

*INTERIM MANAGEMENT STATEMENT*

*AT 31 MARCH 2012*



**SABAF S.p.A.**

Via dei Carpini 1 - OSPITALETTO (BS), ITALY

Share capital: € 11,533,450 fully paid in

[www.sabaf.it](http://www.sabaf.it)

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## Group structure

### *Direct parent company*

SABAF S.p.A.

### *Subsidiaries and equity interest owned by the Group*

#### Wholly consolidated companies

Faringosi-Hinges S.r.l.	100%
Sabaf do Brasil L.tda.	100%
Sabaf Immobiliare S.r.l.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirketi (Sabaf Turkey)	100%

#### Companies booked at net equity

Sabaf Appliance Components (Kunshan) Co. Ltd	100%
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#### Unconsolidated companies

Sabaf Mexico S.A. de c.v.	100%
Sabaf US Corp.	100%

## Board of Directors

<b>Chairman</b>	Giuseppe Saleri
<b>Deputy Chairman</b>	Cinzia Saleri
<b>Deputy Chairman</b>	Gianbattista Saleri
<b>Deputy Chairman</b>	Ettore Saleri
<b>Chief Executive Officer</b>	Alberto Bartoli
<b>Director</b>	Salvatore Bragantini (*)
<b>Director</b>	Renato Camodeca (*)
<b>Director</b>	Giuseppe Cavalli (*)
<b>Director</b>	Leonardo Cossu (*)
<b>Director</b>	Fausto Gardoni (*)
<b>Director</b>	Gregorio Gitti (*)
<b>Director</b>	Nicla Picchi (*)
<b>Director</b>	Riccardo Rizza

(\*) independent directors

## Board of Statutory Auditors

<b>Chairman</b>	Alessandro Busi
<b>Statutory Auditor</b>	Anna Domenighini
<b>Statutory Auditor</b>	Enrico Broli

## Consolidated statement of financial position

	31.03.2012	31.12.2011	31.03.2011
<i>(in thousands of euro)</i>			
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Property, plant, and equipment	79,990	80,769	79,888
Investment property	7,568	7,626	7,800
Intangible assets	9,011	9,082	10,339
Equity investments	935	810	867
Non-current receivables	128	168	138
Deferred tax assets (prepaid taxes)	4,100	3,855	2,296
<b>Total non-current assets</b>	<b>101,732</b>	<b>102,310</b>	<b>101,328</b>
CURRENT ASSETS			
Inventories	26,962	26,883	28,444
Trade receivables	41,985	42,774	46,420
Tax receivables	2,038	2,512	1,774
Other current receivables	1,390	595	1,054
Current financial assets	0	0	27
Cash and cash equivalents	12,242	14,208	11,194
<b>Total current assets</b>	<b>84,617</b>	<b>86,972</b>	<b>88,913</b>
<b>TOTAL ASSETS</b>	<b>186,349</b>	<b>189,282</b>	<b>190,241</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	110,230	99,515	109,793
Net profit for period	1,700	10,775	3,785
<i>Total equity attributable to the Group parent company</i>	<i>123,463</i>	<i>121,823</i>	<i>125,111</i>
<i>Minority interest</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total shareholders' equity</b>	<b>123,463</b>	<b>121,823</b>	<b>125,111</b>
NON-CURRENT LIABILITIES			
Loans	10,631	11,939	15,148
Post-employment benefit reserve (TFR) and retirement reserves	2,525	2,509	2,617
Provisions for risks and contingencies	772	731	707
Deferred tax	327	366	265
<b>Total non-current liabilities</b>	<b>14,255</b>	<b>15,545</b>	<b>18,737</b>
CURRENT LIABILITIES			
Loans	15,081	17,032	7,969
Other financial liabilities	33	33	0
Trade payables	26,502	27,808	26,282
Tax payables	671	803	5,473
Other liabilities	6,344	6,238	6,669
<b>Total current liabilities</b>	<b>48,631</b>	<b>51,914</b>	<b>46,393</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>186,349</b>	<b>189,282</b>	<b>190,241</b>

