

## **SABAF: FIRST HALF 2019 RESULTS APPROVED**

- **In the first half of 2019, revenue was €74.8 million (-1.6% compared to the first half of 2018); EBITDA was €12.9 million (17.2% of sales, -15.6%); EBIT was €6.3 million (8.4% of sales, -30.4%); net profit was €3.5 million**
- **In the first half-year, positive free cash flow of €10.4 million (€1.1 million in the first half of 2018); net financial debt at 30 June 2019 was €50.3 million (53.5 million at 31 December 2018)**
- **In the second quarter, revenue was €37.2 million (-0.9% compared to the second quarter of 2018); EBITDA was €6.3 million (16.9% of sales, -16.9%); EBIT was €2.9 million (7.8% of sales, -34.5%); net profit was €1.4 million**
- **The merger of Sabaf Immobiliare s.r.l. into Sabaf S.p.A. was approved**

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The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Half-Yearly Report at 30 June 2019.

### *Consolidated results for the first half of 2019*

The Sabaf Group reported revenue of €74.8 million in the first half of 2019, a decrease of 1.6% versus the figure of €76 million in the corresponding period of the previous year. Taking into consideration the same scope of consolidation, the drop in revenues was 7.8%.

Trend in demand was uneven in the various markets in which the Group operates. Positive results were achieved in North America and Asia, where Sabaf continues to gradually increase its market share. On the other hand, the Group perceived the weakness of the Turkish market, the crisis in the Middle East (due to the well-known political and economic context) and a further slowdown of Italian customers.

The sales analysis by product category shows the positive performance of hinges and professional burners, while valves show a marked weakness. Sales of electronic components, steadily improving, were in line with expectations.

Average sale prices for the period were 0.8% lower than the first half of 2018, an effect substantially offset by the reduction in purchase costs of commodities.

During the half-year, the Group successfully implemented lean manufacturing projects to revise logistics and production flows in order to contain operating costs and reduce inventory levels. These projects led to an improvement in working capital and a strong cash flow generation; however, the drop in production volumes - more than proportional to the drop in sales - and the consequent low level of saturation of the plants affected profitability. EBITDA of the first half of 2019 came at €12.9 million (17.2% of turnover, 15.6% lower than €15.3 million of the same period of 2018, when it was 20.1% of sales) and EBIT was €6.3 million (8.4% of sales, down by 30.4% on €9 million of the first half of 2018). Pre-tax profit amounted to €4.7 million in the first half of 2019 versus the figure of €9.7 million in the corresponding period of the previous year, and net profit was €3.5 million, €7.2 million in the corresponding period of the previous year.

Net working capital was €55.5 million at 30 June 2019, versus €59.7 million at the end of 2018: the increase is mainly related to the optimisation of inventory management. The impact of net working capital on sales was 37.1%.

Investments in the first half of the year amounted to €4.1 million (€6.6 million in the first half of 2018); the largest investments were used for the increase in production capacity in Turkey and Brazil.

In the first half of 2019, the positive free cash flow<sup>1</sup> was €10.4 million (€1.1 million in the first half of 2018). After paying dividends of €6.1 million, at 30 June 2019 net financial debt fell to €50.3 million, compared with €53.5 million at 31 December 2018. Consolidated shareholders' equity attributable to the Group amounted to €113.3 million.

#### *Consolidated results for Q2 2019*

Sales in the second quarter of 2019 amounted to €37.2 million, down by 0.9% compared to €37.5 million in Q2 2018 (-7.5% on a like-for-like exchange rate basis). The decrease is mainly due to the slowdown in demand in Italy and South America.

As in the first quarter, the low level of capacity utilisation had an impact on profitability: second-quarter EBITDA was €6.3 million, equivalent to 16.9% of turnover (-16.9% versus €7.6 million in the second quarter of 2018, when it was 20.1% of turnover), and EBIT was €2.9 million, equivalent to 7.8% of turnover (-34.5% versus €4.4 million in the second quarter of 2018, when it was 11.8% of turnover). Net profit for the period was €1.4 million, compared to €3.9 million for the second quarter of 2018.

