

**SABAF: APPROVED RESULTS FOR THE FIRST HALF OF 2017
PIETRO IOTTI CHIEF EXECUTIVE OFFICER FROM 12 SEPTEMBER**

- **In H1 2017, Sabaf booked revenue of €77.2 million (+19.1%), EBITDA of €16.8 million (+35.7%), EBIT of €10.3 million (+70.8%) and net profit of €7.5 million (+89.4%)**
- **In Q2 2016, revenue was €40.2 million (+18.2%), EBITDA was €9.2 million (+36%), EBIT was €6 million (+66.9%) and net profit was €4.4 million (+84.1%)**
- **Sales at €150 million are expected for the whole of 2017, as well as an increase in profitability compared with 2016**
- **Pietro Iotti has been appointed as Chief Executive Officer as from 12 September 2017**

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto to approve the Half-Year Report at 30 June 2017.

Consolidated results for H1 2017

The Sabaf Group reported revenue of €77.2 million in the first half of 2017, an increase of 19.1% versus the figure of €64.9 million in the corresponding period of the previous year. Taking into consideration the same scope of consolidation, the increase of sales was 15.4%.

All of the markets contributed to the growth, except for Italy, which remains stable. Very positive sales growth rates have been recorded in other European markets, where Sabaf is consolidating its leadership. The Middle East market shows a strong recovery compared with 2016, and North and South America maintain a positive trend, already evident in several quarters. The product category analysis shows a growth rate of 40% for special burners, the family where product innovation has been the strongest in recent years. Average sale prices were down by 0.7% versus the first half of 2016.

The increase in sales volumes, together with the constant improvement in efficiency of production, determined a consistent improvement of profitability: the EBITDA of the first year-half came in at €16.8 million (21.7% of sales and up 35.7% on the same period of 2016, when it was 19.1% of sales) and EBIT was €10.3 million (13.4% of sales, up by 70.8% on the figure of €6 million for the first half of 2016). Pre-tax profit amounted to €10.3 million in H1 2017 (€5.9 million in H1 2016), and net profit was €7.5 million (€3.9 million in H1 2016, up by 89.4%).

As at 30 June 2017, the Group had consolidated shareholders' equity owned by the Group of €109.9 million and net debt of €31.9 million (compared with €11 million and €23.5 million respectively at 31 December 2016), after having paid dividends of €5.4 million.

Investments in H1 2017 were €7 million (in line with H1 2016); the largest investments were aimed at the automation of the assembly lines for light alloy valves and automation of the die-casting machines in Turkey. Significant upgrades are also in progress at the Ospitaletto plant for the interconnection of production plants with the ERP systems and for product traceability.

Net working capital is €3.4 million at 30 June 2017, versus €46.1 million at the end of 2016 and €51.2 million at 30 June 2016. The increase compared with the end of 2016 is attributable to the higher volumes of activity and different seasonal trend. The impact of the net working capital on sales is 38.4% (37.7% at the end of 2016).

Consolidated results for Q2 2017

Sales in the second quarter of 2017 amounted to €40.2 million, up by 18.2% compared to €34 million in Q2 2016 (+14.4% taking into consideration the same scope of consolidation). Sustained high growth rates were confirmed, also with regard to the comparison with a period that showed signs of recovery compared with Q1 2016.

Second-quarter EBITDA was €9.2 million, equivalent to 23% of sales (+36% versus €6.8 million in Q2 2016, when it was 20% of sales), and EBIT was €6 million, equivalent to 14.9% of sales (+66.9% versus €3.6 million in Q2 2016, when it was 10.5% of sales). Net profit for the period was €4.4 million, compared to €2.4 million for Q2 2016 (+84.1%).

Forecasts for the rest of the year

The performance of sales and orders remains positive also for the months of July and August. Although the visibility for H2 is not yet complete, for the whole of 2017, the Group expects to be able to reach sales of around €150 million and increasing operating margins compared with 2016 (the previous forecast indicated sales of around €145 million).

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.

Appointment of Mr. Pietro Iotti as Chief Executive Officer and General Manager

The Board of Directors also resolved to appoint Mr. Pietro Iotti Chief Executive Officer effective from 12 September, conferring the powers currently assigned *ad interim* to the CFO Gianluca Beschi. The Board also resolved the appointment, on 12 September, of Mr. Iotti as General Manager.

