Half-Year Report

at 30 June 2015

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GROUP STRUCTURE AND CORPORATE BODIES

Group structure

Parent company

SABAF S.p.A.
Registered and administrative office: **Via dei Carpini 1 - 25035 Ospitaletto (Brescia)**
R.E.A. Brescia 347512
Tax code 03244470179
Share capital: €11,533,450 fully paid in
www.sabaf.it

Subsidiaries and equity interest owned by the Group

Faringosi-Hinges S.r.l.	100%
Sabaf Immobiliare S.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf Mexico S.A. de c.v. (in liquidation)	100%
Sabaf US Corp.	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	100%
Sabaf Appliance Components Trading (Kunshan) Co., Ltd.	100%

Corporate Bodies

Board of Directors

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

(*) independent directors

Board of Statutory Auditors

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

Independent Auditor

DELOITTE & TOUCHE S.p.A.

INTERIM MANAGEMENT STATEMENT

Foreword

This Half-Year Report at 30 June 2015 has been prepared in accordance with Article 154-*ter* of Legislative Decree 58/1998 and in compliance with the applicable international accounting standards recognised in the European Community and in particular, IAS 34 - Interim Financial Reporting. The interim data at 30 June 2015 and 30 June 2014 and for the six-month periods ending on the same dates were subject to a limited audit by Deloitte & Touche S.p.A.

The Business

The Sabaf Group is one of the world's leading manufacturers of components for household gas cooking appliances. Its reference market therefore consists of manufacturers of cookers, hobs, and ovens.
Sabaf's product range focuses on the following main lines:

- gas components, made up of:
    - Valves and thermostats, with or without thermoelectric safety devices: the components that regulate the flow of gas to the burner;
    - Burners: these are the components that, via the mixing of gas with air and combustion of the gas used, produce one or more rings of flame;
    - Accessories: other components that complete the range, aimed particularly at making it possible to light and control the flame
- Hinges: these components enable the smooth and balanced movement of appliance doors when they are opened or closed.

The Sabaf Group currently has four production plants: Ospitaletto (Brescia), Bareggio (Milan), Jundiaí (Brazil) and Manisa (Turkey); production at the Kunshan (China) factory is currently in the launch phase.

Economic performance

Financial highlights

(amounts in €'000)	**Q2 2015** (*)	**Q2 2014** (*)	% change	**H1 2015**	**H1 2014**	% change	**FY 2014**
Sales revenue	35,008	38,161	*-8.3%*	72,509	71,285	*+1.7%*	136,337
EBITDA	6,661	7,950	*-16.2%*	14,364	13,957	*+2.9%*	25,952
EBITDA %	***19.0***	***20.8***		***19.8***	***19.6***		***19.0***
Operating profit (EBIT)	3,656	4,799	*-23.8%*	8,390	7,702	*+8.9%*	13,175
EBIT %	***10.4***	***12.6***		***11.6***	***10.8***		***9.7***
Pre-tax profit	3,521	4,537	*-22.4%*	8,223	7,186	*+14.4%*	12,157
Net Profit	2,341	2,946	*-20.5%*	5,455	4,466	*+22.1%*	8,338

(*) unaudited figures

Consolidated income statement

(€'000)	Q2 2015 (*)	Q2 2014 (*)	H1 2015	H1 2014
OPERATING REVENUE AND INCOME				
Revenues	35,008	38,161	72,509	71,285
Other income	916	984	1,979	2,013
Total operating revenue and income	**35,924**	**39,145**	**74,488**	**73,298**
OPERATING COSTS				
Materials	(13,591)	(15,291)	(28,853)	(29,637)
Change in inventories	(135)	825	1,877	2,451
Services	(7,327)	(7,881)	(15,963)	(15,200)
Payroll costs	(8,405)	(8,776)	(17,060)	(16,793)
Other operating costs	(158)	(335)	(752)	(695)
Costs for capitalised in-house work	353	263	627	533
Total operating costs	**(29,263)**	**(31,195)**	**(60,124)**	**(59,341)**
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)	**6,661**	**7,950**	**14,364**	**13,957**
Accumulated	(3,008)	(3,155)	(6,019)	(6,279)
Capital gains/(losses) on disposals of non-current assets	3	4	45	24
Write-downs/write-backs of non-current assets	0	0	0	0
OPERATING PROFIT (EBIT)	**3,656**	**4,799**	**8,390**	**7,702**
Financial income	10	13	18	44
Financial expense	(154)	(158)	(305)	(309)
Exchange rate gains and losses	9	32	120	13
Profits and losses from equity investments	0	(149)	0	(264)
PROFIT BEFORE TAXES	**3,521**	**4,537**	**8,223**	**7,186**
Income tax	(1,180)	(1,591)	(2,768)	(2,720)
Minority interests	0	0	0	0
NET PROFIT FOR THE PERIOD	**2,341**	**2,946**	**5,455**	**4,466**

(*) unaudited figures

Sales by geographical area

(amounts in €'000)	**Q2 2015** (*)	**Q2 2014** (*)	% change	**H1 2015**	**H1 2014**	% change	**FY 2014**
Italy	11,152	12,832	*-13.1%*	22,662	23,971	*-5.5%*	42,277
Western Europe	1,643	2,242	*-26.7%*	3,968	4,750	*-16.5%*	8,716
Eastern Europe	9,520	9,692	*-1.8%*	18,947	17,188	*+10.2%*	36,198
Middle East and Africa	4,206	5,291	*-20.5%*	9,002	9,592	*-6.2%*	16,871
Asia and Oceania	1,428	1,969	*-27.5%*	3,151	2,814	*+12.0%*	6,907
South America	4,834	4,571	*+5.8%*	10,421	9,750	*+6.9%*	18,324
North America and Mexico	2,225	1,564	*+42.3%*	4,358	3,220	*+35.3%*	7,044
Total	**35,008**	**38,161**	*-8.3%*	**72,509**	**71,285**	*+1.7%*	**136,337**

(*) unaudited figures

Sales by product line

(amounts in €'000)	**Q2 2015** (*)	**Q2 2014** (*)	% change	**H1 2015**	**H1 2014**	% change	**FY 2014**
Brass valves	3,397	4,092	*-17.0%*	7,038	7,692	*-8.5%*	13,741
Light alloy valves	8,723	9,311	*-6.3%*	18,115	17,025	*+6.4%*	34,006
Thermostats	2,760	3,823	*-27.8%*	5,871	7,284	*-19.4%*	12,288
Standard burners	9,335	9,374	*-0.4%*	19,229	18,335	*+4.9%*	36,160
Special burners	5,342	6,097	*-12.4%*	11,125	10,695	*+4.0%*	20,251
Accessories	3,459	3,315	*+4.3%*	7,174	6,269	*+14.4%*	12,928
Total gas parts	*33,016*	*36,012*	*-8.3%*	*68,552*	*67,300*	*+1.9%*	*129,374*
Hinges	1,992	2,149	*-7.3%*	3,957	3,985	*-0.7%*	6,963
Total	**35,008**	**38,161**	*-8.3%*	**72,509**	**71,285**	*+1.7%*	**136,337**

(*) unaudited figures

First half 2015

The Sabaf Group reported revenue of €72.5 million in the first half of 2015, an increase of 1.7% versus the figure of €71.3 million in the corresponding period of the previous year. At constant exchange rates, revenue was more or less unchanged.

