

FINANCIAL PRESENTATION

Milan, 15 November 2017

Product range – *the heart of gas cooking appliances*



brass valves



light alloy valves



thermostats



accessories



hinges



standard burners



special burners



professional burners



Industrial footprint



Competitive position

MARKET

- Global leader in the segment of components for domestic gas cooking appliances, with 300 customers in 54 different countries
- Top 10 customers account for 47% of sales (2016) – stable figure for past 10 years
- A strong leadership in Italy and Europe (market share above 40%), lower presence worldwide (est. 10%)

PRODUCT & TECHNOLOGY

- Forefront process technology - internal development of special machinery, moulds and tools
- Highly automated plants – € 57mn investments (8.6% of sales) in the past 5 years
- Production volumes growth is possible with minimal changes in headcount
- Continuous product innovation – over 30 active patents

Growth drivers

ORGANIC GROWTH

by consolidating our leadership in the European and Turkish markets

by increasing our penetration in dynamic markets (Latam, Middle East)

by entering newer markets (China, India)

EXTERNAL GROWTH

in components for domestic appliances

in components for professional cooking

in components for gas appliances other than cooking

Sabaf in Brazil

WHY

Brazil is a big market, difficult to supply from abroad, due to logistics, duties, forex impact.

HOW

Start of production in Brazil in 2001. A new factory was set up in Jundiaí (SP) in 2007, starting from greenfield.

Total investment € 8.5 mn

Whole manufacturing process of standard burners and, from 2016, of special burners

Same products, technology and quality as in Italy

WHERE WE ARE

€ 5.9 mn sales in H1 17 (€ 4.4 mn in H1 16, +32%)

73 people employed

80% market share in gas hobs segment in Brazil

Export sales (other Latam countries) at 43% in H1 17

WHERE WE WILL BE

Ongoing extension of the plant (from 5,100 to 7,200 sqm)

Ongoing negotiations with large multinational groups

Expected increase of share in the cookers segment



Sabaf in Turkey

WHY

Turkey has become the largest manufacturer of white goods in Europe (domestic manufacturers and production sites of multinational groups).

Unrivalled competitiveness of Turkish production (low input costs, high productivity, environment industry-friendly)

HOW

In 2012 Sabaf built from greenfield a new factory in Manisa (Izmir) - € 12 mn investment - 11,600 sqm

Manufacturing of standard burners

Same products, technology and quality as in Italy.

In H1 17 automation of all die-casting machinery

WHERE WE ARE

€ 6.3 mn sales in H1 17 (€ 5.0 mn in H1 16, +26%) *exl. traded goods*

93 people employed

WHERE WE WILL BE

Further expansion of production capacity is ongoing

Constant growth has been planned for next years



Sabaf in China

WHY

Market size: 26 mn hobs

19 mn hobs manufactured for the domestic market

7 mn hobs manufactured for export markets

Expected product mix trend: higher value, volume growth

New standards concerning gas hobs apply starting from April 2015. The new standards state 3 different energy clusters: >55%, >59% and >63% efficiency rate.

At present only 10%-15% of hobs meet the highest rate.

HOW

Sabaf has developed a new special burner that reaches an efficiency rate higher than 65%. €2mn capex

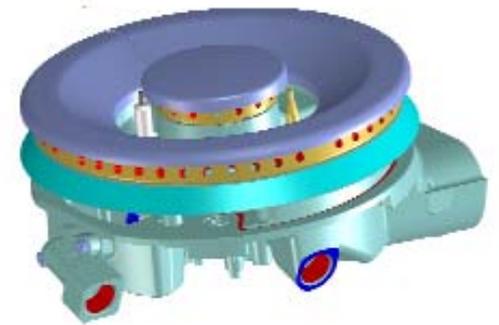
WHERE WE ARE

Production has started in June 2015, € 0.5 mn sales in H1 17 (0.4 mn in H1 16)

Ongoing contacts with major hob manufacturers

WHERE WE WILL BE

We are targeting the 10% premium market



Gas components for professional cooking

A NEW STEP IN OUR GROWTH PATH

In June 2016 Sabaf acquired a 70% stake in ARC

ARC is the Italian leader in burners for professional cooking

Sabaf enters into a new market, with appealing growth rates and complementary to the core sector

SYNERGIES

Specifications traditionally belonging to professional burners are now asked also by manufacturers of premium / high-end domestic cookers (high power, heavy duty, materials, aesthetics,...)

