SABAF GROUP

CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2012

GROUP STRUCTURE AND CORPORATE BODIES

Group structure

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 L.tda.	100%
Sabaf Mexico S.A. de c.v.	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.	100%

Corporate Bodies

Board of Directors

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

(*) independent directors

Board of Statutory Auditors

Chairman	Alessandro Busi
Statutory Auditor	Enrico Broli
Statutory Auditor	Anna Domenighini

Independent Auditor Deloitte & Touche S.p.A.;

Consolidated statement of financial position

	Notes	31.12.2012	31.12.2011
(in thousands of euro)			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	8,438	80,769
Investment property	2	7,393	7,626
Intangible assets	3	7,915	9,082
Equity investments	4	951	810
Non-current receivables	5	90	168
Deferred tax assets (prepaid taxes)	20	3,941	3,855
Total non-current assets		101,728	102,310
CURRENT ASSETS			
Inventories	6	24,036	26,883
Trade receivables	7	37,968	42,774
Tax receivables	8	3,627	2,512
Other current receivables	9	822	595
Cash and cash equivalents	10	6,137	14,208
Total current assets		72,590	86,972
TOTAL ASSETS		174,318	189,282
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11	11,533	11,533
Retained earnings, other reserves		99,897	99,515
Net profit for period		4,196	10,775
Total equity attributable to the Group parent company		*115,626*	*121,823*
Minority interest		*0*	*0*
Total shareholders' equity		115,626	121,823
NON-CURRENT LIABILITIES			
Loans	13	5,259	11,939
Post-employment benefit reserve (TFR) and retirement reserves	15	2,374	2,509
Provisions for risks and contingencies	16	632	731
Deferred tax	20	386	366
Total non-current liabilities		8,651	15,545
CURRENT LIABILITIES			
Loans	13	24,641	17,032
Other financial liabilities	14	33	33
Trade payables	17	18,544	27,808
Tax payables	18	806	803
Other liabilities	19	6,017	6,238
Total current liabilities		50,041	51,914
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		174,318	189,282

Consolidated income statement

(in thousands of euro)	Notes	2012	2011
CONTINUING OPERATIONS			
OPERATING REVENUE AND INCOME			
Revenue	22	130,733	148,583
Other income	23	3,661	5,032
Total operating revenue and income		**134,394**	**153,615**
OPERATING COSTS			
Materials	24	(47,748)	(59,103)
Change in inventories		(3,174)	910
Services	25	(30,989)	(34,168)
Payroll costs	26	(29,302)	(30,740)
Other operating costs	27	(2,424)	(1,403)
Costs for capitalised in-house work		1,056	981
Total operating cost		**(112,581)**	**(123,523)**
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		21,813	30,092
Depreciation and amortisation	1,2,3	(12,919)	(12,420)
Capital gains/(losses) on disposal of non-current assets		54	23
Write-downs/write-backs of non-current assets	28	(1,028)	(1,129)
OPERATING PROFIT		7,920	16,566
Financial income		219	162
Financial expenses	29	(1,162)	(1,308)
Foreign exchange gains/losses	30	(293)	390
Profits and losses from equity investments	4	(465)	(356)
PRE-TAX PROFIT		6,219	15,454
Income tax	31	(2,023)	(4,679)
Minority interests		0	0
NET PROFIT FOR THE YEAR		4,196	10,775
EARNINGS PER SHARE (EPS)	32		
Base		€0.367	€0.937
Diluted		€0.367	€0.937

Consolidated comprehensive income statement

(in thousands of euro)	2012	2011
NET PROFIT FOR THE YEAR	4,196	10,775
Others profit/losses		
Forex differences from translation of items in currency	(1,488)	(1,619)
Earnings/losses from cash flow hedges	7	22
Total profits/(losses) net of taxes for the year	(1,481)	(1,597)
TOTAL PROFITS	2,715	9,178

Statement of changes in consolidated shareholders' equity

(in thousands of euro)	Share capital	Share premium reserve	Legal reserve	Own shares	Conversion reserve	Cash flow hedge reserves	Other reserves	Net profit for period	Total Group shareholders' equity	Minority interest	Total shareholders' equity
Balance at 31.12.10	11,533	10,002	2,307	(328)	3,200	(29)	78,294	16,867	121,846	0	121,846
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		10,775	9,178		9,178
Balance at 31.12.11	11,533	10,002	2,307	(328)	1,581	(7)	85,960	10,775	121,823	0	121,823
Allocation of 2011 earnings											
- Dividends paid								(6,901)	(6,901)		(6,901)
- to reserves							3,874	(3,874)	0		0
Acquisition own shares				(2,011)					(2,011)		(2,011)
Total profit at 31.12.12					(1,488)	7		4,196	2,715		2,715
Balance at 31.12.12	11,533	10,002	2,307	(2,339)	93	0	89,834	4,196	115,626	0	115,626

Consolidated statement of cash flows

	12M 2012	12M 2011
Cash and cash equivalents at beginning of year	*14,208*	*9,769*
Net profit for period	4,196	10,775
Adjustments for:		
- Depreciation and amortisation	12,919	12,420
- Realised gains/losses	(54)	(23)
- Write-downs of non-current assets	1,028	1,129
- Losses from equity investments	465	356
- Net financial income and expenses	943	1,146
- Income tax	2,023	4,679
Change in staff severance fund	(243)	(223)
Change in general provisions	(99)	(36)
Change in trade receivables	*4,806*	*981*
Change in inventories	*2,847*	*(801)*
Change in trade payables	*(9,264)*	*3,623*
Change in net working capital	(1,611)	3,803
Change in other receivables and payables, deferred tax liabilities	(692)	(387)
Payment of taxes	(2,877)	(10,159)
Payment of financial expenses	(1,054)	(1,203)
Collection of financial income	219	162
Cash flow from operations	15,163	22,439
Investments in non-current assets		
- intangible	(778)	(786)
- tangible	(13,219)	(13,704)
- financial	(600)	(200)
Disposal of non-current assets	281	235
Net investments	(14,316)	(14,455)
Repayment of loans	(11,627)	(5,856)
New loans	12,556	12,546
Acquisition own shares	(2,011)	0
Payment of dividends	(6,900)	(9,201)
Cash flow from operations	(7,982)	(2,511)
Foreign exchange differences	(936)	(1,034)
Net financial flows for the year	(8,071)	4,439
Cash and cash equivalents at end of year	*6,137*	*14,208*
Current net financial debt	24,674	17,065
Non-current financial debt	5,259	11,939
Net financial debt (Note 21)	*23,796*	*14,796*

Explanatory Notes

ACCOUNTING STANDARDS

Statement of compliance and basis of presentation

Consolidated year-end accounts of the Sabaf Group for the financial year 2012 have been prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union. Reference to 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 is considered a going concern. The Group found that, despite the difficult economic and business climate, there were no significant uncertainties (as defined by paragraphs 25 and 26 of IAS 1) on the continuity of the Company, including due to the strong competitive position, high profitability and solidity of the financial structure.

Financial statements

The Group has adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of financial position;
- an income statement that expresses costs using a classification based on the nature of each item;
- a comprehensive income statement, which shows revenue and cost items that are not found in the profit (loss) as required or allowed by the 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 31.12.12 comprises the direct parent company Sabaf S.p.A. and the following companies that Sabaf S.p.A. controls:

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

As from these consolidated financial statements, the scope of consolidation includes Sabaf Appliance Components Trading (Kunshan) Co., Ltd., a company established in 2012 which provides the function of distributor on the Chinese market of Sabaf products made in Italy. The effects arising from consolidation of this company are negligible; as a result, the disclosure deriving from changes to the scope of consolidation is not reported in these financial statements.

The investment in subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd., a company formed in 2009 and which at 31 December 2012 had yet to initiate purchase, production and sales operations, is booked at equity, to reflect the results of the subsidiary in the consolidated financial statements, which is incurring start-up costs resulting in losses, pending the launch of sales and production activity.