Sales were down in Italy and western Europe, but there was growth of more than 10% in eastern Europe. Sales outside Europe enjoyed rapid growth (+35.3%) in North America and were also solid in Asia and South America (despite a difficult Brazilian market), but they fell in the Middle East and North Africa, owing entirely to a modest contribution from the Middle East markets, where a recovery is expected as early as the second half of the year.

Average sale prices were down by 0.7% versus the first half of 2014.

Analysis by product family shows a strong increase in sales of standard (+4.9%) and special (+4%) burners, and continued growth in the sales of light-alloy taps (+6.4%), some of which are replacements for brass taps. There was, however, a decrease in thermostat sales owing to a downturn in the Middle East market during the opening six months of the year.

In the first half of 2015, the Group once again managed to increase its profits by more than its revenues. EBITDA came in at €14.4 million (19.8% of sales and up 2.9% on the same period of 2014, when they were 19.6% of sales) and EBIT was €8.4 million (11.6% of sales and an improvement of 8.9% on the figure of €7.7 million for the first half of 2014). The drop in sale prices was more than offset by a positive sales mix and by further improvement in production efficiency. Pre-tax profit amounted to €8.2 million in H1 2015 (€7.2 million in H1 2014), and net profit was €5.5 million (€4.5 million in H1 2014, an increase of 22.1%).

Second quarter 2015

Sales totalled €35 million in the second quarter of 2015, down by 8.3% on the same period of 2014 (-10.2% at constant exchange rates). Unlike in 2014, performance in the second quarter was weaker than in the first quarter; the differing sales performance is partially attributable to the highly seasonal nature of North African and Middle Eastern markets (supplied directly and by our Italian customers), where 2015 sales were concentrated mainly in the first quarter. Only the North and South America regions performed better than in Q2 2014.

A downturn in business caused a reduction in profits: second-quarter EBITDA was €6.7 million, equivalent to 19% of sales (-16.2% versus €7.9 million in Q2 2014, when it was 20.8% of sales), and EBIT was €3.7 million, equivalent to 10.4% of sales (-23.8% versus €4.8 million in Q2 2014, when it was 12.6% of sales). Net profit for the period was €2.3 million, down by 20.5% on the figure of €2.9 million for Q2 2014.

Balance sheet and financial position

(€'000)	**30.06.2015**	**31.12.2014**	**30.06.2014**
NON-CURRENT ASSETS	*96,726*	*96,152*	*96,684*
Short-term assets[1]	80,438	74,780	81,857
Short-term liabilities[2]	(35,339)	(28,936)	(35,907)
Net working capital[3]	*45,099*	*45,844*	*45,950*
Short-term financial assets	*0*	*0*	*5*
Provisions for risks and charges, deferred taxes and employee serverance pay reserve	*(4,270)*	*(4,325)*	*(4,026)*
Net invested capital	**137,555**	**137,671**	**138,613**
Short-term net financial position	(19,018)	(16,760)	(16,446)
Net medium/long-term financial position	(8,289)	(10,173)	(3,366)
Net financial debt	**(27,307)**	**(26,933)**	**(19,812)**
Shareholders' equity	**110,249**	**110,738**	**118,801**

As at 30 June 2015, the Group had consolidated shareholders' equity of €110.2 million and net debt of €27.3 million (compared with €110.7 million and €26.9 million respectively at 31 December 2014), after having paid dividends of €4.6 million.

Investments totalled €7.9 million in H1 2015 (€5.2 million in the same period of 2014). The largest investments went on increasing the production capacity of light-alloy valves with a flame failure device, for which there are expected to be sales growth opportunities in the near future. Investment also continued with a view to beginning production of burners in China in the third quarter.

Net working capital was €45.1 million at 30 June 2015, essentially unchanged compared with 31 December 2014 and 30 June 2014.

Related-party and infragroup transactions

Transactions with related parties, including infragroup transactions, have not been qualified as atypical or unusual, as they fall under the normal course of Group operations. These transactions are regulated at arm's length conditions.

Related-party transactions other than infragroup transactions are described in the Explanatory Notes to the condensed half-year consolidated financial statements, which also show to what extent related-party transactions affected financial statement items.

[1] sum of inventories, trade receivables, tax credits, and other current receivables
[2] sum of trade payables, tax payables, and other payables
[3] difference between current assets and current liabilities

Risk factors related to the segment in which the Group operates and main risks and uncertainties for the remainder of 2015

Risks related to the overall conditions of the economy and trend in demand
The business and financial circumstances of the Group are influenced by a variety of factors, such as gross domestic product, consumer and corporate confidence, interest rate trends, the cost of raw materials, the unemployment rate, and the ease of access to credit.
The Group's core market, the household appliances sector, which is cyclical and generally related to the performance of the real estate market, was hit particularly hard by the progressive decline in the macroeconomic situation in Europe. The contraction of demand on mature markets has been accompanied by a progressive concentration of end markets and tougher competition, phenomena that require aggressive policies in setting sales prices.
To cope with this situation, the Group aims to retain and reinforce its leadership position wherever possible through:

- the launch of new products characterised by superior performance compared with market standards;
- expansion on markets with high growth rates;
- the maintenance of high quality and safety standards, which make it possible to differentiate the product through the use of resources and implementation of production processes that are not easily sustainable by competitors;
- the improvement of the efficiency of production processes.

Risks connected with trends in commodity prices
The Group uses metals and alloys, such as brass, aluminium alloys and steel in its production processes. Sale prices of products are generally renegotiated annually; as a result, the Group is unable to pass on to clients any changes in the prices of commodities during the year. The Group protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments.
The Sabaf Group has already fixed purchase prices to cover its production needs until the end of 2015 for aluminium alloys, brass and steel. Based on the contracts concluded, the Group expects purchase costs in the second half of 2015 to be around €0.6 million higher than in the same period of the previous year.

Risks related to exchange rates
The Sabaf Group operates primarily in euro. There are, however, transactions in other currencies, such as the U.S. dollar, the Brazilian real, the Turkish lira and the Chinese renminbi.
Dollar sales account for around 10% of consolidated turnover, and the euro's appreciation against the dollar has had a negative effect on sales and profits. More generally, an unfavourable exchange rate trend could lead to a loss in competitiveness on the markets where sales are made in dollars (mainly North and South America), and for financial assets in foreign currency (mainly trade receivables), the booking of negative foreign exchange differences.
At 30 June 2015, the Group has derivative contracts to hedge the risk of the euro/dollar exchange rate for a total notional amount of USD 1.265 million. The contract expires on 26 January 2016, and fixes the forward sale euro/dollar exchange rate at 1.136. The effects of this on the accounts are shown in Note 19.

Customer insolvency risk
The high concentration of sales to a small number of customers generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of one of them.
The risk is partially transferred to third parties by credit insurance no-recourse assignment, i.e., partially guaranteed through the request for letters of credit issued by leading banks for customers. The remainder of the receivable risk is covered in the financial statements by a doubtful account provision.

Risks connected to the presence in emerging marketsn
Almost 40% of Sabaf Group sales are registered on markets outside Europe. Furthermore, products sold in Italy can be exported by customers in international markets, making the percentage of sales earned directly and indirectly from emerging economies more significant.
The Group's main markets outside Europe include North Africa and the Middle East. Any embargoes or major political or economic stability, or changes in the regulatory and/or local law systems, or new tariffs or taxes imposed in the future could affect a portion of Group sales and the related profitability.

To combat this risk, the Group has adopted a policy of diversifying investments at international level, setting different strategic priorities that, as well as business opportunities, also consider the different associated risk profiles.

