Half-Year Report

at 30 June 2017

TABLE OF CONTENTS

GROUP STRUCTURE AND CORPORATE BODIES

Group structure

Parent company

SABAF S.p.A.
Registered and administrative office: Via dei Carpini 1 - 25035 Ospitaletto (Brescia)
R.E.A. Brescia 347512 Tax code 03244470179
Tax identification number 03244470179
Share Capital €11,533,450 fully paid in
www.sabaf.it

Subsidiaries and equity interest owned by the Group

Faringosi Hinges s.r.l.	100%
Sabaf Immobiliare s.r.l.	100%
Sabaf do Brasil Ltda.	100%
Sabaf US Corp.	100%
Sabaf Appliance Components (Kunshan) Co., Ltd.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	100%
A.R.C. s.r.l.	70%
Sabaf Appliance Components Trading (Kunshan) Co., Ltd. in liquidation	100%

Associate companies and equity interest owned by the Group

Handan ARC Burners Co., Ltd.	35%

Subsidiaries and equity interest owned by the Group

Board of Directors

Chairman	Giuseppe Saleri
Vice Chairman	Cinzia Saleri
Vice Chairman	Ettore Saleri
Vice Chairman	Roberta Forzanini
Chief Executive Officer *ad interim*	Gianluca Beschi
Director (*)	Renato Camodeca
Director (*)	Giuseppe Cavalli
Director (*)	Fausto Gardoni
Director	Pietro Iotti
Director	Alessandro Potestà
Director (*)	Anna Pendoli
Director (*)	Nicla Picchi

(*) independent directors

Board of Statutory Auditors

Chairman	Antonio Passantino
Statutory Auditor	Luisa Anselmi
Statutory Auditor	Enrico Broli

Independent Auditor

DELOITTE & TOUCHE S.p.A.

INTERIM MANAGEMENT STATEMENT

Foreword

This Half-Year Report at 30 June 2017 has been prepared in accordance with Article 154-ter of Legislative Decree 58/1998 and in compliance with the applicable international accounting standards recognized in the European Community and, in particular, IAS 34 - Interim Financial Reporting. The interim data at 30 June 2017 and 30 June 2016 and for the six-month periods ending on the same dates were subject to a limited audit by Deloitte & Touche S.p.A.

The Business

The Sabaf Group is one of the world's leading manufacturers of components for gas cooking appliances. Its reference market therefore consists of manufacturers of cookers, hobs and ovens.
Sabaf's product range focuses on the following main lines:

- Gas components, made up of:
  - Valves and thermostats, with or without thermoelectric safety devices: the components which regulate the flow of gas to the burner;
  - Burners: these are the components which, via the mixing of gas with air and combustion of the gas used, produce one or more rings of flame;
  - Accessories: other components that complete the range, aimed particularly at making it possible to light and control the flame.
- Hinges: these components enable the smooth and balanced movement of appliance doors when they are opened or closed.

The Sabaf Group currently has six production plants: Ospitaletto (Brescia), Bareggio (Milan), Campodarsego (Padua), Jundiaì (Brazil), Manisa (Turkey) and Kunshan (China).

Economic performance

Financial highlights

(amounts in €'000)	**Q2 2017 (*)**	**Q2 2016 (*)**	% change	**H1 2017**	**H1 2016**	% change	**FY 2016 (**)**
Sales revenue	40,163	33,993	*+18.2%*	77,236	64,853	*+19.1%*	130,978
EBITDA	9,222	6,783	*+36.0%*	16,782	12,366	*+35.7%*	25,365
EBITDA %	***23.0***	***20.0***		***21.7***	***19.1***		***19.4***
Operating profit (EBIT)	5,981	3,583	*+66.9%*	10,320	6,043	*+70.8%*	12,530
EBIT %	***14.9***	***10.5***		***13.4***	***9.3***		***9.6***
Pre-tax profit	5,843	3,572	*+63.6%*	10,267	5,916	*+73.5%*	12,446
Net profit	4,378	2,378	*+84.1%*	7,452	3,935	*+89.2%*	8,994

(*) unaudited figures
(**) 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 (see "Information relating to IFRS 3").

Consolidated income statement

(€/000)	Q2 2017 (*)	Q2 2016 (*)	H1 2017	H1 2016
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**

(*) unaudited figures

Sales by geographical area

(amounts in €'000)	**Q2 2017** (*)	**Q2 2016** (*)	% change	**H1 2017**	**H1 2016**	% change	**FY 2016**
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**

(*) unaudited figures

Sales by product line

(amounts in €'000)	**Q2 2017** (*)	**Q2 2016** (*)	% change	**H1 2017**	**H1 2016**	% change	**FY 2016**
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
Total gas parts	*36,598*	*31,766*	*15.2%*	*70,521*	*60,594*	*16.4%*	*120,265*
Professional burners	1,286	-		2,401	-		2,289
Hinges	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**

(*) unaudited figures

First half 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 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 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 the first half of 2017 versus the figure of €5.9 million in the corresponding period of the previous year, and net profit was €7.5 million, €3.9 million in the corresponding period of the previous year, up by 89.4%.

Second quarter 2017

Sales in the second quarter of 2017 amounted to €40.2 million, up by 18.2% compared to €34 million in the second quarter of 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 year that showed signs of recovery compared with the first quarter of 2016.

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

Balance sheet and financial position

(€/000)	**30.06.2017**	**31.12.2016(*)**	**30.06.2016(*)**
Non-current assets	*93,962*	*94,141*	*96,877*
Short-term assets	88,806	72,908	82,338
Short-term liabilities	(35,435)	(26,824)	(31,145)
Net working capital[1]	*53,371*	*46,084*	*51,193*
Short-term financial assets	*193*	*0*	*75*
Provisions for risks and charges, deferred taxes and employee severance pay reserve	*(4,318)*	*(4,390)*	*(4,335)*
Net invested capital	**143,208**	**135,835**	**143,810**
Short-term net financial position	(13,864)	(2,804)	(23,501)
Net medium/long-term financial position	(18,022)	(20,654)	(10,778)
Net financial debt	**(31,886)**	**(23,458)**	**(34,279)**
Group shareholders' equity	**109,915**	**110,998**	**108,232**
Third-party shareholders' equity	**1,407**	**1,379**	**1,299**

(*) 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 (see "Information relating to IFRS 3").

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 €111 million and €23.5 million respectively at 31 December 2016), after having paid dividends of €5.4 million.

Investments in the first half of 2017 were €7 million (in line with the first half of 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 system and for product traceability.

Net working capital is €53.4 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).

Related-party and infragroup transactions

Transactions with related parties, including infragroup transactions, have not been qualified as atypical or unusual, as they fall under the normal course of Group operations. These transactions are regulated at arm's length conditions.

Related-party transactions other than infragroup transactions are described in the Explanatory Notes to the half-yearly condensed consolidated financial statements, which also show to what extent related- party transactions affected financial statement items.

[1] difference between short-term Assets and short-term Liabilities

Risk factors related to the segment in which the Group operates and main risks and uncertainties for the remainder of 2017

Risks related to the overall conditions of the economy and trend in demand
The business and financial circumstances of the Group are influenced by a variety of factors, such as gross domestic product, consumer and corporate confidence, the cost of raw materials, the unemployment rate, the ease of access to credit and interest rate trends.
The protracted nature of the European crisis, which has become systemic over the years, has had an impact on the transformation of the household appliances sector in which the Sabaf Group operates. Indeed, the continuing contraction of demand on mature markets has been accompanied by a further concentration of end markets, a progressive increase in sales volumes in emerging countries and, finally, tougher competition, phenomena which require aggressive policies when setting sales prices.
To cope with this situation, the Group aims to retain and reinforce its leadership position wherever possible through:

- the launch of new products characterised by superior performance compared with market standards, and tailored to the needs of the customer;
- expansion on markets with high growth rates;
- the maintenance of high quality and safety standards, which make it possible to differentiate the product through the use of resources and implementation of production processes that are not easily sustainable by competitors;
- the improvement in the efficiency of production processes.