Control is the power to directly or indirectly determine the financial and operating policies of an entity in order to obtain benefits from its activities. 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 Mexico and Sabaf U.S. have not been consolidated since they are immaterial for the purposes of consolidation.

Consolidation policies

The data used for consolidation have been taken from the income statements and balance sheets prepared by the directors of 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 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 to them 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.
Exchange rates used for conversion into euro of Sabaf do Brasil's annual report and accounts, prepared in Brazilian real, are in the following table:

Currency	Exchange rate at 31.12.12	Average exchange rate 2012	Exchange rate at 31.12.11	Average exchange rate 2011
Brazilian real	2.7036	2.5084	2.4159	2.3265
Turkish lira	2.3551	2.3136	2.4432	2.3378
Chinese Renminbi	8.2207	8.1058	-	-

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

	31.12.2012		31.12.2011	
Description	Net profit	Shareholders' equity	Net profit	Shareholders' equity
Net profit and shareholders' equity of parent company Sabaf S.p.A.	**2,236**	**101,794**	**11,122**	**108,463**
Shareholders' equity and net result of consolidated companies	2,413	50,666	2,390	41,989
Elimination of consolidated equity investments' carrying value	1,586	(41,189)	1,128	(34,231)
Goodwill	(1,028)	4,445	(1,129)	5,473
Equity investments booked at net equity	0	5	0	5
Intercompany eliminations:				
Dividends	(792)	0	(2,718)	0
Other intercompany eliminations	(219)	(95)	(18)	124
Group net profit and shareholders' equity	**4,196**	**115,626**	**10,775**	**121,823**

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 31.12.12, unchanged versus the previous year, are shown below:

Property, plant and equipment

These assets are reported at purchase or construction cost. The cost includes directly attributable accessory costs. These costs also include revaluations undertaken in the past based on monetary revaluation rules or pursuant to company mergers. Depreciation is calculated according to rates deemed appropriate to spread the carrying value of tangible assets over their useful working life. Estimated useful working life, in years, is as follows:

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

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

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, finance 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.

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.
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 see whether there are signs of impairment of the value of these assets. If such signs exist, the recoverable value is estimated in order to determine the write-down amount. 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 which the capitalised assets refer to) is verified by determining the value of use. The recoverable amount is the higher between the net selling price and value in use. In measuring the value of use, future cash flows net of taxes, estimated based on past experience, are discounted to their present value using a pre-tax rate that reflects fair market valuations of the present cost of money and specific asset risk. The assumptions used for calculating the value of use concerns the discount rate, growth rate, expected changes in selling prices and cost trends during the period used for calculation, during the period used for the calculation. The growth rates adopted are based on future market expectations in the relevant sector. Changes in the sale prices are based on past experience and on the expected future changes in the market. The 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 property

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

The investment in subsidiary Sabaf Appliance Components (Kunshan) Co., Ltd., a company formed in 2009 and which at 31.12.12 had yet to initiate purchase, production and sales

operations, is booked at equity, to reflect in the consolidated financial statements the results of the subsidiary, which is incurring start-up costs resulting in losses, pending the launch of sales and production activity.
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 out of purchase or production cost – determined according to the weighted average cost method – and the corresponding fair value consisting of replacement cost for purchased materials and of the presumed realisable value for finished and semi-processed products – calculated taking into account any conversion costs and direct selling costs yet to be incurred. Inventory cost includes accessory costs and the portion of direct and indirect manufacturing costs that can reasonably be assigned to inventory items. Obsolete or slow-moving stocks are written down according to their possibility of use or realisation or recovery. 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, even though they have been transferred in legal terms, continue to be recognised among “Trade receivables” until the time of related cash-in, which is never in advance of the due date with respect to the expiration date. Trade receivables overdue or assigned on a no-recourse basis are recognised with "other current receivables".

Current financial assets

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

Reserves for risks and contingencies

Reserves for risks and contingencies are provisioned to cover losses and debts, the existence of which is certain or probable, but whose amount or date of occurrence cannot be determined at the end of the year. Provisions are stated in the statement of financial position only when a legal or implicit obligation exists that determines the use of resources with an impact on profit and loss to meet that obligation and the amount can be reliably estimated. If the impact is major, provisions are calculated by discounting estimated future cash flows at an estimated pre-tax discount rate such as to reflect fair market valuations of the present cost of money and specific risks associated with the liability.

Reserve for post-employment benefit obligations

The reserve 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. Until 31 December 2006, post-employment benefits were considered to be a defined-benefit plan and accounted for in compliance with IAS 19, using the projected unit-credit method. The regulation of this fund was changed by Law 296 of 27 December 2006 as amended by subsequent

decrees and laws passed in early 2007. In light of these changes, and, in particular, for companies with at least 50 employees, post-employment benefits must now be considered a defined-benefit plan only for the portions accruing before 1 January 2007 (and not yet paid as at balance-sheet). Conversely, portions accruing after that date are treated as defined-contribution plans. Actuarial gains and losses are recognised by applying the "corridor method".

Payables

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

Loans

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

Policy for conversion of foreign-currency items

Receivables and payables originally expressed in foreign currencies are converted into euro at the exchange rates in force on the date of the transactions originating them. Forex differences realised upon collection of receivables and payment of payables in foreign currency are posted in the income statement. Income and costs relating to foreign-currency transactions are converted at the rate in force on transaction date.
At year-end, assets and liabilities expressed in foreign currencies, 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 future transactions planned.
The Group does not use derivatives for trading purposes.
Derivatives are initially recognised at cost and are then adjusted to the fair value on subsequent closing dates.
Changes in the fair value of derivatives designated and recognised as effective for hedging future cash flows relating to the 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 the fair value attributable to the risk hedged and recognised in the income statement.

Gains and losses stemming from the derivative's valuation are also posted in the income statement.
Changes in the fair value of derivatives not designated as hedging instruments are recognised in the income statement in the period when they occur.
Hedge accounting is discontinued when the hedging instrument expires, is sold or is exercised, or when it no longer qualifies as a hedge. At this time, the cumulative gains or losses of the hedging instrument recognised in equity are kept in the latter until the planned transaction actually takes place. If the transaction hedged is not expected to take place, cumulative gains or losses recognised directly in equity are transferred to the year's income statement.
Embedded derivatives included in other financial instruments or contracts are treated as separate derivatives when their risks and characteristics are not strictly related to those of their host contracts and the latter are not measured at fair value with posting of related gains and losses in the income statement.

Revenue recognition

Revenue is reported net of return sales, discounts, allowances and bonuses, as well as of the taxes directly associated with sale of goods and rendering of services.
Sales revenue is reported when the company has transferred the significant risks and rewards associated with ownership of the goods and the amount of revenue can be reliably measured.
Revenue of a financial nature is reported on an accrual-accounting 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 recognised in the income statement when it accrues, considering effective yield.

Financial expenses

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

Income taxes for the year

Income taxes include all taxes calculated on the 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 according to 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.

Own shares

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

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 dilutive effects.

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 could 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, other provisions and reserves, and electricity equalisation costs for previous years. Specifically:

Recoverable value of tangible and intangible assets

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

Provisions for credit risks

Credit is adjusted by the related provision for doubtful accounts to take into account its recoverable value. To determine the size of the write-downs, management must make subjective assessments based on the documentation and information available regarding, among other things, the customer's solvency, as well as experience and historical trends.

Provisions for inventory obsolescence

Warehouse inventories subject to obsolescence and slow turnover are periodically 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 their 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, the rates of future salary increases, mortality and resignation rates. Any change in the abovementioned assumptions could 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 could change over time and have a significant effect on the valuation of deferred tax assets.

Other provisions and reserves

In estimating the risk of potential liabilities from disputes, management relies on communications regarding the status of recovery procedures and disputes from the lawyers who represent the 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

There were no significant changes over the year to the accounting standards applied in these consolidated financial statements.

