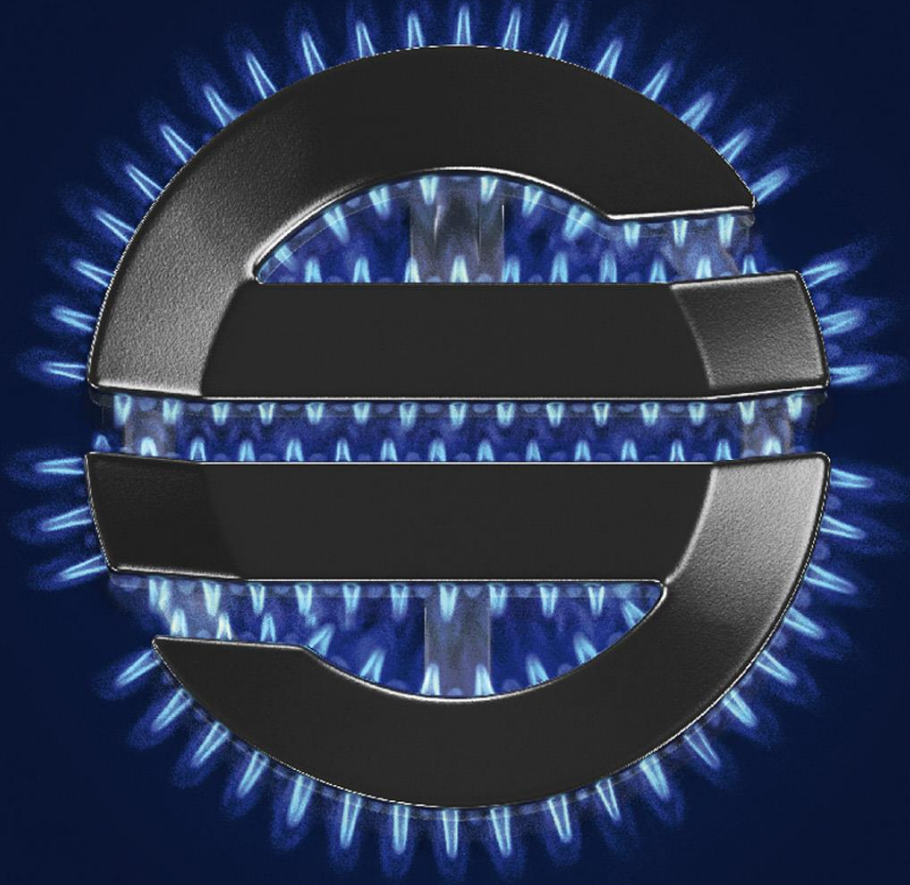


We burn for technology and safety.



FINANCIAL PRESENTATION

Star Conference
Milan, 27 - 28 March 2018

COMPANY PROFILE

Product range - the heart of gas cooking appliances



Industrial Footprint

 **Total Group employees at 31.12.2017: 803**

SABAF S.P.A.
Valves and thermostats
Standard burners
Special burners
542 employees

FARINGOSI-HINGES S.R.L.
Oven hinges
Washing machine hinges
46 employees

ARC S.R.L.
Standard burners
Special burners
24 employees

SABAF TURKEY
Standard burners
96 employees

 **SABAF APPLIANCE COMPONENTS (KUNSHAN) CO. LTD**
Wok burners
8 employees

 **ARC HANDAN JV**
Professional Wok burners

 **SABAF DO BRASIL LTDA**
Standard burners
Special burners
87 employees

Market, product & technology



MARKET

- ✓ **Global leader** in the segment of components for domestic gas cooking appliances, with over 300 customers in 60 different countries. A strong leadership in Europe (market share above 40%), estimated market share worldwide of about 10%
- ✓ Weight of top 10 customers on total Group sales is **less than 50%**
- ✓ Each top 10 customer represents **less than 10%** of total Group sales
- ✓ **Long-term agreements and strong relationships** with customers, based on mutual trust, technical cooperation, co-engineering and tailor-made products