#### *Forecasts for the rest of the year*

The trend in demand during the third quarter remains dissimilar in the various markets in which the Group operates and does not show significant changes compared to the first part of the year. Including the contribution from the recent acquisition of CMI, which will be consolidated as from August, the Group expects to achieve sales of approximately €162 million and EBITDA of between €28 and €29 million for the whole of 2019. Net of CMI, sales are expected to be around €150 million (the previous forecast indicated revenues up between 3% and 6% compared to 2018 and operating profitability in line with or slightly down from 19.9% in 2018).

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.

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<sup>1</sup> 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.



We burn for technology and safety.

*The merger of Sabaf Immobiliare s.r.l. into Sabaf S.p.A. was approved.*

The Board of Directors of Sabaf S.p.A. today also approved the merger through incorporation into Sabaf S.p.A. of the wholly-owned subsidiary Sabaf Immobiliare s.r.l. The decision to carry out the merger was also taken by the shareholders' meeting of the merged company.

The merger operation is part of the need to concentrate the activities of the two companies in order to optimise the management of resources, synergies and the economic and financial flows.

Note that the provisions contained in the procedure for transactions with related parties, adopted by the Board of Directors of Sabaf S.p.A. in compliance with the Regulations of Related-party transactions adopted by Consob resolution no. 17221 of 12 March 2010, do not apply to the merger itself, as the merged company is 100% controlled by the merging company.

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The results will be presented to the financial community at 3:00 p.m. today, 6 August 2019, during a conference call (call 02 805 88 11 a few minutes before the scheduled start).

The Half-Yearly Report at 30 June 2019 will be made available to the public in accordance with and within the time limits prescribed by the law.

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*

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 kitchens and domestic gas cooking appliances.*

*There are four main lines of production: valves, thermostats and burners for gas cooking appliances and hinges for ovens, washing machines and dishwashers.*

*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 hinges and dishwashers and Okida, active in the sector of electronic components for household appliances.*

**Consolidated statement of financial position**

(€/000)	30/06/2019	31/12/2018
<b>ASSETS</b>		
NON-CURRENT ASSETS		
Property, plant and equipment	69,687	70,765
Investment property	4,190	4,403
Intangible assets	36,724	39,054
Equity investments	375	380
Financial assets	60	120
Non-current receivables	369	188
Deferred tax assets	4,656	4,617
<b>Total non-current assets</b>	<b>116,061</b>	<b>119,527</b>
CURRENT ASSETS		
Inventories	35,141	39,179
Trade receivables	46,712	46,932
Tax receivables	2,958	4,466
Other current receivables	2,114	1,534
Financial assets	60	3,511
Cash and cash equivalents	10,901	13,426
<b>Total current assets</b>	<b>97,886</b>	<b>109,048</b>
ASSETS HELD FOR SALE	<b>0</b>	<b>0</b>
<b>TOTAL ASSETS</b>	<b>213,947</b>	<b>228,575</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
SHAREHOLDERS' EQUITY		
Share capital	11,533	11,533
Retained earnings, Other reserves	98,252	90,555
Profit (loss) for the year	3,513	15,614
<i>Total equity interest of the Parent Company</i>	<i>113,298</i>	<i>117,702</i>
<i>Minority interests</i>	<i>1,766</i>	<i>1,644</i>
<b>Total shareholders' equity</b>	<b>115,064</b>	<b>119,346</b>
NON-CURRENT LIABILITIES		
Loans	36,878	42,406
Other financial liabilities	1,878	1,938
Post-employment benefit and retirement reserves	2,798	2,632
Provisions for risks and charges	592	725
Deferred tax liabilities	2,772	3,030
<b>Total non-current liabilities</b>	<b>44,918</b>	<b>50,731</b>
CURRENT LIABILITIES		
Loans	22,044	18,435
Other financial liabilities	479	7,682
Trade payables	21,450	21,215
Tax payables	1,703	3,566
Other payables	8,289	7,600
<b>Total current liabilities</b>	<b>53,965</b>	<b>58,498</b>
LIABILITIES HELD FOR SALE	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>213,947</b>	<b>228,575</b>

