
Write-downs of non-current assets	618	618			618	100.00%
Financial income	84	66			66	78.57%
Profits and losses from equity investments	970	970			970	100.00%

	Total 2013	Subsidiaries	Parent company	Other related parties	Total related parties	Impact on the total
Revenues	112,417	3,783			3,783	3.37%
Other income	3,271	314	10		324	9.91%
Materials	44,271	94			94	0.21%
Services	29,812	4,128			4,128	13.85%
Capital gains on non-current assets	51	51			51	100.00%
Write-downs of non-current assets	1,708	1,437			1,437	84.13%
Financial income	83	60			60	72.29%
Financial expense	687	31			31	4.51%
Profits and losses from equity investments	1034	1034			1,034	100.00%

Relations with subsidiaries mainly consist of:

- trade relations, relating to the purchase and sale of semi-processed goods or finished products with Sabaf do Brasil, Faringosi Hinges, Sabaf Turchia and Sabaf Kunshan Trading;
- sales of machinery to Sabaf Brasile, Sabaf Turchia and Sabaf Kunshan, which generated the capital gains highlighted;
- rental of property from Sabaf Immobiliare;
- inter-group loans;
- group VAT settlement.

Relations with the parent company Giuseppe Saleri S.a.p.A., which does not exercise management or coordination activities pursuant to Article 2497 of the Italian Civil Code, consist of:

- provision of administrative services;
- transactions as part of the domestic tax consolidation scheme, which generated the payables and receivables shown in the tables.

Related-party transactions are regulated by specific contracts regulated at arm's length conditions.

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that it did not execute any significant non-recurring transactions during 2014.

38. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

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

39. COMMITMENTS

Guarantees issued

Sabaf S.p.A. issued sureties to guarantee bank loans raised by subsidiaries, with the residual debt at 31 December 2014 equal to €1,859,000 (€2,770,000 at 31 December 2013).
Sabaf S.p.A. also issued sureties to guarantee mortgage loans granted by banks to employees for a total of €6,249,000 (€6,598,000 at 31 December 2013).

40. REMUNERATION TO DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Remuneration to directors, statutory auditors and executive with strategic responsibilities are described in the Remuneration Report which will be presented to the shareholders' meeting called to approve these separate financial statements.

41. SHARE-BASED PAYMENTS

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

LIST OF INVESTMENTS WITH ADDITIONAL INFORMATION REQUIRED BY CONSOB (COMMUNICATION DEM76064293 of 28 July 2006)

IN SUBSIDIARIES[1]

Company name	Registered offices	**Share capital at 31/12/2014**	**Shareholders**	**% equity investment**	**Net equity at 31/12/2014**	**2014 net income**
Faringosi-Hinges S.r.l.	Ospitaletto (BS)	€90,000	Sabaf S.p.A.	100%	€4,549,209	€182,068
Sabaf Immobiliare S.r.l.	Ospitaletto (BS)	€25,000	Sabaf S.p.A.	100%	€20,397,647	€1,429,245
Sabaf do Brasil Ltda	Jundiaì (Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%	BRL 26,836,638	BRL 1,547,953
Sabaf Mexico S.A. de C.V.	San Luis Potosì (Mexico)	MXN 8,247,580	Sabaf S.p.A.	100%	MXN 503,886	MXN -3,600,974
Sabaf US Corp.	Plainfield (USA)	USD 100,000	Sabaf S.p.A.	100%	USD -43,865	USD -70,445
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	€3,400,000	Sabaf S.p.A.	100%	CNY 28,431,912	CNY 0
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRL 30.885.081	Sabaf S.p.A.	100%	TRL 35.908.535	TRL 4.719.923
Sabaf Appliance Components Trading (Kunshan) Co., Ltd.	Kunshan (China)	€20,000	Sabaf S.p.A.	100%	CNY 1,923,855	CNY 686,314

OTHER SIGNIFICANT EQUITY INVESTMENTS

None

[1] Values taken from the separate financial statements of subsidiaries, prepared in accordance with locally applicable accounting standards

ORIGIN, POSSIBILITY OF UTILISATION AND AVAILABILITY OF RESERVES

Description	Amount	Possible use	Available portion	Amount subject to taxation pertaining to the company in the case of distribution
Capital reserve:				
Share premium reserve	10,002	A, B, C	10,002	0
Revaluation reserve, Law 413/91	42	A, B, C	42	42
Revaluation reserve, Law 342/00	1,592	A, B, C	1,592	1,592
Surplus reserves:				
Legal reserve	2,307	B	0	0
Other surplus reserves:	63,075	A, B, C	62,946	0
Valuation reserve:				
Post-employment benefit actuarial reserve	(535)		0	0
Total	76,483		74,582	1,634

Key:

A: for share capital increase
B: to hedge losses
C: for distribution to shareholders

REVALUATIONS
OF EQUITY ASSETS AT 31 DECEMBER 2014

		Gross value	Cumulative amortisation	Net carrying amount
Investments property	Law 72/1983	137	(137)	0
	1989 merger	516	(401)	115
	Law 413/1991	47	(39)	8
	1994 merger	1,483	(911)	572
	Law 342/2000	2,870	(2,110)	760
		5,053	**(3,598)**	**1,455**
Plant and machinery	Law 576/75	205	(205)	0
	Law 72/1983	2,299	(2,299)	0
	1989 merger	6,249	(6,249)	0
	1994 merger	7,080	(7,080)	0
		15,833	**(15,833)**	**0**
Industrial and commercial equipment	Law 72/1983	**161**	**(161)**	**0**
Other assets	Law 72/1983	**50**	**(50)**	**0**
TOTAL		**21,097**	**(19,642)**	**1,455**

GENERAL INFORMATION

Sabaf S.p.A. is a company organised under the legal system of the Italian Republic

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

Contacts: Tel: +39 030 - 6843001
Fax: +39 030 – 6848249
e-mail: info@sabaf.it
website: http://www.sabaf.it

Tax information: R.E.A. Brescia 347512
Tax identification number 03244470179
VAT Registration 01786911082

Appendix

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

The following table, prepared pursuant to Article 149-*duodecies* of the CONSOB Issuers' Regulation, shows fees relating to 2014 for the independent auditor and for services other than independent auditing provided by the same auditing firm. No services were provided by entitites belonging to the network.

(€'000)	Party providing the service	Payments pertaining to the period
Audit	Deloitte & Touche S.p.A.	52
Certification services	Deloitte & Touche S.p.A.	2(1)
Other services	Deloitte & Touche S.p.A.	16(2)
Total		*70*

(1) signing of Unifed Tax Return, IRAP and 770 forms

(2) auditing procedures agreement relating to interim management reports, auditing of statements and training activities

Certification of Separate financial statements pursuant to Article 154 *bis* of Legislative Decree 58/98

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

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

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

They also certify that:

- the separate financial statements:
  - were prepared in accordance with the international accounting policies recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council of 19 July 2002 and Article 9 of Leg. Decree 38/2005;
  - correspond to the results of the accounting entries and ledgers;
  - are suitable to provide a true and correct representation of the Issuer's operating results, financial position and cash flows;

- the interim report includes a credible analysis of the performance and results of operations, and the situation at the issuer, along with a description of the key risks and uncertainties to which it is exposed.

Ospitaletto, 23 March 2015

The Chief Executive Officer
Alberto Bartoli

The Financial Reporting Officer
Gianluca Beschi