SABAF GROUP

CONSOLIDATED FINANCIAL

STATEMENTS

AT 31 DECEMBER 2015

GROUP STRUCTURE AND CORPORATE BODIES

Group structure

Direct parent company

SABAF S.p.A.

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 US Corp.	100%
Sabaf Appliance Components (Kunshan) Co. Ltd.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)	100%
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. in liquidation	100%

Board of Directors

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

(*) Independent directors

Board of Statutory Auditors

Chairman	Antonio Passantino
Standing Auditor	Luisa Anselmi
Standing Auditor	Enrico Broli

Independent Auditor

Deloitte & Touche S.p.A.

Consolidated balance sheet and financial position

(€/000)	Notes:	31.12.2015	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1**	73,037	74,483
Real estate investments	**2**	6,712	7,228
Intangible assets	**3**	7,525	7,359
Investments	**4**	204	974
Non-current receivables	**5**	432	529
Deferred tax assets	**21**	4,887	5,579
Total non-current assets		**92,797**	**96,152**
CURRENT ASSETS			
Inventories	**6**	31,009	30,774
Trade receivables	**7**	40,425	40,521
Tax receivables	**8**	2,489	2,390
Other current receivables	**9**	1,447	1,095
Current financial assets	**10**	69	0
Cash and cash equivalents	**11**	3,991	2,958
Total current assets		**79,430**	**77,738**
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		**172,227**	**173,890**
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	**12**	11,533	11,533
Retained earnings, other reserves		90,509	90,867
Net profit for the year		8,998	8,338
Total equity interest of the Parent Company		*111,040*	*110,738*
Minority interests		*0*	*0*
Total shareholders' equity		**111,040**	**110,738**
NON-CURRENT LIABILITIES			
Loans	**14**	6,388	10,173
Post-employment benefit and retirement reserves	**16**	2,914	3,028
Reserves for risks and contingencies	**17**	395	605
Deferred tax	**21**	772	692
Total non-current liabilities		**10,469**	**14,498**
CURRENT LIABILITIES			
Loans	**14**	23,480	19,613
Other financial liabilities	**15**	31	105
Trade payables	**18**	19,450	19,328
Tax payables	**19**	1,219	2,453
Other liabilities	**20**	6,538	7,155
Total current liabilities		**50,718**	**48,654**
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**172,227**	**173,890**

Consolidated income statement

(€/000)	Notes:	2015	2014
CONTINUING OPERATIONS			
OPERATING REVENUE AND INCOME			
Revenues	**23**	138,003	136,337
Other income	**24**	3,758	3,748
Total operating revenue and income		**141,761**	**140,085**
OPERATING COSTS			
Materials	**25**	(54,366)	(54,472)
Change in inventories		1,025	2,447
Services	**26**	(29,759)	(29,875)
Payroll costs	**27**	(32,526)	(32,180)
Other operating costs	**28**	(1,193)	(1,042)
Costs for capitalised in-house work		1,230	989
Total operating costs		**(115,589)**	**(114,133)**
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		**26,172**	**25,952**
Depreciation and amortisation	**1, 2, 3**	(12,185)	(12,292)
Capital gains on disposals of non-current assets		104	63
Write-downs of non-current assets	**4, 29**	0	(548)
OPERATING PROFIT		**14.091**	**13.175**
Financial income		67	61
Financial expenses	**30**	(596)	(592)
Exchange rate gains and losses	**31**	(89)	119
Profits and losses from equity investments	**4**	0	(606)
PROFIT BEFORE TAXES		**13,473**	**12,157**
Income tax	**32**	(4,475)	(3,819)
Minority interests		0	0
NET PROFIT FOR THE YEAR		**8,998**	**8,338**
EARNINGS PER SHARE (EPS)	**33**		
Base		**€0.781**	**€0.723**
Diluted		**€0.781**	**€0.723**

Consolidated comprehensive income statement

(€/000)	2015	2014
NET PROFIT FOR THE YEAR	**8,998**	**8,338**
Total profits/losses that will not later be reclassified under profit (loss) for the year:		
Actuarial post-employment benefit reserve evaluation	49	(283)
Tax effect	(14)	78
	35	**(205)**
Total profits/losses that will later be reclassified under profit (loss) for the year:		
Forex differences due to translation of financial statements in foreign currencies	**(3,400)**	**817**
Cash flow hedges	0	(26)
Tax effect	0	5
	0	**(21)**
Total profits/(losses) net of taxes for the year	**(3,365)**	**591**
TOTAL PROFIT	**5,633**	**8,929**

Statement of changes in consolidated shareholders' equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Cash flow hedge reserve	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
Extraordinary dividend								(11,533)		(11,533)		(11,533)
Total profit at 31 December 2014					817	(21)	(205)		8,338	8,929		8,929
Balance at 31 December 2014	**11,533**	**10,002**	**2,307**	**(5)**	**(3,648)**	**0**	**(616)**	**82,827**	**8,338**	**110,738**	**0**	**110,738**
Allocation of 2014 earnings												
- dividends paid out									(4,613)	(4,613)		(4,613)
- carried forward								3,725	(3,725)	0		0
Other movements												
Purchase of treasury shares				(718)						(718)		(718)
Total profit at 31 December 2015					(3,400)		35		8,998	5,633		5,633
Balance at 31 December 2015	**11,533**	**10,002**	**2,307**	**(723)**	**(7,048)**	**0**	**(581)**	**86,552**	**8,998**	**111,040**	**0**	**111,040**

Consolidated statement of cash flows

	12M 2015	12M 2014
***Cash and cash equivalents at beginning of year* (*)**	***3,675***	***5,111***
Net profit for period	8,998	8,338
Adjustments for:		
- Depreciation and amortisation	12,185	12,292
- Realised gains	(104)	(63)
- Write-downs of non-current assets	0	548
- Losses from equity investments	0	606
- Net financial income and expenses	529	531
- Income tax	4,475	3,819
Change in post-employment benefit reserve	(129)	(158)
Change in risk provisions	(210)	(67)
Change in trade receivables	*107*	*(4,079)*
Change in inventories	*(170)*	*(2,548)*
Change in trade payables	*(58)*	*365*
Change in net working capital	(121)	(6,262)
Change in other receivables and payables, deferred tax	(72)	210
Payment of taxes	(5,931)	(2,325)
Payment of financial expenses	(556)	(553)
Collection of financial income	67	61
Cash flow from operations	**19,131**	**16,977**
Investments in non-current assets		
- intangible	(781)	(639)
- tangible	(11,581)	(9,843)
- financial	(26)	(1,223)
Disposal of non-current assets	309	214
Cash flow absorbed by investments	**(12,079)**	**(11,491)**
Repayment of loans	(19,480)	(16,993)
Raising of loans	19,488	25,047
Short-term financial assets	(69)	0
Purchase of treasury shares	(718)	0
Payment of dividends	(4,613)	(16,146)
Cash flow absorbed by financing activities	**(5,392)**	**(8,092)**
Foreign exchange differences	(1,344)	453
Net financial flows for the year	**316**	**(2,153)**
Cash and cash equivalents at end of year (Note 10)	***3,991***	***2,958***
Current financial debt	23,511	19,718
Non-current financial debt	6,388	10,173
Net financial debt (Note 22)	***25,908***	***26,933***

(*) The cash balance at 1 January 2015 differs by 717,000 euros from the balance at 31 December 2014 following the change in the consolidation method of Sabaf Appliance Components (Kunshan)

Explanatory Notes

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

The consolidated year-end accounts of the Sabaf Group for the financial year 2015 have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to the IFRS also includes all current International Accounting Standards (IAS). The financial statements have been prepared in euro, the current currency in the economies in which the Group mainly operates, rounding amounts to the nearest thousand, and are compared with full-year financial statements for the previous year, prepared according to the same standards. The report consists of the statement of financial position, the income statement, the statement of changes in shareholders' equity, the cash flow statement, and these explanatory notes. 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 are 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) regarding the continuity of the Company, also due to the strong competitive position, high profitability and solidity of the financial structure.