### Consolidated Income Statement

	Q2 2019	Q2 2018	H1 2019	H1 2018
<i>(€/000)</i>				
<b>OPERATING REVENUE AND INCOME</b>				
Revenue	37,191	37,510	74,826	76,013
Other income	622	965	1,294	1,668
<b>Total operating revenue and income</b>	<b>37,813</b>	<b>38,475</b>	<b>76,120</b>	<b>77,681</b>
<b>OPERATING COSTS</b>				
Materials	(13,599)	(17,711)	(27,878)	(34,555)
Change in inventories	(2,422)	4,047	(3,687)	6,472
Services	(7,086)	(8,170)	(14,420)	(16,314)
Payroll costs	(8,799)	(9,249)	(17,659)	(18,273)
Other operating costs	(216)	(320)	(579)	(653)
Costs for capitalised in-house work	586	483	997	918
<b>Total operating costs</b>	<b>(31.536)</b>	<b>(30.920)</b>	<b>(63.226)</b>	<b>(62.405)</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION &amp; AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)</b>				
	<b>6,277</b>	<b>7,555</b>	<b>12,894</b>	<b>15,276</b>
Depreciations and amortisation	(3,377)	(3,134)	(6,689)	(6,303)
Capital gains/(losses) on disposals of non-current assets	3	12	48	11
Write-downs/write-backs of non-current assets	0	0	0	0
<b>OPERATING PROFIT (EBIT)</b>				
	<b>2,903</b>	<b>4,433</b>	<b>6,253</b>	<b>8,984</b>
Financial income	128	31	236	90
Financial expenses	(450)	(189)	(790)	(405)
Exchange rate gains and losses	(644)	837	(1,041)	1,072
Profits and losses from equity investments	0	0	0	0
<b>PROFIT BEFORE TAXES</b>				
	<b>1,937</b>	<b>5,112</b>	<b>4,658</b>	<b>9,741</b>
Income taxes	(459)	(1,184)	(1,024)	(2,412)
<b>NET PROFIT FOR THE PERIOD</b>				
	<b>1,478</b>	<b>3,928</b>	<b>3,634</b>	<b>7,329</b>
of which:				
Minority interests	80	55	121	103
<b>PROFIT ATTRIBUTABLE TO THE GROUP</b>				
	<b>1,398</b>	<b>3,873</b>	<b>3,513</b>	<b>7,226</b>

### Consolidated statement of cash flows

	<b>H1 2019</b>	<b>H1 2018</b>
<b><i>Cash and cash equivalents at beginning of period</i></b>	<b><i>13,426</i></b>	<b><i>11,533</i></b>
Net profit/(loss) for the period	3,634	7,329
Adjustments for:		
- Depreciation and amortisation for the period	6,689	6,303
- Realised gains/losses	(48)	(11)
- Financial income and expenses	554	315
- IFRS 2 measurement stock grant plan	258	65
- Income tax	1,024	2,412
Change in post-employment benefit reserve	152	(161)
Change in risk provisions	(133)	13
<i>Change in trade receivables</i>	<i>220</i>	<i>(6,821)</i>
<i>Change in inventories</i>	<i>4,038</i>	<i>(5,364)</i>
<i>Change in trade payables</i>	<i>235</i>	<i>5,108</i>
Change in net working capital	4,493	(7,077)
Change in other receivables and payables, deferred taxes	(735)	(571)
Payment of taxes	(871)	(586)
Payment of financial expenses	(776)	(405)
Collection of financial income	236	90
<b>Cash flows from operations</b>	<b>14,477</b>	<b>7,716</b>
Investments in non-current assets		
- intangible	(455)	(316)
- tangible	(3,871)	(6,341)
- financial	0	0
Disposal of non-current assets	208	25
<b>Cash flows from investment activities</b>	<b>(4,118)</b>	<b>(6,632)</b>
Repayment of loans	(15,433)	(10,378)
New loans	5,237	15,342
Change in financial assets	3,451	59
Purchase of treasury shares	0	(2,086)
Payment of dividends	(6,060)	(6,071)
<b>Cash flows from financing activities</b>	<b>(12,805)</b>	<b>(3,134)</b>
Acquisition of Okida Elektronik	(317)	0
Foreign exchange differences	298	(2,279)
<b>Net cash flows for the period</b>	<b>(2,465)</b>	<b>(4,329)</b>
<b><i>Cash and cash equivalents at end of period</i></b>	<b><i>10,961</i></b>	<b><i>7,204</i></b>
Current financial debt	22,523	17,631
Non-current financial debt	38,756	24,333
<b><i>Net financial debt</i></b>	<b><i>50,318</i></b>	<b><i>34,760</i></b>