PRODUCT & TECHNOLOGY

- ✓ **Continuous product innovation:** over 30 active patents
- ✓ **Knowledge:** forefront process technology - internal development of special machinery, high performance molds for robotic die-casting, high speed and high precision tools not available on the market
- ✓ **Cost and quality leadership:** highly automated plants and low incidence of direct labor: € 58 mn investments (8.4% of sales) in the past 5 years, to reinforce competitiveness and to ensure the highest quality standards
- ✓ **Strong operational leverage:** great flexibility in production volumes growth, ready to satisfy customers requests
- ✓ **Intellectual capital:** highly specialized and qualified staff

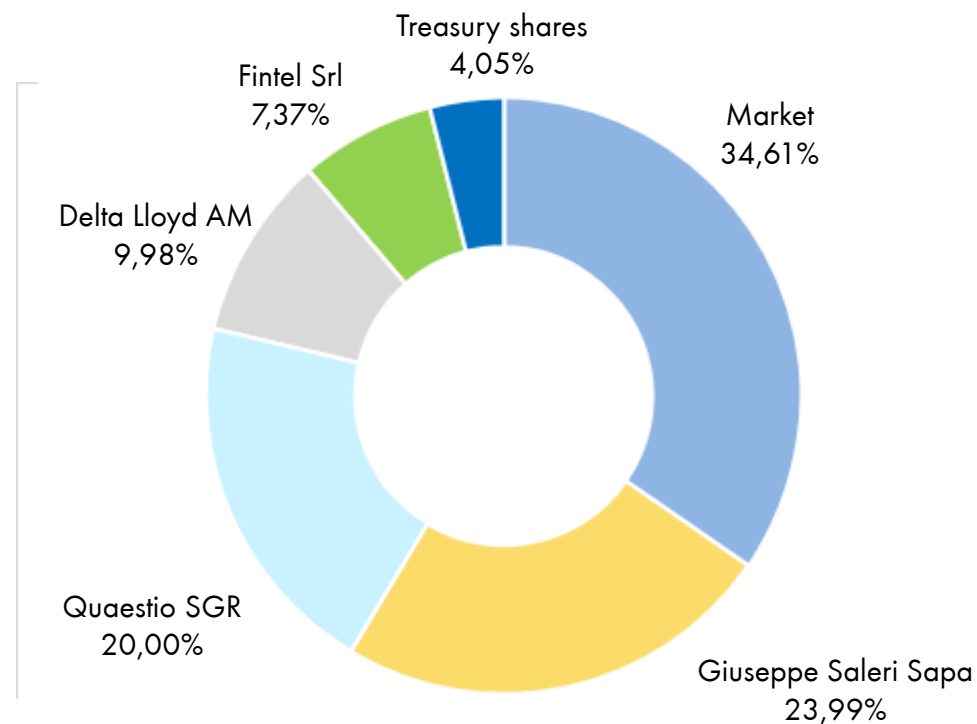
Stock price and main shareholders



Sabaf vs. FTSE Italia STAR – past 3 years

Market cap: € 217 mn at 21-mar-2018

2018 proposed dividend: € 0.55 per share
(0.48 € per share paid in 2017)