## Consolidated income statement

<i>(in thousands of euro)</i>	Q1 2012		Q1 2011		12M 2011	
<b>CONTINUING OPERATIONS</b>						
OPERATING REVENUE AND INCOME						
Revenue	37,337	100.0%	40,253	100.0%	148,583	100.0%
Other income	961	2.6%	1,429	3.6%	5,032	3.4%
<b>Total operating revenue and income</b>	<b>38,298</b>	<b>102.6%</b>	<b>41,682</b>	<b>103.6%</b>	<b>153,615</b>	<b>103.4%</b>
OPERATING COSTS						
Materials	(14,813)	-39.7%	(17,334)	-43.1%	(59,103)	-39.8%
Change in inventories	82	0.2%	2,418	6.0%	910	0.6%
Services	(8,714)	-23.3%	(9,223)	-22.9%	(34,168)	-23.0%
Payroll costs	(7,980)	-21.4%	(8,119)	-20.2%	(30,740)	-20.7%
Other operating costs	(658)	-1.8%	(397)	-1.0%	(1,403)	-0.9%
Costs for capitalised in-house work	270	0.7%	277	0.7%	981	0.7%
<b>Total operating cost</b>	<b>(31,813)</b>	<b>-85.2%</b>	<b>(32,378)</b>	<b>-80.4%</b>	<b>(123,523)</b>	<b>-83.1%</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>						
	<b>6,485</b>	<b>17.4%</b>	<b>9,304</b>	<b>23.1%</b>	<b>30,092</b>	<b>20.3%</b>
Depreciation and amortisation	(3,235)	-8.7%	(3,046)	-7.6%	(12,420)	-8.4%
Capital gains/(losses) on disposal of non-current assets	4	0.0%	1	0.0%	23	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	(1,129)	-0.8%
<b>OPERATING PROFIT (EBIT)</b>						
	<b>3,254</b>	<b>8.7%</b>	<b>6,259</b>	<b>15.5%</b>	<b>16,566</b>	<b>11.1%</b>
Financial income	65	0.2%	25	0.1%	162	0.1%
Financial expenses	(373)	-1.0%	(291)	-0.7%	(1,308)	-0.9%
Foreign exchange gains/losses	(162)	-0.4%	(175)	-0.4%	390	0.3%
Profits and losses from equity investments	(79)	-0.2%	(88)	-0.2%	(356)	-0.2%
<b>PRE-TAX PROFIT</b>						
	<b>2,705</b>	<b>7.2%</b>	<b>5,730</b>	<b>14.2%</b>	<b>15,454</b>	<b>10.4%</b>
Income tax	(1,005)	-2.7%	(1,945)	-4.8%	(4,679)	-3.1%
Minority interests	0	0.0%	0	0.0%	0	0.0%
<b>NET PROFIT FOR PERIOD</b>						
	<b>1,700</b>	<b>4.6%</b>	<b>3,785</b>	<b>9.4%</b>	<b>10,775</b>	<b>7.3%</b>

## Consolidated comprehensive income statement

<i>(in thousands of euro)</i>	Q1 2012	Q1 2011	12M 2011
<b>NET PROFIT FOR PERIOD</b>	<b>1,700</b>	<b>3,785</b>	<b>10,775</b>
<i>Others profit/losses</i>			
Forex differences from translation of items in currency	(60)	(582)	(1,619)
Cash hedge flows	-	62	22
<b>Total profits/(losses) net of taxes</b>	<b>(60)</b>	<b>(520)</b>	<b>(1,597)</b>
<b>TOTAL PROFITS</b>	<b>1,640</b>	<b>3,265</b>	<b>9,178</b>