Risks connected to trends in commodity prices
The Group uses metals and alloys such as brass, aluminium alloys and steel in its production processes. Sales prices of products are generally renegotiated annually; as a result, the Group is unable to immediately pass on to clients any changes in the prices of commodities during the year. The Group protects itself from the risk of changes in the price of brass and aluminium with supply contracts signed with suppliers for delivery up to twelve months in advance or, alternatively, with derivative financial instruments.
The Sabaf Group has already fixed purchase prices to cover more than 50% of production needs until the end of 2017 for aluminium alloys, brass and steel. Based on the contracts concluded and current market prices, the Group expects purchase costs in the second half of 2016 to be around €0.5 million higher than in the same period of the previous year.

Risks related to exchange rates
The Sabaf Group operates primarily in euro. There are, however, transactions in other currencies, such as the U.S. dollar, the Brazilian real, the Turkish lira and the Chinese renminbi.
Sales in dollars represent around 14% of the consolidated turnover: the euro's appreciation against the dollar has had a negative effect on sales and profits. More generally, an unfavourable exchange rate trend could lead to a loss of competitiveness on the markets where sales are made in dollars (mainly North and South America), and, for financial assets in foreign currencies (mainly trade receivables), the booking of negative foreign exchange differences.
At 30 June 2017 the Group has derivative contracts to hedge the risk of the euro/dollar exchange rate for a total notional amount of USD 3.5 million, maturing on 31 December 2017. The effects of this on the accounts are shown in Note 10.

Customer insolvency risk
The high concentration of sales on a small number of customers generates a concentration of the respective trade receivables, with a resulting increase in the negative impact on economic and financial results in the event of insolvency of any one of them.
The risk is partially transferred to third parties by credit insurance, or guaranteed through the request for letters of credit issued by leading banks for customers. The remainder of the receivable risk is covered in the financial statements by a doubtful account provision.

Risks related to the presence in Turkey and risk of instability in emerging countries
Turkey is today the principal production centre for household appliances at European level. The strong competitiveness of the local industry has attracted substantial foreign investments and favoured the growth of large local entities that are conquering an ever more important position on the international stage. In this context, the Sabaf Group started up a plant in Turkey at the end of 2012 and today achieves more than 10% of its total production in Turkey. The Turkish market represented 24% of the Group's total sales in 2017 (a significant share of Sabaf components is assembled by the customers on products finished and then exported from Turkey). The

recent social and political unrest in Turkey has not had any effect on the Sabaf Group's business, which has continued in a completely normal manner. However, in consideration of the strategic relevance of this country for the sector and for the Group, the management has assessed the risks that could result from the impossibility of operating in Turkey following dramatic events, even though these are today considered to be improbable. It should in particular be noted that all the products made in Turkey today can also be made in Italy, although at higher costs, thus enabling the Sabaf Group to guarantee the continuity of supplies to the customers.
40% of Sabaf Group sales are made on markets outside Europe. Furthermore, products sold in Italy can be exported by customers in international markets, making the percentage of sales earned directly and indirectly from emerging economies more significant.
The Group's main markets outside Europe include North Africa, the Middle East and South America. Any embargoes or major political or economic instability, changes in the regulatory and/or local law systems or new tariffs or taxes imposed in the future could affect a portion of Group sales and the related profitability.
To combat this risk, the Group has adopted a policy of diversifying investments at international level, setting different strategic priorities that, as well as business opportunities, also consider the different associated risk profiles.

The environment in which the Sabaf Group operates is marked by further risk factors (product liability, protection of product exclusivity, concentration of sales, growth of outside lines, loss and difficultly replacing key staff) which are described in the Management Statement at 31 December 2016, and whose profile did not change during the first half of 2017.

Significant events after the end of the first half

No significant events emerged subsequent to the end of the half year and to the date of the present half- year report.

Outlook for the current year

The performance of sales and orders remained positive also for the months of July and August. Although the visibility for the second half of the year 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 forecasts.

For the Board of Directors
The Chairman
Giuseppe Saleri

Ospitaletto, 03 August 2017

HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2017

Consolidated statement of 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
Total equity interest of the Parent Company		*109,915*	*110,998*
Minority interests		*1,407*	*1,379*
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 (see "Information relating to IFRS 3").

Consolidated income statement

(€/000)	Notes:	H1 2017	H1 2016
OPERATING REVENUE AND INCOME			
Revenues	**23**	77,236	64,853
Other income	**24**	1,581	1,350
Total operating revenue and income		**78,817**	**66,203**
OPERATING COSTS			
Materials	**25**	(33,039)	(25,370)
Change in inventories		5,195	2,496
Services	**26**	(15,914)	(14,368)
Payroll costs	**27**	(18,417)	(16,577)
Other operating costs	**28**	(588)	(451)
Costs for capitalised in-house work		728	433
Total operating costs		**(62,035)**	**(53,837)**
OPERATING PROFIT BEFORE DEPRECIATION & AMORTISATION, CAPITAL GAINS/LOSSES, AND WRITE-DOWNS/WRITE-BACKS OF NON-CURRENT ASSETS (EBITDA)		**16,782**	**12,366**
Depreciation and amortisation		(6,469)	(6,331)
Capital gains/(losses) on disposals of non-current assets		7	8
Write-downs/write-backs of non-current assets		0	0
OPERATING PROFIT (EBIT)		**10,320**	**6,043**
Financial income		129	32
Financial expenses	**29**	(283)	(285)
Exchange rate gains and losses	**30**	101	126
Profits and losses from equity investments		0	0
PROFIT BEFORE TAXES		**10,267**	**5,916**
Income tax	**31**	(2,787)	(1,981)
Minority interests		(28)	0
NET PROFIT FOR THE PERIOD		**7,452**	**3,935**
(in euro)			
Basic earnings per share	**32**	**0.663**	**0.345**
Diluted earnings per share	**32**	**0.663**	**0.345**

Consolidated statement of comprehensive income

	Notes:	H1 2017	H1 2016
(€/000)			
NET PROFIT FOR THE PERIOD		**7,452**	**3,935**
Overall earnings/losses that will be subsequently restated under profit (loss) for the period:			
Forex differences due to translation of financial statements in foreign currencies		(2,214)	1,378
Tax effect		0	0
Total other profits/(losses) net of taxes for the year		**(2,214)**	**1,378**
TOTAL PROFIT		**5,238**	**5,313**

Consolidated statement of cash flows

	H1 2017	H1 2016
Cash and cash equivalents at beginning of period	***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)
Change in trade receivables	*(12,271)*	*(1,680)*
Change in inventories	*(4,562)*	*(2,743)*
Change in trade payables	*6,845*	*1,712*
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**
Cash and cash equivalents at end of period	***5,588***	***5,105***
Current financial debt	19,452	28,606
Non-current financial debt	18,022	10,778
Net financial debt	***31,886***	***34,279***