Sustainability of the hinges business
The environment in which the Hinges unit operates has become progressively more difficult, following a decline on the core market and growing competitive pressure on standard products. As a priority, this business should be relaunched via the development of new products able to provide extra benefits (for example, the soft closing and/or opening of the oven door). If these initiatives are unsuccessful, the Group cannot rule out the need for further write-downs of the value of assets allocated to the Hinges business. See Note 3 for more information relating to the recoverable amount of goodwill.

The environment in which the Sabaf Group operates is marked by further risk factors (product liability, protection of product exclusivity, concentration of sales, group governance, loss of key staff) that are described in the Management Statement at 31 December 2014, and whose profile did not change during the first half of 2015.

Significant events after the end of the first half

No significant events emerged subsequent to the end of the half-year and to the date of the present half-year report.

Outlook for the current year

Sales and orders for July and August point to a positive trend, with double-digit growth on the same period in 2014. In light of the lack of visibility for the next few months, the Company cautiously confirms its forecast of moderate growth in sales and profitability for the whole of 2015.

These forecasts assume a macroeconomic scenario not affected by unpredictable events. If the economic situation were to change significantly, actual figures might diverge from forecasts.

On behalf of the Board of Directors
The Chairman
Giuseppe Saleri

Ospitaletto, 04 August 2015

CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2015

Consolidated statement of financial position

(€'000)	**Notes**	**30.06.2015**	**31.12.2014**
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	76,049	74,483
Real estate investment	**2**	6,938	7,228
Intangible assets	**3**	7,566	7,359
Investments	**4**	204	974
Non-current receivables	**5**	404	529
Deferred tax assets	**21**	5,565	5,579
Total non-current assets		**96,726**	**96,152**
CURRENT ASSETS			
Inventories	**6**	32,297	30,774
Trade receivables	**7**	44,210	40,521
Tax receivables	**8**	2,192	2,390
Other current receivables	**9**	1,739	1,095
Current financial assets	**19**	0	0
Cash and cash equivalents	**10**	5,288	2,958
Total current assets		**85,726**	**77,738**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**182,452**	**173,890**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**11**	11,533	11,533
Retained earnings, other reserves		93,261	90,867
Net profit (loss) for period		5,455	8,338
Total equity interest of the Parent Company		*110,249*	*110,738*
Minority interests		*0*	*0*
Total shareholders' equity		**110,249**	**110,738**
NON-CURRENT LIABILITIES			
Loans	**13**	8,289	10,173
Post-employment benefit and retirement reserves	**14**	2,968	3,028
Reserves for risks and contingencies	**15**	562	605
Deferred tax	**21**	740	692
Total non-current liabilities		**12,559**	**14,498**
CURRENT LIABILITIES			
Loans	**13**	24,292	19,613
Other financial payables	**19**	13	105
Trade payables	**16**	23,691	19,328
Tax payables	**17**	4,244	2,453
Other liabilities	**18**	7,404	7,155
Total current liabilities		**59,644**	**48,654**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**182,452**	**173,890**

Consolidated income statement

(€'000)	Notes	H1 2015	H1 2014
OPERATING REVENUE AND INCOME			
Revenues	**22**	72,509	71,285
Other income	**23**	1,979	2,013
Total operating revenue and income		**74,488**	**73,298**
OPERATING COSTS			
Materials	**24**	(28,853)	(29,637)
Change in inventories		1,877	2,451
Services	**25**	(15,963)	(15,200)
Payroll costs	**26**	(17,060)	(16,793)
Other operating costs	**27**	(752)	(695)
Costs for capitalised in-house work		627	533
Total operating costs		**(60,124)**	**(59,341)**
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)		**14,364**	**13,957**
Accumulated		(6,019)	(6,279)
Capital gains/(losses) on disposals of non-current assets		45	24
Write-downs/write-backs of non-current assets		0	0
OPERATING PROFIT (EBIT)		**8,390**	**7,702**
Financial income		18	44
Financial expense	**28**	(305)	(309)
Exchange rate gains and losses	**29**	120	13
Profits and losses from equity investments	**30**	0	(264)
PROFIT BEFORE TAXES		**8,223**	**7,186**
Income tax	**31**	(2,768)	(2,720)
Minority interests		0	0
NET PROFIT FOR THE PERIOD		**5,455**	**4,466**
(in euros)			
Basic earnings per share	**32**	**0.473**	**0.387**
Diluted earnings per share	**32**	**0.473**	**0.387**

Consolidated statement of comprehensive income

	Notes	H1 2015	H1 2014
(€'000)			
NET PROFIT FOR THE PERIOD		**5,455**	**4,466**
Overall earnings/losses that will not be subsequently restated under profit (loss) for the period:			
Actuarial post-employment benefit reserve evaluation		0	0
		0	**0**
Overall earnings/losses that will be subsequently restated under profit (loss) for the period:			
Forex differences due to translation of financial statements in foreign currencies		(1,331)	1,014
Cash flow hedges		0	(26)
Tax effect		0	5
		0	(21)
		(1,331)	**993**
Total other profits/(losses) net of taxes for the year		**(1,331)**	**993**
TOTAL PROFIT		**4,124**	**5,459**

Consolidated statement of cash flows

	H1 2015	H1 2014
Cash and cash equivalents at beginning of period (*)	***3,675***	***5,111***
Net profit/(loss) for the period	5,455	4,466
Adjustments for:		
- Depreciation and amortisation for the period	6,019	6,279
- Realised gains/losses	(45)	(24)
- Profits and losses from equity investments	0	264
- Financial income and expenses	287	265
- Income tax	2,768	2,720
Change in post-employment benefit reserve	(84)	(99)
Change in risk provisions	(43)	(38)
Change in trade receivables	*(3,678)*	*(10,115)*
Change in inventories	*(1,458)*	*(2,637)*
Change in trade payables	*4,183*	*5,857*
Change in net working capital	(953)	(6,895)
Change in other receivables and payables, deferred tax	(305)	68
Payment of taxes	(769)	(577)
Payment of financial expenses	(281)	(279)
Collection of financial income	18	44
Cash flow from operations	**12,067**	**6,194**
Investments in non-current assets		
- intangible	(506)	(334)
- tangible	(7,605)	(4,739)
- financial	(26)	(145)
Disposal of non-current assets	204	79
Cash flow from investments	**(7,933)**	**(5,139)**
Repayment of loans	(9,501)	(6,557)
New loans	12,204	7,026
Payment of dividends	(4,613)	(4,613)
Cash flow from financing activity	**(1,910)**	**(4,144)**
Foreign exchange differences	(611)	472
Net financial flows for the period	**1,613**	**(2,617)**
Cash and cash equivalents at end of period	***5,288***	***2,494***
Current financial debt	24,305	18,940
Non-current financial debt	8,289	3,366
Net financial debt	***27,306***	***19,812***

(*) the balance of cash and cash equivalents at 1 January 2015 differed by €717,000 compared with the balance at 31 December 2014 because of a change in the consolidation method of Sabaf Appliance Components (Kunshan)