## Statement of changes in consolidated shareholders' equity

<i>(in thousands of euro)</i>	Share capital	Share premium reserve	Legal reserve	Own shares	Translati on reserve	Cash flow hedge reserve	Other reserves	Net profit	Total Group shareholders' equity	Minority interest	Total shareholders' equity
<b>Balance at 31.12.10</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(328)</b>	<b>3,200</b>	<b>(29)</b>	<b>78,294</b>	<b>16,867</b>	<b>121,846</b>	<b>0</b>	<b>121,846</b>
Allocation of 2010 earnings											
- Dividends paid								(9,201)	(9,201)		(9,201)
- to reserves							7,666	(7,666)	0		0
Total profit at 31.12.11					(1,619)	22	0	10,775	9,178		9,178
<b>Balance at 31.12.11</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(328)</b>	<b>1,581</b>	<b>(7)</b>	<b>85,960</b>	<b>10,775</b>	<b>121,823</b>	<b>0</b>	<b>121,823</b>
Allocation of 2011 earnings											
- carried forward							10,775	(10,775)	0		0
Total profit at 31.03.12					(60)	0	0	1,700	1,640		1,640
<b>Balance at 31.03.12</b>	<b>11,533</b>	<b>10,002</b>	<b>2,307</b>	<b>(328)</b>	<b>1,521</b>	<b>(7)</b>	<b>96,735</b>	<b>1,700</b>	<b>123,463</b>	<b>0</b>	<b>123,463</b>

## Consolidated cash flow statement

<i>(in thousands of euro)</i>	Q1 2012	Q1 2011	FY 2011
<b><i>Cash and cash equivalents at beginning of period</i></b>	<b>14,208</b>	<b>9,769</b>	<b>9,769</b>
Net profit/(loss) for period	1,700	3,785	10,775
Adjustments for:			
- Depreciation and amortisation for the period	3,235	3,046	12,420
- Realised gains/losses	(4)	(1)	(23)
Write-downs/write-backs of non-current assets	0	0	1,129
- Profits and losses from equity investments	79	88	356
- Financial income and expenses	284	246	1,146
- Income tax	1,005	1,945	4,679
Change in staff severance fund	(8)	(10)	(223)
Change in general provisions	41	(60)	(36)
<i>Change in trade receivables</i>	<i>789</i>	<i>(2,665)</i>	<i>981</i>
<i>Change in inventories</i>	<i>(79)</i>	<i>(2,362)</i>	<i>(801)</i>
<i>Change in trade payables</i>	<i>(1,306)</i>	<i>2,097</i>	<i>3,623</i>
Change in net working capital	(596)	(2,930)	3,803
Change in other receivables and payables, deferred tax liabilities	(1,475)	(922)	(387)
Payment of taxes	(121)	(12)	(10,159)
Payment of financial expenses	(349)	(271)	(1,203)
Collection of financial income	65	25	162
<b>Cash flow from operations</b>	<b>3,856</b>	<b>4,929</b>	<b>22,439</b>
<b>Net investments</b>	<b>(2,569)</b>	<b>(4,011)</b>	<b>(14,455)</b>
Repayment of loans	(4,269)	(1,291)	(5,856)
New loans	1,057	2,094	12,546
Payment of dividends	0	0	(9,201)
<b>Cash flow from operations</b>	<b>(3,212)</b>	<b>803</b>	<b>(2,511)</b>
Foreign exchange differences	(41)	(296)	(1,034)
<b>Net financial flows for the period</b>	<b>(1,966)</b>	<b>1,425</b>	<b>4,439</b>
<b><i>Cash and cash equivalents at end of period</i></b>	<b>12,242</b>	<b>11,194</b>	<b>14,208</b>
Current net financial debt	15,114	7,969	17,065
Non-current financial debt	10,631	15,148	11,939
<b>Net financial debt</b>	<b>13,503</b>	<b>11,923</b>	<b>14,796</b>