Statement of changes in consolidated shareholders' equity

(€/000)	Share capital	Share premium reserve	Legal reserve	Treasury shares	Translation reserve	Post-employment benefit discounting reserve	Other reserves	Profit for the year	Total Group shareholders' equity	Minority interests	Total shareholders' equity
Balance at 31 Dec 2015	**11,533**	**10,002**	**2,307**	**(723)**	**(7,048)**	**(581)**	**86,552**	**8,998**	**111,040**	**0**	**111,040**
Allocation of 2015 earnings											
- dividends paid out								(5,467)	(5,467)		(5,467)
- carried forward							3,531	(3,531)	0		0
Purchase of treasury shares				(1,132)					(1,132)		(1,132)
ARC consolidation										1,210	1,210
ARC 30% put option							(1,522)		(1,522)		(1,522)
Overall profit H1 2016					1,378			3,935	5,313		5,313
IFRS3 Effect										89	89
Balance at 30 Jun 2016(*)	**11,533**	**10,002**	**2,307**	**(1,855)**	**(5,670)**	**(581)**	**88,561**	**3,935**	**108,232**	**1,299**	**109,442**
Purchase of treasury shares				(544)					(544)		(544)
Overall profit H1 2016 comprehensive in- come					(1,718)	(31)		5,074	3,325	86	3,411
IFRS3 Effect								(15)	(15)	(6)	(21)
Balance at 31 Dec 2016(*)	**11.533**	**10,002**	**2,307**	**(2,399)**	**(7,388)**	**(612)**	**88,561**	**8,994**	**110,998**	**1,379**	**112,377**
Allocation of 2016 earnings											
- dividends paid out								(5.384)	(5.384)		(5.384)
- carried forward							3,604	(3,604)	0		0
Purchase of treasury shares				(937)					(937)		(937)
Overall profit H1 2017					(2,214)			7,452	5,238	28	5,266
Balance at 30 Jun 2017	**11,533**	**10,002**	**2,307**	**(3,336)**	**(9,602)**	**(612)**	**92,165**	**7,446**	**109,915**	**1,407**	**111,322**

(*) 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 (see “Information relating to IFRS 3”).

EXPLANATORY NOTES

Basis of presentation and accounting policies used

The half-yearly condensed consolidated financial statements, at 30 June 2017, were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union and, in particular, in accordance with IAS 34 on interim reports. This set of condensed half-year consolidated financial statements does not include all the information required for the annual financial report and must be read in conjunction with the consolidated financial statements for the year ended 31 December 2016. Reference to the IFRS includes all the International Accounting Standards (IAS) currently in force. The financial statements have been prepared in euro, rounding amounts to the nearest thousand, and are compared with the half-yearly and annual financial statements of the previous year, prepared according to the same standards. The half-yearly condensed consolidated financial statements consist of the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated statement of cash flows, and these explanatory notes.

The consolidation policies, criteria for converting items in foreign currencies, and accounting principles and policies are the same as those used for the annual financial report at 31 December 2016, to which reference should be made for additional information.

New accounting standards

Accounting Standards, IFRS amendments and interpretations applied from 1 January 2017

Given that no new IFRS accounting standards, amendments and interpretations are expected to come into force starting 1 January 2017, the Group prepared the half-yearly condensed consolidated financial statements using the same accounting standards used for the financial statements at 31 December 2016.

IFRS and IFRIC accounting standard, amendments approved by the European Union, not yet universally applicable and not adopted early by the Group at 30 June 2017

- Standard **IFRS 15 - *Revenue from Contracts with Customers*** (published on 28 May 2014 and completed with further clarifications published on 12 April 2016), which is scheduled to re- place IAS 18 - *Revenue* and IAS 11 - *Construction Contracts*, as well as interpretations IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 - *Agreements for the Construction of Real Estate*, IFRIC 18 - *Transfers of Assets from Customers* and SIC 31: *Revenue-Barter Transactions Involving Advertising Services*. The standard establishes a new revenue recognition model, which will apply to all contracts concluded with customers except those falling within the application of other IAS/IFRS standards, such as leases, insurance contracts and financial instruments. The fundamental passages for the recognition of revenues according to the new model are:
  - the identification of the contract with the customer;
  - the identification of the contract's performance obligations;
  - the determination of the price;
  - the allocation of the price to the contract's performance obligations;
  - the revenue recognition criteria when the entity satisfies each performance obligation.

  The principle applies from 1 January 2018, but early application is permitted. The amendments to IFRS 15, Clarifications to IFRS 15 – Revenue from Contracts with Customers, published by the IASB in April 2016, have not yet been approved by the European Union. Although the systematic analysis of the case and in particular a detailed analysis of the contracts with the customers have not yet been completed, the directors do not expect that the application of IFRS 15 can have a significant impact on the amounts recorded for the revenues and on the related disclosures in the Group's consolidated financial statements.

- Final version of **IFRS 9 – *Financial Instruments*** (published on 24 July 2014). The document welcomes the results of the phases relating to classification and valuation, *Impairment, and hedge accounting*, of the IASB project intended to replace IAS 39. The new standard, which replaces the previous versions of IFRS 9, should be applied by financial statements from 1 January 2018 onwards. The directors do not expect that the application of IFRS 9 can have a significant impact on the amounts and on the disclosures in the Group's consolidated financial statements. However, it is not possible to provide a reasonable estimate of the effect as long as the Group has not completed a detailed analysis.

IFRS accounting standards, amendments and interpretations not yet endorsed by the European Union

On the reference date of these consolidated financial statements the competent bodies of the European Union have not yet concluded the approval process necessary for the adoption of the amendments and principles described below.

- On 13 January 2016 the IASB published the standard **IFRS 16 – *Leases***, which is intended to replace the standard IAS 17 – *Leases*, as well as the interpretations IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC 15 *Operating Leases—Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The new standard provides a new definition of *lease* and introduces a criterion based on right of use of an asset in order to distinguish leasing contracts from contracts for services, identify- ing as distinguishing criteria: the identification of the asset, the right to replace the same, the right to obtain substantially all of the economic benefits arising from the use of the asset and the right to direct the use of the asset underlying the contract. The standard establishes a unique model for recognising and evaluating leasing contracts for the lessee which provides for the recognition of the asset under the lease also operating in the assets set against a financial debt, in addition providing the possibility of not recognising as leasing contracts those contracts which have as their subject matter low-value assets and leases with a term of 12 months or less. On the contrary, the Standard does not include significant changes for lessors. The standard applies from 1 January 2019, but early application is permitted, only for the Companies/Groups which have applied IFRS 15 - *Revenue from Contracts with Customers* in advance. The directors do not expect that the application of IFRS 16 can have a significant impact on the accounting of the leasing contracts and on the related disclosures in the Group's consolidated financial statements.

- On 19 January 2016 the IASB published the document "***Recognition of Deferred Tax As- sets for Unrealised Losses (Amendments to IAS 12)***" which contains changes to the inter- national accounting standard IAS 12. The document aims to provide some clarifications on the recognition of the deferred tax assets on unrealised losses when verifying certain circumstances and on the estimation of the taxable income for future years. These amendments, published by the IASB in January 2016 and applicable starting 1 January 2017, given they have not yet been endorsed by the European Union, were not adopted by the Group at 30 June 2017.

- On 29 January 2016 the IASB published the document "***Disclosure Initiative (Amend- ments to IAS 7)***" which contains changes to the international accounting standard IAS 7. The document aims to provide some clarifications for improving information on financial liabilities. In particular the changes require the provision of information which permits users of the financial statement to understand the changes of the liabilities resulting from financial operations. These amendments, published by the IASB in January 2016 and applicable from 1 January 2017, given they have not yet been endorsed by the European Union, were not adopted by the Group at 30 June 2017.

- Interpretation **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (published on 8 December 2016). The interpretation aims to provide guidelines for foreign currency transactions if advances or non-cash payments are recognised in the financial statements, prior to the recognition of the related asset, cost or revenue. This document provides guidance on how an entity should determine the date of a transaction, and consequently, the spot exchange rate to be used when foreign currency transactions occur in which the payment is made or received in advance. IFRIC 22 is applicable from 1 January 2018, but early application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these changes.

- Amendment to **IAS 40 "Transfers of Investment Property"** (published on 8 December 2016). These amendments clarify the transfers of a property to, or from, investment property. In particular, an entity must reclassify a property among, or from, investment property only when there is evidence that there was a change in the intended use of the property. This change must refer to a specific event that happened and must not be limited to a change of intention by the Management of an entity. The changes apply from 1 January 2018, but early application is permitted. The directors do not expect a significant effect on the Group's consolidated financial statements through the adoption of these changes.

