

SABAF: THIRD-QUARTER 2018 RESULTS APPROVED

- **In the third quarter, revenue was €38.4 million (+8.1%); EBITDA was €7.6 million (+4.3%); EBIT was €4.6 million (+11.6%); net profit was €5.1 million (+85.2%)**
- **In the first nine months of 2018, revenue was €114.4 million (+1.5%); EBITDA was €22.9 million (-4.9%); EBIT was €13.6 million (-6%); net profit was €12.4 million (+20.9%)**

The Board of Directors of Sabaf S.p.A. met today in Ospitaletto (BS) to approve the Interim Management Statement at 30 September 2018.

Consolidated results for Q3 2018

In an overall unfavourable market environment, in the third quarter of 2018 the Sabaf Group recorded a marked improvement in sales performance compared to the first half of the year: during the period, sales revenue totalled €38.4 million, up by 8.1% compared to €35.5 million in the third quarter of 2017 (+5.6% taking into consideration the same scope of consolidation, i.e. excluding the contribution of Okida Elektronik, consolidated starting from 4 September 2018).

The markets that contributed most to the growth were South America and North America, which maintained a double-digit increase. The Middle East and North Africa area also reported very positive results, while Eastern Europe recorded sales in line with the same period of last year, in that the weakness of final demand in Turkey was offset by greater competitiveness of local producers, who benefited from the devaluation of the Turkish lira. The Italian market remains negative, affected by the difficulties of some customers.

EBITDA for the third quarter of 2018 was €7.6 million, or 19.9% of sales, up by 4.3% compared to the figure of €7.3 million (20.6% of sales) in the third quarter of 2017.

During the period, the Group recognised a provision for legal risks of €0.85 million, against the contingent liability resulting from a revocation action relating to deeds dating back to previous situations. Without this non-recurring element, EBITDA for the quarter would have been €8.5 million (22.1% of sales).

EBIT was €4.6 million, equivalent to 11.9% of sales, and 11.6% higher than €4.1 million of the same period in 2017 (11.5% of sales).

During the quarter, the Group recorded positive exchange differences of €2.7 million, mainly due to the devaluation of the Turkish lira. Profit before taxes was €7.1 million, up by 77.8% compared to €4 million in Q3 2017. The net profit for the period was €5.1 million, up by 85.2% compared to the figure of €2.8 million in Q3 2017.

Consolidated results in January-September 2018

In the first nine months of 2018, revenues totalled €114.4 million, up by 1.5% over the same period of 2017 (taking into consideration the same scope of consolidation, the growth in revenues was 1.4%). EBITDA was €22.9 million (or 20% of sales), down by 4.9%, EBIT totalled €13.6 million (or 11.9% of sales) down by 6%, and the net profit owned by the Group was €12.4 million, up by 20.9% compared to the first nine months of 2017.

Investments and financial position

The total investment recognised for the acquisition of Okida at 30 September 2018 was €22.9 million; the operation was financed with bank loans repayable in 72 months.

Other investments in the quarter amounted to €1.9 million. Taking into consideration the same scope of consolidation, total investments for the year amounted to €8.5 million (€10.6 million in the first nine months of 2017).

At 30 September 2018, net financial debt was €53.2 million (€34.8 million at 30 June 2018), against a shareholders' equity of €109.9 million.

Outlook

For the whole of 2018, the Group expects to reach sales of approximately €152 million, up moderately from €150.2 million in 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 forecasts.

Today at 15.00 p.m. CET there will be a conference call to illustrate the results of the third quarter of 2018 to financial analysts and institutional investors (please call the number +02 805 88 11 a few minutes before it begins).

The Interim Management Statement for Q3 2018, which has not been independently audited, is available in the Investor Relations section of the 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.

Attachments include the statement of financial position, income statement, statement of cash flows and net financial position.