Accounting standards, amendments and interpretations effective from 1 January 2012 and not relevant for the Group

On 7 October 2010, the IASB published some amendments to *IFRS 7 – Financial instruments: Disclosures*. The amendments were issued in order to improve understanding of the derecognition (transfer) of financial assets. The adoption of this amendment did not have any effect on disclosure in the financial statements.

On 20 December 2010, the IASB issued a minor amendment to *IAS 12 – Income Taxes,* which requires a company to measure the deferred tax relating to assets assessed at the fair value, depending on how the company expects to recover the carrying amount of the asset (either through continuous use or sale). Adoption of this change has not produced any effect on assessment of the deferred tax assets at 31 December 2012.

Accounting standards not yet applicable and not adopted in advance by the Group

On 12 May 2011, the IASB issued the standard IFRS 10 – ***Consolidated Financial Statements***, which will replace SIC-12 *Consolidation – Special-purpose entities* and parts of IAS 27 – *Consolidated and separate financial statements,* which will be renamed Separate financial statements, and will regulate the accounting treatment of equity investments in the separate financial statements.

On 12 May 2011, the IASB issued standard IFRS 11 – ***Joint arrangements,*** which will replace IAS 31 – *Interests in Joint Ventures* and SIC-13 – *Joint-controlled entities – Non-monetary contributions by Venturers*.

On 12 May 2011, the IASB issued standard IFRS 12 – ***Disclosure of interests in other entities,*** a new and complete standard on the additional information to be provided in the consolidated financial statements for every type of interest, including those in subsidiaries, joint arrangements, affiliates, special purpose vehicles and other non-consolidated entities. The standard will be applied retrospectively from 1 January 2014.

On 12 May 2011, the IASB issued the standard IFRS 13 – *Fair value measurement,* which illustrates how fair value must be measured for the purpose of financial statements. It applies to all standards that require or allow for the measurement at fair value or the presentation of information based on fair value, with few exceptions. In addition, the standard requires disclosure on a wider measurement of the fair value (fair value hierarchy) than currently required by IFRS 7. The standard is applicable on a prospective basis as from 1 January 2013.

On 16 December 2011, the IASB issued some amendments to IAS 32 – *Financial instruments*: presentation to clarify the application of certain criteria regarding the offsetting of financial assets and liabilities present in IAS 32, making it more difficult. The amendments are applicable retrospectively from the years beginning on or after 1 January 2014.

On 16 December 2011, the IASB issued some amendments to IFRS 7 – *Financial instruments*: *Disclosures*. The amendment requires disclosure on the effects or potential effects of offsetting financial assets and liabilities on the statement of financial position of a company. The amendments are applicable from the financial years beginning on or after 1 January 2013. The information must be supplied retrospectively.

On 16 June 2011, the IASB issued an amendment to IAS 1 – *Presentation of financial statements* to require companies to group all the components presented under "Other comprehensive income" according to whether or not they can be subsequently reclassified to the income statement. The amendment is applicable from the years beginning on or after 1 July 2012.

On 16 June 2011, the IASB issued an amendment to IAS 19 – *Employee Benefits,* which eliminates the option to defer the recognition of actuarial gains and losses with the corridor method, requiring that recognition of actuarial gains and losses be immediately recorded under the item "Other comprehensive income" so that the entire net amount of the funds for defined benefits (net of the assets servicing the plan) be booked under consolidated financial statements. The amendments also requires that changes in the provision for defined benefits and assets to service the plan between one financial year and the next must be split into three parts: the cost components related to employees providing services in the year must be recorded in the income statement as "service costs"; the net financial charges calculated applying the appropriate discount rate to the net balance of the fund for defined benefits, net of assets at the start of the year must be booked to the income statement as such, and the actuarial gains and losses resulting from the remeasurement of assets and liabilities must be booked under "Other comprehensive income". Furthermore, the interest on assets included under net financial charges must be calculated as above, based on the discount rate of the liabilities and no longer on the expected return on the assets. Finally, the amendment introduced new information to be provided in the Explanatory Notes to the Financial Statements. The amendment is applicable retrospectively as of the year beginning after or as from 1 January 2013. As a result, starting from 1 January 2013, the Group will record the actuarial losses accumulated at 31 December 2012, in compliance with the new version of the IAS 19, which come to € 554,000.

Comments on significant balance sheet items

1. PROPERTY, PLANT AND EQUIPMENT

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31.12.10	**44,623**	**148,453**	**27,774**	**4,262**	**225,112**
Increases	3,615	6,318	2,053	1,718	13,704
Disposals	-	(397)	(277)	-	(674)
Reclassifications	1,183	1,639	87	(2,909)	-
Forex differences	(283)	(558)	(143)	-	(984)
At 31.12.11	**49,138**	**155,455**	**29,494**	**3,071**	**237,158**
Increases	2,951	5,520	2,018	2,730	13,219
Disposals	-	(804)	(344)	(8)	(1,156)
Reclassifications	1,403	1,162	37	(2,612)	(10)
Forex differences	(310)	(664)	(197)	46	(1,125)
At 31.12.12	**53,182**	**160,669**	**31,008**	**3,227**	**248,086**
Accumulated depreciation					
At 31.12.10	**8,773**	**114,797**	**22,472**	-	**146,042**
Depreciation of the year	1,192	7,901	2,144	-	11,237
Eliminations for disposals	-	(364)	(217)	-	(581)
Reclassifications	29	46	15	-	90
Forex differences	(30)	(272)	(97)	-	(399)
At 31.12.11	**9,964**	**122,108**	**24,317**	-	**156,389**
Depreciation of the year	1,408	8,137	2,215	-	11,760
Eliminations for disposals	-	(709)	(274)	-	(983)
Reclassifications	7	35	12	-	54
Forex differences	(48)	(383)	(141)	-	(572)
At 31.12.12	**11,331**	**129,188**	**26,129**	-	**166,648**
				-	
Carrying value					
At 31.12.12	**41,851**	**31,481**	**4,879**	**3,227**	**81,438**
At 31.12.11	**39,174**	**33,347**	**5,177**	**3,071**	**80,769**

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

	31.12.2012	31.12.2011	Change
Land	7,150	7,233	(83)
Industrial buildings	34,701	31,941	2,760
Total	**41,851**	**39,174**	**2,677**

The carrying value of industrial property includes an amount of €7,744,000 (€8,031,000 at 31 December 2011) relating to industrial buildings and related land held under finance leases.
Investments include €6.2 million for completion of the new production site of Manisa (Turkey), where the plant and machinery were installed for burner production. Furthermore, investments were made in maintenance and replacement, chiefly in the die-casting division, to keep the property, plant and equipment constantly up to date.

At 31.12.12, 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 31.12.10	12,257
Increases	-
Disposals	-
At 31.12.11	12,257
Increases	-
Disposals	-
At 31.12.12	12,257

Accumulated depreciation	
At 31.12.10	4,398
Depreciation of the year	233
Write-downs for impairment	-
Eliminations for disposals	-
At 31.12.11	4,631
Depreciation of the year	233
Write-downs for impairment	-
Eliminations for disposals	-
At 31.12.12	4,864

Carrying value	
At 31.12.12	7,393
At 31.12.11	7,626

This entry includes non-instrumental property belonging to the Group. This is mainly property for residential use reserved for lease or sale.
At 31.12.12, the Group found no endogenous or exogenous indicators of impairment of its investment property.