- On 7 June 2017, IASB published the clarification document **IFRIC 23 – Uncertainty over Income Tax Treatments**. The document addresses the issue of uncertainties relevant to the tax treatment to be adopted for income taxes.
  The document envisages that the uncertainties in determining tax assets or liabilities are reflected in the financial statements only when it is probable that the entity will pay or recover the amount in question. Furthermore, the document does not contain any new disclosure requirements but emphasises that the entity must establish whether it will be necessary to provide information on the comments made by management and relevant uncertainties concerning the accounting of taxes, in accordance with the provisions of IAS 1.
  The new interpretation is applicable from 1 January 2019, but early application is permitted.

Financial statements

The Group has adopted the following formats:

- current and non-current assets and current and non-current liabilities are stated separately in the statement of financial position;
- the income statement expresses costs using a classification based on the nature of each item;
- a comprehensive income statement, which records all changes in Other overall earnings (losses) during the year, generated by transactions other than those conducted with shareholders and based on specific IAS/IFRS standards;
- a cash flow statement that presents financial flows originating from operating activity, using the indirect method.

Use of these formats permits the most meaningful representation of the Group's capital, business, and financial status.

Scope of consolidation

The scope of consolidation at 30 June 2017 comprises the parent company Sabaf S.p.A. and the following companies, which Sabaf S.p.A. controls:

- Faringosi Hinges s.r.l.
- Sabaf Immobiliare s.r.l.
- Sabaf do Brasil Ltda.
- Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki (Sabaf Turkey)
- Sabaf Appliance Components Trading (Kunshan) Co., Ltd.
- Sabaf Appliance Components (Kunshan) Co., Ltd.
- A.R.C. s.r.l.

Control is the power to directly or indirectly determine the financial and operating policies of an entity in order to obtain benefits from its activities. Controlled companies (i.e. subsidiaries) are consolidated from the date on which such control starts until the date on which it ends.

The companies Sabaf US Corp. and Handan ARC Ltd., have not been consolidated as they are immaterial for the purposes of consolidation.

Information relating to IFRS 3

Upon completion of the valuation of the assets and liabilities of A.R.C. at the acquisition date, pursuant to IFRS 3, previously considered provisional, the temporary figures of the tangible assets acquired recorded at the time in the half-year report at 30 June 2016 and consolidated financial statements at 31 December 2016, were increased by €410,000, subsequent to a technical analysis carried out by experts on plants, machinery and equipment to identify their fair value. Furthermore, provisions for deferred tax liabilities were increased by €114,000 in order to record the relevant tax effect. The Group has used the option provided by IFRS 3 in order to finalise the allocation within 12 months from the purchase date given that the technical analysis on plants, machinery and equipment was not previously complete and available.

Goodwill is based on the favourable income and financial outlook of A.R.C., outlined in the 2017 - 2021 forward plan, drafted at the end of 2016, which plans a further gradual improvement of sales and profitability, to be considered as sustainably purchased also going forward. The final goodwill of € 1,770,000 reflects the net change described above of € 296,000, net of the allocation made to third parties (€ 89,000) during the measurement period to the temporary values of tangible assets and deferred tax liabilities.

As provided by the IFRS 3 accounting standard, the figures of the comparative financial statements and, in particular, the financial position consolidated at 31 December 2016 were restated in order to retrospectively account for the effects resulting from the higher value of the acquired assets (€381,000) and relevant tax effect (€106,000), as well as the reduction of the item goodwill (€207,000). This entry resulted in a reduction in consolidated net income and consolidated shareholders' equity of 2016, for €21,000, of which owned by the Group €15,000.

	Original values assets/liabilities acquired	Valuation at Fair Value	Fair Value assets/liabilities acquired
Non-current assets			
Property, plant and equipment and intangible assets	303	410	713
Financial assets	107		107
Non-current receivables and deferred tax assets	145		145
Inventories			
Inventories	891		891
Trade receivables	1,525		1,525
Other receivables	234		234
Cash and cash equivalents	2,186		2,186
Total assets	**5,391**	**410**	**5,801**
Non-current liabilities			
Post-employment benefit reserve	(238)		(238)
Deferred tax liabilities	-	(114)	(114)
Current liabilities			
Trade payables	(813)		(813)
Sundry payables	(308)		(308)
Total liabilities	**(1,359)**	**(114)**	**(1,473)**
Acquired net assets at fair value	**4,032**	**296**	**4,328**
- % of the scope of Sabaf's remit (70%) (a)	2,823	207	3,030
Total cost of the acquisition (b)	4,800		4,800
Goodwill resulting from the acquisition (b-a) (Note 2)	1,977	(207)	1,770
Cash and cash equivalents (c)	2,186		2,186
Overall cash outlay (b-c)	2,614		2,614

Consolidation criteria

The policies applied for consolidation are as follows:
Assets and liabilities, income and costs in financial statements consolidated on a 100% line-by-line basis are incorporated into the Group financial statements, regardless of the entity of the equity interest concerned. In addition, the carrying value of equity interests is eliminated against the shareholders' equity relating to subsidiary companies.
Positive differences arising from elimination of equity investments against the carrying value of shareholders' equity at the date of first-time consolidation are attributed to the higher values of assets and liabilities when possible and, for the remainder, to goodwill.
Payable/receivable and cost/revenue items between consolidated companies and profits/losses arising from intercompany transactions are eliminated.
If minority shareholders exist, the portion of shareholders' equity and net profit for the period pertaining to them is posted in specific items of the consolidated statement of financial position and income statement.

Conversion into euro of foreign-currency income statements and balance sheets

Separate financial statements of each company belonging to the Group are prepared in the currency of the country in which that company operates (functional currency). For the purposes of the consolidated financial statements, each company's financial statements are expressed in euro, which is the Group's functional currency and the reporting currency for the consolidated financial statements.
Balance sheet items in accounts expressed in currencies other than euro are converted by applying cur- rent end-of-period exchange rates. Income statement items are converted at average exchange rates for the period.
Foreign exchange differences arising from the comparison between opening shareholders' equity con- verted at current exchange rates and at historical exchange rates, together with the difference between the net result expressed at average and current exchange rates, are allocated to "Other Reserves" under shareholders' equity.
The exchange rates used for conversion into euro of the financial position of the foreign subsidiaries, prepared in local currency, are given in the following table:

Description of currency	**Exchange rate 30.06.2017**	**Average exchange rate 01.01.2017 - 30.06.2017**	**Exchange rate 31.12.2016**	**Average exchange rate 01.01.2016 - 30.06.2016**
Brazilian real	3.7600	3.4418	3.4305	4.1317
Turkish lira	4.0134	3.9391	3.7072	3.2585
Chinese renminbi	7.7385	7.4448	7.3202	7.2960

Segment reporting

The Group's operating segments in accordance with IFRS 8 - Operating Segment are identified in the business segments that generate revenue and costs, whose results are periodically reassessed by top management in order to assess performance and decisions regarding resource allocation. The Group operating segments are the following:
- gas parts (household and professional);
- hinges.

Use of estimates

The preparation of the half-year financial statements and notes in accordance with IFRS requires the Directors to make estimates and assumptions that affect the values of revenues, costs, assets and liabilities of the half-year financial statements and the disclosures on contingent assets and liabilities as at 30 June 2017. In the event that in future these estimates and assumptions, which are based on the Di- rectors' best assessments, should deviate from actual circumstances, they will be amended appropriately at the time the circumstances change. Estimates and assumptions are regularly reviewed and the effects of each change immediately reflected in the income statement. It should also be noted that certain valuation processes, particularly the more complex ones such as the determination of any impairment losses of non-current assets, are generally carried out in full only for the preparation of the annual financial statements, when all information that could be necessary is available, except in cases in which impairment indicators require an immediate valuation of any impairment losses.