2017 PERFORMANCE

Performance data

Income statement

€ x 000	FY 17		FY 16		Δ % 17-16	FY 15		Δ % 16-15	FY 14		Δ % 15-14
SALES	150,223	100.0%	130,978	100.0%	+14.7%	138,003	100.0%	-5.1%	136,337	100.0%	+1.2%
Materials	(59,794)	(39.8%)	(47,346)	(36.1%)		(54,366)	(39.4%)		(54,472)	(40.0%)	
Payroll	(35,328)	(23.5%)	(32,112)	(24.5%)		(32,526)	(23.6%)		(32,180)	(23.6%)	
Change in stock	2,380	1.6%	(754)	(0.6%)		1,025	0.7%		2,447	1.8%	
Other operating costs/income	(26,526)	(17.7%)	(25,401)	(19.4%)		(25,964)	(18.8%)		(26,180)	(19.2%)	
EBITDA	30,955	20.6%	25,365	19.4%	+22.0%	26,172	19.0%	-3.1%	25,952	19.0%	+0.8%
Depreciation	(12,826)	(8.5%)	(12,882)	(9.8%)		(12,185)	(8.8%)		(12,292)	(9.0%)	
Gains/losses on fixed assets	(12)	(0.0%)	18	0.0%		104	0.1%		63	0.0%	
EBIT	18,117	12.1%	12,501	9.5%	+44.9%	14,091	10.2%	-11.3%	13,175	9.7%	+7.0%
Net financial expense	(590)	(0.4%)	(519)	(0.4%)		(529)	(0.4%)		(531)	(0.4%)	
Foreign exchange gains/losses	274	0.2%	435	0.3%		(89)	(0.1%)		119	0.1%	
Equity investments profits/losses	3	0.0%	0	0.0%		0	0.0%		(606)	(0.4%)	
EBT	17,804	11.9%	12,417	9.5%	+43.4%	13,473	9.8%	-7.8%	12,157	8.9%	+10.8%
Income taxes	(2,888)	(1.9%)	(3,342)	(2.6%)		(4,475)	(3.2%)		(3,819)	(2.8%)	
Minorities	(81)	(0.1%)	(81)	(0.1%)		0	0.0%		0	0.0%	
NET INCOME	14,835	9.9%	8,994	6.9%	+64.9%	8,998	6.5%	0.0%	8,338	6.1%	+7.9%

Performance data

Balance sheet

€ x 000	31-dic-17	31-dic-16	31-dic-15	31-dic-14
Fixed assets	93.802	94.141	92.797	96.152
Net working capital	50.753	46.084	48.163	45.844
Short term financial assets	67	-	69	-
Capital Employed	144.622	140.225	141.029	141.996
Equity	115.055	112.377	111.040	110.738
Provisions for risks and severance indemnity	4.034	4.390	4.081	4.325
Net debt	25.533	23.458	25.908	26.933
Sources of finance	144.622	140.225	141.029	141.996
Debt / Equity	0,22	0,21	0,23	0,24
Debt / EBITDA	0,82	0,92	0,99	1,04
ROI	12,9%	9,2%	10,3%	9,6%
NWC / Sales	33,8%	35,2%	34,9%	33,6%
DSO	101	101	105	107
DPO	60	68	63	63
DSI	99	107	100	100

