

SABAF: RESULTS AT 31 DECEMBER 2019 APPROVED

- **Consolidated results for 2019: revenue was €155.9 million (+3.5%); EBITDA was €27 million (-9.8%); EBIT was €11.9 million (-27.5%) and net profit was €9.9 million (+36.5%)**
- **In 2019, free cash flow of €28.9 million was generated (€14.3 million in 2018, +102%).**
- **Proposed on a prudential basis to the Shareholders' Meeting to allocate the profit for 2019 entirely to the extraordinary reserve**
- **Information on potential impacts of the coronavirus pandemic**

The Board of Directors of **Sabaf S.p.A.** met today in Ospitaletto (BS) and approved the consolidated financial statements for 2019 and the draft financial statements of the parent company, as well as the Report on corporate governance and ownership structure requested by Article 123-bis of the Consolidated Finance Act (TUF), the consolidated Non-financial Statement pursuant to Italian legislative decree no. 254/2016 and the 2019 Report on remuneration prepared pursuant to Article 123-ter of the TUF, as well as a proposal for authorisation to buy-back.

Group consolidated results

In 2019, the Sabaf Group reported a sales revenue of €155.9 million, an increase of 3.5% versus the figure of €150.6 million in 2018 (-8.9% taking into consideration the same scope of consolidation).

The trend in revenue was affected by the overall uncertainty of the macroeconomic scenario. In Turkey, main destination market, the Group recorded a 10% decrease in sales - taking into consideration the same scope of consolidation - which was more pronounced in the first half of the year and showed a clear recovery in recent months. In Italy, sales suffered from the reduction in the production of domestic appliances. Downturns were also recorded in the Middle East and South America, where the crisis in Argentina and the stagnation of demand in Brazil weighed heavily. Among the markets that showed a positive trend was China, where revenue benefited from new supply contracts to primary customers. The acquisition of C.M.I. also led to an increase in the weight of North America and Eastern Europe in the distribution of sales. North America accounted for more than 11% of total Group sales in 2019 (+18% compared to 2018).

The slowdown in organic activity partly affected profitability, which, however, is at a high level: 2019 EBITDA amounted to €27 million, equivalent to 17.3% of turnover, compared to €30 million (19.9% of turnover) in 2018, EBIT reached €11.9 million, equivalent to 7.6% of turnover, compared to €16.4 million (10.9%) in 2018. Net profit of 2019, equal to €9.9 million (6.4% of turnover), was 36.5% lower than the €15.6 million of 2018. Net profit for 2019 was €0.4 million lower than the €10.3 million reported at the time of approval of the Interim management statement of the fourth quarter of 2019, following the precise calculation of income taxes.

In 2019, positive free cash flow¹, which benefited from a reduction in net working capital of €16.3 million, was €28.9 million (€14.3 million in 2018). In addition to the lower levels of activity, the considerable improvement in net working capital was achieved as a result of structural actions on internal logistics, which allowed a significant reduction of work in progress stocks.

¹ Free cash flow is defined as the algebraic sum of cash flows from operations and from investment activities, as shown in the Cash Flow Statement.

In 2019, the Group invested €10.5 million to acquire 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 acquisition of C.M.I. s.r.l. allows the Sabaf Group to achieve a leadership position on a global scale in the hinges sector, proposing itself also in this area as a reference partner for all manufacturers of household appliances. The C.M.I. Group was consolidated as from 31 July 2019, contributing €12.5 million to consolidated turnover in 2019, €1.9 million to consolidated EBITDA and €0.3 million to consolidated net profit attributable to the Group. The Group ended the entire 2019 financial year with sales of €30.8 million.

The Sabaf Group also carried out organic investments of €12 million mainly aimed at increasing and automating the production capacity of special burners and the manufacturing of machinery and moulds for new burners.

During 2019, dividends were distributed for €6.1 million.

On 5 December 2019, as part of the cooperation started with the Japanese group Paloma, Sabaf sold 230,669 treasury shares, equal to 2% of the share capital, for a total value of €3.1 million. A further 113,962 treasury shares were sold as part of the acquisition of the majority shareholding in C.M.I. s.r.l., in exchange for 8.5% of the shares of this company. During 2019, the Group did not purchase treasury shares.

At 31 December 2019, net financial debt was €55.1 million, compared to €53.5 million of 31 December 2018, whereas shareholders' equity amounted to €121.1 million (€119.3 million at 31 December 2018); the ratio between the net financial debt and the shareholders' equity was 0.46 versus 0.45 at the end of 2018.