Finally, it should be noted that the actuarial valuation of the post-employment benefit reserve is not conducted for the purpose of preparing the interim financial statements, but only for the annual financial statements, since the resulting effects on the statement of financial position and the comprehensive income statement are not considered to be significant.

Comments on key income statement items

1. TANGIBLE ASSETS

	Property	Plant and equipment	Other assets	Assets under construction	Total
Cost					
At 31 December 2016*	**51,268**	**185,148**	**40,303**	**1,770**	**278,489**
Increases	1,442	2,657	1,250	1,637	**6,986**
Reclassifications	118	460	201	(983)	**(204)**
Disposals	-	(545)	(141)	-	**(686)**
Forex differences	(452)	(1,028)	(371)	(17)	**(1,868)**
At 30 June 2017	**52,376**	**186,692**	**41,242**	**2,407**	**282,717**
Accumulated depreciation and amortisation					
At 31 December 2016	**16,976**	**152,756**	**35,312**	**-**	**205,044**
Increases	732	4,067	1,150	-	**5,949**
Reclassifications	3	22	14	-	**39**
Disposals	-	(470)	(100)	-	**(570)**
Forex differences	(82)	(537)	(244)	-	**(863)**
At 30 June 2017	**17,629**	**155,838**	**36,132**	**0**	**209,599**
Carrying value					
At 31 December 2016	**34,292**	**32,392**	**4,991**	**1,770**	**73,445**
At 30 June 2017	**34,747**	**30,854**	**5,110**	**2,407**	**73,118**

* figures recalculated pursuant to IFRS 3

The carrying value of the item "Property" is made up as follows:

	30.06.2017	31.12.2016	Change
Land	6,972	6,688	284
Industrial buildings	27,776	27,604	171
Total	**34,747**	**34,292**	**455**

During the year, the largest investments were used for the automation of the assembly lines for light alloy valves and automation of the die-casting islands in Turkey. Significant interventions are also in progress at the Ospitaletto plant for the interconnection of production plants with the management systems and for product traceability (industry 4.0). Other investments were used for the creation of moulds for new burners. The building in Campodarsego (PD), where A.R.C. carries out its activities, which was previously rented, has been purchased. The expansion of the plant in Brazil was started. Investments in maintenance and replacement, so that production equipment is kept up to date and remains efficient, are ongoing

Internal and external indicators which would necessitate an impairment test on property, plant and equipment with reference to these half-year financial statements were not identified.

2. INVESTMENT PROPERTY

Cost	
At 31 December 2016	**13,136**
Increases	-
Disposals	-
At 30 June 2017	**13,136**

Cumulative amortisation and write-downs	
At 31 December 2016	**6,866**
Depreciation for the period	220
Eliminations for disposals	-
At 30 June 2017	**7,086**

Carrying value	
At 31 December 2016	**6,270**
At 30 June 2017	**6,050**

This item includes non-operating buildings owned by the Group: these are mainly properties for residential use, located in Ospitaletto near Sabaf's headquarters, held for rental or sale. The carrying value is considered to be in line with the presumed realisable value.

3. INTANGIBLE ASSETS

	Goodwill	Patents, software and know-how	Development costs	Other intangible assets	Total
Cost					
At 31 December 2016	**10,779***	**6,469**	**4,955**	**791**	**22,994**
Increases	-	166	205	6	377
Reclassifications	-	-	-	-	-
Forex differences	-	(7)	-	(6)	(13)
At 30 June 2017	**10,779**	**6,628**	**5,160**	**791**	**23,358**
Accumulated depreciation and amortisation					
At 31 December 2016	**4,563**	**6,006**	**2,699**	**648**	**13,916**
Increases	-	134	171	9	314
Reclassifications	-	-	-	-	-
Forex differences	-	(4)	-	(6)	(10)
At 30 June 2017	**4,563**	**6,136**	**2,870**	**651**	**14,220**
Carrying value					
At 31 December 2016	**6,216**	**463**	**2,256**	**143**	**9,078**
At 30 June 2017	**6,216**	**492**	**2,290**	**140**	**9,138**

* figure recalculated pursuant to IFRS 3

The Group verifies the ability to recover goodwill at least once a year or more frequently if there are indications of value impairment. Recoverable value is determined through value of use, by discounting expected cash flows.

The goodwill booked in the financial statements:

- for €4.19 million arises from the acquisition of Faringosi Hinges S.r.l. and is allocated to the “Hinges” cash generating unit.
- for €1.77 arises from the acquisition of A.R.C. S.r.l. and was subsequently allocated to the cash generating unit “Professional burners”.

The Group did not identify any impairment indicators in the first half of 2017, i.e. signs that tangible and intangible assets including goodwill relating to the CGU “Hinges” and “Professional burners” may have suffered an impairment loss. Consequently, at 30 June 2017, it was not deemed necessary to conduct an impairment test based on an updated business plan.

Other intangible assets have a finite useful life and are therefore amortised based on this lifetime. The useful life of projects for which development costs are capitalised is estimated at 10 years.

The increase in development costs mainly includes the costs for the designing of new models of special burners.

Internal and external indicators which would necessitate an impairment test on intangible assets, other than goodwill, with reference to these half-year financial statements were not identified.

4. EQUITY INVESTMENTS

		31.12.2016	Change	30.06.2017
Sabaf U.S.		139	-	139
Handan ARC Burners	-	101	-	101
Other shareholdings		66	-	66
Total		**306**	**0**	**306**

The subsidiary Sabaf U.S. operates as a commercial base for North America. The carrying value of the investment is deemed recoverable taking into consideration expected developments on the North American market.

Handan ARC Burners Co. is a Chinese joint venture established at the end of 2015, in which A.R.C. s.r.l. holds 50% (the Group’s interest is therefore equivalent to 35%). Handan ARC Burners has the objective to produce and market burners for professional cooking in China; the company is currently starting-up operations.

5. NON-CURRENT RECEIVABLES

	30.06.2017	31.12.2016	Change
Tax receivables	265	225	40
Guarantee deposits	35	37	(2)
Total	**300**	**262**	**38**

Tax receivables relate to indirect taxes to be recovered from Brazilian tax authorities.

6. INVENTORIES

	30.06.2017	31.12.2016	Change
Commodities	11,395	9,740	1,655
Semi-processed goods	12,378	10,893	1,485
Finished products	15,655	13,308	2,347
Provision for inventory write-downs	(3,382)	(2,457)	(925)
Total	**36,046**	**31,484**	**4,562**

The value of inventories at 30 June 2017 was higher than at the end of 2016, subsequent to the increase in sales value and different seasonal trend. The impact of inventories on sales is 23.3%, compared with 25% at the end of 2016.

At 30 June 2017, the inventory obsolescence provision was adjusted based on an improved estimate of the obsolescence risk, measured by analysing slow and non-moving inventory.

7. TRADE RECEIVABLES

	30.06.2017	31.12.2016	Change
Total trade receivables	49,839	37,576	12,263
Provision for doubtful accounts	(727)	(734)	7
Net total	**49,112**	**36,842**	**12,270**

Trade receivables at 30 June 2017 also increased versus end-2016 subsequent to higher sales and seasonal trends. There were no significant changes in average payment terms agreed with clients. At 30 June 2017, receivables overdue by more than 90 days totalled €1,792,000 (€1,310,000 at 31 December 2016).

At 30 June 2017, trade receivables included balances of some USD 6.7 million, posted at the €/USD ex- change rate at the end of the period, i.e. 1.1412.