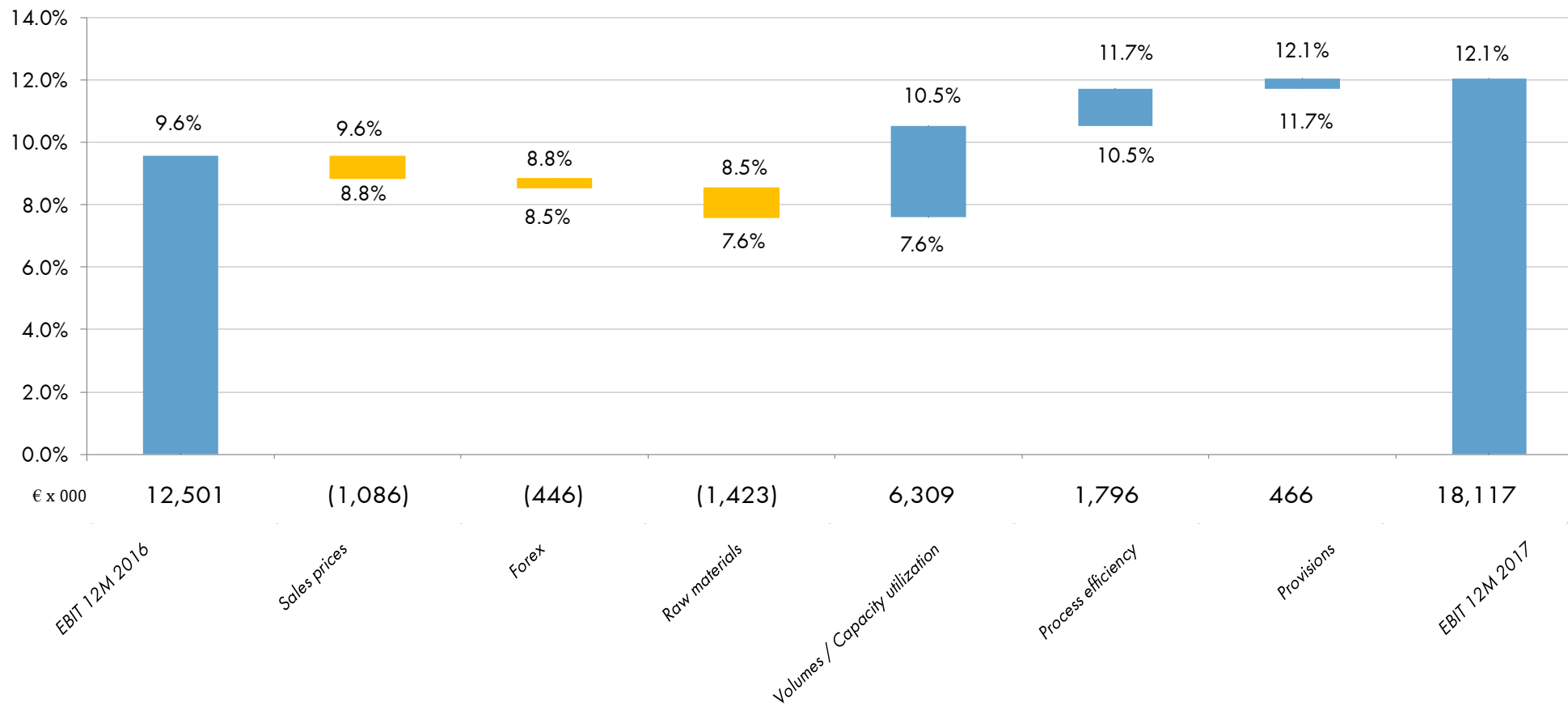
Performance data

Cash flow statement

€ x 000	31-dic-17	31-dic-16	31-dic-15	31-dic-14
Cash at the beginning of the period	12,143	3,991	3,675	5,111
Net profit	14,916	9,075	8,998	8,338
Depreciation	12,826	12,853	12,185	12,292
Change in net working capital				
change in inventories	(1,445)	416	(170)	(4,079)
change in receivables	(5,421)	5,107	107	(2,548)
change in payables	998	(1,286)	(58)	365
	(5,868)	4,237	(121)	(6,262)
Other changes in operating items	905	(234)	(1,931)	2,609
Operating cash flow	22,779	25,931	19,131	16,977
Investments, net of disposals	(13,944)	(11,762)	(12,079)	(11,491)
Free cash flow	8,835	14,169	7,052	5,486
Cash flow from financial activity	978	4,249	(61)	8,054
Own shares buyback	(2,110)	(1,676)	(718)	-
Dividends	(5,384)	(5,467)	(4,613)	(16,146)
ARC acquisition	-	(2,614)	-	
Forex	(2,929)	(509)	(1,344)	453
Net financial flow	(610)	8,152	316	(2,153)
Cash at the end of the period	11,533	12,143	3,991	2,958

Performance data

EBIT bridge 12M 2016 – 12M 2017



Performance data

Tax benefits and incentives 2017

EFFECTS ON 2017 AMOUNTS	Income taxes	% Tax rate
2017 amounts	2,888	16.2%
- "Patent box" tax benefit	1,324	
- Tax incentives for investments made in Turkey	950	
- "Super amortisation" tax benefit	179	
2017 amounts net of tax benefit/incentives	5,341	30.0%

2017 TAX BENEFITS AND INCENTIVES

PATENT BOX

- € 1,324:
- € 350 relating to 2015
 - € 422 relating to 2016
 - € 552 relating to 2017