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 the 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 (loss) 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 Group's capital, business and financial status.

Scope of consolidation

The scope of consolidation at 31 December 2015 comprises the direct parent company Sabaf S.p.A. and the following companies controlled by Sabaf S.p.A.:

- 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.

The participation in the controlled company Sabaf Appliance Components (Kunshan) Co., Ltd. was consolidated using the full line-by-line consolidation method for the first time in these financial statements, since the company commenced its operations in the course of 2015. In the preceding financial statements it was assessed using the net equity method.

The companies in which Sabaf S.p.A. simultaneously possess the following three elements are considered subsidiaries: (a) power over the company; (b) exposure or rights to variable returns resulting from involvement therein; (c) ability to affect the size of these returns by exercising power. If these subsidiaries exercise a significant influence, they are consolidated as from the date in which control begins until the date in which control ends so as to provide a correct representation of the Group's income, investments and cash flow.

Sabaf U.S. is not consolidated since it is irrelevant for the purposes of the consolidation.

Consolidation criteria

The data used for consolidation have been taken from the income statements and balance sheets prepared by the directors of the individual subsidiary companies. These figures have been appropriately amended and restated, when necessary, to align them with international accounting standards and with uniform group-wide classification policies.
The policies applied for consolidation are as follows:

a) Assets and liabilities, income and costs in the 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 provisions of IFRS 3, the Group has changed the accounting treatment of goodwill on a prospective basis as from the transition date. Therefore, since 1 January 2004, the Group has not amortised 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 thereto is posted in specific items of the consolidated balance sheet 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-year exchange rates. Income statement items are converted at average exchange rates for the year.
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" in shareholders' equity.

The exchange rates used for conversion into euro of the company's foreign subsidiaries, prepared in local currency, are given in the following table:

Description of currency	Exchange rate as at 31/12/15	Average exchange 2015	Exchange rate as at 31/12/14	Average exchange 2014
Brazilian real	4.3117	3.7004	3.2207	3.1211
Turkish lira	3.1765	3.0255	2.8320	2.9065
Chinese renminbi	7.0608	6.9714	7.5358	8.1857

Reconciliation between parent company and consolidated shareholders' equity and net profit for the year

	31.12.2015		31.12.2014	
Description	Profit for the period	Sharehol-ders' equity	Profit for the period	Sharehol-ders' equity
Net profit and shareholders' equity of parent company Sabaf S.p.A.	**5,642**	**96,234**	**7,878**	**95,894**
Equity and consolidated company results	4,775	56,427	3,263	54,609
Elimination of consolidated equity investments' carrying value	(1,303)	(45,616)	(1,771)	(43,936)
Goodwill	0	4,445	0	4,445
Equity investments booked at net equity	0	0	0	73
Intercompany Eliminations				
Dividends	0	0	(970)	0
Other intercompany eliminations	(116)	(450)	(62)	(347)
Profit and Shareholders' Equity attributable to the Group	**8,998**	**111,040**	**8,338**	**110,738**

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.

Accounting policies

The accounting standards and policies applied for the preparation of the consolidated financial statements as at 31 December 2015, 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
Specific plant and machinery	6 – 10
Equipment	4 – 10
Furniture	8
Electronic equipment	5
Vehicles and other transport means	4 – 5

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

Leased assets

Assets acquired via finance lease contracts are accounted for using the financial method and are reported with assets at their purchase value, less depreciation. Depreciation of such assets is reflected in the consolidated annual financial statements applying the same policy followed for Company-owned property, plant and equipment. Set against recognition of such assets, the amounts payable to the financial lessor are posted among short- and medium-/long-term payables. In addition, financial charges pertaining to the period are charged to the income statement.

Goodwill

Goodwill is the difference between the purchase price and fair value of subsidiary companies' identifiable assets and liabilities on the date of acquisition.
As regards acquisitions completed prior to the date of IFRS adoption, the Sabaf Group has used the option provided by IFRS 1 to refrain from applying IFRS 3 – concerning business combinations – to acquisitions that took place prior to the transition date. Consequently, goodwill arising in relation to past acquisitions has not been recalculated and has been posted in accordance with Italian GAAPs, net of amortisation reported up to 31 December 2003 and any losses caused by a permanent value impairment.
After the transition date, goodwill – as an intangible asset with an indefinite useful life – is not amortised but subjected annually to impairment testing to check for value loss, or more frequently if there are signs that the asset may have suffered impairment *(impairment test)*.

Other intangible assets

As established by IAS 38, other 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. If 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.

Impairment of value
At each balance sheet date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there are signs of impairment of the value of these assets. If there is any such indication, 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 Group 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 to which the capitalised assets refer) is verified by determining the value of use. The recoverable amount is the higher of the net selling price and value of 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 main assumptions used for calculating the value of use concern the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sales prices are based on past experience and on the expected future changes in the market. The Group prepares operating cash flow forecasts based on the most recent budgets approved by the Boards of Directors of the consolidated companies, draws up four-year forecasts and determines the terminal value (current value of perpetual income), which expresses the medium and long term operating flows in the specific sector.
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.

Investment properties
As allowed by IAS 40, non-operating buildings and constructions are assessed at cost net of depreciation and losses due to cumulative impairment of value. The depreciation criterion applied is the asset's estimated useful life, which is 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.

Equity investments and non-current receivables
As from 1 January 2015 the Chinese subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd, which commenced its operations in the course of 2015, was consolidated using the full line-by-line consolidation method (until 31 December 2014 this company was consolidated using the net equity method).
Other equity investments not classified as held for sale are stated in the accounts at cost, reduced for impairment. The original value is written back in subsequent years if the reasons for write-down cease to exist.
Non-current receivables are stated at their presumed realisable value.

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 by the presumed realisable value for finished and semi-processed products – calculated taking into account any manufacturing 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, which is never prior to the due date. Trade receivables past due and non-recoverable assigned on a no-recourse basis are recorded under "Other current receivables"

Current financial assets
Financial assets held for trading are measured at 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 updating future financial flows estimated at a rate including taxes such as to 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. 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 the balance sheet date). 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 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 Group has the unconditional right to defer discharge of a liability by at least 12 months after the reference date.

