

INTERIM MANAGEMENT STATEMENT

AT 30 SEPTEMBER 2019



SABAF S.p.A.
Via dei Carpini, 1 – OSPITALETTO (BS) ITALY
Fully paid-in share capital: € 11,533,450
www.sabaf.it

Table of Contents

Group structure and corporate officers	3
Consolidated statement of financial position	4
Consolidated income statement	5
Consolidated statement of comprehensive income	6
Statement of changes in consolidated shareholders' equity	7
Consolidated statement of cash flows	8
Consolidated net financial position	9
Explanatory notes	10
Statement of the Financial Reporting Officer	17

Group structure

Parent company

SABAF S.p.A.

Subsidiaries and equity interest pertaining to the Group

Companies consolidated on a line-by-line basis

Faringosi Hinges s.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited	
Sirteki (Sabaf Turkey)	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%
Sabaf Immobiliare s.r.l.	100%
A.R.C. s.r.l.	70%
Okida Elektronik Sanayi ve Tickaret A.S	100%
C.M.I. s.r.l.	68.5%
C.G.D. s.r.l.	68.5%
C.M.I. Polska Sp. Zoo.	68.5%

Non-consolidated companies

Sabaf US Corp.	100%
Handan ARC Burners Co., Ltd.	35%

Board of Directors

Chairman	Giuseppe Saleri
Vice Chairman (*)	Nicla Picchi
Chief Executive Officer	Pietro Iotti
Director	Gianluca Beschi
Director	Claudio Bulgarelli
Director	Alessandro Potestà
Director (*)	Carlo Scarpa
Director (*)	Daniela Toscani
Director (*)	Stefania Triva

(*) independent directors

Board of Statutory Auditors

Chairman	Alessandra Tronconi
Statutory Auditor	Luisa Anselmi
Statutory Auditor	Mauro Vivenzi

Consolidated statement of financial position

(€/000)	30/09/2019	31/12/2018	30/09/2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	75,139	70,765	70,272
Investment property	4,083	4,403	5,361
Intangible assets	48,391	39,054	29,540
Equity investments	375	380	281
Financial assets	60	120	120
Non-current receivables	453	188	324
Deferred tax assets	4,440	4,617	4,947
Total non-current assets	132,941	119,527	110,845
CURRENT ASSETS			
Inventories	37,641	39,179	39,308
Trade receivables	55,349	46,932	48,104
Tax receivables	4,218	4,466	2,146
Other current receivables	2,309	1,534	1,904
Financial assets	60	3,511	3,521
Cash and cash equivalents	11,002	13,426	18,405
Total current assets	110,579	109,048	113,388
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	243,520	228,575	224,233
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, Other reserves	92,897	90,555	84,374
Net profit for the period	6,792	15,614	12,370
<i>Total equity interest of the Parent Company</i>	<i>111,222</i>	<i>117,702</i>	<i>108,277</i>
<i>Minority interests</i>	<i>4,284</i>	<i>1,644</i>	<i>1,582</i>
Total shareholders' equity	115,506	119,346	109,859
NON-CURRENT LIABILITIES			
Loans	51,651	42,406	47,007
Other financial liabilities	6,379	1,938	1,883
Post-employment benefit and retirement provisions	3,461	2,632	2,680
Provisions for risks and charges	614	725	1,298
Deferred tax liabilities	3,101	3,030	854
Total non-current liabilities	65,206	50,731	53,722
CURRENT LIABILITIES			
Loans	19,790	18,435	16,957
Other financial liabilities	5,097	7,682	9,324
Trade payables	26,152	21,215	23,168
Tax payables	2,115	3,566	3,520
Other payables	9,654	7,600	7,683
Total current liabilities	62,808	58,498	60,652
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	243,520	228,575	224,233