TURKEY INCENTIVES

- € 950:
- € 592 relating to previous years
 - € 358 relating 2017

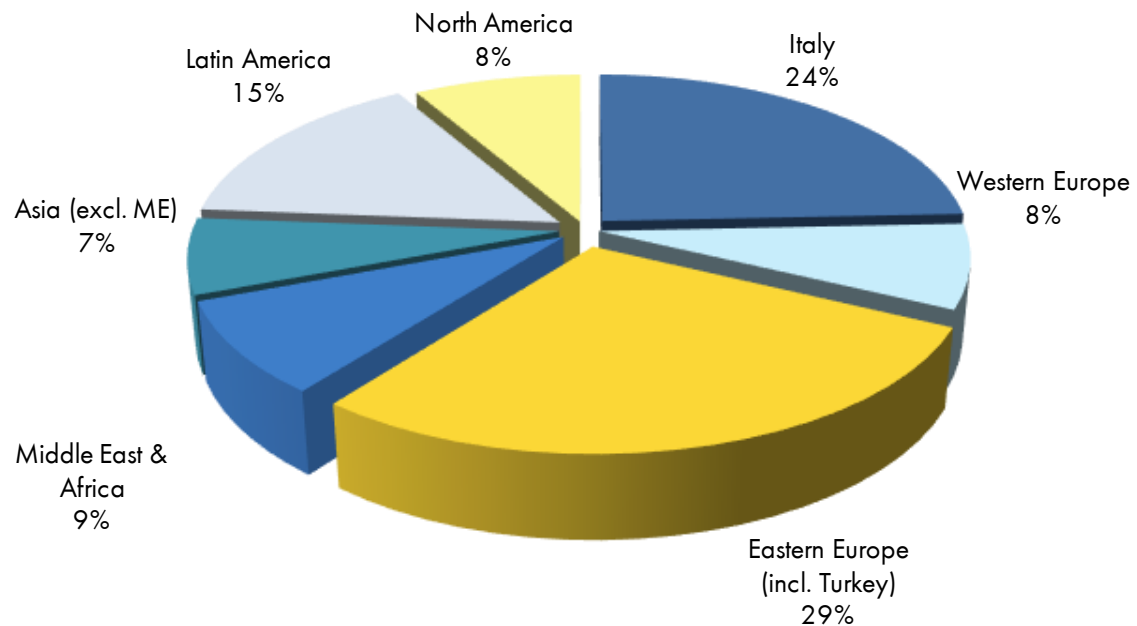
SUPER AMORTISATION

€ 179 relating to 2017

Performance data

Sales by market

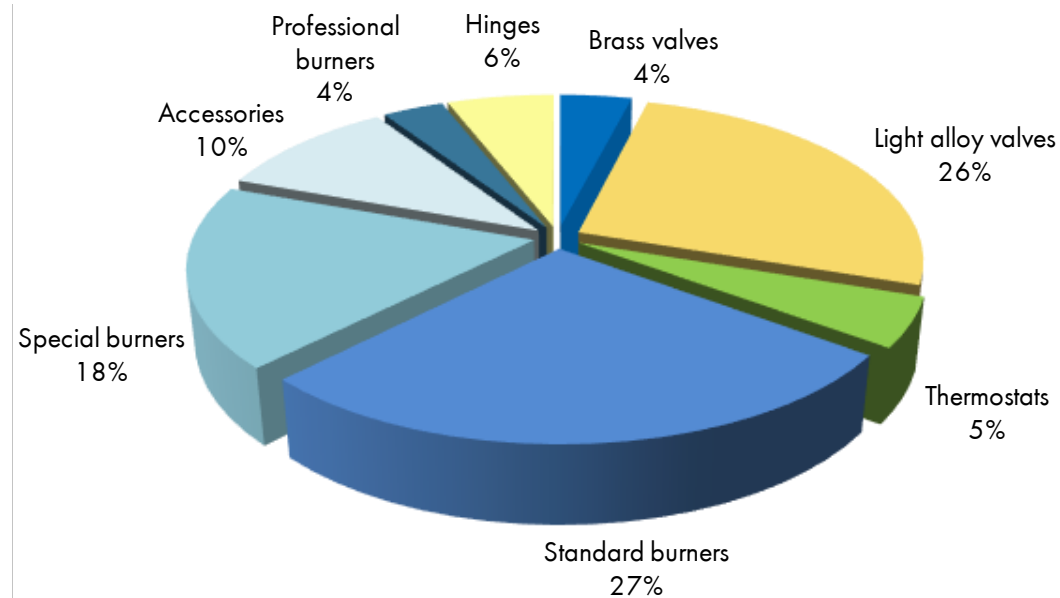
€ x 000	12M 2017	12M 2016	
Italy	36,523	36,365	+0.4%
Western Europe	11,678	8,553	+36.5%
Eastern Europe (incl. Turkey)	42,824	34,123	+25.5%
Middle East & Africa	13,009	11,698	+11.2%
Asia (excl. ME)	10,516	8,088	+30.0%
Latin America	22,938	20,847	+10.0%
North America	12,735	11,304	+12.7%
Total	150,223	130,978	+14.7%