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 the transaction date.
At year-end, assets and liabilities expressed in foreign currencies, with the exception of non-current items, 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 Group's business is exposed to financial risks relating to changes in exchange rates, commodity prices and interest rates. The company uses derivative instruments (mainly forward contracts on currencies and commodity options) to hedge risks stemming from changes in foreign currencies relating to irrevocable commitments or to planned future transactions.
The Group does not use derivatives for trading purposes.
Derivatives are initially recognised at cost and are then adjusted to 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 Group'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 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 reporting
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 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 expenses
Financial expenses include 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 Group'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 in accordance with the global liability provisioning method. They are calculated on all temporary differences emerging between the taxable base of an asset and liability and its book value in the consolidated balance sheet, with the exception of goodwill that is not tax-deductible and of differences stemming from investments in subsidiaries for which cancellation is not envisaged in the foreseeable future. Deferred tax assets on unused tax losses and tax credits carried forward are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. 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, according to the respective regulations of the countries where the Group operates, 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 as a reduction of shareholders' equity. The carrying value of treasury shares and revenues from any subsequent sales are recognised in the form of changes in shareholders' equity.

Earnings per share
Basic EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit or loss attributable to the direct parent company's shareholders by the weighted average number of shares outstanding, adjusted to take into account the effects of all potential ordinary shares with a dilutive effect.

Use of estimates
Preparation of the financial statements and notes 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 might differ from these estimates. Estimates are used to measure tangible and intangible assets subject to impairment testing, as described earlier, as well as to measure credit risks, inventory obsolescence, depreciation and amortisation, asset write-downs, employee benefits, taxes, and other provisions. Specifically:

Recoverable value of tangible and intangible assets
The procedure for determining impairment of value of tangible and intangible assets described in "Impairment of value" implies – in estimating the value of use – the use of the Business Plans 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 might have significant effects on liabilities for pension benefits.

Income tax

The Group is subject to different bodies of tax legislation on income. Determining liabilities for Group 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 might change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions and reserves

When 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 Group 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 2015

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

On 20 May 2013, the interpretation IFRIC 21 – Levies was published, which clearly provides at the time of recognition of a liability related to taxes (other than income taxes) imposed by a government agency. The standard is concerned with both the liabilities for taxes within the scope of application of IAS 37 - Provisions, potential assets and liabilities, and those for taxes whose timing and amount are certain. The interpretation is applied retrospectively for the years starting from 17 June 2014 at the latest or a later date. 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 some principles within 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 portfolio exception (par. 52); IAS 40 Investment Properties – Interrelationship between IFRS 3 and IAS 40. The changes apply starting from the financial years which began on 1 January 2015 or a later date. The adoption of these amendments did not have any effect on the Group's consolidated financial statements.

IFRS and IFRIC accounting standard, amendments approved by the European Union, not yet universally applicable and not adopted early by the Group at 31 December 2015

On 21 November 2013 the amendment to IAS 19 "Defined Benefit Plans: Employee Contributions" was published, which proposes to present the contributions (related only to the service provided by the employee in the year) carried out by the employees or third parties in the defined-benefit plans for reduction of the service cost of the year in which this contribution is paid. The need for this proposal arose with the introduction of the new IAS 19 (2011), where it is considered that these contributions are to be interpreted as part of a post-employment benefit, rather than a benefit for a brief period, and, therefore, that this contribution must be spread over the employee's years of service. 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 Group's consolidated financial statements through the adoption of these changes.

On 12 December 2013, the document "Annual Improvements to IFRSs: 2010-2012 Cycle" was published, which includes the changes to some principles within 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/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/amortisation, 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 Group's consolidated financial statements through the adoption of these changes.

On 6 May 2014 the IASB issued some amendments to the standard IFRS 11 "Joint Arrangements – Accounting for acquisitions of interests in joint operations" related to the accounting of the acquisition of equity interests in a joint operation whose activity consists of a business within the meaning of IFRS 3. The modifications require that the standards set forth in IFRS 3 related to the recognition of the effects of a business combination are applied for these cases. The changes apply from 1 January 2016, but early application is permitted. At the present time, these cases are not applicable for the Group, since there are no joint operations.

On 12 May 2014, the IASB issued some amendments to IAS 16 "Property, plant and Equipment" and to IAS 38 Intangible Assets – "Clarification of acceptable methods of depreciation and amortisation". The changes to IAS 16 establish that the determining depreciation and amortisation criteria based on the revenues are not appropriate, since, according to the amendment, the revenues generated by an activity that includes the activity subject to depreciation and amortisation generally reflect factors other than only consumption of the economic benefits of the activity itself. The changes to IAS 38 introduce a rebuttable presumption, according to which a depreciation and amortisation criterion based on revenues is considered to be an inappropriate regulation for the same reasons established by the modifications introduced to IAS 16. In the case of the intangible assets this presumption can however be overcome, but only in limited and specific circumstances. The changes apply from 1 January 2016, but early application is permitted. The directors do not expect a significant effect on the Group's consolidated 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 as 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 a significant effect on the Group's consolidated financial statements through the adoption of these changes.

On 18 December 2014, the IASB issued an amendment to IAS 1 – Disclosure Initiative. 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 IFRS 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 disaggregated or aggregated as the case may be. A guideline on the use of sub-totals within the tables is also provided;
- 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 susceptible 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 Group's consolidated financial statements through the adoption of these changes.

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

On the reference date of these consolidated financial statements the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the amendments and principles desribed below.

On 30 January 2014, the IASB published the standard IFRS 14 – Regulatory Deferral Accounts, which consents the recognition of the amounts related to the activities subject to regulated rates ("Rate Regulation Activities") according to the preceding accounting standards adopted only to those that adopt the IFRS for the first time. Since the Group was not a first-time adopter, this standard is not applicable.

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 revenue recognition model will apply to all contracts signed with customers except for those which come under the scope of application of 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 performance obligations;
- the determining of the price;
- the allocation of the price to the contract performance obligations;
- the criteria of entry of the revenue when the entity satisfies each performance obligation.

The principle applies from 1 January 2018, but early application is permitted. Although the systematic analysis of the case and in particular a detailed analysis of the contracts with the customers have not yet been completed, the directors do not expect that the application of IFRS 15 can have a significant impact on the amounts recorded for the revenues and on the related disclosures 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 13 January 2016, the IASB published the standard IFRS 16 – Leases, which will replace the standard IAS 17 – Leases, as well as interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset in order to distinguish the leasing contracts from the service contracts, identifying the discriminatory ones: the identification of the asset, the right of replacement of the same, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract.
The standard applies from 1 January 2019, but early application is permitted, only for the companies that have applied IFRS 15 - Revenue from Contracts with Customers at an early date. The directors do not expect that the application of IFRS 16 can have a significant impact on the accounting of the leasing contracts and on the related disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effect as long as the Group has not completed a detailed analysis of the related contract.

On 11 September 2014, the IASB published the amendment to IFRS 10 and IAS 28 – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture. The document was published for the purpose of resolving the current conflict between IAS 28 and IFRS 10. At the present time, this case is not applicable for the Group.