Statement of changes in consolidated shareholders' equity

(€'000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Cash flow hedge reserve	Post-employment benefit discounting reserve	Other reserves	Net profit for the year	Total Group shareholders' equity	Minority interest	Total shareholders' equity
Balance at 31 December 2013	**11,533**	**10,002**	**2,307**	**(5)**	**(4,465)**	**21**	**(411)**	**90,869**	**8,104**	**117,955**	**0**	**117,955**
Allocation of 2013 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,491	(3,491)	0		0
H1 2014 comprehensive income					1,014	(21)			4,466	5,459		5,459
Balance at 30 June 2014	**11,533**	**10,002**	**2,307**	**(5)**	**(3,451)**	**0**	**(411)**	**94,360**	**4,466**	**118,801**	**0**	**118,801**
Extraordinary dividend payment								(11,533)		(11,533)		(11,533)
Total profits second half 2014					(197)	0	(205)	0	3,872	3,470	0	3,470
Balance at 31 December 2014	**11,533**	**10,002**	**2,307**	**(5)**	**(3,648)**	**0**	**(616)**	**82,827**	**8,338**	**110,738**	**0**	**110,738**
Allocation of 2014 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,725	(3,725)	0		0
H1 2015 comprehensive income					(1,331)	0	0		5,455	4,124		4,124
Balance at 30 June 2015	**11,533**	**10,002**	**2,307**	**(5)**	**(4,979)**	**0**	**(616)**	**86,552**	**5,455**	**110,249**	**0**	**110,249**

EXPLANATORY NOTES

Basis of presentation and accounting policies used

The condensed half-year consolidated financial statements, at 30 June 2015, was prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and, in particular, in accordance with IAS 34 on interim reports. This set of condensed half-year consolidated financial statements does not include all the information required for the annual financial report and must be read in conjunction with the consolidated financial statements for the year ended 31 December 2014. Reference to IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in Euro, rounding amounts to the nearest thousand, and are compared with the half-yearly and annual financial statements of the previous year, prepared according to the same standards. The condensed half-year consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement, the consolidated comprehensive income statement, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement, and these explanatory notes.

The consolidation policies, criteria for converting items in foreign currency, and accounting principles and policies are the same as those used for the annual financial report at 31 December 2014, to which reference should be made for additional information.

Accounting standards and amendments applicable from 1 January 2015

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

The interpretation IFRIC 21 - Levies, which was published on 20 May 2013, provides guidance on when to recognise a liability for levies (other than income taxes) imposed by a government. It covers liabilities for levies that fall under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, and liabilities for levies where the timing and amount are certain. The interpretation is applied retrospectively for financial years beginning on or after 17 June 2014. The adoption of this new interpretation did not have any effect on the Group's consolidated financial statements.

On 12 December 2013, the IASB published the document Annual Improvements to IFRSs: 2011-2013 Cycle, which includes the changes to the principles under the scope of the annual improvement process of same. The main changes involve: IFRS 3 Business Combinations – Scope Exception for Joint Ventures; IFRS 13 Fair Value Measurement – Scope of Paragraph 52 (Portfolio Exception); IAS 40 Investment Property – Interrelationship Between IFRS 3 and IAS 40. The changes apply starting from financial years which began on or after 1 January 2015. The application of these amendments did not have any effect on the Group's consolidated financial statements.

IFRS and IFRIC accounting standards, amendments and interpretations endorsed by the European Union, but for which application is not yet mandatory and which the Group had not opted for early adoption at 30 June 2015

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19), which was published on 21 November 2013, proposes that service-related contributions from employees or third parties be shown in defined benefit plans as a reduction in the service cost in the period in which said contribution is paid. The need for this proposal came about with the introduction of the new IAS 19 (2011), which stated that these contributions should be considered as part of a post-employment benefit rather than a short-term benefit, and should therefore be spread over the employee's years of service. The change applies starting from financial years which began on or after 1 February 2015. The directors do not expect the adoption of this change to have a significant effect on the Group's consolidated financial statements.

The document Annual Improvements to IFRSs: 2010-2012 Cycle, which was published on 12 December 2013, includes the changes to certain 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 Combinations - Accounting for contingent consideration; IFRS 8 Operating Segments – Aggregation of operating segments / Reconciliation of the total of the reportable segments' assets to the entity's assets; IFRS 13 Fair Value

Measurement – Short-term receivables and payables; IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method: proportionate restatement of accumulated depreciation/amortisation; IAS 24 Related Party 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 the adoption of these changes to have a significant effect on the Group's consolidated financial statements.

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

As at the date of these condensed consolidated half-year financial statements, the competent bodies of the European Union had not yet completed the approval process necessary for the application of the amendments and standards described below.

On 30 January 2014, the IASB published IFRS 14 - Regulatory Deferral Accounts, which allows only first-time adopters of IFRS to continue recognising rate-regulated activities in line with their previously adopted accounting principles. Since the Group is not a first-time adopter, this does not apply.

On 6 May 2014, the IASB issued Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11), relating to situations where the activity of the joint operation constitutes a business as defined in IFRS 3. The changes mean that in these situations, the IFRS principles for recognising the effects of a business combination should be applied. The changes apply from 1 January 2016 but early application is permitted. The directors do not expect the adoption of these changes to have a significant effect on the Group's consolidated financial statements.

On 12 May 2014, the IASB issued Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The changes to IAS 16 stated that revenue-based depreciation criteria are not appropriate because the revenue generated by an asset including the use of the asset being depreciated tends to reflect different factors than just the consumption of the economic benefits of the asset. The changes to IAS 38 introduce a related assumption, pursuant to which a revenue-based amortisation criterion should be deemed inappropriate for the same reasons as specified for IAS 16. This assumption can be overriden in the case of intangible assets, but only in limited and specific circumstances. The changes apply from 1 January 2016 but early application is permitted. The directors do not expect the adoption of these changes to have a significant effect on the Group's consolidated financial statements.

On 28 May 2014, the IASB published the standard IFRS 15 - Revenue from Contracts with Customers, which is scheduled to 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: Revenue - Barter Transactions Involving Advertising Services. The standard establishes a new revenue recognition model, which will apply to all contracts stipulated with customers except those falling within the application of other IAS/IFRS standards, such as leases, insurance contracts and financial instruments. The fundamental issues for revenue recognition according to the new model are:
- the identification of the contract with the client;
- the identification of the contract's performance obligations;
- the determination of the price;
- the allocation of the price to the contract's performance obligations;
- the revenue recognition criteria when the entity satisfies each performance obligation.

The standard is applicable from 1 January 2017, but early adoption is permitted (in May 2015, the IASB issued an exposure draft proposing that the effective date be put back to 1 January 2018). Despite not yet having completed a systematic analysis of the situation, and in particular a detailed analysis of contracts with customers, the directors do not expect the adoption of IFRS 15 to have a significant effect on recognised revenue or on the related information recorded in the Group's consolidated financial statements.

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

On 11 September 2014, the IASB published Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The document was published in order to resolve a conflict between IAS 28 and IFRS 10. The directors do not expect the adoption of these changes to have a significant effect on the Group's consolidated financial statements.

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

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

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

On 18 December 2014, the IASB issued Disclosure Initiative (Amendments to IAS 1). 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 the adoption of these changes to have a significant effect on the Group's consolidated financial statements.

On 18 December 2014, the IASB published the document Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28), which contains changes relating to issues arising following application of the consolidation exception granted to investment entities. The changes introduced by the document apply starting from financial years which begin on or after 1 January 2016, although early adoption is permitted. The directors do not expect the adoption of these changes to have a significant effect on the Group's consolidated financial statements because the company does not fit the definition of an investment entity.