The results will be presented to the financial community at 15.00 today, 03 August 2017, during a *conference call* (call 02 805 88 11 a few minutes before the scheduled start).

The Half-Year Report at 30 June 2017 will be made available to the public in accordance with the law from 04 August 2017. On the same day, it will also be published on the Company's website, www.sabaf.it.

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 more information:

Investor Relations Gianluca Beschi Tel: +39 030 6843236 gianluca.beschi@sabaf.it www.sabaf.it	Press Office Power Emprise - tel. +39 02 438114200 Jenny Giuliani - +39 349 2408123 jennygiuliani@poweremprise.com Erminia Cannistrà - +39 340 8684279 erminiacannistra@poweremprise.com Arnaldo Ragozzino - + 39 335 6978581 aragozzino@twistergroup.it
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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 800 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, leader in the production of oven hinges.

Consolidated Balance Sheet and Financial Position

(€/000)	Notes:	30.06.2017	31.12.2016(*)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1	73,118	73,445
Real estate investment	2	6,050	6,270
Intangible assets	3	9,138	9,077
Equity investments	4	306	306
Financial assets	10	180	0
Non-current receivables	5	300	262
Deferred tax assets	22	4,870	4,781
Total non-current assets		93,962	94,141
CURRENT ASSETS			
Inventories	6	36,046	31,484
Trade receivables	7	49,113	36,842
Tax receivables	8	2,177	3,163
Other current receivables	9	1,470	1,419
Financial assets	10	193	0
Cash and cash equivalents	11	5,588	12,143
Total current assets		94,587	85,051
ASSETS HELD FOR SALE		0	0
TOTAL ASSETS		188,549	179,192
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	12	11,533	11,533
Retained earnings, other reserves	13	90,930	90,471
Net profit (loss) for period		7,452	8,994
<i>Total equity interest of the Parent Company</i>		<i>109,915</i>	<i>110,998</i>
<i>Minority interests</i>		<i>1,407</i>	<i>1,379</i>
Total shareholders' equity		111,322	112,377
NON-CURRENT LIABILITIES			
Loans	14	16,320	18,892
Other financial liabilities	15	1,702	1,762
Post-employment benefit and retirement reserves	16	3,081	3,086
Reserves for risks and contingencies	17	448	434
Deferred tax	22	789	870
Total non-current liabilities		22,340	25,044
CURRENT LIABILITIES			
Loans	14	19,374	14,612
Other financial liabilities	21	78	335
Trade payables	18	25,822	18,977
Tax payables	19	1,760	1,190
Other payables	20	7,853	6,657
Total current liabilities		54,887	41,771
LIABILITIES HELD FOR SALE		0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		188,549	179,192

(*) figures recalculated pursuant to IFRS 3, in order to retrospectively take into account the effects resulting from the fair value measurement of A.R.C's assets and liabilities, at the acquisition date previously considered provisional

Consolidated Income Statement

	Q2 2017	Q2 2016	H1 2017	H1 2016
<i>(€/000)</i>				
OPERATING REVENUE AND INCOME				
Revenues	40,163	33,993	77,236	64,853
Other income	871	739	1,581	1,350
Total operating revenue and income	41,034	34,732	78,817	66,203
OPERATING COSTS				
Materials	(18,160)	(13,922)	(33,039)	(25,370)
Change in inventories	3,714	1,874	5,195	2,496
Services	(7,977)	(7,420)	(15,914)	(14,368)
Payroll costs	(9,410)	(8,460)	(18,417)	(16,577)
Other operating costs	(319)	(234)	(588)	(451)
Costs for capitalised in-house work	340	213	728	433
Total operating costs	(31,812)	(27,949)	(62,035)	(53,837)
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)				
	9,222	6,783	16,782	12,366
Depreciation and amortisation	(3,257)	(3,198)	(6,469)	(6,331)
Capital gains/(losses) on disposals of non-current assets	16	(2)	7	8
Write-downs/write-backs of non-current assets	0	0	0	0
OPERATING PROFIT (EBIT)				
	5,981	3,583	10,320	6,043
Financial income	41	10	129	32
Financial expenses	(143)	(150)	(283)	(285)
Exchange rate gains and losses	(36)	129	101	126
Profits and losses from equity investments	0	0	0	0
PROFIT BEFORE TAXES				
	5,843	3,572	10,267	5,916
INCOME TAX	(1,441)	(1,194)	(2,787)	(1,981)
Minority interests	(24)	0	(28)	0
NET PROFIT FOR THE PERIOD				
	4,378	2,378	7,452	3,935