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 2013	**51,886**	**163,906**	**33,326**	**1,941**	**251,059**
Increases	78	4,586	2,349	2,845	9,858
Disposals	-	(1,211)	(34)	-	(1,245)
Reclassifications	6	711	206	(936)	(15)
Forex differences	207	186	44	2	439
At 31 December 2014	**52,177**	**168,178**	**35,891**	**3,850**	**260,096**
Increases	119	8,574	1,753	1,135	11,581
Disposals	-	(1,173)	(93)	(14)	(1,280)
Var. areas of consolidation	-	112	160	-	272
Reclassifications	-	2,750	105	(2,899)	(44)
Forex differences	(1,071)	(1,912)	(667)	(13)	(3,663)
At 31 December 2015	**51,225**	**176,529**	**37,149**	**2,059**	**266,962**
Accumulated depreciation and amortisation					
At 31 December 2013	**12,703**	**134,603**	**28,052**	**-**	**175,358**
Depreciation for the year	1,458	7,417	2,399	-	11,274
Eliminations for disposals	-	(1,125)	(36)	-	(1,161)
Reclassifications	6	(15)	76	-	67
Forex differences	11	52	12	-	75
At 31 December 2014	**14,178**	**140,932**	**30,503**	**-**	**185,613**
Depreciation for the year	1,450	7,277	2,421	-	11,148
Eliminations for disposals	-	(1,101)	(108)	-	(1,209)
Var. areas of consolidation	-	1	20	-	21
Reclassifications	5	35	20	-	60
Forex differences	(163)	(1,085)	(460)	-	(1,708)
At 31 December 2015	**15,470**	**146,059**	**32,396**	**-**	**193,925**
Net carrying value					
At 31 December 2015	**35,755**	**30,470**	**4,753**	**2,059**	**73,037**
At 31 December 2014	**37,999**	**27,246**	**5,388**	**3,850**	**74,483**

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

	31.12.2015	31.12.2014	Change
Land	6,624	6,900	(276)
Industrial buildings	29,131	31,099	(1,968)
Total	**35,755**	**37,999**	**(2,244)**

The net carrying value of industrial property includes an amount of €2,297,000 (€2,382,000 at 31 December 2014) relating to industrial buildings held under finance leases.

The main investments in the year aimed at increasing production capacity and the further automation of production of light alloy valves. The machinery necessary for the production launch in China was produced and production capacity at the Turkish plant was also further increased. 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 2015, the Group found no endogenous or exogenous indicators of impairment of its property, plant and equipment. As a result, the value of property, plant and equipment was not submitted to impairment testing.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2013	**13,257**
Increases	-
Disposals	-
At 31 December 2014	**13,257**
Increases	-
Disposals	(121)
At 31 December 2015	**13,136**

Accumulated depreciation and amortisation	
At 31 December 2013	**5,583**
Depreciation for the year	446
Eliminations for disposals	-
At 31 December 2014	**6,029**
Depreciation for the year	442
Eliminations for disposals	(47)
At 31 December 2015	**6,424**

Net carrying value	
At 31 December 2015	6,712
At 31 December 2014	7,228

This item includes non-operating buildings owned by the Group: these are mainly properties for residential use held for rental or sale.
At 31 December 2015, the Group 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

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
Cost					
At 31 December 2013	**9,008**	**5,877**	**3,834**	**592**	**19,311**
Increases	-	103	484	52	639
Reclassifications	-	-	-	-	-
Decreases	-	-	-	-	-
Forex differences	-	-	-	-	-
At 31 December 2014	**9,008**	**5,980**	**4,318**	**644**	**19,950**
Increases	-	193	414	155	762
Reclassifications	-	66	(47)	-	19
Decreases	-	-	-	-	-
Forex differences	-	(8)	-	-	(8)
At 31 December 2015	**9,008**	**6,231**	**4,685**	**799**	**20,723**
Amortisations/Write-downs					
At 31 December 2013	**4,563**	**5,320**	**1,668**	**470**	**12,021**
Amortisation 2014	-	208	343	19	570
Decreases	-	-	-	-	-
Forex differences	-	-	-	-	-
At 31 December 2014	**4,563**	**5,528**	**2,011**	**489**	**12,591**
Amortisation 2015	-	209	336	67	612
Decreases	-	-	-	-	-
Forex differences	-	(5)	-	-	(5)
At 31 December 2015	**4,563**	**5,732**	**2,347**	**556**	**13,198**
Net carrying value					
At 31 December 2015	**4,445**	**499**	**2,338**	**243**	**7,525**
At 31 December 2014	**4,445**	**452**	**2,307**	**155**	**7,359**

Goodwill

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

In the course of 2015 the CGU Hinges achieved better net results compared with the previous year, in terms of both the development of sales and profitability, which turned out to be largely positive and greater than the 2015 budget. The CGU has benefited from the initiatives undertaken aimed at increasing operative efficiency, from the commencement of the sales of special products and from the strengthening of the dollar, into which around 30% of the turnover is divided.

The forward plan 2016-2020, drafted at the end of 2015, plans a further gradual improvement of sales and profitability, to be considered as sustainably purchased also going forward. At 31 December 2015, the Group tested the carrying value of its CGU Hinges for impairment, determining its recoverable value, considered to be equivalent to its usable value, by discounting expected future cash flow in the forward plan drafted by the management. Cash flows for the period 2016-2020 were augmented by the so-called terminal value, which expresses the operating flows that the CGU is expected to generate from the sixth year to infinity and determined based on the perpetual income. The value of use was calculated based on a discount rate (WACC) of 8.45% (8.76% in the impairment test conducted while drafting the separate financial statements at 31 December 2015) and a growth rate (g) of 1.50%, which is in line with historical data.

The recoverable value calculated on the basis of the above-mentioned valuation assumptions and techniques is €11,764 million, compared with a carrying value of the assets allocated to the CGU Hinges of €7,203 million; consequently, the value recorded for goodwill at 31 December 2015 was deemed recoverable.

The performance of sales, profitability and orders in the first months of 2016 confirms the positive trend on which the development of the plan is 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%**
7.45%	12,921	13,337	13,788	14,279	14,815
7.95%	11,969	12,320	12,698	13,106	13,549
8.45%	11,144	11,443	11,764	12,108	12,480
8.95%	10,424	10,681	10,956	11,249	11,564
9.45%	9,788	10,012	10,249	10,501	10,771

Patents, software and know-how
Software investments include the extension of the application area and the companies covered by the Group's management system (SAP) and the realisation of the new website.

Development costs
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 for the Brazilian market (research and development activities conducted over the year are set out in the Report on Operations).

4. INVESTMENTS

	31.12.2014	Purchases of participations	Changes in the consolidation method	31.12.2015
Sabaf Appliance Components (Kunshan)	796	-	(796)	-
Sabaf US	139	-	-	139
Other shareholdings	39	26	-	65
Total	**974**	**26**	**(796)**	**204**

At the start of these consolidated financial statements the subsidiary Sabaf Appliance Component Kunshan is consolidated using the full line-by-line consolidation method rather than the net 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.

In the course of the year, a participation corresponding to 4.25% of the share capital in the public-private limited liability consortium CSMT GESTIONE s.c.a.r.l. in the amount of 25,000 euros was acquired. The participation in the CSMT permits the Sabaf Group to have access to a pool of technical competences that derive from the collaboration between universities, research centres and companies and to participate in technological innovation projects.

5. NON-CURRENT RECEIVABLES

	31.12.2015	**31.12.2014**	**Change**
Tax receivables	395	518	(123)
Guarantee deposits	35	9	26
Other	2	2	-
Total	**432**	**529**	**(97)**

Tax receivables relate to indirect taxes expected to be recovered after 2016.