8. TAX RECEIVABLES

	30.06.2017	31.12.2016	Change
From Giuseppe Saleri SapA for IRES	1,158	1,158	-
From inland revenue for income tax	-	1,028	(1,028)
From inland revenue for VAT	478	533	(55)
Other tax receivables	541	444	97
Total	**2,177**	**3,163**	**(986)**

Since 2004 the Italian companies of the Group have been part of the national tax consolidation scheme pursuant to articles 117/129 of the Unified Income Tax Law. In this scheme, Giuseppe Saleri S.a.p.A., the parent company of Sabaf S.p.A., acted as the consolidating company. This option has not been renewed in 2016, as one of the conditions permitting the Group’s tax regime (controlling party's shareholding in the controlled party greater than 50%) is no longer valid.
At 30 June 2017, the receivable due from Giuseppe Saleri S.a.p.A., arises from the deductibility of IRAP from IRES relating to the expenses incurred for employees for the period 2006-2011 (Legislative Decree 201/2011), for which the consolidating company has presented an application for a refund and which will revert to the Sabaf Group companies for the share pertaining to them as soon as it is refunded.

Other tax receivables mainly relate to the indirect taxes of the group's foreign companies (Brazil, Turkey and China).

9. OTHER CURRENT RECEIVABLES

	30.06.2017	31.12.2016	Change
Advances to suppliers	179	168	11
Credits to be received from suppliers	320	706	(386)
Other receivables, accrued income	971	545	426
Total	**1,470**	**1,419**	**51**

Credits to be received from suppliers for €210,000, include the energy subsidy due to companies which consume a large amount of energy (so-called "energy-intensive users' bonus") for the 2015 financial year, and for the remainder the attributable share of bonuses from suppliers linked to the attainment of specific purchasing objectives.

10. FINANCIAL ASSETS

	30.06.2017		31.12.2016	
	Current	**Non Current**	**Current**	**Non Current**
Fixed bank account	60	180	-	-
Currency derivatives	133	-	-	-
Total	**193**	**180**	**0**	**0**

At 30 June 2017, forward sale derivative contracts for a notional amount of USD 3.5 million were in place to hedge the Group's exposure to exchange rate risk, for which the valuation at fair value, positive for €133,000, was accounted for in the current financial assets.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents, which amounted to €5,588,000 at 30 June 2017 (€12,143,000 at 31 December 2016) consisted of bank current account balances of €4,117,000 (€8.4 million at 31 December 2016) and investments in mutual funds with immediate liquidity of €1,471,000 (€3.7 million at 31 December 2016). Changes in the net financial position are analysed in the cash flow statement.

12. SHARE CAPITAL

Sabaf S.p.A.'s share capital at 30 June 2017 consists of 11,533,450 shares with a par value of €1 each and has not changed compared with 31 December 2016.

13. TREASURY SHARES

In the course of the first half-year of 2017, 84,472 own shares were acquired at an average unit price of €11,098, while they have not been sold.
At 30 June 2017, Sabaf S.p.A. held 317,611 treasury shares (2.754% of the share capital), reported in the financial statements as an adjustment to shareholders' equity at a unit value of €10,504.
There were 11,215,839 outstanding shares at 30 June 2017 (11,300,311 at 31 December 2016).

14. LOANS

	30.06.2017		31.12.2016	
	Current	Non Current	Current	Non Current
Property leasing	147	1,537	145	1,611
Unsecured loans	5,834	14,783	6,656	17,281
Short-term bank loans	7,251	-	7,802	-
Advances on bank receipts or invoices	6,127	-	2	-
Interest payable	15	-	7	-
Total	**19,374**	**16,320**	**14,612**	**18,892**

Changes in loans over the first half of the year are shown in the cash flow statement. During the half-year period, no new medium-long-term loans were taken out. Short-term loans of up to three months have been renewed as part of ordinary cash flow management activities.

Only one of the outstanding unsecured loans of € 4.5 million at 30 June 2017 has covenants, defined with reference to the consolidated financial statements at the end of the reporting period, as specified below:

- commitment to maintain a ratio of net financial position to shareholders' equity of less than 1
- commitment to maintain a ratio of net financial position to EBITDA of less than 2

Covenants result as fully respected at 31 December 2016.

15. OTHER FINANCIAL LIABILITIES

	30.06.2017		31.12.2016	
	Current	**Non Current**	**Current**	**Non Current**
Option on minorities	-	1,522	-	1,522
Payables to A.R.C.'s shareholders	60	180	60	240
Currency derivatives	-	-	238	-
Derivative instruments on interest rates	18	-	37	-
Total	**78**	**1,702**	**335**	**1,762**

In June 2016, in the course of the purchase operation of 70% of A.R.C. s.r.l., SABAF concluded with Mr Loris Gasparini (current minority shareholder at 30% of A.R.C.) an agreement that aimed to regulate Mr. Gasparini's right to leave A.R.C. and the interest of Sabaf in acquiring 100% of the shares after expiry of the term of five years from the signing of the purchase agreement of 24 June 2016, by signing specific option agreements. Therefore, the agreement envisaged specific option rights to purchase (by Sabaf) and sell (by Gasparini) exercisable as from 24 June 2021, the remaining shares of 30% of A.R.C., with strike prices contractually defined on the basis of final income parameters from A.R.C. at 31 December 2020.

Pursuant to the provisions of IAS 32, the assignment of an option to sell (put option) under the terms described above requires the initial recognition of a liability corresponding to the estimated reimbursement value, expected at the time of the possible exercise of the option: to this end, a non-current financial liability equivalent to €1.522 million was recognised, the amount of which remained unchanged compared to December 31, 2016, given that no indicators have emerged during the half-year that required an adjustment to the valuation. It is noted that in the course of the subsequent periods until the date of the possible exercise of the option the Group will have to value from time to time the estimate of the outlay and determine the adjustment of the liabilities recognized, opting for the application of the fair value method of valuation of the liabilities in accordance with the provisions of IAS 39.

The payables to A.R.C.'s shareholders, equivalent to €240,000 at 30 June 2017, are related to the part of the price not yet liquidated to the vendors, which is deposited on an escrow account and released for the benefit of vendors on a straight-line basis until 2021, in accordance with the contractual agreements and the guarantees given by the vendors.

The Group borrows money mainly at a floating rate; to reach an optimum mix of floating and fixed rates in the structure of the loans, the Group uses derivative financial instruments. At 30 June 2017 the Group has in place three interest rate swap (IRS) contracts for amounts and maturities coinciding with three unsecured loans which are being amortised, whose residual value at 30 June 2017 is €11.689 million. The contracts have not been designated as capital flow hedges and are therefore at their fair value through profit and loss, and recognised in the items "Financial assets" or "Other financial liabilities".

16. POST-EMPLOYMENT BENEFIT AND RETIREMENT RESERVES

	30.06.2017	31.12.2016	Change
Severance indemnity	2,956	2,961	(5)
Provision for pensions	125	125	-
Total	**3,081**	**3,086**	**(5)**

17. RESERVES FOR RISKS AND CONTINGENCIES

	31.12.2016	Provisions	Utilisation	Release of excess portion	Forex differences	30.06.2017
Reserve for agents' indemnities	231	17	-	(15)	-	233
Product guarantee fund	60	10	(10)	-	-	60
Reserve for legal risks	143	20	-	-	(8)	155
Total	**434**	**47**	**(10)**	**(15)**	**(8)**	**448**

The reserve for agents' indemnities covers amounts payable to agents if the Group terminates the agency relationship.
The product guarantee fund covers expenses to be incurred for servicing products during the warranty period.
The reserve for legal risks is allocated for disputes of a modest size.

The provisions booked to the reserve for risks and contingencies, which represent the estimate of future payments made based on historical experience, have not been time-discounted because the effect is considered negligible.

18. TRADE PAYABLES

	30.06.2017	31.12.2016	Change
Total	**25,822**	**18,977**	**6,845**

The increase in trade payables compared to the end of 2016 reflects the higher volumes of activity and different seasonal trend. Aver- age payment terms remained unchanged.