Financial statements

The Group has adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of financial position;
- the income statement expresses costs using a classification based on the nature of each item;
- a comprehensive income statement, which records all changes in Other overall earnings (losses) during the year, generated by transactions other than those conducted with shareholders and based on specific IAS/IFRS standards;
- a cash flow statement that presents financial flows originating from operating activity, using the indirect method.

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

Scope of consolidation

The scope of consolidation at 30 June 2015 comprises the direct parent company Sabaf S.p.A. and the following companies that Sabaf S.p.A. controls:

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

Control is the power to directly or indirectly determine the financial and operating policies of an entity in order to obtain benefits from its activities. Controlled companies (i.e. subsidiaries) are consolidated from the date when such control starts until the date when it ends.

As of these condensed half-year financial statements, the Chinese subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd, which is now operational and was valued at equity until 31 December 2014, is subject to the full consolidation method.

Sabaf Mexico S.A. de C.V. (in liquidation) and Sabaf US Corp. have still not been consolidated and are valued at cost, because they are immaterial for the purposes of consolidation.

Consolidation criteria

The policies applied for consolidation are as follows:

a) Assets and liabilities, income and costs in financial statements consolidated on a 100% line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. In addition, the carrying value of equity interests is eliminated against the shareholders' equity relating to subsidiary companies.

b) Positive differences arising from elimination of equity investments against the carrying value of shareholders' equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill. In accordance with the transitional provisions of IFRS 3, the Group has changed its accounting handling of goodwill on a prospective basis as from the transition date. Therefore, starting on 1 January 2004, the Group has ceased to amortise goodwill and instead subjects it to impairment testing.

c) Payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intercompany transactions are eliminated.

d) If minority shareholders exist, the portion of shareholders' equity and net profit for the period pertaining to them is posted in specific items of the consolidated statement of financial position and income statement.

Conversion into euro of foreign-currency income statements and balance sheets

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, each company's financial statements are expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements.

Balance-sheet items in accounts expressed in currencies other than euro are converted by applying current end-of-period exchange rates. Income-statement items are converted at average exchange rates for the period.

Foreign exchange differences arising from the comparison between opening shareholders' equity converted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" under shareholders' equity.
The exchange rates used for conversion into euro of Sabaf do Brasil's and Sabaf Turkey's income statements and balance sheets, prepared in Brazilian real and Turkish lira respectively, are shown in the following table:

Description of the currency	Spot exchange rate on 30/06/2015	Average exchange rate 01/01/2015 - 30/06/2015	Spot exchange rate on 31/12/2014	Average exchange rate 01/01/2014 - 30/06/2014
Brazilian real	3.4699	3.3101	3.2207	3.1499
Turkish lira	2.9953	2.8626	2.8320	2.9678
Chinese Renminbi	6.9366	6.9368	7.5358	8.4500

Segment reporting
The Group's operating segments in accordance with IFRS 8 - Operating Segment are identified in the business segments that generate revenue and costs, whose results are periodically reassessed by top management in order to assess performance and decisions regarding resource allocation. The Group operating segments are the following:
- gas components
- hinges.

Use of estimates
Preparation of the half-year financial statements and notes in accordance with IFRS requires management to make estimates and assumptions that affect the values of revenues, costs, assets and liabilities of the half-year financial statements, and the disclosures on contingent assets and liabilities as of 30 June 2014. In the event that in the future, these estimates and assumptions, which are based on the management's best assessments, should deviate from actual circumstances, they will be amended appropriately at the time the circumstances change. Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement.

Note too that certain valuation processes, particularly the more complex ones, such as determining any impairment losses of non-current assets, are generally fully carried out only for the preparation of the annual financial statements, when all information that could be necessary is available, except in cases when impairment indicators require an immediate valuation of any impairment losses.

Note, finally, that the actuarial valuation of the post-employment benefit reserve is not conducted for the purpose of preparing the interim financial statements, but only for the annual financial statements, since the resulting effects on the statement of financial position and the comprehensive income statement are not considered to be significant.

Comments on key income statement items

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31 December 2014	**52,177**	**168,178**	**35,891**	**3,850**	**260,096**
Increases	83	4,839	982	1,722	**7,626**
Reclassifications	-	1,755	114	(1,869)	**0**
Disposals	-	(123)	(96)	(58)	**(277)**
Change in consolidation method	-	112	160	-	**272**
Forex differences	(402)	(629)	(198)	(2)	**(1,231)**
At 30 June 2015	**51,858**	**174,132**	**36,853**	**3,643**	**266,486**
Cumulative amortisation					
At 31 December 2014	**14,178**	**140,932**	**30,503**	**0**	**185,613**
Increases	730	3,546	1,217	-	**5,493**
Reclassifications	3	20	11	-	**34**
Disposals	-	(118)	(96)	-	**(214)**
Change in consolidation method	-	-	23	-	**23**
Forex differences	(52)	(326)	(134)	-	**(512)**
At 30 June 2015	**14,859**	**144,054**	**31,524**	**0**	**190,437**
Carrying value					
At 31 December 2014	**37,999**	**27,246**	**5,388**	**3,850**	**74,483**
At 30 June 2015	**36,999**	**30,078**	**5,329**	**3,643**	**76,049**

The carrying value of the item "Property" is made up as follows:

	30.06.2015	**31.12.2014**	**Change**
Land	6,805	6,900	(95)
Industrial buildings	30,194	31,099	(905)
Total	**36,999**	**37,999**	**(1,000)**

The largest investments during the period were aimed at increasing the production capacity of light-alloy valves, for which there are expected to be opportunities to grow sales. Investments were also made to improve production processes and in maintenance and replacement, to ensure production equipment is kept constantly up to date and remains efficient.
Internal and external indicators that would necessitate an impairment test on property, plant and equipment with reference to these half-year financial statements were not identified.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2014	**13,257**
Increases	-
Disposals	(111)
At 30 June 2015	**13,146**

Accumulated depreciation and write-downs	
At 31 December 2014	**6,029**
Depreciation for the period	221
Eliminations for disposals	(42)
At 30 June 2015	**6,208**

Carrying value	
At 31 December 2014	7,228
At 30 June 2015	6,938

This item includes non-operating buildings owned by the Group: these are mainly properties for residential use, located in Ospitaletto near Sabaf's registered office, held for rental or sale. The carrying value is considered to be in line with the presumed realisable value.

3. INTANGIBLE ASSETS

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
Cost					
At 31 December 2014	**9,008**	**5,980**	**4,318**	**644**	**19,950**
Increases	-	110	256	140	506
Reclassifications	-	66	(66)	-	0
Eliminations	-	-	-	-	0
Forex differences	-	(3)	-	-	(3)
At 30 June 2015	**9,008**	**6,153**	**4,508**	**784**	**20,453**
Cumulative amortisation					
At 31 December 2014	**4,563**	**5,528**	**2,011**	**489**	**12,591**
Increases	-	96	166	36	298
Reclassifications	-	-	-	-	0
Eliminations	-	-	-	-	0
Forex differences	-	(2)	-	-	(2)
At 30 June 2015	**4,563**	**5,622**	**2,177**	**525**	**12,887**
Carrying value					
At 31 December 2014	**4,445**	**452**	**2,307**	**155**	**7,359**
At 30 June 2015	**4,445**	**531**	**2,331**	**259**	**7,566**

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

The performance of the “Hinges” unit in the first half was ahead of forecasts. In addition, production of the first batch of new products got under way in line with the volumes and time frames set forth in the 2015-2019 business plan. Based on these considerations, in the first half of 2015, the Group did not identify any impairment indicators, i.e. signs that tangible and intangible assets including goodwill relating to the Hinges business unit may suffer an impairment loss. Consequently, at 30 June 2015, it was not necessary to conduct an impairment test based on an updated business plan.