### Net financial position

	30/06/2019	31/12/2018	Change
A. Cash	18	19	(1)
B. Positive balances of unrestricted bank accounts	10,594	7,067	3,527
C. Other cash equivalents	289	6,340	(6,051)
<b>D. Liquidity (A+B+C)</b>	<b>10,901</b>	<b>13,426</b>	<b>(2,525)</b>
<b>E. Current financial receivables</b>	<b>60</b>	<b>3,511</b>	<b>(3,451)</b>
F. Current bank payables	8,954	7,233	1,721
G. Current portion of non-current debt	12,625	10,741	1,884
H. Other current financial payables	944	8,143	(7,199)
<b>I. Current financial debt (F+G+H)</b>	<b>22,523</b>	<b>26,117</b>	<b>(3,594)</b>
<b>J. Net current financial debt (I-E-D)</b>	<b>11,562</b>	<b>9,180</b>	<b>2,382</b>
K. Non-current bank payables	34,943	41,097	(6,154)
L. Other non-current financial payables	3,813	3,247	566
<b>M. Non-current financial debt (K+L)</b>	<b>38,756</b>	<b>44,344</b>	<b>(5,588)</b>
<b>N. Net financial debt (J+M)</b>	<b>50,318</b>	<b>53,524</b>	<b>(3,206)</b>

### Sales by geographical area

<i>(amounts in €000)</i>	<b>Q2 2019</b>	<b>Q2 2018</b>	% change	<b>H1 2019</b>	<b>H1 2018</b>	% change	<b>2018 FY</b>
Italy	7,881	9,002	-12.5%	16,733	18,308	-8.6%	31,579
Western Europe	3,091	2,847	+8.6%	6,500	6,119	6.2%	12,337
Eastern Europe	12,322	12,128	+1.6%	24,286	23,632	2.8%	46,301
Middle East and Africa	1,938	1,582	+22.5%	3,196	5,188	-38.4%	12,303
Asia and Oceania	2,524	1,690	+49.3%	4,438	2,994	48.2%	7,590
South America	5,687	6,297	-9.7%	12,103	12,400	-2.4%	25,461
North America and Mexico	3,748	3,964	-5.4%	7,570	7,372	2.7%	15,071
<b>Total</b>	<b>37,191</b>	<b>37,510</b>	<b>-0.9%</b>	<b>74,826</b>	<b>76,013</b>	<b>-1.6%</b>	<b>150,642</b>

### Sales by product line

<i>(amounts in €000)</i>	<b>Q2 2019</b>	<b>Q2 2018</b>	% change	<b>H1 2019</b>	<b>H1 2018</b>	% change	<b>2018 FY</b>
<i>Valves and thermostats</i>	<i>10,622</i>	<i>13,204</i>	<i>-19.6%</i>	<i>21,860</i>	<i>26,311</i>	<i>-16.9%</i>	<i>48,463</i>
<i>Burners</i>	<i>16,382</i>	<i>16,178</i>	<i>+1.3%</i>	<i>32,757</i>	<i>33,785</i>	<i>-3.0%</i>	<i>66,953</i>
<i>Accessories</i>	<i>3,163</i>	<i>4,035</i>	<i>-21.6%</i>	<i>6,579</i>	<i>7,878</i>	<i>-16.5%</i>	<i>15,422</i>
Total gas parts	30,167	33,417	-9.7%	61,196	67,974	-10.0%	130,838
Professional burners	1,572	1,430	+9.9%	3,134	2,977	+5.3%	5,331
Hinges	2,962	2,663	+11.2%	5,730	5,062	+13.2%	10,436
Electronic components	2,490	0		4,766	0		4,037
<b>Total</b>	<b>37,191</b>	<b>37,510</b>	<b>-0.9%</b>	<b>74,826</b>	<b>76,013</b>	<b>-1.6%</b>	<b>150,642</b>