

Press release

Ospitaletto (BS), 5 August 2014

## SABAF: FIRST-HALF 2014 RESULTS APPROVED

- In the first half of 2014, Sabaf booked revenue of €71.3 million (+4.2%); EBITDA of €14 million (+4.6%); EBIT of €7.7 million (+18.1%); net profit of €4.5 million (+12.9%)
- In the second quarter, revenue was €38.2 million (+3.1%); EBITDA €7.9 million (+3.9%); EBIT €4.8 million (+18.5%); net profit €2.9 million (+11.2%)
- Forecasts for moderate growth for FY 2014 versus 2013 in sales and profitability confirmed

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the interim report at 30 June 2014.

### *First-half 2014 consolidated results*

The Sabaf Group reported revenue of €71.3 million in the first half of 2014, an increase of 4.2% versus the figure of €68.4 million in the corresponding period the previous year. Revenue growth was 5.2% at constant exchange rates.

Sales in Italy remained broadly unchanged, while the Group achieved excellent results in the rest of Europe, chiefly thanks to larger orders from its leading customers. The Group put in a mixed sales performance outside Europe: excellent results in Africa and in North America were offset by a marked drop in sales in South America and Asia.

Average sale prices were down by around 2.5% versus the first half of 2013.

The product family that most contributed to the increase in sales was light alloy valves (+15%), for which, with further improvements in productivity, the Group implemented more aggressive sales policies that boosted its market share. The Group also put in a positive sales performance in special burners (+7% versus the first half of 2013), for which it began to supply new models on a large scale, and hinges (+23%).

The increase in sales was confirmed by a more than proportional improvement in profitability. EBITDA came in at €14 million (19.6% of sales, up 4.6% on the same period of 2013, when it was 19.5% of sales) and EBIT was €7.7 million (10.8% of sales, an improvement of 18.1% on the figure of €6.5 million for the first half of 2013). The drop in sales prices was more than offset by the improvement in efficiency of some processes and greater economies of scale. Pre-tax income amounted to €7.2 million in H1 2014 (€5.9 million in H1 2013), and net profit was €4.5 million (€4 million in H1 2013, an increase of 12.9%).

As of 30 June 2014, the Group had consolidated shareholders' equity of €118.8 million and net debt of €19.8 million (compared with €118 million and €16.7 million respectively at 31 December 2013), after having paid dividends of €4.6 million.

Investments in H1 2014 were €5.2 million (€4.7 million in H1 2013); the most significant investments were allocated to the industrialisation of new special burners, including the models for the Chinese and Indian markets.



Net working capital rose by €4.7 million from 31 December 2013 to €45.9 million at 30 June 2014, following higher levels of activity than in the second half of 2013, which generated a need for more stock and an increase in trade receivables.

#### *Consolidated results for the second quarter 2014*

Sales totalled €38.2 million in the second quarter of 2014, up 3.1% from the same period of 2013 (+3.9% at constant exchange rates). The Group saw an improvement in Eastern Europe (sales at €9.7 million, +38%), thanks to a substantial increase in market shares in Turkey. In contrast, the South American market experienced an intensification of the contraction recorded in the first quarter.

As in 2013, the performance in the second quarter in 2014 was much improved on the first quarter; the differing sales performance is partially attributable to the highly seasonal nature of North African and Middle Eastern markets (supplied directly and by our Italian customers).

The good levels of activity generated significant levels of profitability: second-quarter EBITDA was €7.9 million, equivalent to 20.8% of sales (+3.9% versus €7.6 million in 2Q 2013, when it was 20.7% of sales), and EBIT was €4.8 million, equivalent to 12.6% of sales (+18.5% versus €4 million in 2Q 2013, when it was 10.9% of sales). Net profit for the period was €2.9 million, up 11.2% on the figure of €2.6 million for 2Q 2013.

#### *Outlook for 2014*

The management believes that the results obtained in terms of improving market share and production efficiency will be confirmed in the second half of the year. However, the macroeconomic situation in Europe is still difficult to interpret: the recovery in demand in Italy remains modest, while more positive signs are coming from other European markets. Expectations in the main markets outside Europe in which the Group operates are extremely mixed. In light of these factors, the management confirms its forecast of a slight improvement in sales and profitability on 2013 levels for the full year.

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

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The results will be announced to the financial community at 3.00 p.m. CET today, 5 August 2014, during a conference call (call +39 02 802 09 11 a few minutes before the conference is due to start).

The interim financial statements to 30 June 2014 will be made available to the public in accordance with the law as from 6 August 2014. It will also be published on the company's website ([www.sabaf.it](http://www.sabaf.it)) the same day.

Pursuant to article 154-bis, paragraph 2 of the Italian Consolidated Finance Act (Testo Unico della Finanza), the company's Financial Reporting Officer Gianluca Beschi declares that the financial disclosure contained in this press release corresponds to the company's records, books and accounting entries.