Access to foreign markets

Joint forces in R&D

GOVERNANCE

Mr. Loris Gasparini (previously sole owner of ARC) keeps a 30% stake and a CEO position for the next 5 years

2016 FIGURES

Sales €5.2 mn

EBITDA €1.1 mn (21%)

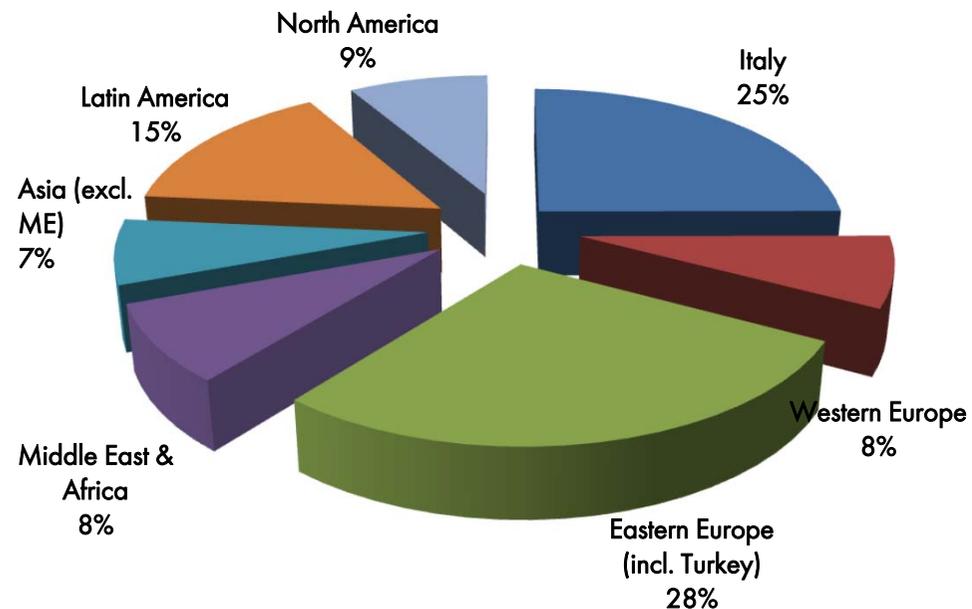
EBIT €0.9 mn (18%)

Net income 0.7 mn



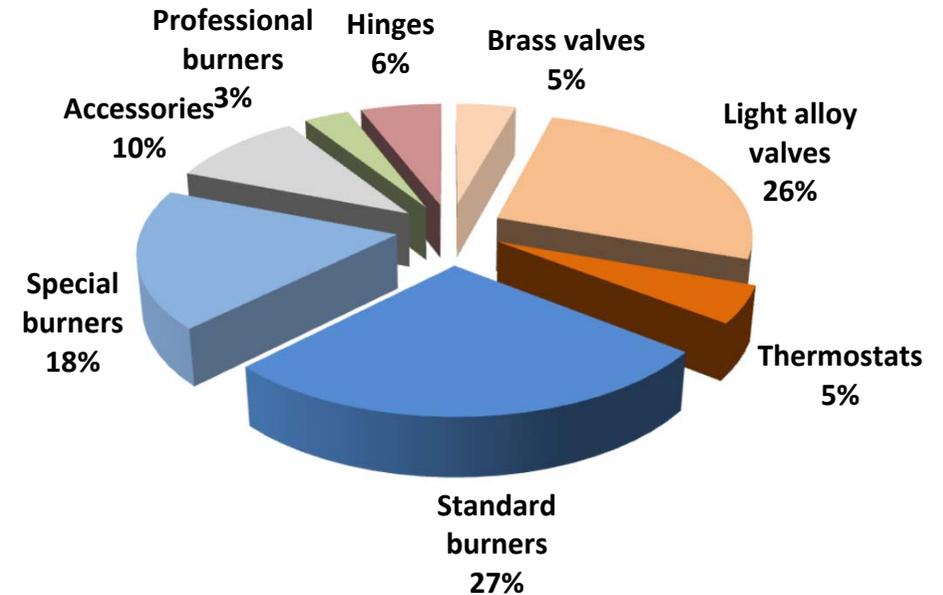
Sales by market

| | 9M 17 | 9M 16 | |
|-------------------------------|----------------|---------------|---------------|
| Italy | 28,124 | 28,414 | -1.0% |
| Western Europe | 8,682 | 5,996 | +44.8% |
| Eastern Europe (incl. Turkey) | 31,912 | 25,576 | +24.8% |
| Middle East & Africa | 9,526 | 8,039 | +18.5% |
| Asia (excl. ME) | 7,976 | 5,568 | +43.2% |
| Latin America | 16,916 | 15,858 | +6.7% |
| North America | 9,641 | 8,608 | +12.0% |
| Total | 112,777 | 98,059 | +15.0% |