6. INVENTORIES

	31.12.2015	31.12.2014	Change
Commodities	10,407	10,497	(90)
Semi-processed goods	10,564	10,355	209
Finished products	12,155	12,141	14
Obsolescence provision	(2,117)	(2,219)	102
Total	**31,009**	**30,774**	**235**

The value of final inventories at 31 December 2015 remained substantially unchanged compared with the end of the previous year. The obsolescence provision reflects the improved estimate of the obsolescence risk, based on specific analyses conducted at the end of the year on slow-moving and non-moving products.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2015	31.12.2014	Change
Italy	16,591	17,214	(623)
Western Europe	1,746	3,106	(1,360)
Eastern Europe and Turkey	9,668	8,595	1,073
Asia and Oceania	1,875	2,560	(685)
South America	4,481	3,247	1,234
Middle East and Africa	4,412	4,685	(273)
North America and Mexico	2,666	1,783	883
Gross total	**41,439**	**41,190**	**249**
Provision for doubtful accounts	(1,014)	(669)	(345)
Net total	**40,425**	**40,521**	**(96)**

At 31 December 2015, trade receivables included balances totalling approximately USD 5,023,000, booked at the EUR/USD exchange rate in effect on 31 December 2015, i.e. 1.0887. The amount of trade receivables recognised in accounts includes €2.3 million of receivables assigned on a no-recourse basis (€6.3 million at 31 December 2014) and approximately €23.5 million in insured credits (€13 million at 31 December 2014). The provision for doubtful accounts was increased during the financial year (by €345,000), mainly following the deterioration of the situation of an Italian customer.

	31.12.2015	31.12.2014	Change
Current receivables (not past due)	35,497	35,285	212
Outstanding up to 30 days	2,498	2,200	298
Outstanding from 31 to 60 days	570	932	(362)
Outstanding from 61 to 90 days	812	507	305
Outstanding for more than 90 days	2062	2,266	(204)
Total	**41,439**	**41,190**	**249**

8. TAX RECEIVABLES

	31.12.2015	31.12.2014	Change
From Giuseppe Saleri SapA for IRES	1,204	1,262	(58)
From inland revenue for VAT	70	464	(394)
From inland revenue for IRAP	614	-	614
Other tax receivables	601	664	(63)
Total	**2,489**	**2,390**	**99**

Since 2004, the 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 31 December 2015 the receivable from Giuseppe Saleri S.a.p.A. includes, at €1,159,000, the receivable 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 the Sabaf Group companies for the share pertaining to them as soon as it is refunded.

Other tax receivables mainly refer to receivables in respect of indirect Brazilian and Turkish taxes.

9. OTHER CURRENT RECEIVABLES

	31.12.2015	31.12.2014	Change
Credits to be received from suppliers	865	311	554
Advances to suppliers	170	93	77
Other	412	691	(279)
Total	**1,447**	**1,095**	**352**

At 31 December 2015 Credits to be received from suppliers included €411,000 related to the relief due to the parent company as an energy-intensive business (so-called "energy-intensive bonuses") for the years 2014 and 2015.

10. CURRENT FINANCIAL ASSETS

	31.12.2015	31.12.2014	Change
Derivative instruments on interest rates	69	-	69
Total	**69**	**0**	**69**

At 31 December 2015 this item includes the positive fair value of a USD 4,384,000 forward sale contract maturing at 31 December 2015.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €3,991,000 at 31 December 2015 (€2,958,000 at 31 December 2014) consisted of bank current account balances of approximately €3.8 million and sight deposits of approximately €0.2 million.

12. SHARE CAPITAL

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

13. TREASURY SHARES

During the financial year Sabaf S.p.A. acquired 61,571 treasury shares at an average unit price of €11,675; there have been no sales.
At 31 December 2015, the parent company Sabaf S.p.A. held 62,078 treasury shares, equal to 0.538% of share capital (507 treasury shares at 31 December 2014), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €11,653 (the market value at year-end was €11,419).
There were 11,471,372 outstanding shares at 31 December 2015 (11,532,943 at 31 December 2014).

14. LOANS

	31.12.2015		**31.12.2014**	
	Current	Non Current	Current	Non Current
Property leasing	142	1,756	138	1.898
Property mortgages	934	-	924	935
Unsecured loans	2,707	4,632	2,660	7,340
Short-term bank loans	13,666	-	9,647	-
Advances on bank receipts or invoices	5,988	-	6,203	-
Interest payable	43	-	41	-
Total	**23,480**	**8,388**	**19,613**	**10,173**

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 1.3 million and a short-term loan of 1.5 million Turkish lira.
The loans are not bound by contractual provisions (covenants).
Note 36 provides information on financial risks, pursuant to IFRS 7.

15. OTHER FINANCIAL LIABILITIES

	31.12.2015	31.12.2014	Change
Derivative instruments on foreign exchange rates	17	105	(88)
Derivative instruments on interest rates	14	-	14
Total	**31**	**105**	**(74)**

At 31 December 2015, this item included:
- the negative fair value of a term sales contract for USD 0.825 million at an exchange rate of 1.12 agreed with regard to the foreign exchange rate risk described in Note 36. Exchange rate losses of the same amount were recorded in the income statement;
- the negative fair value of an IRS hedging rate risks of an unsecured loan pending, maturing at 30 September 2019. Exchange rate losses in the same amount were recognised in the income statement.

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT RESERVES

	31.12.2015	31.12.2014
Liabilities at 1 January	**3,028**	**2,845**
Financial expenses	40	58
Amounts paid out	(105)	(158)
Actuarial gains and losses	(49)	283
Liabilities at 31 December	**2,914**	**3,028**

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. 2015	*31.12.2014*
Discount rate	1.60%	1.40%
Inflation	2.00%	2.00%

Demographic theory

	31.12. 2015	*31.12.2014*
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 of all ages	6% per year of all ages
Advance payouts	5% per year	5% per year
Retirement age	pursuant to legislation in force on 31 December 2015	pursuant to legislation in force on 31 December 2014

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 euro zone.

17. RESERVES FOR RISKS AND CONTINGENCIES

	31.12.2014	Provi-sions	Utilization	Release of excess	Exchange rate differences	31.12.2015
Reserve for agents' indemnities	335	31	-	(69)	-	297
Product guarantee fund	160	8	(108)	-	-	60
Reserve for legal risks	111	10	(1)	(70)	(12)	38
Total	**606**	**49**	**(109)**	**(139)**	**(12)**	**385**

The reserve for agents' indemnities covers amounts payable to agents if the Group 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 reserve for legal risks, set aside for moderate disputes, was partly utilized during the year for payments made to settle several outstanding disputes.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historical experience, have not been time-discounted because the effect is considered negligible.

18. TRADE PAYABLES

The geographical breakdown of trade payables was as follows:

	31.12.2015	31.12.2014	Change
Italy	15,249	15,223	26
Western Europe	2,895	2,897	(2)
Eastern Europe and Turkey	651	360	291
Asia	459	502	(43)
South America	184	255	(71)
Middle East and Africa	11	-	11
North America and Mexico	1	91	(90)
Total	**19,450**	**19,328**	**122**

Average payment terms did not change versus the previous year. At 31 December 2015, there were no overdue payables of a significant amount, and the Group had not received any injunctions for overdue payables.

19. TAX PAYABLES

	31.12.2015	31.12.2014	Change
To Giuseppe Saleri SapA for income tax	157	1,575	(1,418)
Withholding taxes	844	712	132
From inland revenue for IRAP	-	47	(47)
Other tax payables	218	119	99
Total	**1,219**	**2,453**	**(1,234)**

The payable to Giuseppe Saleri SapA relates to the balance of income tax transferred by the Group's Italian companies to the parent company as part of the tax consolidation agreement in place. The other tax payables mainly refer to loans for income tax payables of the Group's foreign companies.