Consolidated Income Statement

	Q3 2019		Q3 2018		9M 2019		9M 2018	
<i>(€/000)</i>								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	40,426	100.0%	38,428	100.0%	115,252	100.0%	114,441	100.0%
Other income	934	2.3%	800	2.1%	2,228	1.9%	2,468	2.2%
Total operating revenue and income	41,360	102.3%	39,228	102.1%	117,480	101.9%	116,909	102.2%
OPERATING COSTS								
Materials	(14,185)	-35.1%	(14,167)	-36.9%	(42,063)	-36.5%	(48,722)	-42.6%
Change in inventories	(2,969)	-7.3%	(809)	-2.1%	(6,656)	-5.8%	5,663	4.9%
Services	(7,282)	-18.0%	(7,385)	-19.2%	(21,702)	-18.8%	(23,699)	-20.7%
Personnel costs	(8,946)	-22.1%	(8,071)	-21.0%	(26,605)	-23.1%	(26,344)	-23.0%
Other operating costs	(932)	-2.3%	(1,393)	-3.6%	(1,511)	-1.3%	(2,046)	-1.8%
Costs for capitalised in-house work	506	1.3%	233	0.6%	1,503	1.3%	1,151	1.0%
Total operating costs	(33,808)	-83.6%	(31,592)	-82.2%	(97,034)	-84.2%	(93,997)	-82.1%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	7,552	18.7%	7,636	19.9%	20,446	17.7%	22,912	20.0%
Depreciations and amortisation	(4,048)	-10.0%	(3,057)	-8.0%	(10,737)	-9.3%	(9,360)	-8.2%
Capital gains/(losses) on disposals of non-current assets	(4)	0.0%	1	0.0%	44	0.0%	12	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OPERATING PROFIT (EBIT)								
	3,500	8.7%	4,580	11.9%	9,753	8.5%	13,564	11.9%
Financial income	46	0.1%	135	0.4%	282	0.2%	225	0.2%
Financial expenses	(457)	-1.1%	(343)	-0.9%	(1,247)	-1.1%	(748)	-0.7%
Exchange rate gains and losses	891	2.2%	2,703	7.0%	(150)	-0.1%	3,775	3.3%
Profits and losses from equity investments	0	0.0%	0	0.0%	0	0.0%	0	0.0%
PROFIT BEFORE TAXES								
	3,980	9.8%	7,075	18.4%	8,638	7.5%	16,816	14.7%
Income taxes	(606)	-1.5%	(1,912)	-5.0%	(1,630)	-1.4%	(4,324)	-3.8%
NET PROFIT FOR THE PERIOD								
	3,374	8.3%	5,163	13.4%	7,008	6.1%	12,492	10.9%
of which:								
Profit attributable to minority interests	95	0.2%	19	0.0%	216	0.2%	122	0.1%
PROFIT ATTRIBUTABLE TO THE GROUP								
	3,279	8.1%	5,144	13.4%	6,792	5.9%	12,370	10.8%

Consolidated statement of comprehensive income

<i>(€/000)</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
NET PROFIT FOR THE PERIOD	3,374	5,163	7,008	12,492
<i>Total profits/losses that will be subsequently reclassified under profit (loss) for the period:</i>				
Forex differences due to translation of financial statements in foreign currencies	1,580	(5,830)	(617)	(9,724)
Total other profits/(losses) net of taxes for the year	1,580	(5,830)	(617)	(9,724)
TOTAL PROFIT	4,954	(667)	6,391	2,768

Statement of changes in consolidated shareholders' equity

<i>(€/000)</i>	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Post-employment benefit discounting reserve	Other reserves	Profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders' equity
Balance at 31 December 2017	11,533	10,002	2,307	(4,509)	(12,194)	(550)	92,171	14,835	113,595	1,460	115,055
Allocation of 2017 profit											
- dividends paid out								(6,071)	(6,071)		(6,071)
- carried forward							8,764	(8,764)			
Purchase of treasury shares				(2,359)					(2,359)		(2,359)
IFRS 2 measurement stock grant plan							321		321		321
Other changes							518		518		518
Total profit at 31 December 2018					(3,940)	24		15,614	11,698	184	11,882
Balance at 31 December 2018	11,533	10,002	2,307	(6,868)	(16,134)	(526)	101,774	15,614	117,702	1,644	119,346
Allocation of 2018 profit											
- dividends paid out								(6,060)	(6,060)		(6,060)
- carried forward							9,554	(9,554)			
IFRS 2 measurement stock grant plan							434		434		434
Sale of treasury shares				1,521			141		1,662		1,662
Minority interests in capital and reserves - CMI Group										2,424	2,424
CMI Group put option							(8,700)		(8,700)		(8,700)
Other changes							9		9		9
Total profit at 30 September 2019					(617)			6,792	6,175	216	6,391
Balance at 30 September 2019	11,533	10,002	2,307	(5,347)	(16,751)	(526)	103,212	6,792	111,222	4,284	115,506