Sales by product

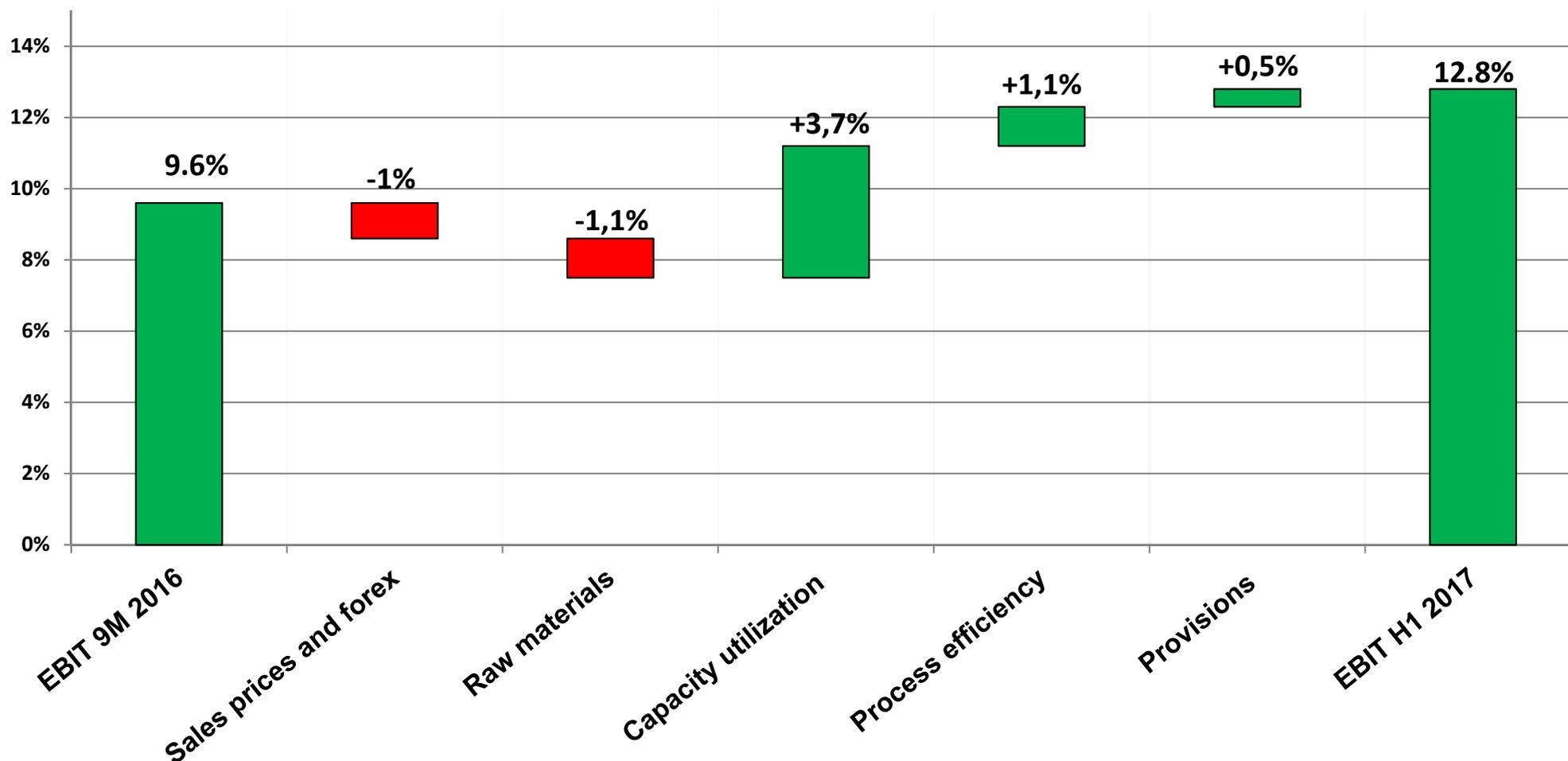
| | 9M 17 | 9M 16 | |
|----------------------|----------------|---------------|---------------|
| Brass valves | 4,905 | 7,042 | -30.3% |
| Light alloy valves | 29,461 | 24,907 | +18.3% |
| Thermostats | 5,553 | 5,958 | -6.8% |
| Standard burners | 30,697 | 27,548 | +11.4% |
| Special burners | 20,625 | 15,642 | +31.9% |
| Accessories | 11,176 | 9,488 | +17.8% |
| Professional burners | 3,723 | 1,196 | +211.3% |
| Hinges | 6,637 | 6,278 | +5.7% |
| Total | 112,777 | 98,059 | +15.0% |