3. INTANGIBLE ASSETS

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
Cost					
At 31.12.10	9,008	5,172	2,805	511	17,496
Increases	-	103	648	35	786
Decreases	-	(3)	(5)	-	(8)
At 31.12.11	9,008	5,272	3,448	546	18,274
Increases	-	451	531	12	994
Decreases	-	(4)	(214)	-	(218)
At 31.12.12	9,008	5,729	3,765	558	19,060
Amortisation/Write-downs					
At 31.12.10	2,406	3,468	837	376	7,087
Amortisation 2011	-	672	266	17	955
Write-downs	1,129	-	-	-	1,129
Decreases/Adjustments	-	(3)	-	24	21
At 31.12.11	3,535	4,137	1,103	417	9,192
Amortisation 2012	-	620	274	33	927
Write-downs	1,028	-	-	-	1,028
Decreases/Adjustments	-	(2)	-	-	(2)
At 31.12.12	4,563	4,757	1,377	450	11,145
Carrying value					
At 31.12.12	4,445	974	2,388	108	7,915
At 31.12.11	5,473	1,135	2,345	129	9,082

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

The Hinges CGU reported significantly lower results in 2012, further to an additional deterioration in the reference market. In view of this situation, the Group intensified its efforts to restart the CGU. In the coming years, sustained demand of special products (including dampened springs, which enable a softer opening and closing of the oven door) is expected on the European market. The Group has developed new products that deliver performance not presently available on the market and has also initiated new contacts for customers to introduce these products. The plan 2013-2016, drawn up at the end of 2012, projects an uptick in sales and profitability, to which the new products will make a contribution.
At 31 December 2012, Sabaf S.p.A. tested the carrying value of its Hinges CGU for impairment, determining its recoverable value, considered to be equivalent to its usable value, by discounting expected future cash flow. However, given that there are various elements of uncertainty implicit in realising this plan, it was considered preferable to prepare a multi-scenario analysis, which incorporates the following three hypotheses:
- a "best estimate" scenario, which reflects the subsidiary's plan and considers 100% of flows from the new products;
- a "steady state" scenario (or "worst case"), which completely excludes flows from the new products and foresees the continuation of the present state;

- an intermediate scenario, which incorporates the realisation risk and considers only 75% of flows related to the new products. The 75% weighting was chosen by management based on the probability of success of the new products that the Group intends to introduce, considering the state of progress of the development projects (mostly already completed) and the advancement of the commercial transactions (being finalised for significant volumes of incremental sales). Impairment testing was done considering the last scenario, as it is considered achievable based on the above considerations.

Cash flows for the period 2013-2016 were augmented by the so-called terminal value, which expresses the operating flows that the company expects to generate from the fifth year in perpetuity and determined based on perpetual income. The value of use was calculated based on a discount rate (WACC) of 8.52% (8.84% in the impairment test conducted while drafting the consolidated financial statements at 31 December 2011) and a growth rate (g) of 1.50%, which is in line with historic data.

The recoverable value determined based on the assumptions and assessment techniques mentioned above is €7.4 million, compared with a carrying value of the assets allocated to the Hinges CGU of €8.4 million; goodwill was therefore written down by approximately €1 million in these consolidated financial statements.

Sensitivity analysis
The table below shows the changes in recoverable value depending on changes in the WACC discount rate and growth factor g, also in the "best estimate" and "steady state" scenarios:

millions of euro	*Scenario 1 – best estimate*			*Scenario 2 – steady state*			*Scenario 3 – intermediate*		
	growth rate			*growth rate*			*growth rate*		
discount rate	1.25%	1.50%	1.75%	1.25%	1.50%	1.75%	1.25%	1.50%	1.75%
7.52%	11.2	11.6	12.1	1.8	1.9	2.0	8.4	8.8	9.1
8.02%	10.3	10.6	11.0	1.7	1.7	1.8	7.8	8.0	8.3
8.52%	9.5	9.8	10.1	1.6	1.6	1.7	7.2	7.4	7.7
9.02%	8.8	9.1	9.3	1.5	1.5	1.5	6.6	6.9	7.1
9.52%	8.2	8.4	8.7	1.4	1.4	1.4	6.2	6.4	6.6

The table shows that the value in use is highly sensitive to changes in the discount rate, the growth rate and the success of initiatives undertaken to improve the product range and adapt the production process, which is also conditioned by factors that cannot be controlled by the Group. The Board of Directors cannot therefore rule out that, in the future, the final profitability figure may diverge from that set out in forward data, requiring further goodwill impairment. Given the uncertainty of any process of estimating future events not dependent on variables that can be controlled, the directors will systematically monitor the actual balance sheet and income statement data of the Hinges CGU to assess the need to adjust forecasts and at the same time reflect any further losses in value.

Other intangible assets have a finite useful life and are consequently amortised based on this lifetime. The useful life of projects for which development costs are capitalised is estimated to be 10 years.
The main investments in the year related to the development of new products, including various versions of high-efficiency dual burners (research and development activities conducted over the

year are set out in the Report on Operations). Investments in software refer to the expansion of the application area and the reporting scope of the Group's management system (SAP).

4. EQUITY INVESTMENTS

	31.12.2011	Capital increases	Gains (losses) from equity investments	Forex differences	31.12.2012
Sabaf Appliance Components (Kunshan)	90	600	(465)	6	231
Sabaf Mexico	548	-	-	-	548
Sabaf US	139	-	-	-	139
Other shareholdings	33	-	-	-	33
Total	**810**	600	(465)	6	**951**

The value of the equity investment in Sabaf Appliance Components (Kunshan) increased by €600,000 owing to capital increases made in the period, and was reduced by €466,000 following the valuation at equity of the stake. The loss relates to the operating costs sustained by the company pending the launch of production activity on the local market.

Sabaf Mexico and Sabaf U.S. were not consolidated since they are immaterial for the purposes of consolidation and are valued at cost. At 31.12.12, the Group found no endogenous or exogenous indicators of impairment for these equity investments.

5. NON-CURRENT RECEIVABLES

	31.12.2012	31.12.2011	Change
Tax receivables	35	128	(93)
Guarantee deposits	42	9	33
Others	13	31	(18)
Total	**90**	**168**	**(78)**

6. INVENTORIES

	31.12.2012	31.12.2011	Change
Raw materials	9,239	9,363	(124)
Semi-processed goods	9,534	11,264	(1,730)
Finished products	7,524	8,280	(756)
Obsolescence provision	(2,261)	(2,024)	(237)
Total	**24,036**	**26,883**	**(2,847)**

The value of ending inventories at 31 December 2012 decreased against the reductions in business compared to a year earlier. The obsolescence provision was adjusted at year-end to reflect the updated value of the risk of obsolescence, based on year-end analyses done.

7. TRADE RECEIVABLES

The geographical breakdown of trade receivables was as follows:

	31.12.2012	31.12.2011	Change
Italy	17,739	21,482	(3,743)
Western Europe	2,146	2,501	(355)
Eastern Europe and Turkey	9,649	9,002	647
Asia and Oceania	5,122	5,569	(447)
South America	3,202	4,305	(1,103)
Africa	832	633	199
US, Canada & Mexico	714	847	(133)
Gross total	**39,404**	**44,339**	**(4,935)**
Provision for doubtful accounts	(1,436)	(1,565)	129
Net total	**37,968**	**42,774**	**(4,806)**

At 31 December 2012, trade receivables decreased in value year-on-year, essentially in line with the reduction in sales. At 31 December 2012, trade receivables included balances of USD 2,484,000, posted at the EUR/USD exchange rate as at 31 December 2012, i.e. 1.3194. The amount of trade receivables recognised in accounts includes €11.4 million of receivables assigned on a no-recourse basis (€13.3 million at 31 December 2011). The decline in average payment times that can be deduced from an analysis of receivables by age shown in the table below, as a result of the crisis on the market and some specific credit positions, is constantly monitored by the Group. The doubtful account provision reported at the start of the year was depleted to cover losses on receivables the Group incurred during 2012; at 31 December 2012, the provision was restored in the amount that reflects the best estimate of the credit risk.