Parent Company Sabaf S.p.A. results

The Parent Company Sabaf S.p.A.'s sales revenue for 2019 totalled €94.9 million (compared to €110.1 million reported in 2018, -13.8%), EBITDA was €13.1 million, down 3.8% from €13.6 million in 2018, EBIT was €2.9 million, down 46.8% from €5.5 million in the previous year and net profit was €3.8 million, down 52.5% compared to 2018.

Proposal for the allocation of 2019 profit

The Board of Directors, having acknowledged the significant change in the global economic scenario following the spread of the coronavirus pandemic, considers it appropriate, on a prudential basis, to propose to the next shareholders' meeting to allocate the profit for 2019 of the parent company Sabaf S.p.A. entirely to the extraordinary reserve. The distribution of a 2019 profit dividend will be re-examined when the current coronavirus situation is overcome.

Corporate Governance Report and Remuneration Policy Report

The Board of Directors approved the annual Report on Corporate Governance and Ownership Structures prepared pursuant to Article 123-bis of the TUF and, subject to the favourable opinion of the Remuneration and Nomination Committee, the Report on the Remuneration Policy and Remuneration paid for 2019, pursuant to Article 123-ter of the TUF.

Consolidated Non-financial Statement

The Board of Directors also approved the consolidated Non-financial Statement prepared as a separate report from the financial statements pursuant to Italian Legislative Decree no. 254/2016.

Proposal for authorisation to buy-back

The Board of Directors also resolved to submit to the Shareholders' Meeting for approval the renewal of the authorisation to purchase and dispose of treasury shares in accordance with the terms and conditions determined by the Shareholders' Meeting.

The above authorisation includes the following purposes: (i) dispose of treasury shares to be used for equity-based incentive plans, reserved for directors and/or employees of the Company or of subsidiary companies and, in particular, the stock grant plan in force; (ii) use, in line with the Company's strategic lines, the treasury shares as part of operations related to industrial projects and agreements with strategic partners, or as part of investment operations, also through exchange, conferral, transfer or other acts of disposal of the treasury shares for the acquisition of stakes or shareholding packages, or other operations of extraordinary finance that involve assigning or disposing of treasury shares; (iii) offer shareholders an additional instrument to monetise their investment; (iv) carry out activities in support of market liquidity.

The proposal envisages the authorisation to purchase, on one or more operations, 1,153,345 shares, or the different number that will represent the maximum limit of 10% of the share capital.

The proposal also envisages that: (i) the authorisation to make the purchases is granted for a maximum period of 18 months from the date of the Shareholders' Meeting, while the authorisation to dispose of the shares purchased is granted without time limits; (ii) purchase operations can be carried out on the basis of the decisions taken at the discretion of the Board of Directors in accordance with the procedures allowed by current regulations and practices; (iii) the unit payment for the purchase of shares is established from time to time for each individual operation, it being understood that it may not exceed 10% of the average of the official prices recorded on the screen-based market in the five sessions prior to each individual purchase operation.

The number of treasury shares held as at today's date is 227,738, corresponding to 1.949% of the share capital.

Calling the ordinary and extraordinary Shareholders' Meeting

The Board of Directors resolved to convene the Ordinary and Extraordinary Shareholders' Meeting on a single date on 4 May 2020 at 10.30 a.m. at the registered office of Ospitaletto (BS), with on the agenda, for the ordinary part, the presentation of the 2019 Annual Report, the approval of the Financial Report at 31 December 2019, the proposal for the distribution of the dividend, the approval of the Report on remuneration policy and remuneration paid and the authorisation to purchase and dispose of treasury shares; for the extraordinary part, the assignment to the Board of Directors of a proxy, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital against payment and the proposal to amend the Articles of Association. Pursuant to Article 106 of Italian Decree Law no. 18 of 17 March 2020, the Shareholders' Meeting will be attended exclusively by the representative designated pursuant to Article 135-undecies of the Consolidated Finance Act.

Business outlook and impacts of the coronavirus

Based on the negotiations concluded with its main customers, the Group prepared a budget that projected sales of €185 million (+19% over 2019) and a solid improvement in gross operating profitability (EBITDA %) compared with 2019. The trend in orders and production in the first quarter of 2020 was confirming a strong recovery in the level of activity at even higher rates than budgeted.

The rapid spread of the coronavirus epidemic is impacting areas where Sabaf has important production units (Lombardy). The management set up a dedicated task force that constantly monitors the development of the situation and works to manage its effects. A number of measures have been taken to prevent and combat the possibility of contagion and the Ospitaletto (Brescia) and Bareggio (Milan) plants, which account for about 60% of the Group's total production, suspended production from 16 to 22 March. As a result of the legislative measures adopted, the other Italian plants have also stopped operating as of yesterday 23 March. To date, in the foreign plants (Turkey, Brazil, Poland and China), production is proceeding at full capacity.