Income statement

| € x 000 | <u>9M 17</u> | | <u>9M 16</u> | | | <u>FY 16</u> | | <u>FY 15</u> | | <u>FY 14</u> | |
|-----------------------------------|----------------|---------------|---------------|---------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| SALES | 112,777 | 100.0% | 98,059 | 100.0% | +15.0% | 130,978 | 100.0% | 138,003 | 100.0% | 136,337 | 100.0% |
| Materials | (47,530) | -42.1% | (36,396) | -37.1% | | (47,346) | -36.1% | (54,366) | -39.4% | (54,472) | -40.0% |
| Payroll | (26,675) | -23.7% | (24,185) | -24.7% | | (32,112) | -24.5% | (32,526) | -23.6% | (32,180) | -23.6% |
| Change in stock | 5,960 | 5.3% | 638 | 0.7% | | (754) | -0.6% | 1,025 | 0.7% | 2,447 | 1.8% |
| Other operating costs/income | (20,432) | -18.1% | (19,169) | -19.5% | | (25,401) | -19.4% | (25,964) | -18.8% | (26,180) | -19.2% |
| EBITDA | 24,100 | 21.4% | 18,947 | 19.3% | +27.2% | 25,365 | 19.4% | 26,172 | 19.0% | 25,952 | 19.0% |
| Depreciation | (9,664) | -8.6% | (9,610) | -9.8% | | (12,853) | -9.8% | (12,185) | -8.8% | (12,292) | -9.0% |
| Gains/losses on fixed assets | (13) | 0.0% | 18 | 0.0% | | 18 | 0.0% | 104 | 0.1% | 63 | 0.0% |
| EBIT | 14,423 | 12.8% | 9,355 | 9.5% | +54.2% | 12,530 | 9.6% | 14,091 | 10.2% | 13,175 | 9.7% |
| Net financial expense | (272) | -0.2% | (395) | -0.4% | | (519) | -0.4% | (529) | -0.4% | (531) | -0.4% |
| Foreign exchange gains/losses | 92 | 0.1% | 204 | 0.2% | | 435 | 0.3% | (89) | -0.1% | 119 | 0.1% |
| Equity investments profits/losses | 3 | 0.0% | 0 | 0.0% | | 0 | 0.0% | 0 | 0.0% | (606) | -0.4% |
| EBT | 14,246 | 12.6% | 9,164 | 9.3% | +55.5% | 12,446 | 9.5% | 13,473 | 9.8% | 12,157 | 8.9% |
| Income taxes | (3,952) | -3.5% | (2,845) | -2.9% | | (3,350) | -2.6% | (4,475) | -3.2% | (3,819) | -2.8% |
| Minorities | (65) | | (29) | | | (87) | | 0 | | 0 | |
| NET INCOME | 10,229 | 9.1% | 6,290 | 6.4% | +62.6% | 9,009 | 6.9% | 8,998 | 6.5% | 8,338 | 6.1% |

EBIT bridge 9M 2016 – 9M 2017



Balance sheet

| € x 1000 | 30-Sep-17 | 30-Sep-16 | 31-Dec-16 | 31-Dec-15 | 31-Dec-14 |
|--|----------------|----------------|----------------|----------------|----------------|
| Fixed assets | 94,061 | 95,491 | 93,967 | 92,797 | 96,152 |
| Net working capital | 49,976 | 49,209 | 46,084 | 48,163 | 45,844 |
| Short term financial assets | 178 | 53 | - | 69 | - |
| Capital Employed | 144,215 | 144,753 | 140,051 | 141,029 | 141,996 |
| Equity | 112,350 | 110,909 | 112,309 | 111,040 | 110,738 |
| Provisions for risks and severance indemnity | 4,197 | 4,254 | 4,284 | 4,081 | 4,325 |
| Net debt | 27,668 | 29,590 | 23,458 | 25,908 | 26,933 |
| Sources of finance | 144,215 | 144,753 | 140,051 | 141,029 | 141,996 |
| Debt / Equity | 0.25 | 0.27 | 0.21 | 0.23 | 0.24 |
| Working capital / Sales | 33.2% | 37.6% | 35.2% | 34.9% | 33.6% |