	31.12.2012	31.12.2011	Change
Current receivables (not past due)	30,117	37,935	(7,818)
Outstanding up to 30 days	3,477	2,749	728
Outstanding from 30 to 60 days	678	948	(270)
Outstanding from 60 to 90 days	814	1,667	(853)
Outstanding over 90 days	4,318	1,040	3,278
Total	**40,406**	**44,339**	**(3,933)**

8. TAX RECEIVABLES

	31.12.2012	31.12.2011	Change
From Giuseppe Saleri SapA for IRES	1,694	761	933
From inland revenue for VAT	427	749	(322)
From inland revenue for IRAP	30	214	(184)
Other tax receivables	1,475	788	687
Total	**3,626**	**2,512**	**(1,114)**

As from the financial year 2004, the Italian companies of the Group took part in the national tax consolidation scheme (Group taxation) pursuant to articles 117/129 of the Unified Income Tax Law. This option was renewed in 2010 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 and the

receivable reported in the financial statements at 31.12.12 refers to the balance for income taxes transferred to the parent company.
Article 2 of Decree Law 201 of 6 December 2011, amended by Italian law 214 of 22 December 2011, establishes, as from the financial year 2012, the ability to deduct the full amount of IRAP from the IRES taxable income base, related to expenses incurred for employees or associates. Article 4 of Decree Law 16, of 2 March 2012, amended to law 44 of 26 April 2012, expanded this deduction to years prior to 2012, including the ability to apply for a refund of the higher IRES tax paid in the 48 previous months when this option was not yet available. With the order issued on 17 December 2012, the Director of Tax Revenue office approved the refund application form, setting forth the methods and deadlines for filing the form; for groups that have opted to participate in the national tax consolidation, the procedure envisages that the consolidating company (Giuseppe Saleri S.a.p.A.) requests a refund of IRES paid in relation to the deductible IRAP of the consolidated companies. Considering the matters set forth in the agreement of the national tax consolidation scheme, the consolidating company Giuseppe Saleri S.a.p.A. shall sell back to the consolidated companies the portion of refunded IRES relating to the deductible IRAP, equal to €1,103,000 which was reported as a receivable in these consolidated financial statements. The receivable held by Giuseppe Saleri S.a.p.A. also includes €591,000 for the higher estimated taxes paid by the Sabaf Group companies with respect to the actual tax charges of the year.
Other tax receivables mainly refer to receivables in respect of indirect Brazilian and Turkish taxes.

9. OTHER CURRENT RECEIVABLES

	31.12.2012	31.12.2011	Change
Receivables from factoring companies	167	167	0
Advances to suppliers	62	80	(18)
Receivables from suppliers	35	68	(33)
Others	558	280	278
Total	**822**	**595**	**227**

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €6,137,000 at 31 December 2012 (€14,208,000 at 31 December 2011) consisted of bank current-account balances of approximately €3 million and sight deposits of €3.1 million.

11. SHARE CAPITAL

At 31 December 2010, the parent company's share capital consisted of 11,533,450 shares of a par value of €1.00 each. Subscribed and paid-in share capital did not change during the year.

12. OWN SHARES

As part of the share buyback programme approved by the shareholders' meeting on 8 May 2012 and launched on 8 June 2012, Sabaf S.p.A. purchased 228,147 own shares at an average price of €8.814 per share (€2,011,000) in the fourth quarter of 2012. At 30 December 2012, Sabaf S.p.A. held 260,650 own shares (2.26% of the share capital), reported in the financial statements at a unit value of €8.973, which does not differ significantly from the market price at year-end.
The shares in circulation at 31 December 2012 number 11,272,800 (11,500,947 at 31 December 2011).

13. LOANS

	31.12.2012		31.12.2011	
	Current	Non Current	Current	Non Current
Property leasing	716	2,171	1,289	2,888
Property mortgages	900	2,771	860	3,678
Unsecured loans	2,422	317	3,838	3,873
Short-term bank loans	15,017	-	11,045	1,500
c/c overdrafts (advances on bank receipts)	5,586	-	-	-
Total	**24,641**	**5,259**	**17,032**	**11,939**

All outstanding bank loans are denominated in euro, at a floating rate linked to the Euribor, with the exception of two short-term loans of a total of USD 2 million.
To partially finance the Group's working capital, the Group has taken out short-term loans and advances on bank receipts for approximately €20.6 million.
All new loans opened in 2012 were exclusively short term, including using advances on bank receipts. Since liquidity risk is satisfactorily managed (note 35) with higher short-term debt, in the current financial market, the conditions that it is possible to obtain from the banking system are much better than the forms of medium- to long-term loans
Property mortgage loans are secured by mortgages on Group properties. Finance lease payments are guaranteed to the lessor through rights on leased assets. The loans are not bound by contractual provisions (covenants).
Note 35 provides information on financial risks, pursuant to IFRS 7.

14. OTHER FINANCIAL LIABILITIES

	31.12.2012	31.12.2011	Change
Derivative instruments on interest rates	33	33	-
Total	**33**	**33**	**0**

This item includes the negative fair value of the derivative financial instruments at year-end that hedge interest rate risks (Note 35).

15. POST-EMPLOYMENT BENEFIT RESERVE (TFR) AND RETIREMENT RESERVES

	31.12.2012		31.12.2011	
	Post-employment benefits	Retirement reserves	Post-employment benefits	Retirement reserves
Liabilities at 1 January	**2,479**	**30**	**2,607**	**20**
Social security costs	-	-	-	10
Financial expenses	108	-	108	-
Amounts paid out	(213)	(30)	(236)	-
Liabilities at 31 December	**2,374**	**0**	**2,479**	**30**

The post-employment benefit reserve (TFR) is valued on the basis of the following assumptions:

Financial assumptions

	31.12.2012	*31.12.2011*
Discount rate	2.50%	4.30%
Inflation	2.00%	2.00%

Demographic assumptions

	31.12.2012	*31.12.2011*
Mortality rate	ISTAT 2002 M/F	ISTAT 2002 M/F
Disability rate	INPS 1998 M/F	INPS 1998 M/F
Staff turnover	variable from 3% to 6% per year depending on company	variable from 3% to 6% per year depending on company
Advance payouts	variable from 5% to 7% per year depending on company	variable from 5% to 7% per year depending on company
Retirement age	in agreement with prevailing legislation at 31 December 2012	in agreement with the legislation in force from 1 January 2012

16. PROVISIONS FOR RISKS AND CONTINGENCIES

	31.12.2011	Allocations	Forex differences	Uses	Release of excess	31.12.2012
Reserve for agents' indemnities	379	13	-	-	(33)	359
Product warranty reserve	85	8	-	(33)	-	60
Reserve for legal risks	264	13	(21)	(43)		213
Other provisions for risks	3	-	-	-	(3)	0
Total	**731**	**34**	**(21)**	**(77)**	**(36)**	**632**

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. It was partially utilised in the year against returns from prior year sales and replenished at year end, leading to a provision on the basis of analyses conducted and past experience.
The reserve for tax risks and other provisions for risks, allocated for disputes of a modest size, were adjusted and used during the year following the development of existing disputes.
The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historic experience, have not been time-discounted because the effect is considered negligible.

17. TRADE PAYABLES
The geographical breakdown of trade payables was as follows:

	31.12.2012	31.12.2011	Change
Italy	16,104	23,727	(7,623)
Western Europe	1,433	2,948	(1,515)
Eastern Europe and Turkey	134	536	(402)
Asia	596	241	355
South America	151	217	(66)
US, Canada & Mexico	126	139	(13)
Total	**18,544**	**27,808**	**(9,264)**

The decrease in trade payables year-on-year is due to the lower levels of business and lower investments made in the last part of the year. At 31 December 2011, trade payables included €2.3 million related to payable for electricity equalisation costs for previous years; the Group has made arrangements with the supplier to make instalment payments. Average payment terms did not change. At 31.12.12, there were no overdue payables of a significant amount, and the Group had not received any injunctions for overdue payables.