As things stand, the elements of uncertainty regarding the worldwide spread of the epidemic and the effectiveness of the countermeasures adopted in the various countries are such that it is not possible to quantify the effects on the activities of the Group and the markets in which it operates, and at the moment it is not possible to confirm the previous estimates for 2020. On the occasion of the publication of the Interim management statement for the first quarter of 2020, scheduled for May 11, Sabaf will provide updated information on business performance and forecasts for 2020.

The Annual Financial Report at 31 December 2019, the Independent Auditors' Report and the Board of Statutory Auditors' Report, the Report on Corporate Governance and Ownership Structure, the consolidated Non-Financial Statement and the 2019 Report on Remuneration will be published on the website www.sabaf.it and on the centralised storage system "eMarket Storage", available on the website www.emarketstorage.com, no later than 13 April 2020.

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 and Sabaf S.p.A. financial statements. Figures not yet audited.

For further information:

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Founded in the early fifties, SABAF has grown consistently over the years to become the key manufacturer in Italy – and one of the leading producers in the world – of components for household appliances. The production is broken down into three main lines: gas cooking components (valves and burners), hinges and electronic components. 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 1,000 employees. It operates through its parent company SABAF S.p.A. and the subsidiaries Sabaf do Brasil, Sabaf Turkey and Sabaf China, active in the production of domestic burners, A.R.C., which produces burners for professional cooking, and Faringosi Hinges and C.M.I., leader in the production of oven and dishwasher hinges, and Okida, operating in the field of electronic components for household appliances.

Sabaf Group - Consolidated statement of financial position
31/12/2019 31/12/2018
(€/000)
ASSETS
NON-CURRENT ASSETS

Property, plant and equipment	75,885	70,765
Investment property	3,976	4,403
Intangible assets	51,668	39,054
Equity investments	115	380
Non-current financial assets	60	120
Non-current receivables	297	188
Deferred tax assets	6,505	4,617
Total non-current assets	138,506	119,527

CURRENT ASSETS

Inventories	35,343	39,179
Trade receivables	46,929	46,932
Tax receivables	4,458	4,466
Other current receivables	1,459	1,534
Current financial assets	1,266	3,511
Cash and cash equivalents	18,687	13,426
Total current assets	108,142	109,048

ASSETS HELD FOR SALE
0 0
TOTAL ASSETS
246,648 228,575
SHAREHOLDERS' EQUITY AND LIABILITIES
SHAREHOLDERS' EQUITY

Share capital	11,533	11,533
Retained earnings, Other reserves	92,580	90,555
Profit for the year	9,915	15,614
<i>Total equity interest attributable to the Group</i>	<i>114,028</i>	<i>117,702</i>
<i>Minority interests</i>	<i>7,077</i>	<i>1,644</i>
Total shareholders' equity	121,105	119,346

NON-CURRENT LIABILITIES

Loans	44,046	42,406
Other financial liabilities	7,383	1,938
Post-employment benefit and retirement provisions	3,698	2,632
Provisions for risks and charges	995	725
Deferred tax liabilities	7,273	3,030
Total non-current liabilities	63,395	50,731

CURRENT LIABILITIES

Loans	19,015	18,435
Other financial liabilities	4,637	7,682
Trade payables	27,560	21,215
Tax payables	1,802	3,566
Other payables	9,134	7,600
Total current liabilities	62,148	58,498

LIABILITIES HELD FOR SALE
0 0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
246,648 228,575

Sabaf Group - Consolidated Income Statement

	2019	2018
<i>(€/000)</i>		
INCOME STATEMENT COMPONENTS		
OPERATING REVENUE AND INCOME		
Revenue	155,923	150,642
Other income	3,621	3,369
Total operating revenue and income	159,544	154,011
OPERATING COSTS		
Materials	(57,464)	(62,447)
Change in inventories	(8,617)	4,603
Services	(29,488)	(31,297)
Personnel costs	(37,103)	(34,840)
Other operating costs	(1,698)	(1,670)
Costs for capitalised in-house work	1,859	1,599
Total operating costs	(132,511)	(124,052)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		
	27,033	29,959
Depreciations and amortisation	(15,183)	(12,728)
Capital gains on disposals of non-current assets	46	28
Value adjustments of non-current assets	0	(850)
EBIT	11,896	16,409
Financial income	638	373
Financial expenses	(1.339)	(1.206)
Exchange rate gains and losses	(1.380)	5,384
Profits and losses from equity investments	(39)	0
PROFIT BEFORE TAXES	9,776	20,960
Income taxes	407	(5.162)
PROFIT FOR THE YEAR	10,183	15,798
of which:		
Minority interests	268	184
PROFIT ATTRIBUTABLE TO THE GROUP	9,915	15,614
EARNINGS PER SHARE (EPS)		
Base	€0.895	€1.413
Diluted	€0.895	€1.413