At 30 June 2017, there were no overdue payables of a significant amount, and the Group had not received any injunctions for overdue payables.

19. TAX PAYABLES

	30.06.2017	31.12.2016	Change
Income tax payables	1,157	361	796
Withholding taxes	492	788	(296)
Other tax payables	112	41	71
Total	**1,761**	**1,190**	**571**

The increase in income tax payables compared with the end of the half-year was due to the corporate income tax (IRES) payment dates, requiring payments on account in July and November and payment of the balance in July of the following year.

20. OTHER CURRENT PAYABLES

	30.06.2017	31.12.2016	Change
Due to employees	5,127	3,965	1,162
To social security institutions	1,981	2,139	(158)
To agents	187	268	(81)
Advances from customers	155	181	(26)
Other current payables, accrued and deferred income	403	104	299
Total	**7,853**	**6,657**	**1,196**

At 30 June 2017, payables due to employees included amounts for the thirteenth month's pay and for holidays accrued but not taken.

21. NET FINANCIAL POSITION

		30.06.2017	31.12.2016	Change
A.	Cash	14	12	2
B.	Positive balances of unrestricted bank accounts	4,103	8,376	(4,273)
C.	Other cash equivalents	1,471	3,755	(2,284)
D.	**Liquidity (A+B+C)**	**5,588**	**12,143**	**(6,555)**
E.	Current bank overdrafts	13,392	7,811	5,581
F.	Current portion of non-current debt	5,982	6,801	(819)
G.	Other current financial payables	78	335	(257)
H.	**Current financial debt (E+F+G)**	**19,452**	**14,947**	**4,505**
I.	**Current net financial debt (H-D)**	**13,864**	**2,804**	**11,060**
J.	Non-current bank payables	14,783	17,281	(2,498)
K.	Other non-current financial payables	3,239	3,373	(134)
L.	**Non-current financial debt (J+K)**	**18,022**	**20,654**	**(2,632)**
M.	**Net financial debt (L+I)**	**31,886**	**23,458**	**8,428**

The change in cash and cash equivalents (letter D. of the net financial position table) is shown in the Cash Flow Statement.

22. DEFERRED TAX ASSETS AND LIABILITIES

	30.06.2017	31.12.2016	Change
Deferred tax assets	4,870	4,781	89
Deferred tax	(789)	(870)*	81
Net position	**4,081**	**3,911**	**170**

* figure recalculated pursuant to IFRS 3

Below are the main elements comprising deferred tax assets and liabilities and their changes during the period:

	Depreciation and amortisation and leasing	Provisions and value adjustments	Fair value of derivative instruments	Goodwill	Tax incentives	Actuarial post-employment benefit reserve evaluation	Other temporary differences	Total
At 31 December 2016	**23**	**1,062**	**67**	**1,771**	**595**	**210**	**183**	**3,911**
A income statement	9	249	(45)	-	(270)	(2)	294	235
Forex differences	-	(12)	-	-	(40)	-	(13)	(65)
At 30 June 2017	**32**	**1,299**	**22**	**1,771**	**285**	**208**	**464**	**4,081**

Tax assets relating to goodwill, amounting to €1,771,000, refer to the redemption of the value of the investment in Faringosi Hinges s.r.l. made in 2011. The future tax benefit can be made in ten annual portions starting in 2018.

Deferred tax assets relating to tax incentives are commensurate to investments made in Turkey, for which the Group benefited from reduced taxation recognised on income generated.

Comments on key income statement items

23. REVENUES

In the first half of 2017, revenue from sales and services totalled €77,236,000, up by 19.1% versus €64,853,000 in the same period in 2016. For comments on changes in revenues and a detailed analysis of revenues by product family and geographical area, please see the Report on Operations.

24. OTHER INCOME

	H1 2017	H1 2016	Change
Sale of scrap and raw materials	1,129	908	221
Rental income	43	43	0
Contingent income	89	121	(32)
Release of reserve for risks	15	63	(48)
Other income	305	215	90
Total	**1,581**	**1,350**	**231**

25. MATERIALS

	H1 2017	H1 2016	Change
Commodities and outsourced components	30,175	22,918	7,257
Consumables	2,864	2,452	412
Total	**33,039**	**25,370**	**7,669**

The average effective purchase prices of the main commodities have recorded an increase. During the first half of 2016, the higher cost due to the effect of the change in the prices of commodities compared to those of the first half of 2016, at equivalent volumes, is estimated at around €0.8 million.

In the first hald of 2017, the impact of consumption (purchases plus change in inventories) on sales was 36.1%, compared with 35.3% in 2016.

26. COSTS OF SERVICES

	H1 2017	H1 2016	Change
Outsourced processing	5,275	4,515	760
Natural gas and electricity	2,497	2,404	93
Maintenance	2,355	2,143	212
Transport and export expenses	1,086	883	203
Commissions	274	286	(12)
Advisory services	1,067	786	281
Directors' remuneration	518	558	(40)
Use of temporary agency workers	99	63	36
Travel expenses and allowances	409	364	45
Waste disposal	247	220	27
Canteen	207	215	(8)
Insurance	295	409	(114)
Other costs	1,585	1,522	63
Total	**15,914**	**14,368**	**1,546**

The higher costs for outsourced processing are related to the increase of production volumes, which also required greater outsourcing for various stages of production. The higher costs for maintenance derive from the work in progress for the continuous adaptation of plant, machinery and equipment at all of the Group's facilities. Other costs include registering of patents, leasing of third-party assets, cleaning and other minor items.

27. STAFF COSTS

	H1 2017	H1 2016	Change
Salaries and wages	12,630	11,510	1,120
Social security costs	3,974	3,691	283
Severance Indemnity and supplementary pension	727	685	42
Temporary agency workers	939	572	367
Other costs	147	119	28
Total	**18,417**	**16,577**	**1,840**

The average Group headcount in the first half of 2017 was 754 employees (586 blue-collars, 153 white-collars and supervisors, and 15 managers) compared to 761 in the first half of 2016. The average number of temporary workers was 72, compared with 64 in the same period of 2016. During the period, the Group did not use the temporary unemployment fund (in the first half of 2016, this institution allowed for a cost saving of around €320,000).

28. OTHER OPERATING COSTS

	H1 2017	H1 2016	Change
Allowances for doubtful accounts	63	50	13
Non-income related taxes and duties	250	247	3
Contingent liabilities	59	56	3
Provisions to the risk reserve	47	-	47
Other operating costs	169	98	71
Total	**588**	**451**	**137**

29. FINANCIAL EXPENSES

	H1 2017	H1 2016	Change
Interest paid to banks	146	124	22
Interest paid on leasing	10	12	(2)
Financial expenses on derivative financial instruments	-	13	(13)
Banking expenses	109	115	(6)
Other financial expenses	18	21	(3)
Total	**283**	**285**	**(2)**

30. EXCHANGE RATE GAINS AND LOSSES

In the first half of 2017, the Group reported net foreign exchange gains of €101,000, versus net gains of €126,000 in the same period of 2016.

31. INCOME TAX

	H1 2017	H1 2016	Change
Current tax	2,487	1,907	580
Deferred tax	235	80	155
Balance of previous FYs	65	(6)	71
Total	**2,787**	**1,981**	**806**

Income tax is calculated in a precise manner, in the same way as taxes are calculated when drafting the annual financial statements.
In the first half of 2017, the impact of current taxes as a share of the pre-tax profit is 27.1%, compared with 33.5% in the first half of 2016. The reduction of the tax rate was determined by the reduction of the IRES rate from 27.5% to 24%, and the tax benefits connected to the investments made in Italy ("super amortisation" and "hyper

amortisation") and in Turkey.