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

Consolidated statement of financial position

(€/000)	30.09.2018	31.12.2017	30.09.2017
ASSETS			
NON-CURRENT ASSETS			
Property, plant, and equipment	70,272	73,069	73,564
Investment property	5,361	5,697	5,805
Intangible assets	29,540	9,283	9,114
Equity investments	281	281	281
Financial assets	120	180	180
Non-current receivables	324	196	324
Deferred tax assets	4,947	5,096	4,793
Total non-current assets	110,845	93,802	94,061
CURRENT ASSETS			
Inventories	39,308	32,929	36,719
Trade receivables	48,104	42,263	44,043
Tax receivables	2,146	3,065	2,316
Other current receivables	1,904	1,057	1,177
Financial assets	3,521	67	178
Cash and cash equivalents	18,405	11,533	6,348
Total current assets	113,388	90,914	90,781
ASSETS HELD FOR SALE	0	0	0
TOTAL ASSETS	224,233	184,716	184,842
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	11,533	11,533	11,533
Retained earnings, other reserves	84,374	87,227	89,144
Net profit for the period	12,370	14,835	10,229
<i>Total equity interest of the Parent Company</i>	<i>108,277</i>	<i>113,595</i>	<i>110,906</i>
<i>Minority interests</i>	<i>1,582</i>	<i>1,460</i>	<i>1,444</i>
Total shareholders' equity	109,859	115,055	112,350
NON-CURRENT LIABILITIES			
Loans	47,007	17,760	15,031
Other financial liabilities	1,883	1,943	1,702
Post-employment benefit and retirement reserves	2,680	2,845	3,011
Provisions for risks and charges	1,298	385	388
Deferred tax liabilities	854	804	798
Total non-current liabilities	53,722	23,737	20,930
CURRENT LIABILITIES			
Loans	16,957	17,288	17,203
Other financial liabilities	9,324	75	80
Trade payables	23,168	19,975	23,585
Tax payables	3,520	1,095	2,638
Other payables	7,683	7,491	8,056
Total current liabilities	60,652	45,924	51,562
LIABILITIES HELD FOR SALE	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	224,233	184,716	184,842

Consolidated Income Statement

	Q3 2018		Q3 2017		9M 2018		9M 2017	
<i>(€/000)</i>								
INCOME STATEMENT COMPONENTS								
OPERATING REVENUE AND INCOME								
Revenue	38,428	100.0%	35,541	100.0%	114,441	100.0%	112,777	100.0%
Other income	800	2.1%	937	2.6%	2,468	2.2%	2,518	2.2%
Total operating revenue and income	39,228	102.1%	36,478	102.6%	116,909	102.2%	115,295	102.2%
OPERATING COSTS								
Materials	(14,167)	-36.9%	(14,491)	-40.8%	(48,722)	-42.6%	(47,530)	-42.1%
Change in inventories	(809)	-2.1%	765	2.2%	5,663	4.9%	5,960	5.3%
Services	(7,385)	-19.2%	(7,267)	-20.4%	(23,699)	-20.7%	(23,181)	-20.6%
Payroll costs	(8,071)	-21.0%	(8,258)	-23.2%	(26,344)	-23.0%	(26,675)	-23.7%
Other operating costs	(1,393)	-3.6%	(233)	-0.7%	(2,046)	-1.8%	(821)	-0.7%
Costs for capitalised in-house work	233	0.6%	324	0.9%	1,151	1.0%	1,052	0.9%
Total operating costs	(31,592)	-82.2%	(29,160)	-82.0%	(93,997)	-82.1%	(91,195)	-80.9%
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)								
	7,636	19.9%	7,318	20.6%	22,912	20.0%	24,100	21.4%
Depreciations and amortisation	(3,057)	-8.0%	(3,195)	-9.0%	(9,360)	-8.2%	(9,664)	-8.6%
Capital gains/(losses) on disposals of non-current assets	1	0.0%	(20)	-0.1%	12	0.0%	(13)	0.0%
Write-downs/write-backs of non-current assets	0	0.0%	0	0.0%	0	0.0%	0	0.0%
OPERATING PROFIT (EBIT)								
	4,580	11.9%	4,103	11.5%	13,564	11.9%	14,423	12.8%
Financial income	135	0.4%	23	0.1%	225	0.2%	152	0.1%
Financial expenses	(343)	-0.9%	(141)	-0.4%	(748)	-0.7%	(424)	-0.4%
Exchange rate gains and losses	2,703	7.0%	(9)	0.0%	3,775	3.3%	92	0.1%
Profits and losses from equity investments	0	0.0%	3	0.0%	0	0.0%	3	0.0%
PROFIT BEFORE TAXES								
	7,075	18.4%	3,979	11.2%	16,816	14.7%	14,246	12.6%
Income tax	(1,912)	-5.0%	(1,165)	-3.3%	(4,324)	-3.8%	(3,952)	-3.5%
NET PROFIT FOR THE PERIOD								
	5,163	13.4%	2,814	7.9%	12,492	10.9%	10,294	9.1%
of which:								
Profit attributable to minority interests	19	0.0%	37	0.1%	122	0.1%	65	0.1%
PROFIT ATTRIBUTABLE TO THE GROUP								
	5,144	13.4%	2,777	7.8%	12,370	10.8%	10,229	9.1%