18. TAX PAYABLES

	31.12.2012	31.12.2011	Change
Withholding taxes	754	749	5
From inland revenue for IRAP	12	-	12
Other tax payables	40	54	(14)
Total	**806**	**803**	**3**

19. OTHER CURRENT PAYABLES

	31.12.2012	31.12.2011	Change
Due to employees	3,450	3,609	(159)
Due to social security institutions	2,023	2,150	(127)
Due to agents	297	289	8
Payments to clients	165	62	103
Other current payables	82	128	(46)
Total	**6,017**	**6,238**	**(221)**

20. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2012	31.12.2011
Deferred tax assets (prepaid taxes)	3,941	3,855
Deferred tax liabilities	(386)	(366)
Net position	**3,555**	**3,489**

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

	Tax losses	Depreciation, amortisation and leasing	Provisions and value adjustments	Fair value of derivatives	Goodwill	Other temporary differences	Total
At 31.12.10	**454**	**(116)**	**1,152**	**11**	**0**	**366**	**1,867**
To the income statement	(45)	20	17	-	1,993	(303)	1,682
To shareholders' equity	-	-	-	(8)	-	-	(8)
Forex differences	(36)	-	(16)	-	-	-	(52)
At 31.12.11	**373**	**(96)**	**1,153**	**3**	**1,993**	**63**	**3,489**
To the income statement	(167)	81	86	-	-	117	117
To shareholders' equity	-	-	-	(3)	-		(3)
Forex differences	(26)	-	(16)	-	-	(6)	(48)
At 31.12.12	**180**	**(15)**	**1,223**	**0**	**1,993**	**174**	**3,555**

Prepaid taxes related to goodwill of €1,993,000 refer to the percentage of the shareholding value in Faringosi Hinges s.r.l. in 2011. The future fiscal benefit can be reported in ten annual amounts as from the financial year 2018.

At the balance-sheet date, the Group had further unused tax losses carried forward totalling approximately €1.2 million accumulated by the subsidiaries. Due to the difficulty of predicting

future taxable amounts, no prepaid tax assets were booked against the amount of these previous losses.

21. NET FINANCIAL POSITION

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

		31.12.2012	31.12.2011	Change
A.	Cash	11	8	3
B.	Positive balances of unrestricted bank accounts	2,972	11,868	(8,896)
C.	Other liquidities	3,154	2,332	822
D.	Cash and cash equivalents (A+B+C)	6,137	14,208	(8,071)
E.	Current bank payables (Note 13)	20,602	8,546	12,056
F.	Current portion of non-current debt (Note 13)	4,039	8,486	(4,447)
G.	Other current financial payables (Note 14)	33	33	0
H.	Current financial debt (E+F+G)	24,674	17,065	7,609
I.	Current net financial debt (H-D)	18,537	2,857	15,680
J.	Non-current bank payables	3,087	9,051	(5,964)
K.	Other non-current financial payables	2,172	2,888	(716)
L.	Non-current financial debt (J+K)	5,259	11,939	(6,680)
M.	Net financial debt (I+L)	23,796	14,796	9,000

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

Comments on key income statement items

22. REVENUE

Sales revenue totalled €130,733,000 in 2012, down by €17,850,000 (-12%) vs. 2011.

Revenue by product family

	2012	%	2011	%	Change %
Brass valves	18,601	14.2%	26,537	17.9%	-29.9%
Light alloy valves	23,524	18.0%	23,265	15.7%	+1.1%
Thermostats	13,074	10.0%	14,560	9.8%	-10.2%
Standard burners	39,337	30.1%	42,631	28.7%	-7.7%
Special burners	18,850	14.4%	22,210	14.9%	-15.1%
Accessories	11,226	8.6%	10,598	7.1%	+5.9%
Total gas components	*124,612*	95.3%	*139,801*	94.1%	-10.9%
Hinges	6,121	4.7%	8,782	5.9%	-30.3%
Total	**130,733**	100%	**148,583**	100%	**-12.0%**

Geographical breakdown of revenue

	2012	%	2011	%	Change %
Italy	45,597	34.9%	56,321	37.9%	-19.0%
Western Europe	7,337	5.6%	11,215	7.5%	-34.6%
Eastern Europe and Turkey	33,236	25.4%	37,459	25.2%	-11.3%
Asia and Oceania	12,306	9.4%	13,328	9.0%	-7.7%
Central and South America	21,895	16.8%	19,838	13.4%	+10.4%
Africa	6,950	5.3%	6,524	4.4%	Reference Group
US, Canada & Mexico	3,412	2.6%	3,898	2.6%	-12.5%
Total	**130,733**	100%	**148,583**	100%	**-12.0%**

As described in the Management Report, to which we refer, sales in 2012 were subjected to a marked reduction following the crisis in demand in Europe, which represents 65% of the Group's reference market. The crisis was particularly acute in Italy, largely due to the interruption or drastic decrease in business by a number of major clients. Sales on international markets have reported values in line with the previous year, with solid growth in South America and Africa.
All the product families were affected by the decrease in demand. The trend continued to replace valves in brass with light alloy valves. Average sale prices in 2012 were slightly lower than 2011.

23. OTHER INCOME

	31.12.2012	31.12.2011	Change
Sale of scraps	2,926	4,101	(1,175)
Contingent income	320	279	41
Rental income	114	111	3
Use of provisions for risks and contingencies	69	187	(118)
Dedicated equipment	-	7	(7)
Other income	232	347	(115)
Total	**3,661**	**5,032**	(1,371)

The lower sales of scraps deriving from production were a result of the lower levels of activity and technical changes to the die-casting moulds which resulted in less scrap.

24. MATERIALS

	31.12.2012	31.12.2011	Change
Raw materials and purchases	44,279	54,367	(10,088)
Consumables	3,469	4,736	(1,267)
Total	**47,748**	**59,103**	**(11,355)**

The average real purchase prices of the raw materials (brass, aluminium alloys, and steel) have not been subject to significant changes with respect to 2011. The purchase cost of the other components have not suffered significant changes. Consumption (purchases plus inventories) on sales was equal to 39% in 2012, compared to 39.2% in 2011; the decrease is due to the different mix of the products sold.

25. COSTS FOR SERVICES

	31.12.2012	31.12.2011	Change
Outsourced processing	11,407	13,059	(1,652)
Natural gas and power	5,469	6,496	(1,027)
Maintenance	4,394	4,597	(203)
Freight, carriage, transport	1,674	1,790	(116)
Advisory services	1,463	1,304	159
Directors' remuneration	1,067	992	75
Commissions	805	955	(150)
Travel expenses and allowances	572	434	138
Insurance	349	344	5
Canteen	336	395	(59)
Temporary agency workers	83	232	(149)
Other payroll costs	3,370	3,570	(200)
Total	**30,989**	**34,168**	(3,179)

In 2012, the costs of outsourced processing decreased pursuant to decreased production.
In 2012, electricity and methane costs were subject to significant increases, the impact of which was partially compensated by lower volumes used. Note that in 2011, the item "Electricity and Methane" included €1,607,000 in higher charges not posted in previous years.
The other costs for variable services have decreased in proportion to the lower levels of business compared to 2011.

26. PAYROLL COSTS

	31.12.2012	31.12.2011	Change
Salaries and wages	20,337	20,731	(394)
Social security costs	6,650	6,795	(145)
Temporary agency workers	769	1,830	(1,061)
Post-employment benefit reserve and Other payroll costs	1,546	1,384	162
Total	29,302	30,740	(1,438)

Average Group headcount in 2012 totalled 710 employees (565 blue-collars, 136 white-collars and supervisors, and 9 managers), as opposed to 713 in 2011 (560 blue-collars, 145 white-collars and supervisors, and 8 managers). The average number of temporary staff was 28 in 2012 (68 in 2011).
In the year, the Group made occasional use of the government's statutory redundancy pay scheme (*Cassa Integrazione Guadagni Ordinaria*) when production needs were low: this option allowed the Group to save €531,000 in personnel costs.

27. OTHER OPERATING COSTS

	31.12.2012	31.12.2011	Change
Other taxes	483	494	(11)
Other administration expenses	217	350	(133)
Losses and write-downs of trade receivables	1,608	250	1,358
Provisions for risks	21	167	(146)
Contingent liabilities	82	122	(40)
Others provisions	13	13	0
Dedicated equipment	-	7	(7)
Total	2,424	1,403	1,021

Non-income taxes chiefly include property tax and the tax on the disposal of municipal solid waste.
Receivables were written down to adjust the related reserve to the risk of insolvency by some clients, in view of the difficult environment on some markets and the existence of past due accounts. Provisions refer to the allocations to the reserves described in Note 16.