## Consolidated net financial position

<i>(in thousands of euro)</i>	31.03.2012	31.12.2011	31.03.2011
A. Cash	8	8	13
B. Positive balances of unrestricted bank accounts	9,073	11,868	10,857
C. Other liquidities	3,161	2,332	324
<b>D. Cash and cash equivalents (A+B+C)</b>	<b>12,242</b>	<b>14,208</b>	<b>11,194</b>
E. Current bank overdrafts	9,055	8,546	2,065
F. Current portion of non-current debt	6,026	8,486	5,904
G. Other current financial payables	33	33	0
<b>H. Current financial debt (E+F+G)</b>	<b>15,114</b>	<b>17,065</b>	<b>7,969</b>
<b>I. Current net financial debt (H-D)</b>	<b>2,872</b>	<b>2,857</b>	<b>(3,225)</b>
J. Non-current bank payables	8,072	9,051	11,289
K. Other non-current financial payables	2,559	2,888	3,859
<b>L. Non-current financial debt (J+K)</b>	<b>10,631</b>	<b>11,939</b>	<b>15,148</b>
<b>M. Net financial debt (L+I)</b>	<b>13,503</b>	<b>14,796</b>	<b>11,923</b>



## Explanatory notes

### *Accounting standards and area of consolidation*

The Interim Operating Report of the Sabaf Group as at 31 March 2012 has been prepared in accordance with the requirements of Article 154-ter of Italian Legislative Decree 58/1998 (Italian Consolidated Finance Act) introduced by Italian Legislative Decree 195 of 6 November 2007 (the so-called "Transparency Decree"). As such, it does not contain the information required by IAS 34.

Accounting standards and policies are the same as those adopted for preparation of the consolidated financial statements at 31 December 2011, which should be consulted for reference. Amounts are shown in thousands of Euro.

We also draw attention to the following points:

- The Interim Operating Report was prepared according to the "separation-of-periods principle" whereby the quarter in question is treated as a separate financial period. This means that the quarterly income statement reflects the ordinary and non-recurring items pertaining to the period on an accruals basis;
- the financial statements used in the consolidation process are those prepared by the subsidiaries for the period ending 31 March 2012, adjusted to comply with group accounting policies, where necessary;
- the parent company, Sabaf S.p.A., and the subsidiaries Faringosi-Hinges S.r.l., Sabaf Immobiliare S.r.l., Sabaf do Brasil Ltda and Sabaf Turkey (established in 2011 and consolidated for the first time at 30 June 2011) have been consolidated on a 100% line-by-line basis;
- the subsidiary, Sabaf Appliance Components (Kunshan) Co., Ltd., which has not initiated purchase, production and sales operations, is booked at equity;
- the subsidiaries Sabaf Mexico SA de C.V. and Sabaf US Corp. have not been consolidated as their contribution is considered immaterial for the purposes of consolidation;
- the scope of consolidation has not changed with respect to 31 December 2011.

The Interim Management Statement at 31 March 2012 has not been independently audited.

*Sales breakdown by geographical area (€'000)*

	Q1 2012	%	Q1 2011	%	% change		12M 2011	%
Italy	13,582	36.4	15,824	39.3	-14.2%		56,321	37.9
Western Europe	2,391	6.4	3,368	8.4	-29.0%		11,215	7.5
Eastern Europe	8,279	22.2	9,956	24.7	-16.8%		37,459	25.2
Asia and Oceania	3,687	9.9	3,969	9.9	-7.1%		13,328	9.0
South America	6,482	17.3	4,407	10.9	47.1%		19,838	13.4
Africa	2,039	5.5	1,659	4.1	22.9%		6,524	4.4
US, Canada & Mexico	877	2.3	1,070	2.7	-18.0%		3,898	2.6
<b>Total</b>	<b>37,337</b>	<b>100.0</b>	<b>40,253</b>	<b>100.0</b>	<b>-7.2%</b>		<b>148,583</b>	<b>100.0</b>