Consolidated statement of cash flows

<i>(€/000)</i>	Q3 2018	Q3 2017	9M 2018	9M 2017
<i>Cash and cash equivalents at beginning of period</i>	7,204	5,588	11,533	12,143
Net profit/(loss) for the period	5,163	2,814	12,492	10,294
Adjustments for:				
- Depreciation and amortisation for the period	3,057	3,195	9,360	9,664
- Realised gains/losses	(1)	20	(12)	13
- Financial income and expenses	208	118	523	272
- IFRS 2 measurement stock grant plan	128	0	193	0
- Income tax	1,912	1,165	4,324	3,952
Payment of post-employment benefit reserve	(25)	(76)	(186)	(93)
Change in risk provisions	900	(60)	913	(46)
<i>Change in trade receivables</i>	<i>2,646</i>	<i>5,070</i>	<i>(4,175)</i>	<i>(7,201)</i>
<i>Change in inventories</i>	<i>861</i>	<i>(673)</i>	<i>(4,503)</i>	<i>(5,235)</i>
<i>Change in trade payables</i>	<i>(2,599)</i>	<i>(2,237)</i>	<i>2,509</i>	<i>4,608</i>
Change in net working capital	908	2,160	(6,169)	(7,828)
Change in other receivables and payables, deferred tax liabilities	(115)	163	(686)	1,182
Payment of taxes	(868)	(138)	(1,454)	(1,344)
Payment of financial expenses	(322)	(135)	(727)	(406)
Collection of financial income	135	23	225	152
Cash flow from operations	11,080	9,249	18,796	15,812
Net investments	(1,904)	(3,558)	(8,536)	(10,594)
Repayment of loans	2,264	(4,800)	(8,114)	(10,803)
New loans	30,876	1,342	46,218	9,218
Change in financial assets	(3,453)	15	(3,394)	(358)
Purchase/sale of treasury shares	0	(1,060)	(2,086)	(1,997)
Payment of dividends	0	0	(6,071)	(5,384)
Cash flow from financing activities	29,687	(4,503)	26,553	(9,324)
Okida acquisition	(22,882)	0	(22,882)	0
Foreign exchange differences	(4,780)	(428)	(7,059)	(1,689)
Net cash flows for the period	11,201	760	6,872	(5,795)
<i>Cash and cash equivalents at end of period</i>	<i>18,405</i>	<i>6,348</i>	<i>18,405</i>	<i>6,348</i>
Current financial debt	22,760	17,283	22,760	17,283
Non-current financial debt	48,890	16,733	48,890	16,733
Net financial debt	53,245	27,668	53,245	27,668

Consolidated net financial position

<i>(€/000)</i>	30.09.2018	31.12.2017	30.09.2017
A. Cash	15	14	19
B. Positive balances of unrestricted bank accounts	18,081	11,009	5,636
C. Other cash equivalents	309	510	693
D. Liquidity (A+B+C)	18,405	11,533	6,348
E. Current financial receivables	3,521	-	-
F. Current bank payables	8,150	11,157	11,635
G. Current portion of non-current debt	8,595	6,131	5,568
H. Other current financial payables	9,536	75	80
I. Current financial debt (F+G+H)	26,281	17,363	17,283
J. Net current financial debt (I-E-D)	4,355	5,830	10,935
K. Non-current bank payables	45,660	16,298	13,532
L. Other non-current financial payables	3,230	3,405	3,201
M. Non-current financial debt (K+L)	48,890	19,703	16,733
N. Net financial debt (J+M)	53,245	25,533	27,668