Consolidated statement of cash flows

	H	H
	1	1
	2017	2016
<i>Cash and cash equivalents at beginning of period</i>	12,143	3,991
Net profit/(loss) for the period	7,452	3,935
Adjustments for:		
- Depreciation for the period	6,469	6,331
- Realised gains/losses	(7)	(8)
- Financial income and expenses	154	253
- Income tax	2,787	1,981
Change in post-employment benefit reserve	(17)	(53)
Change in risk provisions	14	(22)
<i>Change in trade receivables</i>	<i>(12,271)</i>	<i>(1,680)</i>
<i>Change in inventories</i>	<i>(4,562)</i>	<i>(2,743)</i>
<i>Change in trade payables</i>	<i>6,845</i>	<i>1,712</i>
Change in net working capital	(9,988)	(2,711)
Change in other receivables and payables, deferred tax	1,019	775
Payment of taxes	(1,206)	(1,558)
Payment of financial expenses	(271)	(265)
Collection of financial income	129	32
Cash flow from operations	6,535	8,690
Investments in non-current assets		
- intangible	(377)	(438)
- tangible	(6,782)	(6,574)
- financial	0	0
Disposal of non-current assets	123	52
Cash flow from investments	(7,036)	(6,960)
Repayment of loans	(6,003)	(11,083)
New loans	7,876	19,046
Change in financial assets	(373)	0
Purchase of treasury shares	(937)	(1,132)
Payment of dividends	(5,384)	(5,467)
Cash flow from financing activity	(4,821)	1,364
Acquisition of A.R.C.	0	(2,614)
Foreign exchange differences	(1,233)	634
Net financial flows for the period	(6,555)	1,114
<i>Cash and cash equivalents at end of period</i>	5,588	5,105
Current financial debt	19,452	28,606
Non-current financial debt	18,022	10,778
<i>Net financial debt</i>	31,886	34,279

Sales by geographical area

<i>(amounts in €'000)</i>	Q2 2017	Q2 2016	% change	H1 2017	H1 2016	% change	2016 FY
Italy	9,962	10,123	-1.6%	20,978	20,966	+0.1%	36,365
Western Europe	2,908	1,865	+55.9%	6,012	3,551	+69.3%	8,553
Eastern Europe	11,512	9,304	+23.7%	21,071	17,088	+23.3%	34,123
Middle East and Africa	3,150	2,772	+13.6%	6,410	4,910	+30.5%	11,698
Asia and Oceania	3,430	1,664	+106.1%	5,013	3,101	+61.7%	8,088
South America	6,084	5,275	+15.3%	11,540	9,761	+18.2%	20,847
North America and Mexico	3,117	2,990	+4.2%	6,212	5,476	+13.4%	11,304
Total	40,163	33,993	+18.2%	77,236	64,853	+19.1%	130,978

Sales by product line

<i>(amounts in €'000)</i>	Q2 2017	Q2 2016	% change	H1 2017	H1 2016	% change	2016 FY
Brass valves	1,940	2,509	-22.7%	3,586	4,540	-21.0%	9,007
Light alloy valves	10,742	8,980	19.6%	20,390	17,133	19.0%	32,393
Thermostats	1,946	2,486	-21.7%	4,056	4,426	-8.4%	7,699
Standard burners	10,735	9,369	14.6%	21,011	18,160	15.7%	37,338
Special burners	7,426	5,126	44.9%	13,920	9,903	40.6%	21,215
Accessories	3,809	3,296	15.6%	7,558	6,432	17.5%	12,613
<i>Total gas parts</i>	<i>36,598</i>	<i>31,766</i>	<i>15.2%</i>	<i>70,521</i>	<i>60,594</i>	<i>16.4%</i>	<i>120,265</i>
<i>Professional burners</i>	1,286	-		2,401	-		2,289
<i>Hinges</i>	2,279	2,227	2.3%	4,314	4,259	1.3%	8,424
Total	40,163	33,993	18.2%	77,236	64,853	19.1%	130,978