Performance data

Sales by product

€ x 000	12M 2017	12M 2016	
Brass valves	5,991	9,007	-33.5%
Light alloy valves	39,351	32,393	+21.5%
Thermostats	7,376	7,699	-4.2%
Standard burners	41,070	37,338	+10.0%
Special burners	27,184	21,215	+28.1%
Accessories	15,267	12,613	+21.0%
Professional burners	5,079	2,289	+121.9%*
Hinges	8,905	8,424	+5.7%
Total	150,223	130,978	+14.7%



* Professional burners sales consolidated from the 1st of July 2016

Performance data

Outlook



OUTLOOK

- ✓ The start of 2018 shows a slight increase in sales compared to the same period of 2017. After a year characterized by a growth rate that is clearly higher than the average trend of recent years and despite the still challenging competitive scenario, the Group estimates that **revenues** for the entire financial year 2018 **will increase ranging from 3% to 5%** compared to 2017
- ✓ The Group also believes that the **adjustment of sales prices** and further improvements in **operating efficiency** will enable it to balance the negative impacts associated with the **weakening of the dollar** and the **rise in commodity prices**, and therefore estimates operating profitability (EBITDA%) to be in line with 2017
- ✓ 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

BUSINESS PLAN 2018 - 2022

Business plan 2018 - 2022

Key points 1/2

GROWTH

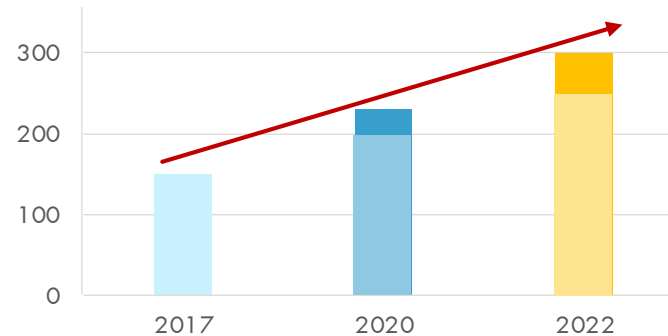
SALES

Estimated sales growth
between 65% and 100%
(2022 compared to 2017)

EBITDA margin

- **ORGANIC:** CAGR between 4% and 6% (€ 180 – 200 mn sales by 2022)
- **BY ACQUISITIONS** (€ 70 – 100 mn sales by 2022)

- € 200 - 230 mn by 2020
- € 250 - 300 mn by 2022



- **> 20%** of sales

Business plan 2018 - 2022

Key points 2/2

Investments

- Organic growth: € **80 - 90 mn** capex in 5 years (about 8% of sales per year)
- Growth by acquisition: up to € **140 mn** investment in 5 years

Estimated Dividends

- € **30 - 40 mn** in 5 years (between € 6 and 8 mn per year)
- Lower payout than in previous years, to support future growth

Financed with

- Operating cash flow: € **130 - 150 mn** in 5 years
- Financial debt: up to € **120 mn** by 2022

Financial leverage

- Net debt / EBITDA: **lower than 2.0**

Organic growth

Market development - Europe & Turkey

EUROPE (Turkey excluded)



2018-2022 GROWTH FACTORS

- ✓ Reinforce the leadership in this market, in order to strengthen the presence and commercial relationship
 - Multi-year agreements recently undersigned with some of the major European market players. These agreements grant significant growth and allow high mid-term visibility
 - Expected market share increase

TURKEY



2018-2022 GROWTH FACTORS

- ✓ Increase of local production, enhancing previous years success. Wider range of products manufactured locally
- ✓ Expected volume increase from current customers
- ✓ New contracts with new customers for valves and hinges