Cash flow statement

| € x 1000 | <u>9M 17</u> | <u>9M 16</u> | <u>FY 16</u> | <u>FY 15</u> | <u>FY 14</u> |
|--|----------------|---------------|---------------|---------------|----------------|
| <i>Cash at the beginning of the period</i> | 12,143 | 3,991 | 3,991 | 3,675 | 5,111 |
| Net profit | 10,294 | 6,319 | 9,009 | 8,998 | 8,338 |
| Depreciation | 9,664 | 9,610 | 12,853 | 12,185 | 12,292 |
| Change in net working capital | | | | | |
| change in inventories | (5,235) | (806) | 416 | (170) | (4,079) |
| change in receivables | (7,201) | 2,501 | 5,107 | 107 | (2,548) |
| change in payables | 4,608 | (2,947) | (1,286) | (58) | 365 |
| | (7,828) | (1,252) | 4,237 | (121) | (6,262) |
| Other changes in operating items | 3,682 | 1,689 | (168) | (1,931) | 2,609 |
| Operating cash flow | 15,812 | 16,366 | 25,931 | 19,131 | 16,977 |
| Investments, net of disposals | (10,594) | (9,374) | (11,762) | (12,079) | (11,491) |
| Free cash flow | 5,218 | 6,992 | 14,169 | 7,052 | 5,486 |
| Cash flow from financial activity | (1,943) | 4,893 | 4,249 | (61) | 8,054 |
| Treasury shares buyback | (1,997) | (1,271) | (1,676) | (718) | 0 |
| Dividends | (5,384) | (5,467) | (5,467) | (4,613) | (16,146) |
| ARC acquisition | 0 | (2,614) | (2,614) | 0 | |
| Forex | (1,689) | 200 | (509) | (1,344) | 453 |
| Net financial flow | (5,795) | 2,733 | 8,152 | 316 | (2,153) |
| <i>Cash at the end of the period</i> | <i>6,348</i> | <i>6,724</i> | <i>12,143</i> | <i>3,991</i> | <i>2,958</i> |

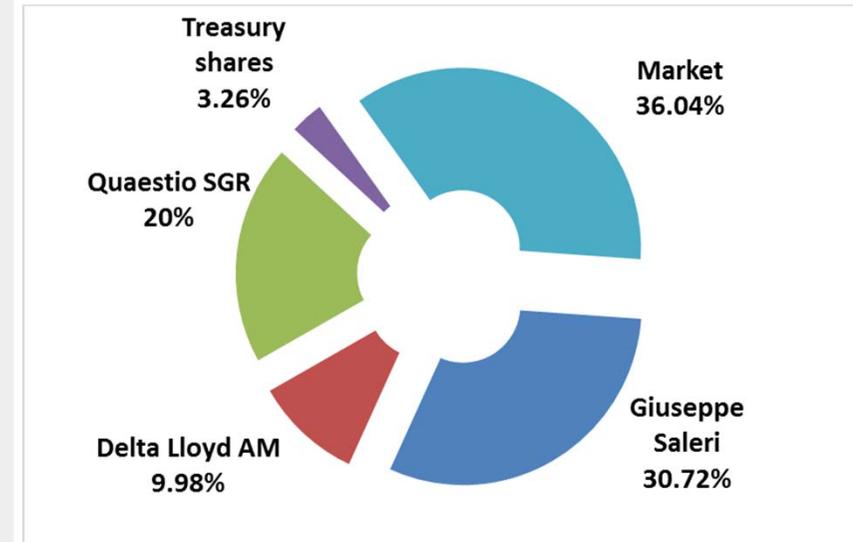
Outlook

- With the positive sales performance in October and the orders taken for November and December, we expect the return to a double-digit growth rate in revenues during the fourth quarter of 2017, over the same period of 2016. Therefore, we confirm the sales expectation of around €150 million for the whole of 2017, corresponding to a 14.5% growth compared to €131 million in 2016, and expect to be able to reach a gross operating margin (EBITDA %) of around 21% (compared to 19.4% in 2016).
- 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.

Governance

- In July 2017 the Shareholders' meeting of Sabaf appointed Mr. Pietro Iotti as new board member
- On 12 September 2017 Mr Iotti has been appointed Chief Executive Officer
- Mr. Iotti held important managerial positions in Smeg and Technogym. Before joining Sabaf, he was Chairman and CEO of Interpump Hydraulics S.p.A., the reference company of the hydraulic division of the Interpump group.
- The appointment of Mr. Iotti confirms a long tradition of clear separation between shareholders and management in Sabaf

Stock price and main shareholders



Sabaf vs. **FTSE Italia STAR** – past 3 years

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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