Other intangible assets have a finite useful life and are amortised based on this lifetime. The useful life of projects for which development costs are capitalised is estimated to be 10 years.

The increase in development costs mainly includes costs for the design of new models of special burners, including a new triple-ring burner for the Brazilian market. The increase in the item “Patents, software and know-how” includes the costs incurred in implementing the SAP information system in China.

Internal and external indicators that would necessitate an impairment test on intangible assets, other than goodwill, were not identified with reference to these half-year financial statements.

4. EQUITY INVESTMENTS

	31.12.2014	Acquisition of equity investments	Change in consolidation method	30.06.2015
Sabaf Appliance Components Kunshan, China	796	-	(796)	0
Sabaf Mexico	0	-	-	0
Sabaf U.S.	139	-	-	139
Other shareholdings	39	26	-	65
Total	**974**	**26**	**(796)**	**204**

As of these consolidated half-year financial statements, the subsidiary Sabaf Appliance Components (Kunshan) is consolidated using the full consolidation method rather than the equity method.

The subsidiary Sabaf U.S. operates as a commercial base for North America. The carrying value of the investment is deemed recoverable taking into consideration expected developments on the North American market.

During the first half of 2015, we acquired 4.25% of the share capital of limited-liability consortium CSMT GESTIONE S.c.a.r.l. for €25,000. This stake in CSMT will provide the Sabaf Group with access to a range of technical expertise arising from collaborations between universities, research centres and businesses, and enable it to take part in technologically innovative projects.

5. NON-CURRENT RECEIVABLES

	30.06.2015	31.12.2014	Change
Tax receivables	378	518	(140)
Guarantee deposits	24	9	15
Other	2	2	-
Total	**404**	**529**	**(125)**

Tax receivables include €267,000 of VAT credits from the Turkish treasury and €111,000 of indirect tax credits from the Brazilian treasury.

6. INVENTORIES

	30.06.2015	31.12.2014	Change
Commodities	10,119	10,497	(378)
Semi-processed goods	11,617	10,355	1,262
Finished products	13,131	12,141	990
Provision for inventory write-downs	(2,570)	(2,219)	(351)
Total	**32,297**	**30,774**	**1,523**

The value of inventories at 30 June 2015 was higher than at the end of 2014 because of seasonal factors. At 30 June 2015, the inventory obsolescence provision was adjusted based on an improved estimate of the obsolescence risk, measured by analysing slow- and non-moving inventory.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	30.06.2015	31.12.2014	Change
Italy	19,526	17,214	2,312
Western Europe	3,532	3,106	426
Eastern Europe and Turkey	5,016	8,595	(3,579)
Asia and Oceania	1,225	2,560	(1,335)
South America	5,020	3,247	1,773
Middle East and Africa	8,394	4,685	3,709
North America and Mexico	2,371	1,783	588
Gross total	**45,084**	**41,190**	**3,894**
Provision for doubtful accounts	(874)	(669)	(205)
Net total	**44,210**	**40,521**	**3,689**

Trade receivables at 30 June 2015 increased versus end-2014 because of the seasonal trend in sales. There were no significant changes in average payment terms agreed with clients. At 30 June 2015, receivables overdue by more than 90 days totalled €2,089,000 (€2,266,000 at 31 December 2014).

The amount recognised in the accounts includes €2.3 million of receivables assigned on a no-recourse basis (€6.3 million at 31 December 2014), for which financial advances have not been requested, and around €26 million of insured credits (€13 million at 31 December 2014). The doubtful account provision recognised at the start of the year was increased by €205,000 at 30 June 2015, to reflect the better estimate of the credit risk.

At 30 June 2015, trade receivables included balances of some USD 4.9 million, posted at the €/USD exchange rate at the end of the period, i.e 1.1189.

8. TAX RECEIVABLES

	30.06.2015	31.12.2014	Change
From Giuseppe Saleri SapA for IRES	1,219	1,262	(43)
From inland revenue for VAT	192	464	(272)
To inland revenue for IRAP	110	-	110
Other tax receivables	671	664	7
Total	**2,192**	**2,390**	**(198)**

Since 2004, Italian companies of the Group have been part of the national tax consolidation scheme pursuant to articles 117/129 of the Unified Income Tax Law. This option was renewed in 2013 for another three years. In this scheme, Giuseppe Saleri S.a.p.A., the parent company of Sabaf S.p.A., acts as the consolidating company.

At 30 June 2015 the receivable from Giuseppe Saleri S.a.p.A. includes, for €1,159,000, the receivable from the deductibility of IRAP from IRES relating to the expenses incurred for employees for the period 2006-2011 (Legislative Decree 201/2011), for which the consolidating company has presented an application for a refund and which will revert to the Sabaf Group companies for the share pertaining to them as soon as it is refunded.

Other tax receivables mainly relate to the indirect taxes of the group's foreign companies (Brazil, Turkey and China).

9. OTHER CURRENT RECEIVABLES

	30.06.2015	31.12.2014	Change
Advances to suppliers	71	93	(22)
Credits to be received from suppliers	616	311	305
Other receivables, accrued income and deferred charges	1,052	691	361
Total	**1,739**	**1,095**	**644**

Credits to be received from suppliers mainly include the attributable share of bonuses from suppliers linked to the achievement of specific purchasing objectives, and the energy subsidy due to companies that consume a lot of energy.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €5,287,000 at 30 June 2015 (€2,958,000 at 31 December 2014) consisted of bank current-account balances of €5,091,000 (€2.7 million at 31 December 2014) and investments in mutual funds with immediate liquidity of €196,000 (€0.3 million at 31 December 2014). Changes in the net financial position is analysed in the cash flow statement.

11. SHARE CAPITAL

Sabaf S.p.A.'s share capital at 30 June 2015 consists of 11,533,450 shares of a par value of €1 each and has not changed with respect to 31 December 2014.

12. TREASURY SHARES

At 30 June 2015, Sabaf S.p.A. held 507 treasury shares (0.004% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €9.006.
There were 11,532,943 outstanding shares at 30 June 2015.
No own shares were purchased or sold during the first half of 2015.

13. LOANS

	30.06.2015		31.12.2014	
	Current	Non Current	Current	Non Current
Property leasing	140	1,828	138	1,898
Property mortgages	929	468	924	935
Unsecured loans	2,682	5,993	2,660	7,340
Short-term bank loans	11,788	-	9,647	-
Advances on bank receipts or invoices	8,753	-	6,203	-
Interest payable	-	-	41	-
Total	**24,292**	**8,289**	**19,613**	**10,173**

Changes in loans over the first half of the year are shown in the cash flow statement. During the half-year period, the Company took out short-term loans (with a maximum term of three months) with interest rates of between 0.43% and 0.65%, as part of ordinary cash flow management activities.

None of these loans are bound by contractual provisions (covenants).

14. POST-EMPLOYMENT BENEFIT AND RETIREMENT RESERVES

Liabilities at 31 December 2014	**3,028**
Social security costs	-
Financial expense	24
Amounts paid out	(84)
Liabilities at 30 June 2015	**2,968**

15. RESERVES FOR RISKS AND CONTINGENCIES

	31.12.2014	**Provisions**	**Utilisation**	**30.06.2015**
Reserve for agents' indemnities	335	44	(21)	358
Product guarantee fund	160	-	(107)	53
Reserve for legal risks	111	47	(7)	151
Total	**606**	**91**	**(135)**	**562**

The reserve for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.
The product warranty reserve covers expenses to be incurred for servicing products during the warranty period.
The reserve for legal risks is allocated for disputes of a modest size.
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.

16. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

	30.06.2015	**31.12.2014**	**Change**
Italy	17,460	15,223	2,237
Western Europe	4,597	2,897	1,700
Eastern Europe and Turkey	307	360	(53)
Asia	1,035	502	533
South America	197	255	(58)
North America and Mexico	95	91	4
Total	**23,691**	**19,328**	**4,363**

The increase in trade payables compared with the end of 2014 reflects seasonal factors and the rise in investments during the period. Average payment terms remained unchanged. At 30 June 2015, there were no overdue payables of a significant amount, and the Group had not received any injunctions for overdue payables.

17. TAX PAYABLES

	30.06.2015	**31.12.2014**	**Change**
Income tax	3,812	1,622	2,190
Withholding taxes	373	712	(339)
Other tax payables	59	119	(60)
Total	**4,244**	**2,453**	**1,791**

The increase in income tax payables compared with the end of 2014 was due to the corporate income tax (IRES) payment dates, requiring payments on account in July and November and payment of the balance in July of the following year.

18. OTHER CURRENT PAYABLES

	30.06.2015	31.12.2014	Change
Due to employees	5,010	4,160	850
To social security institutions	1,874	2,290	(416)
Due to agents	330	342	(12)
Prepayments from customers	99	279	(180)
Other current payables, accrued liabilities and deferred income	91	84	7
Total	**7,404**	**7,155**	**249**

At 30 June 2015, payables due to employees included amounts for the thirteenth month's pay and for holidays accrued but not taken.

Payables to social security institutions at 31 December 2014 included the share of social security charges pertaining to the 13th-month bonus paid to employees in December.

19. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate risk
The Group borrows money at a floating rate. At 30 June 2015, there were no interest rate derivatives.

Exchange rate risk
Approximately 10% of Group sales are expressed in US dollars. To partially hedge the exchange rate risk, at 30 June 2015, the Group had in place a forward sale derivative contract for a notional amount of USD 1.265 million, which sets the euro/dollar exchange rate at maturity at 1.136. This derivative was recognised at its fair value through profit and loss on the reporting date. The related liability of €13,000 at 30 June 2015 is recognised under "Other financial payables".

20. NET FINANCIAL POSITION

		30.06.2015	31.12.2014	Change
A.	Cash	11	9	2
B.	Positive balances of unrestricted bank accounts	5,081	2,691	2,390
C.	Other cash equivalents	196	258	(62)
D.	**Liquidity (A+B+C)**	**5,288**	**2,958**	**2,330**
E.	Current bank overdrafts	20,540	15,890	4,650
F.	Current portion of non-current debt	3,752	3,723	29
G.	Other current financial payables	13	105	(92)
H.	**Current financial debt (E+F+G)**	**24,305**	**19,718**	**4,587**
I.	**Current net financial debt (H-D)**	**19,017**	**16,760**	**2,257**
J.	Non-current bank payables	6,461	8,275	(1,814)
K.	Other non-current financial payables	1,828	1,898	(70)
L.	**Non-current financial debt (J+K)**	**8,289**	**10,173**	**(1,884)**
M.	**Net financial debt (L+I)**	**27,306**	**26,933**	**373**

The change in cash and cash equivalents (letter D. of the net financial position table) is shown in the Cash Flow Statement.

21. DEFERRED TAX ASSETS AND LIABILITIES

	30.06.2015	31.12.2014	Change
Deferred tax assets	5,565	5,579	(14)
Deferred tax	(740)	(692)	(48)
Net position	**4,825**	**4,887**	**(62)**

Below are the main elements comprising deferred tax assets and liabilities and their changes during the period:

	Depreciation, amortisation and leasing	Provisions and value adjustments	Good will	Tax incentives	Actuarial post-employment benefit reserve evaluation	Other temporary differences	Total
At 31 December 2014	**(58)**	**1,169**	**1,993**	**1,285**	**233**	**236**	**4,887**
Income statement	30	159	-	(220)	-	66	10
Shareholders' equity	-	-	-	-	-	-	0
Forex differences	2	(6)	-	(70)	-	2	(72)
At 30 June 2015	**(26)**	**1,322**	**1,993**	**995**	**233**	**304**	**4,825**

Tax assets relating to goodwill, equal to €1,993,000, refer to the redemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011. The future tax benefit can be made in ten annual portions starting in 2018.
Deferred tax assets and tax incentives relate to investments made in Turkey, for which the Group benefited from tax breaks recognised on income generated in Turkey for up to 30% of the investments made.

Comments on key income statement items

22. REVENUES

In the first half of 2015, revenue from sales and services totalled €72,509,000, up 1.7% versus €71,285,000 in the same period in 2014. Please refer to the Interim Management Statement for comments on the change in revenue and an analysis of the breakdown by product category and geographical area.

23. OTHER INCOME

	H1 2015	H1 2014	Change
Sale of scraps and raw materials	1,529	1,579	(50)
Rental income	69	63	6
Contingent income	141	102	39
Other income	240	269	(29)
Total	**1,979**	**2,013**	**(34)**

24. MATERIALS

	H1 2015	H1 2014	Change
Commodities and outsourced components	26,492	27,127	(635)
Consumables	2,361	2,510	(149)
Total	**28,853**	**29,637**	**(784)**

There was no significant change in the average effective purchase prices for brass and steel, while for aluminium they rose because of a shortage of scrap metal. During the first half, the overall loss resulting from the change in commodity prices compared with the first half of 2014 was approximately €0.3 million.

25. COSTS FOR SERVICES

	H1 2015	H1 2014	Change
Outsourced processing	5,206	5,678	(472)
Natural gas and electricity	2,563	2,660	(97)
Maintenance	1,882	1,966	(84)
Transport and export expenses	1,100	847	253
Commissions	358	463	(105)
Advisory services	869	691	178
Directors' remuneration	516	439	77
Use of temporary agency workers	90	88	2
Travel expenses and allowances	447	342	105
Waste disposal	212	229	(17)
Canteen	219	203	16
Insurance	274	195	79
Other costs	2,227	1,399	828
Total	**15,963**	**15,200**	**763**

The drop in outsourced processing costs was due to the partial insourcing of certain phases of burner production. The increase in transport and export expenses was due to a rise in international sales and the growing importance of foreign production sites. Other costs included customer charge-backs, registering patents, leasing third-party assets, cleaning and other minor items.

26. PERSONNEL COSTS

	H1 2015	H1 2014	Change
Salaries and wages	11,540	11,405	135
Social security costs	3,735	3,762	(27)
Employee severance pay reserve and supplementary pensions	662	637	25
Temporary agency workers	736	553	183
Other costs	387	436	(49)
Total	**17,060**	**16,793**	**267**

The average Group headcount in the first half of 2015 was 744 employees (590 blue-collars, 142 white-collars and supervisors, and 12 managers) compared to 726 in the first half of 2014. The average number of temporary workers was 41, compared with 37 in the same period of 2014. The application of government-subsidised temporary lay-off benefits was negligible during the period.