*Annexes: consolidated financial statements*



TECHNOLOGY AND SAFETY

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*Founded in the early 1950s, SABAF has grown consistently over the years to become the key manufacturer in Italy - and one of the leading in the world - of components for kitchens and domestic gas cooking appliances.*

*The product range features four main categories: valves, thermostats and burners for gas cooking appliances and hinges for ovens, washing machines and dishwashers.*

*Unparalleled technological expertise, manufacturing flexibility, and the ability to offer a vast range of components - tailor-made to meet the requirements of individual manufacturers of cookers and built-in hobs and ovens and in line with the specific characteristics of its core markets - are SABAF's key strengths in a sector featuring major specialisation, constantly evolving demand and an ever-increasing orientation towards products assuring total reliability and safety.*

*The Sabaf Group has more than 700 employees. It operates through its direct parent company Sabaf SpA and the subsidiaries Faringosi Hinges (leader in the production of oven and dishwasher hinges), and Sabaf do Brasil and Sabaf Turkey, which are active in production of burners for the South American and Turkish markets.*

*Sabaf is also present through subsidiaries in the People's Republic of China, Mexico and the United States.*

Consolidated statement of financial position

<i>(in thousands of euro)</i>	30.06.2014	31.12.2013
<b>ASSETS</b>		
NON-CURRENT ASSETS		
Property, plant and equipment	75,140	75,701
Investment property	7,451	7,674
Intangible assets	7,341	7,290
Equity investments	786	905
Non-current receivables	480	426
Deferred tax assets (prepaid taxes)	5,486	5,471
<b>Total non-current assets</b>	<b>96,684</b>	<b>97,467</b>
CURRENT ASSETS		
Inventories	30,863	28,226
Trade receivables	46,557	36,442
Tax receivables	2,904	2,595
Other current receivables	1,533	874
Current financial assets	5	22
Cash and cash equivalents	2,494	5,111
<b>Total current assets</b>	<b>84,356</b>	<b>73,270</b>
ASSETS HELD FOR SALE	0	0
<b>TOTAL ASSETS</b>	<b>181,040</b>	<b>170,737</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
SHAREHOLDERS' EQUITY		
Share capital	11,533	11,533
Retained earnings, other reserves	102,802	98,318
Net profit for period	4,466	8,104
<i>Total equity attributable to the Group parent company</i>	<i>118,801</i>	<i>117,955</i>
<i>Minority interest</i>	<i>0</i>	<i>0</i>
<b>Total shareholders' equity</b>	<b>118,801</b>	<b>117,955</b>
NON-CURRENT LIABILITIES		
Loans	3,366	3,895
Post-employment benefit reserve and retirement reserves	2,776	2,845
Provisions for risks and contingencies	634	672
Deferred tax	616	532
<b>Total non-current liabilities</b>	<b>7,392</b>	<b>7,944</b>
CURRENT LIABILITIES		
Loans	18,940	17,940
Other current payables	0	2
Trade payables	24,820	18,963
Tax payables	3,252	1,494
Other liabilities	7,835	6,439
<b>Total current liabilities</b>	<b>54,847</b>	<b>44,838</b>
LIABILITIES HELD FOR SALE	0	0
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>181,040</b>	<b>170,737</b>

**Consolidated income statement**

	Q2 2014	Q2 2013	H1 2014	H1 2013
<i>(in thousands of euro)</i>				
<b>OPERATING REVENUE AND INCOME</b>				
Revenue	38,161	37,028	71,285	68,401
Other income	984	1,087	2,013	2,078
<b>Total operating revenue and income</b>	<b>39,145</b>	<b>38,115</b>	<b>73,298</b>	<b>70,479</b>
<b>OPERATING COSTS</b>				
Materials	(15,291)	(16,284)	(29,637)	(29,968)
Change in inventories	825	3,109	2,451	6,005
Services	(7,881)	(8,378)	(15,200)	(16,199)
Payroll costs	(8,776)	(8,440)	(16,793)	(16,338)
Other operating costs	(335)	(740)	(695)	(1,184)
Costs for capitalised in-house work	263	266	533	553
<b>Total operating cost</b>	<b>(31,195)</b>	<b>(30,467)</b>	<b>(59,341)</b>	<b>(57,131)</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>				
	<b>7,950</b>	<b>7,648</b>	<b>13,957</b>	<b>13,348</b>
Depreciation & Amortisation	(3,155)	(3,215)	(6,279)	(6,444)
Capital gains/(losses) on disposal of non-current assets	4	0	24	0
Write-downs/write-backs of non-current assets	0	(383)	0	(383)
<b>OPERATING PROFIT (EBIT)</b>	<b>4,799</b>	<b>4,050</b>	<b>7,702</b>	<b>6,521</b>
Financial income	13	31	44	72
Financial expenses	(158)	(211)	(309)	(411)
Foreign exchange gains/losses	32	(45)	13	39
Profits and losses from equity investments	(149)	(151)	(264)	(289)
<b>PRE-TAX PROFIT</b>	<b>4,537</b>	<b>3,674</b>	<b>7,186</b>	<b>5,932</b>
Income tax	(1,591)	(1,025)	(2,720)	(1,977)
Minority interests	0	0	0	0
<b>NET PROFIT FOR PERIOD</b>	<b>38,161</b>	<b>37,028</b>	<b>4,466</b>	<b>3,955</b>