Consolidated statement of cash flows

(€/000)	Q3 2019	Q3 2018	9M 2019	9M 2018
<i>Cash and cash equivalents at beginning of period</i>	10,961	7,204	13,426	11,533
Net profit/(loss) for the period	3,374	5,163	7,008	12,492
Adjustments for:				
- Depreciation and amortisation for the period	4,048	3,057	10,737	9,360
- Realised gains/losses	4	(1)	(44)	(12)
- Financial income and expenses	411	208	965	523
- IFRS 2 measurement stock grant plan	176	128	434	193
- Income tax	606	1,912	1,630	4,324
Payment of post-employment benefit	(89)	(25)	63	(186)
Change in risk provisions	22	900	(111)	913
<i>Change in trade receivables</i>	<i>1,508</i>	<i>2,646</i>	<i>1,728</i>	<i>(4,175)</i>
<i>Change in inventories</i>	<i>2,754</i>	<i>861</i>	<i>6,792</i>	<i>(4,503)</i>
<i>Change in trade payables</i>	<i>(4,544)</i>	<i>(2,599)</i>	<i>(4,309)</i>	<i>2,509</i>
Change in net working capital	(282)	908	4,211	(6,169)
Change in other receivables and payables, deferred taxes	(30)	(115)	(765)	(686)
Payment of taxes	(511)	(868)	(1,382)	(1,454)
Payment of financial expenses	(457)	(322)	(1,233)	(727)
Collection of financial income	46	135	282	225
Cash flow from operations	7,318	11,080	21,795	18,796
Net investments	(3,023)	(1,904)	(7,141)	(8,536)
Repayment of loans	(6,832)	2,264	(22,265)	(8,114)
New loans	13,366	30,876	18,603	46,218
Change in financial assets	0	(3,453)	3,451	(3,394)
Purchase/sale of treasury shares	0	0	0	(2,086)
Payment of dividends	0	0	(6,060)	(6,071)
Cash flow from financing activities	6,534	29,687	(6,271)	26,553
Okida acquisition	0	(22,882)	(317)	(22,882)
C.M.I. acquisition	(10,475)	0	(10,475)	0
Foreign exchange differences	(253)	(4,780)	45	(7,059)
Net cash flows for the period	101	11,201	(2,364)	6,872
<i>Cash and cash equivalents at end of period</i>	11,062	18,405	11,062	18,405
Current financial debt	24,887	22,760	24,887	22,760
Non-current financial debt	58,030	48,890	58,030	48,890
Net financial debt	71,855	53,245	71,855	53,245

Consolidated net financial position

<i>(€/000)</i>	30/09/2019	31/12/2018	30/09/2018
A. Cash	18	19	15
B. Positive balances of unrestricted bank accounts	10,778	7,067	18,081
C. Other cash equivalents	206	6,340	309
D. Liquidity (A+B+C)	11,002	13,426	18,405
E. Current financial receivables	60	3,511	3,521
F. Current bank payables	6,432	7,233	8,150
G. Current portion of non-current debt	12,194	10,741	8,595
H. Other current financial payables	6,261	8,143	9,536
I. Current financial debt (F+G+H)	24,887	26,117	26,281
J. Net current financial debt (I-E-D)	13,825	9,180	4,355
K. Non-current bank payables	48,163	41,097	45,660
L. Other non-current financial payables	9,867	3,247	3,230
M. Non-current financial debt (K+L)	58,030	44,344	48,890
N. Net financial debt (J+M)	71,855	53,524	53,245

Explanatory notes

Accounting standards and scope of consolidation

The Interim Management Statement of the Sabaf Group at 30 September 2019 was prepared in pursuance of the Italian Stock-Exchange regulations that establish the publication of interim management statements as one of the requirements for maintaining a listing in the STAR segment of the MTA (Electronic Stock Market).

This report, drafted in continuity with the past, does not contain the information required in accordance with IAS 34.

Accounting standards and policies are the same as those adopted for the preparation of the consolidated financial statements at 31 December 2018, which should be consulted for reference, with the exception of the new IFRS 16 “Leases”, which came into force on 1 January 2019 and the effects of which are shown below. All the amounts contained in the statements included in this Interim Management Statement are expressed in thousands of euro.