20. OTHER CURRENT PAYABLES

	31.12.2015	31.12.2014	Change
Due to employees	4,032	4,160	(128)
To social security institutions	2,022	2,290	(268)
Due to agents	317	342	(25)
Prepayments from customers	103	279	(176)
Other current payables	63	84	(21)
Total	**6,538**	**7,155**	**(617)**

At the beginning of 2016, payables due to employees and social security institutions were paid in accordance with the scheduled expiry dates.

21. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2015	31.12.2014
Deferred tax assets	4,887	5,579
Deferred tax liabilities	772	(692)
Net position	**4,115**	**4,887**

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

	Deprecia-tion and amorti-sations and leasing	Provi-sions and value adjustments	Fair value of derivative instru-ments	Good will	Tax incenti-ves	Actuarial post-employ-ment benefit reserve evaluation	Other temporary differences	Total
At 31 December 2013	**(67)**	**1,453**	**5**	**1,993**	**1,156**	**155**	**244**	**4,939**
Income statement	11	(286)	29	-	77	-	(9)	(178)
Shareholders' equity	-	-	(5)	-	-	78	-	73
Forex differences	(2)	2	-	-	52	-	1	53
At 31 December 2014	**(58)**	**1,169**	**29**	**1,993**	**1,285**	**233**	**236**	**4,887**
Income statement	28	(135)	(43)	(222)	(318)	(33)	112	(611)
Shareholders' equity	-	-	-	-	-	-	-	-
Forex differences	4	(20)	-	-	(124)	-	(21)	(161)
At 31 December 2015	**(26)**	**1,014**	**(14)**	**(1,771)**	**843**	**200**	**327**	**4,115**

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 and for which a tax advantage is recognised.
At 31 December 2015 the Group's Italian companies accounted for the adjustment of the deferred taxation (reduction of the IRES rate from 27.5% to 24% from 2017 provided by the Stability Law [*Legge di Stabilità*] 2016), recognising overall a negative effect in the income statement of € 425,000 (Note 32).

22. 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:

		31.12.2015	31.12.2014	Change
A.	Cash (Note 9)	11	9	2
B.	Positive balances of unrestricted bank accounts (Note 9)	3,822	2,691	1,131
C.	Other cash equivalents	158	258	(100)
D.	**Liquidity (A+B+C)**	**3,991**	**2,958**	**1,033**
E.	Current bank payables (Note 14)	19,697	15,890	3,807
F.	Current portion of non-current debt (Note 14)	3,783	3,723	60
G.	Other non-current financial payables (Note 15)	31	105	(74)
H.	**Current financial debt (E+F+G)**	**23,511**	**19,718**	**3,793**
I.	**Current net financial debt (H-D)**	**19,520**	**16,760**	**2,760**
J.	Non-current bank payables (Note 14)	4,632	8,275	(3,643)
K.	Other non-current financial payables (Note 14)	1,756	1,898	(142)
L.	**Non-current financial debt (J+K)**	**6,388**	**10,173**	**(3,785)**
M.	**Net financial debt (I+L)**	**25,908**	**26,933**	**(1,025)**

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

Comments on key income statement items

23. REVENUES

In 2015, sales revenues totalled €138,003,000, up by €1,666,000 (+1.2%) compared with 2014.

Revenue by product family

	2015	%	2014	%	% change
Brass valves	12,689	*9.2%*	13,741	*10.1%*	-7.7%
Light alloy valves	33,784	*24.5%*	34,006	*24.9%*	-0.7%
Thermostats	10,596	*7.7%*	12,288	*9.0%*	-13.8%
Standard burners	37,789	*27.4%*	36,160	*26.5%*	+4.5%
Special burners	21,622	*15.7%*	20,251	*14.9%*	+6.8%
Accessories	13,577	*9.8%*	12,928	*9.5%*	+5.0%
Total gas parts	*130,057*	*94.3%*	*129,374*	*94.9%*	+0.5%
Hinges	7,946	*5.7%*	6,963	*5.1%*	+14.1%
Total	**138,003**	***100.0%***	**136,337**	*100%*	**+1.2%**

Revenues by geographical area

	2015	%	2014	%	% change
Italy	41,244	*29.9%*	42,277	*31.0%*	-2.4%
Western Europe	7,438	*5.4%*	8,716	*6.4%*	-14.7%
Eastern Europe	35,125	*25.5%*	36,198	*26.6%*	-3.0%
Middle East and Africa	16,759	*12.1%*	16,871	*12.4%*	-0.7%
Asia and Oceania	7,019	*5.0%*	6,907	*5.0%*	+1.6%
South America	20,815	*15.1%*	18,324	*13.4%*	+13.6%
North America and Mexico	9,603	*7.0%*	7,044	*5.2%*	+36.3%
Total	**138,003**	*100%*	**136,337**	*100%*	**+1.2%**

During 2015 there was a decrease in sales on the European markets, more marked in Western Europe also due to a further shift in production of household appliances towards countries with lower labour costs. Better results were obtained on the non-European markets, with a sizable increase in sales on the American continent, also favoured by the strong dollar.
The analysis per product family shows a rather marked decrease for valves and thermostats (more significant for brass products), a substantial stability of sales of standard burners and a good increase of sales of special burners, also thanks to the introduction of new high energy efficiency models. Particularly significant is the increase in sales of hinges, subsequent to the launch of supplies of special new models and favoured by the revaluation of the dollar compared with the euro.
Average sales prices in 2015 were around 1% lower compared with 2014.
Refer to the Report on Operations for more detailed comments on the trends that marked the Group's market over the year.

24. OTHER INCOME

	2015	2014	Change
Sale of trimmings	2,822	2,922	(100)
Contingent income	263	218	45
Rental income	117	132	(15)
Use of provisions for risks and contingencies	69	26	43
Other income	487	450	37
Total	**3,758**	**3,748**	**10**

25. MATERIALS

	2015	2014	Change
Commodities and outsourced components	49,431	49,782	(351)
Consumables	4,935	4,690	245
Total	**54,366**	**54,472**	**(106)**

The effective purchase prices of the principal raw materials (brass, aluminium and steel alloys) increased on average by around 5% versus 2014. Consumption (purchases plus change in inventory) as a percentage of sales was 38.7% in 2015, compared with 38.2% in 2014.

26. COSTS FOR SERVICES

	2015	2014	Change
Outsourced processing	9,823	10,662	(839)
Natural gas and power	4,902	5,201	(299)
Maintenance	3,556	3,999	(443)
Freight, carriage, transport	2,059	2,032	27
Advisory services	1,670	1,440	230
Directors' remuneration	1,101	868	233
Travel expenses and allowances	884	687	197
Commissions	651	881	(230)
Insurance	506	385	121
Canteen	430	400	30
Temporary agency workers	164	184	(20)
Other costs	4,013	3,136	877
Total	**29,759**	**29,875**	**(116)**

The fall in outsourced processing costs was due to the partial insourcing of some phases of burner production. The reduction in energy costs results from the reduction in the price of electrical energy and gas; consumption has remained substantially unchanged. The reduction in maintenance costs is linked to the normal cyclicality of maintenance operations; the maintenance policies, aimed at guaranteeing constant efficiency of all the production plants, did not register any changes. The increase in insurance costs is attributable to the introduction of a commercial insurance cover policy (simultaneously no-recourse factoring commissions, previously the prevalent form of credit guarantee, were reduced). Costs for advisory services related to technical (€461,000), sales (€396,000) and legal, administrative and general (€813,000) services.