Sabaf S.p.A. - Statement of Financial Position

<i>(in €)</i>	31/12/2019	31/12/2018
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	51,470,506	30,497,881
Investment property	3,975,991	1,261,716
Intangible assets	2,452,857	3,094,293
Equity investments	57,950,775	58,150,073
Non-current financial assets	5,340,310	5,366,725
- of which from related parties	5,280,310	5,246,725
Non-current receivables	19,871	19,871
Deferred tax assets	4,276,366	3,471,716
Total non-current assets	125,486,676	101,862,275
CURRENT ASSETS		
Inventories	19,862,180	26,627,854
Trade receivables	28,563,314	35,157,543
- of which from related parties	9,094,290	6,080,706
Tax receivables	1,736,169	2,377,224
- of which from related parties	0	1,083,666
Other current receivables	588,494	764,471
Current financial assets	2,832,998	5,110,000
- of which from related parties	1,600,000	1,600,000
Cash and cash equivalents	8,343,105	1,958,805
Total current assets	61,926,260	71,995,897
ASSETS HELD FOR SALE	0	0
TOTAL ASSETS	187,412,936	173,858,172
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Share capital	11,533,450	11,533,450
Retained earnings, Other reserves	93,399,901	72,464,975
Profit for the year	3,821,876	8,040,214
Total shareholders' equity	108,755,227	92,038,639
NON-CURRENT LIABILITIES		
Loans	35,485,756	33,669,253
Other financial liabilities	1,233,000	120,000
Post-employment benefit and retirement provisions	2,064,001	2,083,922
Provisions for risks and charges	1,064,482	1,088,183
Deferred tax liabilities	1,733,755	106,646
Total non-current liabilities	41,580,994	37,068,004
CURRENT LIABILITIES		
Loans	13,994,308	17,330,136
Other financial liabilities	331,505	1,795,310
Trade payables	15,734,266	18,944,590
- of which to related parties	761,431	3,858,114
Tax payables	695,008	589,828
- of which to related parties	74,375	0
Other payables	6,321,628	6,091,665
Total current liabilities	37,076,715	44,751,529
LIABILITIES HELD FOR SALE	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	187,412,936	173,858,172

Sabaf S.p.A. – Income Statement

	2019	2018
<i>(in €)</i>		
INCOME STATEMENT COMPONENTS		
OPERATING REVENUE AND INCOME		
Revenue	94,899,421	110,065,252
- of which from related parties	<i>13,984,435</i>	<i>11,496,883</i>
Other income	4,045,581	2,985,254
Total operating revenue and income	98,945,002	113,050,506
OPERATING COSTS		
Materials	(32,805,599)	(45,084,626)
Change in inventories	(6,765,674)	1,858,927
Services	(20,124,041)	(27,540,143)
- of which by related parties	<i>(1,698,535)</i>	<i>(3,991,378)</i>
Personnel costs	(26,785,293)	(28,388,299)
Other operating costs	(926,250)	(1,852,013)
Costs for capitalised in-house work	1,588,760	1,599,795
Total operating costs	(85,818,097)	(99,406,359)
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION, CAPITAL GAINS/LOSSES, WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS		
	13,126,905	13,644,147
Depreciations and amortisation	(9,808,641)	(8,596,924)
Capital gains/(losses) on disposal of non-current assets	130,018	495,659
Write-downs/write-backs of non-current assets	(500,000)	0
- of which by related parties	<i>(500,000)</i>	<i>0</i>
EBIT		
	2,948,282	5,542,882
Financial income	211,324	122,845
- of which from related parties	<i>199,308</i>	<i>118,874</i>
Financial expenses	(816,612)	(918,213)
Exchange rate gains and losses	(10,015)	157,102
Profits and losses from equity investments	1,357,665	4,322,070
- of which from related parties	<i>1,357,665</i>	<i>4,322,070</i>
PROFIT BEFORE TAXES		
	3,690,644	9,226,686
Income taxes	131,232	(1,186,472)
PROFIT FOR THE YEAR		
	3,821,876	8,040,214