We also draw attention to the following points:

- The Interim Management Statement was prepared according to the “discrete method of accounting” whereby the quarter in question is treated as a separate financial period. This means that the quarterly income statement reflects the ordinary and non-recurring items pertaining to the period on an accruals basis;
- the financial statements used in the consolidation process are those prepared by the subsidiaries for the period ended 30 September 2019, adjusted to comply with Group accounting policies, where necessary;
- the parent company, Sabaf S.p.A., and the subsidiaries Faringosi-Hinges S.r.l., A.R.C. S.r.l., Sabaf Immobiliare S.r.l., Sabaf do Brasil Ltda, Sabaf Turkey, Okida Elektronik, Sabaf Appliance Components (Kunshan) Co., Ltd. were consolidated on a 100% line-by-line basis;
- as from this Interim Management Statement, the companies of the C.M.I. Group - C.M.I. s.r.l., C.G.D. s.r.l. e C.M.I. Polska Sp. Zoo - are also consolidated. At 30 September 2019, the financial data and the results of operations of C.M.I. were consolidated only for the period for which the Group held control (31 July - 30 September 2019);
- as from this Interim Management Statement, the subsidiary Sabaf Appliance Components Trading (Kunshan) Co., Ltd. has left the scope of consolidation, following completion of its liquidation process. During the current year, the subsidiary did not contribute to the Group's economic result in that the activity had already been discontinued;
- the subsidiary companies Sabaf US Corp. and Handan ARC Ltd. were not consolidated in that irrelevant for the purposes of the consolidation.

The Interim Management Statement at 30 September 2019 has not been independently audited.

Acquisition of C.M.I. s.r.l. - Information related to IFRS 3

Starting from this Interim Management Statement, the C.M.I. Group, one of the main players in the design, production and sale of hinges for household appliances, of which the Group acquired control on 31 July 2019, was consolidated.

The purchase price allocation of the C.M.I. Group acquisition in accordance with IFRS 3 revised, at the fair value of assets, liabilities and contingent liabilities at the acquisition date, has not yet been carried out, in that, in accordance with IFRS 3 revised, this allocation could be completed within 12 months from the acquisition date.

The effects of this operation are shown in the following table:

	Original values at 31/07/2019
Assets	
Property, plant and equipment and intangible assets	8,276
Inventories	5,254
Trade receivables	10,145
Other receivables	1,253
Cash and cash equivalents	1,255
Total Assets	26,183
Liabilities	
Post-employment benefit provision	(766)
Deferred tax liabilities	(217)
Financial payables	(6,511)
Trade payables	(9,246)
Other payables	(1,733)
Total liabilities	(18,473)
Provisional fair value of net assets acquired	7,710
- % pertaining to Sabaf (68.5%) (a)	5,281
Total cost of acquisition (b)	13,392
Provisional goodwill deriving from acquisition (b-a)	8,111
Acquired cash and cash equivalents (c)	1,255
Sale in exchange of treasury shares (d)	1,662
Net cash outlay (b-c-d)	10,475

The financial payables of the C.M.I. Group at the acquisition date amounted to €6.511 million, of which €2.398 million deriving from the application of IFRS 16 according to the modified retrospective approach.

Adoption of the accounting standard IFRS 16 “Leases”

The standard, applied as from 1 January 2019, provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset in order to distinguish lease agreements from service agreements, identifying the as discriminating factors the identification of the asset, the right to replace it, the right to obtain substantially all of the economic benefits deriving from the use of the asset and the right to direct the use of the asset underlying the contract. The standard establishes a single model of recognition and measurement of the lease agreements for the lessee which requires the recognition of the asset to be leased (operating lease or otherwise) in assets offset by a financial debt, while also providing the opportunity not to recognise as leases the agreements whose subject matter are "low-value assets" and leases with a contract duration equal to or less than 12 months. By contrast, the Standard does not include significant changes for the lessors. The following table shows the effects on the consolidated statement of financial position at 30 September 2019 and on the income statement for the first nine months and for the third quarter of 2019 of the application of IFRS 16 according to the modified retrospective approach:

	Book value at 30/09/2019 in case of non-adoption of IFRS 16	Effect of IFRS 16	Book value at 30/09/2019
Assets			
Property, plant and equipment	71,895	3,244	75,139
Liabilities			
Loans beyond 12 months	55,742	2,288	58,030
Loans within 12 months	23,879	1,008	24,887
Shareholders' equity			
Retained earnings, Other reserves	92,874	23	92,897
Income Statement 9 months 2019			
Costs for services	22,114	(412)	21,702
Depreciations	10,350	387	10,737
Financial expenses	1,194	53	1,247
Income Statement Q3 2019			
Costs for services	7,505	(223)	7,282
Depreciations	3,827	221	4,048
Financial expenses	436	21	457
Economic and financial indicators			
Shareholders' equity	115,455	51	115,506
Net financial debt	68,559	3,296	71,855
<i>9m 2019</i>			
EBITDA	20,034	412	20,446
EBIT	9,727	26	9,753
Net profit for the period	6,820	(28)	6,792
<i>Q3 2019</i>			
EBITDA	7,329	223	7,552
EBIT 9	3,497	3	3,500
Net profit for the period	3,301	(22)	3,279

Sales breakdown by geographical area (Euro x 1000)

<i>(amounts in €000)</i>	Q3 2019	Q3 2018	% change	9M 2019	9M 2018	% change	2018 FY
Italy	7,283	6,181	+17.8%	24,016	24,489	-1.9%	31,579
Western Europe	2,792	2,894	-3.5%	9,292	9,013	+3.1%	12,337
Eastern Europe	14,464	10,851	+33.3%	38,750	34,483	+12.4%	46,301
Middle East and Africa	2,757	4,946	-44.3%	5,953	10,134	-41.3%	12,303
Asia and Oceania	2,698	2,516	+7.2%	7,136	5,510	+29.5%	7,590
South America	5,719	7,124	-19.7%	17,822	19,524	-8.7%	25,461
North America and Mexico	4,713	3,916	+20.4%	12,283	11,288	+8.8%	15,071
Total	40,426	38,428	+5.2%	115,252	114,441	+0.7%	150,642

Sales breakdown by product category (Euro x 1000)

<i>(amounts in €000)</i>	Q3 2019	Q3 2018	% change	9M 2019	9M 2018	% change	2018 FY
Valves and thermostats	9,491	11,610	-18.3%	31,351	37,920	-17.3%	48,463
Burners	16,017	17,881	-10.4%	48,774	51,666	-5.6%	66,953
Accessories	3,441	4,225	-18.6%	10,020	12,104	-17.2%	15,422
<i>Total gas parts</i>	<i>28,949</i>	<i>33,716</i>	<i>-14.1%</i>	<i>90,145</i>	<i>101,690</i>	<i>-11.4%</i>	<i>130,838</i>
<i>Professional burners</i>	<i>1,041</i>	<i>1,209</i>	<i>-13.9%</i>	<i>4,175</i>	<i>4,186</i>	<i>-0.3%</i>	<i>5,331</i>
<i>Hinges</i>	<i>7,839</i>	<i>2,597</i>	<i>+201.8%</i>	<i>13,569</i>	<i>7,659</i>	<i>+77.2%</i>	<i>10,436</i>
<i>Electronic components</i>	<i>2,597</i>	<i>906</i>	<i>+186.6%</i>	<i>7,363</i>	<i>906</i>	<i>+712.7%</i>	<i>4,037</i>
Total	40,426	38,428	+5.2%	115,252	114,441	0.7%	150,642

Management Statement

Results of operations

In the third quarter of 2019, the Sabaf Group reported revenue of €40.4 million, up by 5.2% compared to €38.4 million in the third quarter of 2018.

The contribution deriving from the recent acquisition of C.M.I., which generated sales of €5.1 million, more than offset a still unfavourable organic trend (taking into consideration the same scope of consolidation, sales in the third quarter were down 12%). During the period, there was a partial recovery in the Turkish and Italian markets, which mitigated the decline in sales in other important areas in which the Group operates (Middle East and South America), which were penalised by extraordinary political and economic factors.

The actions undertaken for the continuous improvement of processes efficiency allowed a significant recovery of the profitability compared to the first half of the year, despite the fact that the level of capacity utilisation is still not optimal. EBITDA for the third quarter of 2019 was 18.7% of sales, compared to 17.2% of sales in the first half of 2019, EBIT was 8.7% of sales, compared to 8.4% in the first half of 2019.

In detail, EBITDA for the third quarter of 2019 was €7.55 million, down by 1.1% compared to €7.63 million (19.9% of sales) of the third quarter of 2018. EBIT was €3.5 million, 23.6% lower than the €4.6 million recorded in the same quarter of 2018 (11.9% of sales). Profit before taxes for the third quarter of 2019 was €4 million (-43.7% compared to €7.1 million in the third quarter of 2018, when foreign exchange gains of €2.7 million were recognised). The net profit for the period was €3.3 million, compared to €5.1 million of the third quarter of 2018.