Other costs included charges by customers, expenses for the registration of patents, leasing third-party assets, cleaning costs, waste disposal costs and other minor charges.

27. PERSONNEL COSTS

	2015	2014	Change
Salaries and wages	21,974	21,812	162
Social security costs	7,110	7,113	(3)
Temporary agency workers	1,340	1,406	(66)
Post-employment benefit reserve and other payroll costs	2,102	1,849	253
Total	**32,526**	**32,180**	**346**

Average Group headcount in 2015 totalled 748 employees (590 blue-collars, 145 white-collars and supervisors, 13 managers), compared with 730 in 2014 (578 blue-collars, 141 white-collars and supervisors, 11 managers). The average number of temporary staff, with supply contract, was 72 in 2015 (64 in 2014).
During the year the Group made occasional use of the temporary unemployment fund in periods characterized by low production requirements: this allowed savings in personnel costs of €333,000 (€160,000 in 2014).

28. OTHER OPERATING COSTS

	2015	2014	Change
Other non-income taxes	498	510	(12)
Other administrative expenses	127	152	(25)
Contingent liabilities	163	141	22
Losses and write-downs of trade receivables	356	115	241
Reserves for risks	18	102	(84)
Other provisions	31	22	9
Total	**1,193**	**1,042**	**151**

Non-income taxes chiefly relate to property tax.
Provisions refer to the allocations to the reserves described in Note 17.

29. WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS

	2015	2014	Change
Investment write-down	0	548	(548)
Total	**0**	**548**	**(548)**

The write-down of investments reported in 2014 refers entirely to the zeroing of the carrying value of Sabaf Mexico, whose liquidation was concluded during 2015.

30. FINANCIAL EXPENSES

	2015	2014	Change
Interest paid to banks	260	247	13
Interest paid on finance lease contracts	29	36	(7)
IRS spreads payable	14	2	12
Bank charges	237	239	(2)
Other financial expenses	55	68	(13)
Total	**595**	**592**	**3**

31. EXCHANGE RATE GAINS AND LOSSES

In 2015, the Group reported net foreign exchange losses of €89,000, versus net gains of €119,000 in 2014.
In the financial year, the subsidiary Sabaf Turkey partially reimbursed the share capital in the amount of 4 million Turkish lira to the parent company Sabaf S.p.A. This operation determined the recognition in the consolidated income statement of an exchange rate loss of €458,000, from the difference between the average exchange rate at which the capital was paid in and the exchange rate on the reimbursement date.

32. INCOME TAX

	2015	2014	Change
Current tax	3,935	3,832	103
Deferred tax	611	273	338
Balance of previous FY	(71)	(286)	215
Total	**4,475**	**3,819**	**656**

The current income taxes include the IRES of €2,616,000, the IRAP of €538,000 and foreign income taxes of €781,000 (€2,440,000, €1,177,000 and €215,000 respectively in 2014).

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 following table:

	2015	2014
Theoretical income tax	3,705	3,343
Permanent tax differences	51	90
Previous years' tax	(44)	(279)
Tax effect from different foreign tax rates	(114)	(101)
Effect of non-recoverable tax losses	149	-
Booking of tax incentives for investments in Turkey	(165)	(352)
Adjustment of the deferred taxation for a change in the IRES rate (Note 21)	425	-
Other differences	(55)	(47)
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**3,952**	**2,654**
IRAP (current and deferred)	523	1,165
Total	**4,475**	**3,819**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. 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.
No significant tax disputes were pending at 31 December 2015.

33. EARNINGS PER SHARE

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

Earnings

	2015	2014
	Euro '000	*Euro '000*
Net profit for period	8,998	8,338

Number of shares

	2015	2014
Weighted average number of ordinary shares for determining basic earnings per share	11,523,219	11,532,943
Dilutive effect from potential ordinary shares	-	-
Weighted average number of ordinary shares for determining diluted earnings per share	11,523,219	11,532,943

Earnings per share (€)

	2015	2014
Basic earnings per share	0.781	0.723
Diluted earnings per share	0.781	0.723

Basic earnings per share are calculated on the average number of outstanding shares minus treasury shares, equal to 10,231 in 2015 (507 in 2014).
Diluted earnings per share are calculated taking into account any shares approved but not yet subscribed, of which there were none in 2015 and 2014.

34. DIVIDENDS

On 27 May 2015, shareholders were paid an ordinary dividend of €0.40 per share (total dividends of €4,613,000).
The Directors have recommended payment of a dividend of €0.48 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 25 May 2016 (ex-date 23 May and record date 24 May).

35. INFORMATION BY BUSINESS SEGMENT

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

	FY 2015			FY 2014		
	Gas parts	**Hinges**	**Total**	**Gas parts**	**Hinges**	**Total**
Sales	130,048	7,955	**138,003**	129,355	6,982	**136,337**
Operating result	13,493	598	**14,091**	13,377	(202)	**13,175**

36. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

In accordance with IFRS 7, a breakdown of the financial instruments is shown below, among the categories set forth in IAS 39.

	31.12.2015	**31.12.2014**
Financial assets		
Amortised cost		
Cash and cash equivalents	3,991	2,958
Trade receivables and other receivables	41,872	41,616
Income statement fair value		
Derivative cash flow hedges	69	0
Financial liabilities		
Amortised cost		
Loans	29,868	29,786
Trade payables	19,450	19,328
Income statement fair value		
Derivative cash flow hedges	31	105

The Group is exposed to financial risks related to its operations, 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 by the inability to find financial resources necessary to ensure Group operations.

It is part of the Sabaf Group'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 Group 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 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 60% 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 key currencies other than the euro to which the Group is exposed are the US dollar and the Brazilian real and the Turkish lira, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production units in Brazil and Turkey. Sales in US dollars represented 12% of total revenue in 2015, while purchases in dollars represented 3% of total revenue. Transactions in dollars were partly hedged by these derivative financial instruments: at 31 December 2015 the Group had in place forward sales contracts for a total of 5,209,000 dollars, maturing on 31 December 2016.

Sensitivity analysis

With reference to financial assets and liabilities in US dollars at 31 December 2015, a hypothetical and immediate revaluation of 10% of the euro against the dollar would have led to a loss of €417,000, without considering the pending forward sale contracts.

Interest rate risk management

The Group borrows money at a floating rate; to reach an optimum mix of floating and fixed rates in the structure of the loans, the Group assesses whether to use derivative financial instruments designating them to cash flow hedges. During the financial year, the Group concluded an interest rate swap (IRS) contract for amounts and maturities coinciding with an unsecured loan in the course of being amortised, whose residual value at 31 December 2015 is € 3,977 million. The contract was not designated as a cash flow hedge and is therefore recognised using the "fair value in the income statement" method.