32. EARNINGS PER SHARE

Basic and diluted EPS are calculated based on the following data:

Earnings

	H1 2017	H1 2016
	Euro '000	*Euro '000*
Net profit for the period	7,452	3,935

Number of shares

	H1 2017	H1 2016
Weighted average number of ordinary shares for determining basic earnings	11,235,368	11,413,380
Dilutive effect from potential ordinary shares	0	0
Weighted average number of ordinary shares for determining diluted earnings per share	11,235,368	11,413,380

	H1 2017	H1 2016
	Euro	*Euro*
Basic earnings per share	0.663	0.345
Diluted earnings per share	0.663	0.345

The number of shares for measuring the earnings per share was calculated net of the average number of shares in the portfolio.

33. DIVIDENDS

On 31 May 2017, shareholders were paid a dividend of €0.48 per share (total dividends of €5,384,000); a unitary dividend for the same amount was paid in 2016.

34. INFORMATION BY BUSINESS SEGMENT

Below is the information by business segment for the first half of 2017 and 2016.

First half 2017

	Gas parts (household and professional)	Hinges	Cost
Sales	72,945	4,291	**77,236**
Operating result	9,826	493	**10,319**

First half 2016

	Gas parts (household and professional)	Hinges	Cost
Sales	60,630	4,223	**64,853**
Operating result	5,632	411	**6,043**

35. RELATED-PARTY TRANSACTIONS

Transactions between Sabaf S.p.A. and its consolidated subsidiaries have been eliminated from the consolidated financial statements and are not addressed in these notes. The table below illustrates the impact of all transactions between the Group and other related parties on the statement of financial position and income statement.

Impact of related-party transactions or positions on items in the statement of financial position at 30 June 2017

	Total financial statement item	Parent company	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	49,113	-	139	-	139	0.28%
Tax receivables	2,177	1,158	-	-	1,158	53.16%

Impact of related-party transactions or positions on items in the statement of financial position at 30 June 2016

	Total financial statement item	Parent company	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Trade receivables	43,629	5	-	-	5	0.01%
Tax receivables	2,616	1,205	-	-	1,205	46.06%
Trade payables	21,975	-	45	-	45	0.20%
Tax payables	1,586	157	-	-	157	9.90%

Impact of related-party transactions or positions on income statement items at 30 June 2017

	Total financial statement item	Parent company	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	1,581	5	-	-	5	0.32%
Services	15,914	-	92	-	92	0.58%

Impact of related-party transactions or positions on income statement items at 30 June 2016

	Total financial statement item	Parent company	Non-consolidated subsidiaries	Other related parties	Total related parties	Impact on the total
Other income	1,350	5	-	-	5	0.37%
Services	14,368	-	90	-	90	0.63%

Relations with the parent company Giuseppe Saleri S.a.p.A., consist of administration services provided by Sabaf S.p.A. to the parent company and, until 2015, in tax consolidation relations, which generated the receivable shown in the table and commented in Note 8.
Transactions with non-consolidated subsidiaries are solely of a commercial nature.
All transactions are regulated by specific contracts regulated at arm's length conditions.

36. SHARE-BASED PAYMENTS

At 30 June 2017, there were no equity-based incentive plans for the Company's directors and employees.

37. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to the CONSOB memorandum of 28 July 2006, the Group declares that no significant non-recurring events or transactions, as defined by the memorandum, took place in the first half of 2017.

38. ATYPICAL AND/OR UNUSUAL TRANSACTIONS

Pursuant to Consob communication of 28 July 2006, the Group declares that no atypical and/or unusual transactions as defined by the Consob communication itself were carried out during the first half of 2017.

39. COMMITMENTS

Guarantees issued

The Sabaf Group has issued sureties to guarantee consumer and mortgage loans granted by Banco di Brescia to Group employees for a total of €5,385,000 (€5,510,000 at 31 December 2016).

SCOPE OF CONSOLIDATION AT 30 June 2017

COMPANIES CONSOLIDATED USING THE STRAIGHT LINE METHOD

Company name	Registered offices	Share capital	Investee Company	% of invest ment
Parent company				
Sabaf S.p.A.	Ospitaletto (BS) Via dei Carpini, 1	EUR 11,533,450		
Subsidiary companies				
Faringosi-Hinges s.r.l.	Ospitaletto (BS) Via Martiri della Libertà, 66	EUR 90,000	Sabaf S.p.A.	100%
Sabaf Immobiliare s.r.l.	Ospitaletto (BS) Via Martiri della Libertà, 66	EUR 25,000	Sabaf S.p.A.	100%
Sabaf do Brasil Ltda.	Jundiaí - São Paulo (Brazil)	BRL 24,000,000	Sabaf S.p.A.	100%
Sabaf Beyaz Esya Parcalari Sanayi Ve Ticaret Limited Sirteki	Manisa (Turkey)	TRY 28,000,000	Sabaf S.p.A.	100%
Sabaf Appliance Compo- nents (Kunshan) Co., Ltd.	Kunshan (China)	EUR 200,000	Sabaf S.p.A.	100%
Sabaf Appliance Compo- nents (Kunshan) Co., Ltd.	Kunshan (China)	EUR 4,400,000	Sabaf S.p.A.	100%
A.R.C. s.r.l.	Campodarsego (PD)	EUR 45,000	Sabaf S.p.A.	70%

NON-CONSOLIDATED COMPANIES VALUED AT COST

Company name	Registered offices	Share capital	Investee Company	% of investment	holding %
Sabaf US Corp.	Plainfield – Illinois (USA)	USD 100,000	Sabaf S.p.A.	100%	100%
Handan ARC Burners Co., Ltd.	Handan (China)	RMB 7,000,000	A.R.C. s.r.l.	50%	35%

Certification of the half-yearly condensed consolidated financial statements pursuant to art. 154-*bis* of Legislative Decree 58/98

The undersigned Gianluca Beschi as Chief Executive Officer ad interim and Financial Reporting Officer for the preparation of the Corporate Financial Documents of Sabaf S.p.A., have taken into account the requirements of Article 154-*bis*, paragraph 3 and 4, of Legislative Decree 58 of 24 February 1998 and can certify:

- the appropriateness in relation to the characteristics of the company and
- the effective application

of the administrative and accounting procedures to draft the condensed consolidated interim report in the first half of 2017.
They also certify that:

- the half-yearly condensed consolidated financial statements:
  - have been prepared in accordance with the international accounting standards recognised in the European Community in accordance with EC regulation 1606/2002 of the European Parliament and Council, of 19 July 2002;
  - correspond to the results of the accounting entries and ledgers;
  - are appropriate to provide a truthful and correct picture of the income statement, balance sheet, and cash flow of the issuer and the companies included in the consolidation;

- the interim management statement includes a reliable analysis of the important events which occurred in the first six months of the year and their impact on the condensed consolidated interim financial statements, along with a description of the main risks and uncertainties for the six remaining months of the year. The interim management statement also contains a reliable analysis of the information on significant transactions with related parties.

Ospitaletto, 03 August 2017

SABAF S.p.A.
Financial Reporting Officer for the preparation of the Corporate Financial Documents - Chief Executive Officer ad interim
Gianluca Beschi

Deloitte.

Deloitte & Touche S.p.A.
Via Cefalonia, 70
25124 Brescia
Italia

Tel : +39 02 83327030
Fax: +39 02 83327029
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
SABAF S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of SABAF S.p.A. and subsidiaries (the "SABAF Group"), which comprise the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, statement of changes in consolidated shareholders' equity and related explanatory notes as of June 30, 2017. The Directors are responsible for the preparation of this interim financial information in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") for the review of the half-yearly interim financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the SABAF Group as of June 30, 2017 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Andrea Restelli
Partner

Brescia, Italy
August 4, 2017

This report has been translated into the English language solely for the convenience of international readers.