In the first nine months of 2019, revenues totalled €115.3 million, up by 0.7% over the same period of 2018 (-9.2% taking into consideration the same scope of consolidation). EBITDA was €20.4 million (equivalent to 17.7% of sales), down by 10.8%, EBIT totalled €9.8 million (or 8.5% of sales) down by 28.1%, and the net profit attributable to the Group was €6.8 million, down by 45.1% compared to the first nine months of 2018.

Acquisition of C.M.I. s.r.l.

On 31 July 2019, the Group completed the acquisition of 68.5% of the company C.M.I. s.r.l., one of the main players in the design, production and sale of hinges for household appliances (mainly for dishwashers and ovens). The C.M.I. Group operates with production units in Italy (Crespellano, BO) and Poland and, through its subsidiary C.G.D. s.r.l., is also active in the production of presses for steel and sheet metal pressed articles. The acquisition of C.M.I. s.r.l. allows the Sabaf Group to achieve a leadership position on a global scale, proposing itself also in this area as a reference partner for all manufacturers of household appliances.

As part of the acquisition, purchase options were also subscribed in favour of Sabaf for the remaining 31.5% of the share capital and simultaneous put options in favour of the seller, the Chinese group Guandong Xingye Investment, which can be exercised in two equal tranches following approval of the C.M.I. financial statements at 31 December 2019 and following approval of the C.M.I. financial statements at 31 December 2020. The strike prices are contractually defined on the basis of final income and financial parameters from the C.M.I. Group.

Pursuant to the provisions of IAS 32, the assignment of an option to sell (put option) in the terms described above required the initial recording of a liability corresponding to the estimated redemption value, expected at the time of any exercise of the option: to this end, a financial liability of €8.7 million (of which €4.2 million recognised under current financial liabilities and €4.5 million recognised under non-current financial liabilities) was recognised in these interim management statement. Note that, during the subsequent periods until the date the options are exercised, the Group will be obliged to evaluate as and when the outlay estimate and to determine the adjustment to the recorded liability, opting for the application of the fair value measurement criteria in compliance with IFRS 9.

Investments and financial position

The total investment recognised for the acquisition of C.M.I. at 30 September 2019 was €13.4 million; the operation was financed for €11.7 million with a bank loan repayable in 72 months and with the sale of Sabaf shares held in portfolio amounting to €1.7 million.

Other investments in the quarter amounted to €3 million, bringing total investments of the first nine months of 2019 to €7.1 million (€8.5 million in the same period of 2018).

At 30 September 2019, net financial debt was €71.9 million (€50.3 million at 30 June 2019), against a shareholders' equity of €115.5 million.

The financial debt increase derives from the acquisition and consolidation of C.M.I. as detailed below:

- net cash outlay for the acquisition equal to €1.5 million;
- net financial debt of the C.M.I. Group at the acquisition date (31 July 2019) amounting to €6.5 million;
- fair value of put options granted on minority interests in subsidiaries for €8.7 million.

Significant non-recurring, atypical and/or unusual transactions

During the third quarter of 2019, the Group did not engage in significant transactions qualifying as non-recurring, atypical and/or unusual, as envisaged by the CONSOB communication of 28 July 2006.

Outlook

The economic trend confirms the signs of recovery in the Turkish market, the weakness of the Middle East and an uneven trend in the other main markets in which the Group operates.

In the fourth quarter of the year, the Group expects sales revenue ranging from €42 to €44 million (of which approximately €8 million from the consolidation of C.M.I.), compared to €36 million in the fourth quarter of 2018. For the whole of 2019, the Group expects to achieve sales ranging from €158 to €160 million, compared to €150.6 million in 2018, and an EBITDA of approximately €28 million (the previous forecast indicated revenues of approximately €162 million and an EBITDA ranging from €28 to €29 million).

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

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

The Financial Reporting Officer, Gianluca Beschi, declares that, pursuant to paragraph 2, Article 154-bis of Italian Legislative Decree 58/1998 (TUF, or Consolidated Finance Act), the accounting information contained in the Interim Management Statement at 30 September 2019 of Sabaf S.p.A. corresponds to the Company's records, books and accounting entries.

Ospitaletto (BS), 12 November 2019

Financial Reporting Officer
Gianluca Beschi