*Sales breakdown by product category (€'000)*

	Q1 2012	%	Q1 2011	%	% change		12M 2011	%
Brass valves	5,902	15.8	8,645	21.5	-31.7%		26,537	17.9
Light alloy valves	6,335	17.0	5,824	14.5	8.8%		23,265	15.7
Thermostats	4,083	10.9	3,483	8.6	17.2%		14,560	9.8
Standard burners	10,661	28.6	10,635	26.4	0.2%		42,631	28.7
Special burners	5,688	15.2	5,962	14.8	-4.6%		22,210	14.9
Accessories	3,054	8.2	3,247	8.1	-5.9%		10,598	7.1
<i>Total gas components</i>	<i>35,723</i>	<i>95.7</i>	<i>37,796</i>	<i>93.9</i>	<i>-5.5%</i>		<i>139,801</i>	<i>94.1</i>
<i>Hinges</i>	<i>1,614</i>	<i>4.3</i>	<i>2,457</i>	<i>6.1</i>	<i>-34.3%</i>		<i>8,782</i>	<i>5.9</i>
<b>Total</b>	<b>37,337</b>	<b>100.0</b>	<b>40,253</b>	<b>100.0</b>	<b>-7.2%</b>		<b>148,583</b>	<b>100.0</b>

## Management Statement

The Sabaf Group recorded sales revenue of €37.3 million in the first quarter of 2012, down 7.2% on the figure of €40.3 million registered in 1Q11. Performance in the quarter was heavily affected by the weakness of the Italian and other European markets. Sales in Eastern Europe also registered a marked fall, since the products manufactured by our customers in that area are mainly destined for Western European markets. The excellent results achieved in South America (sales at €6.5 million, +47% versus 1Q11), where Sabaf is rapidly gaining market share, only partly offset the decline registered in Europe. Sales on other international markets remained broadly in line with those of 1Q11.

A breakdown by product category shows that sales of light alloy valves are progressively increasing as those of brass valves decline. Sales of hinges continued to fall also in this quarter.

EBITDA for the quarter was €6.5 million, with a 17.4% margin on sales, down by 30.3% vs. €9.3 million (23.1% margin on sales) in 1Q11. The fall in profitability is largely due to reduced business volumes, which made it impossible to sufficiently absorb structural costs. Average sales prices were 1.5% lower than in the first quarter of 2011, while raw material purchase prices were slightly higher, with a negative impact of 0.5% on sales. Higher energy costs had a further negative effect, equivalent to 1% of sales. During the quarter, the Group allocated €400,000 to the doubtful account provision (bringing it up to €2 million), to take into account the growing difficulties experienced during the period by some Italian customers. EBIT for the quarter was €3.3 million, or 8.7% of sales, a fall of 48% compared with the €6.6 million of the same quarter of 2011 (15.5% of sales). Pre-tax profit amounted to €1.7 million, versus €3.8 million in 1Q11 (-55.1%).

Net investments for the quarter came to €2.6 million (€4 million in 1Q11). As at 31 March 2012, net financial debt was €13.5 million versus €14.8 million as at 31 December 2011, while shareholders' equity amounted to €123.5 million (versus €121.8 million as at 31 December 2011).

### *Business outlook*

Weak demand in Europe looks set to continue in the second quarter, while a slow, gradual recovery is expected in the second half of the year, partly thanks to the contribution of new supply contracts that will gradually come into force over the year. Information currently available points to a fall in revenues of approximately 5% for FY 2012 and lower operating profitability than in 2011.

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

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

Pursuant to Article 154-bis, paragraph 2 of Legislative Decree 58/1998 (Testo Unico della Finanza - Consolidated Finance Act), the company's Financial Reporting Officer Gianluca Beschi herewith declares that the financial disclosure contained in Sabaf S.p.A.'s Interim Management Statement at 31 March 2012 corresponds to the company's records, books and accounting entries.

*Ospitaletto (BS), 15 May 2012*

Financial Reporting Officer

Gianluca Beschi