Sensitivity analysis

With reference to financial assets and liabilities at variable rate at 31 December 2015 and 31 December 2014, 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:

	31.12.2015		31.12.2014	
	Financial expenses	Cash flow hedge reserve	Financial expenses	Cash flow hedge reserve
Increase of 100 base points	116	-	140	-
Decrease of 100 base points	(116)	-	(61)	-

Commodity price risk management

A significant portion of the Group's acquisitions is represented by brass, steel and aluminium alloys. Sales prices of products are generally renegotiated annually; as a result, the Group is unable to immediately 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. In 2015 and 2014, the Group did not use financial derivatives on commodities. To stabilise the rising costs of commodities, Sabaf preferred to execute transactions on the physical market, fixing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Group operates with a low debt ratio (net financial debt / shareholders' equity at 31 December 2015 of 23%, net financial debt / EBITDA of 0.99) and has unused short-term lines of credit. To minimise the risk of liquidity, the Administration and Finance Department:

- maintains a correct balance of net financial debt, financing investments with capital and with medium to long-term debt.
- verifies systematically that the short-term accrued cash flows (amounts received from customers and other income) are expected to accommodate the deferred cash flows (short-term financial debt, payments to suppliers and other outgoings);
- regularly assesses expected financial needs in order to promptly take any corrective measures.

Below is an analysis by expiration date of financial payables at 31 December 2015 and 31 December 2014:

At 31 December 2015	**Carrying value**	**Contractual financial flows**	**Within 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Short-term bank loans	19,697	19,697	17,697	2,000	-	-
Unsecured loans	7,339	7,506	700	2,099	4,707	-
Property mortgages	934	942	-	942	-	-
Finance leases	1,898	2,195	47	141	754	1,253
Total financial payables	**29,868**	**30,340**	**18,444**	**5,182**	**5,461**	**1,253**
Trade payables	19,450	19,450	18,350	1,100	-	-
Total	**49,318**	**49,790**	**36,794**	**6,282**	**5,461**	**1,253**

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
Short-term bank loans	15,891	15,891	15,891	-	-	-
Unsecured loans	10,000	10,336	702	2,105	7,529	-
Property mortgages	1,858	1,884	0	942	942	-
Finance leases	2,037	2,384	47	141	754	1,442
Total financial payables	**29,786**	**30,495**	**16,640**	**3,188**	**9,225**	**1,442**
Trade payables	19,328	19,328	18,234	1,094	-	-
Total	**49,114**	**49,823**	**34,874**	**4,282**	**9,225**	**1,442**

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 fair value be classified based on a hierarchy that reflects the significance of the input used in determining the fair value. IFRS 7 makes a distinction between 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 in the previous point, which can be observed (prices) or indirectly (derivatives from prices) on the market;
- Level 3 – input based on observable market data

The following table shows the assets and liabilities valued at fair value at 31 December 2015, by hierarchical level of fair value assessment.

	Level 1	Level 2	Level 3	Total
Current financial assets (derivatives on currency)	-	69	-	69
Total assets	**0**	**69**	**0**	**69**
Other financial liabilities (derivatives on currency)	-	17	-	17
Other financial liabilities (derivatives on interest rates)	-	14	-	14
Total liabilities	**0**	**31**	**0**	**31**

37. RELATED-PARTY TRANSACTIONS

Transactions between consolidated companies were eliminated from the consolidated financial statements and are not reported in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the balance sheet and income statement.

Impact of related-party transactions on balance sheet accounts

	Total 2015	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	40,425	-	39	-	39	0.10%
Tax receivables	2,489	1,204	-	-	1,204	48.37%
Tax payables	1,219	157	-	-	157	12.88%

	Total 2014	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	40,521	-	112	-	112	0.28%
Tax receivables	2,390	1,262	-	-	1,262	52.80%
Tax payables	2,453	1,575	-	-	1,575	64.21%

Impact of related-party transactions on income statement accounts

	Total 2015	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	3,758	10	-	-	10	0.27%
Services	(29,759)	-	(180)	(34)	(214)	0.72%

	Total 2014	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	3,748	10	-	-	10	0.27%
Services	(29,875)	-	(82)	-	(82)	0.27%
Write-downs of non-current assets	(548)	-	(548)	-	(548)	100.00%
Profits and losses from equity investments	(606)	-	(606)	-	(606)	100.00%

Transactions with the ultimate parent company, Giuseppe Saleri S.a.p.A., comprise:

- administration services provided by Sabaf S.p.A. to the parent company;
- transactions as part of the domestic tax consolidation scheme, which generated the payables and receivables shown in the tables.

Transactions are regulated by specific contracts regulated at arm's length conditions.
Transactions with non-consolidated subsidiaries were solely of a commercial nature.

Remuneration to directors, statutory auditors and executives with strategic responsibilities
Please see the 2015 Report on Remuneration for this information.

38. SHARE-BASED PAYMENTS

At 31 December 2015, there were no equity-based incentive plans for the Group's directors and employees.

39. 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 2015.

40. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to CONSOB memorandum of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the CONSOB memorandum were executed during 2015.

41. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by banks to Group employees for a total of €6,010,000 (€6,249,000 at 31 December 2014).

42. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED USING THE FULL LINE-BY-LINE CONSOLIDATION METHOD

Company name	Registered offices	Share capital	Shareholders	% ownership
Faringosi Hinges s.r.l.	Ospitaletto (BS)	EUR 90,000	SABAF S.p.A.	100%
Sabaf Immobiliare s.r.l.	Ospitaletto (BS)	EUR 25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaì (SP, Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRK 28,000,000	Sabaf S.p.A.	100%
Sabaf Appliance Components Trading Ltd.	Kunshan (China)	EUR 200,000	Sabaf S.p.A.	100%
Sabaf Appliance Components Ltd.	Kunshan (China)	EUR 4,400,000	Sabaf S.p.A.	100%

NON-CONSOLIDATED COMPANIES VALUED AT COST

Company name	Registered offices	Share capital	Shareholders	% ownership
Sabaf US Corp.	Plainfield (USA)	USD 100,000	Sabaf S.p.A.	100%

OTHER SIGNIFICANT EQUITY INVESTMENTS: NONE

43. GENERAL INFORMATION ON THE PARENT COMPANY

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: www.sabaf.it

Tax information: R.E.A. Brescia 347512
Tax identification number 03244470179
VAT number 01786910982

Appendix

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

The following table, prepared pursuant to Article 149/12 of the CONSOB Issuers' Regulation, shows fees relating to 2015 for the independent auditor and for services other than auditing provided by the same auditing firm and its network.

(€/000)	Party providing the service	Recipient	Payments pertaining to the period 2015
Audit	Deloitte & Touche S.p.A.	Direct parent company	52
	Deloitte & Touche S.p.A.	Italian subsidiaries	20
	Deloitte network	Sabaf do Brasil	23
	Deloitte network	Sabaf Turkey	25
Certification services	Deloitte & Touche S.p.A.	Direct parent company	2(1)
	Deloitte & Touche S.p.A.	Italian subsidiaries	1(1)
Other services	Deloitte & Touche S.p.A.	Direct parent company	15(2)
	Deloitte network	Sabaf do Brasil	2(3)
Total			*140*

(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
(3) tax assistance regarding transfer pricing

Certification of the Consolidated Annual Report and Accounts, in accordance with 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, paragraphs 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 consolidated annual report and accounts in the course of the financial year 2015.

They also certify that:

- the Consolidated Annual Report and Accounts:
  - 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 Legislative Decree 38/2005;
  - 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 report includes a credible analysis of the performance and results of operations and the situation of the issuer and the companies included in the area of consolidation, along with a description of the key risks and uncertainties to which they are exposed.

Ospitaletto, 22 March 2016

The Chief Executive Officer	**The Financial Reporting Officer**
Alberto Bartoli	Gianluca Beschi