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

	31.12.2012	31.12.2011	Change
Goodwill impairment	1,028	1,129	(101)
Total	1,028	1,129	(101)

For details on goodwill impairment, see Note 3.

29. FINANCIAL EXPENSES

	31.12.2012	31.12.2011	Change
Interest paid to banks	631	560	71
Interest paid on finance lease contracts	75	129	(54)
IRS spreads payable	59	59	-
Banking expenses	295	461	(166)
Other finance expense	102	99	3
Total	**1,162**	**1,308**	**(146)**

30. FOREIGN EXCHANGE GAINS/LOSSES

The Group incurred net losses on currency exchange in 2012 in the amount of €293,000 (net gains of €390,000 in 2011, which included a positive non-recurring effect of €396,000, which emerged as a result of the decrease in share capital of Sabaf do Brasil). Exchange losses originated largely as a result devaluation of the Brazilian Real.

31. INCOME TAX

	31.12.2012	31.12.2011	Change
Current tax	3,263	5,412	(2,149)
Deferred tax	(125)	329	(454)
Reporting the IRES receivable, pursuant to D.L. 16/2012	(1,103)	-	(1,103)
Substitute tax, under Decree Law 98/2011	-	1,015	(1,015)
Accounting of deferred tax assets, under Decree Law 98/2011	-	(1,993)	1,993
Balance of previous FY	(12)	(84)	72
Total	**2,023**	**4,679**	**(2,656)**

Current income taxes include corporate income tax (IRES) of €1,651,000 and Italian regional business tax (IRAP) of €1,196,000 and Brazilian income tax of €416,000 (respectively €3,885,000, €1,434,000 and €93,000 in 2011).
As mentioned in Note 8, in accordance with Legislative Decree 16 of 2 March 2012, at 31 December 2012, Group companies booked the tax credit resulting from the non-deduction of IRAP for personnel costs and similar for the period 2007-2011. As a result, taxes booked in the 2012 income statement were lower by € 1,103,000.

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

	31.12.2012	31.12.2011
Theoretical income tax	1,831	4,249
Tax effect on permanent differences	296	503
Taxes relating to previous years	(19)	(50)
Tax effect from different foreign tax rates	98	7
Use of tax losses	(535)	(562)
Reporting the IRES receivable, pursuant to DL 16/2012	(1,103)	-
Other differences	235	55
Income taxes booked in the accounts, excluding IRAP and withholding taxes (current and deferred)	**803**	**4,202**
IRAP (current and deferred)	1,220	1,455
Substitute tax, under Decree Law 98/2011	-	1,015
Accounting of deferred tax assets, under Decree Law 98/2011	-	(1,993)
Total	**2,023**	**4,679**

Theoretical taxes were calculated applying the current corporate income tax (IRES) rate, i.e. 27.50%, to the pre-tax result. For the purposes of reconciliation, IRAP is not considered because its taxable base is different to that of pre-tax profit and inclusion of the tax would generate distortionary effects.

No significant tax disputes were pending at 31.12.12.

32. EARNINGS PER SHARE

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

Profit

	2012	2011
	Euro '000	*Euro '000*
Net profit for period	4,196	10,775

Number of shares

	2012	2011
Weighted average number of ordinary shares for calculating basic EPS	11,443,242	11,500,947
Dilution effect arising from potential ordinary shares	–	–
Weighted average number of ordinary shares for calculating diluted EPS	11,443,242	11,500,947

Earnings per share (€)

	2012	2011
Basic earnings per share	0.367	0.937
Diluted earnings per share	0.367	0.937

Basic earnings per share is calculated on the average number of outstanding shares minus own shares, equal to 90,208 in 2012(and 32,503 in 2011).

Diluted earnings per share is calculated taking into account any shares approved but not yet subscribed, of which there were none in 2011 and 2012.

33. DIVIDENDS

On 24 May 2012, shareholders were paid a dividend of €0.60 per share (total dividends of €6,901,000), €0.20 per share less than paid in 2010.
Directors recommended payment of a dividend of €0.35 per share this year. This dividend is subject to approval of shareholders in the annual Shareholders' Meeting of Sabaf S.p.A. and was not included under liabilities. The dividend proposed is payable to all holders of shares at 20.05.13 and is scheduled for payment as from 23.05.13.

34. INFORMATION BY BUSINESS SEGMENT

Below is the information by business segment for 2012 and 2011.

	FY 2012			FY 2011		
	Gas components	Hinges	Total	Gas components	Hinges	Total
Sales	124,631	6,102	**130,733**	139,801	8,782	**148,583**
Operating income (loss)	8,005	(85)	**7,920**	16,192	374	**16,566**

35. INFORMATION ON FINANCIAL RISK

Categories of financial instruments

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

	31.12.2012	31.12.2011
Financial assets		
Amortised cost		
Cash and cash equivalents	6,137	14,208
Commercial receivables and other receivables	38,790	43,369
Financial liabilities		
Comprehensive income statement fair value		
Derivative cash flow hedges	33	33
Amortised cost		
Loans	29,900	28,971
Trade payables	18,544	27,808

The Group is exposed to financial risks related to its operations, and mainly:
- to the risk of credit, with particular reference to the normal commercial relationships with customers;
- market risk, in relation to the volatility of the prices of commodities, exchange rates and rates;
- liquidity risk, which can be expressed with 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

The Company has trade receivables with domestic appliance manufacturers, multinational groups and smaller manufacturers present on a few or individual markets. It assesses the creditworthiness of all its customers at the start of the supply and systemically on at least an annual basis. After this assessment, each client is assigned a credit limit.
A significant amount of risk (approximately 30% of the maximum theoretical exposure) is transferred by assignment through no-recourse factoring transactions to primary financial institutions.
Credit risk relating to customers operating in emerging economies is generally attenuated by the expectation of revenue through letters of credit, confirmed by key banks.

Forex risk management

The key currencies other than the euro which the Group is exposed to are the US dollar and the Brazilian real, in relation to sales made in dollars (chiefly on some Asian and American markets) and the production unit in Brazil. Sales in US dollars represented approximately 10% of total revenue in 2012, while purchases in dollars represented about 2% of total revenue. Transactions in dollars were not hedged by derivative financial instruments.
Sensitivity analysis
With reference to financial assets and liabilities in US dollars at year-end 2012, a hypothetical and immediate revaluation of 10% of the Euro against the dollar would have led to a loss of approximately €233,000.

Interest rate risk management

The Group borrows money at a floating rate; to reach an optimal mix of floating and fixed rates in the structure of the loans, the Group uses derivative financial instruments designating them to cash flow hedges. In 2009, the Group entered into two IRS agreements to convert from a floating to fixed interest rate - from 2010 - two loans of equal amount, both falling due by the end of 2014. The chart below shows the salient characteristics of the IRS in effect at 31 December 2012 and 31 December 2011:

At 31.12.12

	average interest rates of the contracts	Notional value	Fair value
Within 1 year	2.15%	1,680	(31)
from 1 to 2 years	2.20%	321	(2)
from 2 to 3 years	-	-	-
from 3 to 5 years	-	-	-
more than 5 years	-	-	-
Total			(33)

At 31.12.11

	average interest rates of the contracts	Notional value	Fair value
Within 1 year	2.12%	4,491	(10)
from 1 to 2 years	2.14%	1,890	(22)
from 2 to 3 years	2.20%	321	(1)
from 3 to 5 years	-	-	-
more than 5 years	-	-	-
Total			(33)

Sensitivity analysis

With reference to financial assets and liabilities at floating rate at 31 December 2012 and 31 December 2011, 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:

	31.12.2012		31.12.2011	
	Financial charges	Cash flow hedge reserves	Financial charges	Cash flow hedge reserves
Increase of 100 base points	0.2	18	26	101
Decrease of 100 base points	(0.2)	(18)	(222)	(67)

Commodity price risk management

A significant portion of the Group's acquisitions are represented by brass, steel and aluminium alloys. Sale prices of products are generally renegotiated annually; as a result, the Group is unable to pass on to clients any changes in the prices of commodities during the year. The Group protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months or, alternatively, with derivative financial instruments. In 2012 and 2011, 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, establishing prices with suppliers for immediate and deferred delivery.