Organic growth

Market development - Brazil

BRAZIL



2018-2022 GROWTH FACTORS

- ✓ Enter in the mid range and free-standing cookers markets:
 - High volumes / low cost burners project
 - Special burners project
- ✓ Enhancement of commercial relationships with major international Groups, also through co-engineering and development of customized products
- ✓ Market growth within present top customers

Organic growth

Market development - North America

NORTH AMERICA



2018-2022 GROWTH FACTORS

- ✓ Expected annual double-digit growth:
 - Long-term agreements and special projects with present customers, which are the major market players
 - Sub-assemblies supply and customized components
 - Top range professional products for high-end new customers
- ✓ Planning to operate through a production plant in North America



RISK FACTORS

- ✓ Exchange rate
- ✓ Import duties and other US protectionist policies

Organic growth

Market development - India

INDIA



2018-2022 GROWTH FACTORS

- ✓ India is considered a high potential market, in which Sabaf Group is just at the beginning of its development. At present, only 30% of Indian people use gas as a cooking source, the remaining part still using biomass sources
- ✓ Expected annual double-digit growth
- ✓ The Group aims to increase the customer base, through:
 - Agreements with domestic market leaders
 - Development of specific burners and valves for Indian market, in order to fit local cooking needs (e.g. Series 4 burners)
 - Increase demand for safety and quality

Organic growth

Market development - China

CHINA



2018-2022 GROWTH FACTORS

- ✓ Supply agreements with global market leaders
- ✓ Development of new commercial relationships with big Chinese manufacturers
- ✓ Beginning of new projects with high-potential «newcomers»
- ✓ Evaluation of local partnerships
- ✓ Arc Handan JV deployment for wok burners

Organic growth

Products



PRODUCTS GROWTH FACTORS

- ✓ Annual **investments in R&D**: 3% of sales (in line with historical trend)
- ✓ Greater care to specific **markets needs** and **customization** in order to increase client loyalty
- ✓ Focus on:
 - **Special burners**: high performances and combustion efficiency
 - **“Easy to clean”** burners
 - **“Precise flame setting”** valves
 - **“Advanced assisted cooking”** solutions
 - **Professional burners**: also for use in high-range domestic cookers
- ✓ New concepts and new products, in an advanced development stage, are still confidential and not disclosed

Organic growth

Process and industrial footprint



PROCESS IMPROVEMENTS

- ✓ **Forefront** process technology, based on automation and robotization of all production phases
- ✓ Increase of machining and assembling **productivity** through high-speed machinery
- ✓ Higher **efficiency** through scraps reduction
- ✓ Further **interconnection** of production with SAP management system (Industry 4.0)
- ✓ **Lean** manufacturing



INDUSTRIAL FOOTPRINT

- ✓ Increase of **Turkey** local **production**
- ✓ Planning to operate through a production **plant in North America**
- ✓ Evaluation to set up a production **plant in India**

Growth by acquisitions

Investment sectors



Growth by acquisitions

Target profile

Target parameters

TURNOVER

Up to € **70 mn sales**

EBITDA

Higher than 10%. Steady results over the past years
No businesses to be restructured

SHAREHOLDING

Preference for **entrepreneurial** ownership

EBITDA MULTIPLES

Non-dilutive

M&A TEAM

Dedicated to development of business **contacts**, creation of an **internal Data Base**, analysis and evaluation of **opportunities**, management of **negotiations**

DISCLAIMER

Certain information included in this document is forward looking and is subject to important risks and uncertainties that could cause actual results to differ materially.

The Company's business is in the domestic appliance industry, with special reference to the gas cooking sector, and its outlook is predominantly based on its interpretation of what it considers to be the key economic factors affecting this business. Forward-looking statements with regard to the Group's business involve a number of important factors that are subject to change, including: the many interrelated factors that affect consumer confidence and worldwide demand for durable goods; general economic conditions in the Group's markets; actions of competitors; commodity prices; interest rates and currency exchange rates; political and civil unrest; and other risks and uncertainties.

Pursuant to Article 154/2, 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 financial presentation corresponds to the company's records, books and accounting entries.

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