27. OTHER OPERATING COSTS

	H1 2015	H1 2014	Change
Allowances for doubtful accounts	205	140	65
Duties and other non-income taxes	267	236	31
Contingent liabilities	87	113	(26)
Provisions to the risk reserve	91	114	(23)
Other operating costs	102	92	10
Total	**752**	**695**	**57**

28. FINANCIAL EXPENSE

	H1 2015	H1 2014	Change
Interest paid to banks	141	129	12
Interest paid on finance lease contracts	15	19	(4)
Financial expenses on derivative instruments	-	2	(2)
Banking expenses	115	127	(12)
Other financial expenses	34	32	2
Total	**305**	**309**	**(4)**

29. EXCHANGE RATE GAINS AND LOSSES

In the first half of 2015, the Group reported net foreign-exchange gains of €120,000, versus net gains of €13,000 in the same period of 2014.

30. PROFITS AND LOSSES FROM EQUITY INVESTMENTS

In the first half of 2014, this item showed net losses of €264,000 and included the valuation at equity of the investment of Sabaf Appliance Components (Kunshan), which is fully consolidated as of these consolidated half-year financial statements.

31. INCOME TAX

	H1 2015	H1 2014	Change
Current tax	2,783	2,618	165
Deferred tax	(10)	106	(116)
Balance of previous FYs	(6)	(4)	(2)
Total	**2,767**	**2,720**	**47**

Income tax is calculated in a precise manner, in the same way as taxes are calculated when drafting the annual financial statements.
The tax rate (current taxes as a share of pre-tax profit) dropped from 37.9% in the first half of 2014 to 33.7% in the opening six months of 2015. This reduction was due in part to the option, as of 2015, to deduct the cost of labour from the regional production tax (IRAP) base. In the first half of 2015, this resulted in a drop of around €300,000 in taxes.

32. EARNINGS PER SHARE

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

Earnings

	H1 2015	H1 2014
	Euro 000	*Euro 000*
Net profit for the period		4,466

Number of shares

	H1 2015	H1 2014
Weighted average number of ordinary shares for determining basic earnings per share	11,532,943	11,532,943
Dilutive effect from potential ordinary shares	0	0
Weighted average number of ordinary shares for determining diluted earnings per share	11,532,943	11,532,943

	H1 2015	H1 2014
	Euro	*Euro*
Basic earnings per share	0.473	0.387
Diluted earnings per share	0.473	0.387

The number of shares for measuring the profit per share was calculated net of the average number of shares in the portfolio.

33. DIVIDENDS

On 27 May 2015, shareholders were paid a dividend equal to €0.40 per share (total dividends of €4,613,000); a dividend of the same amount was paid in 2014.

34. INFORMATION BY BUSINESS SEGMENT

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

First half 2015

	Gas parts	Hinges	Total
Sales	68,547	3,962	**72,509**
Operating result	8,136	255	**8,391**

First half 2014

	Gas parts	Hinges	Total
Sales	67,300	3,985	**71,285**
Operating result	7,714	(12)	**7,702**

35. RELATED-PARTY TRANSACTIONS

Transactions between Sabaf S.p.A. and its consolidated subsidiaries have been eliminated from the consolidated financial statements and are not addressed in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the statement of financial position and income statement.

Impact of related-party transactions or positions on items in the statement of financial position at 30 June 2015

	Balance sheet total	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	44,210	5	-	-	5	0.01%
Tax receivables	2,192	1,219	-	-	1,219	55.61%
Tax payables	4,244	3,627	-	-	3,627	85.46%

Impact of related-party transactions or positions on items in the statement of financial position at 30 June 2014

	Balance sheet total	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	46,557	5	36	-	41	0.09%
Tax receivables	2,904	1,293	-	-	1,293	44.52%
Trade payables	24,820	-	39	-	39	0.16%
Tax payables	3,252	2,516	-	-	2,516	77.37%

Impact of related-party transactions or positions on income-statement items at 30 June 2015

	Balance sheet total	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	1,979	5	-	-	5	0.25%
Services	(15,963)	-	(90)	-	(90)	0.56%

Impact of related-party transactions or positions on income-statement items at 30 June 2014

	Balance sheet total	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	2,013	5	-	-	5	0.25%
Services	(15,200)	-	(73)	-	(73)	0.48%
Profits and losses from equity investments	(264)	-	(264)	-	(264)	100%

Transactions were entered into with parent company Giuseppe Saleri S.a.p.A. under the domestic tax consolidation scheme, which generated the tax receivables and payables shown in the tables.
Transactions with non-consolidated subsidiaries were solely of a commercial nature.
All transactions are regulated by specific contracts regulated at arm's length conditions.

36. SHARE-BASED PAYMENTS

At 30 June 2015, there were no equity-based incentive plans for the Company's directors and employees.

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the CONSOB memorandum of 28 July 2006, the Group declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in the first half of 2015.

38. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the Consob communication itself were carried out during the first half of 2015.

39. COMMITMENTS

Guarantees issued
The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by Banco di Brescia to Group employees for a total of €6,210,000 (€6,249,000 at 31 December 2014).

SCOPE OF CONSOLIDATION AT 30 June 2015

COMPANIES CONSOLIDATED USING THE STRAIGHT LINE METHOD

Company name	Registered offices	Share capital	Investor company	% ownership
Parent company				
Sabaf S.p.A.	Ospitaletto (BS) Via dei Carpini 1	€11,533,450		
Subsidiary companies				
Faringosi Hinges s.r.l.	Ospitaletto (BS) Via Martiri della Libertà, 66	€90,000	Sabaf S.p.A.	100%
Sabaf Immobiliare S.r.l.	Ospitaletto (BS) Via Martiri della Libertà, 66	€25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda.	Jundiaí - São Paulo (Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 32,000,000	Sabaf S.p.A.	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	€200,000	Sabaf S.p.A.	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	Kunshan (China)	€4,400,000	Sabaf S.p.A.	100%

SIGNIFICANT EQUITY INVESTMENTS VALUED AT COST

Company name	Registered offices	Share capital	Investor company	% ownership
Sabaf Mexico S.A. de C.V. (in liquidation)	San Luis Potosì (Mexico)	MXN 8,247,580	Sabaf S.p.A.	100%
Sabaf US Corp.	Plainfield – Illinois (USA)	$100,000	Sabaf S.p.A.	100%

Certification of the Condensed Half-Year Consolidated 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 procedures to draft the abridged consolidated interim report in the first half of 2015.

They also certify that:

- the condensed half-year consolidated financial statements:
    - have been prepared in accordance with the international accounting standards recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council, of 19 July 2002;
    - correspond to the results of the accounting entries and ledgers;
    - are appropriate to provide a truthful and correct picture of the income statement, balance sheet, and cash flow of the issuer and the companies included in the consolidation;

- the interim management statement includes reference to important events that occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the main risks and uncertainties for the six remaining months of the year, in addition to information on significant related-party transactions. The interim management statement also contains a reliable analysis of the information on significant transactions with related parties.

Ospitaletto, 04 August 2015

SABAF S.p.A.
The Chief Executive Officer

Alberto Bartoli

SABAF S.p.A.
The Financial Reporting Officer
Gianluca Beschi

Deloitte.

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REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
SABAF S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of SABAF S.p.A. and subsidiaries (the "SABAF Group"), which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, statements of changes in consolidated shareholders' equity and related explanatory notes as of June 30, 2015. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the SABAF Group as of June 30, 2015 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Piergiulio Bizioli
Partner

Brescia, Italy
August 5, 2015

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