Liquidity risk management

The Group operates with a low debt ratio (net debt / shareholders' equity at 31 December 2012 equal to 0.21) and has unused short-term lines of credit of approximately €40 million. To minimise the risk of liquidity, the Administration and Finance Department:

- regularly assesses expected financial needs in order to make the best, most timely decisions;
- maintains correct balance of net financial debt, financing investments with capital and with medium- to long-term debt.

Below is an analysis by expiration date of the financial payables at 31 December 2012 and 31 December 2011:

At 31.12.12	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 and overdrafts	20,603	20,606	20,606	-	-	-
Unsecured loans	2,739	2,766	711	1,737	318	-
Property mortgages	3,671	3,775	-	944	2,831	-
Finance leases	2,887	3,351	347	431	754	1,819
Total financial payables	**29,900**	**30,498**	**21,664**	**3,112**	**3,903**	**1,819**
Trade payables	18,544	18,544	17,074	1,470	-	-
Total	**48,444**	**49,042**	**38,738**	**4,582**	**3,903**	**1,819**

At 31.12.11	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	8,546	8,546	8,546	-	-	-
Medium-term bank loans	4,000	4,122	1,011	1,574	1,537	-
Unsecured loans	7,711	7,957	1,004	3,010	3,943	-
Property mortgages	4,538	4,876	-	975	3,901	-
Finance leases	4,176	4,738	347	1,040	1,344	2,007
Total financial payables	**28,971**	**30,239**	**10,908**	**6,599**	**10,725**	**2,007**
Trade payables	27,808	27,808	24,663	3,145	-	-
Total	**56,779**	**58,047**	**35,571**	**9,744**	**10,725**	**2,007**

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 31 December 2010 and increased by the spread set forth in each contract.

Hierarchial levels of the fair value assessment

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

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

The following table shows the assets and liabilities that are valued at the fair value at 31.12.12, by hierarchical level of fair value assessment.

	Level 1	*Level 2*	*Level 3*	*Total*
Other financial liabilities (derivatives on currency)	-	33	-	33
Total liabilities	0	33	0	33

36. 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 2012	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	37,968	-	82	-	82	0.22%
Tax receivables	3,627	1,694	-	-	1,694	46.71%
Trade payables	18,544	-	151	-	151	0.81%

	Total 2011	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	42,774	-	89	-	89	0.21%
Tax receivables	2,512	761	-	-	761	30.29%
Trade payables	27,808	-	128	8	136	0.49%

Impact of related-party transactions on income statement accounts

	Total 2012	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	3,661	33	-	-	33	0.90%
Services	(30,989)	-	(151)	-	(151)	0.49%
Profits and losses from equity investments	(465)	-	(465)	-	(465)	100%

	Total 2011	Parent company	Unconsolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	5,032	80	-	-	80	1.59%
Materials	(59,103)	-	-	(27)	(27)	0.05%
Services	(34,168)	-	(153)	-	(153)	0.45%
Profits and losses from equity investments	(356)	-	(356)	-	(356)	100%

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. Losses from equity investments relate to the valuation of Sabaf Appliance Components (Kunshan) at equity, as described in more detail in Note 4.

Remuneration to directors, statutory auditors and executives with strategic responsibilities

Please see the 2012 Report on Remuneration for this information.

37. SHARE-BASED PAYMENTS

At 31.12.12, there were no equity-based incentive plans for the Group's directors and employees.

38. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the Consob Communication dated 28 July 2006, below is a breakdown of the significant, non-recurring events, whose consequences are reflected in the income statement, balance sheet, and cash flow of the Group:

	Shareholders' equity	Net profit	Net financial debt	Cash flow
Financial statement items (A)	115,626	4,196	23,796	(8,071)
Reporting of receivables IRES pursuant to D.L. 16/2012 (B)	(1,103)	(1,103)	-	-
Figurative financial statement value (A+B)	114,523	3,093	23,796	(8,071)

In addition to the effect of the non-recurring events mentioned above, the 2012 result incorporates €1,028,000 for the write-down of goodwill in Faringosi Hinges S.r.l., part of the normal process of valuation of the assets booked in the accounts and analytically described in Note 3 (€1,129,000 in 2011).

The net result of the financial year of 2011 included the effects of the following non-recurring events:

- electricity equalisation costs for previous years of €1,607,000 (€1,102,000 net of the tax effect);
- foreign exchange gains arising from the reduction of the share capital of Sabaf do Brasil totalling €396,000 (€287,000 net of the tax effect).

39. 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 2012.

40. 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 €7,075,000 (€7,098,000 at 31 December 2011).

41. CONSOLIDATION AREA AND SIGNIFICANT EQUITY INVESTMENTS

COMPANIES CONSOLIDATED ON A 100% LINE-BY-LINE BASIS

Company name	Registered office	Share capital	Shareholders	% ownership
Faringosi-Hinges S.r.l.	Ospitaletto (BS)	€90,000	Sabaf S.p.A.	100%
Sabaf Immobiliare S.r.l.	Ospitaletto (BS)	€25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda	Jundiaì (SP, Brazil)	BRL 27,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRK 16,000,000	Sabaf S.p.A.	100%
Sabaf Appliance Components Trading Ltd.	Kunshan (China)	EUR 70,000	Sabaf S.p.A.	100%

NON-CONSOLIDATED COMPANIES VALUED AT EQUITY

Company name	Registered office	Share capital	Shareholders	% ownership
Sabaf Appliance Components Ltd.	Kunshan (China)	EUR 1,800,000	Sabaf S.p.A.	100%

NON-CONSOLIDATED COMPANIES VALUED AT COST

Company name	Registered office	Share capital	Shareholders	% ownership
Sabaf Mexico S.A. de c.v.	San Luis Potosì (Mexico)	MXN 8,247,580	Sabaf S.p.A.	100%
Sabaf US Corp.	Plainfield (USA)	USD 100,000	Sabaf S.p.A.	100%

OTHER SIGNIFICANT EQUITY INVESTMENTS: NONE

42. 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 code 03244470179
VAT Reg. No. 01786910982

Appendix

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

The following table, prepared pursuant to Article 149/12 of the CONSOB Issuers' Regulation, shows fees relating to 2012 for the independent auditor and for services other than auditing provided by the same auditing firm and its network.

(in thousands of euro)	Party that provides the service	Recipient	Considerations for the year 2012
Audit	Deloitte & Touche S.p.A.;	Parent company	52
	Deloitte & Touche S.p.A.;	Italian subsidiaries	19
	Deloitte network	Sabaf do Brasil	26
	Deloitte network	Sabaf Turkey	20
Certification services	Deloitte & Touche S.p.A.;	Parent company	2(1)
	Deloitte & Touche S.p.A.;	Italian subsidiaries	1(1)
Other services	Deloitte & Touche S.p.A.;	Parent company	16(2)
	Deloitte network	Sabaf do Brasil	2(3)
Total			*138*

(1) signing of Unico, IRAP and 770 forms and stamp of approval of VAT declaration
(2) audit procedures relating to interim management reports, revising statements of 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, paragraph 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify

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

of the administrative and accounting principles for drafting the consolidated annual report and accounts in 2012.

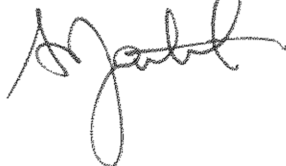
They also certify that:

- 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 as well as the measures implementing Article 9 of Leg. 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, the situation at 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, 20 March 2013

The Chief Executive Officer
Alberto Bartoli



The Financial Reporting Officer
Gianluca Beschi