Consolidated statement of cash flows

	H1 2014	H1 2013
<i>Cash and cash equivalents at beginning of period</i>	<i>5,111</i>	<i>6,137</i>
Net profit/(loss) for period	4,466	3,955
Adjustments for:		
- Depreciation and amortisation for the period	6,279	6,444
- Realised gains/losses	(24)	0
- Write-downs/write-backs of non-current assets	0	383
- Profits and losses from equity investments	264	289
- Financial income and expenses	265	339
- Income tax	2,720	1,977
Change in post-employment benefit reserve	(99)	(68)
Change in general provisions	(38)	53
<i>Change in trade receivables</i>	<i>(10,115)</i>	<i>(5,968)</i>
<i>Change in inventories</i>	<i>(2,637)</i>	<i>(5,728)</i>
<i>Change in trade payables</i>	<i>5,857</i>	<i>6,150</i>
Change in working capital	(6,895)	(5,546)
Change in other receivables and payables, deferred tax liabilities	68	931
Payment of taxes	(577)	(571)
Payment of financial expenses	(279)	(376)
Collection of financial income	44	72
<b>Cash flow from operations</b>	<b>6,194</b>	<b>7,882</b>
Investments in non-current assets		
- intangible	(334)	(338)
- tangible	(4,739)	(4,241)
- financial	(145)	(150)
Disposal of non-current assets	79	391
<b>Cash flow from investments</b>	<b>(5,139)</b>	<b>(4,338)</b>
Repayment of loans	(6,557)	(3,934)
New loans	7,026	3,382
Change in short-term financial assets	0	(11)
Acquisition own shares	0	(890)
Payment of dividends	(4,613)	(3,911)
<b>Cash flow from financing activity</b>	<b>(4,144)</b>	<b>(5,364)</b>
Foreign exchange differences	472	(602)
<b>Net financial flows for the period</b>	<b>(2,617)</b>	<b>(2,422)</b>
<i>Cash and cash equivalents at end of period</i>	<i>2,494</i>	<i>3,715</i>
Current net financial debt	18,940	24,961
Non-current financial debt	3,366	4,420
<b>Net financial debt</b>	<b>19,812</b>	<b>25,666</b>

*Geographical breakdown of sales*

<i>in thousands of Euro</i>	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
Italy	12,832	12,950	-0.9%	23,971	24,353	-1.6%	42,662
Western Europe	2,242	1,708	+31.3%	4,750	3,392	+40.0%	7,465
Eastern Europe	9,692	7,007	+38.3%	17,188	15,015	+14.5%	29,300
Asia and Oceania	3,571	3,722	-4.1%	4,795	6,206	-22.7%	11,864
South America	4,571	6,096	-25.0%	9,750	11,769	-17.2%	24,375
Africa	3,689	4,377	-15.7%	7,611	5,462	+39.3%	10,410
US, Canada & Mexico	1,564	1,168	+33.9%	3,220	2,204	+46.1%	4,891
<b>Total</b>	<b>38,161</b>	<b>37,028</b>	<b>+3.1%</b>	<b>71,285</b>	<b>68,401</b>	<b>+4.2%</b>	<b>130,967</b>

*Sales breakdown by product category*

<i>in thousands of Euro</i>	Q2 2014	Q2 2013	Change %	H1 2014	H1 2013	Change %	FY 2013
Brass valves	4,092	4,859	-15.8%	7,692	7,950	-3.2%	14,613
Light alloy valves	9,311	7,628	+22.1%	17,025	14,760	+15.3%	27,618
Thermostats	3,823	4,000	-4.4%	7,284	7,036	+3.5%	13,350
Standard burners	9,374	10,130	-7.5%	18,335	19,268	-4.8%	38,222
Special burners	6,097	5,391	+13.1%	10,695	9,957	+7.4%	18,943
Accessories	3,315	3,432	-3.4%	6,269	6,195	+1.2%	11,571
<i>Total gas components</i>	<i>36,012</i>	<i>35,440</i>	<i>+1.6%</i>	<i>67,300</i>	<i>65,166</i>	<i>+3.3%</i>	<i>124,317</i>
<i>Hinges</i>	<i>2,149</i>	<i>1,588</i>	<i>+35.3%</i>	<i>3,985</i>	<i>3,235</i>	<i>+23.2%</i>	<i>6,650</i>
<b>Total</b>	<b>38,161</b>	<b>37,028</b>	<b>+3.1%</b>	<b>71,285</b>	<b>68,401</b>	<b>+4.2%</b>	<b>130,967</b>